REOFFERING CIRCULAR

Remarketing — Book Entry Only **Ratings: See "Expected Ratings" herein**

On October 25, 2007, Co-Bond Counsel, delivered an opinion that as of the date thereof, based upon an analysis of existing law on such date, interest on the 2007B Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the 2007B Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax; however, interest paid to corporate holders of the 2007B Bonds may be initially subject to alternative minimum tax under certain circumstances. The 2007B Bonds are exempt from personal property taxes in Pennsylvania, and interest on the 2007B Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein.

$289,675,000
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
Multi-Modal Lease Revenue Refunding Bonds
2007 Series B
CUSIP: 71781QEE4

Dated: Date of Original Delivery **Due: October 1, 2030**

The Philadelphia Authority for Industrial Development's Multi-Modal Lease Revenue Refunding Bonds 2007 Series B (the "2007B Bonds") were issued pursuant to a Trust Indenture dated as of April 1, 2001 (the "Original Indenture") as previously supplemented and amended, and as further supplemented by a Third Supplemental Trust Indenture dated as of October 1, 2007, as amended and supplemented (the "Third Supplemental Trust Indenture"), together with the Original Indenture, as previously amended and supplemented, the "Existing Indenture"), each by and between Philadelphia Authority for Industrial Development (the "Authority") and The Bank of New York Trust Company, N.A., Philadelphia, Pennsylvania, as successor trustee (the "Trustee"). In connection with the substitution of an irrevocable, direct-pay letter of credit for the 2007B Bonds described in this Reoffering Circular, the Authority and the Trustee are entering into a Fourth Supplemental Trust Indenture dated May 1, 2008 (the "Fourth Supplemental Indenture" and, together with the Existing Indenture, the "Indenture").

The 2007B Bonds are dated their date of original delivery and mature on the dates and in the amounts set forth on the inside front cover. The 2007B Bonds bear interest at a Weekly Rate, subject to conversion to an ARS Rate, Daily Rate, Commercial Paper Rate, Term Rate or Fixed Rate by the Authority, at the direction of the City of Philadelphia (the "City"), and upon satisfaction of certain conditions described herein and in the Indenture. J.P. Morgan Securities Inc. is the Remarketing Agent for the 2007B Bonds. While the 2007B Bonds bear interest at a Weekly Rate, the interest rate will be determined by the Remarketing Agent. See "THE BONDS—Determination of Interest Rates" herein.

Interest on the 2007B Bonds is payable on each Interest Payment Date as set forth herein by wire transfer to registered owners of $1,000,000 or more of such series of 2007B Bonds who so request, as described herein. Principal or redemption price of the 2007B Bonds is payable at the office of the Trustee designated herein upon surrender of such 2007B Bonds.

The 2007B Bonds are subject to optional and mandatory sinking fund redemption as described herein. (See "THE BONDS—Redemption of the 2007B Bonds".) While the 2007B Bonds bear interest at a Weekly Rate or a Daily Rate, the 2007B Bonds are subject to optional and mandatory tender as described herein. (See "THE BONDS—Optional Tender for Purchase", "—Conversion of Rate Periods for the 2007 Bonds" and "—Mandatory Tender for Purchase".)

The 2007B Bonds were issued originally as fully registered bonds in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which acts as securities depository for the 2007B Bonds. Purchasers will not receive certificates representing their ownership interests in the 2007B Bonds purchased. Beneficial ownership of the 2007B Bonds while the 2007B Bonds bear interest at a Weekly Rate or a Daily Rate may be acquired in denominations of $100,000 and any integral multiple of $5,000 in excess thereof. The principal or redemption price of, and interest on, the 2007B Bonds are payable to DTC for redistribution to its participants and in turn to the beneficial owners of the 2007B Bonds. (See "THE BONDS—Book-Entry Only System".)

The 2007B Bonds are special limited obligations of the Authority payable solely out of certain of the payments made by the City to the Authority under certain leases related to the Eagles stadium and the Phillies stadium, each dated as of April 1, 2001, as amended (collectively, the "Security Leases") between the Authority, as lessor, and the City, as lessee, and certain other funds and moneys held by the Trustee under the Indenture. Pursuant to the Indenture and except as otherwise provided therein, the Authority has assigned to the Trustee all of its right, title and interest to certain rental payments to be made by the City under the Security Leases as security for the 2007B Bonds. The City's rental obligations under the Security Leases are payable out of current revenues of the City and the City covenants in the Security Leases to make appropriations in each fiscal year in amounts required to make all rental payments due and payable in each fiscal year. (See "SECURITY AND SOURCES OF PAYMENT FOR THE 2007B BONDS".)

Under an irrevocable, direct-pay Letter of Credit (the "Letter of Credit") issued with respect to the 2007B Bonds by

JPMorgan

and

THE BANK OF NEW YORK

severally, and not jointly, the Trustee will be entitled to draw up to an amount equal to the principal of and 57 days accrued interest at a maximum rate of 10% on the 2007B Bonds to be used to pay the principal or redemption price of and interest on the 2007B Bonds or the purchase price of the 2007B Bonds, as described in this Reoffering Circular. The Letter of Credit is provided by JPMorgan Chase Bank, National Association, as Administrative Agent, and The Bank of New York, as Documentation Agent (collectively, the "Banks"). The Letter of Credit will expire on May 1, 2011 unless terminated earlier or extended as described herein. Unless the Letter of Credit is extended or replaced as described herein, the 2007B Bonds will be subject to mandatory tender for purchase prior to the termination of the Letter of Credit. (See "THE LETTER OF CREDIT" herein.)

Price: 100%

A detailed mandatory sinking fund schedule is set forth on the inside front cover page.

THE 2007B BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY AND SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE COMMONWEALTH OF PENNSYLVANIA, THE CITY (EXCEPT TO THE EXTENT OF ITS LEASE RENTAL OBLIGATIONS UNDER THE SECURITY LEASES) OR ANY OTHER POLITICAL SUBDIVISION THEREOF AND SHALL NOT CREATE OR CONSTITUTE AN INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA, THE CITY OR ANY OTHER POLITICAL SUBDIVISION, LEGAL, MORAL OR OTHERWISE, NOR SHALL THE 2007B BONDS BE PAYABLE OUT OF ANY FUNDS, REVENUES OR PROPERTIES OF THE AUTHORITY OTHER THAN THOSE PLEDGED OR DESIGNATED THERETO. NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE CREDIT OR TAXING POWER OF THE CITY, THE COMMONWEALTH OF PENNSYLVANIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF THE 2007B BONDS OR INTEREST THEREON OR ANY PREMIUM OR OTHER COST INCIDENT THERETO. NOTWITHSTANDING THE FOREGOING, THE CITY IS OBLIGATED UNDER THE SECURITY LEASES TO MAKE CERTAIN PAYMENTS WHICH HAVE BEEN PLEDGED TO THE TRUSTEE AS SECURITY FOR THE 2007B BONDS. THE AUTHORITY HAS NO TAXING POWER.

The 2007B Bonds were originally offered on October 25, 2007. In connection with the reoffering of the 2007B Bonds, certain legal matters will be passed on by Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, and Andre C. Dasent, PC., Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by its Counsel, Booth & Tucker LLP, Philadelphia, Pennsylvania, for JPMorgan Chase Bank, National Association by its counsel, Greenberg Traurig, LLP, Philadelphia, Pennsylvania, and for The Bank of New York by its counsel, Emmet, Marvin & Martin, LLP, New York, New York. Certain legal matters will be passed on for the City by the City Solicitor. It is expected that the reoffered 2007B Bonds will be available for delivery through The Depository Trust Company in New York, New York on or about May 1, 2008 against payment thereof.

J.P. Morgan Securities Inc.

Dated: April 28, 2008

$289,675,000
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
Multi-Modal Lease Revenue Refunding Bonds
2007 Series B
CUSIP: 71781QEE4

Dated: Date of Original Delivery **Due: October 1, 2030**

Mandatory Sinking Fund Schedule

Due October 1	Par Amount
2015	$12,990,000
2016	13,550,000
2017	14,125,000
2018	14,730,000
2019	15,355,000
2020	16,015,000
2021	16,695,000
2022	17,405,000
2023	18,150,000
2024	18,925,000
2025	19,730,000
2026	20,570,000
2027	21,445,000
2028	22,365,000
2029	23,315,000
2030	24,310,000

PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
2600 Centre Square West
1500 Market Street
Philadelphia, Pennsylvania 19102

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Philadelphia, Pennsylvania

CO-BOND COUNSEL
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Philadelphia, Pennsylvania

Andre C. Dasent, P.C.
Philadelphia, Pennsylvania

REMARKETING AGENT
J.P. Morgan Securities Inc.
New York, New York

LETTER OF CREDIT PROVIDERS
JPMorgan Chase Bank, National Association
New York, New York

The Bank of New York
New York, New York

LETTER OF CREDIT PROVIDERS' COUNSEL
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Philadelphia, Pennsylvania

Emmet, Marvin & Martin, LLP
New York, New York

TRUSTEE AND PAYING AGENT
The Bank of New York Trust Company, N. A.
Philadelphia, Pennsylvania

CO-FINANCIAL ADVISORS
Phoenix Capital Partners, LLP
Philadelphia, Pennsylvania

Public Resources Advisory Group
Media, Pennsylvania

This Reoffering Circular does not constitute an offer to sell, or a solicitation of an offer to buy, any of the 2007B Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. No dealer, salesperson or any other person has been authorized by Philadelphia Authority for Industrial Development, the City of Philadelphia or the Remarketing Agent to give any information or to make any representations, other than those contained herein, in connection with the reoffering of the 2007B Bonds, and, if given or made, such information or representations must not be relied upon. Other than with respect to information concerning the Letter of Credit, the Reimbursement Agreement and JPMorgan Chase Bank, National Association and The Bank of New York (collectively, the "Banks") contained in APPENDIX F herein, none of the information in this Official Statement has been supplied or verified by the Banks; and, except with respect to information furnished by the Banks for use in this Reoffering Circular, the Banks make no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the 2007B Bonds; or (iii) the tax exempt status of the interest on the 2007B Bonds. Neither the delivery of this Reoffering Circular nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the matters referred to herein since the date hereof.

ALTHOUGH THE AUTHORITY HAS EXECUTED THIS REOFFERING CIRCULAR AND AUTHORIZED ITS DISTRIBUTION, THE AUTHORITY IS NOT RESPONSIBLE FOR AND DOES NOT REPRESENT OR WARRANT IN ANY WAY THE ACCURACY OR COMPLETENESS OF ANY INFORMATION OR ANY STATEMENTS MADE HEREIN, EXCEPT THE INFORMATION AND STATEMENTS SET FORTH UNDER THE HEADINGS "INTRODUCTORY STATEMENT–THE AUTHORITY", "THE AUTHORITY" AND "LITIGATION" (BUT ONLY AS IT RELATES TO THE AUTHORITY). ACCORDINGLY, EXCEPT AS AFORESAID, THE AUTHORITY DISCLAIMS RESPONSIBILITY FOR THE DISCLOSURE SET FORTH HEREIN MADE IN CONNECTION WITH THE REOFFERING, SALE AND DISTRIBUTION OF THE 2007B BONDS OR OTHERWISE.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS REOFFERING CIRCULAR, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS REOFFERING CIRCULAR, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE REOFFERING OF THE 2007B BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE REMARKETING CIRCULAR.

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REOFFERING CIRCULAR

Relating To

$289,675,000
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
Multi-Modal Lease Revenue Refunding Bonds
2007 Series B

INTRODUCTORY STATEMENT

Purpose of this Reoffering Circular

This Reoffering Circular, including the cover page and the attached Appendices, is furnished in connection with the reoffering by J.P. Morgan Securities Inc. (the "Remarketing Agent") for the Philadelphia Authority for Industrial Development (the "Authority") of its $289,675,000 aggregate principal amount of Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B (the "2007B Bonds"). As a result of the ratings downgrade of Financial Guaranty Insurance Company ("FGIC"), the Authority has determined to replace FGIC's municipal bond insurance policy for the 2007B Bonds, pursuant to the terms of the 2007B Bonds and the provisions of the Indenture (hereinafter defined) pursuant to which they were issued, with an irrevocable, direct-pay letter of credit and cause the return of such policy to FGIC for cancellation. The direct-pay letter of credit will be issued by JPMorgan Chase Bank, National Association and The Bank of New York as described herein.

The 2007B Bonds were issued and are secured pursuant to the provisions of the Pennsylvania Economic Development Financing Law, Act of August 23, 1967, P.L. 251, as amended and supplemented, 73 P.S. § 371 et seq. (the "Act") and a bond resolution (the "Bond Resolution") adopted by the Authority on September 11, 2007, and are secured under the terms of a Trust Indenture (the "Original Indenture") dated as of April 1, 2001, between the Authority and The Bank of New York Trust Company, N.A. (successor to J.P. Morgan Trust Company, National Association) (the "Trustee"), as amended and supplemented pursuant to a First Supplemental Trust Indenture dated as of December 1, 2001, between the Authority and the Trustee (the "First Supplemental Indenture"), a Second Supplemental Trust Indenture dated as of June 30, 2004, between the Authority and the Trustee (the "Second Supplemental Indenture"), and a Third Supplemental Trust Indenture dated as of October 1, 2007, between the Authority and the Trustee (the "Third Supplemental Indenture" and, together with the Original Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Existing Indenture"). In connection with the substitution of a direct-pay letter of credit, which shall constitute both credit enhancement and liquidity support for the 2007B Bonds as described in this Reoffering Circular, the Authority and the Trustee are entering into a Fourth Supplemental Trust Indenture dated May 1, 2008 (the "Fourth Supplemental Indenture" and, together with the Existing Indenture, the "Indenture").

Simultaneously with the issuance of the 2007B Bonds, the Authority also issued its Fixed Rate Lease Revenue Refunding Bonds, 2007 Series A in the aggregate principal amount of

$50,320,000 (the "2007A Bonds" and, together with the 2007B Bonds, the "2007 Bonds"). The 2007A Bonds were issued under and are secured under the Indenture on a parity with the 2007B Bonds and the 2001A Bonds (hereafter defined).

The 2007B Bonds are special limited obligations of the Authority and are payable solely from certain of the rental payments to be made by The City of Philadelphia (the "City"), as lessee, to the Authority, as lessor, under the Security Leases (as defined herein) and monies held in certain funds and accounts under the Indenture. The Security Leases were approved by the City Council of the City by Ordinances approved and effective on December 28, 2000 and by the Authority pursuant to a series of resolutions adopted by the Authority on various dates. Any terms capitalized herein and not otherwise defined shall have the respective meanings set forth in APPENDIX C hereto.

The 2007B Bonds will also be entitled to the benefit of the credit enhancement and the liquidity facility provided by an irrevocable, direct-pay letter of credit (the "Letter of Credit") provided by JPMorgan Chase Bank, National Association ("JPMorgan"), as Administrative Agent, and The Bank of New York ("BNY"), as Documentation Agent (collectively referred to herein as the "Banks"), severally and not jointly, under the terms and conditions described herein. See "THE LETTER OF CREDIT" herein.

JPMorgan is obligated under the Letter of Credit for $164,675,000, plus accrued interest, and BNY is obligated under the Letter of Credit for $125,000,000, plus accrued interest. The Banks are severally and not jointly liable under the Letter of Credit.

The Letter of Credit will be issued and secured pursuant to a Reimbursement Agreement dated May 1, 2008 (the "Reimbursement Agreement") between the Authority and the Banks upon terms and conditions summarized herein. See "THE REIMBURSEMENT AGREEMENT" herein.

The Letter of Credit replaces the credit enhancement for the 2007B Bonds previously provided by a bond insurance policy from Financial Guaranty Insurance Company ("FGIC") and a liquidity facility for the 2007B Bonds previously provided by the Banks pursuant to a standby bond purchase agreement. The bond insurance policy previously provided by FGIC has been cancelled and the standby bond purchase agreement previously provided by the Banks has been terminated.

The Authority, at the direction of the City, with the prior written consent of FGIC, is delivering the Letter of Credit as both an Alternate Credit Enhancement and an Alternate Liquidity Facility for the 2007B Bonds pursuant to the requirements of the Existing Indenture. The Authority approved the substitution of the Letter of Credit and the execution of all required documents by a board resolution adopted on April 8, 2008.

The 2007A Bonds which are fixed rate bonds were also insured by FGIC and will continue to be insured by FGIC.

The 2007 Bonds were issued on October 25, 2007 to finance a project consisting of (i) the advance refunding of the Authority's Lease Revenue Bonds, Series B of 2001 (Tax Exempt) (the "2001B Bonds"); and (ii) the payment of certain costs of issuance (collectively, the

"2007 Project"). The 2001B Bonds were issued to finance a portion of the costs of two stadia, which are currently known as Citizens Bank Park and Lincoln Financial Field, for use by, among other entities, the Philadelphia Phillies baseball team and Philadelphia Eagles football team, respectively. The Authority issued the 2001B Bonds concurrently and on a parity with its Lease Revenue Refunding Bonds, Series A of 2001 (Taxable) (the "2001A Bonds"), under and pursuant to the First Supplemental Indenture. The 2001A Bonds, which are taxable, currently are outstanding in the aggregate principal amount of $8,230,000 and are secured on a parity with the 2007A Bonds and 2007B Bonds. The 2001A Bonds, together with the 2007A and the 2007B Bonds are collectively referred to herein as the Bonds.

J.P. Morgan Securities Inc., the Remarketing Agent, currently holds 2007B Bonds that are subject to mandatory tender for purchase in connection with the substitution of the Letter of Credit. Proceeds of the remarketing will be used to purchase such 2007B Bonds from the Remarketing Agent.

The Authority

The Authority, a public instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and a body corporate and politic, was created in 1967 pursuant to the Act. The Authority's address is 2600 Centre Square West, 1500 Market Street, Philadelphia, Pennsylvania 19102. See "THE AUTHORITY" herein.

The Reoffered 2007B Bonds

The reoffered 2007B Bonds will initially bear interest at a Weekly Rate, subject to conversion to an ARS Rate, Daily Rate, Commercial Paper Rate, Term Rate or Fixed Rate by the Authority, at the direction of the City, and upon satisfaction of certain conditions described herein and in the Indenture. The Remarketing Agent will set the initial rate for the reoffered 2007B Bonds. While the 2007B Bonds bear interest at a Weekly Rate, the interest rate will be determined by the Remarketing Agent. See "THE 2007 BONDS—Determination of Interest Rate" herein. **This Reoffering Circular generally describes the 2007B Bonds only while bearing interest at Daily Rates or Weekly Rates. Prospective Purchasers of 2007B Bonds bearing interest at rates other than Daily Rates or Weekly Rates should not rely on this Reoffering Circular.**

The reoffered 2007B Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as described herein. (See "THE BONDS—Redemption of the 2007B Bonds".) While the 2007B Bonds bear interest at a Weekly Rate or a Daily Rate, the 2007B Bonds are subject to optional and mandatory tender as described herein. (See "THE BONDS—Optional Tender for Purchase", "—Conversion of Rate Periods for the 2007B Bonds" and "Mandatory Tender for Purchase".) The obligation to purchase the 2007B Bonds will be funded from the proceeds of the remarketing of such 2007B Bonds by the Remarketing Agent, and, to the extent that remarketing proceeds are not sufficient therefor, from funds made available pursuant to the Letter of Credit.

The Existing Indenture provides that the Authority may, at the direction of the City, provide (i) an Alternate Credit Enhancement to replace a Credit Enhancement and (ii) an

Alternate Liquidity Facility to replace a Liquidity Facility. The 2007B Bonds are subject to mandatory tender for purchase in connection with the substitution of an Alternate Credit Enhancement or Alternate Liquidity Facility for the Credit Enhancement or Liquidity Facility then in effect. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES - THIRD SUPPLEMENTAL INDENTURE - Alternate Credit Enhancement and Alternate Liquidity Facility."

Security

The 2007B Bonds are special limited obligations of the Authority payable solely out of certain amounts available therefor under the Indenture, if any, and certain rental payments to be made by the City, as lessee, to the Authority, as lessor, under the following leases: (i) the Eagles Prime Lease dated as of April 1, 2001 (the "Eagles Prime Lease") with respect to the Eagles Premises (defined herein); and (ii) the Phillies Prime Lease dated as of April 1, 2001, as amended (the "Phillies Prime Lease") with respect to the Phillies Premises (defined herein). Collectively, the Eagles Prime Lease, and the Phillies Prime Lease, together with any other lease or sublease hereafter pledged to secure the 2007B Bonds, the 2007A Bonds and any Additional Debt (as defined in the Indenture) issued under the Indenture, shall from time to time be referred to herein as the "Security Leases". In order to secure the 2007B Bonds, the 2007A Bonds and any Additional Debt issued under the Indenture, the Authority has assigned to the Trustee certain of the rental payments to be received by it from the City under the Security Leases. The 2007B Bonds will also be secured by the funds and accounts established under the Indenture (other than the Rebate Fund, the Purchase Fund and any other fund or account established hereafter and specifically excluded from the pledge of the Indenture), including all instruments and obligations in which the moneys in such funds and accounts may from time to time be invested and all interest and other investment earnings thereon and proceeds thereof. Neither the Phillies nor the Eagles are obligated to make any payments with respect to the 2007B Bonds. Additionally, pursuant to the Eagles Prime Lease, the rental payments made by the City to the Authority thereunder for the payment of the principal or redemption price of, and interest on the 2007B Bonds, are subordinate to the payment of certain rental payments made by the City to the Authority with respect to certain operating and maintenance expenses associated with the Eagles Premises.

The City has agreed pursuant to the Security Leases to, *inter alia*, make certain rental payments to the Authority, which, together with all other available amounts therefor under the Indenture, if any, will be sufficient for the Authority to make its required payments of principal, purchase price or redemption price of, and interest on the 2007B Bonds then becoming due, whether by maturity, redemption, purchase or otherwise (other than by reason of acceleration under the Indenture). **Acceleration of the 2007B Bonds will not cause an acceleration of the rent payable by the City under the Security Leases.**

The City's rental obligations under the Security Leases shall be payable by the City only out of the current revenues of the City. The City has agreed in the Security Leases to provide for the payment of such rent and include the same in its annual operating budget for each fiscal year of the City. The City covenants in the Security Leases to make appropriations in each of its fiscal years in such amounts as shall be required to make all rental payments due and payable thereunder in each such fiscal year. If the current revenues of the City are insufficient to pay rent

in any fiscal year as the same becomes due and payable, the City covenants in the Security Leases to include amounts not so paid in its operating budget for the ensuing fiscal year and to produce sufficient current revenues to pay in the ensuing fiscal year such balance due for the preceding fiscal year in addition to the amount of rent due for the ensuing fiscal year. Any provision of the Security Leases to the contrary notwithstanding, under no circumstances shall the Authority's remedies under the Security Leases include the right to cause an acceleration of all or any part of the rental payments due thereunder or the right to terminate any Security Lease.

The Security Leases also provide that the City is required to make rental payments, without suspension or abatement of any nature and that so long as, among other things, any of the 2007B Bonds remain Outstanding, the obligation of the City to make such rental payments shall be absolute and unconditional.

THE 2007B BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY AND SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE COMMONWEALTH, THE CITY (EXCEPT TO THE EXTENT OF ITS LEASE RENTAL OBLIGATIONS UNDER THE SECURITY LEASES) OR ANY OTHER POLITICAL SUBDIVISION THEREOF AND SHALL NOT CREATE OR CONSTITUTE AN INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE COMMONWEALTH, THE CITY OR ANY OTHER POLITICAL SUBDIVISION, LEGAL, MORAL OR OTHERWISE, NOR SHALL THE 2007B BONDS BE PAYABLE OUT OF ANY FUNDS, REVENUES OR PROPERTIES OF THE AUTHORITY OTHER THAN THOSE PLEDGED OR DESIGNATED THERETO. NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE CREDIT OR TAXING POWER OF THE CITY, THE COMMONWEALTH OR ANY OTHER POLITICAL SUBDIVISION THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE 2007B BONDS OR INTEREST THEREON OR ANY PREMIUM OR OTHER COST INCIDENT THERETO. NOTWITHSTANDING THE FOREGOING, THE CITY IS OBLIGATED UNDER THE SECURITY LEASES TO MAKE CERTAIN PAYMENTS WHICH HAVE BEEN PLEDGED TO THE TRUSTEE AS SECURITY FOR THE 2007B BONDS. THE AUTHORITY HAS NO TAXING POWER.

The 2007B Bonds will also be supported by the credit enhancement and the liquidity facility provided by the Letter of Credit to be issued by the Banks on a several and not joint basis. The Letter of Credit has been provided by the Authority, at the direction of the City, as both an Alternate Credit Enhancement and an Alternate Liquidity Facility pursuant to the requirements of the Indenture. See "THE LETTER OF CREDIT" and "THE REIMBURSEMENT AGREEMENT" herein.

Pursuant to, and in accordance with, the Indenture, the Authority may issue Additional Debt on parity with the 2007B Bonds, the 2007A Bonds and the 2001A Bonds pursuant to a Supplemental Indenture in one or more series, in various principal amounts, which may mature at different times, may bear interest at varying rates and may otherwise vary as provided in such Supplemental Indenture. For a further description of the conditions under which such Additional Debt may be issued, see APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES."

Brief descriptions of the 2007B Bonds, the security therefor, the Indenture, the Security Leases, the Letter of Credit, the Reimbursement Agreement, the Authority, and the Banks are included herein. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture and the Security Leases and other documents are qualified in their entirety by reference to each such document. The attached Appendices are integral parts of this Reoffering Circular and should be read in their entirety together with the foregoing statements. Copies of such documents are available at the office of the Trustee located in Philadelphia, Pennsylvania.

The City has furnished the information contained in Appendix A and Appendix B attached hereto.

The Banks have furnished the information contained in Appendix F and Appendix G attached hereto and in the sections of this Reoffering Circular captioned "THE LETTER OF CREDIT" and "THE REIMBURSEMENT AGREEMENT."

This Reoffering Circular speaks only as of the date printed on the cover hereof. The information contained herein is subject to change. Any statements made in this Reoffering Circular involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. This Reoffering Circular will be made available through one or more of the Nationally Recognized Municipal Securities Information Repositories.

THE AUTHORITY

Organization

The Authority is a public instrumentality of the Commonwealth and a body corporate and politic, created pursuant to the Act for the purpose of acquiring, holding, constructing, improving, maintaining, operating, owning, financing and leasing, either in the capacity of lessor or lessee, industrial, commercial or specialized development projects, all as permitted under the Act. A Certificate of Incorporation was issued to the Authority by the Secretary of the Commonwealth on December 27, 1967. An Amended Certificate of Incorporation, extending the term of existence of the Authority, was issued on October 8, 1991. The Authority's existence will continue for 50 years from October 8, 1991.

Board of Authority

The governing body of the Authority is a board consisting of five members appointed by the Mayor of the City. Currently, there exist two vacancies on the Authority's board. Members of the Authority's board serve at the pleasure of the Mayor. The following persons are the present members and officers of the Authority:

Name	Position
James F. McManus*	Chairman
Cheryl McKissack Felder*	Vice Chairman
William A. Harvey, Esq.	Member
Alan Nochumson	Member
Paul J. Deegan**	Secretary
Terry A. DeMusis**	Assistant Secretary

* Also a Member
** Non-Member

Financing Program of the Authority

The Authority has a number of special obligation bond and note issues outstanding and may issue others from time to time. Each such issue is payable solely from revenues derived from the project being financed, from special funds established therefor or from other financing arrangements. Each issue is separately secured, and is separate and independent from the 2007B Bonds as to sources of payment and security.

The 2007B Bonds are payable solely from the funds pledged under the Indenture, and other obligations issued by the Authority are payable solely from funds specifically pledged for the payment of such other obligations. Accordingly, a default on another issue of obligations issued by the Authority would not constitute a default on the 2007B Bonds. The Authority has experienced defaults with respect to certain obligations issued by it, by reason of nonpayment of debt service by the party receiving financing through the Authority. The Authority may from time to time enter into further financing transactions with other entities in connection with other projects. Such transactions will provide for the issuance of bonds or notes to be secured by separate sources of revenues or other security.

In addition to its financing activities and as part of its economic development activities for the City, the Authority owns and manages certain industrial and commercial parks in the City. The City transferred to the Authority legal title to certain vacant land available for development in several industrial parks. The Authority also holds title to, and is the developer of, certain other real property in the City, including substantially all of the land and buildings comprising the Philadelphia Naval Business Center, which represents the largest portion of the former Philadelphia Naval Shipyard previously owned and operated by the United States of America.

ALTHOUGH THE AUTHORITY HAS EXECUTED THIS REMARKETING CIRCULAR AND AUTHORIZED ITS DISTRIBUTION, THE AUTHORITY IS NOT RESPONSIBLE FOR AND DOES NOT REPRESENT OR WARRANT IN ANY WAY THE ACCURACY OR COMPLETENESS OF ANY INFORMATION OR ANY STATEMENTS MADE HEREIN, EXCEPT THE INFORMATION AND STATEMENTS SET FORTH UNDER THE HEADINGS “INTRODUCTORY STATEMENT – THE AUTHORITY”, “THE AUTHORITY” AND “LITIGATION” (BUT AS REGARDS TO THE INFORMATION AND STATEMENTS SET FORTH UNDER THE HEADING “LITIGATION”, ONLY WITH

RESPECT TO LITIGATION OF, AND AS IT RELATES TO, THE AUTHORITY). ACCORDINGLY, EXCEPT AS AFORESAID, THE AUTHORITY DISCLAIMS RESPONSIBILITY FOR THE DISCLOSURE SET FORTH HEREIN MADE IN CONNECTION WITH THE REOFFERING, SALE AND DISTRIBUTION OF THE 2007B BONDS OR OTHERWISE.

THE 2007B BONDS

General

The 2007B Bonds were originally issued and delivered in fully registered form only and are registered in the name of Cede & Co., as nominee of DTC. DTC acts as securities depository for the 2007B Bonds. So long as the 2007B Bonds are held in DTC's book-entry only system, DTC (or a successor securities depository) or its nominee will be the registered owner of the 2007B Bonds for all purposes of the Indenture, the 2007B Bonds and this Reoffering Circular, and payments of principal, interest and premium, if any, with respect to the 2007B Bonds will be made solely through the facilities of DTC. See "BOOK-ENTRY SYSTEM" herein.

Principal of the 2007B Bonds is payable upon surrender at the Payment Office of the Paying Agent. Interest on the 2007B Bonds will be paid by check or draft mailed by the Paying Agent to the registered holders at their addresses as they appear in the registry books of the Trustee as of the Record Date, which, when the 2007B Bonds are in a Weekly Mode or the Daily Mode, shall be the last Business Day preceding the 2007B Interest Payment Date.

If sufficient funds for the payment of interest becoming due on any Interest Payment Date are not on deposit with the Trustee on such date, the interest so becoming due shall cease to be payable to the registered owners otherwise entitled thereto as of such date. If sufficient funds thereafter become available for the payment of such overdue interest, the Trustee shall establish a special interest payment date (any such date being referred to as a "Special Interest Payment Date") on which such overdue interest shall be paid and a special record date relating thereto (any such date being referred to as a "Special Record Date"), and shall mail a notice of each such date to the registered owners of the 2007B Bonds at least 10 days prior to the Special Record Date, but not more than 30 days prior to the Special Interest Payment Date.

If any 2007B Bond is mutilated, lost, stolen or destroyed, upon satisfaction of the conditions set forth in the Indenture, the Authority shall execute and the Trustee shall authenticate and deliver a new 2007B Bond of like tenor and denomination. The Authority and the Trustee may require indemnification against any and all claims arising out of the issuance of substitute 2007B Bonds.

The Indenture and all provisions thereof are incorporated by reference in the text of the 2007B Bonds, and the 2007B Bonds provide that each registered owner, beneficial owner, DTC Participant or Indirect Participant (as such terms are hereinafter defined) in DTC, by acceptance of a 2007B Bond (including receipt of a book-entry credit evidencing an interest therein) assents to all of such provisions as an explicit and material portion of the consideration running to the Authority to induce it to issue such 2007B Bond.

The principal or redemption price of the 2007B Bonds will be payable at the Payment Office of the Trustee in East Syracuse, New York, upon presentation and surrender of the 2007B Bonds by the registered owners thereof. Upon written request to the Trustee, made at least three Business Days before the Record Date for the applicable Interest Payment Date, interest on the 2007B Bonds will be paid by wire transfer to an account at a bank located in the continental United States of America to a registered owner of at least $1,000,000 in principal amount of the 2007B Bonds.

Description of the 2007B Bonds

The following information concerning the 2007B Bonds describes the 2007B Bonds while bearing interest in the Weekly Mode and Daily Mode only and does not purport to describe all material information concerning the 2007B Bonds while bearing interest in any other Mode, including the ARS Mode, the CP Mode, the Term Rate Mode or the Fixed Rate Mode. Prior to any conversion of the 2007B Bonds from the Weekly Mode to a different Mode (except the Daily Mode), the 2007B Bonds will be subject to mandatory tender for purchase. In connection with the remarketing of the 2007B Bonds after such mandatory tender, the Authority intends to cause a reoffering circular or other disclosure document setting forth the materials terms of the Mode or Modes into which such 2007B Bonds will be converted to be prepared and delivered to prospective investors.

The 2007B Bonds will bear interest at a Weekly Rate from their date of original issuance unless and until converted to a different Mode permitted under the Indenture. The permitted Modes are the "Daily Rate," the "Commercial Paper Rate", the "Weekly Rate", the "Auction Rate", the "Term Rate" and the "Fixed Rate". Weekly Rates and Daily Rates for the 2007B Bonds will be determined by the Remarketing Agent appointed under the Indenture, provided that the interest rate on the 2007B Bonds shall not exceed 10% per annum, and with respect to Pledged Bonds (as defined in the Reimbursement Agreement), the rate specified in the Reimbursement Agreement. The 2007B Bonds are subject to conversion (a "Conversion") to a different Mode from time to time by the Authority at the direction of the City and upon satisfaction of certain conditions set forth in the Indenture.

Interest on the 2007B Bonds accruing at the Daily Rate or the Weekly Rate will be computed on the basis of a year of 365 or 366 days, as appropriate, and will be paid for the actual number of days elapsed.

Interest on the 2007B Bonds is payable if the Mode is the Daily Mode or the Weekly Mode, on the first Business Day of each month, on any Mode Change Date, other than a change between the Daily Mode and the Weekly Mode, and with respect to any Liquidity Provider Bonds, on the day set forth in the Reimbursement Agreement (each a "2007B Interest Payment Date").

While the Mode for the 2007B is the Daily Mode or the Weekly Mode, the 2007B Bonds may be issued only in denominations of $100,000 and any larger denomination constituting an integral multiple of $5,000.

The Bank of New York Trust Company, N.A. has been appointed as Tender Agent (the "Tender Agent") for the 2007B Bonds under the Indenture. The Payment Office of the Tender Agent as of the date hereof is East Syracuse, New York. J.P. Morgan Securities Inc. will set the initial rate for the reoffered 2007B Bonds and will act as Remarketing Agent for the 2007B Bonds. (See also "REMARKETING AGREEMENT" herein.) The Remarketing Agent may be removed at any time by the Authority as set forth in the Remarketing Agreement, upon notice to the City, the Trustee, the Credit Provider, the Liquidity Provider, the Tender Agent and the Remarketing Agent. The Remarketing Agent may resign upon 30 days' prior notice to the Authority, the City, the Trustee, the Credit Provider, the Liquidity Provider, and the Tender Agent.

Determination of Interest Rates

The interest rate for the 2007B Bonds in the Weekly Mode or the Daily Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the 2007B Bonds in the Weekly Rate Period or the Daily Rate Period, as applicable, at a price equal to the principal amount thereof, plus interest, if any, accrued through the Rate Determination Date during the then current Interest Accrual Period. "Rate Determination Date" means any date on which the interest rate on the 2007B Bonds shall be determined, which, in the case of the Weekly Mode, shall be each Wednesday or, if Wednesday is not a Business Day, then the Business Day next preceding such Wednesday, and in the case of the Daily Mode, shall be each Business Day commencing with the first day (which must be a Business Day) the 2007B Bonds become subject to the Daily Mode. "Interest Accrual Period" means the period during which a 2007B Bond accrues interest payable on the next 2007B Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last 2007B Interest Payment Date to which interest has been paid (or, if no interest has been paid, from the date of original authentication and delivery of the 2007B Bonds) to, but not including, the 2007B Interest Payment Date on which interest is to be paid. If, at the time of authentication of any 2007B Bond, interest is in default or overdue on the 2007B Bonds, such 2007B Bond shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on outstanding 2007B Bonds.

During the Weekly Mode, the Remarketing Agent shall establish the Weekly Rate by 4:00 P.M. on each Rate Determination Date. The Weekly Rate shall be in effect during the applicable Weekly Rate Period. During the Daily Mode, the Remarketing Agent shall establish the Daily Rate by 10:00 A.M. on each Rate Determination Date. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Rate Determination Date. The Remarketing Agent shall make the Weekly Rate available no later than 5:00 P.M. on the Business Day following the Rate Determination Date, and shall make the Daily Rate available no less frequently than 10:00A.M. of each day, in either case by facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method previously specified to any of a Beneficial Owner, the Trustee, Tender Agent, Remarketing Agent, Paying Agent, Liquidity Provider or Authority requesting such rate.

Failure of the Remarketing Agent to Determine the Interest Rate

In the event the Remarketing Agent fails or is unable to determine the interest rate for the 2007B Bonds in a Weekly Mode or a Daily Mode, the method by which the Remarketing Agent determines the interest rate shall be held to be unenforceable by a court of law of competent jurisdiction or if the Remarketing Agent suspends its remarketing effort in accordance with the Remarketing Agreement, the 2007B Bonds shall bear interest during each subsequent Weekly Rate Period or Daily Rate Period, as applicable, at the Alternate Rate in effect on the first day of such Interest Period. "Alternate Rate" means, on any Rate Determination Date, for the Weekly Rate or Daily Rate, a rate per annum equal to (i) with respect to the 2007B Bonds the interest on which is not includable in gross income of the beneficial owner of such 2007B Bond for federal income tax purposes, (a) the SIFMA Municipal Swap Index maintained by Municipal Market Data (as such term is defined in the 2000 ISDA U.S. Municipal Counterparty Definitions) (the "SIFMA Rate") most recently available as of the date of determination, or (b) if such index is no longer available, or if the SIFMA Rate is no longer published, the Kenny Index (as such term is defined in the 2000 ISDA U.S. Municipal Counterparty Definitions), or (c) if neither the SIFMA Rate nor the Kenny Index is published, the index determined by the Remarketing Agent to equal the prevailing rate for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Bond Market Association to determine the SIFMA Rate just prior to when the Bond Market Association stopped publishing the SIFMA Rate, and (ii) with respect to 2007B Bonds the interest on which is includable in gross income of the beneficial owner of such 2007B Bond for federal income tax purposes, one-month LIBOR. If there is no Remarketing Agent, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement, then, upon written notification from the Authority, the Director of Finance of the City shall appoint another Person to make the determinations required by clauses (a), (b) and (c) of this definition.

Optional Tender for Purchase

The owners of 2007B Bonds in a Weekly Mode or the Daily Mode may elect to have their 2007B Bonds (or portions of those 2007B Bonds in amounts equal to Authorized Denominations) purchased on any Business Day at a price equal to the Purchase Price, upon delivery of a notice to the Tender Agent specifying (i) the principal amount of the 2007B Bonds to be purchased, (ii) the purchase date on which such 2007B Bonds are to be purchased, (iii) the applicable payment instructions with respect to the 2007B Bonds to be purchased and (iv) an irrevocable demand for such purchase by the Tender Notice Deadline, which is 5:00 p.m. on the Business Day seven days prior to the applicable purchase date. Promptly, but during the Daily Mode by no later than 9:15 A.M., upon receipt of such notice, the Tender Agent shall notify the Remarketing Agent and provide the Remarketing Agent with a copy of such notice. "Purchase Price" shall mean the principal amount of such 2007B Bonds purchased on any purchase date, plus accrued interest to the purchase date (unless such purchase date is a 2007B Interest Payment Date, in which case the Purchase Price shall not include accrued interest, which shall be paid in the normal course

Conversions of Modes for the 2007B Bonds

The Authority may elect to convert the 2007B Bonds from the Weekly Mode to another Mode if it satisfies the conditions precedent to such conversion set forth in the Indenture. The conditions to conversion include delivery of a conversion notice and delivery of an opinion of counsel to the effect that the proposed conversion will not adversely affect the tax-exempt status of the 2007B Bonds to be converted. The conversion date shall be the Interest Payment Date for the 2007B Bonds. See APPENDIX C for the conditions set forth in the Indenture to a conversion of the 2007B Bonds from a Weekly Mode to another Mode.

If the conditions to the conversion of the 2007B Bonds bearing interest at a Weekly Rate or a Daily Rate to another Mode (except a conversion from a Weekly Rate to a Daily Rate or from a Daily Rate to a Weekly Rate) are satisfied, then the 2007B Bonds will be subject to mandatory tender on the effective date of the conversion, as described under "Mandatory Tender for Purchase". However, if the conditions to a conversion are not satisfied, then the conversion will not occur, the 2007B Bonds will not be subject to mandatory tender and the Weekly Rate or Daily Rate, as applicable, for such 2007B Bonds for the Weekly Rate Period or Daily Rate Period commencing on the failed conversion date shall be the Alternate Rate.

Mandatory Tender for Purchase

The 2007B Bonds are subject to mandatory tender upon the date of (i) conversion from a Weekly Rate Period or a Daily Rate Period to an Auction Period, a Commercial Paper Rate Period, a Term Rate Period or a Fixed Rate Period, (ii) any date upon which an Alternate Liquidity Facility is scheduled to be substituted for the Liquidity Facility then in effect, (iii) the fifth day prior to the Expiration Date (other than as a result of an Automatic Termination Event) for the Liquidity Facility or any Alternate Liquidity Facility, (iv) the date specified by the Trustee following its receipt of a Notice of Termination, which date shall be a Business Day not less than 15 days after the Trustee's receipt of written notice of such Notice of Termination, but in no event later than the Business Day preceding the termination date (or the date no further purchases shall be made by the Liquidity Provider) specified in such Notice of Termination, (v) any Business Day specified in a written notice by the Authority not less than 20 days after the Trustee's receipt of such notice, (vi) for 2007B Bonds in the Daily Mode or the Weekly Mode, if a notice of non-reinstatement is received by the Trustee from the Bank on or before 11:00 a.m. on the fifth calendar day following any draw for payment of interest on the Letter of Credit, the date specified by the Trustee, which date shall be not less than 15 calendar days after the Trustee's receipt of such notice of non-reinstatement, and (vii) discontinuance by either the Authority or DTC of the book-entry system with respect to 2007B Bonds (each, a "Mandatory Tender Date"), in each case at a purchase price equal to the principal amount thereof, without premium, plus accrued interest to the Mandatory Purchase Date. Notice of a mandatory tender is required to be given to the Holders of the 2007B Bonds not less than fifteen days before the Mandatory Purchase Date. Any 2007B Bonds subject to conversion and not tendered on the applicable conversion date will be deemed tendered and, upon payment of the Purchase Price, will not be entitled to any further interest thereon.

The Indenture provides that the Authority may, at the direction of the City with the prior written consent of the Credit Provider, provide an Alternate Liquidity Facility to replace the

Liquidity Facility then in effect. As described above, the 2007B Bonds will be subject to mandatory tender for purchase in connection with the substitution of an Alternate Liquidity Facility for the Liquidity Facility then in effect. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES - ALTERNATE CREDIT ENHANCEMENT AND ALTERNATE LIQUIDITY FACILITY."

The descriptions of terms of the 2007B Bonds in this Official Statement describe the 2007B Bonds while they are in a Weekly Rate Period and the Daily Rate Period. The Indenture provides that the 2007B Bonds may be converted from Weekly Rates to bear interest at Auction Rates, Daily Rates, Commercial Paper Rates, Term Rates or Fixed Rates (as such terms are defined in the Indenture) upon satisfying the conditions to an interest rate conversion set forth in the Indenture. In connection with the conversion of the 2007B Bonds (other than a conversion between the Weekly Rate and the Daily Rate), such 2007B Bonds will be subject to mandatory tender for purchase, as described above. The Authority anticipates that a reoffering circular or other new or supplemental disclosure document will be prepared in the event and at such time as the 2007B Bonds are converted from the Weekly Rate Period to another Rate Period other than a Daily Rate Period. A failure or cancellation of a conversion of the Rate Period for the 2007B Bonds from Weekly Rates or Daily Rates will not constitute an Event of Default.

Payment of Purchase Price; Delivery of 2007B Bonds

On each date on which a 2007B Bond is to be purchased, if the Remarketing Agent shall have given notice to the Tender Agent that it has been unable to remarket any or all of the 2007B Bonds, the Tender Agent or the Trustee (whoever is beneficiary of the Liquidity Facility) shall draw on the existing Liquidity Facility by 12:00 P.M. in an amount equal to the Purchase Price of all such 2007B Bonds which have not been successfully remarketed. If a Liquidity Facility is in effect and funds on deposit in the Remarketing Proceeds Account and the Liquidity Facility Purchase Account are insufficient to pay the Purchase Price of 2007B Bonds tendered on such Purchase Date, the Trustee shall give notice to the Authority by 2:00 P.M. on the Purchase Date of the amount of such deficiency.

By 2:30 P.M. on the date on which a 2007B Bond is to be purchased the Tender Agent shall purchase tendered 2007B Bonds from the tendering owners at the applicable Purchase Price by wire transfer in immediately available funds. Funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated and none of the Tender Agent, the Trustee nor the Remarketing Agent shall be obligated to provide funds from any other source: (i) immediately available funds on deposit in the Remarketing Proceeds Account established under the Indenture; (ii) immediately available funds on deposit in the Liquidity Facility Purchase Account established under the Indenture resulting from a drawing on the Liquidity Facility then in effect; and (iii) moneys of the Authority on deposit in the Authority Purchase Account established under the Indenture. The Authority shall deposit amounts into the Authority Purchase Account sufficient to pay the Purchase Price to the extent that amounts on deposit in the Remarketing Proceeds Account and the Liquidity Facility Purchase Account are insufficient therefor.

All tenders for purchase during any period in which the 2007B Bonds are registered in the name of Cede & Co. (or the nominee of any successor to DTC) shall be subject to the terms

and conditions set forth in the Letter of Representations and to any regulations promulgated by DTC (or any successor DTC). Procedures under which a Beneficial Owner may direct a Direct Participant of DTC, or an Indirect Participant of DTC acting through a Direct Participant of DTC, to exercise a tender option right in respect of 2007B Bonds or portions thereof in an amount equal to all or a portion of such Beneficial Owner's beneficial ownership interest therein shall be governed by standing instructions and customary practices determined by such Direct Participant or Indirect Participant. For so long as the 2007B Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery of 2007B Bonds required to be tendered for purchase shall be effected by the transfer on the applicable Purchase Date of a book-entry credit to the account of the Tender Agent of a beneficial interest in such 2007B Bonds.

Remarketing of the 2007B Bonds

Upon receipt by the Remarketing Agent from the Tender Agent of notice of any optional tender of 2007B Bonds, as required under the Indenture, or if the 2007B Bonds become subject to mandatory purchase, the Remarketing Agent (subject to the provisions of the Indenture and the Remarketing Agreement) will use its best efforts to sell such 2007B Bonds, at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date. Subject to the provisions of the Remarketing Agreement and the Indenture, the Remarketing Agent also will use its best efforts to sell any Pledged Bonds, at a purchase price equal to the principal amount thereof plus accrued interest to the sale date. The Remarketing Agent may not remarket 2007B Bonds unless a Credit Enhancement and Liquidity Facility are in effect.

Redemption of the 2007B Bonds

Optional Redemption During the Weekly Mode and the Daily Mode. The 2007B Bonds bearing interest at a Weekly Rate or a Daily Rate are subject to optional redemption by the Authority, at the written direction of the City, or as required by any Liquidity Facility, in whole or in part, in Authorized Denominations on any Business Day, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the redemption date.

Mandatory Sinking Fund Redemption. The 2007B Bonds are subject to mandatory sinking fund redemption prior to maturity by the Authority by lot in such manner as the Trustee may determine, in the amounts and on October 1 of the years set forth below, at a redemption price equal to 100% of the principal amount of the 2007B Bonds to be so redeemed, plus accrued interest.

Year	Amount	Year	Amount
2015	$12,990,000	2023	$18,150,000
2016	13,550,000	2024	18,925,000
2017	14,125,000	2025	19,730,000
2018	14,730,000	2026	20,570,000
2019	15,355,000	2027	21,445,000
2020	16,015,000	2028	22,365,000
2021	16,695,000	2029	23,315,000
2022	17,405,000	2030*	24,310,000

* Final maturity

In the event a portion, but not all, of the 2007B Bonds are redeemed pursuant to optional redemption, then the principal amount of any remaining mandatory sinking fund redemptions shall be proportionately reduced (subject to the Trustee making such adjustments as it deems necessary to be able to effect future redemptions of the 2007B Bonds in authorized denominations).

Selection of 2007 Bonds for Redemption. Pursuant to the Indenture, if less than all of the 2007B Bonds stated to mature on the same date shall be called for redemption, the particular 2007B Bonds, as applicable, within a maturity to be redeemed shall be selected by lot by the Trustee or in such manner as the Trustee in its discretion may determine.

Notice of Redemption

In the event of any such redemption, either in whole or in part, notice of such redemption shall be sent by first class mail, postage prepaid, at least thirty (30) days (and fifteen (15) days for 2007B Bonds in the Daily Mode or the Weekly Mode) prior to the redemption date to the registered owners of any 2007B Bonds or portions of 2007B Bonds to be redeemed at their registered addresses and to Standard & Poor's Rating Group ("S&P") and Moody's Investors Service ("Moody's") or their respective successors, if any, in the manner and under the terms and conditions provided in the Indenture. As long as DTC remains the sole registered owner of the 2007B Bonds, notice of redemption shall be sent to DTC as provided in the Indenture. Such mailing shall not be a condition precedent to such redemption and failure to mail any such notice shall not affect the validity of the proceedings for the redemption of the 2007B Bonds. Notice of redemption having been given as aforesaid, the 2007B Bonds or portions thereof so called for redemption shall become due and payable at the applicable redemption price herein provided, and from and after the date so fixed for redemption, interest on the 2007B Bonds or portions thereof so called for redemption shall cease to accrue and become payable. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify the beneficial owner of any such notice and its content or effect will not affect the validity of the redemption of the 2007B Bonds called for redemption or of any other action premised on such notice. See "— Book-Entry Only System" below.

Any notice of optional redemption may be conditioned upon the deposit of moneys with the Trustee sufficient to effect such redemption. If the required deposit is not made in a timely manner to effect the redemption, the Trustee shall promptly give notice that such deposit was not made to the same persons, as notice of such redemption was given.

Any 2007B Bonds and portions of 2007B Bonds which have been duly selected for redemption and which are paid in accordance with the Indenture shall cease to bear interest on the specified redemption date.

Special Considerations Relating to the 2007B Bonds

The Remarketing Agent is Paid by the Authority. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing 2007B Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Reoffering Circular.

The Remarketing Agent is appointed by the Authority and paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of 2007B Bonds.

The Remarketing Agent Routinely Purchases 2007B Bonds for its Own Account. The Remarketing Agent acts as Remarketing Agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchase such obligations for their own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2007B Bonds for its own account and, in its sole discretion, routinely acquires such tendered 2007B Bonds in order to achieve a successful remarketing of the 2007B Bonds (i.e., because there otherwise are not enough buyers to purchase the 2007B Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase 2007B Bonds, and may cease doing so at any time without notice. If the Remarketing Agent ceases to purchase 2007B Bonds, it may be necessary for the Trustee to draw on the Liquidity Facility. The Remarketing Agent also may make a market in the 2007B Bonds by routinely purchasing and selling 2007B Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales must be at fair market value, which may be at or below par. However, the Remarketing Agent is not required to make a market in the 2007B Bonds. The Remarketing Agent also may sell any 2007B Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce their exposure to the 2007B Bonds. The purchase of 2007B Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2007B Bonds in the market than is actually the case. The practices described above also may result in fewer 2007B Bonds being tendered in a remarketing.

2007B Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its opinion under then-existing market conditions, is the minimum rate of interest that would result in the sale of the 2007B Bonds bearing interest at the Weekly Rate at a price equal to the principal amount thereof, plus accrued interest, if any, on and as of the Rate Determination Date. At the time the new rate becomes effective, the applicable Remarketing Agent is required to use its best efforts to remarket the 2007B Bonds at par. The interest rate will reflect, among other factors, the level of market demand for the 2007B Bonds (including whether the Remarketing Agent are willing to purchase 2007B Bonds for their own accounts). There may or may not be 2007B Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2007B Bonds tendered for purchase on such date at par and the Remarketing Agent may sell 2007B Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if they do not have third party buyers for all of the 2007B Bonds at the remarketing price. In the event the Remarketing Agent owns any 2007B Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such 2007B Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the 2007B Bonds other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell 2007B Bonds other than through the tender process. However, the Remarketing Agent is not obligated to do so and may cease doing so at

any time without notice and may require holders that wish to tender their 2007B Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2007B Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2007B Bonds other than by tendering the 2007B Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2007B Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreements. In the event there is no Remarketing Agent, the Trustee may assume such duties as described in the Indenture.

Book-Entry Only System

The following information concerning DTC and DTC's book-entry only system has been obtained from DTC. The Authority, the City and the Remarketing Agent make no representation as to the accuracy of such information.

The Depository Trust Company ("DTC"), New York, New York, acts as securities depository for the 2007B Bonds. The 2007B Bonds were issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond certificate is issued for each maturity of the 2007B Bonds, each in the aggregate principal amount of such maturity and was deposited with the Trustee on behalf of DTC.

DTC, the world's largest 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 17A of the Securities 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 (the "SEC"). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2007B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007B Bonds on DTC's records. The ownership interest of each actual purchaser of each 2007B 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, but Beneficial Owners are 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 2007B 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 interest in 2007B Bonds, except in the event that use of the book-entry system for the 2007B Bonds is discontinued.

To facilitate subsequent transfers, all 2007B 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 2007B Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2007B 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 the 2007B Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2007B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the 2007B Bonds may wish to ascertain that the nominee holding the 2007B 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 address to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2007B Bonds 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 such other DTC nominee) will consent or vote with respect to the 2007B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer or its agent 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 the 2007B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the 2007B 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 on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2007B Bonds at any time by giving reasonable written notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

In the event that the book-entry system is discontinued, the provisions of this paragraph would apply. 2007B Bonds may be transferred or exchanged for an equal total principal amount of 2007B Bonds of the same series and maturity and of other authorized denominations upon surrender of such 2007B Bonds at the Payment Office of the Trustee, duly endorsed for transfer or accompanied by an assignment executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Trustee will not be required to register the transfer or exchange of any 2007B Bond during the 15 days before any mailing of a notice of redemption or after such 2007B Bond has been called for redemption. Registration of transfers and exchanges shall be made without charge to the holders of 2007B Bonds, except that the Trustee may require the holder of any 2007B Bond requesting registration of transfer or exchange to pay any required tax or governmental charge.

THE LETTER OF CREDIT

The following is a summary of the Letter of Credit and certain of the terms of the Letter of Credit. This summary should not be regarded as a full description of the document itself or of the portions summarized. Reference is made to the Letter of Credit in its entirety, a copy of which is on file at the principal corporate trust office of the Trustee, for a complete statement of the provisions thereof.

The Letter of Credit is an irrevocable direct-pay letter of credit issued by the Banks to provide credit enhancement and a liquidity facility for the 2007B Bonds. The Letter of Credit expires on May 1, 2011. The Trustee is entitled to draw on the Letter of Credit to pay the principal of, and interest on, the 2007B Bonds at maturity, acceleration or redemption and for the payment of the purchase price of the 2007B Bonds upon optional or mandatory tender, to the

extent that remarketing proceeds are not available. The form of the Letter of Credit is attached hereto as APPENDIX G.

JPMorgan is obligated under the Letter of Credit for $164,675,000, plus accrued interest, and BNY is obligated under the Letter of Credit for $125,000,000 plus accrued interest. The Banks are severally and not jointly liable under the Letter of Credit.

A copy of the form of Letter of Credit is attached hereto as APPENDIX G.

THE REIMBURSEMENT AGREEMENT

The following is a summary of certain provisions of the Reimbursement Agreement pursuant to which the Letter of Credit will be issued. This summary should not be regarded as a full description of the document itself or of the portions summarized. Reference is made to the Reimbursement Agreement, a copy of which is on file at the principal corporate trust office of the Trustee for a complete statement of the provisions thereof. Any replacement Reimbursement Agreement pursuant to which an Alternate Credit Enhancement or Alternate Liquidity Facility is issued may have terms substantially different from those of the Reimbursement Agreement. Capitalized terms used in this summary and not defined herein or in the Indenture shall have the meanings ascribed thereto in the Reimbursement Agreement.

The Authority and the Banks will enter into a Reimbursement Agreement, which provides for the issuance by the Bank of the Letter of Credit and for the reimbursement of the Banks by the Authority for draws upon the Letter of Credit. The Reimbursement Agreement also sets forth various covenants and obligations of the Authority. Set forth below is a summary of certain provisions of the Reimbursement Agreement, which is not comprehensive and reference is made to the Reimbursement Agreement itself for a complete recital of its terms.

A draw under the Letter of Credit creates a reimbursement obligation on the part of the Authority in favor of the Banks. The Authority's reimbursement obligations requires reimbursement of the Banks for the draw on the same Business Day, but a draw pursuant to a Liquidity Advance (a C Drawing or D Drawing) not paid on the same Business Day while no Event of Default is occurring shall constitute a Term Loan and shall be secured by Pledged 2007B Bonds in an amount due and equal to the unreimbursed portion of the amount drawn.

Under the terms of the Reimbursement Agreement, the Authority covenants, while the Reimbursement Agreement is in effect and any Obligations remain outstanding, that it will, among other things, reimburse the Banks for draws under the Letters of Credit; furnish the Banks with certain financial information; provide various notices including notice of an Event of Default or any material litigation, legal proceeding or legislation; perform all obligations required by it, and enforce all obligations of the City owed to it under the Security Leases; obtain an Alternate Facility to replace the Reimbursement Agreement if the Stated Expiration Date of the Letter of Credit is not extended or an Event of Default has occurred; use best effort to cause a Mode Change to occur or to effect a current refunding of the 2007B Bonds if an Alternate Facility is not obtained; comply with all laws, ordinances, orders, rules and regulations of all Governmental Authorities (including, without limitation, ERISA and all environmental laws);

select or cause to be selected for redemption any and all Pledged 2007B Bonds prior to any 2007B Bonds that are not Pledged 2007B Bonds.

The occurrence of any of the following events shall be an Event of Default under the Reimbursement Agreement:

(a) default in the payment of (i) any fee required to be paid when and as due as provided in the Reimbursement Agreement, or (ii) any other Obligation required to be paid or reimbursed under the Reimbursement Agreement to the Banks when and as due as provided therein and such default in payment shall continue for four (4) calendar days;

(b) any representation or warranty made by the Authority in the Reimbursement Agreement or in any other Related Document or in any certificate, agreement, instrument or statement contemplated by or made or delivered pursuant to or in connection herewith or therewith, shall prove to have been false or misleading in any material respect when made or when effective or when reaffirmed, as the case may be;

(c) any default or event of default shall have occurred under any of the other Related Documents, other than any such default or event of default premised on any occurrence described in subsection (h) below;

(d) default in the due observance or performance of the covenants set forth in Sections 5.1(b)(ii), (e), (g), (h), (k) or (l) and Section 5.2(a), (b), (c), (e), (f), (g) or (h) of the Reimbursement Agreement;

(e) default in the due observance or performance of any term, covenant or agreement set forth in the Reimbursement Agreement (other than as described in subsections (a), (d) and (h)(i) hereof) for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the Authority by the Banks; provided, that if such default is not the payment of money and cannot reasonably be cured within thirty (30) days, it shall not constitute an Event of Default if the Authority commences to cure such default within said thirty (30) days and diligently pursues same to completion within ninety (90) days of the occurrence of such default;

(f) (i) the Reimbursement Agreement, the Indenture, the Bond Authorizing Resolution, the Security Leases or the 2007B Bonds or any provision thereof, in each case, relating to the obligation of the Authority to make payments on the 2007B Bonds (including Pledged 2007B Bonds) or any Parity Debt or the security therefor shall, at any time for any reason, cease to be valid and binding on the Authority or shall be declared null and void or its validity or enforceability shall be contested by the Authority, in a judicial proceeding or any official action, or any material provision of the Act shall be declared null and void by any appellate court of the State; or (ii) (A) the Authority or the State, as applicable, repudiates or otherwise denies, in writing, in a judicial or administrative proceeding that it has any further liability or obligation hereunder or with respect to the 2007B Bonds, (B) the Authority or the State, as applicable, shall have taken or permitted to be taken any action, or the State has duly enacted any statute, which would materially adversely affect the enforceability of the 2007B Bonds or (C) the Authority or the State, as applicable, contests, in a judicial or administrative

proceeding, the validity or enforceability of any material provision of the Reimbursement Agreement, the 2007B Bonds or any other Related Document relating to or otherwise affecting the Authority's obligation to pay the principal of or interest on any 2007B Bonds;

(g) the Authority or the State makes an assignment for the benefit of creditors, files a petition in bankruptcy, is unable generally to pay its debts as they come due, is adjudicated insolvent or bankrupt or there is entered any order or decree granting relief in any involuntary case commenced against it under any applicable bankruptcy, insolvency or similar law now or hereafter in effect; or if the Authority or the State petitions or applies to any tribunal for any receiver, trustee, liquidator, assignee, custodian, sequestrator or other similar official of it, or of any substantial part of its properties, or commences any proceeding in a court of law for a reorganization, readjustment of debt, dissolution, liquidation or other similar procedure under the law or statutes of any jurisdiction, whether now or hereafter in effect; or if there is commenced against the Authority or the State any such proceeding in a court of law which remains undismissed or shall not be discharged, vacated or stayed, or such jurisdiction shall not be relinquished, within sixty (60) days after commencement; or the Authority or the State by any act indicates its consent to, approval of, or acquiescence in any such proceeding in a court of law, or to an order for relief in an involuntary case commenced against it under any such law, or to the appointment of any receiver, trustee, liquidator, assignee, custodian, sequestrator or other similar official for it or a substantial part of its properties; or if the Authority or the State suffers any such receivership, trusteeship, liquidation, assignment, custodianship, sequestration or other similar procedure to continue undischarged for a period of sixty (60) days after commencement or if the Authority or the State takes any action for the purposes of effecting the foregoing;

(h) (i) any default in the payment when due of the principal, premium, if any, or interest payable (x) on any Bond (including any Pledged Bond) or Parity Debt, or (y) of any Debt (other than Debt referred to in clause (x) above) of the Authority under the Indenture or (ii) any default under any indenture, agreement or other instrument under which the same may be issued, which default results in the declaring due and payable of such Parity Debt or such other Debt or which enables (or, with the giving of notice or lapse of time, or both, would enable) the holder of such Parity Debt or such other Debt to accelerate the maturity of any such indebtedness;

(i) (i) any amendment to the Constitution of the State or any amendment to the Act or any other statute is enacted which materially adversely affects the enforceability of the Reimbursement Agreement against the Authority, or (ii) the Authority takes or permits to be taken any action which materially adversely affects the ability of the Authority to repay its Obligations hereunder or limits or restricts the sources to which the Banks may look for the payment of such Obligations;

(j) an event of default shall occur and be continuing under the Security Leases, which, in the reasonable judgment of the Banks, adversely affects the Security or the ability of the Authority to perform its obligations hereunder or under the Indenture;

(k) one or more judgments for the payment of money and not fully covered by insurance (including self-insurance to the extent evidenced by reserves in the form of liquid assets) involving the Security Leases or the Facilities, or attachments against the Security Leases,

the operation or result of which, individually or in the aggregate, equal or exceed $1,000,000, which judgment or judgments shall not have been appealed or shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days;

(l) the occurrence of an "Event of Default" under the 2007 Swap Agreement, which default shall continue beyond any applicable period of grace; or

(m) the occurrence of an "Event of Default" under any obligation of the Authority that is secured by payments under the Eagles Leases or the Phillies Leases.

Upon the occurrence and continuance of an Event of Default, and notice thereof to the Authority and the Trustee, the Banks may, in their sole discretion, but shall not be obligated to, exercise any or all of the following remedies:

(a) by written, electronic or telephonic notice (promptly confirmed in writing) give notice of such Event of Default, whereupon the Trustee shall immediately declare all 2007B Bonds (including without limitation any Pledged 2007B Bonds) then outstanding subject to mandatory purchase in accordance with Section 3.02 of the Third Supplemental Indenture; and

(b) exercise all or any of its rights and remedies as it may otherwise have under Applicable Law and under the Reimbursement Agreement and the Indenture or otherwise by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or other jurisdiction, either for specific performance of any covenant or agreement contained in the Indenture or the Reimbursement Agreement, or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy.

RELATED TAXABLE BONDS AND SWAPS

Taxable Bonds

The Authority previously issued $112,000,000 in aggregate principal amount of its Lease Revenue Notes, 2001 Series (Federally Taxable) (the "Notes") pursuant to the Original Indenture, the proceeds of which were used or the purpose of financing or refinancing (i) the costs of certain repairs, restorations and replacements to Veterans Stadium; (ii) the construction costs of two new stadia (Citizens Bank Park and Lincoln Financial Field) for The Phillies, a Pennsylvania limited partnership (the "Phillies") and Philadelphia Eagles Limited Partnership, a Delaware limited partnership (the "Eagles"), including the costs of acquiring various parcels of land, and the costs of certain relocation, demolition and site work in connection therewith; (iii) the payment of capitalized interest; and (iv) the payment of costs of issuance of the Notes.

The Authority then issued its Lease Revenue Refunding Bonds, Series A of 2001 (Taxable) (the "2001A Bonds") in the aggregate principal amount of $26,840,000 and Lease Revenue Bonds, Series B of 2001 (Tax-Exempt) in the aggregate principal amount of $319,950,000 (the "2001B Bonds") pursuant to the First Supplemental Indenture. The 2001A Bonds and the 2001B Bonds were issued to finance a project consisting of (i) the current refunding of the Notes; (ii) the payment of the costs of completing certain repairs, restorations and replacements to the previously existing Veterans Stadium; (iii) the making of certain contributions toward the costs of Citizens Bank Park and Lincoln Financial Field for the Phillies

and the Eagles, including, but not limited to, the payment of the costs of certain land acquisition, relocation, site work and demolition, as well as construction, infrastructure, related improvements and other related costs; and (iv) the payment of certain costs of issuance.

The 2001A Bonds which are taxable remain outstanding on a parity with the 2007A and 2007B Bonds. The 2001B Bonds were refunded by the 2007A and 2007B Bonds.

Swaps

In connection with the issuance and sale of the 2007B Bonds, the Authority entered into separate interest rate swap agreements (the "Swaps relating to the 2007B Bonds") with JPMorgan Chase Bank, National Association ("JPMorgan") and Merrill Lynch Capital Services, Inc. ("MLCS" and, together with JPMorgan, the "Counterparties"), pursuant to which the Authority will make periodic fixed rate payments to the Counterparties and the Counterparties will make periodic floating rate payments to the Authority. The Swaps relating to the 2007B Bonds are subject to termination prior to their scheduled termination dates by either party under a number of circumstances. Such early termination could result in either a payment from the Authority to the Counterparties or from the Counterparties to the Authority, depending on market conditions at the time of early termination.

Estimated Pro-Forma Annual Debt Service Requirements

Set forth below is the schedule of yearly debt service due on the 2007 Bonds in each year ending June 30.

2007 BONDS[1]

	2007A Bonds		2007B Bonds		
Year Ending June 30	Principal Payment 2007A Bonds	Interest 2007A Bonds	Principal or Sinking Fund Payment 2007B Bonds	Interest 2007B Bonds[2]	Total Debt Service
2008		$1,054,890	-	$4,985,007	$6,039,898
2009		2,434,363	-	11,503,863	13,938,226
2010	$2,880,000	2,373,163	-	11,503,863	16,757,026
2011	5,635,000	2,171,088	-	11,503,863	19,309,951
2012	5,920,000	1,882,213	-	11,503,863	19,306,075
2013	11,445,000	1,455,100	-	11,503,863	24,403,963
2014	12,010,000	888,900	-	11,503,863	24,402,763
2015	12,430,000	300,906	-	11,503,863	24,234,770
2016	-	-	$12,990,000	11,245,927	24,235,927
2017	-	-	13,550,000	10,718,936	24,268,936
2018	-	-	14,125,000	10,169,407	24,294,407
2019	-	-	14,730,000	9,596,448	24,326,448
2020	-	-	15,355,000	8,999,065	24,354,065
2021	-	-	16,015,000	8,376,167	24,391,167
2022	-	-	16,695,000	7,726,661	24,421,661
2023	-	-	17,405,000	7,049,554	24,454,554
2024	-	-	18,150,000	6,343,556	24,493,556
2025	-	-	18,925,000	5,607,376	24,532,376
2026	-	-	19,730,000	4,839,823	24,569,823
2027	-	-	20,570,000	4,039,606	24,609,606
2028	-	-	21,445,000	3,205,336	24,650,336
2029	-	-	22,365,000	2,335,422	24,700,422
2030	-	-	23,315,000	1,428,377	24,743,377
2031	-	-	24,310,000	482,712	24,792,712
Total	$50,320,000	$12,560,622	$289,675,000	$187,676,424	$540,232,045

(1) Numbers may not add due to rounding.

(2) Amounts shown in this column assume a "synthetic fixed rate" of interest of 3.9713%. The Authority issued the 2007B Bonds as variable rate demand obligations and contemporaneously entered into separate interest rate swap agreements with the Counterparties, pursuant to which the Counterparties will be required to pay an amount equal to the SIFMA Index, and the Authority will be required to pay the fixed rate set forth in the interest rate swap agreement. The Authority is responsible for all interest on the 2007B Bonds in excess of the amounts paid by the Counterparties.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The 2007B Bonds are special limited obligations of the Authority and are payable solely from certain rental payments to be made by the City, as lessee, to the Authority, as lessor, under the Security Leases and certain amounts available therefor under the Indenture, if any. The Security Leases consist of: (i) the Eagles Prime Lease, pursuant to which the City has leased from the Authority a parcel of land in connection with the development of a football stadium (known as Lincoln Financial Field) constructed on such parcel, together with the improvements thereon, including the football stadium (the "Eagles Premises"); and (ii) the Phillies Prime Lease, pursuant to which the City has leased from the Authority certain parcels of land in connection with the development of a baseball park (known as Citizens Bank Park) constructed on such parcels, together with the improvements thereon, including the baseball park (the "Phillies Premises"). The 2007B Bonds are also secured by the funds and accounts established under the Indenture (other than the Rebate Fund, the Purchase Fund and any other fund or account established hereafter and specifically excluded from the pledge of the Indenture) including all instruments and obligations in which the moneys in such pledged funds and accounts may from time to time be invested and all interest and other investment earnings thereon and proceeds thereof. Neither the Phillies nor the Eagles are obligated to make any payments with respect to the 2007B Bonds. Additionally, pursuant to the Eagles Prime Lease, the rental payments made by the City to the Authority thereunder for the payment of the principal or redemption price of, and interest on the 2007B Bonds, are subordinate to the payment of certain rental payments made by the City to the Authority with respect to certain operating and maintenance expenses associated with the Eagles Premises.

In order to secure the payment of the principal or the redemption price of, and interest on the 2007B Bonds, the 2007A Bonds, the 2001B Bonds, any Additional Debt, the obligations under the Swaps (on a subordinate basis) and the performance and observance by the Authority of all of the covenants, express or implied in the Indenture, the 2007B Bonds, the 2007A Bonds, the 2001B Bonds or any Additional Debt, the Authority, pursuant to the Indenture, has assigned to the Trustee: (i) the rights, title and interest of the Authority to certain rental payments under the Eagles Prime Lease and the Phillies Prime Lease (excepting the right to certain amounts payable to the Authority for insurance premiums and any rebate liability, and certain fees, expenses and indemnities payable thereunder as set forth in the Indenture) and the rights and remedies associated with such payments, and (ii) all funds and accounts established under the Indenture (other than the Rebate Fund, the Purchase Fund and any other fund or account established hereafter and specifically excluded from the pledge of the Indenture), and investment earnings thereon, subject to disbursements from such fund or account in accordance with the Security Leases and the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES" in APPENDIX C hereto.

The City has agreed in the Security Leases, to, *inter alia*, make certain rental payments to the Authority, which, together with all other available amounts therefor under the Indenture, if any, will be sufficient for the Authority to make its required payments of principal or redemption price of, and interest on the 2007B Bonds then becoming due, whether by maturity, redemption or otherwise (other than by reason of acceleration under the Indenture) and any payments due under the Swaps relating to the 2007B Bonds. **Acceleration of the 2007B Bonds will not cause an acceleration of the rent payable by the City under the Security Leases.**

The City's rental obligations under the Security Leases will be payable only out of current revenues of the City. The City has agreed in the Security Leases to provide for payment of such rent and include the same in the City's annual operating budget for each fiscal year of the City. The City covenants in the Security Leases to make appropriations in each of its fiscal years in such amounts as shall be required to make all rental payments due and payable thereunder in each such fiscal year. If the current revenues of the City are insufficient to pay rent in any fiscal year as the same becomes due and payable, the City covenants in the Security Leases to include amounts not so paid in the City's operating budget for the ensuing fiscal year and shall produce sufficient current revenues to pay in the ensuing fiscal year such balance due for the preceding fiscal year in addition to the amount of rent due for the ensuing fiscal year. Any provision of the Security Leases to the contrary notwithstanding, under no circumstances shall the Authority's remedies under the Security Leases include the right to cause an acceleration of all or any part of the City's rental payments thereunder or the right to terminate any Security Lease.

The Security Leases provide that so long as, among other things, any of the 2007B Bonds remain Outstanding, notwithstanding that all or any part of the premises leased thereunder shall have been wholly or partially destroyed, damaged or injured, and shall not have been repaired, replaced or rebuilt, the obligation of the City to pay rentals shall be absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, regardless of any rights of setoff, recoupment or counterclaim that the City might otherwise have against the Authority or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise or take place after the date of the Security Leases.

Additional Debt

In accordance with the provisions of the Indenture, the Authority may issue Additional Debt from time to time pursuant to a Supplemental Indenture, which Additional Debt shall be on parity with the 2007B Bonds and the 2007A Bonds except as provided in the Indenture or a Supplemental Indenture and may be issued in one or more series and in various principal amounts, and may bear interest at different rates and otherwise may vary as provided in the Indenture and such Supplemental Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES" in APPENDIX C hereto.

Letter of Credit

The 2007B Bonds are entitled to the benefit of the irrevocable, direct-pay Letter of Credit issued by the Banks. The Trustee is entitled to draw on the Letter of Credit in an amount equal to the principal of and 57 days accrued interest at a maximum rate of 10% on the 2007B Bonds at maturity, acceleration or redemption, and for the payment of purchase price of the 2007B Bonds upon optional or mandatory tender, to the extent that remarketing proceeds are not available. The Letter of Credit expires on May 1, 2011 unless terminated earlier or extended as set forth in the Letter of Credit. The form of the Letter of Credit is attached hereto as APPENDIX G.

The Authority, at the direction of the City, has provided the irrevocable, direct-pay Letter of Credit as both an Alternate Credit Enhancement and an Alternate Liquidity Facility pursuant to the requirements of the Indenture. The Authority approved the substitution of the Letter of Credit and the execution of all required documents by a board resolution adopted on April 8, 2008.

The Letter of Credit replaces credit enhancement previously provided by a bond insurance policy from FGIC and a liquidity facility previously provided by the Banks pursuant to a standby bond purchase agreement for the 2007B Bonds. The bond insurance policy previously provided by FGIC has been cancelled and the standby bond purchase agreement previously provided by the Banks has been terminated.

Information regarding the Letter of Credit and the Reimbursement Agreement has been provided by the Banks and information regarding the Banks has been provided by JPMorgan Chase Bank, National Association and The Bank of New York, respectively, and is attached hereto as APPENDIX F.

LITIGATION

There is no action, suit or proceeding at law or in equity pending against, or, to the best of the Authority's knowledge, threatened against, the Authority to restrain or enjoin the remarketing of the 2007B Bonds or in any way contesting the validity or affecting the power of the Authority with respect to the issuance and sale of the 2007B Bonds or the documents or instruments executed by the Authority in connection therewith or the conversion and remarketing of the 2007 B Bonds.

See "CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA - Litigation" in APPENDIX A hereto for a discussion of litigation concerning the City.

EXPECTED RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Services, a Division of The McGraw–Hill Companies, Inc. ("Standard & Poor's"), are expected to assign to the 2007B Bonds the ratings of "Aaa/VMIG 1" and "AAA/A-1+", respectively. The ratings are based upon (i) the ratings of the Banks, (ii) the long term ratings of the City of Philadelphia and (iii) Moody's and S&P's credit correlation of the ratings of the Banks and the City. JPMorgan's long term and short term ratings from Moody's and Standard & Poor's as of the date of this reoffering circular are "Aaa/P-1" and "AA/A-1+", respectively. BNY's long term and short term ratings from Moody's and Standard & Poor's as of the date of this offering circular are "Aaa/P-1" and "AA-/A-1+", respectively. The underlying ratings assigned to the 2007B Bonds by Moody's and Standard & Poor's are "Baa1" and "BBB", respectively.

An explanation of the significance of each of such ratings may only be obtained from the rating agency furnishing the same. There is no assurance that any of such ratings will be maintained for any given period of time or that they may not be raised, lowered or withdrawn entirely, if in a rating agency's judgment circumstances so warrant. Any downward change in or withdrawal of any such ratings may have an adverse effect on the price at which the 2007B Bonds may be resold. Neither the Authority nor the Remarketing Agent have assumed any

responsibility to advise the holders of the 2007B Bonds of any change in any rating on the 2007B Bonds or maintain any particular rating on the 2007B Bonds.

LEGAL MATTERS

The validity and tax exempt status of the 2007B Bonds was passed upon by Ballard Spahr Andrews & Ingersoll, LLP and Andre C. Dasent, P.C., both of Philadelphia, Pennsylvania, Co-Bond Counsel in connection with the issuance of the 2007B Bonds on October 25, 2007. Such opinion has not been updated and the form of such approving opinion is attached hereto as Appendix D.

Certain legal matters in connection with the substitution of the Letter of Credit and remarketing of the 2007 Bonds will be passed upon for the Authority and the City by Co-Bond Counsel. Co-Bond Counsel will provide a favorable opinion that the substitution by the Authority of the Letter of Credit as an Alternate Credit Enhancement and an Alternate Liquidity Facility has been properly authorized and is permitted by the Indenture and that such substitution will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the 2007B Bonds. The form of the proposed opinion of Co-Bond Counsel is attached hereto as Exhibit E. Certain legal matters in connection with the substitution of the Letter of Credit and remarketing will be passed upon for the Authority by its Counsel, Booth & Tucker, LLP, Philadelphia, for JPMorgan Chase Bank, National Association by its Counsel, Greenberg Traurig, LLP, Philadelphia, Pennsylvania, and for The Bank of New York by its Counsel, Emmet, Marvin & Martin, LLP. Certain legal matters for the City will be passed upon by the City Solicitor.

TAX MATTERS

Tax Exemption

On October 25, 2007 Ballard Spahr Andrews & Ingersoll, LLP, and Andre C. Dasent, P.C., Co-Bond Counsel, delivered an opinion to the effect that interest on the 2007B Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2007B Bonds, assuming the accuracy of the certifications of the Authority and the City and continuing compliance by the Authority and the City with the requirements of the Internal Revenue Code of 1986 (the "Code"). Interest on the 2007B Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on 2007B Bonds held by a corporation (other than an S corporation, regulated investment company, real estate investment trust, or real estate mortgage investment conduit) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Interest on 2007B Bonds held by foreign corporations may be subject to the branch profits tax imposed by the Code.

Ownership of the 2007B Bonds may result in other federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits,

certain S corporations and taxpayers who may be deemed to have incurred or continued debt to purchase or carry the 2007B Bonds. No opinion is expressed as to these matters.

A person making payments of tax-exempt interest to a bondholder is generally required to perform "backup withholding" from the interest if the bondholder does not provide an IRS Form W-9 to the payor. "Backup withholding" means that the payor withholds tax from the interest payments at the backup withholding rate, currently 28%. Form W-9 states the bondholder's taxpayer identification number or basis of exemption from backup withholding.

If a holder purchasing a 2007B Bond through a brokerage account has executed a Form W-9 in connection with the account, as generally can be expected, there should be no backup withholding from the interest on the 2007B Bond. In any event, backup withholding does not affect the excludability of the interest on the 2007B Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

The payor must make an information report to the Internal Revenue Service of payments of interest on the 2007B Bonds in any event.

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date of issuance of the 2007B Bonds, the 2007B Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2007B Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

The form of approving opinion of Co-Bond Counsel delivered in connection with the issuance of the 2007B Bonds is attached hereto as Appendix D. Co-Bond Counsel has not undertaken to update its approving opinion delivered on October 25, 2007.

REMARKETING

The 2007B Bonds are being remarketed by J.P. Morgan Securities Inc., pursuant to an Amended and Restated Remarketing Agreement dated May 1, 2008 (the "Remarketing Agreement"). The Remarketing Agent will earn remarketing fees paid by the Authority in connection with periodic remarketings pursuant to the Remarketing Agreement.

As of the date of this Reoffering Circular, the Remarketing Agent holds $289,175,000 principal amount of 2007B Bonds, which Bonds are subject to mandatory tender for purchase in connection with the substitution of the Letter of Credit. Proceeds of the remarketing will be used to purchase such 2007B Bonds from the Remarketing Agent.

FINANCIAL ADVISORS

Phoenix Capital Partners, LLP, Philadelphia, Pennsylvania, and Public Resources Advisory Group, Media, Pennsylvania (collectively, the "Financial Advisors"), have acted as financial advisors to the City and the Authority in matters relating to the substitution of the Letter of Credit and remarketing of the 2007B Bonds. The Financial Advisors are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal

securities or other public securities. The Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information in this Official Statement.

CONTINUING DISCLOSURE

The City entered into a Continuing Disclosure Agreement dated October 25, 2007 with Digital Assurance Certification, L.L.C, as dissemination agent of the City, in which it agreed to provide certain continuing disclosure for the benefit of the owners (including beneficial owners) from time to time of the 2007B Bonds.

A default under such Continuing Disclosure Agreement shall not be deemed to be a default under the Indenture or the Security Leases.

CERTAIN RELATIONSHIPS

Co-Bond Counsel each provide ongoing legal services to the City. In addition, Booth & Tucker, LLP, counsel to the Authority, also provides ongoing legal services to the City.

J.P. Morgan Securities Inc. is the Remarketing Agent for the 2007B Bonds. JPMorgan Chase Bank, National Association is one of the providers of the Letter of Credit and also acts as a counterparty under an interest rate swap agreement with the City which hedges the City's interest rate risk relating to the 2007B Bonds. J.P. Morgan Securities Inc. and JPMorgan Chase Bank, National Association are each wholly-owned subsidiaries of J.P. Morgan Chase & Co.

MISCELLANEOUS

This Reoffering Circular is made available only in connection with the reoffering of the 2007B Bonds and may not be used in whole or in part for any other purpose. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the 2007B Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any opinions or estimates herein will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Reoffering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof.

The execution and distribution of this Reoffering Circular has been duly authorized by the Authority.

Philadelphia Authority for Industrial Development

By: /s/ James F. McManus
Chairman

Approved:

City of Philadelphia

By: /s/ Rob Dubow
Director of Finance

Appendix A

Certain Information Concerning The City of Philadelphia

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THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

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, 2008, the Office of the City Controller had 120 employees, including 69 auditors, 28 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 on a 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 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 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 City Representative is charged with the responsibility of giving wide publicity to any items reflecting the activities and accomplishments of the City, its inhabitants, and commerce and industry. The Director of Commerce is charged with the responsibility of promoting and developing commerce and industry.

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 Office 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, Remick & Saul. 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 Master 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 dollars 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 Master 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.

As of the close of business on June 30, 2007, the principal amount of PICA bonds outstanding was $622,535,000.

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 2007 and the current estimate for Fiscal Year 2008, 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*	341.0 million

*Estimate as of February 15, 2008.

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 Fourteenth Five-Year Plan to City Council on January 25, 2005. City Council approved the Fourteenth Five-Year Plan on June 16, 2005. On June 21, 2005, PICA requested the City to make revisions to the Fourteenth Five-Year Plan relating to the City's estimates of certain revenues. The City responded to the PICA requests and submitted a revised Fourteenth Five-Year Plan to PICA on July 20, 2005. PICA approved the revised Fourteenth Five-Year Plan on July 21, 2005. In the approved Fourteenth Five-Year Plan, the City

projected a balanced budget in each of the five years covered by the plan through a continued strategy based upon implementation of management initiatives, productivity improvements, cost containments, certain workforce restructurings, and revenue enhancements.

The Mayor presented the Fifteenth Five-Year Plan to City Council on January 24, 2006. City Council approved the Fiscal Year 2007 Budget on May 25, 2006, and the Mayor signed it on June 8, 2006. The Fifteenth Five-Year Plan was revised to reflect changes made to the Fiscal Year 2007 Budget by City Council, and the revised Fifteenth Five-Year Plan was submitted to PICA on June 1, 2006. The PICA Board approved the revised Fifteenth Five-Year Plan on July 5, 2006.

The Mayor presented the Sixteenth Five-Year Plan to City Council on February 22, 2007. City Council approved the Fiscal Year 2008 Budget on June 14, 2007, and the Mayor signed it on June 22, 2007. The Sixteenth Five-Year Plan was revised to reflect changes made to the Fiscal Year 2008 Budget by the Mayor and City Council, submitted to PICA on June 27, 2007, and approved by PICA on July 26, 2007.

Pursuant to the PICA Act, upon completion of the FOP (as defined herein) arbitration process and the District Councils 33 and 47 benefit reopener negotiations, on November 6, 2007, the Mayor presented a revision to the Sixteenth Five-Year Plan to PICA. (See "REVENUES OF THE CITY—Labor Agreements" herein.) The revision includes the increased costs associated with the new benefit agreements and maintains a projected balanced Five-Year Plan. PICA approved the plan revision.

The Mayor presented the Seventeenth Five-Year Plan (the "Plan") to City Council on February 14, 2008. That Plan is currently under review. Changes in revenue projections may necessitate revisions to the Plan. See "Discussion of Financial Operations – Fiscal Year 2008 Budget" herein.

CITY FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information contained in this Appendix A 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.

If and when included in this Official Statement (including this Appendix A), the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the City include, among others, changes in economic conditions, mandates from other governments and various other events, conditions and circumstances, many of which are beyond the control of the City. Such forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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, 2007 (the "Fiscal Year 2007 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 2007 Comprehensive Annual Financial Report.

Fund Structure

The major operations of the City are conducted through the Principal Operating Funds (Debt Related), which include the General Fund. In addition, the City has five other Principal Operating Funds that are not debt related ("Non-Debt Related Funds"), two of which are financed solely from grants from the Commonwealth and Federal governments. Collectively, the Principal Operating Funds (Debt Related and Non-Debt Related Funds) are referred to herein as the "Principal Operating Funds."

Principal Operating Funds

The Debt Related Funds that contain resources that may be used for the payment of debt include the General Fund, the resources of which are available for any City purpose, and the County Liquid Fuels Tax Fund and the Special Gasoline Tax Fund, the resources of which are available only for servicing general obligation debt issued for construction of public roads or streets. The other Debt Related Funds include the Water Fund and the Aviation Fund, the resources of which are not generally available for City purposes, other than the operations of the City's Water Department and the City's Division of Aviation, respectively.

The Non-Debt Related Funds, the resources of which are not available for other City purposes, include the Grants Revenue Fund, the Community Development Fund, the Hotel Room Rental Tax Fund, the Car Rental Tax Fund and the Health Choices Behavioral Health Revenues Fund.

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-one individual governmental funds. The City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2007), 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, 2007), 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 Philadelphia 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, eight 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 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 2008 through 2013.

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-seventh 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, 2006. 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, certain capital project 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 written procedures adopted by the Office of Director of Finance.

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.

Written 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 Philadelphia Home Rule Charter, the City Treasurer is the primary 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 under contract with the City. 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, 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. If the market values fall 5% below cost, a written explanation is required from the investment manager outlining the reasons for the decline and outlining the steps, if any, that are needed to correct the situation. The Finance Director has established internal controls in the management of the City's short-term investments (usually 2 year or less). The internal controls are designed to prevent and control losses of City funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by any personnel.

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. 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 2006 Budget

The City's Fiscal Year 2006 budget was approved by City Council on June 2, 2005 and signed by the Mayor on June 16, 2005. This budget was prepared by the City in conjunction with the Fourteenth Five-Year Plan. The Fourteenth Five-Year Plan, which covers Fiscal Years 2006-2010, was approved by City Council on June 16, 2005. On June 21, 2005, PICA requested the City to make revisions to the Fourteenth Five-Year Plan relating to the

City's estimates of certain revenues. The City responded to the PICA requests and submitted a revised Fourteenth Five-Year Plan to PICA on July 20, 2005. PICA approved the Fourteenth Five-Year Plan on July 21, 2005.

Fiscal Year 2006 Results

The City ended Fiscal Year 2006 on the legally enacted basis with a positive fund balance of $254.5 million. This increase in fund balance is the result of improved tax performance, particularly Real Estate Transfer and Business Privilege Tax, obligations below estimated levels, and an increase in prior year fund balance adjustments. Fiscal Year 2006 Fund Balance results exceed previous estimates by $52.9 million.

Fiscal Year 2007 Budget

The City's Fiscal Year 2007 budget was approved by City Council on May 25, 2006, and signed by the Mayor on June 8, 2006. This budget was prepared by the City in conjunction with the Fifteenth Five-Year Plan. The PICA Board approved the Fifteenth Five-Year Plan on July 5, 2006.

Fiscal Year 2007 Results

The City ended Fiscal Year 2007 on a legally enacted basis with a positive fund balance of $297.9 million. The $82 million increase in fund balance from estimated to actual results is due to increased tax receipts in the amount of $29 million, particularly Wage Tax, Business Privilege Tax, and Realty Transfer Tax. Locally generated revenue exceeded estimates by $13 million due to increased interest earnings, and other governmental revenue exceeded estimates by $35 million. Obligations spending exceeded estimated levels by $13 million due to a retroactive payment to Local 22 (hereinafter defined) for Fiscal Year 2006 and Fiscal Year 2007 health/medical rate increases. Finally, prior year fund balance adjustments exceeded estimates by $16 million in Fiscal Year 2007.

Fiscal Year 2008 Budget

The City's Fiscal Year 2008 budget was approved by City Council on June 14, 2007, and signed by the Mayor on June 22, 2007. The budget projects estimated revenues of $3.731 billion, obligations of $3.839 billion and an ending fund balance of $84.4 million. This budget was adopted by the City in conjunction with the Sixteenth Five-Year Plan approved by the PICA Board.

Fiscal Year 2008 Current Estimate

As of February 15, 2008, the Fiscal Year 2008 estimate projects revenues of $3.807 billion, obligations of $3.920 billion and an estimated Fiscal Year 2008 fund balance of $209.6 million on a legally enacted basis, an increase of $125.2 million over the fund balance estimate in the Adopted Budget, but a decrease of almost $90 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. 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.

Real estate transfer tax revenue budgeted for Fiscal Year 2008 is $205 million. As of February 15, 2008, based on estimated collections through December 2007, this revenue source is estimated to produce $197 million in Fiscal Year 2008, a 9% decrease from Fiscal Year 2007. The proposed Seventeenth Five-Year Plan incorporates the February 15, 2008 estimate. Through March 2008, however, year-to-date collections decreased 15%. If collections decrease 15% for all of Fiscal Year 2008, they would fall $12 million short of the projection utilized for the proposed Seventeenth Five-Year Plan. A City Budget Office projection based on recent economic activity shows that the potential Fiscal Year 2008 shortfall could be $20 million.

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TABLE A-1
CITY OF PHILADELPHIA GENERAL FUND
SUMMARY OF OPERATIONS
(LEGAL BASIS) (AMOUNTS IN MILLIONS OF USD)

	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Estimate as of February 15, 2008 2008
REVENUES						
Real Property Taxes	361.1	377.7	392.7	395.8	397.5	394.5
Personal Property Taxes	0.0	0.0	0.0	0.0	0.0	0.0
Wage and Earnings Tax	1,013.4	1,049.6	1,073.6	1,111.2	1,167.4	1,201.1
Net Profits Tax	11.7	13.0	13.7	14.6	15.3	14.7
Business Privilege Tax	286.1	309.2	379.5	415.5	436.4	438.2
Sales Tax	108.0	108.0	119.9	127.8	132.6	135.9
Other Taxes[(a)]	156.3	202.2	250.9	304.1	286.7	268.2
Total Taxes	1,936.6	2,059.7	2,230.3	2,369.0	2,435.9	2,452.6
Locally Generated Non-Tax Revenue	245.2	207.4	200.9	235.9	247.9	269.7
Revenue from Other Governments	876.6	801.1	1,054.6	924.5	1,032.9	1,056.5
Receipts from Other City Funds	27.3	24.7	26.3	24.9	27.4	28.5
Total Revenue	3,085.7	3,092.9	3,512.1	3,554.3	3,744.1	3,807.3
OBLIGATIONS/APPROPRIATIONS						
Personnel Services	1,246.7	1,278.3	1,243.5	1,250.2	1,327.6	1,382.0
Purchase of Services	1,007.1	1,050.3	1,090.1	1,065.7	1,151.6	1,193.3
Materials, Supplies and Equipment	76.0	70.6	71.5	82.1	89.1	94.2
Employee Benefits	540.6	598.9	704.7	760.2	890.3	971.1
Indemnities, Contributions and Grants	122.9	95.1	113.5	110.9	119.0	114.9
City Debt Service	97.1	93.7	89.7	82.9	89.1	101.3
Other	32.4	32.0	36.7	38.6	31.2	32.3
Payments to Other City Funds	30.4	29.1	36.6	35.4	38.7	30.9
Total Obligations/Appropriations	3,153.2	3,248.0	3,386.3	3,426.0	3,736.6	3,920.0
Operating Surplus (Deficit) for the Year	(67.5)	(155.4)	125.8	128.2	7.5	(112.8)
Net Adjustments – Prior Year	19.8	17.3	17.2	30.1	35.9	24.5
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	139.0	91.3	(46.8)	96.2	254.5	297.9
Cumulative Adjusted Year End Fund Balance (Deficit)	91.3	(46.8)	96.2	254.5	297.9	209.6

(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 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Estimate as of February 15, 2008 2008
REVENUES						
General Fund	3,085.7	3,092.8	3,512.1	3,554.3	3,744.1	3,807.3
Water Fund[(a)]	440.8	438.3	451.4	490.3	519.7	601.9
Aviation Fund[(b)]	219.8	241.4	249.0	271.5	268.6	336.2
Other Operating Funds[(c)]	39.2	39.0	38.6	41.9	44.9	114.0
Total Revenue	3,785.5	3,811.5	4,251.1	4,358.0	4,577.3	4,859.4
OBLIGATIONS/APPROPRIATIONS						
Personnel Services	1,406.0	1,444.7	1,409.0	1,412.9	1,498.2	1,564.8
Purchase of Services	1,147.4	1,197.0	1,250.0	1,233.5	1,328.5	1,462.7
Materials, Supplies and Equipment	120.0	119.2	121.9	136.2	145.9	157.2
Employee Benefits	600.6	662.1	784.9	845.3	990.1	1,082.8
Indemnities, Contributions and Taxes	128.5	99.7	117.3	116.5	122.6	125.1
Debt Service[(d)]	358.0	344.6	336.8	337.6	348.8	372.9
Other	32.4	32.0	36.7	38.6	31.2	32.3
Payments to Other City Funds	93.9	95.5	97.0	119.4	144.9	181.1
Total Obligations/Appropriations	3,886.8	3,994.8	4,153.6	4,240.0	4,610.2	4,978.9
Operating Surplus (Deficit) for the Year	(101.3)	(183.4)	97.5	118.0	(32.8)	(119.6)
Net Adjustments Prior Year	50.2	41.0	45.8	60.6	69.6	53.7
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance (Deficit) Prior Year End	183.1	132.0	(10.4)	132.9	311.5	348.4
Cumulative Adjusted Year End Fund Balance (Deficit)	132.0	(10.4)	132.9	311.5	348.3	282.5

(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, the transferred amount was $4,994,000. For Fiscal Year 2007, 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.

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 of Principal Operating Funds (Debt Related)

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 1999-2008 and Table A-4 for General Fund tax revenues for Fiscal Years 2003-2008. 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 2007 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 1999-2007 and the budgeted receipts in Fiscal Year 2008.

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	1,556.8†

† Estimate as of February 15, 2008.
* Includes PICA Tax.

In the Seventeenth Five-Year Plan, the Mayor proposes further reductions in this tax rate for each of the Fiscal Years 2009-2013. The Seventeenth Five-Year Plan proposes reducing the wage tax from its current level of 4.2190% for residents and 3.7242% for non-residents to 3.800% for residents and 3.3994% for non-residents by Fiscal Year 2013. 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.

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 1999-2008 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

In the Seventeenth Five-Year Plan, the Mayor proposes 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 proposes reducing the gross receipts portion of the tax from its current rate of 0.154% to 0.075% in Fiscal Year 2013. In addition, the Mayor proposes reducing the percentage of net income portion of the Business Privilege tax to 6.0% in Fiscal Year 2013 from 6.5% in Fiscal Year 2008.

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 at a rate of 82.64 mills 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.

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 table below sets forth the City Sales Tax collected in Fiscal Years 1999 through 2007 and estimated collections for Fiscal Year 2008.

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*	135.9 million

* Estimate as of February 15, 2008.

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 2008 General Fund current estimate projects that approximately 27.8% of General Fund revenues will be received from other governmental jurisdictions, including: (1) $518.4 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $185.8 million from the Federal government; and (3) $86.3 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 $261.9 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 Year 2007, the transferred amount was $4,994,000.

On November 26, 2007, the City provided a surety bond in lieu of $67 million of the funds and investments currently held in the Debt Reserve Account. This substitution will reduce Net Reserve Earnings below that which would be expected if such substitution had not taken place.

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 2007 that totaled $11,629,311, $14,539,053, $27,239,000, $30,186,642 and $33,184,918, respectively. The Fiscal Year 2008 budgeted transfer amount is $34,000,000.

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 2007 Comprehensive Annual Financial Report for assessed and market values of taxable realty in the City and for levies and rates of collections.

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 1999-2008 (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 Tax[a]	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 Funds	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*	394.5	1,215.8	438.2	135.9	268.2	2,452.6	549.0	323.3	270.0	3,594.9	1,089.7	174.8	4,859.4

*Estimate as of February 15, 2008.

(a) See Table 7 in the Fiscal Year 2007 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 2003-2008
(AMOUNTS IN MILLIONS OF USD)

	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Estimate as of February 15, 2008 2008
REAL PROPERTY TAXES						
Current	329.4	332.6	353.2	354.1	367.2	358.5
Prior	31.7	45.1	39.5	41.7	30.3	36.0
Total	361.1	377.7	392.7	395.8	397.5	394.5
WAGE AND EARNINGS TAX[b]						
Current	987.2	1,034.5	1,066.0	1,104.0	1,162.4	1,196.1
Delinquent	26.2	15.1	7.6	7.2	5.1	5.0
Total	1,013.4	1,049.6	1,073.6	1,111.2	1,167.5	1,201.1
BUSINESS TAXES						
Business Privilege						
Current	238.7	269.9	326.7	390.5	401.9	403.2
Delinquent	47.4	39.2	52.8	25.0	34.5	35.0
Sub-Total Business	286.1	309.1	379.5	415.5	436.4	438.2
Privilege						
Net Profits Tax						
Current	10.1	11.3	12.0	11.8	10.9	11.2
Delinquent	1.6	1.7	1.7	2.8	4.3	3.5
Sub-Total Net Profits Tax	11.7	13.0	13.7	14.6	15.3	14.7
Total Business Taxes	297.8	322.1	393.2	430.1	451.6	452.9
OTHER TAXES						
Sales and Use Tax	108.0	108.0	119.9	127.8	132.6	135.9
Amusement Tax	14.1	18.3	13.5	17.0	16.4	16.9
Real Property Transfer Tax	103.4	141.3	192.3	236.4	217.3	197.0
Parking Taxes	38.7	42.5	45.0	48.4	50.3	51.5
Other Taxes	0.1	0.1	0.1	2.3	2.6	2.8
Sub-Total Other Taxes	264.3	310.2	370.8	431.9	419.2	404.1
TOTAL TAXES	1,936.6	2,059.6	2,230.3	2,369.0	2,435.9	2,452.6

(a) See Table 7 in the Fiscal Year 2007 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, 2007, the City employed 27,665 full-time employees with the salaries of 23,067 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					Budgeted
	2003	2004	2005	2006	2007	2008
General Fund						
Police	7,983	7,983	7,368	7,287	7,424	7,508
Streets	2,009	2,009	1,788	1,858	1,814	1,901
Fire	2,479	2,479	2,248	2,270	2,399	2,425
Health	782	782	667	662	664	700
Courts	2,058	2,058	2,004	1,936	1,928	1,920
Other*	9,400	9,400	8,890	8,806	8,838	9,505
Total General Fund	24,711	24,711	22,965	22,819	23,067	23,959
Other Funds	4,659	4,659	4,649	4,616	4,598	5,336
TOTAL	29,370	29,370	27,614	27,435	27,665	29,295

*Budgeted 2008 includes vacant positions

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 ("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 recently concluded negotiations with District Councils 33 and 47 and has 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. The City has appealed this decision to the Commonwealth Court. 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 IAFF has filed an appeal.

The present FOP contract contains 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 health-care 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 have since reached a settlement in which the City has agreed to pay the amounts awarded by the arbitrator. Accordingly, the matter has been withdrawn as moot.

The following table presents employee wage increases for the Fiscal Years 1998 through 2008.

TABLE A-7
CITY OF PHILADELPHIA
EMPLOYEE WAGE INCREASES
FISCAL YEARS 1998-2008

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	(g)	No increase	(g)	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%	

(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.

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Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 2003 through 2008 are shown in the following table.

TABLE A-8
CITY OF PHILADELPHIA
GENERAL FUND EMPLOYEE BENEFIT EXPENDITURES
FISCAL YEARS 2003-2008
(AMOUNTS IN MILLIONS OF USD)

	Actual					Estimate as of February 15, 2008
	2003	2004	2005	2006	2007	2008
Pension Contribution*	205.7	229.4	315.5	346.5	436.8	436.7
Health/Medical/Dental	226.6	253.7	285.9	291.8	331.5	406.8
Social Security	59.4	60.6	59.9	60.8	64.1	64.1
Other	48.9	55.2	43.4	61.1	57.9	63.5
Total	540.6	598.9	704.7	760.2	890.3	971.1

* 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 dollar payments 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 ending in 2025.

Based on the City's most recent actuarial report providing payments increasing at 4.0% per annum, the unfunded accrued liability of $3.9 billion, as of July 1, 2006 should be fully amortized by 2026.

Non-uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service or upon attainment of age fifty-five. 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 or upon attainment of age forty-five. Upon retirement, uniformed employees may receive up to 100% of their average final compensation depending upon their years of credited service.

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 Local 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 2007 Comprehensive Annual Financial Report.

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 2003 through 2008.

TABLE A-9
CITY OF PHILADELPHIA
PURCHASE OF SERVICES IN THE GENERAL FUND
FISCAL YEARS 2003-2008
(AMOUNTS IN MILLIONS OF USD)

	Actual					Estimate as of February 15, 2008
	2003	2004	2005	2006	2007	2008
Human Services (a)	452.2	493.7	511.8	467.9	495.3	514.0
Public Health	68.2	69.1	60.7	61.1	65.5	71.3
Public Property(b)	135.1	132.4	133.3	137.6	156.3	139.4
Streets(c)	54.4	53.9	54.6	54.8	58.3	58.7
Sinking Fund-Lease Debt(d)	74.3	70.8	70.7	77.0	84.3	86.1
Legal Services(e)	30.9	33.4	33.5	33.6	35.4	36.7
First Judicial District	27.5	23.0	28.3	24.4	24.8	23.2
Licenses & Inspections(f)	2.9	6.0	3.1	11.5	11.4	11.8
Emergency(g)	13.9	12.0	22.1	28.6	31.3	34.0
All Other	147.7	156.0	172.0	169.2	189.0	218.1
Total	1,007.1	1,050.3	1,090.1	1,065.7	1,151.6	1,193.3

(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".
(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 and Fiscal Year 2008 (current estimate).
(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.

Act 9 requires that the PPA transfer to the School District at the end of each fiscal year commencing with Fiscal Year 2004 that portion of the net revenues derived from the system of on-street parking operations which exceeds $25,000,000 (adjusted for certain factors as provided in Act 9). A transfer was made in Fiscal Year 2004 in the amount of $4 million. No transfers have been made in any subsequent fiscal years.

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. The current Five-Year Plan projects that the balance will be repaid on or before August 29, 2008. The extension of the repayment date to Fiscal Year 2009 is subject to City Council approval. 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 Seventeenth Five-Year Plan contemplates that in each of the Fiscal Years 2008 through 2013, 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 2007 operating subsidy payment to SEPTA was $58.0 million. The Fiscal Year 2008 budget projects operating subsidy payments to SEPTA of $61.6 million. The Seventeenth Five-Year Plan provides that the City's contribution to SEPTA will increase to $66.3 million by Fiscal Year 2013.

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, 2007, the Constitutional debt limitation for tax-supported general obligation debt was approximately $1,374,715,000 (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, 2007, the City's total amount of authorized general obligation debt was $1,654,496,000, which includes approximately $361,076,000 of self-supporting debt, which does not count

against the Constitutional debt limit.* As of June 30, 2007, $1,293,420,000 of general obligation debt subject to the constitutional debt limit was authorized, and of this authorized amount, $1,163,725,000 was issued and outstanding. As of June 30, 2007, a balance of $129,695,000 remained authorized and unissued, and a balance of $81,295,000 remained available for future authorization.

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. Each note issue was repaid when due prior to the end of the fiscal year of issuance. The City issued $200 million of Tax and Revenue Anticipation Notes in August 2007. These notes are due and are expected to be repaid on June 30, 2008.

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 2007. 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, 2007, see the Fiscal Year 2007 Comprehensive Annual Financial Report.

Of the total balance of City tax-supported general obligation bonds issued and outstanding at June 30, 2007, approximately 16% is scheduled to mature within 5 years and approximately 35% 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, 2007, 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	$ 195.4 million
PAID	$ 1,974.4 million
Parking Authority	$ 68.9 million
Redevelopment Authority	$ 271.6 million
Hospitals Authority	$ 7.6 million
State Public School Building Authority	$ 15.3 million
Convention Center Authority	$ 221.3 million

Source: Office of the Director of Finance

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 and $1.2 million in Fiscal Year 2007 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"). These bonds are secured by, among other things, payments to be

* The City is currently reviewing approximately $2.67 million of its currently outstanding self-supporting debt to determine if it is more appropriately characterized as tax-supported debt.

made by the City as the local sponsor pursuant to the enabling legislation that authorized the creation of CCP. As the local sponsor, the City is obligated to pay up to 50% of the debt service on bonds issued on behalf of CCP. The principal amount of such bonds for which the City is obligated to make such payments was $22,817,500 as of June 30, 2007; this amount represents 50% of the $45,635,000 principal amount of bonds issued and outstanding for CCP purposes as of June 30, 2007.

Recent Financings

In August of 2007, the City issued Tax and Revenue Anticipation Notes, Series A of 2007-2008 (the "Series A of 2007-2008 Notes"). The principal amount of the Series A of 2007-2008 Notes was $200,000,000. The Series A of 2007-2008 Notes were issued primarily to provide cash to supplement the receipts of the City in the General Fund for the purpose of paying the general expenses of the City prior to the receipt of income from taxes and other sources of General Fund revenues to be received in the current fiscal year and pledged for the repayment of the Series A of 2007-2008 Notes.

In August of 2007, the City also issued Airport Revenue Bonds, 2007A (AMT) (the "2007A AMT Bonds"), and Airport Revenue Refunding Bonds, 2007B (AMT) (the "2007B AMT Bonds"). The principal amount of the 2007A AMT Bonds was $172,470,000, and the principal amount of the 2007B AMT Bonds was $82,915,000. The 2007A AMT Bonds were issued primarily to fund capital projects at the Airport. The 2007B AMT Bonds were issued primarily to currently refund all of the outstanding Airport Revenue Refunding Bonds, Series 1997B (AMT).

In October of 2007, PAID simultaneously issued Fixed Rate Lease Revenue Refunding Bonds, 2007 Series A in the principal amount of $50,320,000 (the "2007A PAID Bonds"), and Multi-Modal Lease Revenue Bonds, 2007 Series B in the principal amount of $289,675,000 (the "2007B PAID Bonds," and together with the 2007A PAID Bonds, the "2007A&B PAID Bonds"). The 2007A&B PAID Bonds were issued to advance refund PAID's Lease Revenue Bonds, Series B of 2001 (Tax Exempt) (the "2001B PAID Bonds"), which were issued to finance a portion of the costs of two stadiums, which are currently known as Citizens Bank Park and Lincoln Financial Field, for use by, among other things, the Philadelphia Phillies baseball team and Philadelphia Eagles football team, respectively. The 2007A&B PAID Bonds are special limited obligations of PAID and are payable solely from certain of the rental payments to be made by the City, as lessee, to PAID, as lessor, under certain security leases and monies held in certain funds and accounts under the relevant indenture.

In connection with the sale of the 2007B PAID Bonds, PAID entered into separate interest rate swap agreements with JPMorgan Chase Bank, National Association and Merrill Lynch Capital Services, Inc. (collectively, the "2007 PAID Counterparties"), pursuant to which PAID will make periodic fixed rate payments to the 2007 PAID Counterparties and the 2007 PAID Counterparties will make periodic floating rate payments to PAID.

On December 4, 2007, PAID issued Lease Revenue Refunding Bonds, 2007 Series C in the principal amount of $51,640,000 (the "2007C PAID Bonds") to currently refund PAID's Lease Revenue Bonds, 1996 Series A, which were issued to finance the acquisition of land commonly known as One Benjamin Franklin Parkway and certain other real property rights, furniture, fixtures and equipment to be placed in the leased premises, the leasing of such by PAID to the City, and payment of costs of issuance. The 2007C PAID Bonds are special limited obligations of PAID and are payable solely from certain of the rental payments to be made by the City, as lessee, to PAID, as lessor, under a security lease and monies held in certain funds and accounts under the relevant indenture.

In December 2007, the City issued General Obligation Fixed Rate Refunding Bonds 2007A $188,910,000 (the "2007A Bonds") and General Obligation Multi-Modal Refunding Bonds 2007B in the principal amount of $313,505,000 (the "2007B Bonds"). Proceeds of the 2007A Bonds and the 2007B bonds were used to refund all or a portion of the City's general obligation bonds series 1994B, 1995, 1998, and 2001. In connection with the sale of the 2007B Bonds, the City entered into an interest rate swap agreement with the Royal Bank of Canada, pursuant to which the City makes periodic fixed rate payments to Royal Bank of Canada and the Royal Bank of Canada makes periodic floating rate payments to the City.

On April 16, 2008, the City priced $195,170,000 of its General Obligation Refunding Bonds, Series 2008A. The 2008A Bonds, proceeds of which will be used to refund all of the City's Series 2003B-1 and B-2 General Obligation Bonds, are expected to close on May 1, 2008.

In the calendar year 2008, the City plans to issue about $180 million of general obligation bonds for various capital projects, and the City, in conjunction with PMA, plans to issue about $97 million of General Fund supported debt for a new Youth Center Facility. In addition, the City plans to issue its annual offering of tax and revenue anticipation notes. The City is also exploring the possibility of issuing pension obligation bonds. In connection with monitoring opportunities to refund its outstanding bonds, the City is considering the possible refunding of certain of its Airport Revenue Bonds.

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TABLE A-10
CITY OF PHILADELPHIA
CITY-RELATED BOND INDEBTEDNESS
JUNE 30, 2007
(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, 2006	970,935	212,980	674,305	1,858,220	1,842,773	1,191,210	3,033,983	4,892,203
Increases:								
PAR Value of Bonds Issued:								
General Obligation	217,590	-	-	217,590	-	-	-	217,590
Revenue	-	-	-	-	345,035	-	345,035	345,035
Total Bonds Sold	217,590	-	-	217,590	345,035	-	345,035	562,625
Decreases								
Matured Bonds:								
General Obligation	22,125	17,564	51,770	91,459	1,163	-	1,163	92,622
Revenue	-	-	-	-	82,840	29,800	112,640	112,640
Revenue Refunded	-	-	-	-	341,495	-	341,495	341,495
Total Decrease	22,125	17,564	51,770	91,459	425,498	29,800	455,298	546,757
Bonded Debt Outstanding, June 30, 2007	1,166,400	195,496	622,535	1,984,351	1,762,310	1,161,410	2,923,720	4,908,071

Source: Office of Director of Finance

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2008-2013 contemplates a total budget of $7,016,013,000 of which $2,028,352,000 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 2008-2013 on May 31, 2007.

TABLE A-11
CITY OF PHILADELPHIA
FISCAL YEARS 2008-2013
CAPITAL IMPROVEMENT PROGRAM
(AMOUNTS IN THOUSANDS OF USD)

	2008	2009	2010	2011	2012	2013	2008-2013
CITY FUNDS – TAX SUPPORTED							
Carried-forward Loans	216,718	0	0	0	0	0	216,718
Operating Revenue	75,141	19,538	19,538	19,538	19,538	13,538	166,831
New Loans	54,273	55,044	53,452	55,232	53,391	51,296	322,688
Pre-financed Loans	1,000	1,000	1,000	1,000	1,000	1,000	6,000
PICA Pre-financed Loans	41,527	0	0	0	0	0	41,527
Tax-supported Subtotal	388,659	75,582	73,990	75,770	73,929	65,834	753,764
CITY FUNDS – SELF SUSTAINING							
Carried-forward Loans	777,338	0	0	0	0	0	777,338
Operating	109,504	38,646	39,020	40,393	42,566	43,946	314,076
New Loans	163,866	265,909	452,334	862,256	836,765	535,353	3,116,483
Self-Sustaining Subtotal	1,050,708	304,555	491,354	902,649	879,331	579,299	4,207,896
REVOLVING FUNDS	26,000	0	0	0	0	0	26,000
OTHER THAN CITY FUNDS							
Federal	340,779	79,554	57,596	72,238	52,030	50,670	652,867
Federal Off Budget	87,252	89,670	112,923	122,045	82,348	60,361	554,599
State	80,008	16,528	9,119	8,487	8,285	7,535	129,962
State Off Budget	32,570	31,314	37,164	36,300	28,075	34,051	199,474
Other Governments	62,107	18,000	0	0	0	0	80,107
Other Governments/Off Budget	585	501	714	631	733	790	3,954
Private	187,259	20,050	50,030	50,020	50,020	50,010	407,389
Other Than City Funds Subtotal	790,560	255,617	267,546	289,721	221,491	203,417	2,028,352
TOTAL	2,255,927	635,755	832,890	1,268,140	1,174,751	848,550	7,016,013

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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 and $26.6 million for Fiscal Year 2007. Estimates of settlements and judgments from the General Fund are $25.1 million, $25.1 million, $24.0 million, $24.0 million, and $24.0 million for Fiscal Years 2008 through 2012, 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 2007, payments for claims arising from labor settlements in the General Fund are $1.83 million of which $1.67 million was paid from the Indemnities account, and $0.16 million from the Operating budgets of the affected departments. Actual claims paid out from the General Fund for settlements and judgments averaged $25.1 million per year over the five years from Fiscal Year 2003 through Fiscal Year 2007.

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; a claim made by a Philadelphia sports franchise alleging damages for the cancellation of a professional exhibition game allegedly because the field at Veterans' Stadium was not in playable condition; 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, and $2.5 million in Fiscal Year 2007. The Water Department's budget for Fiscal Year 2008

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 $3.0 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 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, 2007 was released on January 31, 2008. 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, 2007. Such a request should be addressed to: Office of the Director of Finance (Attention: Accounting), Suite 1330 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, 2007 may be downloaded at http://www.phila.gov/finance.

The City also expects to provide financial and other information as to the City from time to time to Moody's Investors Service, Standard & Poor's Ratings Group 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.

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 terms of total retail sales with approximately one-half of the population of the United States living within an overnight drive.

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, 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 includes Pennypack Park and the country's first zoo within its 8,000 acres.

The City is a center for health, education, and science facilities with 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 eighty degree-granting institutions of higher education with a total enrollment of over 110,000 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.

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 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 major new cancer research center is also planned by the University of Pennsylvania.

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-12
POPULATION
CITY, PENNSYLVANIA & NATION

	1990	2000	2006 (est.)	% Change 1990-2000	% Change 2000-2006
Philadelphia	1,585,577	1,517,550	1,448,394	-4.3%	-4.6%
Pennsylvania	11,881,643	12,281,054	12,440,621	3.4%	1.3%
United States	248,709,873	281,421,906	299,398,484	13.2%	6.4%

Source: U.S. Census Bureau, 2006 Population Estimates, Census 2000, 1990 Census.

TABLE A-13
POPULATION AGE DISTRIBUTION

	Philadelphia				Pennsylvania			
Age	1990	% of Total	2000	% of Total	1990	% of Total	2000	% of Total
0-24	563,816	35.6	551,308	36.3	4,021,585	33.8	4,016,670	32.6
25-44	490,224	30.9	444,774	29.3	3,657,323	30.8	3,508,562	28.6
45-64	290,803	18.3	307,746	20.2	2,373,629	20.0	2,836,657	23.1
65-84	217,913	13.7	186,383	12.3	1,657,270	13.9	1,681,598	13.7
85 & up	22,801	1.4	27,339	1.8	171,836	1.4	237,567	1.9
Total	1,585,577	100.0	1,517,550	100.0	11,881,643	100.0	12,281,054	100.0

Source: U.S. Dept. of Commerce, Bureau of the Census.

	United States			
Age	**1990**	**% of Total**	**2000**	**% of Total**
0-24	90,342,198	36.3	99,437,266	35.3
25-44	80,754,835	32.5	85,040,251	30.2
45-64	46,371,009	18.6	61,952,636	22.0
65-84	28,161,666	11.3	30,752,166	11.0
85 & Up	3,080,165	1.2	4,239,587	1.5
Total	248,709,873	100.0	281,421,906	100.0

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.

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TABLE A-14
OFFICE RENTAL RATES IN CITIES
THROUGHOUT THE UNITED STATES

(In $ Per Square Foot)

	March 2002	March 2003	January 2004	January 2005	May 2006	November 2006	May 2007
Atlanta	21.60	23.91	23.09	21.92	20.08	20.56	20.16
Chicago	24.02	22.30	29.97	28.47	23.77	22.97	22.44
Dallas	19.77	21.32	20.58	19.71	17.43	16.47	17.20
Denver	16.58	18.29	17.84	17.24	19.03	20.37	22.17
Houston	18.20	19.97	19.29	18.21	19.15	19.52	21.53
Los Angeles	27.42	27.62	25.56	26.55	23.12	22.59	23.74
New York	47.20	43.53	45.51	45.16	55.15	62.07	69.44
Philadelphia	22.16	23.97	23.24	21.97	22.42	22.96	22.60
Phoenix	21.11	20.90	20.38	19.39	24.29	26.19	27.32
Portland	20.00	21.55	20.59	19.65	21.58	22.41	23.00
San Francisco	30.20	28.01	27.15	27.75	30.62	31.11	35.81
St. Louis	17.83	21.93	20.52	19.91	21.12	21.75	21.21
Tampa	18.89	19.66	19.23	18.01	20.54	21.13	22.46
Washington, D.C.	30.63	39.08	31.05	35.95	42.74	43.58	44.00

Source: CB Richard Ellis, Global Market Rents 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 accordance with the federal government's plans to close military facilities, the City saw several major closure actions in the 1990s including the Philadelphia Navy Shipyard and Naval Station ("Navy Yard"), the Philadelphia Naval Hospital, and the former Defense Supply Center of Philadelphia. At the time of their closures, these facilities employed in excess of 20,000 people.

Since these closure actions and the subsequent transfer of property from the federal government, the City has seen substantial progress in the revitalization of these assets and rebuilding the lost employment base. Most significant, employment at the former Navy Yard complex has begun to climb. In March 2000, the Philadelphia Authority for Industrial Development ("PAID") took ownership of more than 1,000 acres at the site 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)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Philadelphia (000)									
Labor Force	641.6	635.3	635.0	636.0	635.2	625.0	621.4	619.9	623.6
Employment	604.5	599.8	599.6	597.3	588.5	578.0	576.0	578.3	584.0
Unemployment	37.1	35.6	35.4	38.7	46.6	47.1	45.4	41.7	39.6
Unemployment Rate (%)	5.8	5.6	5.6	6.1	7.3	7.5	7.3	6.7	6.3
Philadelphia PMSA (000)*									
Labor Force	2,792.2	2,802.9	2,846.1	2,871.8	2,898.4	2,889.6	2,905.1	2,935.8	2,967.6
Employment	2,674.8	2,689.8	2,735.8	2,747.7	2,743.1	2,732.3	2,756.1	2,797.0	2,831.6
Unemployment	117.5	113.1	110.3	124.0	155.2	157.3	149.0	138.8	136.0
Unemployment Rate (%)	4.2	4.0	3.9	4.3	5.4	5.4	5.1	4.7	4.6
United States (000,000)									
Labor Force	137.7	139.4	142.6	143.7	144.9	146.5	147.4	149.3	151.4
Employment	131.5	133.5	136.9	136.9	136.5	137.7	139.3	141.7	144.4
Unemployment	6.2	5.9	5.7	6.8	8.4	8.8	8.1	7.6	7.0
Unemployment Rate (%)	4.5	4.2	4.0	4.7	5.8	6.0	5.5	5.1	4.6

Source: Pennsylvania Department of Labor and Industry, Bureau of Research and Statistics. Pennsylvania Civilian Labor Force Series by County of Residence and Pennsylvania Civilian Labor Force Series by Labor Market Area.

- The Philadelphia PMSA includes Philadelphia-Camden-Wilmington, PA, NY, DE, MD Metro Stat Area.

TABLE A-16
PHILADELPHIA
TOTAL MONTHLY EMPLOYMENT AND MONTHLY UNEMPLOYMENT RATES
BASED ON RESIDENCY
2001 – 2007

	Total Employment in 000's							Unemployment Rate %						
Month	2001	2002	2003	2004	2005	2006	2007	2001	2002	2003	2004	2005	2006	2007
January	600.3	589.6	582.1	576.4	577.6	583.8	588.0	5.8	6.9	7.5	7.5	7.0	6.2	6.5
February	598.6	591.1	582.0	575.8	575.6	583.0	588.2	5.9	7.0	7.5	7.3	7.2	6.4	5.4
March	600.5	589.1	581.8	574.6	574.7	583.4	584.2	5.8	7.2	7.3	7.7	7.0	6.3	5.3
April	599.7	589.7	580.9	575.2	577.0	583.6	582.8	5.8	7.4	7.5	7.4	6.8	6.5	5.8
May	599.7	591.3	578.3	572.9	579.8	584.4	583.8	5.8	7.3	7.5	7.5	6.7	6.4	6.0
June	599.0	590.6	577.9	573.4	577.2	584.8	589.6	5.8	7.3	7.7	7.5	6.6	6.3	5.7
July	598.7	588.2	575.7	576.3	580.1	582.9	585.6	5.8	7.5	7.6	7.4	6.5	6.5	5.9
August	593.6	589.2	575.9	575.8	578.8	584.3	586.4	6.1	7.4	7.6	7.2	6.5	6.4	6.2
September	597.1	590.5	575.5	577.0	579.8	584.2	588.4	6.1	7.4	7.7	7.1	6.6	6.3	6.2
October	594.1	587.0	575.7	577.4	579.6	585.0	587.8	6.5	7.4	7.7	7.1	6.5	6.2	6.3
November	594.1	583.7	576.1	578.9	579.0	584.7	589.9	6.6	7.6	7.5	6.9	6.7	6.2	5.6
December	593.1	582.7	574.0	579.1	580.1	584.5	585.1	6.9	7.6	7.3	6.9	6.6	6.3	6.4

Source: Center for Workforce Information and Analysis (monthly Seasonally Adjusted Labor Force)

TABLE A-17
PHILADELPHIA CITY
NON-FARM PAYROLL EMPLOYMENT*

(Amounts in Thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total Employment	675.3	685.2	695.9	687.8	686.8	679.0	660.5	657.9	671.6
Manufacturing	57.8	57.3	55.8	52.5	49.9	33.9	31.2	32.4	29.6
Non-Manufacturing	617.5	627.9	640.1	635.3	636.9	645.1	629.3	625.5	642.0
Construction & Mining	10.8	10,3	13.8	12.3	11.9	12.5	12.0	11.3	12.1
Transportation & Public Utilities	34.1	35.8	36.3	35.8	33.8	45.4	24.2	23.8	25.4
Wholesale & Retail Trade	112.5	112.3	118.4	118.1	120.2	122.3	66.9	66.3	67.2
Finance, Insurance & Real Estate	52.3	51.3	51.1	50.3	50.6	51.2	48.3	48.6	47.9
Services	291.8	293.1	298.8	300.3	302.8	299.2	353.0	349.0	367.3
Government	115.1	113.2	119.6	118.6	117.6	114.5	111.7	113.0	108.3

Source: Workforce Information News Release- January 30, 2007, Center for Workforce Information & Analysis, Department of Labor & Industry, Commonwealth of Pennsylvania.

* Includes persons employed within the City, without regard to residency.

TABLE A-18
CITY OF PHILADELPHIA
LARGEST EMPLOYERS IN PHILADELPHIA
JUNE 30, 2007
(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

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TABLE A-19
FORTUNE 500
LARGEST CORPORATIONS
WITH HEADQUARTERS IN PHILADELPHIA, 2007

Corporation	Type of Industry	Ranking	Revenues ($ Millions)
Sunoco	Petroleum Refining	60	$36,081.0
Comcast	Telecommunications	84	$25,700.0
Cigna	Health Care/Insurance	139	$16,547.0
ARAMARK	Diversified Outsourcing Services	214	$11,621.2
Lincoln National	Insurance: Life & Health	277	$ 9,062.9
Rohm & Haas	Chemical	292	$ 8,308.0
Crown Holdings	Metal Products	328	$ 7,140.0

Source: Fortune Magazine web site, 2008.

TABLE A-20
TOTAL INDUSTRY EMPLOYMENT BY ESTABLISHMENT
ANNUAL AVERAGES
(000s)

Philadelphia PMSA

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Non-Agricultural Employment	2,257.5	2,315.6	2,322.1	2,394.2	2,426.9	2,413.1	2,450.8	2,746.8	2,774.4	2,853.4
Goods Producing	393.0	396.2	387.0	398.6	390.3	380.3	332.1	360.9	357.3	353.2
Construction & Mining	87.8	90.4	86.3	99.1	108.0	107.2	101.9	124.2	126.6	128.2
Manufacturing	305.2	305.8	300.7	299.5	282.3	273.1	230.2	236.7	230.7	225.0
Durable Goods	146.0	147.4	143.7	142.8	133.3	125.6	115.8	123.0	121.3	119.4
Nondurable Goods	159.2	158.4	157.0	156.7	149.0	147.5	114.4	113.6	109.4	105.6
Service Producing	1,864.5	1,919.4	1,935.1	1,995.6	2,036.6	2,032.8	2,118.7	2,385.9	2,417.2	2,500.2
Transp. & Public Utilities	106.9	109.9	113.4	114.3	113.5	112.0	489.1	91.8	92.3	96.0
Wholesale & Retail Trade	498.3	506.8	503.2	526.3	539.3	534.2	118.1	438.3	442.1	465.8
Fin., Insurance & Real Estate	157.3	161.6	162.7	169.2	170.3	168.1	177.1	218.9	219.1	219.7
Services	806.6	848.5	859.0	886.0	900.6	904.3	1,075.6	1,283.4	1,308.7	1,302.1
Government	295.4	292.6	296.8	299.8	312.9	314.2	315.4	353.5	354.9	360.2
Federal Government	58.1	55.9	57.7	57.8	57.2	57.5	58.0	62.2	61.0	58.4
State & Local Government	237.3	236.7	239.1	242.1	255.7	256.7	257.4	291.3	293.9	301.8

Source: Workforce Information News Release- January 30, 2007, Center for Workforce Information & Analysis, Department of Labor & Industry, Commonwealth of Pennsylvania.

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-21
CONSUMER PRICE INDICES AND MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

	1990	2000	2001	2002	2003	2004	2005	2006	2007
CPLLl United States (a)	130.7	172.2	177.1	179.9	184.0	188.9	195.3	201.6	210.0
CPL U Philadelphia PMSA[(a)]	135.8	176.5	181.3	184.9	188.8	196.5	204.2	212.1	216.7
Buying Income[(b)]									
Philadelphia	$24,880	$31,621	$33,297	$29,995	$28,015	$28,150	$29,269	$30,748	$31,292
Philadelphia Metro Area[*]	$33,277	$47,152	$49,717	$43,800	$41,820	$42,852	$44,060	$45,395	$46,413
United States	$27,912	$37,233	$39,129	$38,365	$38,035	$38,201	$39,324	$39,324	$40,710

[*] 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.

Table A-22
Number of Households by Income Range in Philadelphia County

	Number of Households[*]		Percentage of Households[*]	
Income	**1990**	**2000**	**1990**	**2000**
Under $ 9,999	136,335	109,237	22.6	18.5
$10,000-14,999	59,331	49,035	9.9	8.3
$15,000-24,999	108,405	89,059	18.1	15.0
$25,000-49,999	190,237	171,215	31.7	29.0
$50,000 and over	106,432	171,737	17.6	29.1
Total	600,740	590,283	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

	Number of Households (000's)		Percentage of Households	
Income	**1990**	**2000**	**1990**	**2000**
Under $9,999	14,214	10,067	15.5	9.5
$10,000-14,999	8,133	6,657	8.8	6.3
$15,000-24,999	16,124	13,536	17.5	12.8
$25,000-49,999	31,003	30,965	33.7	29.3
$50,000 and over	22,519	44,312	24.5	42.1
Total	91,994	105,537	100.0%	100.0%

Source: U.S. Department of Commerce, Economics and Statistics Administration, 2000 Census of Population

Retail Sales

The following table reflects taxable sales for Philadelphia from fiscal years 1997 to 2007.

TABLE A-23
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 and 12 regional carriers, while five foreign flag carriers and two

U.S. carriers provide international service. In addition, there are four all-cargo carriers. PHL serves as a key connecting hub for USAirways.

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 56 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 475,000 accounts through 3,000 miles of mains, three water treatment plants, 14 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 system contains 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 from sources other than industrial or commercial institutions. 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 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. The City again realizes significant savings under these contracts. 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.

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-24
CHARACTERISTICS OF HOUSING UNITS

	1990	2000
Total Housing Units		
City of Philadelphia	674,899	661,959
Philadelphia PMSA	1,491,310	1,565,641
Pennsylvania	4,938,140	5,249,750
Percent Owner-Occupied		
City of Philadelphia	62.0%	59.3%
Philadelphia PMSA	68.5%	68.4%
Median Value of Owner-Occupied Housing		
City of Philadelphia	$48,400	59,700
Philadelphia PMSA	96,700	121,300
Pennsylvania	67,900	97,000
Number of Persons per Housing Unit		
City of Philadelphia	2.63	2.65

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 2007, Philadelphia bucked an almost nationwide trend by holding steady amidst the national slowdown in property markets, and the city is poised to launch several reforms aimed at enhancing its competitive position even further. 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 uniquely affordable when compared to its peers, as noted in the chart below.

Housing Affordability 2007 (Third Quarter)

Metro Area	National Rank	Regional rank
Philadelphia, PA*	**129**	**27**
Washington-Arlington-Alexandria, DC-VA-MD-WV*	134	54
Boston-Quincy, MA*	162	36
New York-White Plains-Wayne, NY-NJ*	209	42

Source: National Association of Homebuilders.
** Metropolitan Statistical Areas.*

The National Association of Home Builders/Wells Fargo Housing Opportunity Index (HOI) determines national housing affordability by comparing the percentage of homes sold during each quarter to families earning the national median income for a given metro area. With lower rankings indicating the most affordability, Philadelphia's favorable rank of 129 out of 215 metro areas surveyed is an indication of how well our region's household incomes are matched to affordable housing choices for local families. Regionally, Philadelphia ranks 27 of the 42 northeast metro areas surveyed, confirming that Greater Philadelphia remains more affordable than key east coast competitors, including Washington D.C., Boston, and New York City.

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 22 percent of its 25-years-or-older population possessing a bachelor's degree or higher.

Real Estate Market

The Center City office market has seen positive results in recent years, with 1 million square feet of net absorption in 2006 and 992,000 in 2007. This third year in a row of positive absorption since 2005 has left the Center City vacancy rate at approximately 9.01 percent, down from 10.4 percent in 2006. This represents the lowest office vacancy rate in the central business district (CBD) since 2000, and is below the national average office vacancy rate of 12.6 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 $30.60 per square foot in 2007 and Net Effective Rents are increasing rapidly. 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. 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.

Residential real estate is also 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. 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

As noted in the chart below, Philadelphia has a higher concentration of employment in six sectors, when compared to the average sector concentration in Pennsylvania counties.

Philadelphia Industry Concentrations Compared to Pennsylvania

Industry	Pennsylvania	Philadelphia County
Education and Health Services	1.36	2.26
Financial Activities	0.95	1.23
Other Services	0.99	1.07
Professional and Business Services	0.89	0.99
Leisure and Hospitality	0.87	0.94
Information	0.82	0.89
Trade, Transportation, and Utilities	0.99	0.71
Manufacturing	1.1	0.46
Construction	0.79	0.34
Unclassified	0.02	0.02
Natural Resources and Mining	0.56	0.01

Source BLS: 2006 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.

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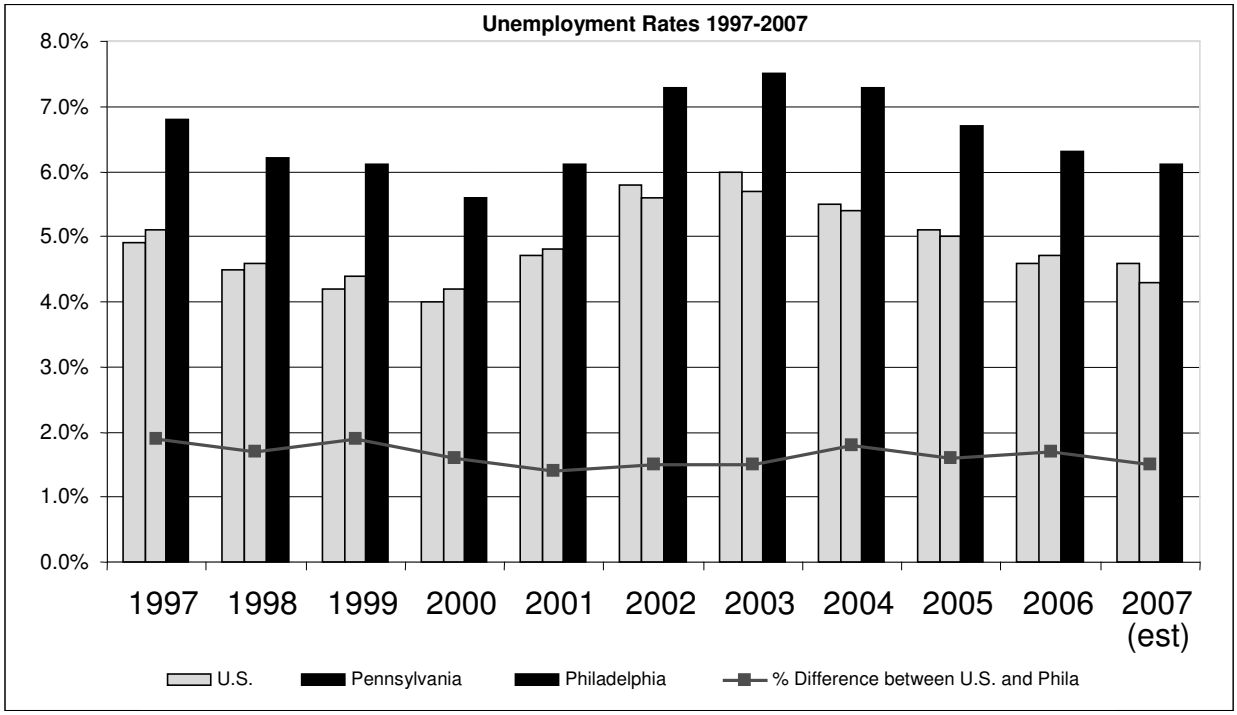
The overall unemployment rate, however, has continued to surpass that of the nation. Despite the sluggish national employment recovery following the 2001 recession, the national economy has shown signs of growth over the past year, as reflected in a decline in the gap between the national and local unemployment rate in the chart below.



Source: Bureau of Labor Statistics, 2007

As indicated in the chart below, the city has consistently had an unemployment rate between 1.4 to 1.9 percent higher than the national average.

Year	Nation	City	% Difference
1997	4.9%	6.8%	1.9%
1998	4.5%	6.2%	1.7%
1999	4.2%	6.1%	1.9%
2000	4.0%	5.6%	1.6%
2001	4.7%	6.1%	1.4%
2002	5.8%	7.3%	1.5%
2003	6.0%	7.5%	1.5%
2004	5.5%	7.3%	1.8%
2005	5.1%	6.7%	1.6%
2006	4.6%	6.3%	1.7%
2007*(est.)*	4.6%	6.1%	1.5%

Source: Bureau of Labor Statistics, 2007.

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The jobs report is mixed. As shown in the chart below, the local economy has reflected a trend toward growth in particular sectors. However, overall job growth in the City was down in 2007 and continues to be sluggish. Reversing this trend will be one of the new Administration's primary goals over the next five years.

Cluster Employment Data: City of Philadelphia
2002-2007 (in thousands)

Sector	2002	2003	2004	2005	2006	2007	% Change from 2002
Construction & Mining	12.9	12.3	11.4	12.0	12.6	13.2	2.3%
Manufacturing	37.7	34.0	32.6	31.2	30.0	28	-25.7%
Trade, Transportation, & Utilities	98.5	95.8	90.9	90.0	88.6	88.2	-10.5%
Information	17.0	15.9	13.6	13.2	12.7	12.3	-27.6%
Financial Activities	52.3	50.7	49.0	48.2	47.6	47.2	-9.8%
Professional & Business Services	82.9	80.9	80.3	82.4	84.1	84.9	2.4%
Education & Health Services	181.0	185.3	184.1	186.8	192.0	196.5	8.6%
Leisure & Hospitality	53.7	52.3	53.4	56.3	57.1	57.5	6.1%
Other Services	29.7	28.7	28.0	28.6	28.4	27.4	-8.4%
Government	117.1	114.7	112.2	111.7	110.4	106	-9.5%
Total	683.5	671.3	655.8	660.5	662.4	661.2	-3.3%

Source: Bureau of Labor Statistics.
Note: All years have been restated based on current BLS data, retrieved 1.11.2008 from data.bls.gov.

From 2002 to 2007, employment in Philadelphia's Education and Health Services sector increased by 8.6 percent. In addition, the Leisure and Hospitality sector captured growth of 6.1 percent, while more modest growth of approximately 2 percent occurred in both Professional & Businesses Services and Construction & Mining. While Construction employment is projected to remain stable, the City anticipates continued growth in these other 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.[2] 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.

[2] The nine largest metro areas and five others in the Northeast with populations above two million

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 32.2 million passengers, including 4.0 million international travelers, in calendar year 2007. In 2006, PHL ranked sixteenth 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 and a new international terminal in May 2003 and is currently in the process of extending 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. Additionally, federal grant funding received during the past two years has enabled the Airport to begin several airfield construction projects, including the extension of Runway 17-35.

In August of 2007, the City issued the 2007A AMT Bonds and the 2007B AMT Bonds. Proceeds from the 2007A Bonds will 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 2007, PIDC settled 64 loan transactions and provided approximately $101 million of funding to projects valued at $352 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 2007, PAID settled 26 bond issues for $799 million in financing and total project costs of $806 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 surplus real estate throughout Philadelphia. During Fiscal Year 2007, PIDC completed 8 different transactions with a combined sale price of $3.225 million. Since this effort began, PIDC has completed the sale of 20 properties resulting in approximately $9 million for the City's General Fund.

- Developer Selection: PIDC also managed developer selection and sales of several major retail, residential, and commercial sites. Utilizing conventional RFQ/RFP methodology, four major properties are in varying phases of disposition.

- In summary, PIDC closed 14 land sales, totaling 65 acres in 2007. While these volumes are down from recent years' activity, they reflect the fact that publicly-owned industrial land holdings in the city are reaching all-time lows. In 2008, PIDC working along with the City of Philadelphia's Commerce Department and the City Planning Commission will 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 2010. 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.

- 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 their nearly 800 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 partner's 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 2007, 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.

Hospitals and Medical Centers

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.

TABLE A-25
CITY OF PHILADELPHIA
HOSPITALS AND MEDICAL CENTERS

(As of December 2007)

Institution	Beds
Albert Einstein Medical Center	424
Belmont Center for Treatment	147
Children's Hospital of Philadelphia	405
Children's Seashore House[(1)]	N/A
Fairmount Behavioral Health System	180
Fox Chase Cancer Center	100
Frankford Hospital[(2)]	476
Friends Hospital	192
Graduate Hospital[(3)]	N/A
Hahnemann Hospital	497
Jeanes Hospital[(4)]	160
Kensington Hospital	35
Magee Rehabilitation Hospital	96
Moss Rehabilitation	166
Nazareth Hospital	195
Temple East, Northeastern	187
Pennsylvania Hospital	410
Presbyterian Medical Center of the University of Pennsylvania Health System[(2)]	251
Roxborough Memorial Hospital	137
Saint Agnes Continuing Care	58
Shriners Hospital for Crippled Children	35
St. Christopher's Hospital	124
St. Joseph's Hospital	146
Temple Children's[(5)]	N/A
Temple University Hospital[(6)]	674
Thomas Jefferson University Hospital	715
University of Pennsylvania Medical Center	694
Veterans Affairs Medical Center	133

Source: Delaware Valley Healthcare Council of HAP Monthly Utilization Report-Summary Stats December 2007

(1) Children's Seashore House is now consolidated into CHOP's data.

(2) Frankford includes data for all three divisions — Frankford, Torresdale and Bucks County. The Frankford Hospitals have closed all OB Units and NICU Units as of July 1, 2006.

(3) Graduate Hospital closed as of March 31,2007.

(4) Jeanes Hospital Closed NICU Unit as of April 30, 2007 and OB as of May 31, 2007

(5) Temple University Children's Medical Center closed as of November 2007.

(6) Temple includes data for Episcopal Hospital.

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.

Additional Projects under Construction

The following table lists additional projects currently under construction in the City for the City/Public sector.

TABLE A-26
PROJECTS UNDER CONSTRUCTION

Project	Estimated Cost
City Hall Exterior Renovation Project	$85,000,000
Central Library Roofing Project	$ 2,300,000
Wissahickon Bikeway Project	$ 1,400,000
Waterworks Central Cliff and South Garden Project	$ 2,100,000
Detention Center Dayroom Window Replacement Project	$ 1,200,000
City Hall Elevator Upgrade Project	$ 2,300,000
Athletic Pool Reconstruction Project	$ 1,400,000
Philadelphia Industrial Correctional Center Security Upgrade Project	$ 1,800,000

Source: Capital Program Office

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Appendix B

Annual Financial Report of The City of Philadelphia for the Year Ended June 30, 2007

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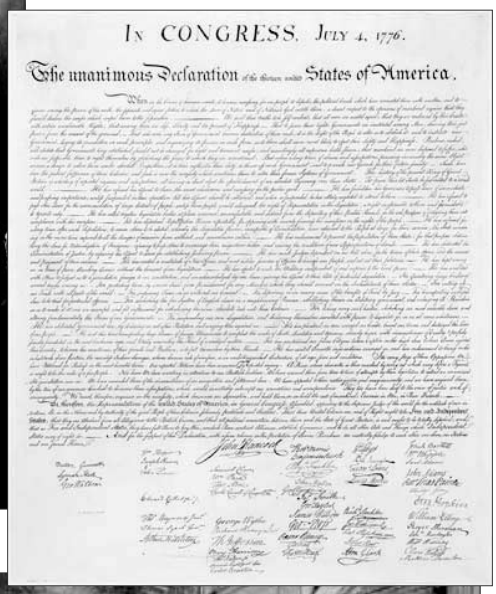
City of Philadelphia

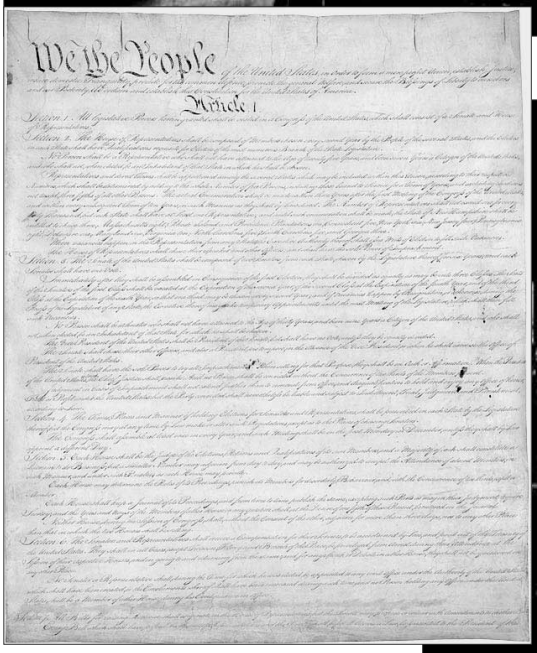
PENNSYLVANIA

When in the Course of human events *it becomes necessary for one people to dissolve the political bands which have connected them with another and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation.*



IN CONGRESS. JULY 4. 1776.

The unanimous Declaration of the thirteen united States of America.



We the People

Article 1

We the People *of the United States,*
in order to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America.

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2007

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Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

City of Philadelphia

P E N N S Y L V A N I A

Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Michael J. Kauffman
Accounting Director

City of Philadelphia

P E N N S Y L V A N I A

Benjamin Franklin Parkway

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Frankford El	www.phillyhistory.org
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C I T Y O F P H I L A D E L P H I A

OFFICE OF THE DIRECTOR OF FINANCE
1401 John F. Kennedy Blvd.
Suite 1330, Municipal Services Bldg.
Philadelphia, Pennsylvania 19102-1693

ROB DUBOW
Director of Finance

January 29, 2008

To the Honorable Mayor, Members of City Council and the People of the City of Philadelphia:

The Comprehensive Annual Financial Report of the City of Philadelphia for the fiscal year ended June 30, 2007 is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Financial section includes Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information and the Combining and Individual Fund Statements. The Statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The Philadelphia Home Rule Charter (Charter) requires an annual audit of all City accounts by the City Controller, an independently elected official. The Charter further requires that the City Controller appoint a Certified Public Accountant in charge of auditing. These requirements have been complied with and the audit done in accordance with Generally Accepted Governmental Auditing Standards (GAGAS).

Management has provided a narrative to accompany the basic financial statements. This narrative is known as Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682 and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 129 square miles along the Delaware River, serves a population in excess of 1.4 million and is the hub of a five county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in southeast Pennsylvania. The City is governed largely under the Charter, which was adopted by the Electors of the City of Philadelphia on April 17, 1951 and became effective on the first Monday of January, 1952. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania. The Charter provides for a strong mayoral form of government with the Mayor and the seventeen members of the City Council, ten (10) from districts and seven (7) from the City at large, elected every four years. Minority representation is assured by the requirement that no more than five (5) candidates may be elected for Council-at-large by any one party or political body. The Mayor is prohibited from serving more than two consecutive terms.

This report includes all the funds of the City as well as its component units. The Philadelphia Municipal Authority's and the Pennsylvania Intergovernmental Cooperation Authority's statements are blended with the City's statements. The Philadelphia Gas Works', the Redevelopment Authority of Philadelphia's, the Philadelphia Housing Authority's, the Philadelphia Parking Authority's, the School District of Philadelphia's, the Community College of Philadelphia's, Community Behavioral Health, Inc.'s, the Pennsylvania Convention Center Authority's, Penn's Landing Corporation's and the Philadelphia Authority for Industrial Development's statements are discretely presented. A component unit was considered to be part of the City's reporting entity when it was concluded that the City was financially accountable for the entity or that the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete. The relationship between the City and its' component units is explained further in the *Notes to the Financial Statements*.

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services, as well as the activities of the previously mentioned public agencies and authorities. The City operates water and wastewater systems that service the citizens of Philadelphia as well as two airports, Philadelphia International Airport and Northeast Philadelphia Airport, which service the entire Delaware River Valley region.

City government is responsible for establishing and maintaining internal control designed to protect the assets of the City from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. This internal control is subject to periodic evaluation by management and the City Controller's Office in order to determine its adequacy. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget proposed by the Mayor and approved by City Council for the fiscal year beginning July 1st. Activities of the General Fund, City Related Special Revenue Funds and the City Capital Improvement Funds are budgeted annually. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by major class within an individual department and fund for the operating funds and by project within department and fund for the Capital Improvement Funds. The City also maintains an encumbrance accounting system for control purposes. Encumbered amounts that have not been expended at year-end are carried forward into the succeeding year but appropriations that have not been expended or encumbered at year-end are lapsed.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in this report is best understood when you consider the environment in which the City of Philadelphia operates. A more comprehensive analysis of these factors is available in the City's Five-Year Financial Plan which is presented by the Mayor each year pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act and can be obtained online at *www.phila.gov.*

Local Economy

Philadelphia's economic outlook closely resembles the national economic outlook, and in some ways the City is in the midst of another substantial enhancement of its cultural assets, which already include such recent additions as the Kimmel Center for the Performing Arts, the National Constitution Center, the Independence Visitor Center and the new Liberty Bell Pavilion. The pending relocation of the Barnes Foundation to the Ben Franklin Parkway and the proposed development of an entertainment district at Broad & South Streets, coupled with the Convention Center expansion, will enhance Philadelphia's position as a world-class City.

Philadelphia is in a key position to access regional markets, due to the transportation infrastructure centered here, including Philadelphia International Airport, AMTRAK's Northeast Corridor service, major interstate highway access, and regional SEPTA service. 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 almost $7,000 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 regional rail pass is just $1,774. In addition, 37 percent of downtown residents walk to work, the highest percentage of any major American city.

The City has successfully retained over 98% of the major commercial office tenants with leases that expired of the past several years. This was the result of a concerted approach to tenant retention involving the combined efforts of the Business Attraction and Retention (BAR) team. In order to build on the BAR team's retention success, the City will focus on helping local businesses remain and grow. The City will also work with regional leaders to market Philadelphia's competitive advantages through an international attraction process.

Philadelphia's competitive advantages as a business location are based on size, strategic location, relative affordability, cultural and recreational amenities, and our growing strength in key knowledge industries. Philadelphia, the fifth-largest city in the nation with the third largest downtown population, is 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 complimentary industries.

Philadelphia has maintained an above-average concentration of employment in Education and Health Services, Financial Activities, Other Services, Professional Business Services, Leisure and Hospitality Services 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.

This table shows that over the last five years the City's population has been declining slowly, personal income has been rising and the unemployment rate has been declining:

Calendar Year	Population	Personal Income *(thousands of USD)*	Per Capita Personal Income *(USD)*	Unemployment Rate
2002	1,485,249	40,353,074	27,169	7.0%
2003	1,473,364	41,843,691	28,400	6.8%
2004	1,465,475	43,154,553	29,447	6.4%
2005	1,456,350	45,334,701	31,129	5.9%
2006	1,448,394	47,624,989	32,881	5.7%

Long Term Financial Planning

The City's $46.8 million General Fund deficit at the end of FY04 was the first negative fund balance in twelve years. While this deficit was primarily attributable to a delay in receiving state reimbursement for social service program costs, the negative fund balance was nonetheless a sign of the increasingly limited room for error in City finances. The City has, at the close of FY07, a positive fund balance of $297.9 million. The FY08-FY12 Five Year Financial Plan (the Plan) projects fund balances exceeding $45 million at the end of each fiscal year, in line with thresholds required by the Pennsylvania Intergovernmental Cooperation Authority (PICA). Although tax revenues have been strong since FY04, growth has been centered in the volatile realty transfer and business privilege taxes. At the same time, the wage tax, representing half of all tax collections, is slated for significant state-mandated tax reductions in the out-years of the Plan. Creative cost-cutting initiatives, tight spending controls, and alternative tax revenue will be needed to maintain a balanced budget in the out-years of the Plan.

In FY07, increased costs for pensions, benefits, and fuel, energy, and criminal justice and social services have further reduced opportunities to contain overall costs. As a result, the FY08 budget includes a 2.5 percent position reduction in most General Fund departments, as well as continuation of the hiring freeze and DROP, but at rates reduced by the need to replace critical staffing, particularly in the social services. Maintaining balanced budgets over the Plan period will entail difficult choices. For FY08, cost constraint categories focus on technology based and health benefits management savings.

On July 4, 2004, the Governor of Pennsylvania approved HB2330 and SB100, legislation that will provide funding for the implementation of statewide tax reform when casino proceeds begin to flow. The bills enable additional reductions in the City's wage tax rate, helping Philadelphia become more competitive. The majority of state tax revenues from gaming, 34 percent of all gaming revenues, will be earmarked for state-level tax reductions. Tax cuts will be phased in as soon as proceeds from the Commonwealth's tax on Philadelphia's casino gross revenues reaches $500 million.

Some of the initiatives planned for future fiscal years are:

- **Strategic marketing partnerships**. The City is currently soliciting bids for a contract for advertising on street furniture. In exchange for a providing ongoing maintenance, businesses and organizations will receive the exclusive right to advertising on the street furniture. In addition, the City will receive a portion of the advertising revenues on an annual basis. Washington, D.C., Boston, and Chicago have begun similar initiatives, and a preliminary estimate by the City's consulting team supports an estimate of $9 million in new revenue over the FY08-FY12 period, starting with $1 million in FY08.
- **VOIP implementation.** Today, the City's telephone service is provided by a vendor at a significant annual cost. Through the use of the "voice over internet protocol" (VOIP) technology—which can route spoken conversations over the internet and City Net—the City will reduce its dependency on conventional vendor-provided telephone service, and replace much of its "old tech" internal and external voice communication infrastructure. The City has estimated that $5 million could be saved annually through VOIP, starting in FY10, for a total Plan impact of $15 million.
- **Health Benefits Savings.** The City has achieved savings through health benefits management strategies such as aggressive negotiation with medical insurance providers. In FY06, the City saved over $4 million in the City-administered Plan, through bid process negotiations. Other options for savings include bidding out prescription drug coverage, offering consumer-driven health care plans, and disaster management programs. The most significant savings can come from reduced medical plan options for new employees, higher premium contributions, and/or higher co pays. The FY08-FY12 Plan assumes the City will be able to contain health benefits growth to 9% per year.

- **Revenue from surplus city properties**. In FY08, the City will continue the surplus property sales initiative. Properties considered for sale include those for which the City has received expressions of interest, buildings housing City operations that could be moved, and those not currently utilized. As part of this initiative, three Requests for Proposals were recently issued for large parcels of land near the airport, as well as a long-term lease for the LOVE Park Garage. Sales of City surplus are expected to generate $12 million in FY08.

Cash Management

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, obligations of the US Treasury, repurchase agreements and commercial paper. The Pension Trust Fund's investment portfolio also includes stocks, corporate bonds, real estate and other items.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City, its agent, the Federal Reserve Bank, or a financial institution's trust department.

Risk Management

The City and several of its component units are self-insured for fire damage, casualty losses, public liability, Worker's Compensation, and Unemployment Compensation. Liabilities arising in these areas are liquidated with available resources of the respective operating funds. The Airports, the Philadelphia Gas Works and the remaining component units are principally insured through insurance carriers.

Pension and Other Post-employment Benefits

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 class of employee. The plan has two major classes of members - those covered under the 1967 Plan and those covered under the 1987 Plan. Each of these two plans has multiple divisions.

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. The Mayor may determine that an extraordinary circumstance exists which threatens public health, safety and welfare, and where it would be in the City's best overall interest to extend participation. Then public safety employees in their fourth year in the program may remain employees of the City for up to one additional year beyond the four (4) year limit under the same terms and conditions of the DROP.

AWARDS AND ACKNOWLEDGEMENTS

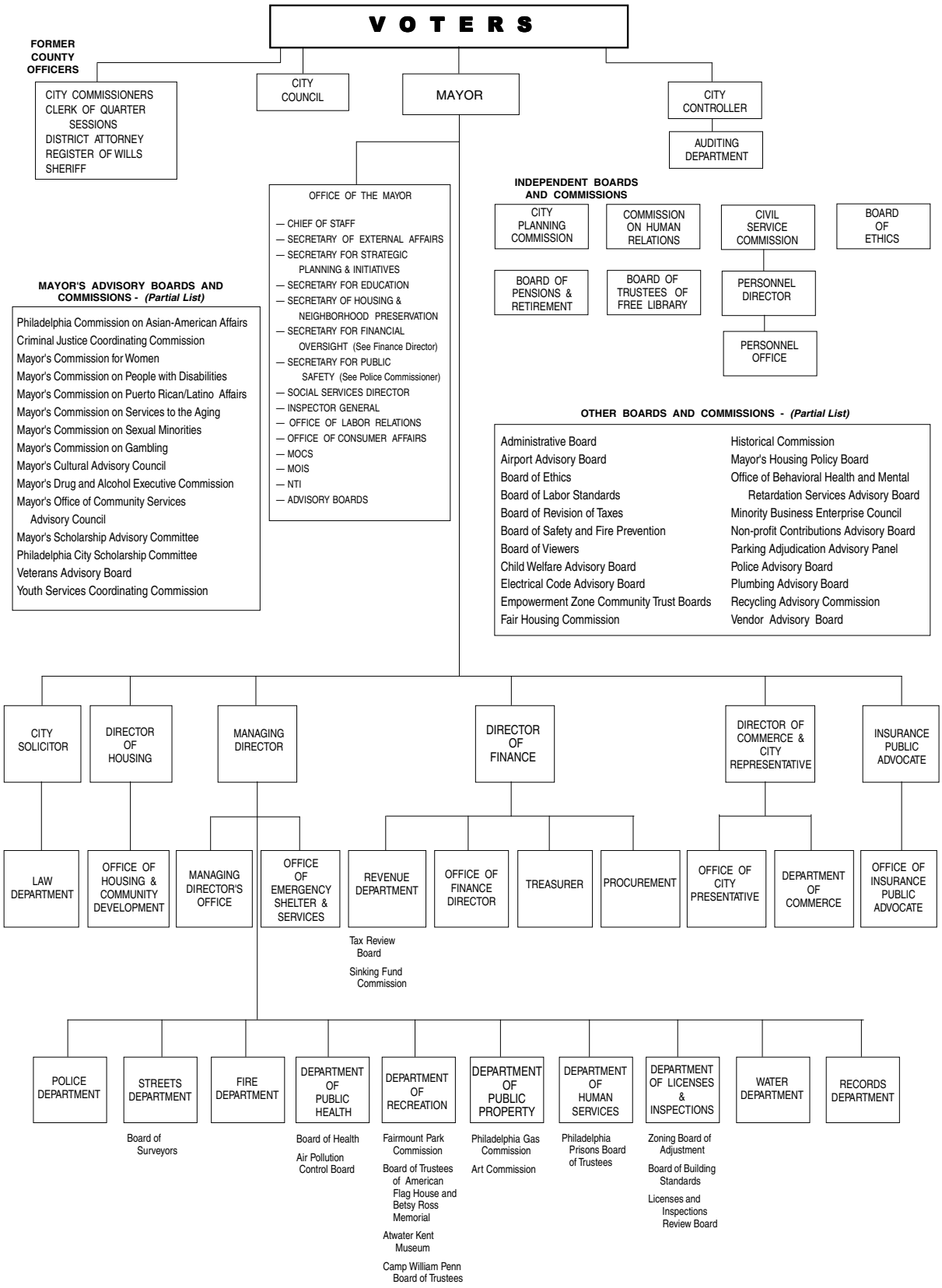
The Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This was the twenty seventh consecutive year that the City of Philadelphia has received this prestigious award. 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.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Office of the Director of Finance as well as various City departments and component units. Each has my sincere appreciation for their valuable contributions.

Respectfully submitted,

ROB DUBOW
Director of Finance

ORGANIZATION OF PHILADELPHIA'S CITY GOVERNMENT



Prepared by
Law Department

Designed and Composed by
Department of Records
July 2006

82-S-88 (Rev. 6/06)

Elected Officials

Mayor ..... John F. Street

City Council
President, 2nd District ..... Anna Cibotti Verna

1st District ..... Frank DiCicco
3rd District..... Jannie L. Blackwell
4th District ..... Carol Ann Campbell
5th District ..... Darrell L. Clarke
6th District ..... Joan L. Krajewski
7th District ..... Daniel J. Savage
8th District ..... Donna Reed Miller
9th District ..... Marian B. Tasco
10th District ..... Brian J. O'Neill
At-Large ..... Blondell Reynolds Brown
At-Large ..... W. Wilson Goode, Jr.
At-Large ..... William K. Greenlee
At-Large ..... Jack Kelly
At-Large ..... James F. Kenney
At-Large ..... Juan F. Ramos
At-Large ..... Frank Rizzo

District Attorney ..... Lynne M. Abraham

City Controller ..... Alan Butkovitz

City Commissioners
Chairwoman ..... Margaret M. Tartaglione
Commissioner..... Joseph Duda
Commissioner..... Edgar Howard

Register of Wills..... Ronald R. Donatucci

Clerk of Quarter Sessions..... Vivian T. Miller

Sheriff..... John Green

First Judicial District of Pennsylvania
President Judge, Court of Common Pleas ..... C. Darnell Jones II
President Judge, Municipal Court ..... Louis J. Presenza
President Judge, Traffic Court..... Thomasine Tynes

Appointed Officials

Acting Managing Director	Loree Jones
Acting Secretary of Financial Oversight & Director of Finance	Vincent J. Jannetti
City Solicitor	Romulo L. Diaz, Jr.
City Representative and Director of Commerce	Stephanie W. Naidoff

Chief of Staff	Joyce Wilkerson
Secretary of External Affairs	Micah Mahjoubian
Secretary of Education	Jacqueline Barnett
Acting Chief Information Officer	Terry Phillis
Executive Director of the City Planning Commission	Janice Woodcock
Capital Program Office Director	Richard Tustin
Secretary of Housing & Neighborhood Preservation	Kevin Hanna
City Treasurer	John Nacchio
Revenue Commissioner	Nancy A. Kammerdeiner
Acting Procurement Commissioner	Janet D. Hagan
Secretary of Public Safety	Sylvester Johnson
Prisons Commissioner	Leon A. King
Streets Commissioner	Clarena Tolson
Fire Commissioner	Lloyd Ayers
Health Commissioner	Carmen I. Paris
Recreation Commissioner	Victor Richard III
Public Property Commissioner	Joan Schlotterbeck
Acting Human Services Commissioner	Arthur C. Evans
Licenses and Inspections Commissioner	Robert D. Solvibile, Sr.
Water Commissioner	Bernard Brunwasser
Records Commissioner	Joan T. Decker
Acting Personnel Director	Tanya D. Smith
Executive Director of the Board of Pensions & Retirement	Gwendolyn Bell
Executive Director of the Fairmount Park Commission	Mark Focht
Executive Director of the Sinking Fund Commission	Carl P. Coin
Director of Aviation	Charles J. Isdell, Jr.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Philadelphia
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

ALAN BUTKOVITZ
City Controller

ALBERT F. SCAPEROTTO
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Honorable Members
of the Council of the City of Philadelphia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2007, which collectively comprise the City of Philadelphia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Philadelphia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the entities whose percentage of assets and revenues are disclosed in Note I-1C. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 13 through 25, and the major funds budgetary comparison schedules, the pension plans-schedule of funding progress, and the related notes to required supplementary information, on pages 108 through 112, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia's basic financial statements. The introductory section, combining nonmajor and individual fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

January 29, 2008

ALBERT F. SCAPEROTTO, CPA
Deputy City Controller

ALAN BUTKOVITZ
City Controller

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City of Philadelphia

PENNSYLVANIA

Management's Discussion & Analysis

This narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2007 has been prepared by the city's management. The information presented here should be read in conjunction with additional information contained in our letter of transmittal, which can be found beginning on page 1, and the city's financial statements immediately following this discussion and analysis.

Financial Highlights

- At the end of the current fiscal year, the City of Philadelphia's *net assets* were $1,067.0 million resulting from an excess of its assets over its liabilities, however, its *unrestricted net assets* showed a deficit of $963.2 million. This deficiency will have to be funded from resources generated in future years.

- During the current fiscal year the city's total net assets decreased by $5.4 million. The governmental activities of the city experienced a decrease of $78.6 million, while the business type activities had an increase of $73.2 million.

- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of $1,184.2 million, an increase of $408.3 million from last year. The *unreserved fund balance* of the governmental funds ended the fiscal year with a surplus of $291.5 million, an increase of $294.1 million from last year. Primarily, this was due to a increase in the Healthchoices Behavioral Health fund receipts and an increase in the Capital Funds due to the issuance of general obligation bonds.

- The overall unreserved fund balance of the city's general fund ended the fiscal year with a surplus of $152.7 million an increase over last year of $41.5 million due to the excess of revenue and other financing sources over expenditures and other financing uses of $183.3 million or 4.9% of revenue and other financing sources which amounted to $3,778.4 million. This is the second consecutive year that inflow has outpaced outlay by more then 4% (FY2006 4.2%).

- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a surplus fund balance of $297.9 million, as compared to a surplus of $254.5 million last year. Although the operating surplus for the year was only $7.4 million, cancellation of prior year obligations accounted for the rest of the increase.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction and overview of the City of Philadelphia's basic financial statements. The city's basic financial statements are comprised of:

- Government-wide financial statements which provide both long-term and short-term information about the city's overall financial condition.
- Fund financial statements which provide a more detailed look at major individual portions, or funds, of the city.
- Notes to the financial statements which explain some of the information contained in the financial statements and provide more detailed data.
- Other supplementary information which further explains and supports the information in the financial statements.

Government-wide financial statements. The government-wide financial statements report information about the city as a whole using accounting methods similar to those used by a private-sector business. The two statements presented are:

The *statement of net assets* which includes all of the city's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets are an indicator of whether the city's financial position is improving or deteriorating.

The *statement of activities* presents revenues and expenses and their effect on the change in the city's net assets during the current fiscal year. These changes in net assets are recorded as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

The government-wide financial statements of the city are reflected in three distinct categories:

▪*Governmental activities* are primarily supported by taxes and state and federal grants. The governmental activities include general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; streets, highways and sanitation; and the financing activities of the city's two blended component units - the Pennsylvania Intergovernmental Cooperation Authority and Philadelphia Municipal Authority.

▪*Business-type activities* are supported by user fees and charges which are intended to recover all or a significant portion of their costs. The city's water and waste water systems, airport and industrial land bank are all included as business type activities.

These two activities comprise the primary government of Philadelphia.

▪*Component units* are legally separate entities for which the City of Philadelphia is financially accountable or has oversight responsibility. Financial information for these component units is reported separately from the financial information presented for the primary government. The city's government-wide financial statements contain ten distinct component units; the Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, the Convention Center Authority, Gas Works, Housing Authority, Parking Authority, Penn's Landing Corporation, Philadelphia Authority for Industrial Development and the Redevelopment Authority.

Fund financial statements. The fund financial statements provide detailed information about the city's most significant funds, not the city as a whole. 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 of Philadelphia 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, similar to those described for the governmental activities in the government-wide financial statements. However, unlike the government-wide statements which provide a long-term focus of the city, the fund financial statements focus on a short term view of the inflows and outflows of expendable resources, as well as on the balances of expendable resources available at the end of the fiscal year. The financial information presented for the governmental funds are useful in evaluating the city's short term financing requirements.

To help the readers of the financial statements better understand the relationships and differences between the long term view of the government-wide financial statements from the short term view of the fund financial statements, reconciliations are presented between the fund financial statements and the government-wide statements.

The city maintains twenty-one individual governmental funds. Financial information is presented 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. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

• ***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 which are a type of proprietary funds - the airport, water and waste water operations, and industrial land bank. These enterprise funds are the same as the business-type activities in the government-wide financial statements, but they provide more detail and additional information, such as cash flows.

• ***Fiduciary funds.*** The City of Philadelphia is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for the Gas Works' employees' retirement reserve assets. Both of these fiduciary activities are reported in separate *statements of fiduciary net assets* and *changes in fiduciary net assets.* They are not reflected in the government-wide financial statements because the assets are not available to support the city's operations.

The following chart summarizes the various components of the city's government-wide and fund financial statements, including the portion of the city government they cover, and the type of information they contain.

Summary of the City of Philadelphia's Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire city government (except fiduciary funds) and city's component units	Activities of the city that are not proprietary or fiduciary in nature, such as fire, police, refuse collection	Activities the city operates similar to private businesses. Airports, water/waste water system & the land bank.	Activities for which the city is trustee for someone else's assets, such as the employees' pension plan
Required Financial Statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenses and Changes in Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting basis/ measurement focus	Accrual accounting Economic resources	Modified accrual accounting Current financial resources	Accrual accounting Economic resources	Accrual accounting Economic resources
Type of asset and liability information	All assets and liabilities, financial and capital, short and long term	Only assets expected to be used up and liabilities that come due during the current year or soon thereafter; no capital assets are included	All assets and liabilities, financial and capital, short and long term	All assets and liabilities, both short and long term; there are currently no capital assets, although there could be in the future
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Only revenues for which cash is received during the year or soon after the end of the year; only expenditures when goods or services are received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes

can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents additional information in three separate sections: *required supplementary information, supplementary information and statistical information.*

- ***Required supplementary information.*** Certain information regarding pension plan funding progress for the city and its component units, as well as budgeted and actual revenues, expenditures and encumbrances for the city's major governmental funds is presented in this section. This required supplementary information can be found immediately following the notes to the financial statements.

- ***Supplementary information.*** Combining statements for non-major governmental and fiduciary funds, as well as additional budgetary schedules for the city's governmental and proprietary funds are presented in this section. This supplementary information can be found immediately following the required supplementary information.

- ***Statistical information.*** Long term trend tables of financial, economic, demographic and operating data are presented in the statistical section. This information is located immediately after the supplementary information.

Government-wide Financial Analysis

Net assets. As noted earlier, net assets are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's assets exceeded its liabilities by $1,067.0 million.

Capital assets (land, buildings, roads, bridges and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net assets, $705.4 million. Although these capital assets assist the city in providing services to its citizens, they are generally not available to fund the operations of future periods.

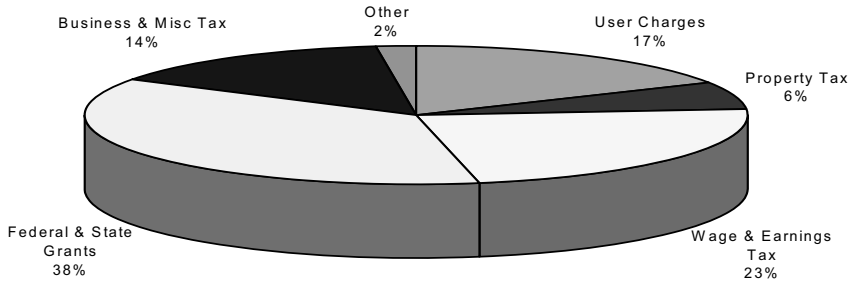
A portion of the city's net assets, $1,324.8 million, are subject to external restrictions as to how they may be used. The remaining component of net assets is unrestricted. Unrestricted net assets ended the fiscal year with a deficit of $963.2 million. The governmental activities reported negative *unrestricted net assets* of $1,220.5 million. Any deficits will have to be funded from future revenues. The business type activities reported an unrestricted net assets surplus of $257.3 million.

Following is a comparative summary of the city's assets, liabilities and net assets:

City of Philadelphia's Net Assets
(millions of USD)

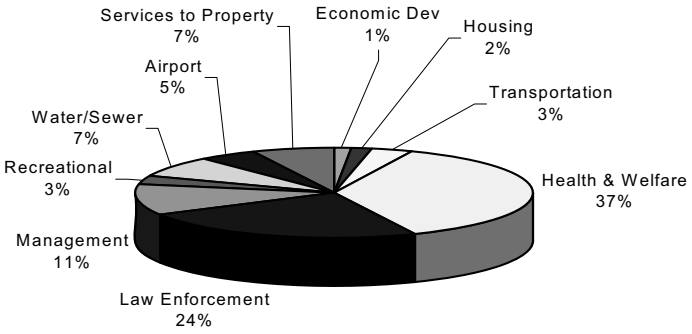
	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2007	2006	Change	2007	2006	Change	2007	2006	Change
Current and other assets	2,922.7	2,656.3	10.03%	1,304.3	1,337.3	-2.47%	4,227.0	3,993.6	5.84%
Capital assets	2,193.0	2,280.0	-3.82%	3,097.0	3,095.1	0.06%	5,290.0	5,375.1	-1.58%
Total assets	**5,115.7**	**4,936.3**	3.63%	**4,401.3**	**4,432.4**	-0.70%	**9,517.0**	**9,368.7**	1.58%
Long-term liabilities	4,690.0	4,478.3	4.73%	2,851.7	2,950.2	-3.34%	7,541.7	7,428.5	1.52%
Other liabilities	795.0	728.8	9.08%	113.2	119.1	-4.95%	908.2	847.9	7.11%
Total liabilities	**5,485.0**	**5,207.1**	5.34%	**2,964.9**	**3,069.3**	-3.40%	**8,449.9**	**8,276.4**	2.10%
Net assets:									
Invested in capital assets, net of related debt	161.4	248.6	-35.08%	544.0	537.4	1.23%	705.4	786.0	-10.25%
Restricted	689.7	471.6	46.25%	635.1	551.9	15.08%	1,324.8	1,023.5	29.44%
Unrestricted	(1,220.5)	(1,010.9)	-20.73%	257.3	273.9	-6.06%	(963.2)	(737.0)	-30.69%
Total net assets	**(369.4)**	**(290.7)**	-27.07%	**1,436.4**	**1,363.2**	5.37%	**1,067.0**	**1,072.5**	-0.51%

Changes in net assets. The city's total revenues this year, $6,398.1 million, fell short of total costs of $6,425.0 million by $26.9 million. Approximately 29% of all revenue came from property and wage and earnings taxes. State, Federal and local grants account for another 38%, with the remainder of the revenue coming from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 61% are related to the health, welfare and safety of the general public.



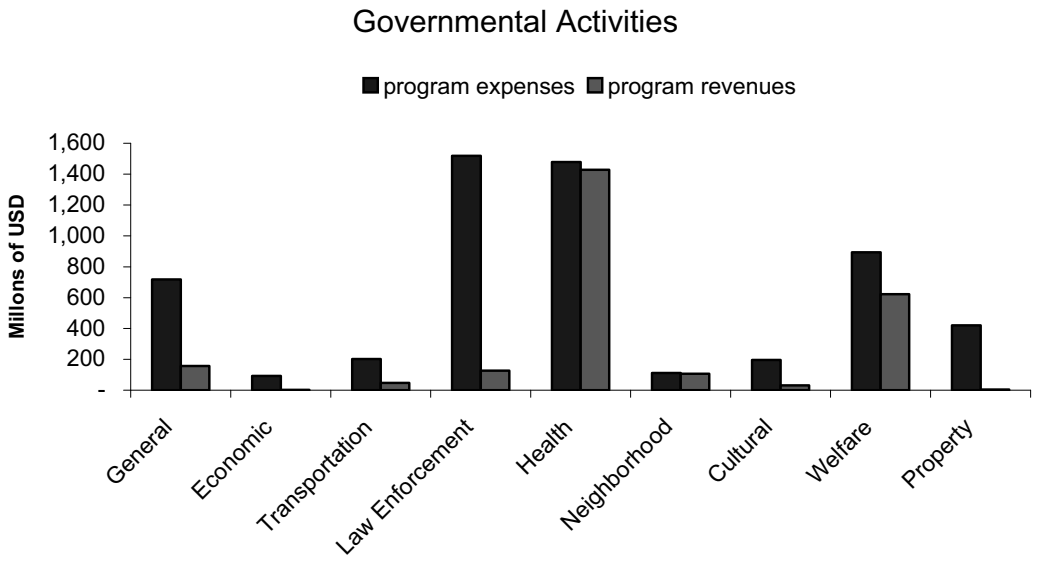
Overall, net assets for the city decreased by $5.4 million. Total revenues increased by $240.7 million, total expenses increased by $320.8 million over last year. This resulted in the Change in Net Assets being $80.1 million lower than in the previous year. There is also an $8.6 million increase to last year's net assets due to a change in the accounting for a certain grant as well as a $15.7 million increase to last year's net assets due to a change in the accounting for library book depreciation resulting in an overall $5.4 decrease in net assets over last year. Tax receipts increased by $112.7 million largely attributable to increased wage & earnings tax collections. Grants & Contributions increased by $76.9 million.

Expense increases included $85.4 million for Police, $49.1 million for Fire, $30.7 million for Health Services and $63.5 million for Social Services.



Governmental Activities

The governmental activities of the City resulted in a $78.6 million decrease in net assets. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



The following table summarizes the city's most significant governmental programs. Costs, program revenues and net cost are shown in the table. The net cost shows the financial burden that was placed on the city's taxpayers by each of these functions.

(millions of USD)	Program Costs		%	Program Revenues		%	Net Cost		%
	2007	2006	Change	2007	2006	Change	2007	2006	Change
General Welfare	893.9	817.2	9.4%	622.5	568.6	9.5%	271.4	248.6	9.2%
Judiciary & Law Enforcement	1,518.7	1,391.8	9.1%	126.8	130.5	-2.8%	1,391.9	1,261.3	10.4%
Public Health	1,478.6	1,447.5	2.1%	1,428.6	1,324.4	7.9%	50.0	123.1	-59.4%
General Governmental	718.2	711.8	0.9%	156.6	228.2	-31.4%	561.6	483.6	16.1%
Services to Property	419.7	364.9	15.0%	4.5	5.0	-10.0%	415.2	359.9	15.4%
Housing, Economic & Cultural	601.7	610.5	-1.4%	186.2	221.1	-15.8%	415.5	389.4	6.7%
	5,630.8	**5,343.7**	5.4%	**2,525.2**	**2,477.8**	1.9%	**3,105.6**	**2,865.9**	8.4%

- The cost of all governmental activities this year was $5,630.8 million; the amount that taxpayers paid for these programs through tax payments was $2,811.7 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,220.7 million while those who benefited from the programs paid $304.6 million through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of $190.9 million. After prior year adjustments of $24.3 million, the difference of $78.6 million will have to be funded from future resources.

The following table shows a more detailed breakdown of program costs and related revenues for both the governmental and business-type activities of the city:

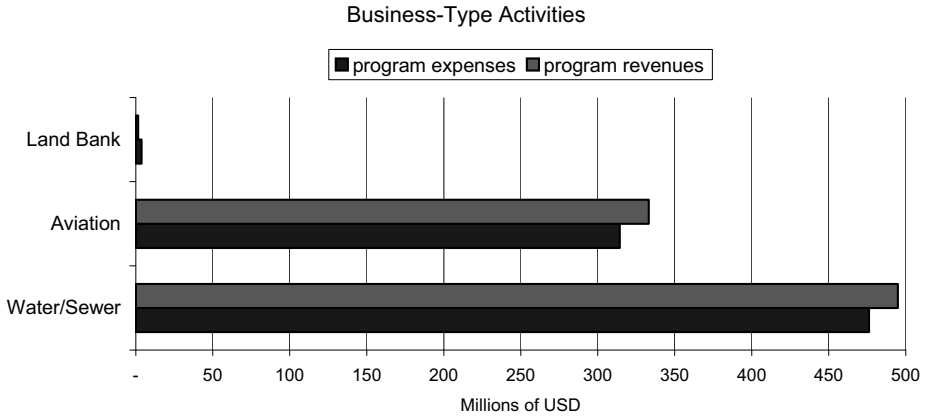
City of Philadelphia-Net Assets *(millions of USD)*	Governmental Activities		Business-type Activities		Total		%
	2007	2006	2007	2006	2007	2006	Change
Revenues:							
Program revenues:							
Charges for services	304.6	314.3	804.3	767.1	1,108.9	1,081.4	2.5%
Operating grants and contributions	2,204.9	2,142.1	2.8	2.5	2,207.7	2,144.6	2.9%
Capital grants and contributions	15.8	21.4	22.4	25.3	38.2	46.7	-18.2%
General revenues:							
Wage and earnings taxes	1,498.5	1,424.9	-	-	1,498.5	1,424.9	5.2%
Property taxes	399.2	386.3	-	-	399.2	386.3	3.3%
Other taxes	914.0	887.9	-	-	914.0	887.9	2.9%
Unrestricted grants and contributions	104.1	81.7	-	-	104.1	81.7	27.4%
Unrestricted Interest	81.8	60.2	45.7	43.8	127.5	104.0	22.6%
Total revenues	**5,522.9**	**5,318.8**	**875.2**	**838.7**	**6,398.1**	**6,157.5**	3.9%
Expenses:							
Economic development	92.6	89.8	-	-	92.6	89.8	3.1%
Transportation	201.7	200.5	-	-	201.7	200.5	0.6%
Judiciary & law enforcement	1,518.7	1,391.8	-	-	1,518.7	1,391.8	9.1%
Conservation of health	1,478.6	1,447.5	-	-	1,478.6	1,447.5	2.1%
Housing & neighborhood development	111.2	149.5	-	-	111.2	149.5	-25.6%
Cultural & recreational	196.2	170.7	-	-	196.2	170.7	14.9%
Improvement of the general welfare	893.9	817.2	-	-	893.9	817.2	9.4%
Services to taxpayer property	419.7	365.0	-	-	419.7	365.0	15.0%
General management	568.8	574.8	-	-	568.8	574.8	-1.0%
Interest on long term debt	149.5	136.9	-	-	149.5	136.9	9.2%
Water & waste water	-	-	476.2	455.4	476.2	455.4	4.6%
Airport	-	-	314.3	303.1	314.3	303.1	3.7%
Industrial land bank	-	-	3.7	2.1	3.7	2.1	76.2%
Total expenses	**5,630.9**	**5,343.7**	**794.2**	**760.6**	**6,425.1**	**6,104.3**	5.3%
Increase (decrease) in net assets before transfers & special items	(108.0)	(24.9)	81.0	78.1	(27.0)	53.2	
Transfers	5.0	5.0	(5.0)	(5.0)	-	-	
Increase (decrease) in net assets	**(103.0)**	**(19.9)**	**76.0**	**73.1**	**(27.0)**	**53.2**	
Net Assets - Beginning	(290.7)	(270.8)	1,363.2	1,290.1	1,072.5	1,019.3	5.2%
Adjustment	24.3	-	(2.8)	-	21.5	-	
Net Assets - End	**(369.4)**	**(290.7)**	**1,436.4**	**1,363.2**	**1,067.0**	**1,072.5**	-0.5%

Business-type Activities

Business-type activities caused the city's net assets to increase by $73.2 million. This increase was comprised of an increase in net assets for water/wastewater of $42.7 million, for aviation of $32.5 million and a decrease for industrial & commercial development operations of $2.0 million. Some of the key reasons for these changes are:

- Increased water/sewer rate effective July 1, 2006. These new rates are the third of a four-phase change in rates to be spread over a three and a half-year period.

- Increased airport rental concession income and an increase in passenger facility charges resulting from an increase in airline passenger traffic.

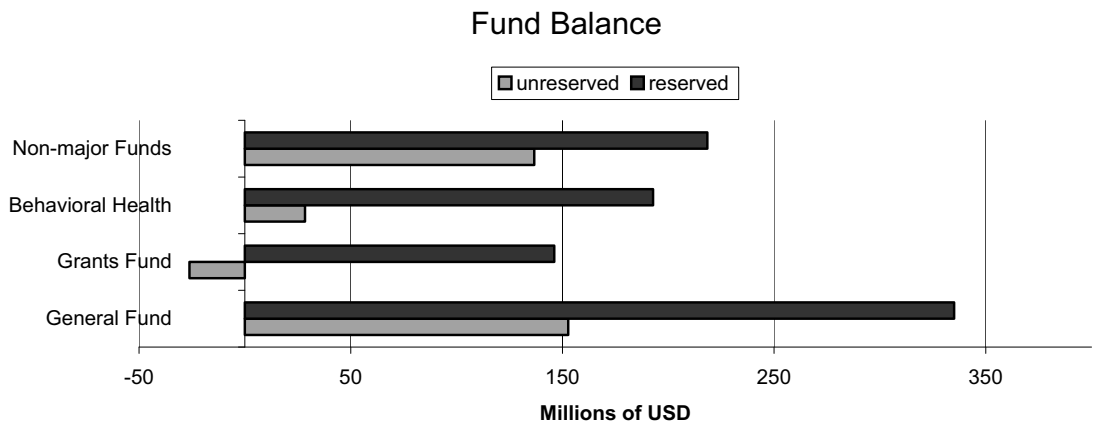


Financial Analysis of the Government's Funds

Governmental funds. The purpose of the city's governmental funds is to provide financial information on the *short term inflow, outflow and balance* of resources. This information is useful in assessing the city's ability to meet its near-term financing requirements. *Unreserved fund balance* serves as a useful measure of the city's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year the city's governmental funds reported a *combined fund balance* of $1,184.2 million an increase of $408.3 million over last year. Of the total fund balance, $892.6 million represents *reserved fund balance* which indicates that it is not available for new spending because it has already been committed to: contracts for goods and services ($205.3 million); revitalize neighborhoods ($99.9 million); pay debt service ($90.7 million); support programs funded by independent agencies ($77.8 million); fund a portion of the city's managed care programs ($192.9 million); fund a portion of new sports stadiums ($6.4 million); loan to PGW ($45.0 million); fund the 911 emergency phone system ($21.7 million); fund a portion of the central library renovation project ($4.8 million), cultural and commercial corridor project ($143.3 million); and trusts ($4.8 million). The difference between the combined fund balance and reserved fund balance is $291.6 million which constitutes *unreserved fund balance,* this surplus is available to fund future budgets.

The general fund, the primary operating fund of the city, reported a *unreserved fund balance surplus* of $152.7 million at the end of the fiscal year. Ratios of the general fund's unreserved fund balance and total fund balance to its total expenditures can be useful indicators of the general fund's liquidity. These ratios for the year just ended were 4.25% and 13.6%, respectively.



Overall, the total fund balance (reserved and unreserved) of the general fund increased by $183.3 million during the current fiscal year. This increase was due to an excess of revenues and other financing sources over expenditures for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

- An increase of $75.8 million in tax revenue due to increased collections for Wage & Earnings Tax, Business Privilege Tax and Real Property Transfer Tax.
- An increase of $90.0 million in revenue from other governments due to grants from the Commonwealth of Pennsylvania increasing $103.5 million over FY2006.
- The issuance of $142.4 million of debt, including premium.

Expenditures:

- Expenditures for the year increased $288.7 million, an increase of 8.7%.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $221.2 million of which $192.9 million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by $50.0 million.

The Grants Revenue fund has a total fund balance in the amount of $119.9 million which is comprised of a positive reserved fund balance of $146.1 million (earmarked for neighborhood revitalization, the productivity bank and emergency telephone system programs) and a deficit unreserved fund balance of $26.2 million. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unreserved fund balance. The overall fund balance of the grants revenue fund experienced a decrease of $2.6 million during the current fiscal year due primarily to increases in health & social services expenditures.

***Proprietary funds*.** The city's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net assets* of the proprietary funds increased by $73.3 million during the current fiscal year. This overall increase is attributable to the water/wastewater system which had an increase of $42.7 million, airport operations which experienced an increase of $32.5 million, while industrial & commercial development operations experienced a decrease of $1.9 million.

The proprietary funds reported an *unrestricted nets assets* surplus of $257.3 million, comprised of $162.1 million for the water and waste water operations, $74.6 million for the airport and $20.6 million for the industrial & commercial development activities. These unrestricted net assets represent an overall decrease of $16.5 million over the previous year, comprised of an decrease of $13.3 million for the water and waste water operations, a decrease of $1.3 million for the airport and a decrease of $1.9 million for the Land Bank. The change in the water unrestricted is the result of a large increase to the Reserve for Capital Projects.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted primarily from increases in revenue estimates and appropriations. These increases were required to support the following activities:

- $12.8 million for health medical payments
- $7.1 million for payments to the water fund for water usage
- $2.0 million for capital contributions by the Health Department
- $4.3 million for indemnity payments
- $6.2 million for Fire Department payroll

The general fund's budgetary unreserved fund balance surplus of $297.8 million differs from the general fund's fund financial statement surplus of $152.7 million by $145.1 million due to business privilege tax receipts which are received prior to being earned but have no effect on budgeted cash receipts.

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to $5.3 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. Major capital asset events for which capital expenditures have been incurred during the current fiscal year include the following:

- Infrastructure improvements of $20.2 million for streets, highways and bridges and $75.5 million for the water and waste water systems.
- City Hall complex exterior renovations in the amount of $10.9 million.
- Fairmount Park and Art Museum complex improvements totaling $19.9 million
- Recreational facility improvements in the amount of $18.7 million.
- Subway, Elevated and Rail improvements totaling $7.5 million
- Airport terminal and airfield improvements in the amount of $70.9 million.

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation
(millions of USD)

	Governmental activities		Inc	Business-type activities		Inc	Total		Inc
	2007	2006	(Dec)	2007	2006	(Dec)	2007	2006	(Dec)
Land	743.2	741.0	2.2	94.3	88.1	6.2	837.5	829.1	8.4
Buildings	773.9	788.6	(14.7)	1,564.8	1,552.4	12.4	2,338.7	2,341.0	(2.3)
Improvements other than buildings	97.7	93.4	4.3	98.4	101.2	(2.8)	196.1	194.6	1.5
Machinery & equipment	209.1	202.6	6.5	28.2	34.7	(6.5)	237.3	237.3	-
Infrastructure	368.6	393.3	(24.7)	1,148.0	1,140.0	8.0	1,516.6	1,533.3	(16.7)
Construction in progress	0.5	3.1	(2.6)	163.3	178.7	(15.4)	163.8	181.8	(18.0)
Total	**2,193.0**	**2,222.0**	**(29.0)**	**3,097.0**	**3,095.1**	**1.9**	**5,290.0**	**5,317.1**	**(27.1)**

The city's governmental activities experienced an overall decrease in capital assets of $27.1 million (net of accumulated depreciation) during the current fiscal year. The decreases are a result of normal depreciation costs for the fiscal year but were less then in FY2006 because of a restatement of depreciation expense.

More detailed information about the city's capital assets can be found in notes I.6 & III.5 to the financial statements.

Long-term debt. At year end the city had $7.5 billion in long term debt outstanding. Of this amount, $4.8 billion represents bonds outstanding (comprised of $2.0 billion of debt backed by the full faith and credit of the city, and $2.8 billion of debt secured solely by specific revenue sources) while $2.7 billion represents other long term obligations. The following schedule shows a summary of all long term debt outstanding.

City of Philadelphia's Long Term Debt Outstanding
(millions of USD)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Bonds Outstanding:						
General obligation bonds	1,999.4	1,865.5	5.8	6.9	2,005.2	1,872.4
Revenue bonds	-	-	2,815.3	2,916.2	2,815.3	2,916.2
Total Bonds Outstanding	**1,999.4**	**1,865.5**	**2,821.1**	**2,923.1**	**4,820.5**	**4,788.6**
Other Long Term Obligations:						
Service agreements	2,246.0	2,117.9	-	-	2,246.0	2,117.9
Employee related obligations	409.0	383.5	28.3	25.7	437.3	409.2
Indemnities	35.6	46.2	1.6	1.2	37.2	47.4
Other	-	-	0.7	0.1	0.7	0.1
Total Other Long Term Obligations	**2,690.6**	**2,547.6**	**30.6**	**27.0**	**2,721.2**	**2,574.6**
Total Long Term Debt Outstanding	**4,690.0**	**4,413.1**	**2,851.7**	**2,950.1**	**7,541.7**	**7,363.2**

Significant events related to borrowing during the current fiscal year include the following:

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid $310.0 million in Tax and Revenue Anticipation Notes by June 2007 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- In July, 2006, the City issued $217.5 million in General Obligation Bonds, of which $188.7 million were serial bonds with interest rates ranging from 4.5% to 5.1%, maturing in 2029. The remaining $28.9 million were term bonds with a 5% interest rate and mature in 2031. The proceeds of the sale were used to finance various capital projects.

As of the close of the fiscal year the city's bonds as rated by Moody's, Standard & Poor's and Fitch are as follows:

Bond Type	Moody's Investor Service	Standard & Poor's Corporation	Fitch IBCA
General Obligation Bonds	Baa1	BBB	BBB+
Water Revenue Bonds	A3	A-	A-
Aviation Revenue Bonds	A3	A	A

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax supported general obligation debt it may issue. The limitation is equal to 13% of the average assessed valuations of properties over the past ten years. As of *July 1, 2007* the legal debt limit was $1,374.7 million. There is $1,262.5 million of outstanding tax supported debt leaving a legal debt margin of $112.2 million.

More detailed information about the city's debt activity can be found in note III.7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors have all been considered in preparing the City of Philadelphia's budget for the 2008 fiscal year:

- Philadelphia entered FY07 with a surplus of $254.5 million up from $96.2 million at the close of FY05.
- Continuation of the wage and business tax reduction program which began in fiscal year 1995.
- Employee wage increases of 4% for civil servants and 4% for police officers effective July 1, 2007.
- Base health insurance costs are projected to grow 8% each year through FY2010. The City successfully negotiated low-growth rate increases in FY2006 (4.7%) and FY2007 (cap of 12%)

- Starting July 1, 2007 water and sewer bills will reflect new rates for water and wastewater services. These new rates are the final increase of a four-phase change in rates to be spread over a three and a half-year period.
- The airport's budget is funded primarily with airline rates and charges, to the extent not otherwise funded by non-airline rentals, concession fees and user charges. The airport is projecting a 7.4% increase in revenues in FY2008.

Requests for information

The Comprehensive Annual Financial Report is designed to provide a general overview of the City of Philadelphia's finances for all interested parties. The City also publishes the *Supplemental Report of Revenues & Obligations* that provides a detailed look at budgetary activity at the legal level of compliance, the *Annual Report of Bonded Indebtedness* that details outstanding long term debt and the *Schedule of Financial Assistance* that reports on grant activity. All four reports are available on the City's website, *www.phila.gov/finance*. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Director of Finance
Suite 1340 MSB
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Vietnam Veterans Memorial

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia
Statement of Net Assets
June 30, 2007

Exhibit I

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	112,245	30	112,275	279,387
Equity in Pooled Cash and Investments	-	-	-	28,272
Equity in Treasurer's Account	1,201,516	143,941	1,345,457	-
Investments	73,746	-	73,746	229,897
Due from Component Units	73,834	-	73,834	-
Due from Primary Government	-	-	-	75,089
Amounts Held by Fiscal Agent	221,038	-	221,038	69,966
Notes Receivable - Net	-	-	-	64,473
Accounts Receivable - Net	305,917	114,073	419,990	259,514
Interest and Dividends Receivable	5,850	-	5,850	16,396
Due from Other Governments - Net	301,065	1,013	302,078	118,132
Inventories	14,326	32,171	46,497	176,059
Other Assets	2,861	-	2,861	267,785
Restricted Assets:				
Cash and Cash Equivalents	-	704,243	704,243	676,612
Other Assets	-	238,717	238,717	61,714
Net Pension Asset	610,305	70,213	680,518	-
Capital Assets:				
Land and Other Non-Depreciated Assets	744,569	257,563	1,002,132	767,882
Other Capital Assets (Net of Depreciation)	1,448,381	2,839,373	4,287,754	3,319,721
Total Capital Assets, Net	2,192,950	3,096,936	5,289,886	4,087,603
Total Assets	5,115,653	4,401,337	9,516,990	6,410,899
Liabilities				
Notes Payable	-	-	-	138,091
Vouchers Payable	72,695	9,911	82,606	47,389
Accounts Payable	184,307	51,204	235,511	218,715
Salaries and Wages Payable	63,506	4,621	68,127	45,744
Accrued Expenses	44,822	35,886	80,708	68,537
Due to Agency Funds	800	-	800	-
Due to Primary Government	-	-	-	110,677
Due to Component Units	46,053	-	46,053	-
Funds Held in Escrow	25,151	345	25,496	92,439
Due to Other Governments	17	-	17	20,839
Deferred Revenue	221,430	11,923	233,353	140,731
Overpayment of Taxes	136,238	-	136,238	12,082
Other Current Liabilities	-	-	-	96,542
Non-Current Liabilities:				
Due within one year	213,179	124,246	337,425	306,272
Due in more than one year	4,476,833	2,726,781	7,203,614	4,857,987
Total Liabilities	5,485,031	2,964,917	8,449,948	6,156,045
Net Assets				
Invested in Capital Assets, Net of Related Debt	161,412	544,036	705,448	690,229
Restricted For:				
Capital Projects	34,724	164,500	199,224	930
Debt Service	90,735	284,982	375,717	200,825
Behavioral Health	221,215	-	221,215	-
Intergovernmental Finance	24,483	-	24,483	-
Neighborhood Revitalization	99,922	-	99,922	-
Stadium Financing	6,429	-	6,429	-
Central Library Project	4,768	-	4,768	-
Cultural & Commercial Corridor Project	143,283	-	143,283	-
Grant Programs	42,496	-	42,496	40,862
Rate Stabilization	-	185,612	185,612	-
Libraries & Parks:				
Expendable	4,301	-	4,301	-
Non-Expendable	4,641	-	4,641	-
Educational Programs	-	-	-	11,127
Other	12,724	-	12,724	-
Unrestricted(Deficit)	(1,220,511)	257,290	(963,221)	(689,119)
Total Net Assets	(369,378)	1,436,420	1,067,042	254,854

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Statement of Activities
For the Fiscal Year Ended June 30, 2007

Exhibit II

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
Economic Development	92,567	-	1,086	924	(90,557)		(90,557)	
Transportation:								
Streets & Highways	116,602	3,547	32,423	10,367	(70,265)		(70,265)	
Mass Transit	85,051	607	-	-	(84,444)		(84,444)	
Judiciary and Law Enforcement:								
Police	921,380	1,677	22,063	-	(897,640)		(897,640)	
Prisons	293,247	333	1,054	-	(291,860)		(291,860)	
Courts	304,068	51,494	50,177	-	(202,397)		(202,397)	
Conservation of Health:								
Emergency Medical Services	36,034	27,655	547	-	(7,832)		(7,832)	
Health Services	1,442,613	12,601	1,387,806	-	(42,206)		(42,206)	
Housing and Neighborhood Development	111,225	45,176	61,003	-	(5,046)		(5,046)	
Cultural and Recreational:								
Recreation	73,359	170	6,936	2,217	(64,036)		(64,036)	
Parks	32,583	543	6,281	2,188	(23,571)		(23,571)	
Libraries and Museums	90,266	944	11,807	-	(77,515)		(77,515)	
Improvements to General Welfare:								
Social Services	765,502	7,266	570,434	-	(187,802)		(187,802)	
Education	64,041	-	-	-	(64,041)		(64,041)	
Inspections and Demolitions	64,355	44,364	457	-	(19,534)		(19,534)	
Service to Property:								
Sanitation	134,440	-	3,660	-	(130,780)		(130,780)	
Fire	285,263	698	71	41	(284,453)		(284,453)	
General Management and Support	568,701	107,523	49,081	18	(412,079)		(412,079)	
Interest on Long Term Debt	149,539	18	-	-	(149,521)		(149,521)	
Total Governmental Activities	5,630,836	304,616	2,204,886	15,755	(3,105,579)		(3,105,579)	
Business Type Activities:								
Water and Sewer	476,155	493,569	1,278	-	-	18,692	18,692	
Aviation	314,310	309,239	1,484	22,410	-	18,823	18,823	
Industrial and Commercial Development	3,720	1,539	-	20	-	(2,161)	(2,161)	
Total Business Type Activities	794,185	804,347	2,762	22,430	-	35,354	35,354	
Total Primary Government	6,425,021	1,108,963	2,207,648	38,185	(3,105,579)	35,354	(3,070,225)	
Component Units:								
Gas Operations	947,566	940,443	23,882	-				16,759
Housing	481,718	28,214	409,931	20,478				(23,095)
Parking	189,440	192,200	-	-				2,760
Education	2,821,909	35,893	910,877	158				(1,874,981)
Health	655,832	-	653,972	-				(1,860)
Economic Development	173,331	36,121	103,115	8,988				(25,107)
Total Component Units	5,269,796	1,232,871	2,101,777	29,624				(1,905,524)

General Revenues:				
Taxes:				
Property Taxes	399,236	-	399,236	549,519
Wage & Earnings Taxes	1,498,518	-	1,498,518	-
Business Taxes	453,730	-	453,730	-
Other Taxes	460,296	-	460,296	168,484
Grants & Contributions Not Restricted to Specific Programs	104,099	-	104,099	1,044,836
Unrestricted Interest & Investment Earnings	81,796	45,657	127,453	18,853
Miscellaneous	-	-	-	1,205
Special Items	-	-	-	1,880
Transfers	4,994	(4,994)	-	20,473
Total General Revenues, Special Items and Transfers	3,002,669	40,663	3,043,332	1,805,250
Change in Net Assets	(102,910)	76,017	(26,893)	(100,274)
Net Assets - July 1, 2006	(290,727)	1,363,169	1,072,442	354,261
Adjustment	24,259	(2,766)	21,493	867
Net Assets Adjusted - July 1, 2006	(266,468)	1,360,403	1,093,935	355,128
Net Assets - June 30, 2007	(369,378)	1,436,420	1,067,042	254,854

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2007

Exhibit III

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	7,984	-	77	104,184	112,245
Equity in Treasurer's Account	567,363	269,494	148,466	216,193	1,201,516
Investments	-	-	-	73,746	73,746
Due from Other Funds	18,096	-	-	4,617	22,713
Due from Component Units	73,834	-	-	-	73,834
Amounts Held by Fiscal Agent	154,479	-	66,559	-	221,038
Taxes Receivable	590,300	-	-	15,048	605,348
Accounts Receivable	456,882	-	243	4,229	461,354
Allowance for Doubtful Accounts	(794,860)	-	-	(1,258)	(796,118)
Interest and Dividends Receivable	2,669	2,275	153	753	5,850
Due from Other Governmental Units	222,958	-	73,073	39,174	335,205
Other Assets	-	-	-	81	81
Total Assets	1,299,705	271,769	288,571	456,767	2,316,812
Liabilities and Fund Balances					
Liabilities:					
Vouchers Payable	46,952	1,863	17,160	6,720	72,695
Accounts Payable	106,620	13,425	45,457	18,805	184,307
Salaries and Wages Payable	61,374	-	1,859	273	63,506
Due to Other Funds	790	-	-	22,723	23,513
Due to Component Units	2,316	35,267	2,376	6,094	46,053
Funds Held in Escrow	11,939	-	8,618	4,594	25,151
Due to Other Governmental Units	17	-	-	-	17
Deferred Revenue	445,624	-	93,182	42,350	581,156
Overpayment of Taxes	136,238	-	-	-	136,238
Total Liabilities	811,870	50,555	168,652	101,559	1,132,636
Fund Balances:					
Reserved for:					
Encumbrances	135,623	-	-	69,678	205,301
Neighborhood Revitilization	-	-	99,922	-	99,922
Behavioral Health	-	192,854	-	-	192,854
Intergovernmental Financing	-	-	-	53,293	53,293
Intergovernmentally Financed Programs	-	-	24,483	-	24,483
Public Safety Emergency Phone System	-	-	21,730	-	21,730
Debt Service	-	-	-	90,735	90,735
Trust Purposes	-	-	-	4,844	4,844
Long Term Loan	45,000	-	-	-	45,000
Central Library Project	4,768	-	-	-	4,768
Stadium Financing	6,428	-	-	-	6,428
Cultural & Commercial Corridor Project	143,283	-	-	-	143,283
Unreserved, reported in:					
General Fund	152,733	-	-	-	152,733
Special Revenue Funds	-	28,360	(26,216)	27,830	29,974
Debt Service Funds	-	-	-	1,559	1,559
Capital Projects Funds	-	-	-	102,968	102,968
Permanent Funds	-	-	-	4,301	4,301
Total Fund Balances	487,835	221,214	119,919	355,208	1,184,176
Total Liabilities and Fund Balances	1,299,705	271,769	288,571	456,767	

Amounts reported for governmental activities in the statement of net assets are different because:

a. Capital Assets used in governmental activities are not reported in the funds	2,192,950
b. Unearned Receivables are deferred in the funds	359,726
c. Long Term Liabilities, including bonds payable, are not reported in the funds	(4,690,012)
d. Net Pension Asset is not reported in the funds	610,305
e. Other	(26,523)
Net Assets of Governmental Activities	(369,378)

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit IV**

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,434,020	-	-	371,038	2,805,058
Locally Generated Non-Tax Revenue	253,801	13,663	42,956	71,286	381,706
Revenue from Other Governments	791,060	711,278	789,058	85,173	2,376,569
Other Revenues	16,770	-	-	372	17,142
Total Revenues	3,495,651	724,941	832,014	527,869	5,580,475
Expenditures					
Current Operating:					
Economic Development	46,191	-	1,120	38,182	85,493
Transportation:					
Streets & Highways	64,107	-	-	25,126	89,233
Mass Transit	58,064	-	-	-	58,064
Judiciary and Law Enforcement:					
Police	851,113	-	9,065	-	860,178
Prisons	276,719	-	-	1,341	278,060
Courts	249,654	-	42,694	-	292,348
Conservation of Health:					
Emergency Medical Services	34,358	-	588	-	34,946
Health Services	142,123	674,955	619,745	-	1,436,823
Housing and Neighborhood Development	5,057	-	33,761	70,431	109,249
Cultural and Recreational:					
Recreation	55,354	-	6,775	29	62,158
Parks	21,647	-	47	4,611	26,305
Libraries and Museums	70,847	-	12,134	223	83,204
Improvements to General Welfare:					
Social Services	703,046	-	53,646	-	756,692
Education	64,041	-	-	-	64,041
Inspections and Demolitions	34,196	-	28,799	-	62,995
Service to Property:					
Sanitation	125,776	-	3,687	-	129,463
Fire	267,555	-	5	-	267,560
General Management and Support	521,056	-	21,279	21,352	563,687
Capital Outlay	-	-	-	92,291	92,291
Debt Service:					
Principal	-	-	-	91,459	91,459
Interest	1,583	-	-	101,844	103,427
Bond Issuance Cost	2,657	-	-	2,297	4,954
Total Expenditures	3,595,144	674,955	833,345	449,186	5,552,630
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,493)	49,986	(1,331)	78,683	27,845
Other Financing Sources (Uses)					
Issuance of Debt	135,515	-	-	217,590	353,105
Bond Issuance Premium	6,842	-	-	6,910	13,752
Transfers In	255,431	-	3,033	201,584	460,048
Transfers Out	(114,999)	-	(12,884)	(327,171)	(455,054)
Total Other Financing Sources (Uses)	282,789	-	(9,851)	98,913	371,851
Net Change in Fund Balance	183,296	49,986	(11,182)	177,596	399,696
Fund Balance - July 1, 2006	304,539	171,228	122,474	177,612	775,853
Adjustment	-	-	8,627	-	8,627
Fund Balance Adjusted - July 1, 2006	304,539	171,228	131,101	177,612	784,480
Fund Balance - June 30, 2007	487,835	221,214	119,919	355,208	1,184,176

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds	399,696
Amounts reported for governmental activities in the statement of activities are different because:	
a. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (142,329) exceeded capital outlays (106,425) in the current period	(35,904)
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(56,187)
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (361,903) exceeded repayments (144,534)	(217,369)
d. The increase in the Net Pension Obligation reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds	(122,166)
e. Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(70,980)
Change in Net Assets of governmental activities	(102,910)

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit VI**

Statement of Fund Net Assets
Proprietary Funds
June 30, 2007

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
			Other Non-Major	
	Water and		Industrial & Commercial	
Assets	Sewer	Aviation	Development	Total
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	52,531	86,833	4,577	143,941
Due from Other Governments	329	684	-	1,013
Accounts Receivable	174,663	14,780	2,035	191,478
Allowance for Doubtful Accounts	(75,989)	(1,416)	-	(77,405)
Inventories	15,184	3,029	13,958	32,171
Total Current Assets	166,748	103,910	20,570	291,228
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	350,933	311,094	-	662,027
Amounts Held by Fiscal Agent	-	42,216	-	42,216
Sinking Funds and Reserves	174,475	39,778	-	214,253
Grants for Capital Purposes	500	7,870	-	8,370
Receivables	2,114	13,980	-	16,094
Total Restricted Assets	528,022	414,938	-	942,960
Net Pension Asset	54,069	16,144	-	70,213
Capital Assets:				
Land	5,919	88,353	-	94,272
Infrastructure	1,796,638	499,182	-	2,295,820
Construction in Progress	115,525	47,766	-	163,291
Buildings and Equipment	1,462,116	1,671,452	-	3,133,568
Less: Accumulated Depreciation	(1,687,615)	(902,400)	-	(2,590,015)
Total Capital Assets, Net	1,692,583	1,404,353	-	3,096,936
Total Non-Current Assets	2,274,674	1,835,435	-	4,110,109
Total Assets	2,441,422	1,939,345	20,570	4,401,337
Liabilities				
Current Liabilities:				
Vouchers Payable	5,077	4,834	-	9,911
Accounts Payable	11,725	11,674	-	23,399
Salaries and Wages Payable	2,406	2,215	-	4,621
Construction Contracts Payable	5,943	21,862	-	27,805
Accrued Expenses	14,985	20,901	-	35,886
Funds Held in Escrow	345	-	-	345
Deferred Revenue	7,430	4,493	-	11,923
Bonds Payable-Current	92,501	31,745	-	124,246
Total Current Liabilities	140,412	97,724	-	238,136
Non-Current Liabilities:				
Bonds Payable	1,669,810	1,129,665	-	2,799,475
Unamortized Discount and Loss	(82,232)	(20,416)	-	(102,648)
Other Non-Current Liabilities	20,153	9,801	-	29,954
Total Non-Current Liabilities	1,607,731	1,119,050	-	2,726,781
Total Liabilities	1,748,143	1,216,774	-	2,964,917
Net Assets				
Invested in Capital Assets, Net of Related Debt	86,345	457,691	-	544,036
Restricted For:				
Capital Projects	84,786	79,714	-	164,500
Debt Service	174,475	110,507	-	284,982
Rate Stabilization	185,612	-	-	185,612
Unrestricted	162,061	74,659	20,570	257,290
Total Net Assets	693,279	722,571	20,570	1,436,420

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit VII**

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
Operating Revenues:				
Charges for Goods and Services	487,928	76,933	-	564,861
Sales of Land and Improvements	-	-	736	736
Rentals and Concessions	-	162,593	-	162,593
Miscellaneous Operating Revenues	5,641	3,684	803	10,128
Total Operating Revenues	493,569	243,210	1,539	738,318
Operating Expenses:				
Personal Services	106,023	61,815	-	167,838
Purchase of Services	77,779	72,979	1,587	152,345
Materials and Supplies	30,993	6,805	-	37,798
Employee Benefits	66,643	36,393	-	103,036
Indemnities and Taxes	2,889	1,239	-	4,128
Depreciation	82,554	76,680	-	159,234
Cost of Goods Sold	-	-	2,133	2,133
Total Operating Expenses	366,881	255,911	3,720	626,512
Operating Income (Loss)	126,688	(12,701)	(2,181)	111,806
Non-Operating Revenues (Expenses):				
Operating Grants	1,278	1,484	-	2,762
Passenger Facility Charges	-	66,029	-	66,029
Interest Income	31,804	13,675	178	45,657
Net Pension Obligation	(10,049)	(4,881)	-	(14,930)
Debt Service - Interest	(93,069)	(53,030)	-	(146,099)
Other Revenue (Expenses)	(6,156)	(487)	-	(6,643)
Total Non-Operating Revenues (Expenses)	(76,192)	22,790	178	(53,224)
Income (Loss) Before Contributions & Transfers	50,496	10,089	(2,003)	58,582
Transfers Out	(4,994)	-	-	(4,994)
Capital Contributions	-	22,409	20	22,429
Change in Net Assets	45,502	32,498	(1,983)	76,017
Net Assets - July 1, 2006	650,543	690,073	22,553	1,363,169
Adjustment	(2,766)	-	-	(2,766)
Net Assets Adjusted - July 1, 2006	647,777	690,073	22,553	1,360,403
Net Assets - June 30, 2007	693,279	722,571	20,570	1,436,420

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit VIII**
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	494,254	226,922	2,023	723,199
Payments to Suppliers	(106,080)	(74,859)	(1,594)	(182,533)
Payments to Employees	(173,323)	(92,256)	-	(265,579)
Internal Activity-Payments to Other Funds	-	(5,767)	-	(5,767)
Claims Paid	(2,417)	-	-	(2,417)
Other Receipts (Payments)	-	(282)	345	63
Net Cash Provided (Used)	212,434	53,758	774	266,966
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	744	1,693	-	2,437
Operating Subsidies and Transfers from Other Funds	(4,994)	-	-	(4,994)
Net Cash Provided (Used)	(4,250)	1,693	-	(2,557)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	-	106	-	106
Contributions Received	-	21,008	-	21,008
Acquisition and Construction of Capital Assets	(80,661)	(79,246)	-	(159,907)
Interest Paid on Debt Instruments	(89,920)	(63,890)	-	(153,810)
Principal Paid on Debt Instruments	(84,003)	(29,800)	-	(113,803)
Passenger Facility Charges	-	65,329	-	65,329
Other Receipts (Payments)	-	(5)	-	(5)
Net Cash Provided (Used)	(254,584)	(86,498)	-	(341,082)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	6,041	-	6,041
Interest and Dividends on Investments	30,936	22,273	171	53,380
Net Cash Provided (Used)	30,936	28,314	171	59,421
Net Increase (Decrease) in Cash and Cash Equivalents	(15,464)	(2,733)	945	(17,252)
Cash and Cash Equivalents, July 1 (including 368,675 for Water & Sewer and 347,964 for Aviation reported in restricted accounts)	418,958	442,876	3,632	865,466
Cash and Cash Equivalents, June 30 (including 350,933 for Water & Sewer and 353,310 for Aviation reported in restricted accounts)	403,494	440,143	4,577	848,214
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	126,688	(12,701)	(2,181)	111,806
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	82,554	76,680	-	159,234
Changes in Assets and Liabilities:				
Receivables, Net	177	(3,733)	843	(2,713)
Deferred Revenue	507	(13,729)	-	(13,222)
Inventories	(544)	21	2,119	1,596
Accounts and Other Payables	6,502	6,613	(7)	13,108
Accrued Expenses	(3,450)	607	-	(2,843)
Net Cash Provided by Operating Activities	212,434	53,758	774	266,966

Non-cash Capital & Financing Activities:

During the year the City issued $345.0 million of Water & Wastewater revenue refunding bonds. The proceeds were deposited immediately into an irrevocable trust and used to current refund a portion of the 1997A Series Water & Wastewater revenue bonds and advance refund Series 2001A Water & Wastewater revenue bonds.

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit IX**

Statement of Net Assets

Fiduciary Funds

June 30, 2007

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	-	123,808
Equity in Treasurer's Account	5,424,797	20,365
Investments	-	19,881
Securities Lending Collective Investment Pool	443,073	-
Accounts Receivable	4,283	-
Due from Brokers for Securities Sold	72,682	-
Interest and Dividends Receivable	11,000	-
Due from Other Governmental Units	5,158	-
Due from Other Funds	-	800
Total Assets	5,960,993	164,854
Liabilities		
Vouchers Payable	104	156
Accounts Payable	4,295	-
Salaries and Wages Payable	127	-
Payroll Taxes Payable	-	6,931
Funds Held in Escrow	377	157,767
Due on Return of Securities Loaned	443,073	-
Due to Brokers for Securities Purchased	139,570	-
Accrued Expenses	1,074	-
Deferred Revenue	1,971	-
Other Liabilities	315	-
Total Liabilities	590,906	164,854
Net Assets Held in Trust for Pension Benefits	5,370,087	-

The notes to the financial statements are an integral part of this statement.

City of Philadelphia **Exhibit X**

Statement of Changes in Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	447,527
Employees' Contributions	49,180
Total Contributions	496,707
Investment Income:	
Interest and Dividends	96,157
Net Gain in Fair Value of Investments	754,776
(Less) Investments Expenses	(19,595)
Securities Lending Revenue	21,968
(Less) Securities Lending Expenses	(20,853)
Net Investment Gain	832,453
Miscellaneous Operating Revenues	1,963
Total Additions	1,331,123
Deductions	
Personal Services	3,626
Purchase of Services	1,183
Materials and Supplies	104
Employee Benefits	1,562
Pension Benefits	687,482
Refunds of Members' Contributions	4,475
Other Operating Expenses	55
Total Deductions	698,487
Change in Net Assets	632,636
Net Assets - July 1, 2006	4,737,451
Net Assets - June 30, 2007	5,370,087

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Statement of Net Assets
Component Units
June 30, 2007

Exhibit XI

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Housing Authority*	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Pennsylvania Convention Center Authority	Penn's Landing Corporation	Philadelphia Authority for Industrial Development*	Total
Assets											
Cash on Deposit and on Hand	6,611	71,061	108,121	42,009	1,362	4,033	25,164	1,933	9,344	9,749	279,387
Equity in Pooled Cash and Investments	-	-	-	-	28,272	-	-	-	-	-	28,272
Investments	-	-	14,398	124,423	-	38,520	-	52,099	457	-	229,897
Due from Primary Government	-	14,219	-	-	-	-	57,671	3,199	-	-	75,089
Amounts Held by Fiscal Agent	86	-	-	-	69,880	-	-	-	-	-	69,966
Notes Receivable	106	30,086	34,060	-	-	221	-	-	-	-	64,473
Taxes Receivable	-	-	-	-	129,536	-	-	-	-	-	129,536
Accounts Receivable-Net	74,254	383	20,039	581	5,574	2,851	8,332	795	1,384	15,785	129,978
Interest and Dividends Receivable	-	14,559	195	771	218	89	-	564	-	-	16,396
Due from Other Governments	-	813	-	-	90,925	1,897	-	-	-	24,497	118,132
Inventories	149,438	18,635	4,489	-	3,497	-	-	-	-	-	176,059
Other Assets	137,355	551	22,245	22,558	78,530	474	594	4,543	935	-	267,785
Restricted Assets:											
Cash and Cash Equivalents	135,625	18,316	6,925	-	491,292	1,315	-	-	-	23,139	676,612
Other Assets	-	22,974	11,771	-	-	-	-	-	-	26,969	61,714
Capital Assets:											
Land and Other Non-Depreciated Assets	70,389	479	122,656	15,916	521,730	23,381	-	3,321	6,219	3,791	767,882
Other Capital Assets (Net of Depreciation)	937,259	1,515	803,231	203,420	1,007,623	75,617	2,206	231,333	5,154	52,363	3,319,721
Total Capital Assets	1,007,648	1,994	925,887	219,336	1,529,353	98,998	2,206	234,654	11,373	56,154	4,087,603
Total Assets	1,511,123	193,591	1,148,130	409,678	2,428,439	148,398	93,967	297,787	23,493	156,293	6,410,899
Liabilities											
Notes Payable	55,000	23,140	-	11,181	-	48,770	-	-	-	-	138,091
Vouchers Payable	40,316	-	-	-	-	7,073	-	-	-	-	47,389
Accounts Payable	-	10,057	12,882	26,643	153,045		1,126	4,107	463	10,392	218,715
Salaries and Wages Payable	4,771	-	-	-	33,018	5,004	2,185	766	-	-	45,744
Accrued Expenses	37,981	5,220	16,338	2,428	-	1,310	-	3,759	1,501	-	68,537
Funds Held in Escrow	-	9,767	1,203	-	-	63	77,272	-	-	4,134	92,439
Due to Other Governments	-	-	-	-	890	8,383	-	-	-	11,566	20,839
Due to Primary Government	45,000	1,500	-	36,726	-	-	-	21,077	-	6,374	110,677
Deferred Revenue	12,815	39,656	-	3,560	35,807	1,286	13,384	1,147	8,656	24,420	140,731
Overpayment of Taxes	-	-	-	-	12,082	-	-	-	-	-	12,082
Other Current Liabilities	-	-	34,362	-	58,875	-	-	-	44	3,261	96,542
Non-Current Liabilities:											
Due within one year	38,045	3,143	5,611	59,940	192,381	1,127	-	6,025	-	-	306,272
Due in more than one year	1,037,790	37,982	183,915	206,465	3,170,850	757	-	206,401	2,188	11,639	4,857,987
Total Liabilities	1,271,718	130,465	254,311	346,943	3,656,948	73,773	93,967	243,282	12,852	71,786	6,156,045
Net Assets											
Invested in Capital Assets, Net of Related Debt	(7,754)	1,994	597,580	-	4,316	49,504	-	-	-	44,589	690,229
Restricted For:											
Capital Projects	-	-	-	-	-	930	-	-	-	-	930
Debt Service	95,989	9,516	-	25,264	70,056	-	-	-	-	-	200,825
Educational Programs	-	-	-	-	5,996	5,131	-	-	-	-	11,127
Grant Programs	-	-	2,394	-	-	-	-	-	-	38,468	40,862
Unrestricted	151,170	51,616	293,845	37,471	(1,308,877)	19,060	-	54,505	10,641	1,450	(689,119)
Total Net Assets	239,405	63,126	893,819	62,735	(1,228,509)	74,625	-	54,505	10,641	84,507	254,854

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2006. The Community Behavioral Health Fund and the Philadelphia Authority for Industrial Development Fund are presented as of the close of their fiscal year, December 31, 2006. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2007.

The notes to the financial statements are an integral part of this statement.

City of Philadelphia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2007

Exhibit XII

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets										
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Housing Authority*	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Philadelphia Convention Center Authority	Penn's Landing Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations															
Gas Works	947,566	940,443	23,882	-	16,759										16,759
Housing															
Redevelopment Authority	63,079	1,806	73,796	-		12,523									12,523
Housing Authority	418,639	26,408	336,135	20,478			(35,618)								(35,618)
Total	481,718	28,214	409,931	20,478											
Parking															
Parking Authority	189,440	192,200	-	-				2,760							2,760
Education															
School District	2,702,179	7,615	873,509	123					(1,820,932)						(1,820,932)
Community College	119,730	28,278	37,368	35						(54,049)					(54,049)
Total	2,821,909	35,893	910,877	158											
Health															
Community Behavioral Health	655,832	-	653,972	-							(1,860)				(1,860)
Economic Development															
Convention Center Authority	48,245	9,036	34,909	8,988								4,688			4,688
Penn's Landing Corporation	9,824	6,654	2,233	-									(937)		(937)
Authority for Industrial Development	115,262	20,431	65,973	-										(28,858)	(28,858)
Total	173,331	36,121	103,115	8,988											
Total Component Units	5,269,796	1,232,871	2,101,777	29,624											(1,905,524)
General Revenues:															
Property Taxes					-	-	-	-	549,519	-	-	-	-	-	549,519
Other Taxes					-	-	-	-	168,484	-	-	-	-	-	168,484
Grants & Contributions Not Restricted to Specific Programs					-	-	-	-	986,574	58,262	-	-	-	-	1,044,836
Unrestricted Interest & Investment Earnings					-	3,240	-	5,644	-	2,557	1,860	3,452	491	1,609	18,853
Miscellaneous					-	-	-	-	250	955	-	-	-	-	1,205
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	-	-	-	-	-	-	1,880	1,880
Transfers					-	-	-	-	-	-	-	-	-	20,473	20,473
Total General Revenues, Special Items and Transfers					-	3,240	-	5,644	1,704,827	61,774	1,860	3,452	491	23,962	1,805,250
Change in Net Assets					16,759	15,763	(35,618)	8,404	(116,105)	7,725	-	8,140	(446)	(4,896)	(100,274)
Net Assets - July 1, 2006					222,646	47,363	927,420	54,331	(1,111,254)	66,900	-	46,365	11,087	89,403	354,261
Adjustment					-	-	2,017	-	(1,150)	-	-	-	-	-	867
Net Assets Adjusted - July 1, 2006					222,646	47,363	929,437	54,331	(1,112,404)	66,900	-	46,365	11,087	89,403	355,128
Net Assets - June 30, 2007					239,405	63,126	893,819	62,735	(1,228,509)	74,625	-	54,505	10,641	84,507	254,854

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2006. The Community Behavioral Health Fund and the Philadelphia Authority for Industrial Development Fund are presented as of the close of their fiscal year, December 31, 2006. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2007.

The notes to the financial statements are an integral part of this statement.

Mounted Police in City Hall Courtyard (1908)

Notes to the Financial Statements
FYE 06/30/2007

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Philadelphia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. REPORTING ENTITY

The City of Philadelphia was founded in 1682 and was merged with the county in 1854. Since 1951 the City has been governed largely under the Philadelphia Home Rule Charter. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania.

As required by GAAP, the financial statements of the City of Philadelphia include those of the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The financial statements of these component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. Based on the criteria established by Governmental Accounting Standards Board Statement (GASBS) #14 as amended by GASBS #39, certain other organizations also did meet the criteria for inclusion, however they are not included in the City's financial statements because they are not significant to a fair representation of the City's reporting entity. **Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided.**

As used both on the face of the financial statements and in the footnotes, the term "Primary Government" includes both City funds and Blended Component Units while the term "Component Units" includes only Discretely Presented Component Units.

A. BLENDED COMPONENT UNITS

Pennsylvania Intergovernmental Cooperation Authority (PICA) – 1429 Walnut St., Philadelphia, PA 19102
PICA was established by act of the Commonwealth of Pennsylvania to provide financial assistance to cities of the first class and is governed by a five member board appointed by the Commonwealth. Currently, the City of Philadelphia is the only city of the first class. The activities of PICA are reflected in two of the governmental fund types (Special Revenue and Debt Service).

Philadelphia Municipal Authority (PMA) – 1515 Arch St., Philadelphia, PA 19102
PMA is governed by a five member board appointed by the City and was established to issue tax exempt bonds for the acquisition and use of certain equipment and facilities for the City. The activities of PMA are reflected in three of the governmental fund types (Special Revenue, Debt Service and Capital Improvement).

B. DISCRETELY PRESENTED COMPONENT UNITS

The component unit columns in the applicable combined financial statements include the combined financial data for the organizations discussed below. They are reported in a separate column to emphasize that they are legally separate from the City. However, in order to retain their identity, applicable combining statements have been included as part of this report.

Community College of Philadelphia (CCP) – 1700 Spring Garden St., Philadelphia, PA 19130
CCP was established by the City to provide two year post-secondary education programs for its residents. It is governed by a Board appointed by the City, receives substantial subsidies from the City, and its budgets must be submitted to the City for review and approval.

Penn's Landing Corporation (PLC) – 121 N. Columbus Blvd., Philadelphia, PA 19106
PLC was established to assist the City and the Commonwealth of Pennsylvania and their agencies in the rehabilitation, renewal and management of the historic site on the bank of the Delaware River known as Penn's Landing. The Corporation is governed by a 20 member board with 10 members appointed by the City. It receives substantial subsidies from the City and its budgets must be approved by the City.

Pennsylvania Convention Center Authority (PCCA) – 1101 Arch St., Philadelphia, PA 19107
PCCA was established to develop, promote and operate a convention center facility in the Philadelphia metropolitan area. Under a Lease & Service agreement, the City is obligated to pay an annual service fee sufficient to cover the debt service on PCCA's outstanding bonded debt. A voting majority of PCCA's governing board is not appointed by the City, however PCCA meets the criteria of fiscal dependency and the significance of the City's relationship with PCCA is such that exclusion from the City's financial report would be misleading.

Philadelphia Housing Authority (PHA) – 2012 Chestnut St., Philadelphia, PA 19103
PHA was established to provide low cost housing and other social services to the residents of the City. It is governed by a five member board with four members appointed by the City. PHA provides significant services to the City's residents.

Philadelphia Parking Authority (PPA) – 3101 Market St., Philadelphia, PA 19104
PPA was established by the City to coordinate a system of parking facilities and on-street parking on behalf of the City. Its fiscal year ends on March 31. The City has guaranteed debt payments for PPA. A voting majority of PPA's governing board is not appointed by the City however, the significance of the City's relationship with PPA is such that exclusion from the City's financial report would be misleading.

Redevelopment Authority of the City of Philadelphia (RDA) – 1234 Market St., Philadelphia, PA 19107
RDA was established to rehabilitate blighted sections of the City. It is governed by a five member board appointed by the City and must submit its budgets to the City for review and approval.

School District of Philadelphia (SDP) – 440 N. Broad St., Philadelphia, PA 19130
SDP was established by the Educational Supplement to the Philadelphia Home Rule Charter to provide free public education for the City's residents. A voting majority of the SDP governing board is not appointed by the City, however the significance of the City's relationship with SDP is such that exclusion from the City's financial report would be misleading.

Community Behavioral Health (CBH) – 1101 Market St., Philadelphia, PA 19107
CBH is a not-for-profit organization established by the City's Department of Public Health to provide for and administer all behavioral health services required by the Commonwealth of Pennsylvania. Its board is made up of City officials and City appointees. Any change in funding would present a financial burden to the City.

Philadelphia Authority for Industrial Development (PAID) – 2600 Centre Sq. West, Philadelphia, PA 19102
PAID was formed under the Industrial Development Authority Law to issue debt to finance eligible industrial and commercial development projects. PAID is the delegate agency responsible for administration of certain state grants and acts in the City's behalf on major development projects in the City. The City appoints a voting majority of PAID's board and is responsible for funding PAID's debt service.

Philadelphia Gas Works (PGW) – 800 W. Montgomery Ave., Philadelphia, PA 19122
PGW was established by the City to provide gas service to residential and commercial customers within the City of Philadelphia. The City appoints a voting majority of PGW's board and has the ability to modify or approve their budget.

C. AUDIT RESPONSIBILITY

The financial statements of the above component units, except for the **SDP**, as well as the financial statements of the Municipal Pension Fund, the Gas Works Retirement Reserve Fund and the Fairmount Park Commission Departmental and Permanent Funds have been audited by auditors other than the Office of the Controller of the City of Philadelphia. The table below indicates the percentage of certain financial information that was subject to audit by those other auditors:

	Governmental Activities	Business-type Activities	Aggregate Discretely Presented Component Units	Major Funds	Aggregate Remaining Fund Information
Total Assets	7%	0%	62%	0%	93%
Total Revenues	7%	0%	50%	0%	85%

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's *government wide* financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the non fiduciary activities of the primary government and its component units. *Governmental activities* which are normally supported by taxes and intergovernmental revenues are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Interfund activity and balances have been eliminated from the statements to avoid duplication.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include: (1) charges to customers or applicants who purchase, use or directly benefit from services or privileges provided by a given program and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate *fund* financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the *government wide* financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the *fund* financial statements.

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

The *government wide* financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (except agency funds which only report assets and liabilities and cannot be said to have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Derived tax revenues such as wage, business privilege, and net profits and earnings taxes are recognized when the underlying exchange transaction has taken place. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported 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 under 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.

As a general rule, the effect of interfund activity has been eliminated from the *government wide* financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other programs of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various programs concerned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenue* include: (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. Accordingly general revenues include all taxes.

The City reports the following 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 of Pennsylvania. These resources are restricted to providing managed behavioral health care to Philadelphia residents.
- 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.

Additionally, the City 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 hold that the principal remain intact and only the earnings are allowed to be used for the program.

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 accumulates resources to provide pension benefit payments to qualified employees of the Philadelphia Gas Works.
- The Escrow Fund accounts for funds held in escrow for various purposes.
- The Employees Health & Welfare Fund accounts for funds deducted from employees' salaries for payment to various organizations.
- The Departmental Custodial Accounts account for funds held in custody by various City Departments.

The City reports 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.

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 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 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 non-operating revenues and expenses.

B. COMPONENT UNITS

The **SDP** prepares their financial statements in a manner similar to the City and utilizes the full range of governmental and proprietary fund types.

The financial statements of the Community College of Philadelphia have been prepared in accordance with GASBS #35 - Basic Financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities. The remaining component units prepare their financial statements in a manner similar to that of proprietary funds.

4. DEPOSITS AND INVESTMENTS

The City utilizes a pooled Cash and Investments Account to provide efficient management of the cash of most City funds. In addition, separate cash accounts are maintained by various funds due to either legal requirements or operational needs. For Proprietary and Permanent Funds, all highly liquid investments (except for Repurchase Agreements) with a maturity of three months or less when purchased are considered to be cash equivalents.

The City reports investments at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments which do not have an established market are reported at estimated 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. The Pension Trust Fund is also authorized to invest in corporate bonds rated AA or better by Moody's Bond Ratings, common stocks and real estate.

From February to early June, deposits of the City significantly exceeded the amounts reported at year end. This was due to cyclical tax collections (billings for taxes are mailed in January and payable in March).

5. INVENTORIES

A. PRIMARY GOVERNMENT

Supplies of governmental funds are recorded as expenditures when purchased rather than capitalized as inventory. Accordingly, inventories for governmental funds are shown on the Statement of Net Assets but not on the Governmental Funds Balance Sheet. Inventories of proprietary funds are valued at moving average cost except for the following:

- **Industrial and Commercial Development Fund** inventory represents real estate held for resale and is valued at cost.

B. COMPONENT UNITS

All inventories are valued at moving average cost except for the following:

- **PGW** inventory consists primarily of fuel stock and gases which are stated at average cost.
- The **SDP** Food Services Fund inventories include food donated by the Federal Government which was valued at government cost or estimated value. All other food or supply inventories were valued at last unit cost and will be expensed when used.
- **RDA** inventory represents real estate held for resale and is recorded based on the estimated appraisal of values and cost basis of land inventories acquired.

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

Capital Assets, which include property, plant, equipment and infrastructure assets (e.g. bridges, curbs and gutters, streets and sidewalks and lighting systems), are reported in the applicable governmental or business type activities columns in the *government wide* financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years. Capital assets are recorded at cost. Costs recorded do not include interest incurred as a result of financing asset acquisition or construction. Assets acquired by gift or bequest are recorded at their fair market value at the date of gift. Upon sale or retirement, the cost of the assets and the related accumulated depreciation, if any, are removed from the accounts. Maintenance and repair costs are charged to operations.

The City transfers Construction In Process to one or more of the major asset classes: (1) when project expenditures are equal to or have exceeded 90% of the estimated cost on new facilities (except for the Aviation Fund which uses 80% as the determining percentage), (2) when the expenditures are for existing facilities or (3) when they relate to specific identifiable items completed during the year which were part of a larger project.

Cost of construction for proprietary fund capital assets includes all direct contract costs plus overhead costs. Overhead costs include direct and indirect engineering costs and interest incurred during the construction period for projects financed with bond proceeds. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest on invested proceeds over the same period.

Depreciation on the capital assets for all City funds is provided on the straight line method over their estimated useful lives: buildings - 20 to 50 years; equipment and storage facilities - 3 to 25 years; and transmission and distribution lines - 50 years.

Collections of art and historical treasures meet the definition of a capital asset and normally should be reported in the financial statements. However, the requirement for capitalization is waived for collections that meet certain criteria. The City has collections of art, historical treasures and statuary that are not capitalized as they meet all of the waiver requirements which are: (1) the collections are held solely for public exhibition, (2) the collections are protected, preserved and cared for and (3) should any items be sold, the proceeds are used only to acquire other items for the collections. Among the City's collections are historical artifacts at the Ryers Museum & Library, Loudoun Mansion, Fort Mifflin, Atwater Kent Museum and the Betsy Ross House. The city also has sculptures, paintings, murals and other works of art on display on public property and buildings throughout the City.

B. COMPONENT UNITS

Depreciation on the capital assets for component units is provided on the straight line method over their estimated useful lives: buildings - 15 to 50 years; equipment and storage facilities - 3 to 25 years; and transmission and distribution lines - 50 years.

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

In *governmental fund* financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

8. INSURANCE

The City, except for the Airport and certain other properties, is self-insured for most fire and casualty losses to its structures and equipment and provides statutory worker's compensation, unemployment benefits, and health and welfare to its employees through a self-insured plan.

9. RECEIVABLE AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the *governmental wide* financial statements as “internal balances”.

All trade and property receivables in the *governmental wide* financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 46.4% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes , levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. Current real estate rates are $8.264 on each $100 assessment; $4.790 for the SDP and $3.474 for the City. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED REVENUES

A. PRIMARY GOVERNMENT

Deferred revenues as reported in the *fund* financial statements represent receivables which will be collected and included in revenues of future fiscal years or funds received in advance of being earned. In the General Fund, deferred revenues relate to property tax levies and self-assessed taxes receivable which are not available to pay liabilities of the current period and grants receivable for which the eligibility criteria has been met, but the resources are not available. Also included are business privilege taxes which were received in advance of being earned. The deferred revenue in the Special Revenue and Capital Improvement Funds is primarily related to grants receivable and funds received in advance of being earned. In the Water and Aviation Funds, deferred revenues relate to overpayments from water/sewer customers and airlines, respectively.

B. COMPONENT UNITS

Deferred revenue of the SDP consists primarily of uncollected real estate taxes which were levied in the current and prior years but will not be available to pay liabilities of the current period. It is estimated that substantially all of the year-end balance will be received and recognized as revenue in the subsequent year.

Community College of Philadelphia student tuition and fees received prior to June 30 which are applicable to the Summer II and Fall terms have been deferred and will be included in revenue in the subsequent year.

11. COMPENSATED ABSENCES

It is the City's policy to allow employees to accumulate earned but unused vacation benefits. Vacation pay is accrued when earned in the *government wide* financial statements and in the proprietary and fiduciary *fund* financial statements. Sick leave balances are not accrued in the financial statements because sick leave rights are non-vesting.

12. CLAIMS AND JUDGMENTS

Pending claims and judgments are recorded as expenses in the *government wide* financial statements and in the proprietary and fiduciary fund financial statements when the City solicitor has deemed that a probable loss to the City has occurred. Claims and judgments are recorded as expenditures in the government fund financial statements when paid or when judgments have been rendered against the City.

13. COMPONENT UNIT ACCRUED LIABILITIES, NOTES PAYABLE AND FIXED LIABILITIES

Accrued liabilities, notes payable and fixed liabilities of the Philadelphia Housing Authority (PHA) are comprised primarily of accrued interest and notes or bonds payable which are the obligations of HUD. Such obligations were issued by HUD to finance the acquisition, construction or rehabilitation of housing units utilized by PHA in the Public Housing Program. HUD pays the annual debt service on these obligations through annual contribution contracts.

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). In accordance with the Philadelphia 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, eight Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, HealthChoices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax 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 council approval. Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are located in the City's *Supplemental Report of Revenues and Obligations*, a separately published report.

The City Capital Improvement Fund budget is adopted annually by the City Council. The Capital Improvement budget is appropriated by project for each department. All transfers between projects exceeding twenty percent of each project's original appropriation must be approved by City Council. Any funds that are not committed or expended at year end are lapsed. Comparisons of departmental project actual activity to budget are located in the City's *Supplemental Report of Revenues and Obligations*.

The budgetary comparison schedules presented differ from the modified accrual basis of accounting. These schedules differ from the GAAP basis statements 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.

During the year, classification adjustments and supplementary appropriations were necessary for City funds. Therefore, budgeted appropriation amounts presented are as originally passed and as amended by the City Council. As part of the amendment process, budget estimates of City related revenues are adjusted and submitted to City Council for review. Changes in revenue estimates do not need City Council approval, but are submitted in support of testimony with regard to the appropriation adjustments. Revenue estimates are presented as originally passed and as amended.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

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 by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year end, the carrying amount (book balance) of deposits for the City and the bank balances were $361.7 million and $361.4 million respectively. All of the collateralized securities were held in the City's name except for $143.2 million which were collateralized, but held in the pledging institutions name

Investments

The City has established a comprehensive investment policy that covers all funds other than the Municipal Pension Fund and the Philadelphia Gas Works Retirement Reserve. Both of those funds have separate investment policies designed to meet the long term goals of the fund. To minimize custodial credit 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, 2007 the City's Investments consisted of:

(amounts in thousands of USD)	Primary Government	
	Fair Value	% of Total
U.S. Government Securities	211,273	2.6%
U.S. Government Agency Securities	1,301,572	16.0%
Corporate Bonds	401,415	4.9%
Corporate Equity	4,528,550	55.5%
Commercial Paper	530,441	6.5%
Collateralized Mortgage Obligations	173,406	2.1%
Other Bonds and Investments	142,072	1.7%
Short-Term Investment Pools	422,015	5.2%
Real Estate	25,118	0.3%
Financial Agreements	354,680	4.3%
Certificates of Deposit	69,700	0.9%
	8,160,242	

The Philadelphia Code authorizes financial institutions for deposit of City funds. During FY 2007 the trust department of an authorized financial institution was sold to a financial institution that was not on the City's authorized depository list. At June 30, 2007 the trust department of the successor institution accounted for $1.3 billion in City investments. Legislation will be proposed to include the successor institution as an authorized depository.

Interest Rate Risk: The City's investment portfolio is managed to accomplish preservation of principal, maintenance of 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 2 years, except in Sinking Fund Reserve Portfolios

(amounts in thousands of USD)

	Fair Value		
Maturity :	Less than 1 year	1-3 years	More than 3 years
Short term Investment Pools	230,503	-	-
U.S. Government Securities	64,088	65,019	1,142
U. S. Government Agency Securities	790,305	283,131	3,504
Corporate Bonds	125,235	12,614	422
Municipal Bonds	13,950	-	-
Commercial Paper	530,441	-	-
Financial Agreements	40,000	-	-
Repurchase Agreements	-	-	10,659
Certificates of Deposit	69,700	-	-
	1,864,222	360,764	15,727

Credit Risk: The City's credit risk is limited by investing in US Government securities (5.8%) or US Government Agency obligations (48.1%). The US Government Agency obligations must be rated AAA by Standard & Poor's Corp or Aaa by Moody's Investor Services. All US Government Securities meet the criteria. The City's investment in Commercial paper (23.7%) must be rated A1 by Standard & Poor's Corp. (S&P) and/or M1G1 by Moody's Investor's Services, Inc (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, 93% had a Standard & Poor's 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 Standard & Poor's Corp and Aaa by Moody's Investor Services. 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.

Municipal Pension Fund

Credit Risk: Currently, the Municipal Pension Fund owns approximately 61% of all investments and is invested primarily in equity securities (67.1%). The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the Municipal Pension fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 76% had Standard & Poor ratings of AAA to A and 77% had Moody's rating of Aaa to A1.

The investments are held by the managers in the Pension Fund's name. The investments are diversified with only the investment in the Russell 1000 Growth Pooled Fund exceeding 5% of the total investment (5.26%). The fair value of the investment in the Russell 1000 Growth Pooled Fund was $259,763 million at fiscal year end. The fund's exposure to foreign currency risk derives from its position in foreign currency-denominated equity securities and fixed income investments. The foreign currency investment in equity securities is 21% of the total investment in equities.

Municipal Pension Fund
Equity Securities subject to Foreign Currency Risk

Currency	Fair Value (USD)	
Euro Currency	281,044,889	40.28%
Pound Sterling	144,899,513	20.77%
Japanese Yen	118,454,631	16.98%
Australian Dollar	46,152,410	6.62%
All others	107,124,676	15.35%
	697,676,119	

Fixed Income Securities and Other Investments subject to Foreign Currency Risk

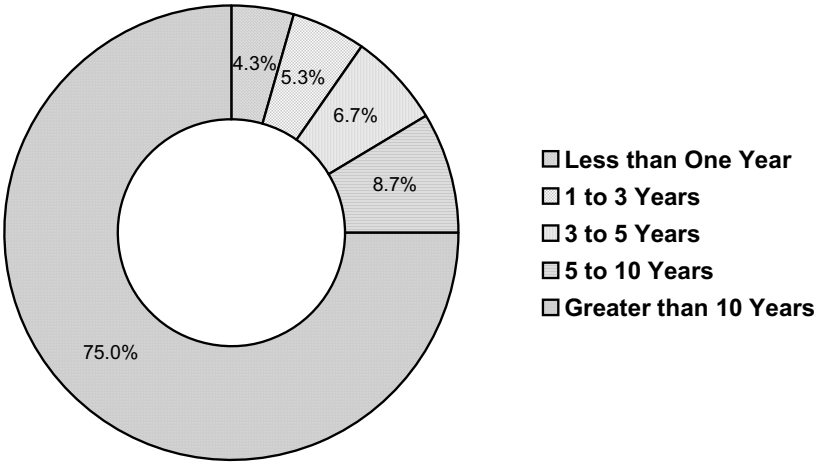
	Currency	Fair Value (USD)	Maturities
Currency	Euro	4,279,286	
Currency	Australian Dollar	1,485,402	
Currency	All others	5,005,083	
Government Issues	Euro	1,993,331	Jan 2015 - Jan 2017
Government Issues	Canadian Dollar	218,394	Dec 2031
Limitied Partnership Units	Euro	52,298,181	
Real Estate Investment Trusts	Pounds Sterling	685,498	
Real Estate Investment Trusts	All others	358,444	

Statutes permit the Municipal Pension Fund to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Pension Fund has contracted with a third party securities lending agent to lend the Pension fund's securities portfolio. The agent lends securities of the type on loan at June 30 for collateral in the form of cash or other securities at 102% of the leaned securities market value plus accrued interest. The collateral for the loans is maintained at greater than 100%. Securities on loan as of June 30 are unclassified with regards to custodial credit risk.

At June 30, the Pension Fund has no credit risk exposure to borrowers because the amounts the Pension Fund owes the borrowers exceed the amounts the borrowers owe to the Pension Fund. The agent provides indemnification if the borrowers fail to return the underlying securities (and if the collateral is inadequate to replace the securities lent) or fail to pay income distributions on them. All open securities loans can be terminated on demand by either the Pension Fund or the borrower. All term securities loans can be terminated with five days notice by either the Pension fund or the borrower. Cash collateral is invested in accordance with the investment guidelines of the Pension Fund. The Pension fund cannot pledge or sell collateral securities received unless the borrower defaults.

This chart details the exposure to interest rate changes based on maturity dates of the fixed income securities:

Municipal Pension Fund Exposure to Credit Risk



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the PGWRR owns approximately 5.8% of all investments and is primarily invested in equity securities (65%). The long term goals of the fund are to manage the assets to produce investment results which meet the Fund's actuarially assumed rate of return and protect the assets from any erosion of inflation adjusted value. The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the PGWRR is charged with reviewing the portfolios for compliance with those objectives and guidelines. To protect against credit risk, the fund requires that all domestic bonds must be rated investment grade by at least two ratings agencies (Standard & Poor's, Moody's or Fitch). The portfolio manager's Average Credit Quality range from AAA to AA.

The PGWRR's fixed income investments are as follows:

(amounts in thousands of USD)

Investment type	less than 1 yr	1-3 yrs	3-5 yrs	5-10 yrs	more than 10 yrs
Short-Term Investment Pools	4,652	-	-	-	-
U.S. Government Agency Securities	-	761	267	330	101
U.S. Government Securities	-	8,285	5,529	3,790	2,952
MTG Pass Thrus	940	73	1,539	1,510	12,239
Collateralized Mortgage Obligations	-	3,967	2,720	3,935	24,432
Asset Backed Securities	114	4,385	4,674	362	2,548
Corporate bonds	2,659	7,522	6,306	5,296	4,907
	8,365	24,993	21,035	15,223	47,179

Blended Component Units

A. PICA

The Authority may deposit funds in any bank that is insured by federal deposit insurance. To the extent that the deposits exceed federal insurance, the banks must deposit (with their trust department or other custodian) obligations of the US Government, the Commonwealth of Pa or any political subdivision of the Commonwealth. Investments must be made in accordance with a trust indenture that restricts investments to obligations of the City of Philadelphia, government obligations, repurchase agreements collateralized by direct obligations of or obligations the payments of principal and interest on which are unconditionally guaranteed as to full and timely payment by the United States of America, money market mutual fund shares issued by a fund having assets not less than $100,000,000 or guaranteed investment contracts (GIC) with a bank insurance company or other financial institution that is rated in one of the three highest rating categories by the rating agencies and which GICs are either insured by municipal bond insurance or fully collateralized at all times.

At June 30, the carrying amount of PICA's deposits with financial institutions (including certificates of deposit and shares in US government money market funds) was $97.5 million. The bank balance of $97.5 million was insured or collateralized as follows:

(amounts in thousands of USD)	
Insured	100
Uninsured and uncollateralized	97,384
	97,484

PICA's deposits include bank certificates of deposit with a remaining maturity of one year or less and shares in US government money market funds. PICA has $63.3 million of other investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in PICA's name.

B. PHILADELPHIA MUNICIPAL AUTHORITY

The authority does not have a formally adopted investment policy, however the terms of their bond indentures limit the investments in which the trustee can deposit funds. These limited investments include US government obligations, repurchase agreements for government obligations, certificates of deposits and other time deposit arrangements with financial institutions. Investments at June 30 are summarized as follows:

(amounts in thousands of USD)	Fair Value	Cost
U S Government Securities	389	389
Money Market Funds	30	30
Certificates of Deposit	103	103
	522	522

All investments were uninsured and unregistered, for which the securities are held by the financial institutions' trust department in the Authority's name at June 30.

The authority does not have a formally adopted investment policy related to credit risk, but generally follows the practices of the City. As of June 30, the Authority's investment in money market funds and government securities was rated AAA by S&P. Depository accounts consisted of $423 thousand on deposit with a local bank. Amounts are insured by the FDIC up to $100 thousand. Amounts are also insured by collateral pledges at the Federal Reserve Bank.

2. SECURITIES LENDING

The Board of Directors of the Municipal Pension Fund (Pension Fund) and the Sinking Fund Commission (on behalf of the Philadelphia Gas Works Retirement Reserve Fund (PGWRR)) have each authorized management of the respective funds to participate in securities lending transactions. Each fund has entered into a Securities Lending Agreement with its custodian bank to lend its securities to broker-dealers.

- **The Pension Fund** lends US Government and US Government Agency securities, domestic and international equity securities and international fixed income securities and receives cash and securities issued or guaranteed by the federal government as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be at least 102% (in some cases 105%) of the underlying value of loaned securities. The Pension fund has no restriction on the amount of securities that can be lent. The Pension Fund's custodian bank indemnifies the Fund by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return securities or pay distributions thereon. The maturity of investments made with cash collateral generally did not match the maturity of securities loaned during the year or at year-end. The Pension Fund experienced no losses from securities transactions during the year and had no credit risk exposure at June 30.

- The **PGWRR** lends US Treasury, federal agency, and DTC-eligible corporate debt and equity securities and receives cash, US Treasury and federal agency securities and letters of credit as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be 102% of the total of the market value of loaned securities plus any accrued interest. The **PGWRR** placed no restrictions on the amount of securities that could be lent. The **PGWRR's** custodian bank does not indemnify the **PGWRR** in the event of a borrower default except in cases involving gross negligence or willful misconduct on the custodian's part. Maturity of investments made with cash collateral is generally matched with maturity of loans. The **PGWRR** experienced no losses and had no credit risk exposure at June 30.

3. AMOUNTS HELD BY FISCAL AGENT

Two of the City's component units (**PAID** and **RDA**) have issued debt that, in accordance with GASB Interpretation #2, is considered conduit debt. Therefore, no asset related to the bond proceeds or liability related to the bonds is shown on their respective financial statements. However, since the City, through various agreements is responsible for the debt, the proceeds of the issuance are shown as assets of the City.

A. GOVERNMENTAL FUNDS

General Fund - Consists of cash and investment balances related to the net proceeds of PAID's Sports Stadium Financing Lease Revenue Bonds Series A & B of 2001, PAID's Central Library Project Financing Lease Revenue Bonds Series 2005 and PAID's Cultural and Commercial Corridor Lease Revenue Bonds Series 2006.

Grants Revenue Fund - Consists of cash and investment balances related to the net proceeds of the **RDA's** City of Philadelphia Neighborhood Transformation Initiative Bonds.

B. PROPRIETARY FUNDS

Aviation Fund - cash and investment balances related to the net proceeds of PAID's Airport Revenue Bonds, Series 1998A and 2001A. The proceeds are held by a fiscal agent and disbursed at the City's direction to pay for airport related capital improvements.

4. INTERFUND RECEIVABLES AND PAYABLES

A. PRIMARY GOVERNMENT

Interfund receivable and payable balances among Primary Government funds at year end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All balances are expected to be settled during the subsequent year. Interfund receivable and payable balances within the Primary Government at year end are as follows:

(Amounts in Thousands of USD)	*Interfund Receivables Due to:*				
		Non major Governmental			
	General	Special Revenue	Debt Service	Other Funds	Total
Interfund Payables Due From:					
General	-	-	-	790	790
Non major Special Revenue Funds	18,037	-	4,450	10	22,497
Non major Debt Service Funds	59	167	-	-	226
Total	18,096	167	4,450	800	23,513

B. COMPONENT UNITS

Interfund receivables and payables between the Primary Government and its Component Units at year end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. During fiscal 2001, the City approved loaning up to $45.0 million to the Philadelphia Gas Works to meet an unanticipated emergency created by a cash flow crisis. All interfund balances are expected to be settled during the subsequent year except the $45.0 million due from PGW. Interfund receivable and payable balances among the Primary Government and Component Units at year end are as follows:

(Amounts in Thousands of USD)	*Receivables Due to:*						
	General	Airport	PCCA	CBH	RDA	Timing Difference	Total
Payables Due From:							
General	-	-	-	-	2,316	-	2,316
Behavioral Health	-	-	-	35,267	-	-	35,267
Grants Revenue	-	-	-	-	2,376	-	2,376
Non-major Funds	-	-	3,199	-	2,895	-	6,094
PGW	45,000	-	-	-	-	-	45,000
PPA	7,757	33,185	-	-	-	(4,216)	36,726
PCCA	21,077	-	-	-	-	-	21,077
PAID	6,374	-	-	-	-	-	6,374
Timing Difference	(6,374)	(33,185)	-	22,404	6,632	-	(10,523)
Total	73,834	-	3,199	57,671	14,219	(4,216)	144,707

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity for the year ended June 30 was as follows:

(Amounts In Millions of USD)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	741	2	-	743
Fine Arts	1	-	-	1
Construction In Process	4	-	(3)	1
Total capital assets not being depreciated	746	2	(3)	745
Capital assets being depreciated:				
Buildings	1,678	43	(2)	1,719
Other Improvements	262	15	(1)	276
Equipment	430	27	(14)	443
Infrastructure	1,145	23	-	1,168
Transit	292	-	-	292
Total capital assets being depreciated	3,807	108	(17)	3,898
Less accumulated depreciation for:				
Buildings	(889)	(56)	-	(945)
Other Improvements	(170)	(8)	-	(178)
Equipment	(331)	(23)	7	(347)
Infrastructure	(752)	(48)	-	(800)
Transit	(173)	(8)	-	(181)
Total accumulated depreciation	(2,315)	(143)	7	(2,451)
Total capital assets being depreciated, net	1,492	(35)	(10)	1,447
Governmental activities capital assets, net	2,238	(33)	(13)	2,192

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	88	6	-	94
Construction In Process	179	161	(177)	164
Total capital assets not being depreciated	267	167	(177)	258
Capital assets being depreciated:				
Buildings	2,731	100	(3)	2,828
Other Improvements	202	1	-	203
Equipment	103	8	(9)	102
Infrastructure	2,229	69	(3)	2,295
Total capital assets being depreciated	5,265	178	(15)	5,428
Less accumulated depreciation for:				
Buildings	(1,178)	(86)	2	(1,262)
Other Improvements	(101)	(4)	-	(105)
Equipment	(71)	(8)	5	(74)
Infrastructure	(1,090)	(61)	3	(1,148)
Total accumulated depreciation	(2,440)	(159)	10	(2,589)
Total capital assets being depreciated, net	2,825	19	(5)	2,839
Business-type activities capital assets, net	3,092	187	(182)	3,097

The beginning balance of Land and Buildings in Governmental Funds were increased to include the capital assets of the Fairmount Park commission. In the Business-Type Funds, the Aviation Fund reclassified beginning balances in Buildings, Other Improvements, Equipment and Infrastructure but did not change total capital assets.

Depreciation expense was charged to the programs of the primary government as follows:

(Amounts in Thousands of USD)

Governmental Activities:	
Economic Development	3,626
Transportation:	
Streets & Highways	32,072
Mass Transit	26,969
Judiciary and Law Enforcement:	
Police	7,924
Prisons	6,167
Courts	662
Conservation of Health:	
Health Services	2,334
Housing and Neighborhood Development	2
Cultural and Recreational:	
Recreation	10,207
Parks	9,045
Libraries and Museums	5,555
Improvements to General Welfare:	
Social Services	2,210
Inspections and Demolitions	141
Service to Property:	
Fire	4,500
General Management & Support	30,915
Total Governmental Activities	142,329
Business Type Activities:	
Water and Sewer	82,554
Aviation	76,680
Total Business Type Activities	159,234

B. DISCRETELY PRESENTED COMPONENT UNITS

The following schedule reflects the combined activity in capital assets for the discretely presented component units for the year ended June 30:

(Amounts In Millions of USD)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	113	-	-	113
Construction In Process	253	230	(74)	409
Total capital assets not being depreciated	366	230	(74)	522
Capital assets being depreciated:				
Buildings	987	62	-	1,048
Other Improvements	776	50	-	827
Equipment	240	29	(20)	249
Infrastructure	1	-	-	1
Total capital assets being depreciated	2,004	141	(20)	2,125
Less accumulated depreciation for:				
Buildings	(476)	(18)	-	(494)
Other Improvements	(424)	(40)	-	(464)
Equipment	(154)	(23)	18	(159)
Infrastructure	(1)	-	-	(1)
Total accumulated depreciation	(1,056)	(81)	18	(1,118)
Total capital assets being depreciated, net	948	60	(2)	1,006
Capital assets, net	1,315	290	(76)	1,530
Business-type activities:				
Capital assets not being depreciated:				
Land	59	5	(6)	58
Fine Arts	3	2	-	5
Construction In Process	186	116	(121)	181
Total capital assets not being depreciated	248	123	(127)	244
Capital assets being depreciated:				
Buildings	2,364	18	(7)	2,375
Other Improvements	34	4	-	38
Equipment	378	16	(11)	383
Infrastructure	1,173	46	(4)	1,215
Total capital assets being depreciated	3,948	84	(22)	4,010
Less accumulated depreciation for:				
Buildings	(960)	(78)	2	(1,036)
Other Improvements	(24)	(12)	-	(36)
Equipment	(98)	(14)	23	(89)
Infrastructure	(513)	(25)	3	(535)
Total accumulated depreciation	(1,595)	(129)	28	(1,696)
Total capital assets being depreciated, net	2,353	(45)	6	2,314
Capital assets, net	2,601	78	(121)	2,558

6. NOTES PAYABLE

PGW, pursuant to the provisions of certain ordinances and Resolutions, may sell short-term notes in a principal amount which, together with the interest thereon, will not exceed $150 million outstanding at any one time. These notes are intended to provide additional working capital. They are supported by an irrevocable letter of credit and a subordinated security interest in the Fund's revenues. The notes outstanding at year end (August 31, 2006) had an average weighted interest rate of approximately 3.57% and terms to maturity of 1 day. The principal amount outstanding was $55 million.

RDA has issued a series of Mortgage Notes Payable with an outstanding balance at year end of $23.1 million related to various projects of the Authority. These notes have interest rates ranging from 0% to 7.3%. Aggregate minimum principal payments on these notes are as follows:

Fiscal Year	Amount
2008	$ 6,370,305
2009	-
2010	-
2011	-
2012	-
2013-2017	-
2018-2022	13,736,956
2023-2027	83,000
2028-2032	1,000,000
2033-2037	1,950,000
Total	$ 23,140,261

In September, 2006, under a loan agreement with the Authority, **CCP** borrowed $3.0 million. The loan has an interest rate of 4.5% and will be repaid over a ten year period. The proceeds of the loan went towards deferred maintenance cost for various projects.

In prior years, **CCP** has entered into various loan agreements with the State Public School Building Authority and the Hospitals & Higher Education Facilities Authority for loans totaling approximately $84.4 million. The loans have interest rates ranging from 1.25% to 6.15%, mature through 2023 and will be used for various capital projects and the upgrading of network infrastructures.

The combined principal balance outstanding at year end is as follows:

Period	Amount
2007 to 2008	$ 5,055,527
2008 to 2009	5,030,000
2009 to 2010	3,730,000
2010 to 2011	3,885,000
2011 to 2012	4,040,000
2013 to 2017	15,165,000
2018 to 2022	9,810,000
2023 to 2027	2,055,000
Total	$ 48,770,527

PPA, in prior years, borrowed a total of $17.7 million in the form of bank notes ranging in maturity from 12-15 years and in interest rates from 4.06 to 6.5%. The proceeds of these notes were used to finance various capital projects, the acquisition of capital assets, building improvements and the development of a records department.

The total outstanding principal balance of these notes at March 31, 2007 was $11,181,158 subject to the following repayment schedule:

Fiscal Year		Amount
2008	$	1,390,891
2009		1,501,589
2010		1,912,235
2011		1,885,841
2012		1,236,209
2013-2017		2,633,614
2018-2022		620,779
Total	$	11,181,158

7. DEBT PAYABLE

A. PRIMARY GOVERNMENT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania for bonded indebtedness (General Obligation Bonds) payable principally from property taxes. As of June 30, 2007 the statutory limit for the City is $1.4 billion, the General Obligation Debt net of deductions authorized by law is $1.3 billion, leaving a legal debt borrowing capacity of $81.3 million. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims are typically paid by the General Fund.

The following schedule reflects the changes in long-term liabilities for the fiscal year:

(Amounts In Millions of USD)

Governmental Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Term Bonds	1,220.2	28.9	(51.8)	1,197.3	58.2
Refunding Bonds	140.6	-	(4.1)	136.5	7.7
Serial Bonds	497.4	188.7	(35.5)	650.6	23.3
Less Deferred Amounts					
Unamortized Bond Premium	26.6	13.7	(2.4)	37.9	-
Unamortized Issuance Expenses	(8.3)	(4.9)	0.5	(12.7)	-
Unamortized Discount and Loss	(11.1)	-	0.9	(10.2)	-
Total Bonds Payable	1,865.4	226.4	(92.4)	1,999.4	89.2
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,439.2	45.7	(40.0)	1,444.9	47.0
Neighborhood Transformation	277.4	-	(5.8)	271.6	6.0
One Parkway	50.9	-	(1.3)	49.6	1.4
Sports Stadia	339.6	-	(5.6)	334.0	5.9
Library	10.8	-	(0.4)	10.4	0.4
Cultural Corridor Bonds	-	135.5	-	135.5	3.0
Indemnity Claims	46.2	16.8	(27.4)	35.6	10.7
Worker's Compensation Claims	212.4	59.6	(46.3)	225.7	28.3
Termination Compensation Payable	171.2	33.3	(21.2)	183.3	21.2
Governmental Activity Long-term Liabilities	4,413.1	517.3	(240.4)	4,690.0	213.1

In addition, both blended component units have debt that is classified on their respective balance sheets as General Obligation debt payable. The following schedule summarizes the General Obligation Bonds outstanding for the City, the PMA and PICA:

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Governmental Funds:			
City	4.05 % to 6.00 %	1,166.4	Fiscal 2008 to 2033
PMA	2.00 % to 7.50 %	195.4	Fiscal 2008 to 2019
PICA	4.75 % to 5.50 %	622.5	Fiscal 2008 to 2023
		1,984.3	

In July, 2006, the City issued $217.5 million in General Obligation Bonds, of which $188.7 million were serial bonds with interest rates ranging from 4.5% to 5.1%, maturing in 2029. The remaining $28.9 million were term bonds with a 5% interest rate and mature in 2031. The proceeds of the sale were used to finance and reimburse the City for various capital projects.

The City has General Obligation Bonds authorized and unissued at year end of $178.7 million for Governmental Funds.

The debt service through maturity for the Governmental General Obligation Debt is as follows:

(Amounts In Millions of USD)

	City Fund		Blended Component Units			
Fiscal	General Fund		PMA		PICA	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2008	31.0	55.9	9.5	14.9	48.7	31.9
2009	35.1	54.4	14.2	14.8	42.5	29.4
2010	36.8	52.6	15.0	13.9	37.9	27.3
2011	39.0	50.4	15.6	13.3	36.2	25.3
2012	40.3	49.1	16.2	12.6	38.1	23.4
2013-2017	228.8	210.2	89.5	39.7	221.9	85.1
2018-2022	253.1	151.2	35.4	1.5	177.7	29.8
2023-2027	265.9	89.5	-	-	19.5	0.9
2028-2032	221.4	29.6	-	-	-	-
2033-2037	15.0	0.4	-	-	-	-
Totals	1,166.4	743.3	195.4	110.7	622.5	253.1

The debt service through maturity for Lease and Service Agreements is as follows:

(Amounts In Millions of USD)

	Lease & Service Agreements											
	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium		Central Library		Cultural Corridors	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	47.1	44.5	6.0	13.9	1.5	2.7	5.9	17.6	0.4	0.4	2.9	6.4
2009	54.8	41.8	6.3	13.6	1.5	2.6	6.2	17.3	0.4	0.4	3.1	6.2
2010	71.1	38.7	6.6	13.3	1.6	2.5	7.1	16.9	0.4	0.4	3.3	6.1
2011	80.2	34.5	6.9	13.0	1.7	2.4	8.0	16.5	0.5	0.4	3.3	5.9
2012	66.6	53.1	7.2	12.7	1.8	2.3	8.4	16.1	0.5	0.3	3.4	5.8
2013-2017	304.4	346.8	42.2	57.4	10.4	10.1	52.0	72.4	2.7	1.5	19.9	26.3
2018-2022	228.4	445.2	54.8	44.9	13.5	7.0	68.1	56.1	3.2	0.9	25.5	20.7
2023-2027	253.4	421.4	70.9	28.9	17.6	2.9	88.7	35.4	2.3	0.2	32.7	13.5
2028-2032	338.9	29.3	70.7	9.1	-	-	89.6	9.7	-	-	41.4	4.8
Totals	1,444.9	1,455.3	271.6	206.8	49.6	32.5	334.0	258.0	10.4	4.5	135.5	95.7

(2) Business Type Debt Payable

The following schedule reflects changes in long term liabilities for Business Type Activities for the fiscal year:

Business Type Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	7.0	-	(1.2)	5.8	1.2
Revenue Bonds	3,027.0	345.0	(454.1)	2,917.9	123.1
Less Deferred Amounts					
Unamortized Discounts and Loss	(110.8)	-	8.2	(102.6)	-
Total Bonds Payable	2,923.2	345.0	(447.1)	2,821.1	124.3
Indemnity Claims	1.2	2.8	(2.4)	1.6	-
Worker's Compensation Claims	10.9	6.0	(3.9)	13.0	-
Termination Compensation Payable	14.7	2.7	(2.1)	15.3	-
Arbitrage	0.2	0.5	-	0.7	-
Business-type Activity Long-term Liabilities	2,950.2	357.0	(455.5)	2,851.7	124.3

In addition, the Enterprise Funds have debt that is classified on their respective balance sheets as General Obligation debt payable which is summarized in the following schedule:

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Enterprise Funds			
Water Fund	1.0 %	5.8	Fiscal 2008 to 2012
		5.8	

Also, the City has General Obligation Bonds authorized and unissued at year end of $303.6 million for Enterprise Funds.

The debt service through maturity for Business-type General Obligation Debt is as follows:

(Amounts In Millions of USD)

Fiscal Year	Water Fund Principal	Water Fund Interest
2008	1.2	0.1
2009	1.2	-
2010	1.2	-
2011	1.2	-
2012	1.0	
Totals	5.8	0.1

Several of the City's Enterprise Funds have issued debt payable from the revenues of the particular entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Water Fund	2.73 % to 7.00 %	1,756.5	Fiscal 2008 to 2036
Aviation Fund	4.20 % to 6.00 %	1,161.4	Fiscal 2008 to 2035
Total Revenue Debt Payable		2,917.9	

The debt service through maturity for the Revenue Debt Payable is as follows:

(Amounts In Millions of USD)

Fiscal Year	Water Fund Principal	Water Fund Interest	Aviation Fund Principal	Aviation Fund Interest
2008	91.3	82.3	31.7	61.2
2009	90.4	81.4	36.2	59.2
2010	94.0	77.8	38.4	56.9
2011	99.6	71.7	44.1	54.5
2012	106.9	64.1	46.8	51.8
2013-2017	551.9	235.7	267.6	214.1
2018-2022	232.8	143.3	270.5	138.4
2023-2027	204.7	90.9	280.0	71.2
2028-2032	226.8	43.2	123.4	15.6
2033-2037	58.1	6.0	22.7	2.2
Totals	1,756.5	896.4	1,161.4	725.1

(3) Defeased Debt

As of the current fiscal year end, the City had defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At year end, bonds outstanding pertaining to the following funds are considered defeased.

	(Amounts In Millions of USD)
Enterprise Funds:	
Water Fund Revenue Bonds	364.4

In May, 2007, the City issued $191.4 million of Water & Wastewater Revenue refunding Series 2007A and $153.6 million Water & Wastewater Revenue refunding Series 2007B bonds. The proceeds of the bonds were used to current refund a portion of the 1997A Series Water & Wastewater Revenue and to advance refund a portion of the Series 2001A Water & Wastewater Revenue Bonds. The refunding structure of the bonds generated approximately $14.5 million in net present value savings or 4.22% of the principal amount of the refunded bonds. The early extinguishing of debt resulted in an accounting loss of approximately $17.1 million, representing the difference between the reacquisition price of $353.7 million and the amount of debt extinguished of $341.5 million (less $4.9 million unamortized discount). The resulting loss attributed to the Series 1997A and Series 2001A bonds, $17.1 million, will be amortized monthly over the life of the refunded bonds through November, 2031.

(4) Short -Term Borrowings

The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid $310.0 million in Tax Revenue Anticipation Notes by June 2007 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

	(Amounts In Millions of USD)
Tax Revenue Anticipation Notes:	
Balance July 1, 2006	-
Additions	310.0
Deletions	(310.0)
Balance June 30, 2007	-

(5) Arbitrage Liability

The City has several series of General Obligation and Revenue Bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. At June 30, 2007 the Aviation Fund recorded a liability of $0.7 million. There was no liability for the Water Fund.

(6) Interest Rate Swaption

a. Philadelphia Airport Swaption

Objective of swaption: In April 2002, the Airport entered into a swaption that provided the Airport with an up-front payment of $6.5 million. As a synthetic refunding of its 1995 Bonds, this payment represents the present value savings as of April, 2002, of refunding on June 15, 2005, without issuing refunding bonds as of April, 2002. The swaption gave JP Morgan Chase Bank the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts.

Terms: JP Morgan exercised its option to enter into a swap on June 15, 2005 - the Airport's 1995 bonds' first call date. The swap also commenced on the exercise date of June 15, 2005. 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 $189.5 million) 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 payment would be based on the SIFMA Municipal Swap Index(formerly the BMA Municipal Swap Index). Staring on June 15, 2007 and thereafter, to the extent that the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan Chase has the option to terminate the swap.

As of June 30, 2007, the swap had a notional amount of $182.7 million and the associated variable-rate bond had a $182.7 million principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. The bonds and the related swap agreement mature on June 15, 2025 As of June 30, 2007, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JPMorgan	Fixed	6.369%
Variable payment from JPMorgan	SIFMA	(3.730%)
Net interest rate swap payments		2.639%
Variable Rate bond coupon payments	Market driven	3.830%
Synthetic interest rate on bonds		6.469%

Fair Value: As of June 30, 2007, the swap had a negative fair value of $14.0 million. Its fair value was estimated using the BDT option pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risk: As of June 30, 2007, 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 rate bond coupon payments, the synthetic interest rate on the bonds will increase. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if JP Morgan or its Credit Support Provider, or the Airport has one or more outstanding issues of rated unsecured, unenhanced senior debt and none of such issues has a rating of at least (i) Baa3 or higher as determined by Moody's Investors Service, Inc., (ii) BBB- or higher as determined by Standard & Poor's Ratings Service, A Division of the McGraw-Hill Companies, Inc. or (iii) an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties.

Swap payments and associated debt: As of June 30, 2007, 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
2008	$ 4,100,000	$ 6,990,867	$ 4,547,389	$ 11,538,256
2009	4,700,000	6,832,880	4,116,524	10,949,403
2010	5,300,000	6,651,912	3,702,456	10,354,368
2011	6,000,000	6,447,805	3,217,746	9,665,551
2012	6,700,000	6,216,888	2,760,011	8,976,899
2013 - 2017	45,200,000	26,626,798	6,861,796	33,488,594
2018 - 2022	64,600,000	16,427,189	(1,649,202)	14,777,987
2023 - 2027	46,100,000	3,492,162	(1,515,867)	1,976,295
	$ 182,700,000	$ 79,686,501	$ 22,040,852	$ 101,727,353

As rates vary, variable rate bond interest payments and net swap payments will vary. The swap increases the Airport's exposure to variable interest rates starting June 15, 2007 and thereafter to the extent that if the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan has the option to terminate the swap.

b. City of Philadelphia 2003 Water & Sewer Swap(1993 Bonds)

Objective of swaption: In December 2002, the City entered into a swaption that provided the City with an up-front payment of $25.0 million. As a synthetic refunding of its 1993 Bonds, this payment represents the present value savings, as of December 2002 of a refunding on March 18 2003, without issuing refunding bonds as of December 2002. The swaption gave Citigroup (formerly Salomon Brothers Holding Company, Inc). the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts.

Terms: Citigroup exercised its option to enter into a swap on March 18, 2003 - the City's 1993 water and sewer bonds' first call date. The swap also commenced on the exercise date of March 18, 2003. Under the swap, the City pays a fixed payment of 4.52% and receives a variable payment computed as the actual bond rate through March 1, 2005 and thereafter computed as the actual bond rate or alternatively, 68.5% of USD-LIBOR-BBA with a Designated Maturity of one month ("one month LIBOR"), in the event the average rate on the Bonds as a percentage of the average of the one month LIBOR has exceeded 68.5% for a period of more than 180 days. The rates are based on an amortizing notional schedule (with an initial notional amount of $381.2 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance will approximate the debt service of the "refunded bonds."

As of June 30, 2007, the swap had a notional amount of $372.2 million and the associated variable-rate bond has a $372.2 million principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. The bonds and the related swap agreement mature June 15, 2023. As of June 30, 2007, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed payment to Citigroup	Fixed	4.52%
Variable payment from Citigroup	Actual Bond Rate	(3.73%)
Net interest rate swap payments		0.79%
Variable Rate bond coupon payments	Market driven	3.73%
Synthetic interest rate on bonds		4.52%

Fair Value: As of June 30, 2007, the swap had a negative fair value of $18.0 million. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risk: As of June 30, 2007, the City is 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 City would be exposed to credit risk in the amount of the swap's fair value. Should the variable-rate received on the swap change from the actual bond rate to the alternative floating rate of 68.5% of one month LIBOR, the City would be exposed to (i) basis risk, as reflected by the relationship between the variable rate bond coupon payments and 68.5% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rates causes the rate paid on the outstanding bonds to be greater than the 68.5% of LIBOR received on the swap. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if Citigroup's or its Credit Support Provider, or the City has one or more outstanding issues of rated unsecured, un-enhanced senior debt and none of such issues has a rating of at least (i) Baa3 or higher as determined by Moody's Investors Service, Inc., or (ii) BBB- or higher as determined by Standard & Poor's Ratings Service, A Division of the McGraw-Hill Companies, Inc. or (iii) an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties.

Swap payments and associated debt: As of June 30, 2007, 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	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2008	$ 1,095,000	$ 13,883,969	$ 2,940,573	$ 16,824,542
2009	1,145,000	13,843,048	2,931,906	16,774,954
2010	1,205,000	13,800,246	2,922,840	16,723,087
2011	1,260,000	13,755,214	2,913,303	16,668,517
2012	41,195,000	13,646,151	2,890,203	16,536,354
2013 - 2017	245,585,000	41,760,046	8,844,621	50,604,668
2018 - 2022	65,620,000	10,316,465	2,184,989	12,501,454
2023 - 2027	15,165,000	542,086	114,812	656,897
	$ 372,270,000	$ 121,547,225	$ 25,743,246	$ 147,290,471

As rates vary, variable rate bond interest payments and net swap payments will vary.

c. City of Philadelphia, 2005 Water & Sewer Swap (1995 Bonds)

Objective of swaption: In December, 2002, the City entered into a swaption that provided the City with an up-front payment of $4.0 million. As a synthetic refunding of its 1995 Bonds, this payment represents the present value savings, as of December 2002, of a refunding on May 4, 2005, without issuing refunding bonds as of December, 2002. The swaption gives Citigroup (formerly of Salomon Brothers Holding Company, Inc), the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts.

Terms: Citigroup exercised its option to enter into a swap May 4, 2005 - the City's 1995 water and sewer bonds' first call date. The swap also commenced on the exercise date of May 4, 2005. Under the terms of the swap, the City pays a fixed rate of 4.53% and receives a variable payment computed as the actual bond rate or alternatively, 68.5% of USD-LIBOR-BRA with a Designated Maturity of one month ("one month LIBOR"), in the event the average rate on the Bonds as a percentage of the average of one month LIBOR has exceeded 68.5% for a period of more than 180 days. The rates are based on an amortizing notional schedule (with an initial notional amount of $86.1 million), and when added to an assumption for remarketing, liquidity costs and cost of issuance will approximate the debt service of the "refunded bonds."

As of June 30, 2007, the swap had a notional amount of $84.4 million and the associated variable-rate bond has an $84.4 million principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. The bonds and the related swap agreement mature on August 1, 2018. As of June 30, 2007, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed payment to Citigroup	Fixed	4.53%
Variable payment from Citigroup	Actual Bond Rate	(3.73%)
Net interest rate swap payments		0.80%
Variable Rate bond coupon payments	Market driven	3.73%
Synthetic interest rate on bonds		4.53%

Fair value: As of June 30, 2007, the swap had a negative fair value of $ 4.3 million. Its fair value was estimated using the BDT option pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risk: As of June 30, 2007, the City is 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 City would be exposed to credit risk in the amount of the swap's fair value. Should the variable rate received on the swap change from the actual bond rate to the alternative floating rate of 68.5% of one month LIBOR, the City would be exposed to (i) basis risk, as reflected by the relationship between the variable-rate bond coupon payments and 68.5% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rates causes the rate paid on the outstanding bonds to be greater than the 68.5% of LIBOR received on the swap. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if Citigroup's or its Credit Support Provider, or the City has one or more outstanding issues of rated unsecured, un-enhanced senior debt and none of such issues has a rating of at least (i) Baa3 or higher as determined by Moody's Investors Service, Inc., or (ii) BBB- or higher as determined by Standard & Poor's Ratings Service, A Division of the McGraw-Hill Companies, Inc. or (iii) an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties.

Swap payments and associated debt: As of June 30, 2007, 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. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2008	$ 350,000	$ 3,135,593	$ 672,513	$ 3,808,107
2009	370,000	3,121,855	669,567	3,791,421
2010	390,000	3,107,370	666,460	3,773,830
2011	405,000	3,092,310	663,230	3,755,540
2012	425,000	3,076,520	659,843	3,736,363
2013 - 2017	82,280,000	9,747,858	2,090,693	11,838,551
2018 - 2022	165,000	513	110	623
	84,385,000	25,282,018	5,422,417	30,704,434

d. City of Philadelphia, 2006 Philadelphia Gas Works ("PGW") Synthetic Refunding Swap

Objective of the swap: In January, 2006, the City entered into a swap to synthetically refund outstanding bonds which provided the City with present value savings of $14.7 million or 5.144% of the refunded bonds. The swap structure was used as a means to increase the City's savings, when compared against fixed-rate bonds at the time of issuance. The intention of the swap was to effectively change the City's interest rate on the bonds to a fixed rate.

Terms: The swap, executed with JP Morgan Chase Bank, commenced on January 26, 2006, and will mature on August 1, 2031. Under the swap, the City pays a fixed rate of 3.6745% and receives a variable rate computed as the BMA index until September 1, 2011, on which date the variable interest rate received will switch to 70% of the one month LIBOR-until maturity. The swap has a notional amount of $313.4 million and associated variable rate bond has a $313.4 million principal amount. As of August 31, 2006, rates were as follows:

Interest Rate Swap		
Fixed payment to JPMorgan	Fixed	3.6745%
Variable payment from JPMorgan	BMA	(-3.410%)
Net interest rate swap payments		(0.265%)
Variable Rate bond coupon payments	auction rates	3.3900%
Synthetic interest rate on bonds		3.6545%

Fair Value: As of August 31, 2006, the swap had a fair value of $3.2 million. Since the coupons on the City's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value on the swaps was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks: The swaps' fair value represents the City's credit exposure to JP Morgan Chase Bank as of August 31, 2006. Should JP Morgan Chase Bank fail to perform according to the terms of the swap, the City faces a maximum possible loss equivalent to the swaps' $3.2 million fair value. As of August 31, 2006, JP Morgan Chase Bank was rated AA by Standard and Poors and Aa2 by Moody's Investors Service. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an additional termination event." That is, the swap may be terminated if the long-term debt rating of JP Morgan Chase Bank falls below "A-" by Standard & Poors Rating Group or "A3" by Moody's Investors Service unless JP Morgan Chase Bank has: (i) assigned or transferred the swap to a party acceptable to the City, (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City, or (iii) executed a credit support annex to the Schedule with the City, in form and substance acceptable to the City providing for the collateralization by JP Morgan Chase Bank of its obligations under the swap. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swaps' fair value.

The scheduled payments by the City are secured by an insurance policy provided from Financial Security Assurance Inc. (FSA). From and after the occurrence of an insurer event (as defined in the Schedule), the swap may be terminated if (i) the associated bonds are rated below "BBB" by Standard & Poors Ratings Group or below "Baa2" by Moody's Investors Service, or (ii) the bonds are not rated by either Standard and Poors Ratings Group or Moody's Investors Service, and the City has not provided a credit support provider acceptable to JP Morgan Chase Bank whose obligations are pursuant to a credit support document reasonably acceptable to JP Morgan Chase Bank.

After September 1, 2011, the City is will be exposed to tax risk as reflected by the relationship between the rate paid on the outstanding bonds and the 70% of one month LIBOR, the rate received on the swap. Tax risk is a form of basis risk where the City is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rates causes the rate paid on the outstanding bonds to be greater than the 70% of the LIBOR received on the swap

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2008	$ -	$ 11,783,464	$ (173,931)	$ 11,609,533
2009	1,775,000	11,722,286	(173,028)	11,549,257
2010	1,845,000	11,653,133	(172,008)	11,481,125
2011	1,915,000	11,581,348	(170,948)	11,410,400
2012	1,990,000	11,506,759	(169,847)	11,336,912
2013 - 2017	40,320,000	54,032,140	(797,549)	53,234,591
2018 - 2023	74,010,000	42,293,514	(624,279)	41,669,235
2024 - 2027	107,205,000	24,725,901	(364,970)	24,360,931
2028 - 2032	84,330,000	4,425,238	(65,319)	4,359,919
				-
Totals	$ 313,390,000	$ 183,723,783	$ (2,711,880)	$ 181,011,903

e. PICA Series 1993A, 1996 & 1999 Swaption

Objective of the swaptions: During the fiscal year ended June 30, 2002, PICA (the Authority) entered into three swaption agreements with JP Morgan Chase as the counterparty that provided the Authority up-front premium payments totaling $26.2 million ($10.7 million for the 1993A issuance, $5.8 million for the 1996 issuance and $9.7 million for the 1999 issuance). These swaption agreements were entered into in order to affect a synthetic refunding of the Authority's 1993A, 1996, and 1999 bond issuance at some point in the future (generally, the first call date for each bond issuance). The premium payments, which were recorded as deferred revenue in fiscal year 2002, represent the risk-adjusted, present value savings of a refunding at the specified call date without issuing refunding bonds at the time the swaption agreements were executed. The swaptions give the counterparty the option to require the Authority enter into pay-fixed, receive-variable interest rate swaps. If the options are exercised, the Authority would then expect to issue variable-rate refunding bonds.

Terms: The premium payments were based on a notional amount representing the outstanding bonds for each issuance, and at the time any of the related swap agreements are to take effect the notional amounts will represent the outstanding bonds at that time. The counterparty has the option to exercise the agreements at the first call date of each related bond issuance and the related swap will commence on that same date. The fixed swap rates (ranging from approximately 5.0% to 5.5%) were set at rates that, when added to an assumption for remarketing and liquidity costs, would approximate the coupons of the "refunded" bonds. The swap's variable payment would be a predetermined percentage (ranging from 62% to 67%) of the London Interbank Offered Rate (LIBOR). Both the Authority and the counterparty have the ability terminate the swaptions, with monetary consequences, before the interest rate swaps were set to begin.

Fair value: As of June 30, 2007, the 1999 swaption had a negative fair value of approximately $21.5 million. The fair value was determined by the counterparty using its proprietary methodology.

Market access risk: If the options are exercised and the refunding bonds are not issued, the 1999 bonds would not be refunded and the Authority would make net swap payments as required by the terms of the contracts. If options are exercised and the variable rate refunding bonds are issued, the actual savings ultimately recognized by the transactions will be affected by the relationship between the interest rate terms of the to-be-issued variable rate refunding bonds versus the variable payment on the swap.

f. PICA Series 2003 and 2006 Swap Agreement and Basis Cap Agreement

In June, 2003, and June 2006, the counterparty exercised its option under the 1993A and 1996 swaption agreements respectively, concurrently with **PICA's** (the Authority) Series 2003 and 2006 Refunding Bond issuances. The $10.7 million premium received (1993A) was recognized as swaption premium revenue in the General Fund during the fiscal year ended June 30, 2003. The $5.8 million (1996) premium was recognized as swaption premium revenue in the General Fund during the fiscal year ended June 30, 2006. At June 30, 2007, the swaption premiums continue to be reflected as deferred revenue in the government-wide financial statements, net of amortization over the life of the related Swap Agreement.

*Terms and objec*tives: The series 2003 and 2006 bonds and the related swap agreements mature June, 2022 and June 15, 2020 respectively. The swap's initial notional amounts of $163.1 million and $90.0 million match the related 1993A and 1996 bonds that were currently refunded on June 16, 2003 and June 6, 2006 and the notional amount declines each year to match the original maturity schedules of the 1993A and 1996 refunded bonds. The swaps were entered into at the same time the refunding bonds were issued, during June 2003 and 2006. Under the swap agreements, the Authority pays the counterparty a fixed payment of approximately 5.0% and receives a variable payment computed as 67.0% of the one-month LIBOR. Conversely, the variable rate bonds are based on the Bond Market Association Municipal Swap Index ("BMA").

In June 2003 and 2004, the Authority also entered into basis cap transactions with the counterparty. Beginning July 15, 2003, and July 15, 2009, the counterparty pays the Authority a fixed rate each month of .40% and .46% per year respectively and the Authority will pay to the counterparty a variable rate based on the greater of (a) the average of the BMA for the month divided by the one-month LIBOR, less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the interest rate swap noted above. The objective of each basis cap is to minimize the basis risk as discussed below.

Fair value: At June 30, 2007, the swap basis cap agreements had fair values as follows:

Instrument		Fair Value
2003 Swap Agreement	$	(11,655,000)
2003 Basis Cap		2,219,000
2006 Swap Agreement		(9,180,000)
1999 Basis Cap		4,206,000

The swap and basis cap negative fair values may be countered by a reduction in total interest payments required by the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase.

Credit risk: As of June 30, 2007, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's fair value. The counterparty was rated "Aaa" by Standard and Poor's and "AA" by Moody's Investors Service as of June, 2007. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A-" or "A3", respectively, the fair value of the swap will be fully collateralized by the counterparty within 15 days of it having ceased to have such minimum ratings. The collateral would be posted with a third party custodian.

Basis risk: As noted above, the swap exposes the Authority to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs, the results in the rates' moving to converge, the expected cost savings may not be realized. At June, 2007, the 67% of LIBOR rate was approximately 3.56% and the BMA rate was approximately 3.73%.

Termination risk: The derivative contract for the swap and the basis cap uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes an "additional termination events" section. Under each of the transactions the Authority has the right at its option to terminate the related interest rate swap or basis cap and any such termination will result in a termination payment calculated under the Master Agreement either owing by the Authority to the counterparty or owing by the counterparty to the Authority. Additionally, the swap may be terminated by the Authority if the counterparty's credit quality falls below "A-" as issued by Standard & Poor's or "A3" by Moody's Investors Service and collateral is not posted within 15 days of it having ceased to have such minimum ratings. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued $1.291 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of PAID. The City entered into a Service Agreement with PAID agreeing to make yearly payments equal to the debt service on the bonds. PAID assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, PAID treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of $1.4 billion is reflected in the City's financial statements in Other Long Term Obligations.

The net proceeds of the bond sale of $1.25 Billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments.

(8) Neighborhood Transformation Initiative Service Agreement

In Fiscal 2002, **RDA** issued $142.6 million in City of Philadelphia Neighborhood Transformation Initiative (NTI) Bonds. These bonds were issued to finance a portion of the initiative undertaken by the Authority and the City to revitalize, renew and redevelop blighted areas of the City. The bonds are obligations of **RDA**. The City entered into a service agreement with **RDA**, agreeing to make yearly payments equal to the debt service on the bonds. **RDA** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2; **RDA** treats this as conduit debt and therefore does not include these transactions on its financial statements.

In Fiscal 2004, RDA issued a $30.0 million City of Philadelphia NTI Taxable Revenue Bond. The RDA and the City plan to borrow a taxable bank line of credit (the 2003 Bond) to fund certain costs of the NTI related to the acquisition of property. The line of credit is being issued in anticipation of future long term financing. This will allow the City and RDA to better manage the carrying costs of unspent loan proceeds and to possibly issue a portion of the take out financing as tax exempt bonds after obtaining certain state approvals. In fiscal year 2004, $10.9 million was borrowed from the line of credit.

In March, 2005, RDA issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of $25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of $ 44.0 million, with interest rates ranging from 4.75 through 5% and mature through 2027. Revenue Bonds Series 2005C with an interest rate of 5% were issued for $81.3 million and mature through 2031. The fiscal year 2007 NTI Service Agreement liability of $271.6 million is reflected in the City's financial statements as another Long Term Obligation.

(9) Sports Stadium Financing Agreement

In FY 2002, **PAID** issued $346.8 million in Lease Revenue Bonds Series A and B of 2001 to be used to help finance the construction of two new sports stadiums. The bonds are special limited obligations of **PAID**. The City entered into a series of lease agreements as lessee to the Authority. The lease agreements are known as (1) the Veterans Stadium Sublease, (2) the Phillies' Prime Lease and (3) the Eagles Prime Lease. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2007, the Sports Stadium Financing Agreement liability of $334.0 million is reflected in the City's financial statements as Other Long Term Liabilities.

(10) Cultural and Commercial Corridors Program Financing Agreement

In December, 2006, **PAID** issued $135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds will be used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. During fiscal year 2007, none of the proceeds were spent. In fiscal 2007 the liability of $135.5 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) Forward Purchase Agreements

In June, 2000 the Pennsylvania Intergovernmental Cooperation Authority (PICA), entered into a debt service reserve forward delivery agreement which began August 1, 2003, whereby PICA received a premium of $4,450,000 on December 1, 2002 for the debt service reserve fund in exchange for the future earnings from the debt service reserve fund investments. Under this agreement PICA is guaranteed a fixed interest rate on the debt service reserve investments of 4.79%. The premium amount will be deferred and recognized as revenue over the remaining life of this agreement or through June 15, 2010 beginning with the first scheduled delivery of the debt service reserve investments in August, 2003.

(12) Pension Obligation Bond Option Rights

In July, 2002, the City through **PAID** sold the option rights relating to $225 million Pension Funding Income Bonds, Series 1999C. The bonds were structured with provisions which permit the optional redemption or mandatory tender for purchase prior to maturity at any time on or after January 15, 2004, at a purchase price of par plus accrued interest. By selling the rights, the City can no longer cause the mandatory tender for purchase or to optionally redeem the bonds. If the Purchaser exercises the option rights, then upon payment of the exercise price of the option, the Purchaser becomes the new owner of the bonds and is entitled to receive the original fixed rate payments on the Series C bonds. The City realized $8.1 million from the sale of the option rights.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

One discretely presented component unit, the **SDP**, has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total $2,638.4 million in principal, with interest rates from 3.0% to 6.25 % and have due dates from 2008 to 2036.

The following schedule reflects the changes in long-term liabilities for the **SDP**:

(Amounts in Millions of USD)

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	2,386.8	1,009.2	(757.6)	2,638.4	70.8
Add: Bond Premium	32.0	18.0	(22.6)	27.4	1.3
Less: Bond Discounts	(9.9)	(0.9)	9.2	(1.6)	(0.1)
Total Bonds Payable	2,408.9	1,026.3	(771.0)	2,664.2	72.0
Loans Payable - Federal Asbestos	-	-	-	-	-
Termination Compensation Payable	285.9	32.1	(27.9)	290.1	28.2
Severance Payable	176.7	48.7	(10.8)	214.6	10.1
Other Liabilities	99.0	84.5	(40.0)	143.5	34.2
Capital Lease	2.4	-	(0.8)	1.6	0.8
Due to Other Governments			-		
Deferred Reimbursement	45.3	-	-	45.3	45.3
Deferred Revenue	1.7	-	(1.7)	-	-
Deferred Basis Swap	-	-	-	-	-
Early Retirement Incentive	5.6	0.1	(1.8)	3.9	1.8
Total	3,025.5	1,191.7	(854.0)	3,363.2	192.4

Debt service to maturity on the **SDP's** general obligation bonds at year end is summarized as follows:

(Amounts In Millions of USD)

Fiscal Year	Principal	Interest
2008	65.6	74.3
2009	69.3	70.8
2010	69.8	67.4
2011	71.7	64.4
2012	74.7	60.4
2013-2017	385.3	255.2
2018-2022	398.6	171.0
2023-2027	319.4	91.1
2028-2032	203.4	32.0
2033-2037	74.5	7.0
Totals	1,732.3	893.6

In December, 2006, SDP issued fixed rate School Lease Revenue Bonds through the State Public School Building Authority in the amount of $862.7 million. The Series 2006A Bonds were issued in the amount of $317.1 million, have interest rates ranging from 4% to 5%, mature in 2036 and will be used to fund various Capital Improvement Programs. The Series 2006B Bonds were issued for $545.6 million, have interest rates ranging from 3.5% to 5%, mature through 2033, and were issued to advance refund certain Series 2003 School Lease Revenue Bonds.

(2) Business Type Debt Payable

Several of the City's Proprietary Type Component Units have issued debt payable from the revenues of the particular entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
PCCA	5.75 % to 6.875 %	221.3	Fisca 2008 to 2020
PPA	3.5 % to 5.75 %	270.5	Fisca 2008 to 2029
PGW	3.0 % to 5.25 %	1,054.9	Fisca 2007 to 2032
RDA	4.50 % to 7.15 %	22.4	Fisca 2008 to 2029
Total Revenue Debt Payable		1,569.1	

The debt service through maturity for the Revenue Debt Payable of Component Units is as follows:

(Amounts in Millons of USD)

Fiscal	Pennsylvania Convention Center Authority		Philadelphia Parking Authority ‡		Philadelphia Gas Works †		Philadelphia Redevelopment Authority	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	6.0	11.1	59.9	13.5	38.0	47.3	-	1.1
2009	13.5	10.7	8.8	11.0	41.8	45.3	-	1.1
2010	14.2	10.0	9.3	10.6	41.6	43.2	-	1.1
2011	14.9	9.3	9.8	10.1	43.2	41.1	-	1.1
2012	15.6	8.5	10.3	9.6	43.7	38.9	-	1.1
2013-2017	91.2	29.7	50.0	39.7	203.9	168.2	2.3	5.3
2018-2022	65.9	5.3	45.0	26.0	209.5	119.4	2.4	4.2
2023-2027	-	-	45.4	15.0	216.6	71.3	5.7	3.6
2028-2032	-	-	32.0	2.7	155.2	29.6	12.0	0.8
2033-2037	-	-	-	-	61.4	5.4	-	-
2038-2042	-	-		-	-	-	-	-
Totals	221.3	84.6	270.5	138.2	1,054.9	609.7	22.4	19.2

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2006
‡ - Parking Authority amounts are presented as of its fiscal year March 31, 2007.

(3) Defeased Debt

At year end, defeased bonds are outstanding from the following Component Units of the City as shown below:

(Amounts In Millions of USD)

Pennsylvania Convention Center Authority	204.1
Philadelphia Gas Works †	341.8
Community College of Philadelphia	29.3
School District of Philadelphia	1,288.6
Total	1,863.8

† - Gas Works amounts are presented as of August 31, 2006

- In February, 2007, under a loan agreement with Hospitals & Higher Education Facilities Authority, CCP borrowed $30.5 million. The proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide future debt service payments on the 1998 and 2001 loan agreements. As a result, that portion of the 1998 and 2001 loans is considered defeased, and the related liability ($6.7 and $24.0 million respectively) has been removed from the statement of net assets. At June 30, 2007, the outstanding principal of the defeased debt is $29.3 million. The 2007 loan is payable over 16-1/2 years with interest rates ranging from 4.0% to 5.0% and an average annual payment of $2.7 million.

  The transaction resulted in a loss on the advance refunding of approximately $1.6 million. This amount is deferred as unamortized issuance cost and amortized as a component of interest expense over the life of the defeased 1998 and 2001 loans.

  The advanced refunding reduced the total loan payments over the next 16-1/2 years by approximately $819,071. This resulted in an economic gain (difference between the present values of the payments on the old and new debt) of $816,498.

- In January, 2006, PGW issue $313.4 million of Sixth Series Bonds, maturing at various dates through 2031, for the purpose of redeeming and refunding, on a current basis, all of the First Series B and a portion of the outstanding Second Series A, Third Series and Fourth Series City of Philadelphia Gas Works Revenue Bonds previously issued under the 1998 Ordinance. The refunded par amounts of the First Series B, Second Series A, Third and Fourth Series Bonds were $103.6, $79.4, $99.9, and $2.3 million respectively. The $313.4 million of serial bonds have a variable rate set through weekly auction and are paid monthly. The bonds were issued on parity with the obligations of the City to make periodic payments due under a Qualified Swap being entered into between the City and JP Morgan Chase Bank, National Association (JP Morgan) in connection with the issuance of the bonds.

  The refunding of the existing debt resulted in an accounting loss of $28.3 million. The loss is being deferred and amortized as interest expense over the life of the new bonds. The refunding generated a present value savings of $14.7 million.

  The investments held by the trustee and the defeased bonds area not recognized on PGW's balance sheets in accordance with the terms of the Indentures of Defeasance. The investments pledged for the redemption of the defeased debt have maturities and interest payments scheduled to coincide with the trustee cash requirements for debt service.

  At August, 31, 2006, the assets pledged, primarily non-callable U.S. government securities, had a market value of $358.1 million and bearing interest on face value from 0% to 5.89%.

- **SDP** partially defeased in substance $19.3 million in QZAB bonds, series 2004E. The bonds were issued in September, 2004, and have a maturity date of September, 2018. SDP irrevocably places $1.3 million in trust with its fiscal agent each September 1st. These amounts are invested in a forward purchase agreement to be used solely for satisfying scheduled payments of the defeased debt, and the possibility that SDP will be required to make future payments on that debt is remote.

- During FY2007, **SDP** elected to take advantage of favorable changes in interest rates and issued to refunding issues. In December, 2006, **SDP** refunded $545.6 million of Series 2006B School Lease Revenue Bonds. The bond proceeds of $6.6 million were used for insurance, underwriting fees and other issuance cost. In April, 2007, SDP issued General Obligation Refunding Bonds Series 2007A in the amount of $146.5 million to refund various maturities of the outstanding Series 1999A and Series 2004D Bonds. The bond proceeds for the 2007A Bonds of $2.3 million were used for various insurance, underwriting fees, and other issuance costs.

  Securities for both issues were deposited in separate irrevocable trusts with an escrow agent to provide for all future debt service payments for the refunded bonds. The net proceeds of both issues were used by the escrow agent to purchase U.S. government securities in the amount of $726.5 million. As of June 30, 2007, $1,286.0 million of bonds outstanding are considered to be defeased and the liability has been removed from long-term liabilities.

  The cash flow required to service the new debt is $49.7 million less than the cash flow required to service the old debt. In addition, there was an economic gain (difference between the present value of the debt service payments on the old and new debt) of $26.9 million to **SDP**.

- In November, 2005, **PCCA** issued Refunding Revenue Bonds, Series 2005A, sub series (1) and (2) in the amounts of $143.5 million and $86.1 million respectively. Sub series (1) has interest rates ranging from 4.38% to 5.13% and mature through 2015. Sub series (2) are term bond, mature through 2019 with and interest rate of 5.27%. The proceeds were used to refund the Series 1994A bonds and fund various issuance and debt service cost for the 2005A series.

  The proceeds of the 1994 refunding bonds were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 bonds. An accounting loss of $10.1 million was incurred as a result of the 2005 refunding.

(4) Swaptions

a. Philadelphia Gas Works (PGW) Knock-in Swaption

Objective: In December, 1999, the Gas Works entered into a swaption to take on contingent variable rate exposure. The Gas Works' asset/liability strategy was to have a mixture of fixed and variable rate debt. Instead of creating floating rate exposure today the Gas Works took contingent variable rate exposure and received an upfront payment of $8.6 million.

Terms: JP Morgan Chase had the option if the 180 day average of BMA exceeds 7.00% to execute a swap whereby the Gas Works pays a variable rate and receives a fixed rate. If the swap is exercised before January 1, 2014, the notional of the swap would be $103.6. Starting in 2014 the swap would amortize from $103.6 until the final maturity of July 1, 2028. Under the swap, the Gas Works would pay a variable rate equal to the BMA index plus 50 bps and receive a fixed rate from JP Morgan of 5.01%.

In September, 2004, PGW terminated its Interest Swap Agreement making a termination payment in the amount of $ 8.0 million on October 4, 2004. This transaction resulted in a net loss of $890,000.

b. Philadelphia Authority for Industrial Development Basis Swap

Objective: **PAID** entered into a basis swap that became effective on July 1, 2004, and provided **PAID** with ten equal payments of $1.2 million with the first payment due on July 1, 2004. **PAID** executed the basis swap to create a benefit similar to entering in a synthetic refunding, with a percent of LIBOR without having to issue bonds or utilize its one advance refunding. This allows **PAID** to do a traditional advance refunding in the future if rates decline to appropriate levels.

In July, 2006, a portion of the existing basis swap was restructures such that the variable rate received by **PAID** was converted from a percentage of the USD-LIBOR-BBA with a Designated Maturity of one month

("one month LIBOR") to a percentage of the USD-ISDA-Swap Rate with a Designated Maturity of five years ("five year LIBOR"), on a forward starting basis. This provides for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio.

Terms: The original swap was executed with Merrill Lynch Capital Service Inc. ("MLCS") with rates based on an amortization schedule and an initial notional amount of $298.5 million. The swap commenced on July 1, 2004 and matures on October 1, 2030. Under the swap, **PAID** pays a variable rate equal to the SIFMA Municipal Swap Index and receives a variable rate computed as 67% of the one-month LIBOR + 20 basis points. **PAID,** also receives ten equal payments of $1.2 million from MLCS starting on July 1, 2004.

The transaction was amended in part on $105.0 million of the original notional total with rates based on an amortization schedule. Under the amended portion of the swap, the variable payments received by PAID are computed as 62.89% of five year LIBOR + 20 basis points (replacing 67% of one month LIBOR + 20 basis points). The amended effective date is October 1, 2006, with variable payments made (as described above) through October 1, 2020.

As of June 30, 2007, the notional amount on the portion of the swap that was not amended was $193.5 million and rates were as follows:

	Terms	Rates
Interest Rate Swap		
Variable payment to MLCS	SIFMA	3.73%
Variable payment from MLCS	67% of LIBOR + 0.20%	(3.76%)
Net interest rate swap payments		-0.03%

As of June 30, 2007, the notional amount on the portion of the swap that was amended was $105.0 and rates were as follows.

	Terms	Rates
Interest Rate Swap		
Variable payment to MLCS	SIFMA	3.73%
Variable payment from MLCS	62.89% of LIBOR + 0.20%	(3.68%)
Net interest rate swap payments		0.05%

Fair Value: As of June 30, 2007, the swap (including both the amended swap and the portion of the original swap that was not amended) had a fair value of $3.5 million. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current year curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks: The swaps' fair value represents **PAID's** credit exposure to MLCS as of June 30, 2007. Should MLCS fail to perform according to the terms of the swap, PAID faces a maximum possible loss equivalent to the swaps' $3.5 million fair value. As of June 30, 2007, MLCS was rated AA- by Standard & Poors and Aaa3 by Moody's Investors Service. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if MLCS or **PAID** has one or more outstanding issues of rated unsecured, un-enhanced senior debt and none of such issues has a rating of at

least (i) Baa3 or higher as determined by Moody's Investors Service, Inc., or (ii) BBB- or higher as determined by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

The swap does not expose **PAID** to traditional basis risk since there are no corresponding variable-rate bonds. However, the swap does expose PAID to a form of basis risk known as tax risk should the relationship between one month LIBOR and the SIFMA index converge on the portion of the swap that was not amended. The risk is reduced by the 20 bps add-on or cushion should SIFMA not match its historical average of 67%. It is further reduced in the first ten years by the $1.2 million ten equal payments due **PAID** from MLCS. Additionally, PAID is exposed to basis risk on the amended portion of the swap should the relationship between five year LIBOR and SIFMA change.

c. The School District of Philadelphia

Interest Rate Swaps: Simultaneously with the issuance of its General Obligation Refunding Bonds, Series 2004B and General Obligation Refunding Bonds Series 2004C, SDP executed certain qualifies interest rate management agreements (the "TE Advance Refunding Agreements") with three counterparties (each having at least one rating of "AA" or higher from Standard & Poor's rating services, a division of the McGraw-Hill Companies or "Aa" or higher from Moody's Investors Service in connection with the issuance of the 2004B bonds to achieve debt service savings through the advance refunding of certain existing general obligation bonds of SDP.

In addition to the TE Advance Refunding Agreements, SDP on the date of the issuance of the 2004B bonds and the 2004C bonds entered into another qualified interest rate management agreement with a counterparty (having t least one rating of "AA" or higher from Standard & Poor's or "Aa" or higher from Moody's) specifically in connection with the issuance of the 2004C bonds which were issued in order to accelerate the receipt of the savings derived from the TE Advance Refunding Agreements.

To all intents and purposes above, **SDP** entered into ten (10) floating-to-fixed swaps. Each swap is related to variable rate auction bonds with a 7-day reset auction-rate or a 35-day reset auction-rate. The effect of the swaps was to create synthetic fixed-rate debt for each series of variable rate auction bonds. 58.5% of one-month USD-LIBOR-BBA ("LIBOR") + 27 basis points swaps were used to hedge the 7 -day auction-rate and 60.4% of LIBOR + 32 basis points swaps were used to hedge the 35-day securities.

By Resolution of the School Reform Commission adopted in November, 2006, SDP was authorized to enter into one or more basis swaps related to a portion of the outstanding lease rental debt associated with the 2003 bonds and any lease rental debt incurred by SDP in connection with the partial funding of the 2003 bonds.

In November, 2006, **SDP** entered into two basis swaps related to a portion of the lease rental debt associated with the 2003 bonds and all or a portion of the lease rental debt to be incurred by **SDP** in connection with the partial refunding of the 2003 bonds for the purpose of managing interest costs of the **SDP** that provide for periodic payments at a floating rate equal to the SIFMA Municipal Swap Index ("SIFMA") by SDP in exchange for an upfront cash payment of $10 million and periodic scheduled payments at a floating rate equal to 67% of LIBOR (a tax-exempt proxy) plus 27.88 basis points by counterparties on the notional amount of $500.0 million (the "2006 Basis Swaps").

Terms, fair values and credit risk: The terms, including the fair values and credit ratings of the bank counterparties on the outstanding swaps as of June 30, 2007 are as follows:

Related Bonds	PAYS	RECEIVES	MATURITY DATE	INITIAL NOTIONAL	BANK COUNTERPARTY	Credit Rating (Moody's/S&P/Fitch)	TOTAL VALUES
Series 2003	SIFMA Swap Index	67% of USD LIBOR 0.2786%	5/15/2003	$ 150,000,000	Wachovia Bank	Aa1/AA/AA-	$ (1,939,715)
Series 2003	SIFMA Swap Index	67% of USD LIBOR 0.2786%	5/15/2003	350,000,000	Bear Sterns Financial Products Inc.	Aaa/AAA/N/A	(4,526,001)
Series B-1	3.767%	58.5% of USD LIBOR 0.27%	09/01/2030	60,000,000	Wachovia Bank	Aa1/AA/AA-	(1,324,559)
Series B-2	3.767%	58.5% of USD LIBOR 0.27%	09/01/2030	54,200,000	Wachovia Bank	Aa1/AA/AA-	(1,199,247)
Series B-3	3.767%	58.5% of USD LIBOR 0.27%	09/01/2030	64,900,000	Wachovia Bank	Aa1/AA/AA-	(1,442,432)
Series B-4	3.770%	58.5% of USD LIBOR 0.27%	09/01/2030	95,000,000	Morgan Stanley Capital Services, Inc.	Aa3/A+/AA-	(2,161,174)
Series B-5	3.761%	58.5% of USD LIBOR 0.27%	09/01/2021	78,475,000	Goldman Sachs Capital Markets, LLP	Aa3/AA-/AA-	(1,706,090)
Series B-6	3.683%	60.4% of USD LIBOR 0.32%	09/01/2021	59,025,000	Goldman Sachs Capital Markets, LLP	Aa3/AA-/AA-	(395,903)
Series B-7	3.690%	60.4% of USD LIBOR 0.32%	09/01/2021	91,000,000	Morgan Stanley Capital Services, Inc.	Aa3/A+/AA-	(610,783)
Series B-8	3.689%	60.4% of USD LIBOR 0.32%	09/01/2021	80,000,000	Goldman Sachs Capital Markets, LLP	Aa3/AA-/AA-	(601,284)
Series B-9	3.689%	60.4% of USD LIBOR 0.32%	09/01/2021	70,000,000	Goldman Sachs Capital Markets, LLP	Aa3/AA-/AA-	(601,284)
Series C	3.240%	58.5% of USD LIBOR 0.27%	09/01/2011	38,475,000	Merrell Lynch Capital Services	Aa3/AA-/AA-	(223,850)
							$ (16,732,322)

Fair Value: The swaps had a total negative fair value of ($16.7) million as of June 30, 2007. As of the prior reporting period of June 30, 2006, the swaps had a negative fair value of ($9.2 million). The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment swaps.

Credit Risk: In compliance with the applicable requirements of the Local Government Unit Debt Act (53 Pa. Cons. Stat. 8281) (the "Debt Act"), amended in September, 2003, **SDP** adopted a written interest rate management plan pursuant to a resolution o the School District Reform Commission, authorized in February, 2004, to monitor the credit rating of each counterparty and credit enhancer, if any, insuring qualified interest rate management agreement payments. The **SDP** entered into the fixed-to-floating swaps with counterparties having at least one rating of "AA" or higher from Standard & Poor's or "Aa" or higher from Moody's at the time of execution. As of June 30, 2007, **SDP** was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, **SDP** would be exposed to credit risk in the amount of the derivatives' fair value. The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Basis Risk: The basis risk on the fixed-to-floating swaps is the risk that the interest rate paid by **SDP** on a series of related variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty on the related swap. The **SDP** bears basis risk on each of its fixed-to-floating swaps since **SDP** receives a percentage of LIBOR to offset the actual variable bond rate **SDP** pays on its bonds. **SDP** is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate **SDP** pays on the bonds. Depending on the magnitude and duration of any basis risk shortfalls, the expected cost savings from the swap may not be realized.

The basis risk on the basis swaps is the risk that benchmark tax-exempt interest rates paid by **SDP** on each basis swap differ from the variable swap rate received from the applicable counterparty on the related swap. The **SDP** bears basis risk on each of its basis swaps since the **SDP** receives a percentage of LIBOR and pays the tax-exempt benchmark SIFMA. The **SDP** is exposed to basis risk should the floating rate that it receives on a swap plus the spread is less than SIFMA **SDP** pays on the swaps. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the basis swap may not be realized.

Termination Risk: **SDP** can terminate a swap at any time at the fair market value; the counterparty to a swap may, as provided therein, only terminate the swap upon certain termination events under the terms thereof. If a fixed-to-floating swap is terminated, the related variable-rate bonds would no longer be hedged to a fixed rate; if a basis swap is terminated, the associated expected savings on the fixed-rate bonds would no longer be recognized. If at the time of termination the swap has a negative fair value, **SDP** would be liable to the counterparty for a payment equal to the swap's fair value SDP purchased swap insurance insuring periodic scheduled payments, but not termination payments, for the TE Advance Refunding Agreement, and the 2006 Basis Swaps.

In November, 2006, **SDP** took action to unwind the four outstanding 2005 Basis Swaps and entered into two 2006 Basis Swaps totaling $500.0 million in notional amounts related to outstanding general obligation bonds of the SDP for the purpose of managing interest expense.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

The City's operating leases consist of leases of airport facilities, recreation facilities, certain transit facilities and various other real estate and building sites. Rental income for all operating leases for the year was:

(Amounts In Thousands of USD)	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	17,690	24,382	3,186
Additional Rentals	9	127,427	-
Total Rental Income	17,699	151,809	3,186

Future minimum rentals receivable under non cancelable operating leases are as follows:

(Amounts In Thousands of USD) Fiscal Year Ending June 30	Primary Government Governmental Funds	Primary Government Proprietary Funds	Component Units
2008	3,364	17,463	3,470
2009	3,409	16,939	2,843
2010	3,531	15,615	2,644
2011	3,659	13,128	2,563
2012	3,791	12,123	4,039
2013-2017	21,123	28,591	4,859
2018-2022	25,276	21,242	3,402
2023-2027	30,287	12,943	2,176
2028-2032	36,336	9,596	1,262
2033-2037	-	-	934
2038-2042	-	-	872
2043-2047	-	-	793
2048-2052	-	-	793
2053-2057	-	-	793
2058-2062	-	-	793
2063-2067	-	-	793
2068-2072	-	-	793
2073-2077	-	-	793
2078-2082	-	-	793
2083-2087	-	-	720
2088-2092	-	-	256
Total	130,777	147,640	36,382

B. CITY AS LESSEE

1) OPERATING LEASES

The City's operating leases consist principally of leases for office space, data processing equipment, duplicating equipment and various other items of property and equipment to fulfill temporary needs. Rental expense for all operating leases for the year was as follows:

(Amounts In Thousands of USD)	Primary Government Governmental Funds	Primary Government Proprietary Funds	Component Units
Minimum Rentals	146,008	16,476	20,975
Additional	4,940	10,173	2,196
Sublease	421,661	-	-
Total Rental Expense	572,609	26,649	23,171

As of year end, future minimum rental commitments for operating leases having an initial or remaining non-cancelable lease term in excess of one year are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Primary Government: Governmental Funds	Primary Government: Proprietary Funds	Component Units
2008	29,542	1,039	19,669
2009	24,500	667	16,250
2010	24,317	88	10,533
2011	21,217	88	6,498
2012	21,551	88	7,031
2013-2017	67,766	176	13,812
2018-2022	28,220	-	-
2023-2027	661	-	-
Total	217,775	2,146	73,793

figures may not agree due to rounding

2) CAPITAL LEASES

Capital leases consist of leased real estate. Future minimum rental commitments are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Component Units
2008	51,031
2009	50,570
2010	49,326
2011	49,221
2012	49,127
2013-2017	245,293
2018-2022	247,443
2023-2027	373,208
2028-2032	514,409
2033-2037	206,594
Future Minimum Rental Payments	1,836,221
Interest Portion of Payments	(926,209)
Obligation Under Capital Leases	910,012

9. DEFERRED COMPENSATION PLANS

A. PRIMARY GOVERNMENT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2007, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASBS #32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements.

B. COMPONENT UNITS

PGW offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As of the Gas Works' fiscal year ended August 31, 1999 the Plan was amended to comply with subsection (g) of the code through the creation of trust in which all assets and income of the Plan are to be held for

the exclusive benefit of participants and their beneficiaries. As a result, the company no longer owns the assets of the Plan nor has a contractual liability to Plan participants.

10. FUND BALANCE RESERVATIONS

The City has reserved portions of several funds' Fund Balances. Following is a description of all such reservations followed by a summary of the major funds at year end for the Primary Government:

Reserved for Encumbrances - An account used to segregate a portion of Fund Balance for expenditure upon vendor performance

Reserved for Intergovernmentally Financed Programs - An account used to segregate a portion of Fund Balance legally restricted to programs to improve the City's financial status.

Reserved for Behavioral Health - An account used to segregate a portion of Fund Balance that is required to be held in reserve to ensure adequate funding for costs of managed behavioral health care.

Reserved for Long Term Loan - An account used to segregate a portion of Fund Balance that represents amounts that were loaned and are not due to be repaid in the next fiscal year.

Reserved for Neighborhood Revitalization - An account used to segregate a portion of Fund Balance for the purpose of revitalizing various neighborhoods in the City of Philadelphia.

Reserved for Public Safety Emergency Phone System - An account used to segregate a portion of Fund Balance legally restricted for the improvement of the emergency phone system.

Reserved for Central Library Project - An account used to segregate a portion of Fund Balance for the amount held by the fiscal agent for the purpose of renovating the central library.

Reserved for Stadium Financing - An account used to segregate a portion of Fund Balance for the amount held by the fiscal agent for the purpose of funding new stadium construction.

Reserved for Cultural and Commercial Corridor Financing - An account used to segregate a portion of fund balance for the amount held by the fiscal agent for the purpose of funding cultural and commercial corridor improvements.

(Amounts In Millions of USD)	General Fund	Health Choices Behavioral Health Fund	Grants Revenue Fund	Total
Reserved Fund Balance:				
Reserved for Encumbrances	135.6	-	-	135.6
Reserved for Neighborhood Revitalization	-	-	99.9	99.9
Reserved for Behavioral Health	-	192.9	-	192.9
Reserved for Intergov Financed Programs	-	-	24.5	24.5
Reserved for Emergency Phone System	-	-	21.7	21.7
Reserved for Long Term Loan	45.0	-	-	45.0
Reserved for Central Library Project	4.8	-	-	4.8
Reserved for Stadium Financing	6.4	-	-	6.4
Reserved for CCC Project	143.3	-	-	143.3
Total Reserved Fund Balance	335.1	192.9	146.1	674.1

11. INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds. These transactions are recorded as operating transfers and are reported as other financial sources (uses) in the Governmental Funds and as transfers in the Proprietary Funds. Some of the more significant transfers are: the PICA administrative fund collects a portion of the wage tax paid by City residents and transfers funds that are not needed for debt service and administrative costs to the general fund. Also, the general fund and the PICA administrative fund make transfers to the debt service funds for principal and interest payments.

Transfers between fund types during the year were:

(Amounts in Thousands of USD)	*Transfers To:*					
			Non major Governmental			
Transfers From:	General	Grants	Special Revenue	Debt Service	Capital Improvement	Total
General	-	3,033	1,105	107,290	3,571	114,999
Grants	5,653	-	-	-	7,231	12,884
Non major Special Revenue Funds	244,784	-	-	82,168	219	327,171
Water Fund	4,994	-	-	-	-	4,994
Total	255,431	3,033	1,105	189,458	11,021	460,048

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government fund balance sheet (Exhibit III) includes a reconciliation to the Net Assets of Governmental Activities. One element of that reconciliation states that "Long Term Liabilities, including bonds payable, are not reported in the funds". The details of this difference are as follows:

(Amounts in Millions of USD)

Bonds Payable	1,999.4
Service Agreements	2,246.0
Employee Related Obligations	409.0
Indemnities	35.6
Total Adjustment	4,690.0

13. PRIOR PERIOD ADJUSTMENTS

A. PRIMARY GOVERNEMNT

- Governmental Funds net assets beginning balance was increased by $8.6 million due to a change in the accounting in the grants revenue fund for revenue from drug forfeiture programs.

- Governmental Funds net assets beginning balance was increased by $15.7 million due to a change in methodology for calculating depreciation for the library book collection.

- Business-Type net assets beginning balance was decreased by $2.8 million which represents the net effect of corrections made to Buildings & Equipment and Depreciation in the water and sewer fund.

B. COMPONENT UNIT

- **SDP's** district-wide net assets beginning balances were decreased by $1.2 million. These adjustments involved an overstatement of asset value of $1.1 million and an understatement of accumulated depreciation of $0.1 million

- **PHA's** beginning net assets have been restated to correct certain errors in prior year financial statements, resulting in an increase in net assets of $2.0 million.

14. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net assets reports $1,324.8 million of restricted net assets, of which $28.6 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Assets	Restricted by Enabling Legislation
Capital Projects	199,224	-
Debt Service	375,717	-
Behavioral Health	221,215	-
Intergovernmental Finance	24,483	-
Neighborhood Revitalization	99,922	-
Stadium Financing	6,429	-
Central Library Project	4,768	-
CCC Project	143,283	-
Grant Programs	42,496	15,875
Rate Stabilization	185,612	-
Libraries & Parks:		
Expendable	4,301	-
Non-Expendable	4,641	-
Other	12,724	12,724
Total	1,324,815	28,599

15. FUND DEFICITS

a) The Grants Revenue Fund, which is a Special Revenue fund, has an Unreserved Fund Balance deficit at year end of $26.2 million.

b) The Community Development Fund, which is a Special Revenue fund, has a Fund Balance deficit at year end of $3.9 million.

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. One blended component unit, **PICA**, and three discretely presented component units - the **SDP, PCCA**, and **CCP** - participate in state administered cost-sharing multiple employer plans. In addition, two discretely presented component units - **PHA** and **RDA** - maintain their own single employer defined benefit plans.

A. SINGLE EMPLOYER PLANS

The two plans maintained by the City are the Municipal Pension Plan (City Plan) and the Gas Works Plan (PGW Plan). The two plans maintained by the City's component units are the Philadelphia Housing Authority Plan (PHA Plan) and the Redevelopment Authority of the City of Philadelphia Retirement Plan (RDA Plan).

Financial statements for the City and PGW pension plans are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. All assets of the PHA pension plan are invested in an Immediate Participating Guaranteed (IPG) contract.

Required Supplementary Information calculated in accordance with GASBS #25 is presented in audited financial statements of the respective pension plans. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

1) City Plan

a) Plan Description

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 class of employee. The plan has two major classes of members - those covered under the 1967 Plan and those covered under the 1987 Plan. Each of these two plans has 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 to 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.

Membership

Membership in the plan as of July 1, 2006 was as follows:

Retirees and beneficiaries currently receiving benefits	35,554
Terminated members entitled to benefits but not yet recei	809
Active members	28,017
Total Members	64,380

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

b) Funding Policy

Employee contributions are required by City Ordinance. For Plan 67 members, employees contribute 3¾% of their total compensation that is subject to Social Security Tax and 6% of compensation not subject to Social Security Tax. Plan 87 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.
- 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 member's 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 $477.5 million or 34.9% of the covered payroll of $1,367.4 million.

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

c) Annual Pension Cost and Net Pension Obligation

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

(Amounts in Thousands of USD)

Annual Required Contribution (ARC)	527,925
Interest on Net Pension Obligation (NPO)	(71,541)
Adjustment to ARC	99,953
Annual Pension Cost	556,337
Contributions Made	419,241
Increase in NPO	137,096
NPO at beginning of year	(817,614)
NPO at end of year	(680,518)
Interest Rate	8.75%
15 Year amortization Factor (EOY)	8.18%

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2005. 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% (including inflation)
- annual inflation of 2.75%
- no post-retirement benefit increases

In FY2007, the actuarial assumed investment rate of return for the Municipal Pension Fund was lowered from 9.0% to 8.75%. The average rate of return during the most recent five-year period was well less than the previous 9.0% assumption. The dramatic decline in the equity market and its slow rebound were considered in lowering the investment return rate assumption. The change caused a significant decrease in the investment income assumption and hence increased the City's annual liability.

Under the City's funding policy, the recommended contribution for the City for the current year amounted to $477.5 million. The City's actual contribution was $419.2 million. The City's contribution did meet the Minimum Municipal Obligation (MMO) 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 are as follows:

(Amounts in Millions of USD)

Fiscal Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2005	392.3	76.27%	(911.9)
2006	426.0	77.88%	(817.6)
2007	556.3	75.36%	(680.5)

d) 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. Investments are valued as described in Footnote I.4.

2) Gas Works Plan

a) Plan Description

PGW sponsors a public employee retirement system (PERS), a single-employer defined benefit plan to provide benefits for all its employees. The PGW Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after 5 years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

• 1.25% of the first $6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over $6,600, times years of credited service, with a maximum of 60% of the highest annual earnings during the last 10 years of credited service, applicable to all participants

OR

• 2% of total earnings received during the period of credited service plus 22.5% of the first $1,200 of such amount, applicable only to participants who were employees on or prior to March 24, 1967.

Final-average earnings is the employees' average pay, over the highest 5 years of the last 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. In addition, employees with 30 years of credited service are eligible to select early retirement with no reduction in benefits.

At September 1, 2005 the beginning of the Plan Year of the last actuarial valuation, the Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,187
Current Employees	1,701
Total Members	3,888

b) Funding Policy

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Covered employees are not required to contribute to the PGW Pension Plan. The Gas Works is required by statute to contribute the amounts necessary to finance the Plan.

The funding policy of the PGW Plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentage of employer contribution rates are based on the actuarial accrued liability as determined by using the Projected Unit Credit actuarial funding method. The actuarial asset value is equal to the value of fund assets. The unfunded actuarial accrued liability is being amortized using the open method. Contributions of $17.6 million (approximately 2.0% of covered payroll) were made to the PGW Plan during the year.

Historically, payments to beneficiaries of the PGW Plan are made by the Fund and not from the assets of the Plan. During the year, payments to beneficiaries exceeded the Fund's actuarially computed pension contribution and a withdrawal of $13.9 million from the pension assets was necessary to meet beneficiary payment obligations.

c) Annual Pension Cost

PGW's annual pension cost for the current year was $17,563,000 equal to its required contribution. The annual required contribution for the current year was determined based on an actuarial study completed June, 2006, using the projected credit unit method. Significant actuarial assumptions used include an annual rate of return on investments of 8.25%, compounded annually, projected salary increases of 3.00% of the salary at the beginning of the next three years, then 4.25% of the salary at the beginning of the fourth and subsequent year, and retirements that are assumed to occur prior to age 62, at a rate of 10% at 55 to 61 and 100% at age 62. The assumptions did not include post retirement benefit increases.

The Annual Pension Cost and related percentage contributed for the three most recent fiscal years is as follows:

(Amounts in Millions of USD)

Fiscal Year Ended August 31	Annual Required Contribution	Percentage Contributed
2004	15.0	100%
2005	14.7	100%
2006	17.6	100%

d) Summary of Significant Accounting Policies

The financial statements of the Plan are prepared on the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Plan investments are reported at fair value based on quoted market price for those similar investments.

3) Component Unit - Philadelphia Housing Authority Plan

a) Plan Description

The PHA contributes to a single-employer Public Employees' Retirement System (PERS), administered by an insurance company (the PHA Pension Plan) covering all permanent employees. The PERS issues separate, stand-alone financial statements. The Authority's payroll for employees covered by the PHA Plan for the year was approximately $64.8 million. The PHA Pension Plan provides retirement benefits as well as death and disability benefits. Employees who retire at or after age 65 receive an annual retirement benefit equal to 2.5% of average earnings multiplied by the years of service not to exceed 25 years, plus 1.25% of average earnings multiplied by years of service in excess of 25 years.

b) Funding Policy

Funding policies are determined by collective bargaining agreements and employment policies. Covered employees are required to contribute 5.5% of pre tax salary to the PHA Pension Plan. The Philadelphia Housing Authority is required to contribute an amount equal to employee contributions.

c) Annual Pension Cost

Actuarially determined contributions are required to provide sufficient assets to pay benefits when due. The Authority's funding policy is set by collective bargaining agreements and employment policies. The policy is to contribute 5.5% to the PERS along with the employees' required contributions of 5.5% of total salary. Significant method and assumptions used to calculate the actuarially required contributions are:

- the entry-age normal method
- annual rate of return on investments of 7.5%
- projected salary increases of 5.5% per year
- no post-retirement benefit increases

The required contribution for the current year was approximately 11.1% of covered payroll.

The Authority's actuarially required contributions and percentage contributed for the last three fiscal years of the Plan are summarized below:

(Amounts in Millions of USD)

Fiscal Year Ended October 31	Annual Required Contribution	Percentage Contributed
2004	5.5	70%
2005	6.6	59%
2006	7.2	54%

4) Component Unit - Redevelopment Authority Plan

a) Plan Description

The **RDA** contributes to the Redevelopment Authority of the City of Philadelphia Retirement Plan (the Plan) which is a single-employer defined benefit pension plan.

Substantially all full time **RDA** employees are eligible to participate in the Plan after six months of service. Benefits vest after five years of service. **RDA** employees who retire at or after age 55 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their final monthly salary multiplied by the number of months of credited service up to 20 years plus 2% of final monthly compensation multiplied by months of credited service in excess of 20 years up to a maximum of 35 years. The Plan also provides death and disability benefits which are determined in a manner similar to the retirement benefits.

b) Funding Policy

The plan's funding policy provides for actuarially determined periodic employer contributions which account for benefits that increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the **RDA's** employee group as a whole has tended to remain level as a percentage of annual covered payroll. **RDA** employees are required to contribute 6% of their salary to the Plan. The **RDA** is required to contribute the remaining amounts necessary to fund the Plan as defined under Act 205 of the Commonwealth of Pennsylvania Code.

c) Annual Pension Cost

The contribution for the Plan for fiscal 2007 of $1.3 million (approximately 14% of covered payroll, representing normal cost) was determined in accordance with actuarially determined requirements computed through the actuarial valuation performed as of January 1, of each respective year using the aggregate cost method. The RDA contributed $1,048,241 (approximately 9% of current covered payroll) and the employees contributed $243,790 (approximately 5% of current covered payroll).

Significant actuarial assumptions include a 7.75% rate of return on investment assets, projected salary increases of 6% per year (4% for merit and promotion, 2% for inflation) and no post-retirement benefit increases. The net pension obligation at year end was $(198,481) computed as follows:

Annual Required Contribution	$	891,682
Interest On Net Pension Obligation		(3,410)
Adjustment to Annual Required Contribution		5,494
Annual Pension Cost		893,766
Contributions Made		(1,048,241)
Decrease In Net Pension Obligation		(154,475)
Net Pension Obligation - Beginning of Year		(44,006)
Net Pension Obligation - End of Year	$	(198,481)

The **RDA's** actuarially required contributions and percentage contributed for the last three years are summarized below:

(Amounts in Thousands of USD)

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2005	1,287.9	128%	(77.3)
2006	1,259.9	98%	(44.0)
2007	893.8	117%	(198.5)

B. MULTIPLE EMPLOYERS PLANS

One of the City's blended component units and three of its discretely presented component units participate in two defined benefit plans (PSERS and SERS) and one, **CCP,** participates in two defined contribution plans (TIAA-CREF and Fidelity Investments) as described below.

The payroll for **CCP** employees covered by any of the four multiple employer plans was $58.7 million and the total payroll was $64.7 million. Contributions to the four plans by the **CCP** during the fiscal year totaled approximately $4.5 million representing 7.60% of covered payroll. **CCP** employees contributed approximately $3.7 million representing 5% of covered payroll.

1) Public School Employee Retirement System (PSERS)

a) Plan Description

School Districts and Community Colleges in the Commonwealth of Pennsylvania participate in the State administered Public School Employees Retirement System (PSERS) which is a cost-sharing multiple-employer defined benefit plan. PSERS provides retirement and disability benefits, legislatively mandated ad hoc cost-of-living adjustments and health care insurance premium assistance to qualifying annuitants. Authority to establish and amend benefit provisions rests in the Public School Employees' Retirement Code (the Code).

PSERS issues a comprehensive annual financial report which includes financial statements and required supplementary information for the plan. A copy of the report can be obtained by writing to:

Public School Employees' Retirement System
PO Box 125
Harrisburg, PA 17108-0125

b) Funding Policy

Contribution policy is established by the Code and requires contributions from active members, employers and the Commonwealth. Most active members contribute at 5.25% of qualifying compensation. Members joining the PSERS on or after July 22, 1983 contribute at 6.25% (class TC) or 7.50% (class TD). The employer rate is actuarially determined. The rate for fiscal year 2007 was 6.46%, and is composed of a pension contribution rate of 5.72% for pension benefits and .74% for health insurance premium assistance. The **SDP's** contributions for the last three years are as follows:

(Amounts in Millions of USD)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	48.9	100%
2006	55.8	100%
2007	69.3	100%

2) State Employees Retirement System (SERS)

a) Plan Description

PICA and **PCCA** employees and certain **CCP** employees are eligible to participate in the Pennsylvania State Employees Retirement System (SERS).which is a cost sharing multiple employer plan. The SERS provides pension, death and disability benefits. Retirement benefits vest after 5 years of credited service. Employees who retire at age 60 after 3 years of service or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. The general annual benefit is 2% to 2.5% of the member's highest three year average salary times years of service. The General Assembly has the authority to establish and amend benefits of the SERS. Ad hoc cost-of-living adjustments are provided at the discretion of the General Assembly.

b) Funding Policy

The SERS funding policy is set by the SERS Board. Active members are required to contribute periodically at statutory rates, generally 5 to 6.25% of gross pay. The amount is recorded in an individually identified account that accumulates interest at 4% per year as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

Employer contributions are an actuarially determined percentage of payroll such that they, along with employee contributions and an actuarially determined investment rate of return, are adequate to accumulate assets to pay benefits when due.

In May 2001, the **PCCA** initiated Act 2001-9 which created a new Class AA membership, changed the vesting requirements of all members from 10 to 5 years, increased the member contribution rate from 5% to 6.25% and increased the benefit formula to 2.5% of final average salary. New members are automatically enrolled as Class AA. However, election for current members at the time of enactment was voluntary. Contributions of the **PCCA** for the last three years were as follows:

(Amounts in Thousands of USD)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	60.5	100%
2006	120.7	100%
2007	171.9	100%

PICA has not been required to contribute over the past three years.

According to the retirement code, all obligations of the SERS will be assumed by the Commonwealth should the SERS terminate. During the year and as of year end, the SERS did not hold securities issued by the City or other related parties.

The SERS issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to:

State Employees' Retirement Board
Commonwealth of Pennsylvania
30 North Third Street
Harrisburg, PA 17108-1147

3) Teacher's Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments

a) Plan Description

Community College employees are also eligible to participate in the Teacher's Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). TIAA-CREF is a defined contribution plan and, as such, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time faculty and administrative employees are eligible to participate from the date of employment, and clerical employees have a one year waiting period. Part-time faculty may participate after earning four (4) seniority units, as defined in the Collective Bargaining Agreement. College policy and collective bargaining agreements require that both the employee and the college contribute amounts, as set forth below, based on the employees earnings.

The **CCP**'s contributions for each employee (and interest allocated to the employee's account), are fully vested death benefits in the amount of the full present value of accumulation is provided to the beneficiary of participants who die prior to retirement. There are a variety of payments available. The **CCP** has 981 employees participating in this plan.

b) Funding Policy

The employer's contribution requirement for full-time faculty and administrators and other staff is 10% of the base contract amount. For visiting lecturers, the rate is 5% of the base contract. For Part-time faculty, the rate is 5% of all earnings. For all employees, the employee's contribution requirement is 5% of base salary.

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. SDP employees have an unlimited maximum accumulation and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 50% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

3. POST EMPLOYMENT BENEFITS

A. PRIMARY GOVERNMENT

In addition to providing pension benefits, the City provides certain post-employment health care and life insurance benefits for retired employees, dependents and/or beneficiaries through provisions of City ordinances, civil service regulations and agreements with its various employee bargaining units. The City provides these benefits for periods from one to five years after retirement depending upon the classification of the employee at his/her retirement. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. These and similar benefits for active employees are provided through a combination of a self-insurance program and insurance companies whose premiums are based on the benefits paid during the year. The cost of providing these health benefits and life insurance for approximately 5225 eligible retirees amounted to $49.0 million and $4.2 million, respectively.

B. COMPONENT UNITS

The **SDP** pays monthly premiums to provide up to $2,000 of life insurance coverage for 7,615 retired/disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or any age with 35 years of service. Disabled employees' eligibility is determined by the insurance company providing the coverage. In 2007, the cost of life insurance premiums for retirees/disabled employees was $598,322.

PGW provides certain health care and life insurance benefits for approximately 1929 retired employees and their dependents. PGW recognizes the cost of providing these benefits by charging the annual insurance premiums to expense. Total premiums incurred for health care amounted to $35.1 million, of which approximately 52% relates to retirees and their dependents. Total premiums for group life insurance amounted to $2.1 million of which approximately 76% relates to retirees.

RDA provides life, accidental death & dismemberment, health and dental insurance. Post employment benefits are generally provided for periods of one to five years from retirement, depending on the age of the individual at retirement date.

Certain retirees are required to contribute nominal amounts towards health insurance. The remainder of the post employment benefit costs is funded by **RDA** on a pay-as-you-go basis. A group of 50 retirees who retired during fiscal years 1969 through 1975 receive life and health insurance post employment benefits, for which retirees contribute approximately 96% of the total benefit costs. The remainder is funded by **RDA** on a pay-as you go basis until the death of the retiree. In 2007, **RDA** incurred costs in the amount of $326,074.

4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

PICA, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, **PICA** was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, **PICA** is administered by a governing Board consisting of five voting members and two ex officio non voting members. The Governor, the President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of

Representatives and the Minority Leader of the House of Representatives each appoints one voting member of the Board.

The Act provides that, upon **PICA's** approval of a request of the City to **PICA** for financial assistance, **PICA** shall have certain financial and oversight functions. First, **PICA** shall have the power to issue bonds and grant or lend the proceeds thereof to the City. Second, **PICA** also shall have the power, in its oversight capacity, to exercise certain advisory and review powers 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 noncompliance by the City with its current five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth to cause certain Commonwealth payments due to the City to be withheld).

PICA bonds are payable from the proceeds of a PICA tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the PICA tax so that the total tax remains the same. PICA returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2007 this transfer amounted to $245.0 million.

5. RELATED PARTY TRANSACTIONS

The City is associated, through representation on the respective Board of Directors, with several local governmental organizations and certain quasi-governmental organizations created under the laws of the Commonwealth of Pennsylvania. These organizations are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate independent governmental entities. A list of such related party organizations and a description of significant transactions with the City, where applicable, is as follows:

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of $57.9 million to SEPTA

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled $60.5 million during the year) to the following organizations:

- Philadelphia Commercial Development Corporation
- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- Fund For Philadelphia Incorporated

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City 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 City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Worker's Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claims expenditures and liabilities 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.

At June 30, the amount of these liabilities was $275.9 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2005 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2006	259.4	91.1	(79.8)	270.7
Fiscal 2007	270.7	85.3	(80.1)	275.9

The City's Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverages are funded by a pro rata charge to the various funds. Payments for the year were $2.5 million for Unemployment Compensation claims and $50.3 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $238.7 million discounted at 4%. On an undiscounted basis, these liabilities total $323.4 million. 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 $221.7 million (discounted) and $300.8 million (undiscounted).

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.

B. COMPONENT UNITS

The City's Component Units are 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. They are principally insured through insurance carriers. Each entity has coverage considered by management to be sufficient to satisfy loss claims. 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.

At June 30, the combined amount of these liabilities was $159.4 million for the City's Component Units. This liability is the best estimate based on available information. Changes in the reported liability since June 30, 2005 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2006	130.2	41.2	(58.2)	113.2
Fiscal 2007	113.2	92.4	(46.2)	159.4

The **SDP** Weekly Indemnity, Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. The cost of Weekly Indemnity coverage is shared equally by **SDP** and covered employees. Unemployment Compensation coverage is funded by a pro rata charge to the various funds. Payments for the year were $15.5 million for Weekly Indemnity, $3.7 million for Unemployment Compensation claims and $30.7 million for Workers' Compensation claims. Amounts collected in excess of claims incurred for **SDP's** Weekly Indemnity Plan are included in **SDP's** General Fund as a Reservation of Fund Balance.

During the last three (3) fiscal years, no claim settlements have exceeded the level of insurance coverage for those components using third party carriers. None of the losses of any of the Component Units have been settled with the purchase of annuity contracts.

7. COMMITMENTS

A. COMPONENT UNITS

- The **SDP's** outstanding contractual commitments at year end for construction of new facilities, purchase of new equipment, and various alterations and improvements to facilities totaled $408.2 million.

- **SDP** is also an Intermediate Unit (IU) established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an IU for a fiscal year is partially financed by Commonwealth appropriation. In certain instances (transportation) **SDP** reimburses the Commonwealth for the funds advanced in the previous year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of-students transported, route distances, and efficiency of vehicle utilization. The Commonwealth has agreed to defer a scheduled payment of $45.3 million.

8. CONTINGENCIES

A. PRIMARY GOVERNMENT

1) Claims and Litigation

Generally, claims against the City are payable out of the General Fund, except claims against the City Water Department, City Aviation Division, or Component Units which are paid out of their respective funds and only secondarily out of the General Fund which is then reimbursed for the expenditure. Unless specifically noted otherwise, all claims hereinafter discussed are payable out of the General Fund or the individual Enterprise Fund. The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act", established a $500,000 aggregate limitation on damages 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 upheld by the United States Supreme Court. There is no such limitation under federal law.

Various claims have been asserted against the City and in some cases lawsuits have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payment by the City. The aggregate estimate of loss deemed to be probable is approximately $270.0 million. Of this amount, $14.6 million is charged to current operations of the Enterprise Funds. The remaining $255.4 million pertaining to the General Fund is reflected in the Government Wide Full Accrual Statements.

In addition to the above, there are certain lawsuits against the City for which an additional loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimates of the loss which could result if unfavorable legal determinations were rendered against the City with respect to those lawsuits is approximately $70.4 million to the General Fund and $7.2 million to the Enterprise Funds.

Significant cases included in the current litigation against the City are as follows:

- In *Burella v. City* the Plaintiff sued the City and three individual police officers under state and federal law, seeking to hold them liable for her non-fatal shooting at the hand of her husband who is a police officer. The Plaintiff's theories (procedural and substantive due process, equal protection, intentional infliction of emotional distress) are based on the alleged failure of defendants to address the husbands' increasingly apparent psychological problems and anger management difficulties, manifested by repeated instances of domestic violence and physical altercations with his wife over several years. The federal district court denied the defendants' motion for summary judgment, and the individual officers have appealed to the Third Circuit. Briefing is completed and the Third Circuit heard oral argument November 2, 2006.

- *Lawrence v. City of Philadelphia* is a collective action brought on behalf of 250 former and current fire-service paramedics (paramedics) against the City of Philadelphia's (City), under the Fair Labor Standards Act ("FLSA"). The plaintiffs claim the City violated the FLSA primarily by using the same schedule of 10 and 14-hour shifts applicable to firefighters, which can lead to them working as many as 48 hours in a traditional Sunday to Saturday workweek without compensating them at overtime rates for all hours worked over 40 in a week. The City has denied that the plaintiffs have been paid improperly and has asserted various defenses to the plaintiffs' claim. The City's primary defense is that fire service paramedics qualify for the higher overtime thresholds applicable to fire protection and other emergency service employees under Sections 203(y) and 207(k) of the FLSA. Discovery in this case is essentially complete and the parties filed cross-motions for summary judgment on March 16, 2005. All further briefings on summary judgment were completed by May 2, 2005. The court ruled in favor of the City on the summary judgment motion. Plaintiffs have appealed to the Third Circuit. We have estimated that if plaintiffs were entirely successful in all aspects of their claims the City's potential liability could approach $20 million.

- In *Limbach Co. LLC et. al. vs. The City of Philadelphia et. al.,* the City is a defendant in a matter brought by the successors to a U.S. Airways subcontractor for allegedly unpaid electrical and mechanical work performed in connection with the new international terminal at Philadelphia International Airport. The Court of Common Pleas in Philadelphia County dismissed certain claims and granted summary judgment to the City and PAID, which served as the financing arm of the project, to all others. The plaintiffs appealed to the Commonwealth Court which reversed and remanded to Common Pleas Court. The City and PAID have applied to the Commonwealth Court for reargument/reconsideration. Plaintiffs have recently stated in discovery that they are seeking about $8.9 million. The City believes it is not liable at all; but if it is liable, the amount is likely to be about $2.5 million and could be as high as $7.9 million, all of which would be the responsibility of the City's Aviation Fund. A pre-trial conference has been scheduled. Trial is likely to take place during fiscal 2008, but an appeal is likely by either side.

- *Chainey vs. Street.* This federal lawsuit was filed by twenty-four homeowners in the Osage-Pine neighborhood whose homes were destroyed in the MOVE altercation of 1985. Following the altercation, and after extensive negotiations, the residents agreed not to pursue lawsuits if the City would rebuild their homes. After the residents returned, they began to complain about the quality of the homes. In 1988 the City and RDA entered into a contract to repair the homes. In 1999, RDA hired the Allied Construction Company to complete further repairs. Mayor Rendell wrote to the residents promising them that the City remained firm in its intention to complete certain repairs. However, by early 2000, Allied was issuing change orders for hundreds of thousands of dollars in additional work. RDA then demobilized the contract, effectively ending the repair work. The residents alleged several claims: denial of equal protection, denial of due process, civil conspiracy, breach of the Allied contract (to which they believe they are third-party beneficiaries), specific performance, and taking without just compensation. On April 11, 2005 the jury returned a verdict of $12.83 million. Upon consideration of defendants' motion for a new trial and motion for judgment as a matter of law, the District Court reduced the judgment to $6 million, upholding only the breach of contract and substantive due process claims. Defendants have appealed and plaintiffs have cross-appealed. Briefing is complete and the Third Circuit heard oral argument in January, 2007.

- *Boone vs. City of Philadelphia.* This is an uncertified class action challenging the constitutionality of the Philadelphia Prison System's (PPS) policy of strip searching all inmates regardless of pending charges. Liability is possible because a substantial body of case law indicates that blanket strip search policies violate the Fourth Amendment rights of pre-trial detainees. PPS has changed its policies and purchased equipment regarding strip search procedures but no further policy changes are anticipated. The financial impact is believed to be between $3.0 million and $10.0 million. Currently, the case is in suspension while all parties engage in a series of settlement conferences. The next settlement conference before Magistrate Judge Hey is scheduled for January 30, 2008.

2) Guaranteed Debt

The City has guaranteed certain debt payments of two of its component units. As such, the City's General Fund has a potential financial obligation toward the extinguishment of this debt, either by replacing the various reserve funds, if used, or the actual payment of principal or interest. At June 30, principal balances outstanding were as follows:

(Amounts In Thousands of USD)

Philadelphia Parking Authority	68,880
Philadelphia Authority for Industrial Development	6,155
	75,035

3) Single Audit

The City receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements, and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City officials the only significant contingent liabilities related to matters of compliance are the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the fiscal year ended June 30, 2007, which amounted to $881.9 million for all open program years as of December 14, 2007. Of this amount, $660.9 million represents unresolved cost due to the inability to obtain audit reports from sub recipients for the year ended June 30, 2007 due to timing differences in audit requirements, $205.3 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2006 and prior and $15.7 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

4) HUD Section 108 Loans

As of the end of the fiscal year, the Federal Department of Housing and Urban Development (HUD) had disbursed $192.1 million in loans to the Philadelphia Industrial Development Corporation (PIDC). The funds, which were used to establish a loan pool pursuant to a contract between the City and HUD, are being accounted for and administered by PIDC on behalf of the City. Pool funds are loaned to businesses for economic development purposes. Loan repayments and investment proceeds from unloaned funds are used to repay HUD. Collateral for repayment of the funds includes future Community Development Block Grant entitlements due to the City from HUD. The total remaining principal to be repaid to HUD for all loans at the end of the year was $132.7 million.

5) Philadelphia International Airport

In April, 2007, Delta Air Lines exited bankruptcy. Delta assumed the Use & Lease Agreement with the Philadelphia International Airport in April, 16, 2007. The City of Philadelphia received payment in full for all of its pre-petition claims.

Northwest Airlines exited bankruptcy in May, 2007. Northwest assumed the Use & Lease Agreement with Philadelphia International Airport on May 15, 2007. The City of Philadelphia received payment in full for all of its pre-petition claims.

B. COMPONENT UNITS

1) Claims and Litigation

- The **SDP** is a party to various claims, legal actions, arbitration and complaints arising in the ordinary course of business which aggregate to a total potential liability of $9.2 million. In the opinion of the General Counsel of **SDP**, it is unlikely that final judgments or compromised settlements will approach the total potential liability. **SDP** annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. In addition, **SDP** has recorded in its Government Wide Full Accrual Statements the total cumulative potential liability of $125.4 million for Workers' Compensation, $10.5 million for Unemployment Compensation claims and $6.4 million for claims and judgments.

- There are twenty lawsuits pending against **SDP** asserting claims in violation of § 1983 of the Civil Rights Act. In the opinion of the Interim General Counsel of the **SDP**, unfavorable outcomes are deemed reasonably possible in an aggregate amount and including other attorney fees of approximately $1.4 million. There is no limitation on the exposure or potential liability of the **SDP** for civil rights violations.

- More than thirty years ago, the Pennsylvania Human Relations Commission (the "Commission") initiated an action against the **SDP** in Pennsylvania Commonwealth court to end historical de facto racial segregation in public schools and sought to compel remedies such as forced busing. Between 1973 and 1993, the **SDP** and the Commission developed a series of desegregation plans, strategies and reforms with the objective of achieving maximum feasible desegregation. Despite the persistence of racially segregated residential patterns and the number of non-minority students choosing to attend any number of parochial or private schools in the region, the Court determined, from time to time and over the years, that such reform efforts were inadequate to cure the problem of racial isolation in the public schools.

  In late 1995, the Court joined the Commonwealth of Pennsylvania as a defendant in the action, and in the summer of 1996, held that the Commonwealth was liable for substantial and ongoing financial contributions to **SDP** to fund and support desegregation mandates. However, the Commonwealth Court's Order was vacated by the Pennsylvania Supreme Court when it assumed plenary jurisdiction of the case in the fall of 1996. After nearly three years, the Supreme Court determined that the Commonwealth Court lacked authority to add defendants or claims to the case after its commencement by the Commission in 1973. The Commonwealth was dismissed from the case and jurisdiction of the case was returned to the Commonwealth Court. Since that time, **SDP** has continued to implement remedial measures and reports periodically to the Court on its progress toward satisfying the Court's mandates.

  In May and September 2001, and at the request of the Court, **SDP** submitted a Comprehensive School Safety and Security Plan and a Curriculum Renewal Plan (collectively the "Plans") intended to guide managements' work in the areas of curriculum and instruction. Following a hearing, the Court issued an Opinion and Order concluding that **SDP** had made significant and continued effort to comply with the Remedial Order, accepting the Plans, and directing the Human Relations Commission to monitor their implementation. The Court further directed the Commission to monitor their implementation. The Court further directed the Commission to request the Court to close the case when it is satisfied that **SDP** has demonstrated that it can and will provide an equal educational opportunity to all students.

  In December, 2001, the Court reiterated its position that the Plans approved by the Court in September, 2001, are to be implemented by **SDP** notwithstanding any changes in management or organizational structure given the possibility of the impending state "takeover" of the district.

  After the Commonwealth assumed control of the district and between July 2002 and July 2003, **SDP** responded to Court questions, submitted materials, attended conferences, accompanied court officials on tours of elementary schools, and provided testimony concerning the series of initiatives being undertaken by management and the School Reform Commission Nevertheless by letter dated August, 2003, the Court indicated its intent to defer issuing an opinion and order until Counsel confer among themselves to determine whether they can agree upon a consent decree for submission and approval by the court. Since this time counsel for **SDP**, the Commission and Interventors meet on a regular and consistent basis to develop a proposed Memorandum of Understanding (the "MOU").

  More specifically, the MOU, which was submitted to the Court for review and approved in March of 2004, stays all judicial proceedings for an initial period of three years while requiring that **SDP** submit annual reports to the Commission. As detailed in the MOU, the Commission will provide written feedback to **SDP** based on its review of the reports and the parties will have the opportunity to meet and confer during the term of the MOU. The MOU also includes a dispute resolution process by which the parties may seek to resolve disagreements, if any, remaining at the end of the initial period of the MOU before returning to Court. The MOU further preserves positions of the parties in the event the MOU does not result in a final resolution of this case and the stay is lifted..

  By order of the Court and following a hearing "for formal Court review and approval of the Memorandum of Understanding entered into by the parties in an effort to avoid continue litigation and to move toward a final resolution of this long-standing Philadelphia School desegregation case," the Court approved the MOU. The order further provided that "at the end of the Term of the Memorandum of Understanding, and unless the Pennsylvania Human Relations Commission or the **SDP** files an application with the

Court indicating that areas of disagreement still remain, the case shall be terminated with prejudice upon precipe by the Commission."

Subsequently, **SDP** submitted annual status reports to the PHRC in December 2004 and December, 2005 and intends to submit its third annual status report in late 2006 or early 2007.

SDP believes that the substantive and procedural aspects of the MOU have the potential to lead to a final resolution of this matter. Management is unable, at this stage however, to express an opinion concerning whether disagreements will remain at the end of the term of the MOU. Should the parties not resolve this matter within the framework of the MOU and should the stay be lifted, **SDP** believes that it may be able to raise meritorious defenses and arguments relating to its compliance with the Pennsylvania Human Relations Act, as well as, the proper scope of the Court's jurisdiction and remedial authority in the context of future proceedings.

- **SDP** was notified by the Pennsylvania Department of Education (PDE) that the results of an audit conducted by the Auditor General for the years ending June 30, 1991, 1992 and 1993 revealed that **SDP** over-reported student enrollment in Fiscal Year 1991 which established the base for all school subsidies through Fiscal Year 1999. The determination of subsidy reimbursement from the PDE's Director, Bureau of Budget and Fiscal Management, was $20 million after appeal through fiscal year 1999. The Commonwealth has agreed to a repayment schedule that results in periodic deductions from amounts paid by the Commonwealth to **SDP**. A similar audit was undertaken which concluded with PDE asserting an additional $20 million per year claim for alleged over reporting of enrollment in school years 1994-95 through 1996-97. **SDP** denies the claim and has produced documentation. The Commonwealth has postponed collections of this category in order to assist the District through a funding shortfall. Both matters remain pending. Though discussions with state representatives regarding relief from this potential liability are ongoing, because no final determination of forgiveness has been made to date, there still remains a reasonably possible loss in this category in the total amount of $40.0 million.

- In *Robert Johnson v. **SDP** and K Sangster*, a lawsuit was filed by three former and one current employee alleging reverse racial discrimination and retaliation under Title VII of the Civil Rights Act and the Pennsylvania Human Relations Act. Collectively, the plaintiffs claim that **SDP** and the Chief Procurement Officer ("CPO"), an African American female, terminated their employment on the basis of race (white) and retaliated against them by denying alternative placement or positions. In December, 2005, a jury verdict was entered in favor of the plaintiffs and against **SDP** and Sangster. That verdict included an award of back-pay, front-pay and reinstatement, as well as, compensatory damages in the amount of $2 million. Total value of the award, including future earnings, was in excess of $4 million. In June, 2006, **SDP** entered into a Settlement Agreement and General Release of Claims which provided for payments of over $3.8 million to the plaintiffs in fiscal years 2007, 2008 and 2009. As part of the resolution, the Plaintiffs waived reinstatement rights to positions with SDP as well as, releasing SDP from all other potential claims. As of June, 2007, approx $2.0 million was still outstanding on this settlement .In July, 2007, SDP paid $1.6 million of the $2.0 million that was outstanding.

9. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

1) In July 2007, the City issued $200.0 million of Tax and Revenue Anticipation Notes to supplement the receipts of the General Fund of the City for the purpose of paying general expenses of the City prior to the receipt of taxes and other revenues to be received in the current fiscal year. The proceeds will be invested until needed and repaid by June 30, 2008.

2) In August 2007, the ratings for Airport Revenue Bonds were upgraded as follows: Moody's Investor Service upgraded from A3 to A2 and Standard and Poor's Corporation upgraded from A to A+.

3) In August, 2007, the City issued $255.4 million in Airport Revenue Bonds. Series 2007A, with various sub sections were issued in the amount of $172.4 million, and will be used to finance a portion of the cost for the "2007Project." The bonds have a 5% interest rate and maturity dates from 2011 through 2037. Series 2007B, with various sub divisions, were issued in the amount of $82.9 million and will be used to refund all outstanding series 1997B bonds. Series 2007B bonds have interest rates ranging from 4.5% to 5%, and maturity date from 2008 through 2027. Some of the proceeds from both series 2007A and 2007B will pay issuance and insurance cost.

4) In November, 2007 the water department purchased a surety bond to replace cash reserves in accordance with the water general ordinance. This transaction allowed the water department to transfer $64 million from the reserve to be used for water/sewer projects.

5) In December, 2007, the City simultaneously issued general obligation bonds Series 2007A and 2007B in the amounts of $188.9 million and $313.5 million respectively.

   The Series 2007A bonds are fixed rate refunding bonds, have interest rates ranging from 4.0% to 5.25% and mature through 2019. The Series 2007B bonds are multi-modal refunding bonds that will bear interest at a weekly rate, subject to conversion to an ARS rate, daily rate, commercial paper rate, term rate, or fixed rate at the direction of the City. The bonds will be used to refund a portion of the Series 1994B bonds and the 1995, 1998 and 2001 general obligation bonds.

6) At June 30, 2007 the Philadelphia Gas Works (PGW) owed the City $45.0 million that the City loaned to them in FY2001. During the first half of FY2008 PGW returned $22.5 million.

B. COMPONENT UNITS

1) In July 2007, the **SDP** issued $550.0 million in Tax and Revenue Anticipation Notes. The proceeds of the notes are used for cash flow purposes and will be repaid by June 27, 2008.

2) In April, 2007**, PGW** issued $245.4 million in Gas Revenue Bonds. The 19th Series Bonds were issued in the amount of $14.5 million, have a 5% interest rate and mature through 2023. The proceeds will be used to refund a portion of the 15th Series Bonds, various project and issuance cost. The 7th Series Bonds, sub series (1), (2) and (3) were issued for $137.7, $36.3 and $56.9 million respectively. Sub series (1) are serial bonds with interest rates ranging from 4-5% and mature in 2028. Sub series (2) and (3) are term bonds, with a 5% interest rate and mature through 2037. The proceeds will be used to for various acquisition, construction & improvement cost, and to advance refund various bonds.

3) In April, 2007, **PPA'**s board of directors authorized a plan to sell the "Rittenhouse Properties," various dwellings previously acquired with the proceeds from a 1999 bond indenture. In June, 2007, after approval of the plan by the City of Philadelphia and **PPA's** board of directors, an Agreement of Sale for approximately $36.7 million sale price was executed. Subject to a due diligence period, the sale of the properties is expected to close before September. 2007. As of March, the remaining bonds outstanding totaled $51.6 million. With the settlement of the pending sale of the "Rittenhouse Properties," these remaining bonds are expected to be completely defeased. Accordingly, the fixed assets and revenue bonds associated with the "Rittenhouse" project have been reclassified as current assets and current liabilities, respectively.

4) In October, 2007, **PAID** issued Lease Revenue Refunding Bonds Series 2007A & B in the amounts of $50.3 million and $289.7 million respectively. The Series 2007A bonds have interest rates ranging from 4% to 5% and mature through 2015. The Series 2007B bonds have a weekly interest rate that will be subject to conversion to an ARS rate, and maturity dates from 2016 through 2031. The proceeds from the bonds will be used for various issuance cost and to refund the Series 2001B stadium bonds. In connection with the sale of the Series 2007B bonds, **PAID** entered into separate interest rate swap agreements pursuant to which PAID will make periodic fixed rate payments to the swap counterparties and the swap counterparties will make periodic floating rate payments to **PAID**.

5) In November, 2007, **PAID** issued Lease Revenue Refunding Bonds Series 2007C in the amount of $51.6 million. The bonds have interest rates ranging from 3.5% to 5.25% and mature through 2027. The proceeds of the bonds will be used to refund prior bonds for the City of Philadelphia One Benjamin Franklin Parkway Project and to finance various issuance costs.

6) In December, 2007, the School Reform Commission authorized the sale of $41.7 million Qualified Zone Academy Bonds with an interest rate of 1.25%. The bond issue is expected to close by the year end. The proceeds of the issue will be used to fund technology upgrades in various classrooms and major renovations at fifteen schools.

Frankford El Progress (1919)

City of Philadelphia
PENNSYLVANIA

Required Supplementary Information

(Other than Management's Discussion and Analysis)

City of Philadelphia **Exhibit XIV**

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Tax Revenue	2,313,632	2,387,275	2,435,855	48,580
Locally Generated Non-Tax Revenue	245,008	240,298	247,911	7,613
Revenue from Other Governments	1,031,786	997,777	1,032,935	35,158
Revenue from Other Funds	27,574	25,719	27,417	1,698
Total Revenues	3,618,000	3,651,069	3,744,118	93,049
Expenditures and Encumbrances				
Personal Services	1,307,184	1,338,844	1,327,589	11,255
Pension Contributions	419,129	436,822	436,822	-
Other Employee Benefits	445,350	453,508	453,508	-
Sub-Total Employee Compensation	2,171,663	2,229,174	2,217,919	11,255
Purchase of Services	1,148,053	1,155,252	1,151,610	3,642
Materials and Supplies	61,695	66,534	66,986	(452)
Equipment	21,067	22,518	22,101	417
Contributions, Indemnities and Taxes	110,782	118,994	118,960	34
Debt Service	105,214	89,154	89,154	-
Payments to Other Funds	29,345	68,955	38,727	30,228
Advances, Subsidies, Miscellaneous	31,200	31,200	31,200	-
Total Expenditures and Encumbrances	3,679,019	3,781,781	3,736,657	45,124
Operating Surplus (Deficit) for the Year	(61,019)	(130,712)	7,461	138,173
Fund Balance Available for Appropriation, July 1, 2006	183,560	254,506	254,506	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	18,000	20,000	36,002	16,002
Revenue Adjustments - Net	-	-	(34)	(34)
Prior Period Adjustments	-	-	(66)	(66)
Adjusted Fund Balance, July 1, 2006	201,560	274,506	290,408	15,902
Fund Balance Available for Appropriation, June 30, 2007	140,541	143,794	297,869	154,075

* Refer to the notes to required supplementary information.

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
HealthChoices Behavioral Health Fund
For the Fiscal Year Ended June 30, 2007

Exhibit XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	6,000	9,000	13,663	4,663
Revenue from Other Governments	750,660	721,308	711,278	(10,030)
Total Revenues	756,660	730,308	724,941	(5,367)
Other Sources				
Increase in Unreimbursed Committments	-	-	15,807	15,807
Decrease in Financed Reserves	-	49,000	3,172	(45,828)
Total Revenues and Other Sources	756,660	779,308	743,920	(35,388)
Expenditures and Encumbrances				
Purchase of Services	804,080	804,080	690,764	113,316
Equipment	100	100	-	100
Payments to Other Funds	1,480	1,480	-	1,480
Total Expenditures and Encumbrances	805,660	805,660	690,764	114,896
Operating Surplus (Deficit) for the Year	(49,000)	(26,352)	53,156	79,508
Fund Balance Available for Appropriation, July 1, 2006	118,062	(24,798)	(24,798)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	2	2
Adjusted Fund Balance, July 1, 2006	118,062	(24,798)	(24,796)	2
Fund Balance Available for Appropriation, June 30, 2007	69,062	(51,150)	28,360	79,510

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XVI**

Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	54,124	51,686	45,618	(6,068)
Revenue from Other Governments	1,073,314	900,942	748,253	(152,689)
Total Revenues	1,127,438	952,628	793,871	(158,757)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(3,909)	(3,909)
Decrease in Financed Reserves	-	-	27,509	27,509
Total Revenues and Other Sources	1,127,438	952,628	817,471	(135,157)
Expenditures and Encumbrances				
Personal Services	98,148	99,268	74,734	24,534
Pension Contributions	9,084	11,915	9,307	2,608
Other Employee Benefits	14,355	16,774	12,678	4,096
Sub-Total Employee Compensation	121,587	127,957	96,719	31,238
Purchase of Services	849,863	846,795	678,226	168,569
Materials and Supplies	14,899	17,803	12,001	5,802
Equipment	6,101	9,579	5,110	4,469
Contributions, Indemnities and Taxes	300	71	-	71
Payments to Other Funds	34,688	33,984	23,519	10,465
Advances, Subsidies, Miscellaneous	100,000	-	-	-
Total Expenditures and Encumbrances	1,127,438	1,036,189	815,575	220,614
Operating Surplus (Deficit) for the Year	-	(83,561)	1,896	85,457
Fund Balance Available for Appropriation, July 1, 2006	-	(51,171)	(51,171)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	45,069	45,069
Revenue Adjustments - Net	-	-	(30,488)	(30,488)
Prior Period Adjustments	-	51,171	8,478	(42,693)
Adjusted Fund Balance, July 1, 2006	-	-	(28,112)	(28,112)
Fund Balance Available for Appropriation, June 30, 2007	-	(83,561)	(26,216)	57,345

* Refer to the notes to required supplementary information.

City of Philadelphia

Exhibit XVII

Required Supplementary Information
Pension Plans - Schedule of Funding Progress

Amounts in millions of USD

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
City of Philadelphia Municipal Pension Plan						
07/01/2004	4,333.1	7,247.7	2,914.6	59.79%	1,266.0	230.22%
07/01/2005	4,159.5	7,851.5	3,692.0	52.98%	1,270.7	290.55%
07/01/2006	4,168.5	8,083.7	3,915.2	51.57%	1,319.4	296.74%
Philadelphia Gas Works Plan						
09/01/2001	391.0	411.0	20.0	95.13%	100.3	19.94%
09/01/2003	356.0	427.0	71.0	83.37%	97.5	72.82%
09/01/2005	383.5	450.8	67.3	85.07%	99.9	67.37%

I. BASIS OF BUDGETING

The budgetary comparison schedules presented differ from the GAAP basis statements 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. In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The major funds presented as Required Supplementary Information are subject to annual operating budgets adopted by City Council. These budgets appropriate funds by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies & equipment; contributions, indemnities & taxes; debt service; payments to other funds; and advances & 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 must have council approval.

Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are reported in the City's "Supplemental Report of Revenues & Obligations", a separately published report.

During the year, classification adjustments and supplementary appropriations were necessary for City funds. Therefore, budgeted appropriation amounts presented are as originally passed and as amended by the City Council. As part of the amendment process, budget estimates of City related revenues are adjusted and submitted to City Council for review. Changes in revenue estimates do not need City Council approval, but are submitted in support of testimony with regard to the appropriation adjustments. Revenue estimates are presented as originally passed and as amended.

II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund
Revenues			
Budgetary Comparison Schedule	3,744,118	724,941	793,871
Transfers	(255,431)	-	(3,032)
Program Income	-	-	71,662
Adjustments applicable to Prior Years Budgets	(34)	-	(4,726)
Change in Amount Held by Fiscal Agent	5,890	-	-
Change in BPT Adjustment	(1,835)	-	-
Other	2,943	-	(25,761)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,495,651	724,941	832,014
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,736,657	690,764	815,575
Transfers	(114,999)	-	(12,883)
Bond Issuance Costs	-	-	-
Expenditures applicable to Prior Years Budgets	64,452	(3,211)	34,195
Program Income	-	-	71,662
Other	2,942	-	-
Change in Amount Held by Fiscal Agent	9,742	-	-
Current Year Encumbrances	(103,650)	(12,598)	(75,204)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,595,144	674,955	833,345

III. OBLIGATION IN EXCESS OF APPROPRIATIONS

Fund	Classification	Amount
General Fund	Materials and Supplies	452
Water Fund	Payments to Other Funds	4,419

City of Philadelphia
PENNSYLVANIA

Other Supplementary Information

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to specific purposes.

COUNTY LIQUID FUELS TAX - Established to account for funds made available by Public Law No. 149.

SPECIAL GASOLINE TAX - Established to account for funds made available by Public Law No. 588.

HOTEL ROOM RENTAL TAX - Established to account for the tax levied to promote tourism.

COMMUNITY DEVELOPMENT - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

CAR RENTAL TAX - Established to account for the tax levied to retire new municipal stadium debt.

HOUSING TRUST - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

RIVERVIEW RESIDENTS - Established to maintain a commissary and provide other benefits for the residents.

PHILADELPHIA PRISONS - Established to operate a workshop and to provide benefits for the prison inmates.

ARBITRATION APPEALS - Established to account for certain court fees and provide funds for the arbitration board.

DEPARTMENTAL - Established to account for various activities of the Free Library and Fairmount Park.

MUNICIPAL AUTHORITY ADMINISTRATIVE - Established to account for all financial transactions of the Municipal Authority not accounted for in other funds.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ADMINISTRATIVE - Established to account for PICA revenues from taxes and deficit financing transactions.

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

Debt Service Funds are used for the purpose of accumulating resources for the payment of principal on general obligation term bonds and to function as a conduit for the debt service payments to fiscal agents.

CITY - Established to account for the debt service activities of the City not reflected in proprietary funds operations.

MUNICIPAL AUTHORITY - Established to account for the debt service activities related to the equipment and facilities financed through the Philadelphia Municipal Authority.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY DEBT SERVICE - Established to account for the debt service activities related to the deficit financing provided by PICA.

CAPITAL IMPROVEMENT FUNDS

Capital Improvement Funds are used to account for financial resources to be used for the acquisition or construction of the major capital facilities other than those financed by proprietary fund operations.

CITY - Established to account for capital additions and improvements to the City's facilities and infrastructure and financed through general obligation bond issues and grants from federal, state and local agencies.

MUNICIPAL AUTHORITY - Established to account for the acquisition of vehicles and the construction of major facilities for the city.

PERMANENT FUNDS

Permanent Funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the government's programs.

LIBRARIES & PARKS - Established to account for trust of the Free Library and Fairmount Park.

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007

Schedule I

Amounts in thousands of USD

	Special Revenue												
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets													
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	6,126	423	75,557	82,106
Equity in Treasurer's Account	1,767	9,086	3,507	-	4,706	16,601	169	2,857	-	605	-	-	39,298
Investments	-	-	-	-	-	-	-	-	-	1,060	103	-	1,163
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	167	167
Taxes Receivable	-	-	5,467	-	508	-	-	-	-	-	-	9,073	15,048
Accounts Receivable	-	-	-	3,111	-	-	-	-	-	614	503	-	4,228
Allowance for Doubtful Accounts	-	-	(1,250)	-	(8)	-	-	-	-	-	-	-	(1,258)
Interest and Dividends Receivable	12	43	14	-	14	53	-	-	-	-	1	259	396
Due from Other Governmental Units	-	-	-	11,674	-	-	-	-	-	-	-	-	11,674
Other Assets	-	-	-	-	-	-	-	-	-	-	-	81	81
Total Assets	1,779	9,129	7,738	14,785	5,220	16,654	169	2,857	-	8,405	1,030	85,137	152,903
Liabilities and Fund Balances													
Liabilities:													
Vouchers Payable	12	1,725	-	800	-	-	-	78	-	30	-	-	2,645
Accounts Payable	765	902	4,231	3,957	-	448	-	31	-	1,077	845	355	12,611
Salaries and Wages Payable	-	-	-	214	-	-	-	-	-	-	-	-	214
Due to Other Funds	-	-	-	7,674	-	-	-	10	-	-	-	14,813	22,497
Due to Component Units	-	-	3,199	2,140	-	331	-	-	-	-	-	-	5,670
Funds Held in Escrow	-	-	-	-	-	-	-	448	-	598	-	-	1,046
Deferred Revenue	-	-	308	3,863	1	-	-	-	-	-	-	9,700	13,872
Total Liabilities	777	2,627	7,738	18,648	1	779	-	567	-	1,705	845	24,868	58,555
Fund Balances:													
Reserved for:													
Encumbrances	273	1,029	-	-	-	11,278	-	386	-	56	-	-	13,022
Intergovernmental Financing	-	-	-	-	-	-	-	-	-	-	-	53,293	53,293
Debt Service Principal & Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Trust Purposes	-	-	-	-	-	-	-	-	-	203	-	-	203
Unreserved:													
Designated for Trust Purposes	-	-	-	-	-	-	169	1,904	-	6,441	-	-	8,514
Undesignated	729	5,473	-	(3,863)	5,219	4,597	-	-	-	-	185	6,976	19,316
Total Fund Balances	1,002	6,502	-	(3,863)	5,219	15,875	169	2,290	-	6,700	185	60,269	94,348
Total Liabilities and Fund Balances	1,779	9,129	7,738	14,785	5,220	16,654	169	2,857	-	8,405	1,030	85,137	152,903

City of Philadelphia **Schedule I**

Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2007

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Assets									
Cash on Deposit and on Hand	-	-	21,926	21,926	-	-	-	152	104,184
Equity in Treasurer's Account	7,025	-	-	7,025	169,870	-	169,870	-	216,193
Investments	-	20	63,337	63,357	-	398	398	8,828	73,746
Due from Other Funds	-	-	4,450	4,450	-	-	-	-	4,617
Taxes Receivable	-	-	-	-	-	-	-	-	15,048
Accounts Receivable	-	-	-	-	-	-	-	1	4,229
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(1,258)
Interest and Dividends Receivable	29	-	183	212	145	-	145	-	753
Due from Other Governmental Units	-	-	-	-	27,500	-	27,500	-	39,174
Other Assets	-	-	-	-	-	-	-	-	81
Total Assets	7,054	20	89,896	96,970	197,515	398	197,913	8,981	456,767
Liabilities and Fund Balances									
Liabilities:									
Vouchers Payable	-	-	-	-	4,075	-	4,075	-	6,720
Accounts Payable	-	-	-	-	6,155	-	6,155	39	18,805
Salaries and Wages Payable	-	-	-	-	59	-	59	-	273
Due to Other Funds	-	-	226	226	-	-	-	-	22,723
Due to Component Units	-	-	-	-	424	-	424	-	6,094
Funds Held in Escrow	-	-	-	-	3,548	-	3,548	-	4,594
Deferred Revenue	-	-	4,450	4,450	24,028	-	24,028	-	42,350
Total Liabilities	-	-	4,676	4,676	38,289	-	38,289	39	101,559
Fund Balances:									
Reserved for:									
Encumbrances	-	-	-	-	56,656	-	56,656	-	69,678
Intergovernmental Financing	-	-	-	-	-	-	-	-	53,293
Debt Service Principal & Interest	7,054	20	83,661	90,735	-	-	-	-	90,735
Trust Purposes	-	-	-	-	-	-	-	4,641	4,844
Unreserved:									
Designated for Trust Purposes	-	-	-	-	-	-	-	4,301	12,815
Undesignated	-	-	1,559	1,559	102,570	398	102,968	-	123,843
Total Fund Balances	7,054	20	85,220	92,294	159,226	398	159,624	8,942	355,208
Total Liabilities and Fund Balances	7,054	20	89,896	96,970	197,515	398	197,913	8,981	456,767

City of Philadelphia **Schedule II**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Special Revenue												
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues													
Tax Revenue	-	-	38,039	-	5,076	-	-	-	-	-	-	327,923	371,038
Locally Generated Non-Tax Revenue	72	283	143	23,420	211	14,550	13	2,071	524	6,512	12,310	4,300	64,409
Revenue from Other Governments	4,978	23,261	-	40,464	-	-	-	-	-	-	-	-	68,703
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	132	132
Total Revenues	5,050	23,544	38,182	63,884	5,287	14,550	13	2,071	524	6,512	12,310	332,355	504,282
Expenditures													
Current Operating:													
Economic Development	-	-	38,182	-	-	-	-	-	-	-	-	-	38,182
Transportation:													
Streets & Highways	4,706	20,420	-	-	-	-	-	-	-	-	-	-	25,126
Judiciary and Law Enforcement:													
Prisons	-	-	-	-	-	-	-	1,341	-	-	-	-	1,341
Conservation of Health:													
Housing and Neighborhood Development	-	-	-	62,180	-	8,251	-	-	-	-	-	-	70,431
Cultural and Recreational:													
Recreation	-	-	-	-	-	-	-	-	-	29	-	-	29
Parks	-	-	-	-	-	-	-	-	-	4,451	-	-	4,451
Libraries and Museums	-	-	-	-	-	-	-	-	-	223	-	-	223
Improvements to General Welfare:													
Service to Property:													
General Management and Support	-	-	-	81	5,000	-	54	-	524	1,372	12,293	1,473	20,797
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,706	20,420	38,182	62,261	5,000	8,251	54	1,341	524	6,075	12,293	1,473	160,580
Excess (Deficiency) of Revenues Over (Under) Expenditures	344	3,124	-	1,623	287	6,299	(41)	730	-	437	17	330,882	343,702
Other Financing Sources (Uses)													
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	1,105	-	-	1,105
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	(327,171)	(327,171)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	1,105	-	(327,171)	(326,066)
Net Change in Fund Balances	344	3,124	-	1,623	287	6,299	(41)	730	-	1,542	17	3,711	17,636
Fund Balance - July 1, 2006	658	3,378	-	(5,486)	4,932	9,576	210	1,560	-	5,158	168	56,558	76,712
Fund Balance - June 30, 2007	1,002	6,502	-	(3,863)	5,219	15,875	169	2,290	-	6,700	185	60,269	94,348

City of Philadelphia **Schedule II**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds(Continued)
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Revenues									
Tax Revenue	-	-	-	-	-	-	-	-	371,038
Locally Generated Non-Tax Revenue	153	28	5,353	5,534	-	19	19	1,324	71,286
Revenue from Other Governments	-	-	-	-	16,470	-	16,470	-	85,173
Other Revenues	-	-	-	-	240	-	240	-	372
Total Revenues	153	28	5,353	5,534	16,710	19	16,729	1,324	527,869
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	38,182
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	25,126
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	1,341
Conservation of Health:									
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	70,431
Cultural and Recreational:									
Recreation	-	-	-	-	-	-	-	-	29
Parks	-	-	-	-	-	-	-	160	4,611
Libraries and Museums	-	-	-	-	-	-	-	-	223
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-	-	555	555	-	-	-	-	21,352
Capital Outlay	-	-	-	-	92,291	-	92,291	-	92,291
Debt Service:									
Principal	22,125	17,564	51,770	91,459	-	-	-	-	91,459
Interest	52,093	15,544	34,207	101,844	-	-	-	-	101,844
Bond Issuance Cost	-	-	-	-	2,297	-	2,297	-	2,297
Total Expenditures	74,218	33,108	86,532	193,858	94,588	-	94,588	160	449,186
Excess (Deficiency) of Revenues Over (Under) Expenditures	(74,065)	(33,080)	(81,179)	(188,324)	(77,878)	19	(77,859)	1,164	78,683
Other Financing Sources (Uses)									
Issuance of Debt	-	-	-	-	217,590	-	217,590	-	217,590
Bond Issuance Premium	6,910	-	-	6,910	-	-	-	-	6,910
Transfers In	74,209	33,081	82,168	189,458	11,021	-	11,021	-	201,584
Transfers Out	-	-	-	-	-	-	-	-	(327,171)
Total Other Financing Sources (Uses)	81,119	33,081	82,168	196,368	228,611	-	228,611	-	98,913
Net Change in Fund Balances	7,054	1	989	8,044	150,733	19	150,752	1,164	177,596
Fund Balance - July 1, 2006	-	19	84,231	84,250	8,493	379	8,872	7,778	177,612
Fund Balances - June 30, 2007	7,054	20	85,220	92,294	159,226	398	159,624	8,942	355,208

City of Philadelphia **Schedule III**

Combining Statement of Fiduciary Net Assets

Pension Trust Funds

June 30, 2007

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Equity in Treasurer's Account	468,970	4,955,827	5,424,797
Securities Lending Collective Investment Pool	-	443,073	443,073
Accounts Receivable	631	3,652	4,283
Due from Brokers for Securities Sold	-	72,682	72,682
Interest and Dividends Receivable	1,722	9,278	11,000
Due from Other Governmental Units	-	5,158	5,158
Total Assets	471,323	5,489,670	5,960,993
Liabilities			
Vouchers Payable	-	104	104
Accounts Payable	591	3,704	4,295
Salaries and Wages Payable	-	127	127
Funds Held in Escrow	-	377	377
Due on Return of Securities Loaned	-	443,073	443,073
Due to Brokers for Securities Purchased	-	139,570	139,570
Accrued Expenses	-	1,074	1,074
Deferred Revenue	-	1,971	1,971
Other Liabilities	-	315	315
Total Liabilities	591	590,315	590,906
Net Assets Held in Trust for Pension Benefits	470,732	4,899,355	5,370,087

City of Philadelphia **Schedule IV**

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	15,260	432,267	447,527
Employees' Contributions	-	49,180	49,180
Total Contributions	15,260	481,447	496,707
Investment Income:			
Interest and Dividends	15,846	80,311	96,157
Net Gain in Fair Value of Investments	53,046	701,730	754,776
(Less) Investments Expenses	(2,468)	(17,127)	(19,595)
Securities Lending Revenue	131	21,837	21,968
(Less) Securities Lending Expenses	(95)	(20,758)	(20,853)
Net Investment Gain	66,460	765,993	832,453
Miscellaneous Operating Revenues	-	1,963	1,963
Total Additions	81,720	1,249,403	1,331,123
Deductions			
Personal Services	-	3,626	3,626
Purchase of Services	-	1,183	1,183
Materials and Supplies	-	104	104
Employee Benefits	-	1,562	1,562
Pension Benefits	31,853	655,629	687,482
Refunds of Members' Contributions	-	4,475	4,475
Other Operating Expenses	-	55	55
Total Deductions	31,853	666,634	698,487
Change in Net Assets	49,867	582,769	632,636
Net Assets - July 1, 2006	420,865	4,316,586	4,737,451
Net Assets - June 30, 2007	470,732	4,899,355	5,370,087

City of Philadelphia **Schedule V**

Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2007

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	123,808	123,808
Equity in Treasurer's Account	7,848	12,517	-	20,365
Investments	-	-	19,881	19,881
Due from Other Funds	-	-	800	800
Total Assets	7,848	12,517	144,489	164,854
Liabilities				
Vouchers Payable	22	134	-	156
Payroll Taxes Payable	-	6,931	-	6,931
Funds Held in Escrow	7,826	5,452	144,489	157,767
Total Liabilities	7,848	12,517	144,489	164,854
Net Assets	-	-	-	-

City of Philadelphia **Schedule VI**

Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Balance 7-1-2006	Additions	Deductions	Balance 6-30-2007
Escrow Fund				
Assets				
Equity in Treasurer's Account	7,600	346,397	346,149	7,848
Liabilities				
Funds Held in Escrow	7,600	341,349	341,123	7,826
Vouchers Payable	-	1,945	1,923	22
Due to Other Governmental Units	-	-	-	-
Total Liabilities	7,600	343,294	343,046	7,848
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	13,089	830,675	831,247	12,517
Liabilities				
Vouchers Payable	91	6,167	6,124	134
Payroll Taxes Payable	7,883	750,961	751,913	6,931
Funds Held in Escrow	5,115	79,750	79,413	5,452
Total Liabilities	13,089	836,878	837,450	12,517
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	124,572	84,348	85,112	123,808
Investments	20,746	-	865	19,881
Due from Other Funds	777	102	79	800
Total Assets	146,095	84,450	86,056	144,489
Liabilities				
Funds Held in Escrow	146,095	84,450	86,056	144,489
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	124,572	84,348	85,112	123,808
Equity in Treasurer's Account	20,689	1,177,072	1,177,396	20,365
Investments	20,746	-	865	19,881
Due from Other Funds	777	102	79	800
Total Assets	166,784	1,261,522	1,263,452	164,854
Liabilities				
Vouchers Payable	91	8,112	8,047	156
Payroll Taxes Payable	7,883	750,961	751,913	6,931
Funds Held in Escrow	158,810	505,549	506,592	157,767
Total Liabilities	166,784	1,264,622	1,266,552	164,854

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2007

Schedule VII

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2007 Outstanding	Maturities	Interest Rates	FY 2008 Debt Service Requirements Interest	Principal
General Obligation Bonds:								
Term Bonds	34,966,006 [1]	12/01/1995	28,516,101	28,516,101	05/2014 to 05/2025	5.00	1,425,805	-
	[1]	11/15/1998	6,449,905	6,449,905	03/2019 to 03/2028	5.00	322,495	-
	72,135,877 [1]	12/01/1995	36,358,899	36,358,899	05/2014 to 05/2025	5.00	1,817,945	-
	[1]	11/15/1998	35,776,978	35,776,978	03/2019 to 03/2028	5.00	1,788,849	-
	68,194,869 [1]	11/15/1998	68,194,869	68,194,869	03/2019 to 03/2028	5.00	3,409,744	-
	22,303,248 [1]	11/15/1998	22,303,248	22,303,248	03/2019 to 03/2028	5.00	1,115,162	-
	51,328,447 [1]	01/01/2001	51,328,447	51,328,447	09/2022 to 09/2031	5.00 to 5.25	2,610,226	-
	97,493,541 [1]	01/01/2001	96,961,553	96,961,553	09/2022 to 09/2031	5.00 to 5.25	4,930,824	-
		07/27/2006	531,988	531,988	8/2008 to 8/2031	5.00	26,599	
	120,935,000 [3]	12/02/2003	100,000,000	99,925,000	2/2008 to 2/2033	Variable rates	3,691,396	25,000
	[3]	12/02/2003	20,935,000	20,919,298	2/2008 to 2/2033	Variable rates	841,131	5,234
	79,065,000 [3]	12/02/2003	79,065,000	79,005,702	2/2008 to 2/2033	Variable rates	3,176,690	19,766
	7,222,518	07/27/2006	7,222,518	7,222,518	8/2008 to 8/2031	5.00	361,126	-
	11,024,437	07/27/2006	11,024,437	11,024,437	8/2008 to 8/2031	5.00	551,222	-
	10,131,057	07/27/2006	10,131,057	10,131,057	8/2008 to 8/2031	5.00	506,553	-
Total Term Bonds	574,800,000		574,800,000	574,650,000			26,575,767	50,000
Refunding Issues	178,240,000	12/01/1998	178,240,000	136,515,000	05/2008 to 05/2020	4.75 to 5.25	6,822,581	7,725,000
Total Refunding Bonds	178,240,000		178,240,000	136,515,000			6,822,581	7,725,000
Serial Bonds	20,000,000	NA	20,000,000	5,787,024	07/2007 to 06/2013	1.00	52,497	1,174,485
	73,033,994	06/15/1994	47,500,000	9,645,000	11/2007 to 11/2014	5.80 to 6.00	546,253	970,000
	[1]	12/01/1995	19,834,899	2,613,152	05/2008 to 05/2025	5.00	130,658	1,274,708
	[1]	11/15/1998	5,699,095	4,259,925	03/2008 to 03/2018	4.75 to 5.25	215,106	297,651
	56,902,420 [1]	12/01/1995	25,290,101	3,331,848	05/2008 to 05/2025	5.00	166,592	1,625,292
	[1]	11/15/1998	31,612,319	23,629,384	03/2008 to 03/2018	4.75 to 5.25	1,193,171	1,651,038
	60,256,571 [1]	11/15/1998	60,256,571	45,040,212	03/2008 to 03/2018	4.75 to 5.25	2,274,316	3,147,060
	19,707,015 [1]	11/15/1998	19,707,015	14,730,479	03/2008 to 03/2018	4.75 to 5.25	743,819	1,029,251
	50,781,553 [1]	01/01/2001	50,781,553	41,975,863	09/2007 to 09/2021	4.05 to 5.50	2,036,313	1,974,704
	99,400,449 [1]	01/01/2001	95,928,447	79,294,137	09/2007 to 09/2021	4.05 to 5.50	3,846,679	3,730,296
		07/27/2006	3,472,002	3,472,002	8/2007 to 8/2029	4.50 to 5.125	170,045	82,807
	12,165,000 [1]	12/02/2003	12,165,000	10,227,115	02/2008 to 02/2015	5 to 5.25	521,100	745,715
	84,972,482	12/02/2003	37,835,000	31,807,885	02/2008 to 02/2015	5 to 5.25	1,620,700	2,319,285
		07/27/2006	47,137,482	47,137,482	8/2007 to 8/2029	4.50 to 5.125	2,308,601	1,124,224
	71,950,563	07/27/2006	71,950,563	71,950,563	8/2007 to 8/2029	4.50 to 5.125	3,523,844	1,716,014
	66,119,953	07/27/2006	66,119,953	66,119,953	8/2007 to 8/2029	4.50 to 5.125	3,238,285	1,576,955
Total Serial Bonds	615,290,000		615,290,000	461,022,024			22,587,979	24,439,485
Total General Obligation Bonds	1,368,330,000		1,368,330,000	1,172,187,024			55,986,327	32,214,485

City of Philadelphia **Schedule VII**

City Related Schedule of Bonded Debt Outstanding

June 30, 2007

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2007 Outstanding	Maturities	Interest Rates	FY 2008 Debt Service Requirements Interest	Principal
Revenue Bonds:								
Water and Sewer Revenue Bonds:								
14th Series	158,265,000 [2]	05/15/1989	158,265,000	47,200,000	10/2007 to 10/2008	NA	-	23,600,000
Series 1993	1,157,585,000	08/01/1993	1,010,025,000	225,975,000	06/2008 to 06/2011	5.625 to 7.00	14,671,156	40,570,000
Series 1995	221,630,000	04/15/1995	221,630,000	69,935,000	08/2007 to 08/2018	6.25	4,061,094	9,915,000
Series 1997 A	350,000,000	10/15/1997	250,000,000	5,815,000	08/2007	5.25	152,644	5,815,000
Series 1997 B	[3]	11/25/1997	100,000,000	83,600,000	08/2007 to 08/2027	Variable rates	3,032,950	2,500,000
Series 1998	135,185,000	12/25/1998	135,185,000	135,185,000	12/2011 to 12/2014	5.25	7,097,213	-
Series 1999 A	6,700,000	N.A.	6,700,000	1,373,419	07/2007 to 04/2019	2.73	32,114	431,187
Series 2001 A and B	285,920,000	11/15/2001	285,920,000	137,875,000	11/2011 to 11/2028	3.8 to 5.50	7,069,482	-
Series 2003	381,275,000 [3]	04/01/2003	381,275,000	372,270,000	06/2008 to 06/2023	Variable rates	16,826,604	1,095,000
Series 2005 A	250,000,000	05/04/2005	250,000,000	247,875,000	07/2007 to 07/2035	3.00 to 5.25	12,166,625	4,145,000
Series 2005 B	86,105,000 [3]	05/04/2005	86,105,000	84,385,000	08/2007 to 08/2018	Variable rates	3,814,713	350,000
Series 2007 A	191,440,000	11/16/2006	191,440,000	191,440,000	8/2007 to 8/2027	4.00 to 5.00	6,577,034	2,815,000
Series 2007 B	153,595,000	11/16/2006	153,595,000	153,595,000	11/2007 to 11/2031	4.00 to 5.00	6,825,998	90,000
Total Water Revenue Bonds	3,377,700,000		3,230,140,000	1,756,523,419			82,327,627	91,326,187
Aviation Revenue Bonds:								
Series 1997 A and B	222,265,000	07/01/1997	222,265,000	120,210,000	06/2008 to 06/2027	5.00 to 6.00	6,524,450	6,680,000
Series 1998 A	123,405,000	03/17/1998	123,405,000	83,835,000	06/2008 to 06/2018	5.25 to 6.00	4,558,306	5,760,000
Series 1998 B	443,700,000	07/01/1998	443,700,000	398,675,000	07/2007 to 07/2028	5.00 to 5.375	20,175,343	10,175,000
Series 2001 A	187,680,000	07/01/2001	187,680,000	172,865,000	07/2007 to 07/2028	5.125 to 5.50	9,111,876	4,205,000
Series 2001 B	40,120,000	07/01/2001	40,120,000	37,140,000	06/2008 to 06/2031	4.25 to 5.50	1,937,119	825,000
Series 2005 B	41,000,000 [3]	06/02/2005	41,000,000	41,000,000	06/2011 to 06/2020	Variable rates	1,558,000	-
Series 2005 C	189,500,000 [3]	06/02/2005	189,500,000	182,700,000	06/2008 to 06/2025	Variable rates	11,380,088	4,100,000
Series 2005 A	124,985,000	08/04/2005	124,985,000	124,985,000	06/2009 to 06/2035	4.20 to 5.50	5,979,705	-
Total Aviation Revenue Bonds	1,372,655,000		1,372,655,000	1,161,410,000			61,224,887	31,745,000
Total Revenue Bonds	4,750,355,000		4,602,795,000	2,917,933,419			143,552,514	123,071,187
Total All Bonds	6,118,685,000		5,971,125,000	4,090,120,443 [4]			199,538,841	155,285,672

NOTES:

[1] These General Obligation Authorizations were issued as both Term and Serial Bonds.

[2] The balance outstanding on these issues includes zero discount bonds and compound interest bonds as follows:

Outstanding	Maturity Value	Discount
47,200,000	47,200,000	34,230,384

[3] Based on latest available estimated rates.

[4] A summary of all Bonds Outstanding is as follows:

	General Obligation Bonds	Revenue Bonds	Total
General Fund Types:			
General Fund	1,166,400,000	-	1,166,400,000
Proprietary Fund Types:			
Water Fund	5,787,024	1,756,523,419	1,762,310,443
Aviation Fund	-	1,161,410,000	1,161,410,000
Total Proprietary Funds	5,787,024	2,917,933,419	2,923,720,443
Total All Funds	1,172,187,024	2,917,933,419	4,090,120,443

City of Philadelphia **Schedule VIII**

Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	465,286	477,078	486,917	9,839
Revenue from Other Governments	1,600	1,500	520	(980)
Revenue from Other Funds	63,328	30,272	32,311	2,039
Total Revenues	530,214	508,850	519,748	10,898
Expenditures and Encumbrances				
Personal Services	109,721	103,818	101,056	2,762
Pension Contributions	32,600	34,513	34,513	-
Other Employee Benefits	32,519	31,138	31,138	-
Sub-Total Employee Compensation	174,840	169,469	166,707	2,762
Purchase of Services	97,059	85,617	83,967	1,650
Materials and Supplies	38,994	38,557	38,274	283
Equipment	4,820	3,658	3,134	524
Contributions, Indemnities and Taxes	6,603	6,038	2,445	3,593
Debt Service	178,826	176,415	173,923	2,492
Payments to Other Funds	42,072	63,460	67,879	(4,419)
Total Expenditures and Encumbrances	543,214	543,214	536,329	6,885
Operating Surplus (Deficit) for the Year	(13,000)	(34,364)	(16,581)	17,783
Fund Balance Available for Appropriation, July 1, 2006	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	13,000	13,000	16,584	3,584
Prior Period Adjustments	-	-	(3)	(3)
Adjusted Fund Balance, July 1, 2006	13,000	13,000	16,581	3,581
Fund Balance Available for Appropriation, June 30, 2007	-	(21,364)	-	21,364

City of Philadelphia **Schedule IX**

Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	100	-	-	-
Revenue from Other Funds	145,765	20,765	16,324	(4,441)
Total Revenues	145,865	20,765	16,324	(4,441)
Expenditures and Encumbrances				
Personal Services	125,000	125,000	-	125,000
Payments to Other Funds	21,494	21,494	21,494	-
Total Expenditures and Encumbrances	146,494	146,494	21,494	125,000
Operating Surplus (Deficit) for the Year	(629)	(125,729)	(5,170)	120,559
Fund Balance Available for Appropriation, July 1, 2006	17,606	6,867	6,867	-
Fund Balance Available for Appropriation, June 30, 2007	16,977	(118,862)	1,697	120,559

City of Philadelphia **Schedule X**

Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	20	35	72	37
Revenue from Other Governments	4,916	4,915	4,978	63
Total Revenues	4,936	4,950	5,050	100
Expenditures and Encumbrances				
Personal Services	3,284	3,284	3,284	-
Purchase of Services	1,311	1,311	1,307	4
Materials and Supplies	260	260	258	2
Equipment	80	80	74	6
Payments to Other Funds	15	15	15	-
Total Expenditures and Encumbrances	4,950	4,950	4,938	12
Operating Surplus (Deficit) for the Year	(14)	-	112	112
Fund Balance Available for Appropriation, July 1, 2006	644	574	574	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	75	75	43	(32)
Adjusted Fund Balance, July 1, 2006	719	649	617	(32)
Fund Balance Available for Appropriation, June 30, 2007	705	649	729	80

City of Philadelphia **Schedule XI**

Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	70	90	283	193
Revenue from Other Governments	21,916	22,055	23,261	1,206
Total Revenues	21,986	22,145	23,544	1,399
Expenditures and Encumbrances				
Personal Services	8,270	8,270	8,270	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	9,270	9,270	9,270	-
Purchase of Services	7,310	7,470	7,433	37
Materials and Supplies	3,595	3,935	3,869	66
Equipment	590	90	89	1
Payments to Other Funds	31	31	31	-
Total Expenditures and Encumbrances	20,796	20,796	20,692	104
Operating Surplus (Deficit) for the Year	1,190	1,349	2,852	1,503
Fund Balance Available for Appropriation, July 1, 2006	2,269	2,496	2,496	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	215	100	125	25
Adjusted Fund Balance, July 1, 2006	2,484	2,596	2,621	25
Fund Balance Available for Appropriation, June 30, 2007	3,674	3,945	5,473	1,528

City of Philadelphia **Schedule XII**

Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	43,000	43,000	38,039	(4,961)
Locally Generated Non-Tax Revenue	100	100	143	43
Total Revenues	43,100	43,100	38,182	(4,918)
Expenditures and Encumbrances				
Personal Services	90	90	90	-
Contributions, Indemnities and Taxes	43,010	43,010	41,318	1,692
Total Expenditures and Encumbrances	43,100	43,100	41,408	1,692
Operating Surplus (Deficit) for the Year	-	-	(3,226)	(3,226)
Fund Balance Available for Appropriation, July 1, 2006	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	3,226	3,226
Adjusted Fund Balance, July 1, 2006	-	-	3,226	3,226
Fund Balance Available for Appropriation, June 30, 2007	-	-	-	-

City of Philadelphia **Schedule XIII**

Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	319,575	319,775	266,013	(53,762)
Revenue from Other Governments	2,500	2,500	1,693	(807)
Revenue from Other Funds	1,000	1,000	920	(80)
Total Revenues	323,075	323,275	268,626	(54,649)
Expenditures and Encumbrances				
Personal Services	59,996	59,996	57,886	2,110
Pension Contributions	16,296	17,524	17,524	-
Other Employee Benefits	15,824	15,780	15,688	92
Sub-Total Employee Compensation	92,116	93,300	91,098	2,202
Purchase of Services	98,635	98,438	84,216	14,222
Materials and Supplies	10,219	10,228	7,818	2,410
Equipment	7,545	7,535	3,266	4,269
Contributions, Indemnities and Taxes	4,787	4,787	1,243	3,544
Debt Service	99,487	98,501	85,694	12,807
Payments to Other Funds	24,381	24,381	16,766	7,615
Total Expenditures and Encumbrances	337,170	337,170	290,101	47,069
Operating Surplus (Deficit) for the Year	(14,095)	(13,895)	(21,475)	(7,580)
Fund Balance Available for Appropriation, July 1, 2006	37,706	47,107	47,107	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	12,000	12,000	17,036	5,036
Prior Period Adjustments	-	-	(85)	(85)
Adjusted Fund Balance, July 1, 2006	49,706	59,107	64,058	4,951
Fund Balance Available for Appropriation, June 30, 2007	35,611	45,212	42,583	(2,629)

City of Philadelphia **Schedule XIV**

Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	250	250	23,420	23,170
Revenue from Other Governments	135,722	115,722	33,323	(82,399)
Total Revenues	135,972	115,972	56,743	(59,229)
Other Sources				
Increase in Unreimbursed Committments	-	-	14,774	14,774
Total Revenues and Other Sources	135,972	115,972	71,517	(44,455)
Expenditures and Encumbrances				
Personal Services	4,989	7,009	3,606	3,403
Pension Contributions	1,449	2,129	1,458	671
Other Employee Benefits	1,469	1,800	1,490	310
Sub-Total Employee Compensation	7,907	10,938	6,554	4,384
Purchase of Services	107,820	104,689	79,810	24,879
Materials and Supplies	172	287	208	79
Equipment	43	28	15	13
Payments to Other Funds	30	30	18	12
Advances, Subsidies, Miscellaneous	20,000	8,487	-	8,487
Total Expenditures and Encumbrances	135,972	124,459	86,605	37,854
Operating Surplus (Deficit) for the Year	-	(8,487)	(15,088)	(6,601)
Fund Balance Available for Appropriation, July 1, 2006	-	(5,486)	(5,486)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	16,791	16,791
Revenue Adjustments - Net	-	-	(80)	(80)
Prior Period Adjustments	-	5,486	-	(5,486)
Adjusted Fund Balance, July 1, 2006	-	-	11,225	11,225
Fund Balance Available for Appropriation, June 30, 2007	-	(8,487)	(3,863)	4,624

City of Philadelphia **Schedule XV**

Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	5,000	5,000	5,076	76
Locally Generated Non-Tax Revenue	130	120	211	91
Total Revenues	5,130	5,120	5,287	167
Expenditures and Encumbrances				
Purchase of Services	5,000	5,000	5,000	-
Total Expenditures and Encumbrances	5,000	5,000	5,000	-
Operating Surplus (Deficit) for the Year	130	120	287	167
Fund Balance Available for Appropriation, July 1, 2006	5,132	4,932	4,932	-
Fund Balance Available for Appropriation, June 30, 2007	5,262	5,052	5,219	167

City of Philadelphia **Schedule XVI**

Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	14,120	14,300	14,550	250
Expenditures and Encumbrances				
Personal Services	20,000	1,400	1,400	-
Purchase of Services	-	18,600	18,574	26
Total Expenditures and Encumbrances	20,000	20,000	19,974	26
Operating Surplus (Deficit) for the Year	(5,880)	(5,700)	(5,424)	276
Fund Balance Available for Appropriation, July 1, 2006	10,100	8,936	8,936	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	1,085	1,085
Adjusted Fund Balance, July 1, 2006	10,100	8,936	10,021	1,085
Fund Balance Available for Appropriation, June 30, 2007	4,220	3,236	4,597	1,361

City of Philadelphia **Schedule XVII**

Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	331,827	328,827	240	(328,587)
Revenue from Other Governments	254,301	257,301	16,689	(240,612)
Revenue from Other Funds	-	-	10,803	10,803
Total Revenues	586,128	586,128	27,732	(558,396)
Other Sources (Uses)				
Decrease in Unreimbursed Committments	-	-	(1,560)	(1,560)
Proceeds from Bond Sales	-	-	217,590	217,590
Total Revenues and Other Sources	586,128	586,128	243,762	(342,366)
Expenditures and Encumbrances				
Capital Outlay	586,128	586,128	79,149	506,979
Operating Surplus (Deficit) for the Year	-	-	164,613	164,613
Fund Balance Available for Appropriation, July 1, 2006	-	-	(67,514)	(67,514)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	4,419	4,419
Revenue Adjustments - Net	-	-	1,052	1,052
Adjusted Fund Balance, July 1, 2006	-	-	(62,043)	(62,043)
Fund Balance Available for Appropriation, June 30, 2007	-	-	102,570	102,570

City of Philadelphia **Schedule XVIII**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2007 Actual	Positive (Negative)	FY 2006 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	368,592	366,769	367,257	488	354,058	13,199
Prior Years	41,000	41,000	30,286	(10,714)	41,759	(11,473)
Total Real Property Tax	409,592	407,769	397,543	(10,226)	395,817	1,726
Wage and Earnings Taxes:						
Current	1,108,448	1,133,395	1,162,391	28,996	1,104,035	58,356
Prior Years	10,500	8,000	5,061	(2,939)	7,120	(2,059)
Total Wage and Earnings Taxes	1,118,948	1,141,395	1,167,452	26,057	1,111,155	56,297
Business Taxes:						
Business Privilege Taxes:						
Current	325,927	383,046	401,911	18,865	390,463	11,448
Prior Years	53,000	25,000	34,447	9,447	25,041	9,406
Total Business Privilege Tax	378,927	408,046	436,358	28,312	415,504	20,854
Net Profits Tax:						
Current	12,315	12,083	10,936	(1,147)	11,822	(886)
Prior Years	2,500	2,500	4,326	1,826	2,799	1,527
Total Net Profits Tax	14,815	14,583	15,262	679	14,621	641
Total Business Taxes	393,742	422,629	451,620	28,991	430,125	21,495
Other Taxes:						
Sales Tax	129,023	135,000	132,572	(2,428)	127,817	4,755
Amusement Tax	17,425	17,394	16,454	(940)	16,970	(516)
Real Property Transfer Tax	195,000	210,000	217,329	7,329	236,430	(19,101)
Parking Lot Tax	48,380	49,588	50,310	722	48,378	1,932
Miscellaneous Taxes	1,522	3,500	2,575	(925)	2,263	312
Total Other Taxes	391,350	415,482	419,240	3,758	431,858	(12,618)
Total Taxes	2,313,632	2,387,275	2,435,855	48,580	2,368,955	66,900
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	13,320	14,373	5,140	(9,233)	5,005	135
Licenses and Permits	42,639	41,814	40,584	(1,230)	39,138	1,446
Fines, Forfeits, Penalties, Confiscated Money and Property	19,855	21,025	18,441	(2,584)	18,844	(403)
Interest Income	25,450	24,950	41,978	17,028	30,098	11,880
Service Charges and Fees	102,609	106,257	108,084	1,827	104,315	3,769
Other	41,135	31,879	33,684	1,805	38,510	(4,826)
Total Locally Generated Non-Tax Revenue	245,008	240,298	247,911	7,613	235,910	12,001
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	207,840	198,922	207,430	8,508	235,293	(27,863)
Commonwealth of Pennsylvania:						
Grants and Other Payments	516,226	496,914	509,109	12,195	405,582	103,527
Other Governmental Units	307,720	301,941	316,396	14,455	283,669	32,727
Total Revenue from Other Governments	1,031,786	997,777	1,032,935	35,158	924,544	108,391
Revenue from Other Funds of the City	27,574	25,719	27,417	1,698	24,887	2,530
Total Revenues	3,618,000	3,651,069	3,744,118	93,049	3,554,296	189,822

City of Philadelphia **Schedule XVIII**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2007 Actual	Positive (Negative)	FY 2006 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	14,790	44,790	13,625	31,165	12,735	890
Mayor's Office:						
Mayor's Office	4,929	5,231	5,061	170	4,603	458
Scholarships	200	200	200	-	199	1
Mural Arts Program	857	857	724	133	832	(108)
Labor Relations	586	586	547	39	585	(38)
Mayor's Office of Information Services	13,077	14,411	13,654	757	11,717	1,937
Capital Program Office	1,918	1,918	1,762	156	1,843	(81)
Mayor's Office of Community Services	-	-	-	-	132	(132)
Law	15,156	16,000	16,195	(195)	14,799	1,396
City Planning Commission	3,354	3,354	3,214	140	3,138	76
Commission on Human Relations	2,157	2,175	2,175	-	2,035	140
Board of Revision of Taxes	9,594	9,594	9,559	35	8,133	1,426
Total General Government	66,618	99,116	66,716	32,400	60,751	5,965
Operation of Service Departments						
Housing	1,387	6,317	6,317	-	1,541	4,776
Managing Director	13,004	13,922	13,328	594	13,543	(215)
Police	493,497	503,191	500,751	2,440	480,283	20,468
Streets	128,342	140,184	137,362	2,822	127,726	9,636
Fire	180,461	195,923	195,923	-	172,301	23,622
Public Health	114,339	114,985	112,910	2,075	105,653	7,257
Office of Behavioral Health	14,475	14,475	14,352	123	14,445	(93)
Recreation	36,319	38,833	37,032	1,801	35,026	2,006
Fairmount Park Commission	12,882	14,675	14,463	212	13,453	1,010
Atwater Kent Museum	270	270	256	14	267	(11)
Camp William Penn	283	321	309	12	289	20
Public Property	172,652	194,837	194,332	505	169,993	24,339
Department of Human Services	609,479	590,587	590,438	149	557,741	32,697
Philadelphia Prisons	194,238	208,761	208,774	(13)	194,774	14,000
Office of Supportive Housing	29,481	37,529	38,608	(1,079)	35,779	2,829
Office of Fleet Management	55,174	58,695	59,708	(1,013)	57,212	2,496
Licenses and Inspections	28,788	28,998	28,686	312	28,628	58
Board of L & I Review	219	219	184	35	178	6
Board of Building Standards	110	110	91	19	101	(10)
Zoning Board of Adjustment	449	449	398	51	414	(16)
Records	8,136	8,136	8,017	119	8,740	(723)
Philadelphia Historical Commission	322	322	315	7	272	43
Art Museum	2,250	2,280	2,280	-	2,000	280
Philadelphia Free Library	39,449	39,469	39,211	258	37,310	1,901
Total Operations of Service Departments	2,136,006	2,213,488	2,204,045	9,443	2,057,669	146,376
Financial Management						
Office of Director of Finance	62,748	47,343	47,343	-	42,919	4,424
Department of Revenue	17,702	17,782	16,766	1,016	16,649	117
Sinking Fund Commission	199,321	173,420	173,420	-	159,922	13,498
Procurement	5,342	5,342	4,933	409	4,599	334
City Treasurer	817	817	642	175	677	(35)
Audit of City Operations	8,150	8,150	7,786	364	7,330	456
Total Financial Management	294,080	252,854	250,890	1,964	232,096	18,794

City of Philadelphia **Schedule XVIII**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2007 Actual	Positive (Negative)	FY 2006 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	864,479	890,330	890,330	-	760,221	130,109
Community College of Philadelphia	23,468	23,468	23,468	-	22,468	1,000
Legal Services	34,269	35,404	35,404	-	33,609	1,795
Hero Award	25	26	26	-	19	7
Refunds	500	10	10	-	20	(10)
Witness Fees	173	135	135	-	104	31
Contribution to School District	35,000	35,000	35,000	-	35,000	-
Total City-Wide Under Director of Finance	957,914	984,373	984,373	-	851,441	132,932
Promotion and Public Relations						
City Representative	47,318	47,352	46,991	361	47,199	(208)
Personnel						
Civic Service Commission	164	164	146	18	155	(9)
Personnel Director	5,010	5,010	4,793	217	4,421	372
Total Personnel	5,174	5,174	4,939	235	4,576	363
Administration of Justice						
Clerk of Quarter Sessions	4,805	4,805	4,792	13	4,297	495
Register of Wills	3,457	3,457	3,443	14	3,178	265
District Attorney	30,646	31,264	30,937	327	28,658	2,279
Sheriff	13,733	14,739	14,644	95	13,775	869
First Judicial District	109,651	114,796	114,830	(34)	112,544	2,286
Total Administration of Justice	162,292	169,061	168,646	415	162,452	6,194
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,492	1,571	1,571	-	1,595	(24)
Conduct of Elections						
City Commissioners	8,125	8,792	8,486	306	8,268	218
Total Obligations	3,679,019	3,781,781	3,736,657	45,124	3,426,047	310,610
Operating Surplus (Deficit) for the Year	(61,019)	(130,712)	7,461	138,173	128,249	(120,788)

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
Water Operating Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2007 Actual	Positive (Negative)	FY 2006 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	379,740	364,496	379,903	15,407	357,585	22,318
Sales and Charges - Prior Years	32,662	51,537	40,645	(10,892)	38,058	2,587
Fire Service Connections	1,790	1,758	1,953	195	2,057	(104)
Surcharges	5,109	6,355	4,754	(1,601)	4,693	61
Fines and Penalties	664	838	877	39	715	162
Miscellaneous Charges	1,216	1,226	1,627	401	1,109	518
Charges to Other Municipalities	29,430	28,250	27,314	(936)	35,647	(8,333)
Licenses and Permits	1,480	1,900	1,797	(103)	1,914	(117)
Interest Income	6,420	11,600	15,754	4,154	10,397	5,357
Fleet Management - Sale of Vehicles & Equipment	170	170	102	(68)	278	(176)
Contributions from Sinking Fund Reserve	5,319	6,000	9,209	3,209	5,666	3,543
Reimbursement of Expenditures	110	94	60	(34)	48	12
Repair Loan Program	921	2,443	2,577	134	1,892	685
Other	255	411	345	(66)	377	(32)
Total Locally Generated Non-Tax Revenue	465,286	477,078	486,917	9,839	460,436	26,481
Revenue from Other Governments						
State	1,500	1,000	463	(537)	332	131
Federal	100	500	57	(443)	237	(180)
Total Revenue from Other Governments	1,600	1,500	520	(980)	569	(49)
Revenue from Other Funds	63,328	30,272	32,311	2,039	29,254	3,057
Total Revenues	530,214	508,850	519,748	10,898	490,259	29,489
Obligations						
Mayor's Office of Information Services	1,454	1,454	1,453	1	1,292	161
Public Property	4,235	4,235	4,237	(2)	4,013	224
Office of Fleet Management	7,686	7,686	6,863	823	6,346	517
Water Department	255,327	260,115	265,144	(5,029)	245,634	19,510
Office of the Director of Finance	299	299	270	29	319	(49)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	32,600	34,513	34,513	-	27,622	6,891
Other Employee Benefits	32,519	31,138	31,138	-	28,658	2,480
Contributions, Indemnities and Taxes	6,500	3,591	-	3,591	-	-
Department of Revenue	20,708	20,708	15,861	4,847	20,739	(4,878)
Sinking Fund Commission	178,826	176,415	173,923	2,492	166,416	7,507
Procurement Department	65	65	48	17	61	(13)
Law	2,995	2,995	2,879	116	2,926	(47)
Total Obligations	543,214	543,214	536,329	6,885	504,026	32,303
Operating Surplus (Deficit) for the Year	(13,000)	(34,364)	(16,581)	17,783	(13,767)	(2,814)

City of Philadelphia **Schedule XX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2007 Actual	Positive (Negative)	FY 2006 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	26,000	26,000	24,114	(1,886)	22,623	1,491
Space Rentals	129,500	130,000	74,077	(55,923)	71,161	2,916
Landing Fees	53,000	53,000	51,466	(1,534)	51,429	37
Parking	33,000	33,000	33,185	185	30,187	2,998
Car Rentals	20,000	20,000	19,709	(291)	17,566	2,143
Payment in Aid - Terminal Building	-	-	-	-	16,510	(16,510)
Interest Earnings	1,750	1,750	4,394	2,644	3,816	578
Sale of Utilities	5,000	5,000	5,080	80	4,559	521
Passenger Facility charge	35,000	35,000	32,921	(2,079)	32,592	329
Overseas Terminal Facility Charges	300	-	21	21	224	(203)
International Terminal Charge	11,000	11,000	17,849	6,849	16,219	1,630
Other	5,025	5,025	3,197	(1,828)	2,568	629
Total Locally Generated Non-Tax Revenue	319,575	319,775	266,013	(53,762)	269,454	(3,441)
Revenue from Other Governments						
State	-	-	-	-	-	-
Federal	2,500	2,500	1,693	(807)	1,161	532
Total Revenue from Other Governments	2,500	2,500	1,693	(807)	1,161	532
Revenue from Other Funds	1,000	1,000	920	(80)	887	33
Total Revenues	323,075	323,275	268,626	(54,649)	271,502	(2,876)
Obligations						
Police	12,826	12,826	12,695	131	10,954	1,741
Fire	5,252	5,252	5,199	53	4,713	486
Public Property	25,160	25,160	20,159	5,001	23,138	(2,979)
Office of Fleet Management	7,862	7,862	3,788	4,074	4,522	(734)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	16,296	17,524	17,524	-	13,858	3,666
Other Employee Benefits	15,824	15,780	15,688	92	13,957	1,731
Purchase of Services	4,146	3,948	2,927	1,021	2,571	356
Contributions, Indemnities and Taxes	2,512	1,991	-	1,991	-	-
Sinking Fund Commission	99,487	98,501	85,694	12,807	88,221	(2,527)
Commerce	146,257	146,778	124,936	21,842	104,199	20,737
Law	1,548	1,548	1,491	57	1,336	155
Total Obligations	337,170	337,170	290,101	47,069	267,469	22,632
Operating Surplus (Deficit) for the Year	(14,095)	(13,895)	(21,475)	(7,580)	4,033	(25,508)

Statistical Section

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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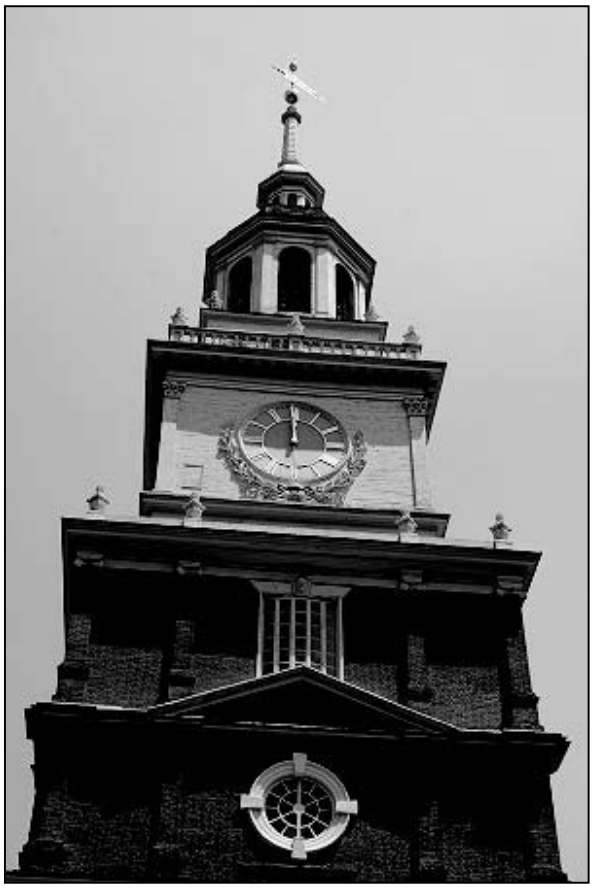
The City of Philadelphia implemented GASB Statement #34 in FY2002. Tables presenting government-wide information include information beginning in that year.

City of Philadelphia
P E N N S Y L V A N I A



Independence Hall

City of Philadelphia
Net Assets by Component
For the Fiscal Years 2002 Through 2007

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	280.9	286.4	175.0	241.3	248.6	161.4
Restricted	427.0	426.8	484.1	516.5	471.5	689.7
Unrestricted	(1,295.5)	(453.8)	(707.0)	(1,028.6)	(1,010.9)	(1,220.5)
Total Governmental Activities Net Assets	(587.6)	259.4	(47.9)	(270.8)	(290.8)	(369.4)
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	199.1	478.6	541.0	548.4	537.4	544.0
Restricted	1,001.6	642.1	504.0	472.0	551.9	635.1
Unrestricted	(106.3)	(12.7)	91.3	269.7	273.9	257.3
Total Business-Type Activities Net Assets	1,094.4	1,108.0	1,136.3	1,290.1	1,363.2	1,436.4
Primary Government						
Invested in Capital Assets, Net of Related Debt	480.0	765.0	716.0	789.7	786.0	705.4
Restricted	1,428.6	1,068.9	988.1	988.5	1,023.4	1,324.8
Unrestricted	(1,401.8)	(466.5)	(615.7)	(758.9)	(737.0)	(963.2)
Total Primary Government Net Assets	506.8	1,367.4	1,088.4	1,019.3	1,072.4	1,067.0

City of Philadelphia **Table 2**

Changes in Net Assets

For the Fiscal Years 2002 Through 2007

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Expenses						
Governmental Activities:						
Economic Development	97.3	127.9	127.4	89.5	89.8	92.6
Transportation:						
Streets & Highways	110.9	99.8	109.9	119.0	116.0	116.6
Mass Transit	85.2	85.9	81.3	84.9	84.5	85.1
Judiciary and Law Enforcement:						
Police	674.9	755.2	793.8	817.1	836.0	921.4
Prisons	201.0	223.4	237.1	250.2	268.7	293.2
Courts	265.8	253.8	277.2	284.9	287.1	304.1
Conservation of Health:						
Emergency Medical Services	25.7	29.0	30.6	34.2	35.6	36.0
Health Services	1,147.8	1,196.5	1,174.6	1,275.0	1,411.9	1,442.6
Housing and Neighborhood Development	124.8	125.2	119.0	123.0	149.5	111.2
Cultural and Recreational						
Recreation	84.5	109.5	118.4	68.3	73.3	73.4
Parks	44.2	26.2	32.6	30.2	28.9	32.6
Libraries and Museums	66.9	63.0	67.5	80.7	68.6	90.3
Improvements to General Welfare:						
Social Services	580.4	641.5	691.2	697.6	702.0	765.5
Education	81.8	57.1	58.6	61.6	59.9	64.0
Inspections and Demolitions	50.5	44.3	81.3	79.0	55.3	64.3
Service to Property:						
Sanitation	109.1	114.8	121.0	126.0	128.8	134.4
Fire	173.0	190.2	215.4	229.6	236.1	285.3
General Management and Support	521.8	524.8	576.9	519.9	574.8	568.7
Interest on Long Term Debt	169.7	130.2	98.3	138.2	136.9	149.5
Total Governmental Activities Expenses	4,615.3	4,798.3	5,012.1	5,108.9	5,343.7	5,630.8
Business-Type Activities:						
Water and Sewer	427.7	412.9	416.9	442.3	455.4	476.2
Aviation	197.9	244.5	261.0	269.5	303.1	314.3
Industrial and Commercial Development	3.8	2.2	2.5	4.7	2.1	3.7
Total Business-Type Activities Expenses	629.4	659.6	680.4	716.5	760.6	794.2
Total Primary government Expenses	5,244.7	5,457.9	5,692.5	5,825.4	6,104.3	6,425.0
Program Revenues						
Governmental Activities:						
Charges for Services:						
Economic Development	15.1	0.2	6.9	0.1	-	-
Transportation:						
Streets & Highways	1.3	1.1	1.5	1.9	2.2	3.5
Mass Transit	0.4	0.6	0.5	0.5	0.6	0.6
Judiciary and Law Enforcement:						
Police	1.4	2.2	2.4	2.2	7.2	1.7
Prisons	0.7	0.4	0.5	0.4	0.4	0.3
Courts	72.4	50.9	52.5	48.4	51.5	51.5
Conservation of Health:						
Emergency Medical Services	18.6	20.1	20.7	23.1	25.0	27.7
Health Services	10.0	10.2	11.6	13.5	14.0	12.6
Housing and Neighborhood Development	2.3	18.9	12.0	10.0	22.3	45.2
Cultural and Recreational:						
Recreation	14.5	14.3	13.0	0.8	0.4	0.2
Parks	1.6	1.9	1.7	0.9	0.4	0.5
Libraries and Museums	0.3	0.3	0.4	0.5	0.9	0.9
Improvements to General Welfare:						
Social Services	8.8	8.8	6.9	7.6	7.4	7.3
Inspections and Demolitions	0.5	0.5	0.8	0.7	0.7	44.4
Service to Property:						
Sanitation	1.2	1.8	2.0	2.1	1.8	-
Fire	0.3	0.1	0.1	0.5	0.4	0.7
General Management and Support	127.0	150.7	138.2	130.8	179.1	107.5
Operating Grants and Contributions	1,834.2	1,907.2	1,958.7	2,067.2	2,142.1	2,204.9
Capital Grants and Contributions	19.9	17.3	19.6	9.1	21.4	15.8
Total Governmental Activities Program Revenues	2,130.5	2,207.5	2,250.0	2,320.3	2,477.8	2,525.3

City of Philadelphia **Table 2**
Changes in Net Assets
For the Fiscal Years 2002 Through 2007

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Business-Type Activities:						
Charges for Services:						
Water and Sewer	350.9	385.4	401.6	450.6	470.8	493.6
Aviation	201.2	230.5	251.9	278.4	295.0	309.2
Industrial and Commercial Development	3.2	1.2	1.2	1.1	1.2	1.5
Operating Grants and Contributions	11.0	8.9	4.8	2.0	2.5	2.8
Capital Grants and Contributions	23.8	17.8	21.0	20.7	25.3	22.4
Total Business-Type Activities Program Revenues	590.1	643.8	680.5	752.8	794.8	829.5
Total Primary Government Revenues	2,720.6	2,851.3	2,930.5	3,073.1	3,272.6	3,354.8
Net (Expense)/Revenue						
Governmental Activities	(2,484.8)	(2,590.8)	(2,762.1)	(2,788.6)	(2,865.9)	(3,105.5)
Business-Type Activities	(39.3)	(15.8)	0.1	36.3	34.2	35.3
Total Primary Government Net Expense	(2,524.1)	(2,606.6)	(2,762.0)	(2,752.3)	(2,831.7)	(3,070.2)
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Taxes:						
Property Taxes	351.7	362.7	374.4	381.8	386.3	399.2
Wage & Earnings Taxes	1,271.2	1,301.9	1,345.9	1,373.0	1,424.9	1,498.5
Business Taxes	307.9	306.9	319.2	367.9	430.2	453.7
Other Taxes	286.1	294.7	342.1	406.4	457.7	460.3
Unrestricted Grants & Contributions	61.1	61.2	47.1	84.3	81.7	104.1
Interest & Investment Earnings	35.2	57.5	26.0	32.9	60.2	81.8
Special Items	-	(99.3)	-	-	-	-
Transfers	4.1	4.1	-	4.4	5.0	4.9
Total Governmental Activities	2,317.3	2,289.7	2,454.7	2,650.7	2,846.0	3,002.5
Business-Type Activities:						
Interest & Investment Earnings	45.4	33.5	6.6	15.8	43.8	45.7
Transfers	(6.9)	(4.1)	-	(4.4)	(4.9)	(4.9)
Total Business-Type Activities	38.5	29.4	6.6	11.4	38.9	40.8
Total Primary Government	2,355.8	2,319.1	2,461.3	2,662.1	2,884.9	3,043.3
Change in Net Assets						
Governmental Activities	(167.5)	(301.1)	(307.4)	(137.9)	(19.9)	(103.0)
Business-Type Activities	(0.8)	13.6	6.7	47.7	73.1	76.1
Total Primary Government	(168.3)	(287.5)	(300.7)	(90.2)	53.2	(26.9)

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2002 Through 2007

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
General Fund						
Reserved	337.5	240.9	152.2	190.7	193.3	335.2
Unreserved	139.0	(7.9) [1]	(148.1)	(36.4)	111.2	152.7
Total General Fund	476.5	233.0	4.1	154.3	304.5	487.9
All Other Governmental Funds						
Reserved	490.5	455.7	378.0	487.5	585.1	557.5
Unreserved, reported in:						
Special Revenue Funds	6.8	64.8	98.9	100.8	(52.0)	30.0
Debt Service funds	1.8	1.7	1.6	1.7	1.7	1.5
Capital Projects Funds	6.8	(98.1)	80.9	(6.3)	(67.1)	103.0
Permanent Funds	2.4	3.1	3.2	3.4	3.7	4.3
Total All Other Governmental Funds	508.3	427.2	562.6	587.1	471.4	696.3

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liabi
A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occured.

City of Philadelphia **Table 4**
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2002 Through 2007

Amounts in millions of USD

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Revenues						
Tax Revenue	2,255.6	2,253.8	2,379.0	2,535.2	2,708.5	2,805.1
Locally Generated Non-Tax Revenue	298.4	339.8	280.0	265.2	354.5	381.7
Revenue from Other Governments	1,790.2	2,049.5	1,922.3	2,242.0	2,223.2	2,376.6
Other Revenues	13.6	17.3	18.5	16.7	15.3	17.1
Total Revenues	4,357.8	4,660.4	4,599.8	5,059.1	5,301.5	5,580.5
Expenditures						
Current Operating:						
Economic Development	91.7	170.4	157.0	92.7	81.5	85.5
Transportation:						
Streets & Highways	71.8	78.1	75.9	77.7	78.8	89.2
Mass Transit	56.9	57.5	52.9	56.6	56.7	58.1
Judiciary and Law Enforcement:						
Police	665.2	727.3	752.0	770.9	798.0	860.2
Prisons	194.8	214.3	224.5	241.3	256.6	278.1
Courts	265.7	246.5	267.8	276.9	278.2	292.3
Conservation of Health:						
Emergency Medical Services	25.7	28.4	29.7	33.3	34.8	34.9
Health Services	1,146.0	1,192.7	1,170.3	1,271.1	1,407.7	1,436.8
Housing and Neighborhood Development	123.5	120.7	119.0	122.9	147.9	109.2
Cultural and Recreational:						
Recreation	64.4	94.0	65.7	58.3	59.8	62.2
Parks	32.5	24.2	23.8	23.7	23.4	26.3
Libraries and Museums	62.5	64.4	61.1	68.2	70.2	83.2
Improvements to General Welfare:						
Social Services	578.6	636.1	683.4	689.1	695.9	756.7
Education	81.8	57.1	58.6	61.5	59.9	64.0
Inspections and Demolitions	50.9	46.6	83.6	81.2	59.8	63.0
Service to Property:						
Sanitation	109.1	111.5	117.8	122.0	125.6	129.5
Fire	170.3	188.0	203.0	217.8	225.8	267.6
General Management and Support	420.8	450.9	472.4	477.1	537.5	563.7
Capital Outlay	277.8	162.2	126.0	103.1	97.9	92.3
Debt Service:						
Principal	130.0	106.8	105.7	95.8	86.2	91.5
Interest	116.0	112.3	101.6	101.0	99.9	103.4
Bond Issuance Cost	-	-	9.2	3.9	-	5.0
Total Expenditures	4,736.0	4,890.0	4,961.0	5,046.1	5,282.1	5,552.7
Excess of Revenues Over (Under) Expenditures	(378.2)	(229.6)	(361.2)	13.0	19.4	27.8
Other Financing Sources (Uses)						
Issuance of Debt	-	165.5	487.7	157.3	10.0	353.1
Bond Issuance Premium	-	-	4.8	-	-	13.8
Proceeds from Lease & Service Agreements	468.2	-	10.9	-	-	-
Bond Defeasance	-	(165.4)	(233.1)	-	-	-
Transfers In	703.5	449.4	442.9	581.4	433.1	460.1
Transfers Out	(693.5)	(445.2)	(442.9)	(577.0)	(428.1)	(455.1)
Total Other Financing Sources (Uses)	478.2	4.3	270.3	161.7	15.0	371.9
Special Items						
Business Privilage Tax Adjustment	-	(99.3) [1]	-	-	-	-
Net Change in Fund Balances	100.0	(324.6)	(90.9)	174.7	34.4	399.7
Debt Service as a Percentage of Non-capital Expenditures	5.6%	4.7%	4.3%	4.0%	3.6%	3.6%

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. $99.3 million of these estimated tax payments were deferred in the general fund in FY2003 because the underlying events had not occured.

City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 1998 through 2007

Table 5

Amounts in millions of USD

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Additions:										
Contributions:										
Employee Contributions	48.0	49.2	50.2	49.3	50.1	52.5	50.5	49.3	48.9	49.2
Employer's:										
City of Philadelphia	252.0	1,506.8 [1]	179.5	163.5	174.2	174.6	196.6	290.6	321.3	419.2
Quasi-Governmental Agencies	5.0	4.9	4.5	4.1	4.0	5.2	6.2	8.6	10.4	13.1
Total Employer's Contributions	257.0	1,511.7	184.0	167.6	178.2	179.8	202.8	299.2	331.7	432.3
Total Contributions	305.0	1,560.9	234.2	216.9	228.3	232.3	253.3	348.5	380.6	481.5
Interest & Dividends	115.3	119.3	124.9	133.8	109.3	74.4	68.4	74.6	65.1	80.3
Net Gain (Decline) in Fair Value of Investments	295.2	262.3	318.7	(422.8)	(359.6)	(3.9)	526.6	306.2	386.4	684.7
Net Securities Lending Revenue	1.3	1.5	1.5	2.0	2.2	1.0	0.8	0.9	0.7	1.1
Net Investment Income (Loss)	411.8	383.1	445.1	(287.0)	(248.1)	71.5	595.8	381.7	452.2	766.1
Miscellaneous Operating Revenue	0.4	0.2	0.2	0.6	0.7	2.4	1.3	0.4	2.1	2.1
Total Additions	717.2	1,944.2	679.5	(69.5)	(19.1)	306.2	850.4	730.6	834.9	1,249.7
Deductions:										
Pension Benefits	383.3	434.0	444.3	456.8	450.2	462.3	657.5	590.6	608.6	655.8
Refunds to Members	3.2	4.2	4.2	4.7	7.1	4.9	4.1	4.6	4.8	4.5
Administrative Costs	4.0	4.4	4.9	5.3	5.2	6.6	6.4	6.8	6.7	6.7
Total Deductions	390.5	442.6	453.4	466.8	462.5	473.8	668.0	602.0	620.1	667.0
Net Increase (Decrease)	326.7	1,501.6	226.1	(536.3)	(481.6)	(167.6)	182.4	128.6	214.8	582.7
Net Assets: Adjusted Opening	2,922.1	3,248.8	4,750.3	4,976.4	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6
Closing	3,248.8	4,750.4	4,976.4	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	855.58%	964.44%	965.87%	1024.22%	1046.98%	971.22%	1417.03%	1321.25%	1380.05%	1467.11%
Closing Net Assets	11.80%	9.14%	8.93%	10.29%	11.37%	12.20%	16.55%	14.40%	14.10%	13.39%
Coverage of Additions over Deductions	183.66%	439.26%	149.87%	-14.89%	-4.13%	64.63%	127.31%	121.36%	134.64%	187.36%
Investment Earnings as % of Pension Benefits	107.44%	88.27%	100.18%	-62.83%	-55.11%	15.47%	90.62%	64.63%	74.30%	116.82%

[1] Includes $1,250 million from the sale of Pension Obligation Bonds

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 1997 Through 2006

Table 6

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1]	Taxable Income	% of Total	Direct Rate [1]	Total Taxable Income	Total Direct Rate
1997	14,198.0	58.59%	4.84000%	10,035.0	41.41%	4.20820%	24,233.0	4.57837%
1998	14,914.5	58.59%	4.73845%	10,540.8	41.41%	4.11985%	25,455.3	4.48229%
1999	15,903.0	58.82%	4.65020%	11,133.8	41.18%	4.04310%	27,036.8	4.40020%
2000	16,759.8	59.07%	4.58850%	11,611.4	40.93%	3.98920%	28,371.2	4.34323%
2001	17,478.3	59.25%	4.55100%	12,020.4	40.75%	3.95670%	29,498.7	4.30883%
2002	17,615.6	59.54%	4.51930%	11,969.4	40.46%	3.92950%	29,585.0	4.28068%
2003	18,073.7	58.86%	4.48130%	12,635.0	41.14%	3.89640%	30,708.7	4.24064%
2004	18,428.5	58.31%	4.46250%	13,175.0	41.69%	3.88010%	31,603.5	4.21971%
2005	19,177.8	58.14%	4.33100%	13,805.0	41.86%	3.81970%	32,982.8	4.11699%
2006	20,179.6	57.81%	4.30100%	14,729.0	42.19%	3.77160%	34,908.6	4.07763%

Note:
The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

[1] For the years 1998 through 2003 the rate changed on July 1st. For those years the direct rate is an average of the two rates involved during the calendar year.

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 1998 through 2007

Tax Classification	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Wage and Earnings Tax:										
[a] City Residents	4.7900%	4.6869%	4.6135%	4.5635%	4.5385%	4.5000%	4.4625%	4.3310% [b]	4.3010% [b]	4.2600% [b]
Non-City Residents	4.1647%	4.0750%	4.0112%	3.9672%	3.9462%	3.9127%	3.8801%	3.8197% [b]	3.7716% [b]	3.7557% [b]
	Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax									
[d] **Real Property: (% on Assessed Valuation)**										
City	3.745%	3.745%	3.745%	3.745%	3.745%	3.474%	3.474%	3.474%	3.474%	3.474%
School District of Philadelphia	4.519%	4.519%	4.519%	4.519%	4.519%	4.790%	4.790%	4.790%	4.790%	4.790%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%
[e] Assessment Ratio	30.19%	30.35%	30.35%	30.32%	30.33%	30.12%	30.02%	29.70%	29.69%	29.24%
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.495%	2.508%	2.508%	2.506%	2.506%	2.489%	2.481%	2.454%	2.454%	2.416%
	The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest If you pay your bill on or before the last day of February, you receive a 1% discount.									
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
	Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate Certain long term leases are also subject to this tax.									
Business Privilege Taxes										
(% on Gross Receipts)	0.2875%	0.2775%	0.2650%	0.2525%	0.2400%	0.2400% [c]	0.2300% [c]	0.2100% [c]	0.1900% [c]	0.1665% [c]
[f] (% on Net Income)	6.5000%	6.5000%	6.5000%	6.5000%	6.5000%	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]
	Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BPT Return									
[c] **Net Profits Tax:**										
[a] City Residents	4.7900%	4.6869%	4.6135%	4.5635%	4.5385%	4.5000%	4.4625%	4.4625%	4.3310%	4.3010%
Non-City Residents	4.1647%	4.0750%	4.0112%	3.9672%	3.9462%	3.9127%	3.8801%	3.8801%	3.8197%	3.7716%
	Net Profits Tax is levied on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts.									

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 1998 through 2007

Tax Classification	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged										
Parking Lot Tax	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City										
Hotel Room Rental Tax	6.0%	6.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other buildin located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.										
Vehicle Rental Tax	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration										

[a] Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

[b] Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31.

[c] Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

[d] Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

[e] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[f] 60% of the Net Income portion of the Business Privilege Tax is allowed to be credited against the Net Profits Tax

City of Philadelphia **Table 8**

Principal Wage and Earnings Tax Remitters [1]

Current Calendar Year and Nine Years Ago

Amounts in millions of USD

	2006			1997		
Remittance Range	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted
Greater then $10 million	15	341.2	23.97%	10	228.1	20.67%
Between $1 million & $10 million	151	356.2	25.02%	97	282.0	25.55%
Between $100,000 & $1 million	1,502	386.3	27.14%	1,137	298.4	27.04%
Between $10,000 & $100,000	8,632	255.5	17.95%	7,485	217.0	19.66%
Less then $10,000	36,861	84.3	5.92%	36,223	78.2	7.08%
Total	47,161	1,423.5	100.00%	44,952	1,103.7	100.00%

[1] Wage & Earnings information for individual remitters is confidential

City of Philadelphia

Table 9

Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 1998 through 2007

Amounts in millions of USD

Calendar Year of Levy [1]	Assessed Value [3]	Less: Tax-Exempt Property [2, 3]	Total Taxable Assessed Value	Total Direct Tax Rate [4]	STEB Ratio [5]	Estimated Actual Taxable Value (STEB)	Sales Ratio [6]	Estimated Actual Taxable Value (Sales)
1998	12,494	3,293	9,201	3.745%	30.19%	30,477	24.39%	37,724
1999	12,628	3,387	9,241	3.745%	30.35%	30,448	22.99%	40,196
2000	12,864	3,413	9,451	3.745%	30.35%	31,140	23.70%	39,878
2001	13,254	3,513	9,741	3.745%	30.32%	32,127	25.46%	38,260
2002	13,762	3,603	10,159	3.745%	30.33%	33,495	25.18%	40,346
2003	14,326	3,705	10,621	3.474%	30.12%	35,262	22.58%	47,037
2004	14,813	3,867	10,946	3.474%	30.02%	36,462	24.21%	45,213
2005	15,072	4,040	11,032	3.474%	29.70%	37,145	23.73%	46,490
2006	15,803	4,372	11,431	3.474%	29.69%	38,501	17.42%	65,620
2007	16,243	4,628	11,615	3.474%	29.24%	39,723	NA	NA

[1] Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

[2] Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

[3] Source: Board of Revison of Taxes

[4] per $1,000.00 of assessed value

[5] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13

[6] This ratio is compiled by the Board of Revision of Taxes based on sales of property during the year.

City of Philadelphia **Table 10**

Principal Property Tax Payers

Current Year and Nine Years Ago

Amounts in millions of USD

	2007			1998		
Taxpayer	Assessment [1]	Rank	Percentage of Total Assessments	Assessment [1]	Rank	Percentage of Total Assessments
Two Liberty Place	54.4	1	0.47	-		-
Nine Penn Center Associates	54.1	2	0.47	45.4	6	0.49
Franklin Mills Associates	48.4	3	0.42	47.7	3	0.52
HUB Properties Trust	48.0	4	0.41	-		-
Bell Atlantic	43.3	5	0.37	47.0	4	0.51
Maguire/Thomas	33.9	6	0.29	31.6	8	0.34
Commerce Square Partners	33.3	7	0.29	-		-
PRU 1901 Market LLC	32.9	8	0.28	-		-
Phila Shipyard Development Corp	30.3	9	0.26	-		-
Phila Market Street	28.8	10	0.25	-		-
C S F Partnership	-		-	52.8	1	0.57
One Liberty Place & Land Joint Venture	-		-	48.0	2	0.52
LP Associates	-		-	45.4	5	0.49
The Marriott	-		-	38.4	7	0.42
Maguire/Thomas Partners & Phila Plaza	-		-	31.0	9	0.34
1600 Market St. Associates	-		-	27.6	10	0.30
	407.4		3.51	414.9		4.51
Total Taxable Assessments	11,615.0		100.00	9,200.5		100.00

[1] Source: Board of Revison of Taxes

City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 1998 through 2007

Table 11

Amounts in millions of USD

Calendar Year of Levy [1]	Taxes Levied for the Year	Collected within the Year of the Levy		Collected in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount [2]	Percentage of Levy
1998	338.6	311.9	92.1%	23.8	335.7	99.1%
1999	343.6	316.2	92.0%	23.3	339.5	98.8%
2000	349.3	322.0	92.2%	23.5	345.5	98.9%
2001	356.6	326.7	91.6%	22.8	349.5	98.0%
2002	368.2	340.4	92.5%	22.2	362.6	98.5%
2003	359.4	326.8	90.9%	22.4	349.2	97.2%
2004	372.5	340.9	91.5%	19.7	360.6	96.8%
2005	373.5	350.3	93.8%	13.2	363.5	97.3%
2006	385.6	339.6	88.1%	6.8	346.4	89.8%
2007	394.3	328.9 [3]	83.4%	-	328.9	83.4%

[1] Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

[2] Includes collections through June 30, 2007.

[3] Includes collections through June 30, 2007. It is estimated that approximately 91% of the amount levied for 2007 will be collected within the year of levy.

City of Philadelphia

Ratios of Outstanding Debt by Type

For the Fiscal Years 1998 through 2007

Table 12

Amounts in millions of USD (except per capita)

	Governmental Activities								Business-Type Activities						
Fiscal Year	General Obligation Bonds	Pension Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	% of Personal Income [1]	Per Capita
1998	1,927.7	0.0	0.0	0.0	0.0	0.0	0.0	1,927.7	61.0	1,840.7	545.5	2,447.2	4,374.9	13.38%	2,857.54
1999	2,081.2	1,297.4	0.0	0.0	0.0	0.0	0.0	3,378.6	51.0	1,793.7	976.2	2,820.9	6,199.5	18.10%	4,065.25
2000	1,964.6	1,303.0	0.0	0.0	0.0	0.0	0.0	3,267.6	38.5	1,738.7	962.2	2,739.4	6,007.0	17.08%	3,951.97
2001	2,137.6	1,296.8	0.0	0.0	0.0	0.0	0.0	3,434.4	24.5	1,679.5	943.0	2,647.0	6,081.4	16.35%	4,016.78
2002	2,009.5	1,386.6	142.6	55.8	346.8	0.0	0.0	3,941.3	19.2	1,722.2	1,123.0	2,864.4	6,805.7	17.77%	4,543.19
2003	1,903.3	1,394.6	139.2	54.7	342.0	0.0	0.0	3,833.8	15.5	1,670.8	1,104.8	2,791.1	6,624.9	16.42%	4,461.21
2004	2,047.1	1,416.4	146.5	53.5	341.9	0.0	0.0	4,005.4	11.6	1,614.7	1,073.1	2,699.4	6,704.8	16.02%	4,551.80
2005	1,950.8	1,429.7	285.3	52.2	341.1	0.0	0.0	4,059.1	8.1	1,815.4	1,077.4	2,900.9	6,960.0	16.13%	4,750.85
2006	1,863.8	1,439.2	279.8	50.9	339.6	10.1	0.0	3,983.4	7.0	1,747.3	1,168.8	2,923.1	6,906.5	15.23%	4,743.48
2007	1,993.7	1,444.9	273.9	49.6	334.0	9.7	139.6	4,245.4	5.8	1,674.3	1,141.0	2,821.1	7,066.5	14.84%	4,880.18

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1] See Table 17 for Personal Income and Population Amounts

City of Philadelphia **Table 13**

Ratios of General Bonded Debt Outstanding

For the Fiscal Years 1998 through 2007

Amounts in millions of USD (except per capita)

Fiscal Year	General Obligation Bonds	Assessed Taxable Value of Property [1]	Assessed Ratio [2]	Actual Taxable Value of Property	% of Actual Taxable Value of Property	Per Capita [3]
1998	1,927.7	9,201	30.19%	30,477	6.33%	1,259.11
1999	2,081.2	9,241	30.35%	30,448	6.84%	1,364.72
2000	1,964.6	9,451	30.35%	31,140	6.31%	1,292.50
2001	2,137.6	9,741	30.32%	32,127	6.65%	1,411.89
2002	2,009.5	10,159	30.33%	33,495	6.00%	1,342.35
2003	1,903.3	10,621	30.12%	35,262	5.40%	1,281.68
2004	2,047.1	10,946	30.02%	36,462	5.61%	1,389.75
2005	1,950.8	11,032	29.70%	37,145	5.25%	1,331.60
2006	1,863.8	11,431	29.69%	38,501	4.84%	1,280.08
2007	1,993.7	11,615	29.24%	39,723	5.02%	1,376.86

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

[1] Source: Board of Revison of Taxes

[2] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[3] See Table 17 for Population Amounts

City of Philadelphia

Table 14

Direct and Overlapping Governmental Activities Debt
June 30, 2007

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	2,664.2	100.00%	2,664.2
[1] **City Direct Debt**			4,245.4
Total Direct and Overlapping Debt			6,909.6

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

[1] Refer to Table 12

City of Philadelphia
Legal Debt Margin Information
For the Fiscal Years 1998 through 2007

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2007

[1]	Assessed Value	10,183.0
[2]	Debt Limit	1,374.7
[3]	Debt Applicable to Limit:	
	Tax Supported General Obligation Debt:	
	Issued & Outstanding	1,163.7
	Authorized but Unissued	129.7
	Total	1,293.4
	Less: Amount set aside for repayment of general obligation debt	-
	Total Net Debt Applicable to Limit	1,293.4
	Legal Debt Margin	81.3

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	1,215.4	1,227.4	1,241.5	1,247.4	1,253.2	1,261.3	1,280.3	1,304.8	1,335.6	1,374.7
Total Net Debt Applicable to Limit	885.6	973.6	939.2	1,152.7	1,163.6	1,202.2	1,159.1	1,205.5	1,185.8	1,293.4
Legal Debt Margin	329.8	253.8	302.3	94.7	89.6	59.1	121.2	99.3	149.8	81.3
Total Net Debt Applicable to the Limit as a Percent of Total Debt	72.86%	79.32%	75.65%	92.41%	92.85%	95.31%	90.53%	92.39%	88.78%	94.09%

[1] Average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.

[2] Thirteen and one-half percent (13.5%) of the average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.

[3] Refer to Purdon's Statutes 53 P.S. Section 15721

City of Philadelphia **Table 16**

Pledged-Revenue Coverage

For the Fiscal Years 1998 through 2007

Amounts in millions of USD

No.		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	411.1	393.9	391.8	380.6	390.8	454.2	421.6	463.5	504.0	536.2
2	Net Operating Expenses	228.6	233.9	237.8	242.6	242.9	250.2	262.0	277.7	284.2	303.2
3	Transfer To (From) Rate Stabilization Fund	30.7	(15.4)	(22.4)	(39.4)	(26.3)	16.8	(28.8)	(0.6)	21.6	26.0
4	Net Revenues	151.8	175.4	176.4	177.4	174.2	187.2	188.4	186.4	198.2	207.0
	Debt Service:										
5	Revenue Bonds Outstanding	126.5	146.2	147.0	147.8	145.2	156.1	157.0	155.4	165.2	172.7
6	General Obligation Bonds Outstanding	3.1	2.3	1.5	1.3	0.6	-	-	-	-	-
7	Pennvest Loan	1.1	1.2	1.2	1.3	1.6	1.2	1.2	1.2	1.2	1.2
8	Total Debt Service	130.7	149.7	149.7	150.4	147.4	157.3	158.2	156.6	166.4	173.9
9	Net Revenue after Debt Service	21.1	25.7	26.7	27.0	26.8	29.9	30.2	29.8	31.8	33.1
10	Transfer to General Fund	4.1	4.1	4.1	4.1	4.1	4.1	-	4.4	5.0	5.0
11	Transfer to Capital Fund	15.1	15.6	15.9	15.9	16.1	16.0	16.4	16.7	16.9	16.9
12	Transfer to Residual Fund	1.9	6.0	6.7	7.0	6.6	9.8	13.8	8.7	9.9	11.2
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
	Coverage B (Line 4/Line 8 + Line 11)	1.04	1.06	1.07	1.07	1.07	1.08	1.08	1.08	1.08	1.08
	Airport Revenue Bonds										
1	Fund Balance	-	-	-	-	-	-	-	-	-	10.2
2	Project Revenues	108.2	124.5	130.4	148.0	146.5	168.4	183.3	185.1	200.8	211.3
3	Passenger Facility Charges	-	-	-	-	16.8	31.2	32.8	32.9	32.6	32.9
4	Total Fund Balance and Revenue	108.2	124.5	130.4	148.0	163.3	199.6	216.1	218.0	233.4	254.4
5	Net Operating Expenses	41.2	47.0	51.8	59.6	56.3	67.0	71.9	71.3	77.2	87.1
6	Interdepartmental Charges	32.3	41.5	35.3	36.0	39.7	46.1	52.2	57.6	57.9	70.6
7	Total Expenses	73.5	88.5	87.1	95.6	96.0	113.1	124.1	128.9	135.1	157.7
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	67.0	77.5	78.6	88.4	107.0	132.6	144.2	146.7	156.2	167.3
9	All Bonds (Line 4-Line 7)	34.7	36.0	43.3	52.4	67.3	86.5	92.0	89.1	98.3	96.7
	Debt Service:										
10	Revenue Bonds	25.3	29.7	36.5	44.8	64.1	83.2	89.7	88.1	88.1	85.5
11	General Obligation Bonds	7.2	5.2	5.7	5.7	2.0	1.4	1.0	1.1	-	-
12	Total Debt Service	32.5	34.9	42.2	50.5	66.1	84.6	90.7	89.2	88.1	85.5
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	2.65	2.61	2.15	1.97	1.67	1.59	1.61	1.67	1.77	1.96
	Total Debt Service - Test "B" (Line 9/Line 12)	1.07	1.03	1.03	1.04	1.02	1.02	1.01	1.00	1.12	1.13

Note:

The rate covenant of the Aviation issues permit inclusion of Unencumbered Project Fund Balances at the beginning of the period with project revenues for the period to determine adequacy of coverage.

Coverage "A" requires that Net Revenues equal 120% of the Debt Service Requirements while Coverage "B" requires that Net Revenues equal at least 100% of the Debt Service Requirements plus Required Capital Account Transfers. Test "A" requires that Project Resources be equal to Net Operating Expenses plus 150% of Revenue Bond Debt Service for the year. Test "B" requires Project Resources be equal to Operating Expenses for the year plus all debt service requirements for the year except any General Obligation Debt Service not applicable to the project.

Amounts in the above statement have been extracted from reports submitted to the respective Fiscal Agents in accordance with the reporting requirements of the General Ordinance and Supplemental Ordinance relative to rate covenants. Water and Sewer Coverage is calculated on the modified accrual basis; Aviation Fund on the accrual basis. Airport Revenues and Expenses have been reduced by amounts applicable to the Outside Terminal Area and the Overseas Terminal as prescribed by the indenture.

City of Philadelphia

Table 17

Demographic and Economic Statistics

For the Calendar Years 1997 through 2006

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
1997	1,531,923	32,694,799	21,342	5.6%
1998	1,525,955	34,248,049	22,444	5.0%
1999	1,520,064	35,169,398	23,137	5.2%
2000	1,513,655	37,193,547	24,572	4.9%
2001	1,497,897	38,290,004	25,563	6.2%
2002	1,485,249	40,353,074	27,169	7.0%
2003	1,473,364	41,843,691	28,400	6.8%
2004	1,465,475	43,154,553	29,447	6.4%
2005	1,456,350	45,334,701	31,129	5.9%
2006	1,448,394	47,624,989 [4]	32,881	5.7%

[1] US Census Bureau

[2] US Department of Commerce, Bureau of Economic Analysis

[3] US Department of Labor, Bureau of Labor Statistics

[4] Estimated using the rate of growth for the previous year

City of Philadelphia

Table 18

Principal Employers

Current Calendar Year and Nine Years Ago

Listed Alphabetically

2007	1998
Albert Einstein Medical	-
Children's Hospital of Philadelphia	-
City of Philadelphia	City of Philadelphia
University of Pennsylvania Hospital	University of Pennsylvania Hospital
School District of Philadelphia	School District of Philadelphia
SEPTA	SEPTA
Temple University	Temple University
Thomas Jefferson University Hospitals	Thomas Jefferson University Hospitals
United States Postal Service	United States Postal Service
University of Pennsylvania	University of Pennsylvania
-	Allegheny University for the Health Sciences
-	CoreStates Services Corp

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2003 through 2007

Table 19

	2003	2004	2005	2006	2007
Governmental Activities:					
Economic Development	9	9	6	6	6
Transportation:					
Streets & Highways	667	597	564	579	585
Mass Transit	1	1	1	1	1
Judiciary and Law Enforcement:					
Police	8,036	7,888	7,578	7,522	7,639
Prisons	1,991	2,002	2,227	2,228	2,183
Courts	3,500	3,471	3,450	3,403	3,361
Conservation of Health:					
Emergency Medical Services	311	300	289	255	249
Health Services	1,236	1,210	1,163	1,133	1,148
Housing and Neighborhood Development	120	110	105	97	111
Cultural and Recreational:					
Recreation	589	556	511	495	482
Parks	217	200	182	158	156
Libraries and Museums	829	774	726	812	816
Improvements to General Welfare:					
Social Services	2,218	2,220	2,196	2,140	2,164
Inspections and Demolitions	450	417	380	248	243
Service to Property:					
Sanitation	1,338	1,340	1,233	1,272	1,229
Fire	2,121	2,004	1,925	1,974	2,109
General Management and Support	2,494	2,369	2,253	2,347	2,331
Total Governmental Activities	26,127	25,468	24,789	24,670	24,813
Business Type Activities:					
Water and Sewer	2,415	2,342	2,326	2,239	2,229
Aviation	915	1,021	967	1,004	1,010
Total Business-Type Activities	3,330	3,363	3,293	3,243	3,239
Fiduciary Activities:					
Pension Trust	62	64	64	65	65
Total Primary Government	29,519	28,895	28,146	27,978	28,117

Note: Data for FY2002 is not available

City of Philadelphia **Table 20**
Operating Indicators by Function
For the Fiscal Years 2002 through 2007

	2002	2003	2004	2005	2006	2007
Governmental Activities:						
Transportation:						
Streets & Highways						
Street Resurfacing (miles)	134	93	117	105	102	107
Potholes Repaired	11,593	24,182	23,179	20,862	18,203	12,721
Judiciary and Law Enforcement:						
Police						
Arrests	77,701	66,083	68,486	67,795	69,166	73,606
Calls to 911	3,319,936	3,269,276	3,290,786	3,270,114	3,321,896	3,398,985
Prisons						
Average Inmate Population	7,637	7,631	7,738	8,141	8,613	8,796
Inmate Beds (city owned)	7,382	7,382	8,283	8,405	8,605	8,443
Conservation of Health:						
Emergency Medical Services						
Medic Unit Runs	NA	NA	NA	NA	209,654	216,606
First Responder Runs	NA	NA	NA	NA	69,740	68,203
Health						
Patient Visits	342,742	320,833	317,184	337,770	324,014	312,000
Children Screened for Lead Poisoning	39,629	39,293	37,863	38,013	43,038	43,501
Cultural and Recreational:						
Parks						
Athletic Field Permits Issued	NA	NA	NA	NA	2,878	2,227
Libraries						
Items borrowed	7,024,391	7,056,608	6,963,935	6,294,315	6,188,637	6,328,706
Visitors to all libraries	6,226,316	6,440,990	6,216,973	5,517,569	6,103,354	6,422,857
Visitors to library website	970,970	1,353,626	1,661,794	2,044,518	2,594,527	3,285,380
Improvements to General Welfare:						
Social Services						
Children Receiving Services	NA	26,388	28,039	28,926	28,086	28,898
Children in Placement	NA	9,190	9,037	8,548	7,999	8,070
Youth Development Opportunities	24,676	37,024	44,222	40,149	42,401	48,263
Emergency Shelter Beds (average)	2,011	2,109	2,412	2,539	2,781	2,677
Transitional Housing Units (new placements)	615	458	489	597	448	543
Service to Property:						
Sanitation						
Refuse Collected (tons per day)	2,929	2,894	3,006	3,008	3,006	2,922
Recyclables Collected (tons per day)	149	175	169	157	155	179
Fire						
Fires Handled	NA	NA	NA	NA	9,523	8,080
Fire Marshall Investigations	NA	NA	NA	NA	2,734	3,153
Business Type Activities:						
Water and Sewer						
New Connections	83	110	106	137	207	125
Water Main Breaks	497	988	794	706	660	825
Average Daily Consumption (x 1000 gallons)	178,000	183,700	175,600	174,100	175,800	169,400
Peak Daily Consumption (x 1000 gallons)	200,300	208,600	201,700	210,000	207,400	179,100
Average Daily Sewage Treatment (x 1000 gallons)	409,230	478,130	476,110	478,670	430,170	463,080
[1] **Aviation**						
Passengers Handled (PIA)	24,030,686	24,232,804	26,190,976	31,074,454	31,341,459	31,885,333
Air Cargo Tons (PIA)	544,875	565,653	568,898	599,758	591,815	571,452
Aircraft Movements (PIA and NPA)	590,563	654,758	584,214	629,885	625,692	614,720

[1] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

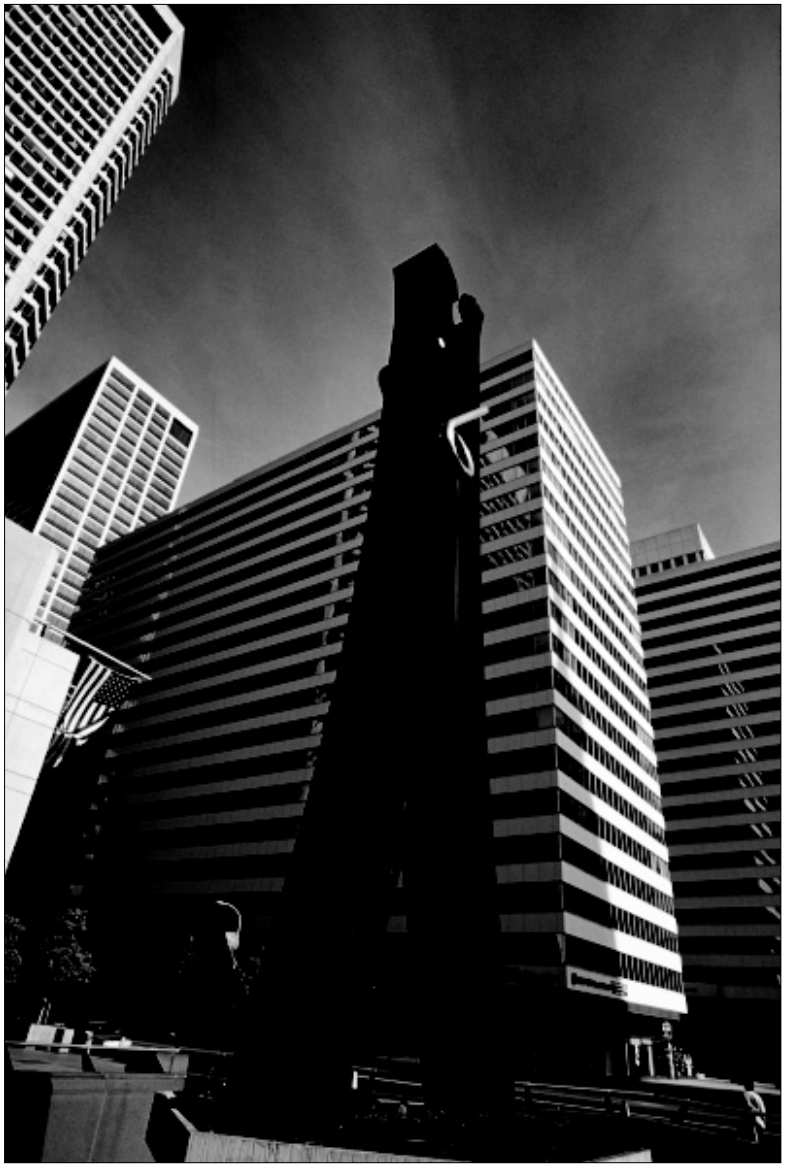
City of Philadelphia **Table 21**
Capital Assets Statistics by Function
For the Fiscal Years 2002 through 2007

	2002	2003	2004	2005	2006	2007
Governmental Activities:						
Transportation:						
Streets & Highways						
[1] Total Miles of Streets	2,400	2,400	2,400	2,400	2,400	2,575
Streetlights	100,612	101,224	101,836	102,000	102,219	102,840
Judiciary and Law Enforcement:						
Police						
Stations and Other Facilities	33	33	33	33	33	34
Prisons						
Major Correctional Facilities	5	5	6	6	6	6
Conservation of Health:						
Health Services						
Health Care Centers	9	9	9	9	9	9
Cultural and Recreational:						
Recreation						
Recreation Centers	NA	164	164	165	165	171
[2] Athletic Venues	NA	1,121	1,121	1,121	1,117	1,117
Neighborhood Parks and Squares	NA	232	232	232	232	232
Parks						
Parks	NA	62	62	62	62	63
Baseball/Softball Fields	NA	106	106	106	106	109
Libraries						
Branch & Regional Libraries	55	55	54	53	54	54
Service to Property:						
Fire						
Stations and Other Facilities	63	63	63	63	64	64
Business Type Activities:						
Water and Sewer:						
Water Mains (miles)	3,168	3,169	3,169	3,169	3,169	3,133
Fire Hydrants	27,836	27,846	27,987	26,080	26,080	25,195
Storage Capacity (x 1000 gallons)	1,067,200	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500
Sanitary Sewers (miles)	594	595	596	596	596	768
Storm Sewers (miles)	622	622	623	623	623	784
Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000
[3] **Aviation**						
Passenger Gates (PIA)	103	120	120	120	120	120
Terminal Buildings (square footage) (PIA)	1,563,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	42,460	42,460

[1] Street System-83% city streets, 2% park streets, 15% state highways

[2] Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools

[3] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.



Clothespin Sculpture

Appendix C

Summary of Certain Provisions of the Indenture and the Security Leases

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES

The following are summaries of the Original Indenture, as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture (as so amended and supplemented the "Indenture"), and the Security Leases. These summaries should not be regarded as full statements of the legal documents themselves, or of the portions summarized.

For a complete statement of the provisions of the Indenture and the Security Leases, reference should be made to those documents in their entirety, copies of which are available from the Underwriters prior to closing on the Bonds, and the Trustee after closing as set forth under "INTRODUCTION – Miscellaneous" in this Official Statement.

THE INDENTURE

DEFINITIONS OF CERTAIN TERMS

Words and terms used in this summary of the Indenture are defined therein and shall have the same meaning herein as in the respective legal documents. Certain of these words and terms are defined below for convenience.

"Accreted Value" means with respect to each Capital Appreciation Bond, the value thereof on a particular date.

"Act" means the Act of August 23, 1967, P.L. 251, as amended, known as the Pennsylvania Economic Development Financing Law.

"Additional Debt" means any series of bonds, notes or other evidences of indebtedness issued under the Indenture, other than any Notes, authenticated and delivered pursuant to Section 3.02 of the Original Indenture.

"Additional Project" means (i) any and all capital improvement projects in connection with the repair, restoration, replacement or demolition of Veterans Stadium, in addition to the Rehabilitation; and (ii) any and all additional land acquisition, site work, demolition, design, construction, equipping of the Practice Facility Premises, the Eagles Premises, the Phillies Premises or any other parcel in connection with the stadia project, improvements and infrastructure in connection with the construction of the stadia or the Practice Facility, and any and all additions, improvements, amenities, repairs or replacements thereto and the funding of any reserves in connection therewith.

"Advance-Refunded Municipal Notes" means obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by Government Obligations held in trust for the payment thereof, which Advance-Refunded Municipal Notes are rated in the highest rating category by a Rating Agency that maintains a credit rating with respect to such Advance-Refunded Municipal Notes.

"Alternate Credit Enhancement" or means a letter of credit, line of credit, surety bond, insurance commitment, insurance policy or other similar credit enhancement or support facility delivered to the Trustee providing for the scheduled payment of the principal of and interest on the 2007 Bonds.

"Alternate Liquidity Facility" means (i) any standby bond purchase agreement, letter of credit or other similar liquidity enhancement or support facility delivered to the Trustee providing for the payment of the purchase price of the 2007B Bonds and may include any combination of such facilities, or (ii) any assignment by a Liquidity Provider of all or part of its obligations under the Liquidity Facility.

"Alternate Rate" means, on any Rate Determination Date, for any Mode, a rate per annum equal to (i) with respect to 2007B Bonds the interest on which is not includable in gross income of the beneficial owner of such

2007B Bond for federal income tax purposes, (a) the SIFMA Municipal Swap Index maintained by Municipal Market Data (as such term is defined in the 2000 ISDA U.S. Municipal Counterparty Definitions) (the "SIFMA Rate") most recently available as of the date of determination, or (b) if such index is no longer available, or if the SIFMA Rate is no longer published, the Kenny Index (as such term is defined in the 2000 ISDA U.S. Municipal Counterparty Definitions), or (c) if neither the SIFMA Rate nor the Kenny Index is published, the index determined by the Remarketing Agent to equal the prevailing rate for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Bond Market Association to determine the SIFMA Rate just prior to when the Bond Market Association stopped publishing the SIFMA Rate, and (ii) with respect to 2007B Bonds the interest on which is includable in gross income of the beneficial owner of such 2007B Bond for federal income tax purposes, One-Month LIBOR. If there is no Remarketing Agent, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement, then, upon written notification from the Authority, the Director of Finance of the City shall appoint another Person to make the determinations required by clauses (a), (b) and (c) of this definition.

"ARS Mode" means the Mode during which the 2007B Bonds bear interest at the Auction Period Rate.

"Auction Period Rate" means the Auction Rate or any other rate of interest to be borne by the 2007B Bonds during each Auction Period determined in accordance with the Third Supplemental Indenture; provided, however, in no event may the Auction Period Rate exceed the Maximum Rate.

"Authority" means Philadelphia Authority for Industrial Development.

"Authority Board" means the governing body of the Authority.

"Authority Purchase Account" means the account of that name created in the Third Supplemental Indenture.

"Authorized Authority Officer" means the Chairman, Vice-Chairman, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer or any other officer of the Authority designated by resolution of the Authority.

"Authorized Representative" means the City Treasurer or a Deputy City Treasurer, or such other individual as the City Treasurer or the Director of Finance of the City shall designate in writing, acting in cooperation with an Authorized Authority Officer, for whom the City and the Authority have each furnished the Trustee with certificates of incumbency and specimen signatures.

"Bank" or "Banks" means upon the delivery of the Trustee of a Letter of Credit, the issuer or issuers thereof.

"Bond Counsel" means an attorney or a law firm appointed by the Authority having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations.

"Bond Fund" means the fund so designated which is established pursuant to the First Supplemental Indenture.

"Bonds" means all Additional Debt issued pursuant to the Indenture in the form of bonds, including, but not limited to the 2007 Bonds.

"Business Day" means any day other than: (i) a Saturday or Sunday; (ii) in the City, a legal holiday or a day on which banking institutions are authorized by law to close; (iii) a day on which the Trustee or the Paying Agent is authorized or required by law or executive order to be closed; or (iv) so long as the Letter of Credit remains outstanding or there exists any obligation of the Authority under the Reimbursement Agreement, a day on which commercial banks in the State of New York or in the Commonwealth are authorized or obligated by law or executive order to be closed.

"Capital Appreciation Bond" means any Debt obligation designated or identified as a Capital Appreciation Bond by the Supplemental Indenture pursuant to which it was issued.

"Capitalized Interest Account" means the account so designated which is established pursuant to the Original Indenture.

"Certified Resolution of the Authority" means a copy of one or more resolutions certified by the Secretary or an Assistant Secretary of the Authority, under its seal, to have been duly adopted by the Authority Board and to be in effect on the date of such certification.

"City" means the City of Philadelphia.

"Clearing Fund" means the fund so designated which is established pursuant to the First Supplemental Indenture and the Third Supplemental Indenture.

"Closing Date" means October 25, 2007.

"Code" means the Internal Revenue Code of 1986, as amended, and with respect to a specific section thereof, such reference shall be deemed to include (i) the regulations prescribed under such section, (ii) any predecessor or successor provision of similar import hereafter-enacted, (iii) any corresponding provisions of any subsequent Internal Revenue Code, and (iv) the regulations prescribed under the provisions described in (ii) and (iii).

"Commercial Paper Rate" means the per annum interest rate on the 2007B Bond in the CP Mode determined for such Bond pursuant to the Third Supplemental Indenture. The 2007B Bonds in the CP Mode may bear interest at Different Commercial Paper Rates.

"Commonwealth" means the Commonwealth of Pennsylvania.

"Construction Fund" means the construction fund described in the Original Indenture.

"Cost" or "Costs," in connection with the Project or, where applicable, Additional Projects, means all expenses permitted under the Act which are reasonable and necessary for carrying out all work and undertakings with respect to the Project or Additional Projects, or which are incidental to the financing, refinancing, acquisition or construction of the Project and any Additional Projects, including, without limiting the generality of the foregoing:

(a) Amounts payable to contractors and costs incident to the award of contracts;

(b) Costs of labor, facilities and services furnished by the Authority, the City and their employees or others, materials and supplies purchased by the Authority, the City or others, and permits and licenses obtained by the Authority, the City or others;

(c) Engineering, architectural, legal, accounting and other professional and advisory fees;

(d) Premiums for contract bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;

(e) All expenses incurred in connection with the issuance of Debt, including, without limitation, compensation and expenses of the Trustee, including legal fees and expenses, fees and expenses of the Authority, expenses of the City for financial services rendered to it in connection with any Debt financing, legal and accounting expenses and fees, costs of printing and engraving, recording and filing fees, compensation of underwriters, rating agency fees, credit facility fees, surety bond costs, and costs of any other financial services incurred in connection with the Debt;

(f) Capitalized interest on the Debt;

(g) Costs, fees and expenses in connection with the acquisition of real and personal property or rights therein; and

(h) Cost of equipment purchased by the City or others and necessary or desirable for proper operation of the Project or any Additional Project.

In the case of projects for refunding or redeeming any Debt, "Cost" or "Costs" includes, without limiting the generality of the foregoing, the items listed in (c) and (e) above, advertising and other expenses related to the redemption of the Debt to be redeemed and the Redemption Price, if any, of such Debt (and the accrued interest payable on redemption to the extent not otherwise provided for). Whenever Costs are required to be itemized, such itemization shall, to the extent practicable, correspond with the items listed above. Whenever Costs are to be paid under the Indenture, such payment may be made by way of reimbursement to the Authority or others who have paid the same.

"Counterparty" means any counterparty under a swap agreement entered into by the Authority in connection with any Bonds issued under the Indenture and consisting of all documents entered into between the Authority and a Counterparty as part of such transaction.

"CP Mode" means the Mode during which the 2007B Bonds bear interest at the Commercial Paper Rate.

"Credit Enhancement" means the 2007 Bond Insurance Policy for the 2007A Bonds and the Letter of Credit and any Alternate Credit Enhancement for the 2007B Bonds.

"Credit Facility" has the meaning set forth in the Security Leases.

"Credit Provider" means the 2007 Bond Insurer for the 2007A Bonds and the Banks or any provider of an Alternate Credit Enhancement for the 2007B Bonds.

"Credit Provider Failure" or "Liquidity Provider Failure" means, with respect to any Credit Provider at any particular time, the occurrence and continuance of one or more of the following events: (a) such Credit Provider shall have failed to pay or perform when due its obligations under the Credit Enhancement issued by it; (b) the Credit Enhancement issued by such Credit Provider or any material term or provision thereof shall cease to be in full force and effect (except in accordance with such Credit Enhancement), or such Credit Provider shall, or shall purport to, terminate (except in accordance with the terms of such Credit Enhancement), repudiate, declare voidable or void or otherwise contest the validity of, such Credit Enhancement or any term or provision thereof or any obligation or liability of such Credit Provider thereunder; (c) the commencement by such Credit Provider of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; or (d) the consent of such Credit Provider to any relief referred to in the previous clause (c) in an involuntary case or other proceeding commenced against it.

"Current Mode" means the Mode then prevailing.

"Daily Mode" means the Mode during which the 2007B Bonds bear interest at the Daily Rate.

"Daily Rate" means the per annum interest rate on any 2007B Bond in the Daily Mode determined pursuant to the Third Supplemental Indenture.

"Debt" means the Notes and any Additional Debt authenticated and delivered under the Indenture.

"Debt Service Requirement," with reference to a specified period means:

(a) interest payable on the Debt under consideration during the period, with adjustment for capitalized interest and interest on the Debt to be redeemed during such period through any sinking fund account;

(b) amounts required to be paid into any mandatory sinking fund account during such period with respect to the Debt under consideration; and

(c) amounts needed to pay the principal and premium, if any, of the Debt under consideration maturing during such period and not to be redeemed prior to maturity through any sinking fund account.

"Delayed Remarketing Period" shall have the meaning specified in the Fourth Supplemental Indenture.

"DTC" means The Depository Trust Company, New York, New York, or any successor securities depository.

"Eagles" means Philadelphia Eagles Limited Partnership, a Delaware limited partnership.

"Eagles Ground Lease" means a Ground Lease Agreement dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the City leases to the Authority a parcel of land in connection with the development of a new football stadium for the Eagles.

"Eagles Leaseback" means a Lease-Back Lease Agreement dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the City leases back to the Authority the Eagles Premises.

"Eagles Leases" means the Eagles Ground Lease, the Eagles Prime Lease and the Eagles Leaseback.

"Eagles Premises" means the parcel of land leased to the Authority pursuant to the Eagles Ground Lease, as improved, including by a new football stadium.

"Eagles Prime Lease" means a Prime Lease dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the Authority leased back to the City the Eagles Premises.

"Eagles Sublease" means a Sublease and Development Agreement pursuant to which the Authority will lease all or a portion of the Eagles Premises to the Eagles.

"Electronic Means" means facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Event of Default" means any of the events described in the Original Indenture.

"Expiration Date" means the stated expiration date of the Credit Enhancement or the Liquidity Facility, as each may be extended from time to time as provided in the Credit Enhancement or the Liquidity Facility, or any earlier date which the Credit Enhancement or the Liquidity Facility shall terminate, at the direction of the Authority, expire or be cancelled.

"Favorable Opinion" means an opinion of nationally recognized bond counsel addressed to the Authority, the Trustee and the Paying Agent to the effect that (i) the action proposed to be taken is authorized or permitted by the Indenture and (ii) such action will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the 2007 Bonds.

"Financial Guaranty" means Financial Guaranty Insurance Company, or any successor thereto or assignee thereof, and which shall constitute a Credit Provider.

"Fitch" means Fitch Ratings and shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority after consultation with the Remarketing Agent, if any, and the Broker-Dealer, if any, with written notice of such selection given by the Authority to the Trustee as Tender Agent.

"Fixed Rate" means the per annum interest rate on any 2007B Bond in the Fixed Rate Mode determined pursuant to the Third Supplemental Indenture.

"Fixed Rate Mode" means the Mode during which the 2007B Bonds bear interest at the Fixed Rate.

"Federal Tax Certificate" means the Tax Certificate as to Arbitrage and Instructions as to Compliance with the provisions of Section 103(a) of the Internal Revenue Code of 1986, as amended, executed by the Authority and the City in connection with the issuance of any tax-exempt Debt.

"Financial Consultant" means a firm of investment bankers, a financial consulting firm, a law firm or a firm of certified public accountants, satisfactory to the City, which is experienced in the calculation of amounts required to be rebated to the United States under Section 148(f) of the Code.

"First Supplemental Indenture" means the First Supplemental Trust Indenture dated as of December 1, 2001 between the Authority and the Trustee.

"Fiscal Year" shall mean the period of twelve months beginning July 1 of each year or any other period of twelve (12) consecutive months selected by the City as its fiscal year.

"Fourth Supplemental Indenture" means the Fourth Supplemental Trust Indenture dated as of May 1, 2008 between the Authority and the Trustee.

"FSA" shall mean Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof, and which shall constitute a Credit Facility Provider (as defined in the Security Leases) for purposes of the Security Leases.

"FSA Municipal Bond Insurance Policy" shall mean the insurance policies issued by FSA guaranteeing the scheduled payment of principal of and interest on the Series 2001 Bonds when due.

"Government Obligations" means obligations to the timely payment of which the full faith and credit of the United States of America is pledged.

"Holder" or "Owner" means the Registered Owner of any Debt.

"Indenture" means the Original Indenture, as amended or supplemented in accordance with the terms thereof at the time in question, including by the First Supplemental Indenture, the Second Supplemental Indenture (sometimes collectively referred to as the "Existing Indenture") and the Third Supplemental Indenture.

"Independent" means a Person who is not a City official or an employee of the City or a member, officer or employee of the Authority; provided, however, that the fact that such Person is retained regularly by or transacts business with the Authority or the City shall not make such Person an employee within the meaning of this definition.

"Interest Accrual Period" means the period during which a 2007B Bond accrues interest payable on the next 2007B Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last 2007B Interest Payment Date to which interest has been paid (or, if no interest has been paid, from the date of original authentication and delivery of the 2007B Bonds) to, but not including, the 2007B Interest Payment Date on which interest is to be paid. If, at the time of authentication of any 2007B Bond, interest is in default or overdue on the 2007B Bonds, such 2007B Bond shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on Outstanding 2007B Bonds.

"Interest Payment Date" means, for the 2007A Bonds a 2007A Interest Payment Date, and for the 2007B Bonds a 2007B Interest Payment Date.

"Interest Period" means, for the 2007B Bonds in a particular Mode, the period of time that the 2007B Bonds bear interest at the rate (per annum) which becomes effective at the beginning of such period, and shall include an ARS Rate Period, a Commercial Paper Rate Period, a Daily Rate Period, a Weekly Rate Period, a Term Rate Period and a Fixed Rate Period.

"Investment Securities" shall mean and include any of the following if and to the extent the same are at the time legal for investment of Authority funds:

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations (stripped securities are only permitted if they have been stripped by the federal agency that issued or guaranteed the Government Obligation);

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Federal National Mortgage Association, Government National Mortgage Association, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration, U.S. Maritime Administration, U.S. Housing and Urban Development, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Resolution Funding Corporation, Export-Import Bank of the United States, or Farm Credit System;

(d) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee and its affiliates), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or any successor federal deposit insurance corporation or entity;

(e) Repurchase agreements collateralized by securities described in subparagraphs (a), (b), or obligations described in (c) above which are backed by the full faith and credit of the United States Government with any registered broker/dealer subject to the Securities Investors' Protection Corporation or with any commercial bank (in either case, including the Trustee and its affiliates), provided that (1) a specific written repurchase agreement governs the transaction, (2) the securities are held free and clear of any lien by the Authority, the City, the Trustee (if the Trustee is not supplying the collateral) or an independent third party acting solely as agent for the Trustee (which shall be required if the Trustee is supplying the collateral), and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has a combined capital, surplus and undivided profits of not less than $25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures described in 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq., in such securities is created for the benefit of the Trustee, (4) the repurchase agreement has a term of thirty days or less, or the Trustee or an independent third party acting solely as agent for the Trustee will value the collateral securities no less frequently than weekly, which securities shall be marked to market at current price plus accrued interest and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation, (5) the fair market value of the collateral securities is equal to at least 104% of the amount of the repurchase obligation, including principal and interest (if the securities used as collateral are Federal Home Loan Mortgage Corporation or Federal National Mortgage Association Securities, then the value of the collateral securities shall equal at least 105%), (6) the collateral was not acquired by the broker/dealer pursuant to a repurchase agreement or reverse repurchase agreement, and (7) a legal opinion of Counsel is delivered to the Trustee that the repurchase agreement complies with the Indenture, the guidelines under state law for legal investment of public funds and is a legal investment for the Authority;

(f) Reserved;

(g) Money market funds registered under the Federal Investment Company Act of 1944, whose shares are registered under the Federal Securities Act of 1933, and rated "AAAm-G" or "AAA-m" or "AA-m" by S&P and if rated by Moody's rated "Aaa", "Aa1" or "Aa2" including, without limitation, the JPMorgan

Money Market Mutual Funds or any other qualifying mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates;

(h) Commercial paper rated "Prime-1" or better by Moody's or "A-1" or better by S&P;

(i) Obligations rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) Advance-Refunded Municipal Bonds;

(k) Tax-exempt obligations that are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies, or shares of investment companies that invest only in such obligations including, without limitation, the JPMorgan Money Market Mutual Funds or any other qualifying mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates;

(l) The Trustee's "cash sweep account" or other short term investment fund of the Trustee or its subsidiaries, the assets of which consist of other Investment Securities defined above; and

(m) Repurchase agreements with maturities beyond 30 days and investment agreements, provided that they are approved by each bond insurer or other credit provider for the Debt.

"Land Acquisition and Related Costs" means, in connection with the construction of two new sports stadia for the Phillies and the Eagles, the acquisition of various parcels of land, the payment of certain relocation costs, and the performance of certain demolition and site work in connection therewith.

"Letter of Credit" means an irrevocable, direct pay Letter of Credit issued by the Bank with respect to the 2007B Bonds pursuant to the terms of the Reimbursement Agreement.

"Letter of Credit Account" is the account of that name created under the Third Supplemental Indenture.

"Liquidity Facility" means the Letter of Credit and any Alternate Liquidity Facility.

"Liquidity Facility Purchase Account" means the account by that name created under the Third Supplemental Indenture.

"Liquidity Provider" means the Banks and the provider of any Alternate Liquidity Facility.

"Liquidity Provider Bonds" means any 2007B Bonds purchased by the Liquidity Provider with funds drawn on or advanced under the Liquidity Facility.

"Liquidity Provider Failure" means, with respect to any Liquidity Provider at any particular time, the occurrence and continuance of one or more of the following events: (a) such Liquidity Provider shall have failed to pay or perform when due its obligations under the Liquidity Facility issued by it; (b) the Liquidity Facility issued by such Liquidity Provider or any material term or provision thereof shall cease to be in full force and effect (except in accordance with such Liquidity Facility), or such Liquidity Provider shall, or shall purport to, terminate (except in accordance with the terms of such Liquidity Facility), repudiate, declare voidable or void or otherwise contest the

validity of, such Liquidity Facility or any term or provision thereof or any obligation or liability of such Liquidity Provider thereunder; (c) the commencement by such Liquidity Provider of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; or (d) the consent of such Liquidity Provider to any relief referred to in the previous clause (c) in an involuntary case or other proceeding commenced against it.

"Long-Term Mode" means a Term Rate Mode or a Fixed Rate Mode.

"Mandatory Purchase Date" means: (i) any Mode Change Date (except a change in Mode between the Daily Mode and the Weekly Mode), (ii) any Substitution Date, (iii) the fifth Business Day prior to the Expiration Date (other than as a result of an Automatic Termination Event), (iv) the date specified by the Trustee following its receipt of a Notice of Termination, which date shall be a Business Day not less than 20 days after the Trustee's receipt of such Notice of Termination, but and in no event later than the fifth (5th) Business Day preceding the termination date (or the date no further purchases shall be made by the Liquidity Provider) specified in such Notice of Termination, (v) for 2007B Bonds in the Daily Mode or Weekly Mode, any Business Day specified in a written notice by the Authority not less than 20 days after the Trustee's receipt of such notice and (vi) for 2007B Bonds in the Daily Mode or the Weekly Mode, if notice of non-reinstatement is received on or before 11:00 am on the fifth calendar day following any draw for payment of interest on the Letter of Credit, the date specified by the Trustee, which date shall be not less than 15 calendar days after the Trustee's receipt of such notice of non-reinstatement.

"Maximum Rate" means the rate of interest of 10% per annum, and with respect to Liquidity Provider Bonds, the rate specified in the Liquidity Facility and in no event shall such rate(s) exceed the highest rate allowed by applicable law.

"Mode" means, as the context may require, the ARS Mode, the CP Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode or the Fixed Rate Mode.

"Mode Change Date" means: (i) with respect to the 2007B Bonds in a particular Mode, the day on which a New Mode for the 2007B Bonds begins; and (ii) the day upon which the 2007B Bonds in the Term Rate Mode change to a new Term Rate Period.

"Mode Change Notice" means the written notice from the Authority to the other Notice Parties of the Authority's intention to change the Mode with respect to the 2007B Bonds.

"Moody's" means Moody's Investors Service, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the City, by written notice to the Trustee.

"New Mode" means a new Mode to which the 2007B Bonds are being converted from the Current Mode, as described under "THIRD SUPPLEMENTAL INDENTURE – Changes in Mode".

"Note Redemption Account" means the account so designated which is established pursuant to the Original Indenture.

"Notes" means the Authority's Lease Revenue Notes, 2001 Series A (Federally Taxable) issued to finance the Project.

"Notice of Termination" has the meaning specified in the initial Liquidity Facility or, if an Alternate Liquidity Facility shall be in effect, any notice to the Trustee from the provider of such Alternate Liquidity Facility of its intent to terminate such Alternate Liquidity Facility.

"Notice Parties" means the Trustee, the Tender Agent, the Remarketing Agent, if any, the Broker-Dealer, if any, the Paying Agent, the Auction Agent, the Credit Provider, the Liquidity Provider and the Authority.

"Obligations" means the Debt and Credit Agreement Obligations.

"Office" of an entity means its office at the address set forth in the Third Supplemental Indenture, or any other office designated in writing by such entity to the Authority, the Trustee and the Paying Agent as the Office of such entity for purposes of the Indenture; provided that, for the purposes of the definition of "Business Day" herein, the Office of the Trustee shall be the corporate trust office of the Trustee designated in writing by the Trustee to the Authority, the Office of the Paying Agent shall be the corporate trust office of the Paying Agent designated in writing to the Authority.

"One-Month LIBOR" shall mean the offered rate (rounded up to the next highest one one thousandth of one percent (0.001%)) for deposits in U.S. dollars for a one-month period which appears on the Reuters Screen LIBOR01 Page at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

"Opinion of Counsel" means a written legal opinion from a firm of attorneys experienced in the matters to be covered in the opinion.

"Original Indenture" means the Trust indenture, dated as of April 1, 2001 between the Authority and the Trustee.

"Original Practice Facility Prime Lease" means a Prime Lease dated April 20, 2000, as it may be amended and supplemented, pursuant to which under certain conditions, the Authority will lease to the City the Practice Facility Premises, under and subject to a Lease and Development Agreement between the Authority and Philadelphia Eagles Development L.P.

"Outstanding", in connection with Debt means, as of the time in question, all Debt which has been authenticated and delivered under the Indenture, except:

(a) Debt cancelled or required to be cancelled, including pursuant to the Original Indenture;

(b) Debt for the discharge, cancellation, payment, redemption, retirement or purchase of which, moneys or Government Obligations the principal of and interest on which, when due, will provide sufficient moneys to fully pay such Debt, shall have been or shall concurrently be deposited with the Trustee in accordance with the Original Indenture; provided that, if such Debt is being redeemed prior to maturity, any required notice of redemption shall have been given or provision satisfactory to the Trustee shall have been made therefor, and that if such Debt is being purchased, there shall be a firm commitment for the purchase and sale thereof;

(c) Debt in substitution for which other Debt has been authenticated and delivered, including pursuant to Article II of the Original Indenture;

(d) For purposes of any consent or other action to be taken by the Holders of a specified percentage of Debt under the Indenture, Debt held by or for the account of the Authority or the City, or any Person controlling, controlled by or under common control with the Authority or the City; and

(e) Debt for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee in the Note Redemption Account.

"Paying Agent" means, with respect to the 2007 Bonds, any national banking association having trust powers, bank and trust company or trust company appointed as such by the Authority and accepting such appointment for the time being pursuant to the Indenture. The initial Paying Agent is The Bank of New York Trust Company, N.A., a national banking association having a corporate trust office in Philadelphia, Pennsylvania.

"Payment Office" means the office of the Trustee for the payment of Additional Debt.

"Person" means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, any unincorporated organization, a governmental body, any other political subdivision, municipality or municipal authority or any other group or entity.

"Phillies" means The Phillies, a Pennsylvania limited partnership.

"Phillies Ground Lease" means a Ground Lease Agreement dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the City leases to the Authority various parcels of land in connection with the development of a new baseball park for the Phillies.

"Phillies Leaseback" means a Lease-Back Lease Agreement dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the City leases back to the Authority the Phillies Premises.

"Phillies Leases" means the Phillies Ground Lease, the Phillies Prime Lease and the Phillies Leaseback.

"Phillies Premises" means the various parcels of land leased to the Authority pursuant to the Phillies Ground Lease, as improved, including by a new baseball park.

"Phillies Prime Lease" means a Prime Lease dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the Authority leases back to the City the Phillies Premises.

"Phillies Sublease" means a Sublease and Development Agreement pursuant to which the Authority will lease all or a portion of the Phillies Premises to the Phillies.

"Practice Facility" means the newly-constructed Eagles practice facility located at the northwest corner of Broad Street and Pattison Avenue, Philadelphia.

"Practice Facility Lease Agreement" means a Practice Facility Lease Agreement entered into simultaneously with the Original Practice Facility Prime Lease pursuant to which, subject to certain conditions, the City leased back to the Authority the Practice Facility Premises.

"Practice Facility Premises" shall have the meaning ascribed to it in the Original Practice Facility Prime Lease.

"Practice Facility Prime Lease" means an Amended and Restated Prime Lease, as it may be amended and supplemented, pursuant to which, under certain conditions, the Authority will lease to the City the Practice Facility Premises, under and subject to a Lease and Development Agreement between the Authority and Philadelphia Eagles Development L.P.

"Project" means the financing or refinancing by the Authority of (a) the costs of the Rehabilitation; (b) under certain limited circumstances, the Authority's Commerce Bank Reimbursement Obligation; (c) the Land Acquisition and Related Costs; (d) the funding of reserves, if any; (e) capitalized interest; and (f) the payment of costs of issuance.

"Project Budget" means a statement of the estimated Costs of the Project or any Additional Projects, setting forth the Costs in such categories and reasonable detail as shall be satisfactory to the Authority.

"Proper Charge" means amounts permitted under the Act which include costs of issuance of Debt, including discount on Debt, attorneys' fees, printing costs, fees and expenses of the Authority and the Trustee, and the cost of any feasibility studies and similar expenses in connection with the Project or any Additional Projects.

"Purchase Date" means (i) for a 2007B Bond in the Daily Mode or the Weekly Mode, any Business Day selected by the Beneficial Owner of said 2007B Bond pursuant to the provisions of the Third Supplemental

Indenture concerning tender and purchase of the 2007B Bonds at the election of the Owners thereof, and (ii) any Mandatory Purchase Date.

"Purchase Fund" means the fund of that name created under the Third Supplemental Indenture.

"Purchase Price" means an amount equal to the principal amount of any 2007B Bonds purchased on any Purchase Date, plus accrued interest to the Purchase Date (unless the Purchase Date is a 2007B Interest Payment Date, in which case the Purchase Price shall not include accrued interest, which shall be paid in the normal course).

"Rate Determination Date" means any date on which the interest rate on any sub series of 2007B Bonds shall be determined, which, (i) in the case of the Daily Mode, shall be each Business Day commencing with the first day (which must be a Business Day) the 2007B Bonds become subject to the Daily Mode; and (ii) in the case of the initial conversion to the Weekly Mode, shall be no later than the Business Day prior to the Mode Change Date, and thereafter, shall be each Wednesday or, if Wednesday is not a Business Day, then the Business Day next preceding such Wednesday.

"Rating Agency" shall mean, as of any date, each nationally recognized rating service that shall have assigned and have in effect as of such date a rating with respect to any of the Debt.

"Rating Confirmation Notice" means a written notice from each of Moody's, S&P or Fitch confirming that its then-current rating, if any, on either the 2007A Bonds of the 2007B Bonds, as applicable, will not be lowered, suspended or withdrawn (other than a withdrawal of a short-term rating of the 2007B Bonds upon a change to a Long-Term Mode) as a result of the action proposed to be taken.

"Rebate Fund" means the fund so designated which is established pursuant to the Original Indenture.

"Record Date" means, with respect to the 2007A Bonds, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding each 2007A Interest Payment Date; and, with respect to 2007B Bonds in Short-Term Mode, the last Business Day before a 2007B Interest Payment Date.

"Redemption Price" where used with respect to a debt obligation which is not a Capital Appreciation Bond, means the principal amount of such obligation plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture, and with respect to any Capital Appreciation Bond, the Acreted Value of such bond on the redemption date plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

"Rehabilitation" means the rehabilitation of Veterans Stadium, including its major structural, mechanical, electrical and other systems, and the other improvements forming part of the Veterans Stadium Premises, as the same has been approved pursuant to an Ordinance of the City Council of the City (Bill No. 000706) duly signed by the Mayor on December 28, 2000, as it may be further amended hereafter by resolution of the City Council of the City. The term "Rehabilitation" shall also mean and include all amendments to, modifications of, and change orders affecting the rehabilitation work set forth in said Ordinance, as said Ordinance may be amended hereafter.

"Reimbursement Agreement" means, (i) with respect to the Letter of Credit, the Reimbursement Agreement dated as of April 1, 2008 among the Authority, JPMorgan Chase Bank, National Association, as Administrative Agent and Bank, and The Bank of New York, as Document Agent and Bank, and (ii) upon the delivery of an Alternate Credit Enhancement or Alternate Liquidity Facility, any agreement of the Authority with the Credit Provider or Liquidity Provider issuing such Alternate Credit Enhancement or Alternate Liquidity Facility, as applicable, setting forth the obligations of the Authority to such Credit Provider or Liquidity Provider arising out of any payments under an Alternate Credit Enhancement or Alternate Liquidity Facility and which is filed with the Trustee and provides that it shall be deemed to be a Reimbursement Agreement for the purpose of the Indenture.

"Remarketing Agent" means any investment banking firm appointed by or which may be substituted in its place as provided in the Third Supplemental Indenture.

"Remarketing Agreement" means any Remarketing Agreement relating to the 2007B Bonds by and between the Authority and the Remarketing Agent or any similar agreement between the Authority and the Remarketing Agent, as it may be amended or supplemented from time to time in accordance with its terms.

"Remarketing Proceeds Account" means the account of that name within the Purchase Fund created under the Third Supplemental Indenture.

"S&P" means Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc., its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the City, by written notice to the Trustee.

"Second Supplemental Indenture" means the Second Supplemental Indenture, dated as of June 30, 2004, between the Authority and the Trustee.

"Security Leases" means the Veterans Stadium Sublease, the Eagles Prime Lease and the Phillies' Prime Lease, collectively with any other lease or sublease hereafter pledged to secure the Obligations.

"Serial 2007B Bonds" means the 2007B Bonds maturing on the Serial Maturity Dates, as determined pursuant to the Third Supplemental Indenture.

"Serial Maturity Dates" means the dates on which the Serial 2007B Bonds mature, as determined pursuant to the Third Supplemental Indenture.

"Serial Payments" means the payments to be made in payment of the principal of the Serial 2007B Bonds on the Serial Maturity Dates.

"Series Issue Date" means, with respect to the 2007 Bonds, October 25, 2007, the date of original issuance of the 2007 Bonds.

"Short-Term Mode" means the Daily Mode, the Weekly Mode or the CP Mode.

"Sinking Fund Installment Date" means October 1 of the years in which the Trustee is required to redeem Bonds of any series from the Bond Redemption Account or Accounts of the Bond Fund for such series established pursuant to the Indenture.

"Substitution Date" means the date upon which an Alternate Credit Facility or Alternate Liquidity Facility is scheduled to be substituted for the Credit Facility or Liquidity Facility then in effect; provided however that no such Substitution Date shall occur in connection with the delivery of an Alternate Credit Facility pursuant to the Third Supplemental Indenture.

"Supplemental Indenture" shall mean any indenture amending or supplementing the Indenture which may be entered into in accordance with the provisions of the Indenture.

"Team Leases" means the lease agreements between the City and the Phillies, and the City and the Eagles relating to Veterans Stadium.

"Team Subleases" means the Phillies Sublease, together with the Eagles Sublease.

"Tender Agent" means the commercial bank, trust company or other entity which may from time to time be appointed to serve as Tender Agent. Until such time as an alternate Tender Agent is appointed, the Tender Agent shall be the Trustee.

"Tender Notice" means a notice delivered by Electronic Means or in writing that states (i) the principal amount of such Bond to be purchased pursuant to the Third Supplemental Indenture, (ii) the Purchase Date on which

such 2007B Bond is to be purchased, (iii) applicable payment instructions with respect to the 2007B Bonds being tendered for purchase and (iv) an irrevocable demand for such purchase.

"Tender Notice Deadline" means (i) during the Daily Mode, 9:00 A.M. on any Business Day and (ii) during the Weekly Mode, 5:00 P.M. on the Business Day seven days prior to the applicable Purchase Date.

"Term Rate" means the per annum interest rate for the 2007B Bonds in the Term Rate Mode determined pursuant to the Third Supplemental Indenture.

"Term Rate Mode" means the Mode during which the 2007B Bonds bear interest at the Term Rate.

"Third Supplemental Indenture" means the Third Supplemental Indenture, dated as of October 1, 2007, between the Authority and the Trustee.

"Trustee" with respect to the 2007 Bonds means The Bank of New York Trust Company, N.A. (successor to J.P. Morgan Trust Company, National Association), as trustee.

"2007 Bond Insurer" means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto, and which shall constitute a Credit Provider with respect to the 2007A Bonds.

"2007 Bond Insurance Policy" means the municipal bond new insurance policy issued by the 2007 Bond Insurer that guarantees the payment of principal of and interest on the 2007A Bonds. The 2007 Bond Insurance Policy constitutes a "Credit Facility."

"2007 Bonds" means the 2007A Bonds and the 2007B Bonds.

"2007 Project" means a project undertaken by the Authority at the request of the City consisting of (a) the advance refunding of all or a portion of the 2001B Bonds; and (b) the payment of certain costs of issuance.

"2007A Bonds" means the Authority's Fixed Rate Lease Revenue Refunding Bonds, 2007 Series A.

"2007B Bonds" means the Authority's Variable Rate Lease Revenue Refunding Bonds, 2007 Series B.

"2007A Interest Payment Date" means each April 1 and October 1, commencing April 1, 2008, and date of maturity or earlier redemption of the 2007A Bonds.

"2007B Interest Payment Date" means each date on which interest on the 2007B Bonds is to be paid and is: (i) with respect to the 2007B Bonds in the CP Mode, each Mandatory Purchase Date applicable thereto; (ii) with respect to the 2007B Bonds in the Daily Mode or Weekly Mode, the first Business Day of each month;; (iii) with respect to 2007B Bonds in a Long-Term Mode, each April 1 and October 1 commencing with the first April 1 or October 1 following the conversion to a Long-Term Mode; (iv) (without duplication as to any Interest Payment Date listed above) any Mode Change Date, other than a change between a Daily Mode and a Weekly Mode, and each Maturity Date; (v) with respect to any Liquidity Provider Bonds, the day set forth in the Reimbursement Agreement; and with respect to the 2007B Bonds in the ARS Mode, "Interest Payment Date" as defined in the Fourth Supplemental Indenture; provided, however, that the first 2007B Interest Payment Date while the 2007B Bonds are in the ARS Mode shall be determined by the Broker-Dealer.

"2007B Maturity Date" means the dates set forth in the Third Supplemental Indenture and, if established therein upon a change to the Fixed Rate Mode, any Serial Maturity Date.

"2007B Principal Payment Date" means any date upon which a principal amount of 2007B Bonds is due hereunder, including the 2007B Maturity Date, any Serial Maturity Date, any 2007B Redemption Date, or the date the maturity of any 2007B Bond is accelerated pursuant to the terms hereof or otherwise.

"2007B Redemption Date" means the date fixed for redemption of 2007B Bonds subject to redemption in any notice of redemption given in accordance with the terms of the Third Supplemental Indenture.

"2007B Redemption Price" means an amount equal to the principal of and premium, if any, and accrued interest, if any, on the 2007B Bonds to be paid on the 2007B Redemption Date.

"Variable Rate Mode" means the Short-Term Mode or the Term Rate Mode.

"Weekly Mode" means the Mode during which the 2007B Bonds bear interest at the Weekly Rate.

"Weekly Rate" means the per annum interest rate on the 2007B Bonds in the Weekly Mode determined pursuant to the Third Supplemental Indenture.

"Weekly Rate Period" means the period during which a 2007B Bond in the Weekly Mode shall bear a Weekly Rate, which shall be the period commencing on Thursday of each week to and including Wednesday of the following week, except the first Weekly Rate Period which shall be from the Mode Change Date to and including the Wednesday of the following week and the last Weekly Rate Period which shall be from and including the Thursday of the week prior to the Mode Change Date to and including the day next preceding the Mode Change Date or 2007B Maturity Date.

THE ORIGINAL INDENTURE

TRUST ESTATE

The Authority, in order to secure the payment of the principal of, and premium, if any, and interest on, all Debt issued and outstanding under the Indenture according to its tenor and effect and the performance and observance by the Authority of all the covenants expressed or implied therein and in said Debt assigns and pledges to the Trustee, its successors in the trust and its assigns forever, and grants to the Trustee, its successors in trust and its assigns forever, a presently existing and continuing security interest in, assignment and pledge of, and a continuing lien on, each and all of the following: (i) the Veterans Stadium Sublease and the rights, title and interest (but not the obligations) of the Authority under and pursuant to the Veterans Stadium Sublease, including the right to receive all payments, revenues and receipts thereunder (excepting only the rights reserved to the Authority under Section 4.3 and Articles VII, IX and XIX of the Veterans Stadium Sublease and amounts payable to the Trustee for its fees, expenses and indemnities); and (ii) the rights, title and interest of the Authority in and to all payments, revenues and receipts under Section 4.1(b) of the Eagles Prime Lease (excepting the right to certain amounts payable to the Authority for insurance premiums and any rebate liability, and the Trustee for its fees, expenses and indemnities, all whether under Sections 4.1(b) or 18.2 of the Eagles Prime Lease) and the rights and remedies associated with such payments; and (iii) the rights, title and interest of the Authority in and to all payments, revenues and receipts under Section 4.1(a) of the Phillies Prime Lease (excepting the right to certain amounts payable to the Authority for insurance premiums and any rebate liability, and the Trustee for its fees, expenses and indemnities, all whether under Section 4.1(a) or 18.2 of the Phillies Prime Lease) and the rights and remedies associated with such payments; and (iv) all funds and accounts established under the Indenture (other than the Rebate Fund and any other fund or account established hereafter and specifically excluded from the pledge), all instruments and obligations in which the moneys in such funds and accounts may from time to time be invested and all interest and other investment earnings thereon and proceeds thereof; provided that amounts on deposit in the Note Redemption Account shall be for the sole and exclusive benefit of the Holders of the Notes and provided further, that the Construction Fund shall not be pledged to secure any Debt other than the Notes unless otherwise expressly provided in a Supplemental Indenture (items (i) through (iv) are collectively referred to as the "Trust Estate"), in trust, for the equal and ratable benefit and security of all present and future Holders of the Debt issued and to be issued under the Indenture, without preference, priority or distinction as to lien or otherwise (except as otherwise specifically provided therein) of any one Debt obligation over any other Debt obligation upon the terms and subject to the conditions hereinafter set forth.

ISSUE OF ADDITIONAL DEBT

Issue of Additional Debt

The Authority may issue one or more series of Additional Debt, which shall be on parity with the Notes as to the Trust Estate except as expressly provided in the Original Indenture or in a Supplemental Indenture, in such form and denominations, bearing interest on such dates and at such rates, be payable at such times, and having such provisions for redemption, transfer and exchange from time to time as shall be provided in a Supplemental Indenture to pay the Cost of undertaking or completing the Project or an Additional Project and the Cost of refunding all or part of the Outstanding Debt under the Indenture; provided that no Additional Debt shall be issued to refinance the Commerce Bank Reimbursement Obligation unless the Practice Facility Lease Agreement is pledged as part of the Trust Estate. The Trustee shall authenticate and deliver such Additional Debt at the written request of the Authority, but only upon compliance with the requirements set forth in subsection (a) below and, to the extent applicable, with the further requirements of subsections (b), (c) and (d) below. In the event that any Additional Debt is issued in the form of commercial paper, it will be designated as a new series and will not constitute part of the Notes. The Authority also reserves the right to issue additional debt subordinate to the lien and pledge created in the Indenture as security for the Obligations on such terms as shall be provided in a Supplemental Indenture subject to the approval of the City pursuant to applicable law.

(a) General Requirements. In all cases, the following shall be delivered to the Trustee:

(i) executed counterparts of a Supplemental Indenture and, if necessary, an amendment to one or more of the Security Leases, and other such documents, including an additional lease or sublease between the Authority and the City, as are necessary or appropriate in order to provide, inter alia, for the issuance of the Additional Debt and the security therefor, the application of Additional Debt proceeds and other available moneys, and the payment of the principal or Redemption Price of and interest on the Additional Debt, together with appropriate Authority and City certificates to the effect that the foregoing documents have been duly and validly authorized, executed and delivered by the Authority and the City;

(ii) Certified Resolutions of the Authority and Ordinances of the City approving the issuance of the Additional Debt and the execution and delivery of all documents and the taking of all actions which are necessary or appropriate in connection with the issuance of the Additional Debt;

(iii) if necessary, certified Ordinances of the City approving any amendments to the Security Leases or approving any additional lease or sublease;

(iv) an opinion or opinions of Counsel, addressed to the Trustee, to the effect that: (A) the Additional Debt has been duly issued for a permitted purpose under Section 3.02 of the Original Indenture, (B) all consents or approvals required to be obtained from any Regulatory Body for the issuance of the Additional Debt have been obtained, (C) the issuance of the Additional Debt and execution and delivery of related documents will not constitute a breach or default on the part of the Authority or the City under, as applicable, any related party's articles of incorporation and by-laws, any applicable laws or regulations, court orders or rulings of Regulatory Bodies to which the Authority or the City is subject or any agreements to which the Authority or the City is a party or to which the Authority's properties are subject, (D) all documents delivered by the Authority and the City in connection with the issuance of the Additional Debt have been duly and validly authorized, executed and delivered and such execution and delivery and all other actions taken by the Authority in connection with the issuance of the Additional Debt have been duly authorized by all necessary corporate actions, and (E) all conditions precedent to the issuance of the Additional Debt pursuant to the Indenture have been satisfied;

(v) an opinion of Bond Counsel that the issuance of such Additional Debt will not adversely affect the exclusion from gross income of interest on the Debt Outstanding (to the extent any Debt Outstanding was issued on a tax-exempt basis); and

(vi) a certificate of either or both the Authorized Representative and the Authority dated as of the date of issuance that: (A) upon the issuance of the Additional Debt, no Event of Default under Section 9.01 of the Original Indenture has occurred and is continuing as of the date of such certificate; (B) the Authority has full power and authority to perform its duties and obligations under the Indenture and under the Debt; (C) the Authority is in compliance with the covenants set forth in the Indenture as of the date of such certificate; (D) the revenues to be received from the assets comprising the Trust Estate, together with moneys available under the Indenture, will be sufficient to timely and fully amortize the Outstanding Debt, subject to the terms and conditions of the Security Leases; (E) the aggregate amount of Obligations outstanding is not in excess of the total amounts authorized by the Security Leases and all applicable resolutions of the Authority; and (F) the Security Leases and the ordinances of City Council of the City approving the Security Leases and authorizing the Project are in full force and effect.

(b) Additional Requirements – Additional Projects. There shall be delivered to the Trustee in the case of Additional Debt issued to provide funds for the Cost of undertaking or completing an Additional Project, if necessary, an Ordinance of the City approving the Additional Project.

(c) Additional Requirements – Refunding Debt. The following shall be delivered to the Trustee in connection with the issuance of Additional Debt for the purpose of a refunding of some or all Obligations:

(i) executed counterparts of such documents as are necessary or appropriate for the purposes of the refunding, including, if appropriate, an escrow agreement or Supplemental Indenture providing for the deposit and application of funds for the refunding and irrevocable instructions from the Authority with respect to the redemption of refunded Debt;

(ii) a Certified Resolution of the Authority and an Ordinance of the City, if necessary, authorizing the refunding, including, without limitation thereto, the redemption of refunded Debt; and

(iii) an Authority certificate and City certificate setting forth in reasonable detail the Costs of the refunding and demonstrating the adequacy of available funds for the payment of such Costs and, unless all refunded Debt is to be redeemed or otherwise retired on the date of settlement for the Additional Debt, such certificates shall be accompanied by such schedules, verified as to mathematical accuracy by a Certified Public Accountant, as are necessary to demonstrate the adequacy of the proceeds of the Additional Debt and other available funds deposited for the refunding and the income thereon for the purpose of paying, when due, the principal or Redemption Price of and interest on the refunded Debt.

(d) Additional Requirements – Multipurpose Issue. In the case of Additional Debt issued for more than one of the purposes described in subsections (b) and (c) above, the requirements of each applicable subsection shall be met.

CONSTRUCTION OF ADDITIONAL PROJECTS

Additional Projects

If the City shall deem it necessary or advisable that an Additional Project or Additional Projects be undertaken, the City may request the Authority to provide moneys for all or part of the Costs thereof. Any such

request shall be in writing, shall be signed by the Director of Finance of the City or his designee, shall set forth the amount requested and shall be accompanied, if necessary, by appropriate ordinance of the City Council authorizing the Additional Project and an increase, if necessary, of the rentals due under one or more of the Security Leases or the imposition of rentals payable by the City pursuant to an additional lease or sublease, to pay the debt service of and any other costs or expenses' related to any obligation incurred by the Authority for the Additional Projects.

Additional Debt

Upon receipt of a request of the City, accompanied by required documents as provided in the Indenture, the Authority may, but shall have no obligation to, provide all or any part of the amounts requested by issuance and sale of Additional Debt, as provided in the Indenture.

Completion of Additional Projects

The Authority will cause the City to covenant to proceed with reasonably deliberate dispatch to complete any Additional Projects involving construction for which Additional Debt is issued, in accordance with the plans and specifications therefor.

CONSTRUCTION FUND

Establishment of Construction Fund

The Trustee shall establish and maintain a Construction Fund for the Rehabilitation and the Land Acquisition and Related Costs and any Additional Project undertaken by the Authority and financed by the issuance of Additional Debt, which shall be held separate and apart from all other funds and accounts established under the Indenture and from all other moneys of the Trustee. The Trustee may establish separate accounts within the Construction Fund for separate series of Debt or separate components of a project. No disbursements of funds held from time to time in the Construction Fund shall be made except as permitted in Article V of the Original Indenture. The Trustee shall invest the moneys on deposit in the Construction Fund pursuant to Section 7.02 of the Original Indenture and shall apply the income from such investments as provided therein.

Payments From Construction Fund

(a) The Trustee shall make payments from the Construction Fund to the City or its contractors, subcontractors, materialmen or workmen in connection with the Rehabilitation in accordance with the requirements of Section 9.4 of the Veterans Stadium Sublease. The Trustee shall make the applicable disbursements within three (3) Business Days of the submission of a requisition substantially in the form attached to the Original Indenture as Exhibit D-1 and made a part thereof. The Trustee shall make payments from the Construction Fund to the City, and such Persons as approved by the City, including the Authority, in connection with the Land Acquisition and Related Costs in accordance with the requirements of the Eagles Prime Lease and the Phillies Prime Lease as provided in a requisition substantially in the form attached to the Original Indenture as Exhibit D-2 and made a part thereof. The Trustee shall make the applicable disbursements within three (3) Business Days of the submission of such requisition.

The Trustee shall make payments from the Construction Fund in connection with the Rehabilitation upon the prior receipt of a requisition substantially in the form attached to the Original Indenture as Exhibit D-1 and made a part thereof, signed on behalf of the City by a Person designated for such purpose in certificates of the City filed with the Trustee.

The Trustee shall make payments from the Construction Fund in connection with the Land Acquisition and Related Costs upon the prior receipt of a requisition substantially in the form attached to the Original Indenture as Exhibit D-2 and made a part thereof, signed on behalf of the City by a Person designated for such purpose in certificates of the City filed with the Trustee, or by such other Person approved in writing by the City, including the Authority. Withdrawals for the purchase of land that constitutes part of the Land Acquisition and Related Costs

shall not be required to be done through use of the form of requisition and may, instead, be effected by written request of either the City or the Authority delivered to the Trustee.

(b) The Trustee shall make payments from the Construction Fund to the Authority, the City or any other Person in connection with any Additional Project upon the prior receipt of a requisition substantially in the form attached to the Original Indenture as Exhibit D-3 and made a part thereof, signed on behalf of the City by a Person designated for such purpose in certificates of the City filed with the Trustee, or by such other Person approved in writing by the City, including the Authority. The Trustee shall make the applicable disbursements within three (3) Business Days of the submission of the requisition substantially in the form attached to the Original Indenture as Exhibit D-3 and made a part thereof.

(c) The Trustee agrees that it shall hold all documents, affidavits, certificates and opinions delivered to the Trustee pursuant to paragraphs (a) and (b) above for a period of at least two years after the date of completion of the Project or Additional Project. The Authority shall have the right to inspect such documents, affidavits, certificates and opinions at the Principal Corporate Trust Office of the Trustee at reasonable times and upon reasonable notice. The Trustee shall provide copies of such documents, affidavits, certificates and opinions to the Authority at its request and expense.

(d) Whenever disbursements are to be made to reimburse the City for advances or to discharge indebtedness of the City, the requisition shall relate to the underlying obligation for which the City is being reimbursed or for the payment of which the indebtedness was incurred.

Procedure Upon Completion of the Rehabilitation, the Land Acquisition and Related Costs, and any Additional Project

Within a reasonable time after substantial completion of the Rehabilitation, the Land Acquisition and Related Costs, or any Additional Project, the Authority shall cause the City or such other Person as designated in writing by the Authority or the City to the Trustee, to deliver to the Trustee a certificate of an Authorized Representative, stating the date of substantial completion and the sum, if any, to be reserved in the Construction Fund for the payment of any unpaid Costs of such project.

Upon delivery of such certificate to the Trustee, any amount remaining in the Construction Fund and not reserved for the payment of Costs of the Rehabilitation, the Land Acquisition and Related Costs or an Additional Project shall be deposited to a separate subaccount of the Sinking Fund Account or such other account as directed in a Supplemental Indenture and used for the payment of (a) such Debt as may be selected by an Authorized Representative or (b) the payment of fees and expenses relating to Debt.

Nature of the Rehabilitation

As and to the extent provided in the Veterans Stadium Sublease, the various components comprising the Rehabilitation are subject to modification and/or elimination.

Compliance with Laws, etc.

The Authority will comply with all present and future laws, acts, rules, regulations, orders and requirements lawfully made relating to any acquisition, construction or operation undertaken pursuant to the Indenture; provided that the Authority shall have the right to contest or appeal from such laws, regulations, rules, orders and requirements.

REVENUES OF THE AUTHORITY, AND THE APPLICATION THEREOF TO FUNDS AND ACCOUNTS

Trust Estate to be Paid Over to Trustee

The Authority, by execution and delivery of the Indenture, assigns, transfers and sets over all right, title and interest of the Authority in and to the Trust Estate and all rentals and other amounts payable thereunder to the Trustee, IN TRUST, to be held and applied pursuant to provisions of the Indenture for the benefit of the Holders of the Debt. Pursuant to the Indenture, the Authority pledges to the Trustee the aforesaid Trust Estate as security for the performance of any obligations under the Indenture. The pledge made by the Indenture shall be valid and binding from the time such pledge is made, and the covenants and agreements set forth in the Indenture to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of the Debt, all of which, regardless of their respective times of issue and maturity, shall be of equal rank, without preference, priority or distinction of any Obligation over any other Obligation, except as expressly provided therein or permitted by the Indenture. The Trust Estate shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act. Pursuant to the assignment of the Authority's rights under the Security Leases, those amounts payable thereunder which are pledged to the Trustee under the Indenture shall be paid directly to the Trustee by the City. Upon receipt of any amounts constituting the Trust Estate or other payments under the Indenture (except proceeds of Additional Debt) the Trustee shall deposit the same in the Sinking Fund Account, unless otherwise provided in the Original Indenture or in a Supplemental Indenture.

Creation and Application of the Note Redemption Account

There is created and established pursuant to the Original Indenture with the Trustee an account to be designed the "Note Redemption Account" which shall be held by the Trustee solely for the benefit of the Holders of the Notes.

Procedure When Funds Are Sufficient to Pay All Debt

If at any time the amounts held by the Trustee in the funds and accounts established under Article VI of the Original Indenture are sufficient to pay principal and interest on all Debt then Outstanding at maturity or by prior redemption, together with any amounts due the Trustee, the Trustee shall notify the Authority to that effect and thereafter the Trustee shall apply the amounts in the funds and accounts established under Article VI of the Original Indenture to the payment of such principal and interest and neither the City nor the Authority shall be required to pay over any further amounts unless and until it shall appear that there is a deficiency in the funds held by the Trustee under Article VI. If the Trustee has applied such funds to pay the full principal of and interest due on the Debt and any other incidental expenses incurred to make such payment, the Trustee shall transfer any remaining funds to the City.

Moneys to Be Held for All Holders With Certain Exceptions

Moneys and investments in the various funds and accounts established under the Indenture shall, until applied as provided with respect to the fund in question, be held in trust by the Trustee for the equal and ratable benefit and security of the Holders of all Outstanding Debt, except: (i) the Note Redemption Account shall be held for the benefit of the Holders of the Notes only, (ii) any bond redemption fund established for any series of Debt shall be held for the benefit of the Holders of Debt of that series only, (iii) the Rebate Fund shall be held for the purposes set forth in Section 6.10 of the Original Indenture, (iv) the Construction Fund shall not secure any Debt other than the Notes, except as otherwise expressly provided in a Supplemental Indenture and (v) any other fund or account established hereafter and not pledged shall be held for the purposes set forth in connection with its establishment.

Rebate Fund

The Trustee shall establish a fund designated the "Rebate Fund" with appropriate subaccounts for each series of tax-exempt Debt; provided that the Trustee shall only be required to establish the Rebate Fund on its books

at such time that it is notified in writing by the City or the Financial Consultant at the request of the City that there is a Rebate Amount (as defined herein). Any provision of the Indenture to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien under the Indenture.

The Authority covenants to comply with the rebate requirements set forth in Section 148(f) of the Code.

The Authority shall cause the City, at its expense, to engage and furnish information to a Financial Consultant to calculate at the times required by Section 148(f) of the Code the rebate amount computed in the manner prescribed by Section 148(f) of the Code (the "Rebate Amount") with respect to any Debt the interest on which is excluded from gross income pursuant to Section 103(a) of the Code. The Trustee shall make its records available to the City and its Financial Consultant during regular business hours and upon reasonable prior written notice. The Authority shall cause the City to cause its Financial Consultant to timely notify the Trustee in writing of the amount of the Rebate Amount determined by such Financial Consultant. If the amount then on deposit in the Rebate Fund is in excess of the Rebate Amount as determined by the Financial Consultant, the Trustee shall forthwith pay that excess amount to the City. If the amount then on deposit in the Rebate Fund is less than such Rebate Amount, the Authority shall cause the City to, within five days after receipt of the Financial Consultant's determination thereof, pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to such Rebate Amount. If the City does not pay that required amount within five days after receipt of the Financial Consultant's determination of the Rebate Amount, the Trustee shall promptly transfer that amount from the Construction Fund to the Rebate Fund to the extent there are monies available in the Construction Fund. If the City shall fail to engage a Financial Consultant as required under the Indenture, the Trustee may (but shall not be required to) engage a Financial Consultant at the City's expense for the purposes thereof, in which case (i) the Trustee shall notify, or cause the Financial Consultant to notify, the City in writing of any determination of the Financial Consultant with respect to the Rebate Amount, and (ii) the Authority shall cause the City to pay the Trustee any amounts necessary to make the required deposits to the Rebate Fund within five days after the Trustee's or the Financial Consultant's notification to the City, and to reimburse the Trustee for any fees and expenses incurred in engaging a Financial Consultant. The Trustee, acting on behalf of the Authority, shall pay to the United States from the monies then on deposit in the Rebate Fund the amount set forth in written directions from the City. Within 60 days after the payment in full of a particular issue of tax-exempt Debt, the Trustee shall pay to the United States from the monies then on deposit in the Rebate Fund the amount set forth in written directions from the City which shall equal 100% of the Rebate Amount earned from the date of the original delivery of such Debt to the date of such payment (less the Rebate Amount, if any, previously paid to the United States with respect to such Debt pursuant to Section 6.10 of the Original Indenture) and any monies remaining in the particular subaccount for such issue of Debt of the Rebate Fund following such payment shall be paid to the City. All computations of the Rebate Amount pursuant to Section 6.10 of the Original Indenture with respect to a particular issue shall treat the amount or amounts, if any, previously paid to the United States pursuant to Section 6.10 of the Original Indenture with respect to such issue as amounts on deposit in the Rebate Fund. A copy of all notices sent under the Indenture to the City by the Financial Consultant shall also be sent to the Trustee.

The Trustee shall keep all records of the computations received pursuant to Section 6.10 of the Original Indenture.

If all the gross proceeds (within the meaning of Section 148(f) of the Code) of a particular series of Debt, together with the gross proceeds of any other Debt treated as part of the same issue for purposes of Section 148(f) of the Code, are not subject to rebate because of an exception thereto, then the provisions of Section 6.10 of the Original Indenture shall not be applicable to the investment of original proceeds of such series in the Construction Fund and the City shall not be required to engage a Financial Consultant or otherwise comply with the foregoing provisions of Section 6.10 of the Original Indenture; provided that the City shall remain responsible to determine the Rebate Amount, if any, and to cause to be paid to the Trustee for deposit in the Rebate Fund and payment to the United States such amounts, if any, at such times as may be necessary to comply with the requirements of Section 148(f) of the Code with respect to the particular series of Debt.

Reports By Trustee

The Trustee shall furnish to the Authority, within 20 days after the end of each month, a report on the status of each of the funds and accounts within funds established under Article VI of the Original Indenture and the

Construction Fund, showing at least the balance in each such fund and account as of the last day of the preceding month, the deposits to (including interest on investments) and the disbursements from each such fund and account and the dates of such deposits and disbursements. In addition, the Trustee shall respond to reasonable inquiries made from time to time by the Authority as to the balances on deposit in, and the deposits to and disbursements from, such funds and accounts.

Creation of Other Funds and Accounts

At the written direction of the Authority, the Trustee shall establish additional funds and accounts under the Indenture, some or all of which, at the written direction of the Authority, may not be subject to the pledge of the Indenture.

Creation and Application of a Capitalized Interest Account

There is created and established pursuant to the Original Indenture with the Trustee an account to be designated the "Capitalized Interest Account". There shall be deposited in the Capitalized Interest Account, on the date of first issuance of Notes and from the proceeds of the sale thereof, moneys in the amount of $8,000,000.

If there are no Notes Outstanding and certain other requirements set forth in the Original Indenture have been met, the Trustee shall transfer any balance then remaining in the Capitalized Interest Account to the 2001 Series A Bonds Subaccount and the 2001 Series B Bonds Subaccount of such Account established pursuant to the First Supplemental Indenture, as directed in writing by the Authority in connection with the issuance of the Series 2001 Bonds.

SECURITY FOR AND INVESTMENT OR DEPOSIT OF FUNDS

Deposits and Security Therefor

All moneys received by the Trustee under the Indenture for deposit in any fund or account established thereunder shall, except as hereinafter provided, be deposited in the commercial department of the Trustee or any of its affiliates, until or unless invested or deposited as provided in Section 7.02 of the Original Indenture. All deposits in the commercial department of the Trustee or any of its affiliates (whether original deposits under Section 7.01 of the Original Indenture or deposits or re-deposits in time accounts under Section 7.02 of the Original Indenture) shall, to the extent not insured by the Federal Deposit Insurance Corporation, be fully secured by a pledge of Government Obligations, or secured as required by Pennsylvania law for deposits of trust funds. If at any time the commercial department of the Trustee or any of its affiliates is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such moneys with any other depository which is authorized to receive them and the deposits of which are insured by the Federal Deposit Insurance Corporation. All deposits with any other depository in excess of the amount insured by the Federal Deposit Insurance Corporation (whether under Section 7.01 or Section 7.02 of the Original Indenture as aforesaid) shall, to the extent permitted by law, be secured by a pledge of Government Obligations.

Investment or Deposit of Funds

(a) The Trustee shall, as directed in writing by the Authority, invest moneys held in the funds and accounts established under the Indenture in any Investment Securities. All investments made pursuant to Section 7.02 of the Original Indenture shall mature or be subject to redemption by the holder at not less than the principal amount thereof or the cost of acquisition, whichever is lower, and all deposits in time accounts shall be subject to withdrawal without penalty, not later than the date when the amounts will foreseeably be needed for purposes of the Indenture. Other than amounts in the Note Redemption Account which shall be held uninvested or invested only in Government Obligations in accordance with Section 6.02 of the Original Indenture and other than amounts in the Capitalized Interest Account which shall be held uninvested in the absence of written investment directions from the Authority, in the absence of written investment directions from the Authority, the Trustee shall be deemed to have received direction from the Authority to continuously invest and reinvest moneys deposited in

the various funds and accounts established under the Indenture in the JPMorgan Treasury Plus Institutional Class Money Market Mutual Fund, or its successor.

(b) The interest and other income received upon such investments and any interest paid by the Trustee or any other depository of any fund or account and any profit (or loss) resulting from the sale of securities shall initially be added (or charged) to the fund or account in question. Interest and other income received upon investment in funds or accounts and any profit resulting from the sale of securities therein during the construction of Additional Projects financed with the proceeds of Additional Debt shall be distributed or held in accordance with the terms of any Certified Resolution of the Authority or Supplemental Indenture; provided that if such Resolution or Indenture contains no terms governing the holding or distribution, such interest and other income received on and any profit resulting from the sale of the securities contained in the funds or accounts during the construction of such Additional Projects shall be credited to the Construction Fund.

(c) Upon request of the Authority, or on its own initiative whenever payment is to be made out of any fund or account, the Trustee shall sell such securities as may be requested or required to make the payment and restore the proceeds to the fund or account in which the securities were held. Neither the Trustee nor the Authority shall be accountable for any depreciation in the value of any such security or for any loss resulting from the sale thereof.

Valuation of Funds

In computing the assets of any fund or account, investments and accrued interest thereon shall be deemed a part thereof. Such investments shall be valued by the Trustee annually on June 30, at the current market value thereof, or at the redemption price thereof, if then redeemable at the option of the holder.

COVENANTS OF AUTHORITY

Payment of Principal or Redemption Price of and Interest on Debt

The Authority shall promptly pay or cause to be paid the principal or applicable Redemption Price of, and interest on every Debt obligation issued under the Indenture according to the terms thereof, but shall be required to make such payment only out of the Trust Estate. The Authority shall appoint one or more Paying Agents for such purpose, each such agent to be a bank and trust company or a trust company or a national banking association having trust powers. The Authority hereby appoints the Trustee to act as Paying Agent and designates the Payment Office of such agent as the place of payment, such appointment and designation to remain in effect until notice of change is filed with the Trustee.

The Authority shall require any Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee that such Paying Agent will (1) hold all sums held by it for the payment of the principal of, or interest on, Debt obligations in trust for the benefit of the Holders of such Debt until such sums shall be paid to such Holders or otherwise disposed of as provided in the Indenture; (2) give the Trustee notice of any default by the Authority (or any other obligor upon the Debt) in the making of any payment of principal or interest; and (3) at any time during the continuance of such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

Corporate Existence

The Authority shall maintain its corporate existence throughout the term of the Debt; and shall comply with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any legislative, executive, administrative or judicial body.

Compliance with Security Leases

The Authority covenants and agrees that (i) it shall comply with all applicable provisions of the Security Leases, as if contained in the Indenture; and (ii) it shall enforce against the City the obligations of the City under the Security Leases, including, without limitation, the obligation to pay the rental payments when due.

Assignment of Security Leases

The Authority agrees that, except for the assignment of the Veterans Stadium Sublease and certain rentals and rights under the Eagles Prime Lease and the Phillies Prime Lease to the Trustee pursuant to the Indenture, it will not assign or otherwise encumber such Security Leases or any payments due thereunder other than as contemplated therein; provided that the Authority shall have the right, with no additional consent of any bond insurer of the Debt, to enter into: (i) amendments to the legal descriptions of the real property contained in the Phillies Leases and the Eagles Leases; (ii) the Team Subleases, including amendments to the legal descriptions of the real property contained therein, and non-disturbance agreements substantially in the forms attached thereto; and (iii) a non-disturbance agreement in connection with the Veterans Stadium Sublease.

Enforcement, Execution and Amendment of Security Leases and Other Contracts - Notice of Default

The Authority shall enforce payment of service charges, rentals and other amounts payable under the Security Leases, and any other lease, agreement or other contract otherwise made subject to the lien and security interest created by the Indenture, and shall otherwise enforce all of its rights and privileges, and honor all of its obligations thereunder. The Authority and the Trustee acknowledge and agree that the Team Subleases are not subject to Section 8.05 of the Original Indenture. So long as no Event of Default under the Indenture shall have occurred and be continuing, the Authority may exercise all of its rights under the Security Leases which have been assigned to the Trustee, or any other such lease, sublease, agreement or contract, or supplement or amendment thereto, but the Authority shall not, without the prior written consent of the Trustee and any bond insurer of the Debt, amend any of the same; provided that the Trustee and any bond insurer of the Debt shall not have the right to consent to any amendments of the nature described in clauses (i) and (ii) of Section 8.04 of the Original Indenture; and provided further that the Trustee and any such bond insurer shall not have the right to consent to amendments of the Team Subleases. Nothing in the Indenture shall prevent the Authority from exercising any rights under the Security Leases which have not been assigned to the Trustee or any bond insurer of the Debt and nothing in the Indenture shall prevent any bond insurer of the Debt from exercising any rights under the Security Leases which have been assigned to it in accordance with their terms. The Authority shall file with the Trustee copies of the Security Leases and all other leases, agreements and contracts of the nature referred to in Section 8.05 of the Original Indenture (whether heretofore or hereafter executed), together with all amendments or supplements thereto, and shall give prompt written notice to the Trustee of any material default by any of the parties thereto.

Sale or Encumbrance of Veteran Stadium Premises, Eagles Premises, Phillies Premises Prohibited Exceptions

Except as permitted by the Veterans Stadium Leases, the Eagles Leases, the Phillies Leases, the Team Subleases, or any agreements with the Commonwealth entered into in connection with the implementation of the Commonwealths rights under the Capital Facilities Debt Enabling Act (Act of February 9, 1999, P.L. 1, No. 1) to acquire interests in the Eagles Premises or the Phillies Premises or as otherwise specifically permitted by the Indenture or in connection with the development of the new football stadium or baseball ballpark, the Authority shall not sell, lease, pledge or otherwise dispose of the Veteran Stadium Premises, the Eagles Premises, the Phillies Premises or any part thereof or of the revenues derived by the Authority therefrom or create any lien or encumbrance thereon. Upon the conditions stated, and upon receipt of any document required under the Veterans Stadium Leases, the Eagles Leases and the Phillies Leases, the Trustee shall execute such consents or releases to any sale, transfer or encumbrance permitted thereby as may be appropriate.

Payment of Taxes; Discharge of Liens

The Authority shall pay, or cause to be paid, all taxes, assessments, or other municipal or governmental charges lawfully imposed upon the Authority by virtue of its leasehold interest in the Veteran Stadium Premises, the

Eagles Premises, and the Phillies Premises or any revenues therefrom and will not knowingly cause to be created any lien or charge thereon except the liens and charges of the Indenture and encumbrances permitted under Sections 8.04 and 8.09 of the Original Indenture or under the Veterans Stadium Leases, the Eagles Leases and the Phillies Leases.

Compliance with Code

(a) General. The Authority covenants with the Holders of tax-exempt Debt that, notwithstanding any other provisions of the Indenture or other instrument, it shall not take or cause to be taken any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the tax-exempt Debt under Section 103(a) of the Code.

(b) Arbitrage or Private Activity Bonds. The Authority covenants with the Holders of tax-exempt Debt that it will make no use of the proceeds of such Debt which would cause such series of Debt to be "private activity bonds" or "arbitrage bonds" (as defined respectively in Sections 141(a) and 148 of the Code and all applicable regulations issued or proposed with respect thereto). The Authority shall not take any action which would cause interest on tax-exempt Debt to be includable for federal income tax purposes in the gross income of the Holders of such tax-exempt Debt. The Trustee may, from time to time, rely on an opinion of Bond Counsel as to compliance with the requirements of Section 8.18 of the Original Indenture.

(c) Rebate. The Authority agrees that there will be paid from time to time all amounts required to be paid to the United States pursuant to Section 148 of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to a series of tax-exempt Debt from time to time.

(d) Compliance with Federal Tax Certificate. In furtherance of the foregoing tax covenants of Section 8.18 of the Original Indenture, the Authority covenants that it will comply with the provisions of its Federal Tax Certificates, which are incorporated in the Indenture as if fully set forth therein. These covenants shall survive payment in full or defeasance of any tax-exempt Debt issued under the Indenture.

EVENTS OF DEFAULT AND REMEDIES

Events of Default Defined

Each of the following shall be an "Event of Default" under the Indenture:

(a) If payment of the principal or Redemption Price of any Debt is not made when it becomes due and payable at maturity or upon call for redemption; or

(b) If payment of any installment of interest on any Debt is not made when it becomes due and payable; or

(c) Reserved; or

(d) If the Authority fails to comply with any provision of the Act and such failure continues for a period of thirty (30) days, or the Authority for any reason is rendered incapable of fulfilling its obligations under the Indenture or thereunder; or

(e) If the Authority defaults in the due and punctual performance of any other covenant in any Debt obligation or in the Indenture and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Authority and the City by the Trustee; or

(f) If any event of default under and as defined in any Security Lease shall have occurred and be continuing; or

(g) If the City shall (i) suffer or permit proceedings under any law relating to bankruptcy, insolvency or reorganization or the relief of debtors to be instituted against it, and such proceedings remain undismissed or pending or unstayed for a period of 45 days or (ii) file a petition, or otherwise institute, or consent to the institution against it of, proceedings to take advantage of any law relating to bankruptcy, insolvency or reorganization or the relief of debtors.

Acceleration and Annulment Thereof

(a) If any Event of Default under clause (a), (b) or (c) under Section 9.01 of the Original Indenture occurs, the Trustee shall, and if any other Event of Default occurs the Trustee may in its discretion, and upon request of the Holders of 100% in principal amount of the Debt then Outstanding shall, by notice in writing to the Authority, declare the principal of all Debt then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with premium, if any, and interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Debt to the contrary notwithstanding.

(b) If after the principal of the Debt has been so declared to be due and payable, all arrears of interest upon the Debt (and interest on overdue installments of interest at the rate provided in the Debt) are paid by the Authority, and the Authority also performs all other things in respect to which there may have been a default under the Indenture and the Authority pays the reasonable charges and expenses of the Trustee, the Holders, and any trustee appointed under the Act, including reasonable attorney's fees and expenses, then, and in every such case, the Holders of a majority in aggregate principal amount of the Debt then Outstanding, by written notice to the Authority and to the Trustee, may annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all Holders of Debt issued under the Indenture; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Enforcement by Trustee

If any Event of Default occurs and is continuing, the Trustee shall enforce each and every right granted to the Authority and pledged under the Indenture under the Veterans Stadium Sublease and with respect to those rents payable pursuant to the Eagles Prime Lease and the Phillies Prime Lease which have been assigned and pledged to the Trustee under the Indenture and any supplements or amendments thereto, and shall apply the Trust Estate to the payment of the principal of or interest on the Obligations.

Legal Proceedings by Trustee

If any Event of Default has occurred and is continuing, and has not been waived or cured, the Trustee, may, and upon the written request of the Holders of 25% in aggregate principal amount of the Debt then Outstanding and receipt of indemnity to its reasonable satisfaction shall, in its own name:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders, including the right to require the Authority to collect rentals and other charges, in respect of any agreement as to or pledge of the revenues or receipts of the Authority, and to require the Authority to carry out any other agreements with, or for the benefit of, the Holders and to perform its and their duties under the law;

(b) bring suit upon the Obligations, the Veterans Stadium Sublease, the Eagles Prime Lease or the Phillies Prime Lease (provided in the case of the Eagles Prime Lease and the Phillies Prime Lease, that such suit is limited to a cause of action related to those rents pledged and assigned under the Indenture and the rights and remedies related thereto assigned under the Indenture);

(c) by action or suit in equity require the Authority to account as if it were the Trustee of an express trust for the Holders;

(d) by action or suit in equity enjoin any acts or-things which may be unlawful or in violation of the rights of the Holders;

(e) exercise any or all other rights and remedies provided for by the Act or by any other law or in equity; and

(f) exercise all rights and remedies granted under the Veterans Stadium Sublease, the Eagles Prime Lease and the Phillies Prime Lease (provided that in the case of the Eagles Prime Lease and the Phillies Prime Lease, that such exercise of rights and remedies is limited to those rents pledged and assigned under the Indenture and the rights and remedies related thereto assigned under the Indenture).

Discontinuance of Proceedings by Trustee

If any proceeding taken by the Trustee on account of any default is discontinued or is determined adversely to the Trustee, then the Authority, the Trustee and the Holders shall be restored to their former positions and rights under the Indenture as though no such proceeding had been taken.

Holders May Direct Proceeding

The Holders of a majority in aggregate principal amount of the Debt then Outstanding under the Indenture shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided that the Trustee is given indemnity reasonably satisfactory to it, that such directions shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Limitations on Actions by Holders

No Holder shall have any right to pursue any remedy under the Indenture unless (a) the Trustee shall have been given written notice of an Event of Default, (b) the Holders of at least 25% in aggregate principal amount of the Debt then Outstanding shall have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity reasonably satisfactory to it against costs, expenses and liabilities, and (d) the Trustee shall have failed to comply with such request within a reasonable time; provided, however, that nothing in the Indenture shall affect or impair the right of any Holder of any Debt obligation to enforce payment of the principal of, premium, if any, or interest on its Debt, at and after the due date thereof, or the obligation of the Authority to pay such principal, premium, if any, and interest on each of the Debt obligations to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Indenture and in the Debt.

Trustee May Enforce Rights Without Possession of Debt Obligations

All rights under the Indenture and the Debt may be enforced by the Trustee without the possession of any Debt obligations or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the equal and ratable benefit of the Holders of the Debt.

Remedies Not Exclusive

No remedy conferred in the Indenture is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

Delays and Omissions Not To Impair Rights

No delay or omission in respect of exercising any right or power accruing upon any Event of Default shall impair such right or power or be a waiver of such Event of Default, and every remedy given by Article IX of the Indenture may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys In Event of Default

Following the occurrence and during the continuance of an Event of Default, all moneys then held by the Trustee or thereafter received by the Trustee under the Indenture (other than moneys on deposit and required to be on deposit in the Note Redemption Account, which shall be applied solely as otherwise provided in the Indenture) shall be applied as follows:

(a) Before any amounts paid pursuant to subsections (b), (c) and (d) of Section 9.12 of the Original Indenture, such moneys shall first be applied to the payment of the accrued costs and expenses of the Trustee, including reasonable fees and expenses of counsel and all costs and disbursements allowed by a court if there be any court action.

(b) Unless the principal of all Obligations shall have become or shall have been declared due, and payable, all such moneys shall be applied:

FIRST – To the payment to the Persons entitled thereto of all installments of interest then due on the Obligations, in order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

SECOND – To the payment to the Persons entitled thereto of the unpaid principal of any of the Obligations which shall have become due (other than Obligations called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in order of their due dates, with interest on such Obligations from the respective dates on which they became due and, if the amount available shall not be sufficient to pay in full the Obligations due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege.

(c) If the principal of all Obligations shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid on the Obligations, without preference or priority of principal over interest or of interest over principal, or installment of interest over any other installment of interest, or any one Obligation over any other Obligation, and interest, to the Persons entitled thereto without any discrimination or privilege.

(d) If the principal of all Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled in the case of Debt, under the provisions of Article IX of the Original Indenture, then subject to the provisions of subsection (c) of Section 9.12 of the Original Indenture (which shall be applicable in the event that the principal of all Obligations shall later become due or be declared due and payable), the money shall be applied in accordance with the provisions of subsection (b) of Section 9.12 of the Original Indenture.

Whenever moneys are to be applied pursuant to the provisions of Section 9.12 of the Original Indenture, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) on which such application is to be made and on such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Debt obligation until such Debt obligation shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of and interest on all Obligations has been paid under the provisions of Section 9.12 of the Original Indenture and all expenses and charges of the Trustee have been paid, any balance remaining in any of the funds shall be paid to the City.

Trustee's Right to Receiver; Compliance with Law

As provided by the Act, the Trustee shall be entitled as of right to the appointment of a receiver; and the Trustee, the Holders and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act.

Trustee and Holders Entitled to All Remedies under Act

It is the purpose of Article IX of the Original Indenture to provide such remedies to the Trustee and the Holders as may be lawfully granted under the provisions of the Act; but should any remedy granted in the Indenture be held unlawful, the Trustee and the Holders shall nevertheless be entitled to every other remedy provided by the Act. It is further intended that, insofar as lawfully possible, the provisions of Article IX of the Original Indenture shall apply to and be binding upon the trustee or receiver appointed under the Act.

THE TRUSTEE

Acceptance of Trust

The Trustee accepts and agrees to execute the trusts created by the Indenture, but only upon the additional terms set forth in Article X of the Original Indenture, to all of which the parties to the Indenture and the Holders agree.

Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Negligence

The Trustee may exercise any powers under the Indenture and perform any duties required of it through attorneys, agents, officers, or employees, and shall be entitled to advice of counsel concerning all questions under the Indenture and shall be free from all liability for any action taken or omitted to be taken in reliance on such advice; and the Trustee shall not be answerable for the default or misconduct of any attorney, agent or employee selected by it with reasonable care, except that the Trustee shall at all times be answerable and responsible for any liability to the Authority resulting from any theft or loss of, or unauthorized or wrongful issuance of Debt held by it after an exchange as set forth in the Indenture. The Trustee shall not be answerable for the exercise of any discretion or power under the Indenture nor for anything whatever in connection with the trust thereunder, except only its own willful misconduct or negligence, except as otherwise provided in Section 10.03 of the Original Indenture.

Compensation and Indemnity

The Authority shall pay to the Trustee reasonable compensation for all services rendered by it under the Indenture and all reasonable advances, counsel fees and expenses and other expenses, including the allocated costs and expenses of -in-house counsel and legal staff reasonably made or incurred by the Trustee under the Indenture, as set forth in a written agreement of the parties. In default of such payment by the Authority, the Trustee may deduct the same from any moneys coming into its hands (other than moneys (a) on deposit in or required to be deposited in the Note Redemption Account, the Reimbursement Account, Capitalized Interest Account, and any account established under the Purchase Fund or (b) disbursed under a bond insurance policy) and shall be entitled to a preference in payment over any of the Debt.

The Trustee may consult with its in-house counsel or such other counsel, with respect to questions arising under the Indenture, or with respect to the Debt, and shall have full and complete authorization for any action taken or suffered by it under the Indenture in good faith and in accordance with the opinion of such counsel. The Authority hereby agrees to indemnify and hold the Trustee, its directors, officers, employees and agents (the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Trustee is authorized to rely pursuant to the terms of the Indenture

and the other documents pursuant to which Debt is issued under the Indenture. In addition to and not in limitation of the immediately preceding sentence, the Authority also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Trustee's performance under the Indenture and the other documents pursuant to which Debt is issued under the Indenture provided the Trustee has not acted with negligence or engaged in willful misconduct; provided, however, that the Trustee shall not (i) condition its obligation to perform any of the following duties, or (ii) seek indemnification from any Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Trustee's performance of any of the following duties: making a draw under a Liquidity Facility or Credit Facility, making payments to Bondholders and effecting a mandatory tender for purchase for or redemption or acceleration of Bonds. The provisions of Section 10.04 of the Original Indenture shall survive the termination of the Indenture, the Debt and the resignation or removal of the Trustee for any reason.

No Duty to Renew Insurance

The Trustee shall be under no duty to monitor the insuring of the Project or effect or to renew any insurance policy nor shall it incur any liability for the failure of the Authority to require or effect or renew insurance or to report or file claims of loss thereunder.

Notice of Default; Right to Investigate

The Trustee shall, within thirty (30) days after the occurrence of an Event of Default under clauses (a), (b) or (c) of Section 9.01 of the Original Indenture, and in the case of any other Event of Default within sixty (60) days after it has knowledge of such other Event of Default under the Indenture, give written notice by first class mail to the Owners of the Debt of all such Events of Default, unless such Events of Default have been remedied; provided that, except in the case of a default in payment of principal or sinking fund payments on the Debt or interest on the Debt, the Trustee may withhold such notice as long as it in good faith determines that such withholding is in the interest of the Holders. The Trustee shall not be deemed to have notice of any Event of Default under clauses (d) and (e) of Section 9.01 of the Original Indenture unless the Trustee shall have actual knowledge thereof or unless notified in writing of such Events of Default by the Holders of at least 25% in aggregate principal amount of the Debt then Outstanding. The Trustee may, however, at any time, require of the Authority full information as to the performance of any covenant under the Indenture; and if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the Authority, an investigation into the affairs of the Authority related to the Indenture and the properties covered thereby.

Obligation to Act on Defaults

If any Event of Default shall have occurred of which the Trustee has notice or is deemed to have notice under Section 10.06 of the Original Indenture, and be continuing, the Trustee shall exercise such of the rights and remedies vested in it by the Indenture and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided, that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity reasonably satisfactory to it; provided further, however, that the Trustee shall not require the furnishing of indemnity as a condition to the deposit and application of moneys in accordance with the Indenture (other than moneys in the Construction Fund). Nothing set forth in Section 10.07 of the Original Indenture shall be construed to require the Trustee to exercise any such rights and remedies where to do so would cause the Trustee to violate any law or any order of a court of competent jurisdiction.

Reliance on Request for Funding and Requisitions, etc.

The Trustee may act on any request for funding, requisition, resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, 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 the Indenture; and the Trustee 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.

Trustee May Deal In and Own Debt

The Trustee and any of its affiliates may in good faith buy, sell, own, hold, and deal in any of the Debt and may join in any action which any Holders may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee and any of its affiliates may also engage in or be interested in any financial or other transaction with the Authority and/or the City, provided that if the Trustee determines that any such relation is in conflict with its duties under the Indenture, it shall eliminate the conflict or resign as Trustee.

Other Rights of the Trustee

The permissive rights of the Trustee to do things enumerated in the Indenture shall not be construed as a duty. The Trustee shall not be liable with respect to any action taken or omitted to be taken at the direction of the Owners of a majority in aggregate principal amount of the Debt Outstanding permitted to be given by them under the Indenture.

Resignation of Trustee

The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Secretary of the Authority and any bond insurer of the Debt not less than sixty (60) days before the date when such resignation is to take effect; provided notice of such resignation is mailed by first class mail, postage prepaid, to Holders not less than three weeks prior to the date when the resignation is to take effect and provided that such Trustee may not be discharged of its duties under the Indenture until a successor trustee is appointed and accepts such appointment. Such resignation shall take effect on the day specified therein unless a successor trustee is previously appointed and accepts such appointment, in which event the resignation shall take effect immediately on the appointment and acceptance of appointment of such successor.

If no appointment of a successor shall be made within sixty (60) days after notice is given by the Trustee in accordance with the provisions of Section 10.12 of the Original Indenture, the Trustee or any Holder at the expense of the Authority, may apply to any court of competent jurisdiction for the appointment of a successor. Thereupon, such court, after such notice as it may deem proper and may prescribe, may appoint a successor Trustee.

Removal of Trustee

The Trustee may be removed, upon sixty (60) days notice, by an instrument, executed by the Authority or the Holders of a majority in aggregate principal amount of the Debt then Outstanding; provided that the Authority shall not have any right to remove the Trustee if an Event of Default under the Indenture has occurred and is continuing; and provided further, that no such removal shall become effective until a successor trustee is appointed and accepts such appointment. Such removal shall take effect on the day specified therein unless a successor trustee is previously appointed and accepts such appointment, in which event the removal shall take effect immediately upon the appointment of and acceptance of appointment of such successor.

Appointment of Successor Trustee

If the Trustee or any successor trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, a vacancy shall forthwith exist in the office of the Trustee, and the Authority with the prior written consent of any bond insurer of the Debt shall appoint a successor and shall mail promptly notice of such appointment to the Owners of the Debt. If the Authority fails to make such appointment within thirty (30) days, the Holders of a majority in principal amount of the Debt then Outstanding may do so with the prior written consent of any bond insurer of the Debt.

Qualification of Successor

A successor trustee shall be a national bank with trust powers or a bank and trust company or a trust company having capital and surplus of at least $50,000,000.

Merger of Trustee

Any corporation or association into which any Trustee under the Indenture may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which any Trustee under the Indenture shall be a party or any corporation or association to which the Trustee shall sell or otherwise transfer all or substantially all of its corporate trust business, shall be the successor trustee under the Indenture, without the execution or filing of any paper or any further act on the part of the parties thereto, anything therein to the contrary notwithstanding, provided that such successor corporation or association continuing to act as Trustee shall meet the requirements of Section 10.15 of the Original Indenture, and if such corporation or association does not meet the aforesaid requirements, a successor Trustee shall be appointed pursuant to Article X of the Original Indenture.

AMENDMENTS AND SUPPLEMENTS

Amendments and Supplements Without Holders' Consent

The Indenture may be amended or supplemented in connection with the issuance of Additional Debt, or at any other time and from time to time, without the consent of the Holders, but with the prior written consent of any bond insurer of the Debt (except in the case of the issuance of Additional Debt), by a Supplemental Indenture authorized by a Certified Resolution of the Authority delivered to the Trustee, for one or more of the following purposes:

(a) to set forth any or all of the matters in connection with the issuance of Additional Debt required by Section 3.02 of the Original Indenture;

(b) to add additional covenants of the Authority or to surrender any right or power conferred in the Indenture upon the Authority;

(c) to cure any ambiguity, inconsistency, or omission or to cure, correct or supplement any provision of the Indenture in such manner as shall not be inconsistent with the Indenture and shall not impair the security thereof or materially adversely affect the Holders;

(d) to supplement the security for the Notes or any Additional Debt, replace or provide additional credit facilities, or change the form of the Notes or make such other changes in the provisions of the Indenture, as the Authority may deem necessary or desirable and which shall not, in the judgment of the Authority, materially adversely affect the interests of the Owners of the Outstanding Debt;

(e) to make any changes or amendments requested by any bond rating agency then rating or requested to rate the Debt, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Authority, materially adversely affect the interests of the Owners of the Outstanding Debt; or

(f) to preserve the exemption from federal income tax of interest on any tax-exempt Debt.

Pursuant to subsection (d) above, the execution of a Supplemental Indenture adding the Practice Facility Prime Lease or any other Security Leases to the Trust Estate and making certain corresponding changes in the Indenture shall be deemed an amendment pursuant to Section 12.01 of the Original Indenture, which does not require the consent of the Holders (but which does require the consent of any bond insurer of the Debt).

Amendments With Holders' Consent

The Indenture may be amended from time to time, except with respect to (1) the interest on and principal payable upon any Debt, (2) the dates of maturity or redemption provisions of any Debt, and (3) Article XII of the Original Indenture, by a Supplemental Indenture approved by the Holders of at least a majority in aggregate principal amount of the Debt then Outstanding and approved by any bond insurer of the Debt in writing; provided,

that no amendment shall be made which adversely affects one or more but less than all series of Debt without the consent of the Holders of at least a majority in aggregate principal amount of the then Outstanding Debt of each series so affected, and no amendment shall be made which affects the rights of some but less than all the Outstanding Debt of any one series without the consent of the Holders of a majority in aggregate principal amount of the Debt so affected. Amendment with respect to items (1), (2), and (3) of Section 12.02 of the Original Indenture shall be effected only with the consent of the Holders of all Debt then Outstanding which are affected by such amendments.

DEFEASANCE

Defeasance

When interest on, and principal or Redemption Price (as the case may be) of, all Debt issued under the Indenture or secured thereby have been paid, or there shall have been deposited with the Trustee an amount of (i) cash in an amount sufficient to pay in full the principal of and interest on the Debt, and all other sums payable under the Indenture by the Authority, (ii) noncallable Government Obligations, the principal of and interest on which, when due, will provide sufficient moneys without reinvestment to pay in full the principal of and interest on the Debt, as well as all other sums payable under the Indenture by the Authority, or (iii) any combination of the foregoing, then the right, title and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on demand of the Authority, shall release the Trust Estate from the lien and security interest created by the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such Person as may be entitled to receive the same all balances remaining in any funds under the Indenture and the Trustee's right, title and interest to and under the Security Leases shall terminate.

The Trustee shall also receive evidence satisfactory to it that the cash and Government Obligations delivered will be sufficient to provide for the payment of the Debt as aforesaid. Neither the Government Obligations nor moneys deposited with the Trustee pursuant to Section 13.01 of the Original Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or Redemption Price of, and interest on, the Debt and the other sums payable under the Indenture by the Authority with respect to which such deposit has been made. The Trustee shall send, by registered or first-class mail, postage prepaid, to the Holders of all Debt at their registered addresses a notice stating that such moneys or obligations have been deposited and identifying the Debt for the payment of which such moneys or obligations are being held.

MISCELLANEOUS

Deposit of Funds for Payment of Debt

If the Authority deposits with the Trustee moneys or Government Obligations sufficient to pay the principal or Redemption Price of any Debt becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on such Debt shall cease to accrue on the due date and all liability of the Authority with respect to such Debt shall cease, except as provided in the Indenture. Thereafter the Holders of such Debt shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Debt, and the Trustee shall hold such funds in trust for such Holders. Moneys so deposited with the Trustee which remain unclaimed two years after the date payment thereof becomes due shall, upon the written request of the Authority, if the Authority is not at the time, to the knowledge of the Trustee, in default with respect to any covenant in the Indenture or the Debt, be paid to the Authority for and on account of the City; and the Holders of the Debt for which the deposit was made shall thereafter be limited to a claim against the Authority. In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to Section 14.02 of the Original Indenture all be held uninvested and without liability for interest thereon.

THE FIRST SUPPLEMENTAL INDENTURE

THE 2001 BONDS

Construction Fund Accounts for Series 2001 Bond Proceeds

The Trustee shall establish an account within the Construction Fund designated "2001 Series A Bonds Account" for deposit of a portion of the 2001 Series A Bond proceeds and an account within the Construction Fund designated "2001 Series B Bonds Account" for deposit of a portion of the 2001 Series B Bond proceeds and within each account a subaccount for the Rehabilitation, and a subaccount for the balance of the 2001 Project (other than the refunding of the Notes) which shall constitute an Additional Project for purposes of the Indenture. The closing statement delivered at the issuance of the Series 2001 Bonds shall state the amounts to be deposited by the Trustee in the subaccounts for the Rehabilitation and for the balance of the 2001 Project. The disbursement of the funds held from time to time in the Construction Fund shall be made in accordance with the provisions of Section 5.02 of the Original Indenture. Upon delivery of the completion certificate described in Section 5.03 of the Original Indenture with respect to the Project (as defined in the Original Indenture) or the 2001 Project, any amount remaining in the Construction Fund and not reserved for the payment of Costs of such Project shall be transferred to the Bond Fund for payment of principal or Redemption Price of, or interest on the Bonds as provided in Section 4.04 of the First Supplemental Indenture.

Capitalized Interest Account Subaccounts for Series 2001 Bonds

The Trustee shall establish a subaccount within the Capitalized Interest Account designated "2001 Series A Bonds Subaccount" for deposit of certain available moneys other than proceeds of the Series 2001 Bonds, if any, and a subaccount within the Capitalized Interest Account designated "2001 Series B Bonds Subaccount" for deposit of certain available moneys other than proceeds of the Series 2001 Bonds, if any. Amounts in each of these subaccounts shall be transferred by the Trustee, without further direction, on the Business Day prior to each Interest Payment Date for the Series 2001 Bonds to the appropriate Interest Account of the Bond Fund in the amounts set forth in Exhibit D attached to the First Supplemental Indenture and made a part thereof.

REVENUES, THEIR APPLICATION AND CERTAIN FUNDS

Receipts and Revenues of the Authority

Confirming the granting clauses of the Original Indenture and of the First Supplemental Indenture, the Authority assigns, transfers and sets over to the Trustee, as security, all the right, title and interest of the Authority in and to the Trust Estate, and the Authority directs payment to the Trustee of the payments under the Security Leases constituting a portion of the Trust Estate. In order to avoid any doubt, the Authority confirms that the Construction Fund is <u>not</u> being pledged as security for the Series 2001 Bonds and does not constitute part of the "Trust Estate" for purposes of the First Supplemental Indenture.

Creation of the Bond Fund

There is created and established pursuant to the First Supplemental Indenture with the Trustee a Bond Fund which shall be used to pay, in the following order of priority, (i) principal or Redemption Price of and interest on the Series 2001 Bonds and any additional Bonds, and (ii) payments due any Counterparty under a Swap relating to the Bonds. There are hereby created within the Bond Fund five accounts designated "Interest Account", "Principal Account", a "Bond Redemption Account", "Swap Receipts Account" and "Swap Payments Account."

Payments into the Bond Fund

The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) All revenues and any other moneys payable under the Security Leases and pledged under the First Supplemental Indenture and under the Original Indenture.

(b) Net income or gain received and collected from investments of money in the Bond Fund.

(c) All other receipts when and if required by the Security Leases or by the Indenture to be paid into the Bond Fund and any other amounts received by the Trustee constituting the Trust Estate or other payments under the Indenture (except proceeds of Additional Debt).

Application of Bond Fund

(a) The Trustee shall make available from amounts deposited under the First Supplemental Indenture, funds to the Authority's Paying Agent or Agents to pay the principal of Bonds as they mature or are subject to mandatory redemption, upon surrender thereof, and the interest on Bonds as it becomes payable. The Trustee shall establish separate accounts within the Bond Fund, including those accounts created pursuant to Section 4.02 of the First Supplemental Indenture, for separate series of Bonds of particular dates. Moneys in the Bond Fund shall be used solely for the payment of the principal or Redemption Price of and interest on the Bonds as the same shall become due and payable at maturity, upon redemption or otherwise. Funds for such payments of the principal or Redemption Price of and interest on the Bonds shall be derived from, and paid by the Trustee from, the following sources in the order of priority indicated:

(i) moneys transferred from the Capitalized Interest Account for payment of interest shall be deposited in the appropriate Interest Account and applied to the payment of interest next due on the Bonds;

(ii) amounts deposited into the Bond Fund pursuant to Section 2.11 of the First Supplemental Indenture and clause (b) of Section 4.04 of the of the First Supplemental Indenture; and

(iii) any other moneys furnished by the Authority or the City to the Trustee, including moneys received by the Trustee pursuant to the Security Leases.

(b) Moneys deposited pursuant to Section 5.03 of the Original Indenture and Section 2.14 of the First Supplemental Indenture into the Bond Fund, and any income or other gain from the investment thereof, shall be held in trust for, deposited into the Principal Account, the Interest Account or the Bond Redemption Account, as the Authority shall direct in writing, and applied by the Trustee to, the payment of the principal of and interest on the Bonds on the next due date.

Bond Redemption Accounts

The Trustee shall establish as a part of the Bond Fund, a 2001 Series B Bond Redemption Account and such other bond redemption accounts for series of additional Bonds as may be directed in the Certified Resolution of the Authority or Supplemental Indenture establishing such series and shall transfer funds into such bond redemption accounts from the Bond Fund as required to redeem Bonds on the dates specified in the First Supplemental Indenture or in the form of the Bond. The Trustee shall use the bond redemption account for each series to purchase or redeem the Bonds of such series. If at any time all the Bonds of any series shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the bond redemption account for such series and shall transfer any balance then in such account to the Bond Fund. Whenever Bonds are to be purchased out of any such redemption account, if the Authority, upon the direction of the City, shall notify the Trustee in writing that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to the Indenture. Purchases and redemptions out of such redemption accounts shall be made as follows:

(a) <u>2001 Series B Bond Redemption Account</u>. The Trustee shall apply the amounts required to be transferred to the 2001 Series B Bond Redemption Account (less any moneys applied to the purchase of the 2001 Series B Bonds pursuant to the next sentence hereof) on the Sinking Fund Installment Date (i) in each of the years 2022 through 2025, inclusive to the redemption by lot, in the amounts and the manner and on the dates set forth in the 2001 Series B Bond form and Article III of the First Supplemental Indenture, of the 2001 Series B

Bonds which mature on October 1, 2026 at a Redemption Price of 100% of the principal amount thereof and (ii) in each of the years 2027 through 2029, inclusive to the redemption by lot, in the amounts and the manner and on the dates set forth in the 2001 Series B Bond form and Article III of the First Supplemental Indenture, of the 2001 Series B Bonds which mature on October 1, 2030 at a Redemption Price of 100% of the principal amount thereof. Upon the written direction of the Authority, acting at the written direction of the City, not less than forty-five (45) days prior to a redemption date, the Trustee may apply moneys in said account to the purchase of 2001 Series B Bonds which mature on October 1, 2026 or 2030 at prices exclusive of accrued interest not higher than the principal amount thereof, in lieu of redemption as aforesaid, provided that firm purchase commitments can be made before notice of redemption would otherwise be required to be given. In the event of purchases at less than the principal amount thereof, the difference between the amount in said account representing the principal amount of the 2001 Series B Bonds purchased and the purchase price shall be transferred to the Bond Fund. Moneys and investments in the 2001 Series B Bond Redemption Account, until applied as provided herein, shall be held in trust solely for the benefit of the Holders of the 2001 Series B Bonds.

Accrued interest on purchased 2001 Series B Bonds shall be paid from the sources and in the order stated in Section 4.04 of the First Supplemental Indenture from the Bond Fund, provided that the Trustee, at the written direction of the Authority, shall pay such accrued interest from the moneys in the 2001 Series B Bond Redemption Account pending maturity of investments of the Bond Fund (and in such case upon the maturity of investments in the Bond Fund, the Trustee shall transfer to the 2001 Series B Bond Redemption Account from the Bond Fund the amount of accrued interest on purchased 2001 Series 8 Bonds so paid from such Bond Redemption Account).

(b) Purchase of 2001 Series B Bonds by the City. Pursuant to the Security Leases, the City may, not less than forty-five (45) days before any Sinking Fund Installment Date, deliver to the Trustee Bonds of the series and maturity, a portion of which is required to be redeemed by the Trustee on such Sinking Fund Installment Date, and, upon such delivery, the rentals required to effect such redemption otherwise due from the City shall be reduced by the aggregate principal amount of the Bonds so delivered. Upon any such delivery of 2001 Series B Bonds, the principal amount of the 2001 Series B Bonds required, by the provisions of the foregoing paragraph (1), to be redeemed by the Trustee on such Sinking Fund Installment Date shall also be reduced by the aggregate principal amount of the Bonds of such series so delivered.

(c) Bond Redemption on Accounts of Other Series. The Trustee shall apply the amounts deposited in bond redemption accounts for other series of Bonds as provided in the Supplemental indenture establishing such series.

MISCELLANEOUS

Confirmation of the Original Indenture

Except as amended and supplemented by the First Supplemental Indenture, the Original Indenture is ratified and confirmed in all respects and is applicable in all respects to the Series 2001 Bonds, the Owners thereof and the security therefor.

Amendment of the First Supplemental Indenture

The First Supplemental Indenture may be amended or supplemented from time to time in the manner and to the extent provided in Article XII of the Original Indenture.

Additional Provisions Concerning FSA

The following provisions shall apply to the Series 2001 Bonds so long as the principal and interest on the Series 2001 Bonds are guaranteed by FSA through the FSA Municipal Bond Insurance Policy; provided that such provisions shall not be applicable upon the failure of FSA to pay or perform under the FSA Municipal Bond Insurance Policy or if the FSA Municipal Bond Insurance Policy shall cease to be valid or effective; provided, FSA shall be entitled to exercise its rights as Holder through subrogation to the extent FSA has made a payment under the FSA Municipal Bond Insurance Policy. The rights granted to FSA under the Indenture or any other Related

Document (as defined herein) to request, consent to or direct any action are rights granted to FSA in consideration of its issuance of the FSA Municipal Bond Insurance Policy. Any exercise by FSA of such rights is merely an exercise of FSA's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Holders nor does such action evidence any position of FSA, positive or negative, as to whether Holder consent is required in addition to consent of FSA.

(a) The Authority covenants to send a copy of all notices it sends or receives pursuant to the Veterans Stadium Leases, the Eagles Leases or the Phillies Leases to FSA at the address set forth in Section 5.04(n) of the First Supplemental Indenture.

(b) FSA shall be deemed to be the sole holder of the Series 2001 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the Series 2001 Bonds are entitled to take pursuant the Articles IX and X of the Original Indenture.

(c) The Series 2001 Bonds shall not be accelerated without the consent of FSA and in the event the Series 2001 Bonds are accelerated, FSA 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 Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, FSA's obligations under the FSA Municipal Bond Insurance Policy with respect to such Series 2001 Bonds shall be fully discharged.

(d) No grace period for a covenant default by the Authority shall exceed 60 days without prior written consent of FSA.

(e) FSA shall be an express third party beneficiary of the Indenture.

(f) No modification or amendment to the Indenture may become effective except upon obtaining the prior written consent of FSA. Copies of any modification or amendment to the Indenture shall be sent by the Authority to S&P and Moody's at least 10 days prior to the effective date thereof.

(g) Other than as set forth in Sections 8.04 and 8.05 of the Original Indenture, no modification or amendment to the Security Leases, the Veterans Stadium Lease, the Eagles Ground Lease or the Phillies Ground Lease (each, together with the Indenture, a "Related Document") may become effective except upon obtaining the prior written consent of FSA as set forth below:

(i) The Authority shall not enter into any amendment to the Veterans Stadium Sublease, the Eagles Prime Lease, the Phillies Prime Lease, the Veterans Stadium Lease, the Eagles Ground Lease or the Phillies Ground Lease which does not materially adversely affect the security for the Series 2001 Bonds or FSA without, at the option of the Authority, either (1) receiving an opinion of Counsel to the Authority addressed and delivered to FSA that such amendment does not materially adversely affect the security for the Series 2001 Bonds or FSA or (2) obtaining the prior written consent of FSA, which consent shall be deemed to have been given if FSA does not respond in writing to the Authority within twenty (20) days of receiving notice of such amendment.

(ii) The Authority shall not enter into any amendment to the Veterans Stadium Sublease, the Eagles Prime Lease, the Phillies Prime Lease, the Veterans Stadium Lease, the Eagles Ground Lease or the Phillies Ground Lease, other than as described in (i) above, without obtaining the prior written consent of FSA, which consent shall be deemed to have been given if FSA does not respond in writing to the Authority within twenty (20) days of receiving notice of such amendment.

For purposes of the provisions set forth in both (i) and (ii) above: (a) notice in the form attached to the First Supplemental Indenture as Exhibit E shall be sent to the CEO, the Managing Director of Surveillance and the General Counsel of FSA, which shall include a copy of the proposed amendment; (b) notice in the form attached to

the First Supplemental Indenture as Exhibit E shall be resent to CEO, Managing Director of Surveillance and General Counsel if written consent to such amendment is not received within ten (10) days of delivering the notice described in clause (a); and (c) all notices shall be sent by hand delivery with signed receipt request.

(h) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the custodian and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively or (5) securities eligible for "AAA" defeasance under the existing criteria of S&P or any combination thereof, shall be authorized to be used to effect defeasance of the Series 2001 Bonds unless FSA otherwise approves.

To accomplish defeasance the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to FSA ("Accountant") verifying the sufficiency of the escrow established to pay the Series 2001 Bonds in full on the maturity or redemption date ("Verification"), (ii) an escrow deposit agreement (which shall be acceptable in form and substance to FSA), (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2001 Bonds are no longer "Outstanding" under the Indenture and (iv) if there is a Trustee for the Series 2001 Bonds a certificate of discharge of the Trustee with respect to the Series 2001 Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority, the Trustee and FSA. FSA shall be provided by the Authority with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.

Series 2001 Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

(a) Amounts paid by FSA under the FSA Municipal Bond Insurance Policy shall not be deemed paid for purposes of the Indenture and shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to FSA have been paid in full or duly provided for.

(b) The Authority covenants and agrees to take such action (including, as applicable, filing of UCC financing statements) as is necessary from time to time to perfect or otherwise preserve the priority of the pledge of Trust Estate under applicable law.

(c) FSA shall, to the extent it makes any payment of principal of or interest on the Series 2001 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the FSA Municipal Bond Insurance Policy. The obligations to FSA shall survive discharge or termination of the Related Documents.

(d) The Authority shall pay or reimburse FSA any and all charges, fees, costs and expenses which FSA may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, (iv) the violation by the Authority or the City of any law, rule or regulation, or any judgment, order or decree applicable to it or (v) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than amounts resulting from the failure of FSA to honor its obligations under the FSA Municipal Bond Insurance Policy. FSA reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document. The liability of the Authority pursuant to this paragraph shall be limited to the Trust Estate pledged under the Indenture to secure the Series 2001 Bonds and the liability of the City shall be limited as provided in the Security Leases.

(e) FSA shall be entitled to pay principal or interest on the Series 2001 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the FSA Municipal Bond Insurance Policy) and any amounts due on the Series 2001 Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not FSA has received a Notice of Nonpayment (as such term is defined in the FSA Municipal Bond Insurance Policy) or a claim upon the FSA Municipal Bond Insurance Policy.

(f) Notwithstanding satisfaction of other conditions to the issuance of additional Bonds contained in the Indenture, no such issuance may occur should any Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event, of Default) have occurred and be continuing unless such default shall be cured upon such issuance, or unless otherwise permitted by FSA.

Closure of Notes Program

Upon the execution and delivery of the First Supplemental Indenture, the Authority shall not issue any Notes under the Indenture.

Amendments of Original Indenture

(a) The Sinking Fund Account established under the Original Indenture shall be closed and provisions relating thereto under the Original Indenture shall be of no effect. Any amounts directed to be deposited therein under the Original Indenture shall instead be deposited in the Bond Fund.

(b) The reference to the Capitalized Interest Account in the first sentence of Section 9.12 of the Original Indenture is deleted.

(c) Any references to the "Credit Agreement," the "Credit Agreement Obligations" and the "Bank" in the Original Indenture are deleted.

No Personal Recourse

Notwithstanding any provision or obligation to the contrary set forth in the First Supplemental Indenture, no provision in the First Supplemental Indenture or in any instruments evidencing the Series 2001 Bonds, shall be construed so as to give rise to any personal liability of the Authority or its members, officers, employees, agents or representatives (collectively, the "Group"), or to give rise to a charge upon the general credit of the Authority or any member of the Group. Any pecuniary liability of the Authority or any member of the Group under the First Supplemental Indenture or thereunder, and under any constitutional provision, statute or theory of law, including contract or tort relating thereto, shall be limited exclusively to its interest in the Trust Estate, and the lien of any judgment with respect to any of the foregoing shall be restricted thereto. The Authority and the Group shall not be required to do any act whatsoever or exercise any diligence whatsoever to mitigate the damages to the Trustee or the Holders if an Event of Default shall occur under the Indenture. In furtherance of the above, and not by way of limitation, no recourse under or upon any obligation, covenant or agreement contained in the First Supplemental Indenture or in any Obligation thereby secured, or under any judgment obtained against the Authority or any member of the Group, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, under or independent of the First Supplemental Indenture, shall be had against any member of the Group as such, past, present or future, of the Authority for the payment for or to the Authority or any receiver thereof, or for or to the Owners of any Series 2001 Bonds issued under the First Supplemental Indenture or otherwise, of any sum that may be due and unpaid by the Authority upon any such Series 2001 Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member of the Group as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the Owners of the Series 2001 Bonds issued under the First Supplemental Indenture or otherwise, of any sum that may remain due and unpaid upon the Series 2001 Bonds and thereby secured, or any of them, is expressly waived and released as a condition of and consideration for the execution of the First Supplemental Indenture and the issuance of such Series 2001 Bonds.

The Authority and each member of the Group shall have no liability for any failure to fulfill, or breach by the City of, the City's obligations under the Security Leases or otherwise.

The Series 2001 Bonds issued or secured under the First Supplemental Indenture shall be limited obligations of the Authority payable solely from those rentals due under the Security Leases which have been assigned as provided in the First Supplemental Indenture and as otherwise provided therein and in the Original Indenture.

THE SECOND SUPPLEMENTAL INDENTURE

Receipts and Revenues of the Authority

The definition of Trust Estate under the Original Indenture is amended to include payments received by the Authority from a Counterparty under any swap agreement entered into by the Authority in connection with Bonds issued under the Indenture.

Lien on Trust Estate

The granting paragraph of the Original Indenture is amended to grant a lien (subordinate to the lien granted on an equal and ratable basis to holders of Debt) for the benefit of the Counterparty for the payment and performance of the Authority's obligations under any swap agreement entered into by the Authority in connection with Bonds issued under the Indenture thereunder.

Creation of Bond Fund

Amending Section 4.02 of the First Supplemental Indenture, there is established and created under the Second Supplemental Indenture with the Trustee a Bond Fund which shall be used to pay, in the following order of priority, (i) principal or Redemption Price of and interest on the Series 2001 Bonds and any additional Bonds, and (ii) payments due any Counterparty under a Swap relating to the 2001 Bonds, but only for so long as the Counterparty under such Swap is not in default of its payment obligations thereunder. There is created pursuant to the Second Supplemental Indenture within the Bond Fund, an Interest Account, Principal Account, Bond Redemption Account, Swap Receipts Account and Swap Payments Account.

Payments Into Bond Fund

The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) All revenues and any other moneys payable under the Security Leases and pledged herein and under the Original Indenture.

(b) Net income or gain received and collected from investments of money in the Bond Fund.

(c) All Authority Swap Receipts which shall be deposited to the credit of the Swap Receipts Accounts in the Bond Fund.

(d) All other receipts when and if required by the Security Leases or by the Indenture to be paid into the Bond Fund and any other amounts received by the Trustee constituting the Trust Estate or other payment as under the Indenture (except proceeds of Additional Debt).

Application of Bond Fund

(a) The Trustee shall make available from amounts deposited under the Second Supplemental Indenture, first, funds to the Authority's Paying Agent or Agents to pay the principal of Bonds as they mature or are subject to mandatory redemption, upon surrender thereof, and the interest on Bonds as it becomes payable, and second, to pay to any Counterparty, as and when due, Authority Swap Payments. The Trustee shall

establish separate accounts within the Bond Fund, including those accounts created pursuant to Section 4.02 of the Second Supplemental Indenture, for separate series of Bonds of particular dates. Moneys in the Bond Fund shall be used solely for the payment of the principal or Redemption Price of and interest on the Bonds as the same shall become due and payable at maturity, upon redemption or otherwise, and Authority Swap Payments. Funds for such payments of the principal or Redemption Price of and interest on the Bonds shall be derived from, and paid by the Trustee from, the following sources in the order of priority indicated:

(i) moneys transferred from the Capitalized Interest Account for payment of interest shall be deposited in the appropriate Interest Account and applied to the payment of interest next due on the Bonds;

(ii) amounts deposited into the Bond Fund pursuant to Section 2.11 and clause (b) of Section 4.04 of the Second Supplemental Indenture;

(iii) amounts deposited into the Swap Receipts Account of the Bond Fund for payment of interest on the Bonds; and

(iv) any other moneys received by the Trustee, including moneys received by the Trustee pursuant to the Security Leases.

(b) Following payment of the principal or Redemption Price of and interest on the Bonds as and when due, the Trustee shall deposit in the Swap Payment Account, from moneys received from the City under the Security Leases (other than the Veterans Stadium Sublease), a sum sufficient to pay any Authority Swap payment then due and owing, and shall apply such funds to payment of such Authority Swap Payment.

THIRD SUPPLEMENTAL INDENTURE

CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE THIRD SUPPLEMENTAL INDENTURE

2007 Bond Redemption Account

The Trustee has established as a part of the Bond Fund, a 2007 Bond Redemption Account and will transfer funds into such 2007 Bond Redemption Account from the Bond Fund as required to redeem 2007 Bonds on the dates specified under the Indenture or in the 2007 Bonds. The Trustee uses the 2007 Bond Redemption Account for each series to purchase or redeem the 2007 Bonds of such series. Whenever 2007 Bonds are to be purchased out of any such 2007 Bond Redemption Account, if the Authority, upon the direction of the City, notifies the Trustee in writing that the Authority wishes to arrange for such purchase, the Trustee will comply with the Authority's arrangements provided they conform to the Indenture.

2001B Bond Redemption Fund

The Trustee has established with a 2001B Bond Redemption Fund under and pursuant to the Indenture. Moneys deposited in the 2001B Bond Redemption Fund pursuant to the Indenture are invested and applied in the manner and at the times set forth in one or more escrow deposit agreements for the payment of the 2001B Bonds between the Authority and the Trustee, as escrow agent.

Purchase Fund

The Third Supplemental Indenture establishes the "Purchase Fund" to be maintained by the Tender Agent, as agent for the Trustee. The Tender Agent further establishes separate accounts within the Purchase Fund to be designated the "Remarketing Proceeds Account," the "Liquidity Facility Purchase Account" and the "Authority Purchase Account", respectively.

Remarketing Proceeds Account. Upon receipt of the proceeds of a remarketing of a 2007B Bond on the date such 2007B Bond is to be purchased, the Tender Agent shall deposit such proceeds in the Remarketing Proceeds Account for application to the Purchase Price of the 2007B Bonds. Notwithstanding the foregoing, upon the receipt of the proceeds of a remarketing of Liquidity Provider Bonds, the Tender Agent shall immediately pay such proceeds to the Liquidity Provider to the extent of any amount owing to the Liquidity Provider, as certified to the Tender Agent by the Liquidity Provider.

Liquidity Facility Purchase Account. Upon receipt from the Trustee of the immediately available funds transferred to the Tender Agent from a draw on a Liquidity Facility, the Tender Agent shall deposit such money in the Liquidity Facility Purchase Account for application to the Purchase Price of the 2007B Bonds to the extent that the moneys on deposit in the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to the Purchase Price for any 2007B Bonds shall be immediately returned to the Liquidity Provider.

Authority Purchase Account. Upon receipt of Funds from the Authority for the purchase of 2007B Bonds, the Tender Agent shall deposit such Funds in the Authority Purchase Account for application to the Purchase Price of the 2007B Bonds. Any amounts deposited in the Authority Purchase Account and not needed with respect to the Purchase Price for any 2007B Bonds shall be immediately refunded to the Authority.

No Investment of Liquidity Facility Purchase Account and Remarketing Proceeds Account. Amounts held in the Liquidity Facility Purchase Account and the Remarketing Proceeds Account by the Paying Agent shall be held uninvested without liability for interest and separate and apart from all other funds and accounts.

The 2007B Bonds in any Mode, other than a Fixed Rate Mode, may be changed to any other Mode at the times and in the manner hereinafter provided. Subsequent to such change in Mode (other than a change to a Fixed Rate Mode), the 2007B Bonds may again be changed to a different Mode at the times and in the manner hereinafter provided. A Fixed Rate Mode shall be in effect until the Maturity Date, or acceleration or redemption thereof prior to the 2007B Maturity Date, and may not be changed to any other Mode.

MODES CHANGES; DELIVERY OF 2007B BONDS UPON TENDER; ALTERNATE CREDIT ENHANCEMENT AND ALTERNATE LIQUIDITY FACILITY

Changes in Mode

Subject to the certain provisions of the Third Supplemental Indenture, the Authority may effect a change in Mode with respect to the 2007B Bonds by following the procedures set forth in this Section.

Changes to Modes Other Than to Fixed Rate Mode. The 2007B Bonds (other than 2007B Bonds in the Fixed Rate Mode) may be changed from one Mode to another Mode as follows:

(a) Mode Change Notice; Notice to Owners. No later than a Business Day which is at least 30 days (or such shorter time as may be agreed to by the Authority, the Trustee, the Tender Agent, the Remarketing Agent, the Auction Agent and the Broker-Dealer) preceding the proposed Mode Change Date, the Authority, at the direction of the City, shall give written notice to the Notice Parties of its intention to effect a change in the Mode from the Mode then prevailing (for purposes of this Section, the "Current Mode") to another Mode (for purposes of this Section, the "New Mode") specified in such written notice. Notice of the proposed change in Mode shall be given by the Tender Agent to the Banks and the Owners of the 2007B Bonds not less than the fifteenth (15th) day next preceding the Mode Change Date. Each notice of a proposed change in Mode shall state: (i) the New Mode and the Mode Change Date, and (A) in the case of a change in Mode to an ARS Mode, the length of the initial Auction Period and (B) in the case of a change in Mode to the Term Rate Mode, the length of the initial Interest Period, in each case as determined by the Authority at the direction of the City; (ii) that the 2007B Bonds will be subject to mandatory purchase on the Mode Change Date (regardless of whether all of the conditions to the change in the Mode are satisfied) and the Purchase Price of the 2007B Bonds; and (iii) if the Book-Entry System is no longer in effect, information with respect to required delivery of 2007B Bond certificates and payment of Purchase Price.

(b) Determination of Interest Rates. The New Mode shall commence on the Mode Change Date and the interest rate(s) shall be determined by the Remarketing Agent in accordance with the Indenture.

(c) Conditions Precedent.

(i) The Mode Change Date shall be in the case of a change from the Daily Mode or Weekly Mode, any Business Day; provided that in the case of a change from the Daily Mode or Weekly Mode to an ARS Mode, the Mode Change Date shall be a regularly scheduled 2007B Interest Payment Date for the Daily Mode or Weekly Mode.

(ii) The Mode Change Date must be a date on which the 2007B Bonds are subject to optional redemption pursuant to the Indenture.

(iii) The following items shall have been delivered to the Trustee, the Paying Agent, the Remarketing Agent, if any, and the Broker-Dealer, if any, on or prior to the Mode Change Date:

(A) in the case of a change from a Short-Term Mode to a Long-Term Mode, a Favorable Opinion of Bond Counsel dated the Mode Change Date and addressed to the Notice Parties;

(B) if there is to be a Liquidity Facility or an Alternate Liquidity Facility or a Credit Enhancement or an Alternate Credit Enhancement delivered in connection with such change, the items required under the Indenture with such a delivery; and

(C) a Rating Confirmation Notice, or if the Mode Change Date is a Mandatory Purchase Date, a notice from the Rating Agencies of the rating(s) to be assigned the 2007B Bonds on such Mode Change Date.

(iv) No 2007B Bonds may be converted to the Auction Period Rate when the 2007 Bonds are not held by a depository pursuant to a Book-Entry System.

(v) There shall be not less than $10,000,000 in aggregate principal amount of the 2007B Bonds bearing interest at an Auction Period Rate unless otherwise consented to by the Broker-Dealers.

(vi) A Change in Mode to the ARS Mode or the Term Rate Mode shall be conditioned upon receipt of a firm underwriting commitment or contract of purchase from an investment bank or other purchaser reasonably acceptable to the Credit Provider.

Change to Fixed Rate Mode. At the option of the Authority, the 2007B Bonds bearing interest at a Daily Rate or Weekly Rate (in an amount which is a 2007B Authorized Denomination for the new Rate Period) may be changed to the Fixed Rate Mode, as provided in this Section. On any Business Day which is at least thirty (30) days (or such shorter time as may be agreed to by the Authority, the Trustee and the Remarketing Agent, the Auction Agent and the Broker-Dealer, but in any event not less than the fifteenth (15th) day next preceding the Mode Change Date) before the proposed Mode Change Date, the Authority shall give written notice to the Notice Parties stating that the Mode will be changed to the Fixed Rate Mode and setting forth the proposed Mode Change Date. Such notice shall also state whether or not there shall be Credit Enhancement with respect to the 2007B Bonds following such change and, if so, the identity of the Credit Provider. In addition, such notice shall state whether some or all of the 2007B Bonds to be converted shall be converted to Serial 2007B Bonds and, if so, the applicable Serial Maturity Dates and Serial Payments. Any such change in Mode shall be made as follows:

(a) Mode Change Date. The Mode Change Date shall be any Business Day in the case of a change from the Daily Mode or Weekly Mode.

(b) Notice to Owners. Not less than the fifteenth (15th) day next preceding the Mode Change Date, the Paying Agent shall mail, in the name of the Authority, a notice of such proposed change to the Owners of the 2007B Bonds stating that the Mode will be changed to the Fixed Rate Mode and the proposed Mode

Change Date. If the conversion is from a Mode other than an ARS Mode, such notice shall also state that such Owner is required to tender such Owner's 2007B Bonds for purchase on such proposed Mode Change Date regardless of whether all of the conditions to the change to the Fixed Rate Mode are satisfied.

(c) General Provisions Applying to Change to Fixed Rate Mode. The change to the Fixed Rate Mode shall not occur unless the following items shall have been delivered to the Authority, the Trustee, the Credit Provider, if any, the Remarketing Agent, if any, and the Broker-Dealer, if any, on or prior to the Mode Change Date: (1) a Favorable Opinion of Bond Counsel dated the Mode Change Date and addressed to the Authority and the Trustee, (2) if there is to be Credit Enhancement delivered in connection with such change, the items required by the Indenture in connection with the delivery of an Alternate Credit Enhancement, (3) notice from the Rating Agencies of the rating(s) to be assigned the 2007B Bonds on such Mode Change Date, and (4) a Change in Mode to the Fixed Rate Mode shall be conditioned upon receipt of a firm underwriting commitment or contract of purchase from an investment bank or other purchaser reasonably acceptable to the Credit Provider.

Failure to Satisfy Conditions Precedent to a Mode Change. In the event the conditions concerning a change in Mode described above have not been satisfied by the applicable Mode Change Date, then the New Mode shall not take effect and any mandatory purchase shall be made on such date if notice has been sent to the Owners stating that such 2007B Bonds would be subject to mandatory purchase on such date). If the failed change in Mode was from the Daily Mode, the 2007B Bonds shall remain in the Daily Mode, and if the failed change in Mode was from the Weekly Mode, the 2007 Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of the Indenture on and as of the failed Mode Change Date.

Rescission of Election. Notwithstanding anything herein to the contrary, the Authority may rescind any election by it to change a Mode as described above prior to the Mode Change Date by giving written notice thereof to the Notice Parties prior to such Mode Change Date. If the Tender Agent receives notice of such rescission prior to the time the Tender Agent has given notice to the Holders of the 2007B Bonds, then such notice of change in Mode shall be of no force and effect. If the Tender Agent receives notice from the Authority of rescission of a Mode change after the Tender Agent has given notice thereof to the Holders of the 2007B Bonds, then if the proposed Mode Change Date would have been a Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase Date. If the proposed change in Mode was from the Daily Mode, the 2007B Bonds shall remain in the Daily Mode, and if the proposed change in Mode was from the Weekly Mode, the 2007B Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of the Indenture on and as of the proposed Mode Change Date.

Delivery of 2007B Bonds for Purchase

On each date on which a 2007B Bond is to be purchased, such 2007B Bond, if in the Book-Entry System, shall be delivered as follows: (a) 2007B Bonds sold by the Remarketing Agent and purchased by the Tender Agent with the proceeds of the remarketing shall be delivered by the Remarketing Agent to the purchasers of such 2007B Bonds by 3:00 P.M.; (b) 2007B Bonds purchased by the Tender Agent with moneys described in the Third Supplemental Indenture shall be registered immediately in the name of the Liquidity Provider or its nominee (which may be DTC) on or before 3:00 P.M.; and (c) 2007B Bonds purchased by the Authority with moneys provided by the Authority shall be registered, immediately in the name of the Authority or its nominee on or before 3:00 P.M. 2007B Bonds so owned by the Authority shall continue to be Outstanding under the terms of the Existing Indenture and the Third Supplemental Indenture and be subject to all of the terms and conditions of the Existing Indenture and the Third Supplemental Indenture and shall be subject to remarketing by the Remarketing Agent.

Insufficient Funds for Tenders

If moneys sufficient to pay the Purchase Price of all Tendered 2007B Bonds to be purchased on any Purchase Date are not available (i) no purchase shall be consummated on such Purchase Date; (ii) all Tendered 2007B Bonds shall be returned to the Owners thereof; and (iii) all remarketing proceeds shall be returned to the Remarketing Agent for return to the Persons providing such moneys.

All 2007B Bonds that are tendered and not remarketed shall bear interest at the Alternate Rate plus 3% during the period of time from and including the applicable Purchase Date to (but not including) the date that all

such Tendered 2007B Bonds are successfully remarketed (the "Delayed Remarketing Period"). The first Rate Determination Date for purposes of determining the Alternate Rate shall be the Purchase Date.

The Authority may direct the conversion of the Tendered 2007 Bonds to a different Mode during the Delayed Remarketing Period in accordance with certain provisions of the Third Supplemental Indenture concerning a change in Mode.

The Remarketing Agent shall continue to use its best efforts to remarket the Tendered 2007B Bonds. Once the Remarketing Agent has advised the Trustee and the Tender Agent in writing that it has a good faith belief that it is able to remarket all of the Tendered 2007B Bonds, the Trustee will give notice by mail to the Holders of such Tendered 2007B Bonds not later than five Business Days prior to the Purchase Date, which notice will state (i) the Mode applicable to such Tendered 2007B Bonds from and after the Purchase Date as determined by the Authority and communicated in writing to the Trustee and the Tender Agent; (ii) that such Tendered 2007B Bonds will be subject to mandatory tender for purchase on the Purchase Date; (iii) the procedures for such mandatory tender; (iv) the Purchase Price of such Tendered 2007B Bonds; and (v) the consequences of a failed remarketing.

During the Delayed Remarketing Period, the Trustee may, upon the written direction of the Authority, apply amounts on deposit in the 2007 Bond Redemption Account to the redemption of such Tendered 2007B Bonds, as a whole or in part on any Business Day during the Delayed Remarketing Period, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium. Notwithstanding anything in this Third Supplemental Indenture to the contrary, the Trustee shall give five (5) Business Days notice of such redemption to the Holders of the 2007B Bonds to be redeemed.

During the Delayed Remarketing Period, interest on such Tendered 2007B Bonds shall be paid to the Holders thereof (i) the first Business Day of each calendar month occurring during the Delayed Remarketing Period and (ii) on the last day of the Delayed Remarketing Period.

Alternate Credit Enhancement and Alternate Liquidity Facility

The Authority, at the direction of the City, may provide an Alternate Credit Enhancement or Alternate Liquidity Facility, in either case, if the 2007B Bonds are in the Daily Mode or Weekly Mode, on any Business Day. The Authority shall give the Notice Parties written notice of the proposed substitution of an Alternate Credit Enhancement or Alternate Liquidity Facility no less than two (2) Business Days prior to the date on which the Trustee is required to provide notice of the proposed substitution to the Owners of the 2007B Bonds. The Trustee shall give notice of such Substitution Date in the same manner as notice of redemption is required to be provided pursuant to the Third Supplemental Indenture. On or before such Substitution Date, there shall be delivered to the Trustee or the Tender Agent, as applicable:

(a) the Alternate Credit Enhancement or the Alternate Liquidity Facility in substitution for the Credit Enhancement or Liquidity Facility then in effect; provided, however, that upon any failure to remarket 2007B Bonds subject to mandatory tender in connection with the delivery of such Alternate Credit Enhancement or Liquidity Facility, funds to pay the Purchase Price shall only be drawn from the then-existing Liquidity Facility,

(b) a Favorable Opinion of Bond Counsel,

(c) a written Opinion of Counsel for the provider of the Alternate Credit Enhancement or Alternate Liquidity Facility, as applicable, to the effect that such Alternate Credit Enhancement or Alternate Liquidity Facility is a valid, legal and binding obligation of the provider thereof,

(d) either (i) Liquidity Facility covering the Purchase Price of 2007B Bonds to be purchased on the Substitution Date, or (ii) a firm underwriting commitment or contract of purchase from an investment bank or other purchaser reasonably acceptable to the Credit Provider,

(e) with respect to an Alternate Credit Enhancement relating to the 2007A Bonds or the 2007B Bonds in the Fixed Rate Mode, the Term Rate Mode, the ARS Mode or the CP Mode, a Rating Confirmation Notice, and

(f) unless waived by such entity, written evidence satisfactory to the Credit Provider and the Liquidity Provider of the provision for purchase from the existing Liquidity Provider of all Liquidity Provider Bonds, at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts due to the Credit Provider and the Liquidity Provider under the Reimbursement Agreement(s) on or before the effective date of such Alternate Credit Enhancement or Alternate Liquidity Facility.

Upon the satisfaction of the conditions described in the preceding sentence, the Trustee shall accept such Alternate Credit Enhancement or Alternate Liquidity Facility on the close of business on the Substitution Date and shall surrender the Credit Enhancement or Liquidity Facility then in effect to the provider thereof on the Substitution Date. If any condition to the substitution is not satisfied, the substitution shall not occur but the 2007B Bonds shall remain subject to mandatory purchase on the proposed Substitution Date.

MISCELLANEOUS

Confirmation of the Existing Indenture

Except as amended and supplemented by the Third Supplemental Indenture, the Existing Indenture is ratified and confirmed in all respects and is applicable in all respects to the 2007 Bonds, the Owners thereof and the security therefor.

Amendment of the Third Supplemental Indenture

The Third Supplemental Indenture may be amended or supplemented from time to time in the manner and to the extent provided in Article XII of the Original Indenture.

No Personal Recourse

Notwithstanding any provision or obligation to the contrary set forth in the Third Supplemental Indenture, no provision in the Third Supplemental Indenture or in any instruments evidencing the 2007 Bonds, shall be construed so as to give rise to any personal liability of the Authority or its members, officers, employees, agents or representatives (collectively, the "Group"), or to give rise to a charge upon the general credit of the Authority or any member of the Group. Any pecuniary liability of the Authority or any member of the Group under the Third Supplemental Indenture or thereunder, and under any constitutional provision, statute or theory of law, including contract or tort relating thereto, shall be limited exclusively to its interest in the Trust Estate, and the lien of any judgment with respect to any of the foregoing shall be restricted thereto. The Authority and the Group shall not be required to do any act whatsoever or exercise any diligence whatsoever to mitigate the damages to the Trustee or the Owners if an Event of Default shall occur under the Indenture. In furtherance of the above, and not by way of limitation, no recourse under or upon any obligation, covenant or agreement contained in the Third Supplemental Indenture or in any Obligation thereby secured, or under any judgment obtained against the Authority or any member of the Group, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, under or independent of the Third Supplemental Indenture, shall be had against any member of the Group as such, past, present or future, of the Authority for the payment for or to the Authority or any receiver thereof, or for or to the Owners of any 2007 Bonds issued under the Third Supplemental Indenture or otherwise, of any sum that may be due and unpaid by the Authority upon any such 2007 Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member of the Group as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the Owners of the 2007 Bonds issued under the Third Supplemental Indenture or otherwise, of any sum that may remain due and unpaid upon the 2007 Bonds and thereby secured, or any of them, is expressly waived and released as a condition of and consideration for the execution of the Third Supplemental Indenture and the issuance of such 2007 Bonds.

The Authority and each member of the Group shall have no liability for any failure to fulfill, or breach by the City of, the City's obligations under the Security Leases or otherwise.

The 2007 Bonds issued or secured under the Third Supplemental Indenture shall be limited obligations of the Authority payable solely from those rentals due under the Security Leases which have been assigned as provided in the Third Supplemental Indenture and as otherwise provided therein and in the Original Indenture.

ADDITIONAL PROVISIONS CONCERNING FINANCIAL GUARANTY

Payments Under the 2007 Bond Insurance Policy

(a) If, on the third day preceding any Interest Payment Date for the 2007A Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 2007 Bonds due on such date, the Trustee shall immediately notify the 2007 Bond Insurer and U.S. Bank Trust National Association, New York, New York or its successor as its Fiscal Agent (the "Fiscal Agent") of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the 2007 Bond Insurer and to the Fiscal Agent the registration books for the 2007A Bonds maintained by the Trustee. In addition:

(i) The Trustee shall provide the 2007 Bond Insurer with a list of the Bondholders entitled to receive principal or interest payments from the 2007 Bond Insurer under the terms of the 2007 Bond Insurance Policy and shall make arrangements for the 2007 Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to Bondholders entitled to receive full or partial interest payments from the 2007 Bond Insurer and (2) to pay principal of the 2007A Bonds surrendered to the Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from the 2007 Bond Insurer; and

(ii) The Trustee shall, at the time it makes the registration books available to the 2007 Bond Insurer pursuant to (i) above, notify Bondholders entitled to receive the payment of principal of or interest on the 2007A Bonds from the 2007 Bond Insurer (1) as to the fact of such entitlement, (2) that the 2007 Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the 2007 Bond Insurance Policy, (3) that, except as provided in paragraph (b) below, in the event that any Bondholder is entitled to receive full payment of principal from the 2007 Bond Insurer, such Bondholder must tender his 2007A Bond with the instrument of transfer in the form provided on the 2007A Bond executed in the name of the 2007 Bond Insurer, and (4) that, except as provided in paragraph (b) below, in the event that such Bondholder is entitled to receive partial payment of principal from the 2007 Bond Insurer, such Bondholder must tender his 2007A Bond for payment first to the Trustee, which shall note on such 2007A Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the 2007 Bond Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the 2007 Bond Insurance Policy.

(b) In the event that the Trustee has notice that any payment of principal of or interest on a 2007A Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the 2007 Bond Insurer, notify all Bondholders that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the 2007 Bond Insurer to the extent of such recovery, and the Trustee shall furnish to the 2007 Bond Insurer its records evidencing the payments of principal of and interest on the 2007A Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.

(c) The 2007 Bond Insurer shall, to the extent it makes payment of principal of or interest on the 2007A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2007 Bond Insurance Policy and, to evidence such subrogation, (i) in the case of subrogation as to claims for

past due interest, the Trustee shall note the 2007 Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the 2007 Bond Insurer of proof of the payment of interest thereon to the Bondholders of such 2007A Bonds and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the 2007 Bond Insurer's rights as subrogee on the registration books for the 2007 Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of such 2007 Bonds. Notwithstanding anything in this authorizing document or the 2007A Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the 2007 Bond Insurer to the extent that the 2007 Bond Insurer is a subrogee with respect thereto.

Default Related Provisions

(a) The Trustee shall, to the extent there are no other available funds held under the Indenture, use the remaining funds in the Construction Fund to pay principal of or interest on the 2007A Bonds in the event of a payment default; provided, however, that this requirement may be waived in the discretion of the 2007 Bond Insurer.

(b) The applicable Indenture provisions describing Events of Default shall specify that in determining whether a payment default has occurred or whether a payment on the 2007A Bonds has been made under the Indenture(s), no effect shall be given to payments made under the 2007 Bond Insurance Policy.

(c) As long as the 2007 Bond Insurer has not failed to comply with its payment obligations under the 2007 Bond Insurance Policy, any acceleration of the 2007A Bonds or any annulment thereof shall be subject to the prior written consent of the 2007 Bond Insurer.

(d) The 2007 Bond Insurer shall receive immediate notice of any payment default and notice of any other default known to the Trustee within 30 days of the Trustee's actual knowledge thereof.

(e) For all purposes of the Indenture's provisions governing Events of Default and remedies, except the giving of notice of default to Bondholders, the 2007 Bond Insurer shall be deemed to be the sole holder of the 2007A Bonds it has insured for so long as it has not failed to comply with its payment obligations under the 2007 Bond Insurance Policy.

(f) The 2007 Bond Insurer shall be included as a party in interest and as a party entitled to (i) notify the Authority, the Trustee, or any applicable receiver of the occurrence of an Event of Default and (ii) request the Trustee or receiver to intervene in judicial proceedings that affect the 2007A Bonds or the security therefor. The Trustee or receiver shall be required to accept notice of default from the 2007 Bond Insurer.

Amendments and Supplements

Any amendment or supplement to the Indenture or any other principal financing documents shall be subject to the prior written consent of the 2007 Bond Insurer. Any rating agency rating the 2007A Bonds must receive from the Authority notice of each amendment and a copy thereof at least 15 days in advance of its execution or adoption. The 2007 Bond Insurer shall be provided by the Authority with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

Defeasance Provisions

Only cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing securities) shall be used to effect defeasance of the 2007A Bonds unless the 2007 Bond Insurer otherwise approves. In the event of an advance refunding, the Authority shall cause to be delivered a verification report of an independent nationally recognized certified public accountant. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that

the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (or the Indenture, if no separate escrow agreement is utilized), the terms of the escrow agreement or Indenture, if applicable, shall be controlling.

CERTAIN RIGHTS OF THE CREDIT PROVIDER FOR THE 2007B BONDS

Rights of the Credit Provider for the 2007B Bonds with Respect to Defaults and Remedies.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default and so long as no Credit Provider Failure with respect to the 2007B Bonds has occurred and is continuing, the Credit Provider for the 2007B Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of 2007B Bonds or the Trustee for the benefit of the Owners of 2007B Bonds under the Indenture, including, without limitation (a) the right to accelerate the principal of the 2007B Bonds as described in the Indenture, and (b) the right to annul any declaration of acceleration, and the Credit Provider for the 2007B Bonds shall also be entitled to approve all waivers of Events of Default.

Rights of the Credit Provider for the 2007B Bonds with Respect to Notices and Owner Consents

(a) A copy of any notice to be given to the registered Owners of the 2007B Bonds, including, without limitation, notice of any redemption of or defeasance of 2007B Bonds, and any certificate rendered pursuant to this Indenture relating to the security for the 2007B Bonds, shall be delivered to the Credit Provider for the 2007B Bonds.

(b) The Trustee will permit the Credit Provider for the 2007B Bonds to have access to and make copies of all books and records relating to the 2007B Bonds at any reasonable time.

(c) So long as no Credit Provider Failure with respect to the 2007B Bonds shall have occurred and be continuing, the consent of the Credit Provider for the 2007B Bonds shall be required, in substitution for the consent of the Owners of the 2007B Bonds, in the case of initiation or approval of any action which requires consent of the Owners of the 2007B Bonds. If any action requires unanimous consent of the Owners of the 2007B Bonds, the consent of the Credit Provider for the 2007B Bonds shall be required in addition to, not in substitution for, the consent of the Owners of the 2007B Bonds.

Amendments and Supplements

Any amendment or supplement to the Indenture or any other principal financing documents, including without limitation the Security Leases, shall be subject to the prior written consent of the Credit Provider for the 2007B Bonds. Any rating agency rating the 2007B Bonds must receive from the Authority notice of each amendment and a copy thereof at least 15 days in advance of its execution or adoption. The Credit Provider for the 2007B Bonds shall be provided by the Authority with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

CERTAIN ADDITIONAL PROVISIONS RELATING TO THE REDEMPTION, REMARKETING AND CONVERSION OF THE 2007B BONDS AND ADDITIONAL NOTICE REQUIREMENTS

Redemption Provisions

In the event of either an optional or a mandatory redemption of the 2007B Bonds, if a Credit Enhancement is then in effect for the 2007B Bonds and the 2007B Redemption Price includes any premium, the right of the Authority to direct an optional or mandatory redemption is subject to the condition that the Trustee has received, prior to the date on which notice of redemption is required to be given to Owners, Available Moneys of the

Authority (other than proceeds of a draw under the Letter of Credit) in an aggregate amount sufficient to cover any premium due on the 2007B Bonds.

Remarketing Provisions

The Remarketing Agent shall not remarket the 2007B Bonds unless the Credit Enhancement and Liquidity Facility are in full force and effect. The Remarketing Agent may only remarket the 2007B Bonds at a price of par, plus accrued interest. The Remarketing Agent may not remarket the 2007B Bonds to the Authority's board members or employees.

Tender Agent

Notwithstanding any other provisions of the Indenture, the Tender Agent for the 2007B Bonds shall be the same bank as the Trustee and the Tender Agent shall be entitled to receive all notices the Trustee is entitled to receive under the Indenture. If for any reason, the Trustee can no longer accept the duties of the Tender Agent, the Trustee may not resign its duties as Tender Agent until another financial institution meeting the requirements of a successor Paying Agent under the Third Supplemental Indenture is appointed and has accepted such duties.

Conversions

The 2007B Bonds may be converted from a Weekly Mode to a Daily Mode or from a Daily Mode to a Weekly Mode pursuant to the requirements of the Indenture. If the Authority, at the direction of the City, decides to partially convert the 2007B Bonds from either a Weekly Mode to a Daily Mode or to partially convert the 2007B Bonds to another Mode permitted by the Indenture, the Authority shall first obtain a confirmation of the ratings on the 2007B Bonds from Moody's and S&P or from the rating agencies then rating the 2007B Bonds.

Redemption and Tender Notices

The Trustee agrees that each notice of redemption or notice of mandatory tender required to be given pursuant to the Third Supplemental Indenture shall be sent at least fifteen (15) Business Days (rather than fifteen (15) calendar days) prior to the redemption or tender date. For the purposes of this Section, "Business Day" shall have the same meaning as defined in the Original Indenture.

Reinstatement of Letter of Credit and Remarketing

Notwithstanding any other provision of this Fourth Supplemental Indenture, the Trustee agrees that it will not release Pledged Bonds held under the Reimbursement Agreement until the Letter of Credit has been reinstated. For the purpose of this Section, "Pledged Bonds" shall mean Pledged Bonds as defined in the Reimbursement Agreement.

Events of Default and Acceleration

As relates to the 2007B Bonds, all references to the "Credit Agreement" in the Original Indenture shall be deemed to refer to the Reimbursement Agreement and all references to "Notes" shall be deemed to refer to the 2007B Bonds and the reference to "182 days" in the Original Indenture shall be deemed to refer to the "57 days" of covered interest under the Reimbursement Agreement. Notwithstanding any other provisions of the Original Indenture, if the Trustee is directed to accelerate the 2007B Bonds, the date of acceleration of the 2007B Bonds must be no later than the Business Day prior to the date that the Letter of Credit terminates in accordance with its terms.

FOURTH SUPPLEMENTAL INDENTURE

The Fourth Supplemental Indenture sets forth amendments to the Third Supplemental Indenture required in connection with the delivery of an Alternate Credit Enhancement and an Alternate Liquidity Facility for the 2007B Bonds in the form of a Letter of Credit, which amendments are reflected in the summary of the Third Supplemental Indenture herein.

PRIME LEASE
(EAGLES STADIUM LAND & IMPROVEMENTS)

The following description of certain provisions of the Prime Lease (EAGLES STADIUM LAND & IMPROVEMENTS) (the "Prime Lease") set forth below is only an outline of some of the provisions thereof and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Prime Lease in its entirety, copies of which are on file at the corporate trust office of the Trustee in Philadelphia, Pennsylvania, for the complete statements of the provisions thereof.

DEFINITION OF TERMS

Wherever used in the Prime Lease, the following terms shall have the following meanings:

"Act" shall mean Economic Development Financing Law, Act No. 102 of the General Assembly of the Commonwealth of Pennsylvania approved August 23, 1967 (P.L. 251), as amended and supplemented.

"Act of Bankruptcy" shall mean that (i) a party shall have commenced a voluntary case under any bankruptcy law, applied for or consented to the appointment of, or taking of possession by, a receiver, trustee, assignee, custodian or liquidator of all or a substantial part of its assets; (ii) a party shall have failed, or admitted in writing its inability generally, to pay its debts as such debts become due; (iii) a party shall have made a general assignment for the benefit of creditors; (iv) a party shall have been adjudicated a bankrupt, or shall have filed a petition or an answer seeking an arrangement with creditors; (v) a party shall have taken advantage of any insolvency law, or shall have submitted an answer admitting the material allegations of a petition in bankruptcy or insolvency proceeding; (vi) an order, judgment or decree for relief shall have been entered in an involuntary case against a party, without the application, approval or consent of such party, by any court of competent jurisdiction appointing a receiver, trustee, assignee, custodian or liquidator, for the party or for a substantial part of any of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days; or (vii) an involuntary petition in bankruptcy shall have continued undismissed for sixty (60) days after the filing thereof.

"Additional Land" shall mean, collectively, the land which has a use functionally related and accessory to the Eagles Stadium Premises and shall mean, for the purposes of the Prime Lease, collectively, the land known as the "Acme Site", as more particularly described on Exhibit "C" of the Prime Lease and the land known as the "Naval Hospital Parking Lot," as more particularly described on Exhibit "D" of the Prime Lease.

"Additional Rent" shall mean all sums payable by the City under the Prime Lease other than (and in addition to) the Rent (defined below).

"Affiliate" or "Affiliates" shall mean as to any Person, any other Person controlled by, controlling of, or under common-control with such Person.

"Applicable Laws" shall mean the constitution and laws of the United States of America, the constitution and laws of the Commonwealth of Pennsylvania and all rules and regulations promulgated pursuant thereto, and shall include but not be limited to the Home Rule Charter of the City of Philadelphia and the City of Philadelphia Code.

"Authority" shall mean the Philadelphia Authority for Industrial Development, a body politic and corporate existing under the laws of the Commonwealth.

"Authority Contractual Commitments" shall mean obligations of the Authority as set forth in the Eagles Lease including reimbursement of operating and maintenance expenses with respect to the Eagles Stadium Premises in accordance with the schedule set forth as Exhibit "F" attached thereto and reimbursement of excess tax payments on account of real estate taxes, amusement taxes and use and occupancy taxes which are payable by the Eagles in excess of the base amounts to be set forth in the Eagles Lease.

"Bonds" shall mean those bonds, notes or other forms of indebtedness issued for the purpose of financing or refinancing a portion of the Eagles Stadium Premises, Additional Land, demolition, site preparation, improvements and infrastructure in connection therewith and a portion of any and all other costs incurred in connection with the sports stadia, in an aggregate principal amount not to exceed One Hundred One Million Five Hundred Thousand Dollars ($101,500,000) net of original issue discount, plus amounts necessary for any reserves, capitalized interest, costs of issuance, amounts necessary to effect any refunding and such amount as may be finally determined to be owed to any condemnees as Just Compensation (as defined in the Pennsylvania Eminent Domain Code), at any one time outstanding; provided that in no event shall the term of each series of Bonds exceed thirty (30) years from the date of issuance of such series of Bonds, provided further that in the case of any series of refunding bonds the term of such Bonds shall not exceed thirty (30) years from the date of issue of the Bonds to be refunded.

"City" shall mean the City of Philadelphia, a City of the First Class of the Commonwealth acting through its Commerce Department and Department of Public Property.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Credit Facility" shall mean any letter of credit, liquidity facility, standby bond purchase agreement, line of credit, surety bond, insurance commitment, insurance policy or similar agreement with respect to the Bonds and any credit, loan or reimbursement agreement or other obligation of the Authority to the Credit Facility Provider in connection therewith, and all documents collateral thereto, as may be substituted from time to time.

"Credit Facility Provider" shall mean the provider of any Credit Facility as may be substituted from time to time.

"Eagles" shall mean the Philadelphia Eagles Limited Partnership or its successor as holder of the franchise or controlled affiliate, which is the holder of the franchise for the City issued by the National Football League and is the owner of the professional football team known as the Philadelphia Eagles.

"Eagles Lease" shall mean the Sublease and Development Agreement entered into between the Authority, as landlord, and the Eagles, as tenant, pursuant to which the Authority anticipates that it will lease and that the Eagles will take and hire the Eagles Stadium Land and to construct thereon certain structures and improvements including, but not limited to, a new stadium and the Improvements.

"Eagles Lease-Back Lease" shall mean that certain lease by and between the City, as landlord, and the Authority, as tenant, dated of the same date as the Prime Lease with respect to the Eagles Stadium Premises.

"Eagles Stadium" shall mean the football stadium to be constructed on the Eagles Stadium Land as contemplated by the Eagles Lease.

"Eagles Stadium Land" shall mean the 43 acres of land more particularly described and depicted in Exhibit "A" to the Prime Lease and any and all appurtenances, easements, rights, licenses, hereditaments and privileges as may in any way belong to or appertain thereto or inure to the benefit thereof.

"Eagles Stadium Premises" shall mean the Eagles Stadium Land and the Improvements, together with all improvements and appurtenances now existing or in the future constructed thereon.

"Fiscal Year" shall mean July 1 through and including June 30 of the following calendar year.

"Force Majeure Event" shall mean any event (except for the payment of money) which is beyond the reasonable control of, and is not caused by the fault or negligence of, the party asserting the Force Majeure, which wholly or partially prevents the performance of any of the duties, responsibilities or obligations of the party asserting the Force Majeure and the term "Force Majeure" shall include, but not be limited to, an act of God, an act of the public enemy, lightning, fire, explosion or other serious casualty; unusually severe weather (such as hurricane, earthquake, tornado, landslide or flood); war (whether declared or not); or condemnation or other taking by the action of any governmental body on behalf of any public, quasi-governmental or private entity.

"Ground Lease" shall mean that certain Ground Lease dated April 1, 2001 between the City, as landlord, and the Authority, as tenant, pursuant to which the City has agreed to lease and the Authority agreed to take and hire the Eagles Stadium Land (as such term is hereafter defined).

"Improvements" shall mean the structures and improvements to be constructed on the Eagles Stadium Land, including but not limited to a new stadium and related improvements and amenities.

"Indenture" shall mean one or more instruments executed and delivered by and between the Authority and the Trustee (defined below) governing the issuance and administration of the Bonds for the benefit of the holders thereof.

"Person" shall mean an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, estate, unincorporated association, joint venture or any other entity, the United States, a state, or political subdivision thereof, or any agency, department or court thereof.

"Prime Lease" shall mean the Prime Lease between the Authority and the Eagles dated April 1, 2001.

"Team" shall mean the Eagles together with any successor as holder of the franchise or controlled affiliate.

"Transaction Documents" shall mean the Ground Lease, the Prime Lease, the Eagles Lease-Back Lease, the Eagles Lease, the Indenture, the Bonds, the Credit Facility, any bond purchase contract and documents collateral thereto, and any other financing documents and other related documents.

"Trustee" shall mean the bank or other institutional lending entity acting as trustee under the Indenture governing the Bonds.

DEMISE OF EAGLES STADIUM PREMISES

Demise of Eagles Stadium Premises

On the Commencement Date, in consideration of the Rent and Additional Rent thereafter reserved and the terms, covenants, conditions and agreements set forth in the Prime Lease, the Authority demises and lets unto City, and City hires and leases from the Authority, the Eagles Stadium Premises and any other improvements and appurtenances then existing or in the future constructed oh the Eagles Stadium Premises, for the Prime Lease Term, upon and subject to the conditions, terms, agreements and covenants set forth therein. At all times during the Prime Lease Term, ownership of and title to the Eagles Stadium Land shall be and remain in the City, subject to the Authority's leasehold under the Ground Lease, the City's leasehold under the Prime Lease, and the other leaseholds contemplated thereby; and ownership and title to the Eagles Stadium Premises (excluding the Eagles Stadium Land) and all other improvements and appurtenances on the Eagles Stadium Premises, whether then existing or thereafter constructed, shall be and remain in the Authority, subject to the interests of the Eagles and its Affiliates to be granted and established in the Eagles Lease.

Condition of Eagles Stadium Premises

The City acknowledges and agrees to accept the Eagles Stadium Premises, subsurface conditions, and the present uses and non-uses thereof without recourse to Authority, in its and their "AS IS," "WHERE IS" condition, as the same may be modified, altered, improved, constructed or reconfigured from time to time. The City expressly acknowledged that the Authority has made no promises to alter, remodel, improve, repair, decorate or clean the same or any part thereof and makes no representation or warranty, express or implied, in fact or arising by operation of law, of, as to, or concerning, the Eagles Stadium Premises or the sidewalks and structures adjoining the same, subsurface conditions, and the present uses and non-uses thereof, including without limitation, health, safety, or environmental matters, accessibility for disabled persons, the compliance of the same with any Applicable Laws, the nature, condition or usability thereof, the use or uses to which the same or any part thereof may be put, or any other matter or thing affecting or relating thereto. The provisions of Section 2.2 of the Prime Lease have been fully negotiated at arm's-length between the parties hereto and are intended to be a complete exclusion and negation of any warranties or promises by the Authority, express or implied, with respect to the Eagles Stadium Premises. The provisions of Section 2.2 of the Prime Lease shall survive the expiration or earlier termination of the Prime Lease.

Inability to Deliver

If, subject to Force Majeure Events or any other event or occurrence which is beyond the Authority's control, the Authority does not deliver the Eagles Stadium Premises to City on or before July 1, 2001, the Prime Lease shall not terminate and the Authority shall not be liable or responsible for any damages of any kind for failure to deliver possession, but City and Authority shall promptly meet for purposes of determining a mutually acceptable extension for delivery of the Eagles Stadium Premises. In any case, failure of the Authority to deliver the Eagles Stadium Premises shall not in any way affect the City's obligation to pay Rent thereunder.

Title

The City acknowledges and agrees that the Prime Lease and the City's leasehold estate thereunder, are and shall be under and subject to the Ground Lease and matters of record and any condition which a current accurate survey of the Eagles Stadium Land would disclose. The Authority covenants and agrees that it shall not further encumber the fee title to the Eagles Stadium Land (other than by entering into the Eagles Lease-Back Lease and the Eagles Lease), by operation of law or otherwise, during the Prime Lease Term without the prior written consent of the Director of Commerce of the City, which consent shall not be unreasonably withheld, conditioned or delayed.

PRIME LEASE TERM

Prime Lease Term

The term of the Prime Lease (the "Prime Lease Term") shall commence upon the earlier to occur of the date on which (a) the Eagles Stadium Land is acquired by the City, or (b) the Bonds are issued ("Commencement Date"), and shall expire on the later of: (A) the date which is thirty (30) days after the expiration or earlier termination of the term to be set forth in the Eagles Lease, as it may be renewed or extended; or (B) the date which is thirty (30) days after the last of the Bonds are no longer outstanding under the Indenture and there shall have been a defeasance of the lien of the Indenture and the Authority's obligations under the Indenture have been duly terminated pursuant to its terms and there is no outstanding obligation under any Credit Facility, or (C) such later date as may be necessary for the Authority, acting diligently, to comply with any covenant, condition, term or provision of the Indenture or to be set forth in Eagles Lease, or to exercise any of the remedies provided to the Authority herein for the benefit of the Trustee under the Indenture.

RENT

Rent

In consideration of the Authority's entering into the Ground Lease, the Prime Lease and the Eagles Lease-Back Lease Agreement, including but not limited to its obligation with respect to any financing or refinancing of the

obligations undertaken by the Authority under the Prime Lease or under the Eagles Lease, such as the sale of the Bonds, the City thereby agrees to pay as rent ("Rent") to the Authority, or the Trustee or the Credit Facility Provider on behalf of the Authority, as thereafter described, the following amounts (all of which together shall constitute Rent) in the following order of payment priority:

An amount necessary to meet the Authority Contractual Commitments, constituting the operating and maintenance expenses with respect to the Eagles Stadium Premises in the amounts set forth on Exhibit F of the Prime Lease.

When the Authority issues its Bonds, then:

(1) for deposit in accordance with the Indenture, at least one business day prior to each date that principal of and premium, if any, and interest on the Bonds, or any portion thereof, shall be due and payable, whether by maturity, redemption or otherwise (other than by acceleration under the Indenture), an amount which, together with other moneys under the Indenture available therefor is sufficient to make the Authority's required payments of principal of, premium, if any, and interest on the Bonds then becoming due, whether by maturity, redemption or otherwise (other than by acceleration under the Indenture) until the principal of, or redemption premium, if any, and interest on the Bonds shall have been paid in full or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture; and

(2) for deposit in accordance with the Indenture or Credit Facility, in the manner provided therein, the amounts required to satisfy the timely payment (other than by acceleration) of any reimbursement obligation (including interest thereon) and any fees, expenses, charges and indemnification pursuant to the Credit Facility and related documentation; and

(3) payments required pursuant to any swap agreements; and

(4) additionally, from time to time, certain amounts due in connection with the issuance of Bonds in connection with the Eagles Stadium Premises on behalf of the Authority; and

(5) additionally, from time to time, the City shall be required to make payments necessary to make up any deficiency in the funds established under the Indenture (other than as a result of acceleration under the Indenture or Credit Facility), including an amount which is sufficient to make any payment required to be made by the Authority to the United States Treasury, as provided in the Indenture, as determined and specified in writing by the City, other than as stated in (1) above, and to make payments to reimburse the Authority for any premiums paid for insurance policies purchased by the Authority, to the extent that the City has funds appropriated for such purposes in such Fiscal Year.

(6) all Rent payable under subparagraphs (1) through (5) above shall be paid in immediately available funds and held, invested, disbursed and applied as provided in the Indenture or any Credit Facility; provided, however, that, on or before forty-five (45) days prior to any Sinking Fund Installment Date, the City may deliver to the Trustee, Bonds of a maturity, a portion of which is required to be redeemed by the Trustee on such Sinking Fund Installment Date, and the Rent required to effect such redemption otherwise due from the City shall be reduced by the aggregate principal amount of the Bonds so delivered; up to the full amount of such Sinking Fund Installment.

(7) The Authority directs the City to pay the Rent due under Section 4.1(b) of the Prime Lease (other than fees, expenses and indemnities owing to the Credit Facility Provider) to the Trustee to which, under the terms of the Prime Lease and of the Indenture, the Prime Lease (as provided in the Indenture) and the Rent due under Section 4.1(b) of the Prime Lease (other than fees, expenses and indemnities owing to the Credit Facility Provider) are assigned. That portion of the Rent due under Section 4.1(b) of the Prime Lease representing fees, expenses and indemnities owing to the Credit Facility Provider shall be paid by the City directly to the Credit Facility Provider.

(8) Except for Rent due during the period with respect to which the Notes are Outstanding (each as defined in the Indenture), which Rent shall be determined from time to time, the Rent due under Section 4.1(b) of the Prime Lease shall be determined on an annual basis by the City Treasurer for each fiscal year of the City based upon the principal amount of Outstanding Bonds issued under the Indenture.

An amount necessary to fulfill the Authority Contractual Commitments (other than those set forth Section 4.1(a) of the Prime Lease), including reimbursement of excess tax payments on account of real estate taxes, amusement taxes and use and occupancy taxes which are payable by the Eagles in excess of the base amounts to be set forth in the Eagles Lease, the PILOT Agreement, or the Use and Occupancy Tax Settlement Agreement (the PILOT Agreement and the Use and Occupancy Tax Settlement Agreement being defined in and attached to the Eagles Lease).

If the monies available to the Authority to meet its requirements under the Indenture or under the Bonds are insufficient to pay the Authority's obligations thereunder, then the City upon demand shall pay to the Authority or its assigns under and pursuant to Section 4.3 of the Prime Lease, such additional sum or sums, in each Fiscal Year as are required for such purposes, subject to the provisions of Section 4.2(a) of the Prime Lease. Notwithstanding, any provision to the contrary, there shall be no acceleration of the Rent payments under the Prime Lease.

Notwithstanding any other provision of the Prime Lease, the City's obligation to pay the Rent as set forth in Section 4.1(b) of the Prime Lease shall terminate upon the date ("Partial Rent Termination Date") upon which neither the Bonds nor any obligations under the Credit Facility are outstanding, and there shall have been a defeasance of the lien of the Indenture. During the remainder of the Prime Lease Term following such date. Rent shall mean the sum of One Dollar ($1.00) per year plus the Authority Contractual Commitments as set forth in Article 4 of the Prime Lease.

The City may make payments in advance at any time, on account of Rent payable under Section 4.1(b) of the Prime Lease, in one or more prepayment installments, which amounts shall be credited against the Rent at the time next due, unless otherwise directed by the City. All such prepayments shall be deposited in accordance with the Indenture.

Notwithstanding anything in the Prime Lease to the contrary, the Rent under Section 4.1(b) of the Prime Lease may also secure indebtedness issued pursuant to the Indenture in addition to the Bonds.

Additional debt issued for the purposes for which the Bonds may be issued, may be issued only through an amendment to the Prime Lease, to the extent that such additional debt exceeds the authorized amount set forth in the definition of "Bonds" therein (the foregoing shall not be construed as a limitation of any approval of the City Council of the City that may be required with respect to any such amendment).

Manner of Rent and Additional Rent Payment by City; Appropriations; Failure to Pay Rent and Additional Rent

The Rent and Additional Rent shall be payable only out of the current revenues of the City and the City agrees to provide for payment of the Rent and Additional Rent and include the same in the City's annual operating budget for each Fiscal Year of the City. If the current revenues of the City are insufficient to pay the Rent and Additional Rent in any Fiscal Year as the same becomes due and payable, the City shall include amounts not so paid in the City's operating budget for the ensuing Fiscal Year and shall produce sufficient current revenues to pay in the ensuing Fiscal Year such balance due for the preceding Fiscal Year in addition to the amount of Rent and Additional Rent due for the ensuing Fiscal Year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required to make all Rent and Additional Rent payments due and payable under the Prime Lease and all payments due under the Prime Lease in each of the City's Fiscal Years.

The failure of the City to make any payment of Rent and Additional Rent or any other amounts due pursuant to the Prime Lease on the date specified for payment shall constitute a default under the Prime Lease.

Anything in the Prime Lease to the contrary notwithstanding, no payments under the Prime Lease shall be characterized as debt or deemed to be debt of the City under Article IX of the Constitution of the Commonwealth of Pennsylvania. The City's obligation to make payments of Rent and Additional Rent to the Authority under the Prime Lease is payable from the current general revenues of the City, but shall not constitute a pledge of or a grant of a security interest in the general tax revenues of the City.

Assignment by Authority

The Authority, immediately following the execution and delivery of the Prime Lease, may (i) assign, transfer and set over all right, title and interest of the Authority in and to the right to receive the Rent under Section 4.1(a) of the Prime Lease to a trustee or the Trustee and (ii) assign, transfer and set over all right, title and interest of the Authority in and to the right to receive the Rent under Section 4.1(b) of the Prime Lease to the Trustee and the rights and remedies related thereto, in trust, and with respect to (ii), to be held and applied pursuant to provisions of the indenture for the benefit of the Holders (as defined in the Indenture) and the Credit Facility Provider and/or to the Credit Facility Provider. The City: (a) consents to such assignment and accepts notice thereof with the same legal effect as though such acceptance were embodied in a separate instrument, separately executed after execution of such assignment; (b) agrees to pay directly to the trustee or Trustee, all Rent payable and assigned under Section 4.1(a) of the Prime Lease; and (c) agrees to pay directly to the Trustee all Rent under Section 4.1(b) of the Prime Lease (other than Rent payable under Section 4.1(b) of the Prime Lease in respect of the fees, expenses and indemnities owing to the Credit Facility Provider and such other amounts due under Section 18.2 of the Prime Lease), and directly to the Credit Facility Provider all Rent payable with respect to fees, expenses and indemnities owing to the Credit Facility Provider under the Credit Facility, in each case, without any defense, set-offs or counterclaim; and (d) agrees that the trustee. Trustee and the Credit Facility Provider may exercise all rights and remedies granted to the Authority under the Prime Lease with respect to such Rent (which are assigned to the trustee. Trustee and the Credit Facility Provider, respectively).

Assignment by the City

Prior to providing for the payment in full of outstanding Bonds or the earlier redemption thereof, the defeasance of the lien of the Indenture, and the payment in full of any outstanding obligation under any Credit Facility, without the prior written consent of the Authority, the Trustee and the Credit Facility Provider, the City may not by operation of law or otherwise assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise dispose of the Prime Lease or any interest therein.

No Suspension or Abatement of Rent and Additional Rent

The City shall pay the Rent as required under Section 4.1 of the Prime Lease and Additional Rent without suspension or abatement of any nature. So long as (i) the Bonds remain outstanding, (ii) the lien of the Indenture has not been defeased, (iii) there exists any outstanding obligation under any Credit Facility, or (iv) the Authority shall have any obligation to the Eagles under the Eagles Lease, the obligation of the City to pay the Rent and Additional Rent payable under the Prime Lease strictly in accordance with the terms of the Prime Lease shall be an absolute and unconditional, obligation of the City and shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, and regardless of any rights of setoff, recoupment or counterclaim that the City might otherwise have against the Authority, the Eagles, the Credit Facility Provider or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise or take place after the date of the Prime Lease, including without limiting the generality of the foregoing those items set forth under Section 4.5(a)(i) through (xv) of the Prime Lease.

Except to the extent provided in and subject to Section 4.5 of the Prime Lease and in Article 15 of the Prime Lease, nothing contained in the Prime Lease shall be construed to prevent or restrict the City from asserting any rights which it may have under the Prime Lease or any provision of law against the Authority or the Trustee.

Notwithstanding any provision in the Prime Lease concerning the termination of the prime Lease or the leasehold created therein, the City and Authority agree that, as long as (i) the Bonds are outstanding, (ii) the lien of the Indenture has not been defeased, (iii) there exists any obligation under any Credit Facility, or (iv) the Authority

shall have any obligation to the Eagles under the Eagles Lease, in pursuing their remedies under Article 15 of the Prime Lease they shall not terminate the Prime Lease or the leasehold created thereby or cease payment of the Rent and Additional Rent.

Approval by the City

The terms and conditions of the Indenture, the Credit Facility, the identity of the Credit Facility Provider, the form of the Bonds and the collateral security therefor, if any, shall be subject to the prior written approval of the City, acting through its Director of Finance, which may be granted or withheld in its sole discretion.

OWNERSHIP OF INTERESTS

City Leasehold Interest

On the last day of the Prime Lease Term, or upon any earlier termination of the Prime Lease, the City's leasehold interest shall revert to the Authority without the necessity of any further action by either Authority or the City; provided, however, that, upon the Authority's request, the City shall execute and deliver to the Authority (in recordable form where necessary or appropriate) all documents necessary to evidence such reversion.

REAL ESTATE TAXES

Real Estate Taxes

Unless otherwise provided in Article 18 of the Prime Lease, the City shall not be liable or responsible during the Prime Lease Term for the payment of any real estate taxes or any payment or other charge in lieu of real estate taxes, if and to the extent any such taxes, payments or charges are permitted by Applicable Laws to be assessed with respect to the Eagles Stadium Premises. Nothing in the Prime Lease shall be construed to alter, amend or in any way affect the liability of the Eagles under the Eagles Lease or Applicable Law for the payment of any taxes or payments or other charges in lieu thereof accruing or payable with respect to the Eagles Stadium Premises, or the use and enjoyment thereof by the Eagles, the City or by any other user thereof.

USE OF EAGLES STADIUM PREMISES

City Compliance with Applicable Laws

In the exercise of its rights under the Prime Lease, the City shall, at all times during the Prime Lease Term, comply with all Applicable Laws now or hereafter enacted or promulgated, and whether or not such Applicable Laws can be said to be within the present contemplation of the parties; provided that, except as provided in Article 18 of the Prime Lease, City shall have no obligation to perform construction or alterations, or maintenance, repairs, or replacements, whether ordinary or extraordinary, operating, routine, or capital in nature, in, on, or about any portion of the Eagles Stadium Premises or the Improvements and the other improvements, fixtures and appurtenances erected thereon.

MAINTENANCE, REPAIR AND ALTERATIONS

City Liability for Operations and Maintenance of Eagles Stadium Premises

Except as otherwise provided in Article 18 of the Prime Lease, the Authority acknowledges and agrees that in no circumstance whatsoever will the City have any liability to pay any sums toward or for any of the operating and maintenance costs of the Eagles Stadium Premises or the Improvements, or any other improvements, fixtures or appurtenances forming any part of the Eagles Stadium Premises (provided that nothing in Section 8.1 of the Prime Lease is intended to relieve the City from its obligations pursuant to the Prime Lease for payments of Rent and Additional Rent).

No Obligation of City

Except as otherwise provided in Article 18 of the Prime Lease and as may be provided in the Eagles Lease, it is expressly understood and agreed by the Authority that the City shall not be required, and shall not be responsible or liable in any way whatsoever, to maintain, alter, repair, build, rebuild or replace all or any portion of the Eagles Stadium Premises (whether such work be interior or exterior, structural or nonstructural, ordinary or extraordinary, foreseen or unforeseen, capital or routine); provided, however, that nothing in Section 8.2 of the Prime Lease shall in any way alter or diminish the City's obligation to pay Rent and Additional Rent.

No Liability of City

Except as otherwise provided in Article 18 of the Prime Lease, the City shall not in any event be liable or responsible by virtue of the Prime Lease for any injury or damage to any property or to any Person happening on, or in or about the Eagles Stadium Premises, nor for any injury or damage to the Eagles Stadium Premises, nor to any property, whether belonging to Authority or any other Person, caused by any fire, breakage, leakage, defect or bad condition in any part of the Eagles Stadium Premises, or from water, rain or snow that may leak into, issue or flow from any part of the Eagles Stadium Premises from the drains, pipes, or plumbing work of the same, or from any place or quarter, or due to the use, misuse or abuse of all or any of the openings or installations of any kind whatsoever which may thereafter be erected or constructed in or on the Eagles Stadium Premises, or from any kind of injury which may arise from any other cause whatsoever on the Eagles Stadium Premises.

ASSIGNMENT AND SUBLETTING

No Assignment by City

In addition to and without limiting in any way the provisions of Section 4.4 of the Prime Lease, the City shall not, by operation of law or otherwise, sublet, assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise dispose of the Prime Lease, or any interest in, to or under the Prime Lease for the Eagles Stadium Premises (or any part thereof) without prior written approval of the Authority.

Authority Consent to Assignment

The Authority has the absolute right to withhold its consent without giving any reason whatsoever to any assignment, transfer, mortgage, pledge, hypothecation, encumbrance or other disposition of the Prime Lease or City's interest in the Prime Lease. In no event shall the Prime Lease be assigned or assignable by operation of law, attachment, assignment for the benefit of creditors or otherwise, or by voluntary or involuntary bankruptcy proceedings (it being understood and agreed that any such assignment shall be null and void, of no force or effect and inoperative), and in no event shall the Prime Lease or any rights or privileges thereunder be an asset of City under any bankruptcy, insolvency or reorganization proceedings.

City to Remain Obligated

Notwithstanding anything contained in the Prime Lease to the contrary, any assignment, subletting, use, occupancy or transfer under the Prime Lease (whether with or without the consent of the Authority) shall not operate to relieve the City from any covenant or obligation under the Prime Lease, or be deemed to be a consent to or relieve the City or any assignee, subtenant or sublicensee permitted pursuant to the Prime Lease from obtaining the Authority's prior written consent to any subsequent assignment, transfer, lien, charge, subletting, use or occupancy (which may be withheld by the Authority in its sole discretion), and City shall continue to remain primarily, jointly and severally liable and obligated for any and all covenants and obligations under the Prime Lease, including, but not limited to the obligations to pay Rent and Additional Rent pursuant to the terms of the Prime Lease.

Permitted Subletting

Notwithstanding the foregoing prohibition on assigning set forth above, the City shall have the right to let or sublet the Eagles Stadium Premises to Authority for further sub-lease to Eagles pursuant to the Eagles Lease.

CASUALTY

Terms of Eagles Lease Controls

In the event of casualty to some or all of the Eagles Stadium Premises, the terms and conditions to be set forth in the Eagles Lease regarding casualty shall control the parties' respective rights following such casualty; provided, however, that notwithstanding any damage or destruction to some or ail of the Eagles Stadium Premises, the City's obligation to pay Rent and Additional Rent under the Prime Lease and to fulfill its obligations under Article 18 of the Prime Lease shall not be suspended, abated, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, and the City shall continue to pay Rent and Additional Rent and to fulfill its obligations under Article 18 of the Prime Lease as if no such damage or destruction had occurred. The foregoing to the contrary notwithstanding, in the event that any claims of the Eagles pursuant to the terms to be set forth in the Eagles Lease, and any claims of any fee or leasehold mortgagee have been satisfied, then any remaining casualty insurance proceeds shall be promptly paid to the City provided that sufficient proceeds are made available to the Authority to provide for a cleared and safe site.

SURRENDER OF EAGLES STADIUM PREMISES

Surrender of Eagles Stadium Premises

Upon the expiration or earlier termination of the Prime Lease, the City shall peaceably and quietly surrender, vacate, and deliver up possession of the Eagles Stadium Premises to the Authority, and the City's and Authority's rights and obligations regarding the Eagles Stadium Premises, including but not limited to the Improvements, shall be governed in accordance with the terms to be set forth in the Eagles Lease regarding surrender of the Eagles Stadium Premises.

LEASEHOLD MORTGAGES

Leasehold Mortgages

At no time during the Prime Lease Term shall City engage in any financing or other transaction creating any mortgage upon, indenture, trust agreement, or other security interest in, the Eagles Stadium Premises, the Prime Lease or City's interest in any of the foregoing, or any portion thereof (collectively, a "Leasehold Mortgage". Any placement or attempted or purported placement of a Leasehold Mortgage upon the Eagles Stadium Premises or any portion thereof without the Authority's prior written approval shall be null and void, inoperative, of no force or effect and shall constitute an Event of Default under the Prime Lease on the date of its execution or filing of record, or attempted or purported execution, or filing of record, regardless of whether or when it is foreclosed or otherwise enforced. City expressly consents and agrees, however, that Authority may assign, transfer, and pledge the Prime Lease or the Rent as otherwise provided in Article 4 of the Prime Lease. Nothing contained in the Prime Lease is intended to prevent the Eagles from granting leasehold mortgages and security interests upon their interest in the Eagles Lease in accordance with the terms of the Eagles Lease.

CONDEMNATION

Notice of Taking

The City and the Authority each agree to give the other written notice of any taking as a result of, or in lieu of, condemnation or the exercise of the power of eminent domain by any sovereign, municipality or any other public or private authority ("Taking") of all or any part of the Eagles Stadium Premises or any interest therein promptly after such party receives notice thereof.

Total Taking of Eagles Stadium Premises

If the whole of the Eagles Stadium Premises or the leasehold estate created under the Prime Lease shall be acquired or condemned as a result of a Taking ("Total Taking"), then notwithstanding such Total Taking, the Prime

Lease Term shall not terminate and the Prime Lease, including but not limited to all Rent and Additional Rent then accrued and accruing thereafter, shall continue in full force and effect until the expiration or earlier termination of the Prime Lease Term.

Partial Taking

In the event of a Taking of a portion of the Eagles Stadium Premises which is not a Total Taking as provided in Section 14.2 of the Prime Lease (a "Partial Taking"), then and in that event, the Prime Lease shall remain in full force and effect as to the portion of the Eagles Stadium Premises remaining immediately after such Partial Taking. Any Partial Taking to the contrary notwithstanding, the Rent and Additional Rent accruing under the Prime Lease after a Partial Taking shall not be apportioned, prorated or otherwise abated.

City Rent Obligation Continues

Notwithstanding any Total Taking or Partial Taking of the Eagles Stadium Premises or the leasehold estate created under the Prime Lease, whether temporary or permanent, the City's obligation to pay Rent and Additional Rent under the Prime Lease shall not be suspended, abated, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, and the City shall continue to pay Rent and Additional Rent under the Prime Lease as if no such Total Taking or Partial Taking had occurred.

Award

In the event of any Taking, whether a Total Taking or Partial Taking, and whether temporary or permanent, the parties expressly agree that their rights to make claims against the condemning sovereign, municipality, or other authority, and against each other, shall be governed by the terms to be set forth in the Eagles Lease regarding condemnation and award. The foregoing to the contrary notwithstanding, in the event that any claims of the Eagles pursuant to the terms to be set forth in the Eagles Lease, and any claims of any fee or leasehold mortgagee have been satisfied, and provided that the City is not in default of the payment obligations under Section 4.1(b) of the Prime Lease, then any remaining condemnation award, or sums in lieu thereof relating to the Improvements, shall be promptly paid to the City provided that sufficient proceeds are made available to the Authority to provide for a cleared and safe site.

DEFAULTS AND REMEDIES

Defaults

Each of the following shall constitute an "Event of Default" by the City under the Prime Lease:

(a) Any failure by the City to pay Rent or any other amount, charge, fee or sum required to be paid by the City under the Prime Lease when due;

(b) Any Act of Bankruptcy by the City;

(c) Any failure by the City to observe or perform any of the terms, covenants, agreements, provisions, conditions or limitations contained in the Prime Lease.

Remedies

Upon the occurrence of an Event of Default by City and at any time thereafter, the Authority shall have, in addition to all other rights available to the Authority at law or in equity, the following rights and remedies:

(a) To institute any and all proceedings permitted by law or equity including, but not limited to, an action to enjoin a violation of the Prime Lease by the City or to compel-specific performance of the Prime Lease by the City;

(b) To seek arid obtain, and the City thereby consents to the entry of, a temporary restraining order, together with such other temporary, preliminary and permanent injunctive or other equitable relief, from any court of competent jurisdiction capable of issuing or granting such relief, to compel the City to comply with or refrain or cease from breaching or violating the terms, covenants and conditions of the Prime Lease, and, with respect thereto, the City thereby waives any requirement that the Authority post a bond or other security in connection with such injunctive or other equitable relief; and

(c) To require that the City immediately pay all of the Authority's costs, charges and expenses, including, without limitation, court and other costs, expert fees, receiver and trustee's fees, consultant fees, all costs and expenses in connection with litigation, service and attorneys' fees, incurred in enforcing the City's obligations and the Authority's rights and remedies under the Prime Lease or incurred by the Authority in any litigation, negotiation or transaction in which the City causes the Authority, without the Authority's fault, to become involved or concerned.

Any provision of the Prime Lease to the contrary notwithstanding, under no circumstances shall the Authority's remedies include the right to cause an acceleration of all or any part of the Rent or a termination of the Prime Lease.

No Waiver

No failure or delay by the Authority to insist upon the strict performance of any term, covenant, agreement, provision, condition or limitation of the Prime Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance by the Authority of full or partial Rent or any other payment due under the Prime Lease during the continuance of any such breach (with or without knowledge of the breach), shall constitute or be construed to constitute a waiver of any such breach or of such term, covenant, agreement, provision, condition or limitation. No term, covenant, agreement, provision, condition or limitation of the Prime Lease to be kept, observed, or performed by City, and no breach thereof, shall be waived, altered or modified except by a written instrument executed by the Authority. Any waiver of any breach shall be limited to the breach so waived, and shall not affect or alter the Prime Lease; each and every term, covenant, agreement, provision and limitation of the Prime Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Authority's Rights Not Exclusive

No right or remedy therein conferred upon or reserved to the Authority is intended to be exclusive of any other right or remedy therein or by law or in equity provided, but each shall be cumulative and in addition to every other right or remedy given therein or then or thereafter existing at law or in equity or by statute.

AFFIRMATIVE ACTION AND COVENANTS AGAINST DISCRIMINATION

Nondiscrimination

In its performance of the Prime Lease, Authority and the City shall not discriminate or permit discrimination against any Person because of race, color, religion, national origin, age, sexual preference, sexual orientation or sex. Any such discrimination shall constitute an Event of Default under the Prime Lease and the City or the Authority shall have the right to exercise any of its rights and remedies thereunder.

Organization Membership

In accordance with Chapter 17-400 of The Philadelphia Code, the Authority agrees that its payment or reimbursement of membership fees or other expenses associated with participation by its employees in an exclusionary private organization, insofar as participation confers an employment advantage or constitutes or results in discrimination with regard to hiring, or tenure of employment, including but not limited to promotions, terms, privileges or conditions of employment, or on the basis of race, color, sex, sexual orientation, religion, national origin or ancestry, " constitutes a substantial breach of the Prime Lease entitling the City to all rights and remedies

provided in the Prime Lease or otherwise available in law or equity, subject to the provisions of Section 4.5 of the Prime Lease.

The Authority agrees to include and require to be included the immediately preceding paragraph, with appropriate adjustment for 4he identity of the parties, in all contracts and subcontracts which are entered into for work to be performed on behalf of Authority pursuant to the Prime Lease, if any.

The Authority further agrees to cooperate with the Commission on Human Relations of the City (the "Commission") in any manner that the Commission deems reasonable and necessary for the Commission to carry out its responsibilities under Chapter 17-400 of The Philadelphia Code. Failure to so cooperate shall constitute a substantial breach of the Prime Lease entitling the City to all rights and remedies provided in the Prime Lease or otherwise available in law or equity.

Nondiscrimination Clause

During the term of the Prime Lease, the City agrees, as to itself and as to each occupant of the Eagles Stadium Premises controlling, controlled by or under common control with the City (each, a "Contractor") to not take or to allow certain actions and to take certain actions, all as more fully set forth in the Prime Lease.

CERTAIN COVENANTS

Payment of Authority Fees

Notwithstanding anything to the contrary contained in the Transaction Documents, the City agreed to pay promptly when due to the Authority, or on the Authority's behalf, to the extent the same are not paid out of the proceeds of the Bonds issued by the Authority as contemplated by the Prime Lease, all fees, costs and expenses reasonably incurred by the Authority, including but not limited to reasonable attorneys fees and expenses, whenever incurred, in connection with the negotiation, execution and delivery of any of the Transaction Documents, the administration of the Eagles Stadium Premises and the Transaction Documents and the performance of any Authority duties or obligations under any of the Transaction Documents.

Bonds and Certain Tax Matters

The City agrees, in the event that Authority issues from time to time any Bonds in connection with the Eagles Stadium Premises:

(a) to pay promptly on Authority's behalf reasonable compensation to the Trustee and the Credit Facility Provider for their services under the Indenture and the Credit Facility, respectively, relating to the Bonds and the Credit Facility, and said Trustee's and Credit Facility Provider's reasonable expenses and disbursements, including reasonable attorney fees and expenses, incurred in connection with issuance of the Bonds and the execution, delivery and performance of obligations under the Indenture and the Credit Facility, and, further, to satisfy any indemnification obligations of the Authority to the Trustee and the Credit Facility Provider against any liabilities either may incur in the exercise and performance of their respective powers and duties and rights and remedies under the Indenture or the Credit Facility, except (i) in the case of the Trustee, those liabilities caused by the Trustee's own negligence or willful misconduct, and (ii) in the case of the Credit Facility Provider, those liabilities caused by the Credit Facility Provider's own gross negligence or willful misconduct;

(b) to the extent that any Bonds are issued on a tax-exempt basis, to execute an appropriate tax certificate as to arbitrage and instructions as to compliance with provisions of Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") (the "Federal Tax Certificate"), if and to the extent applicable, and to comply with all provisions of the Federal Tax Certificate applicable to it and take no action which would cause the interest on the Bonds to be includable in the gross income of Holders of the Bonds under the Code; and

(c) to the extent that any Bonds are issued on a tax-exempt basis, to perform and satisfy, through the City Treasurer, the record keeping obligations of the Authority under the Federal Tax Certificate and to

perform all monitoring, oversight, calculations and reporting required of the Authority under the Federal Tax Certificate to make any and all elections permitted to be made by Authority pursuant to the Code, and to comply with all requirements relating to rebate and make any required rebate payments to the United States Treasury.

Continuing Disclosure Obligations

In connection with Authority's issuance of the Bonds, the. Authority and the City, if required to do so, shall enter into a Continuing Disclosure Agreement or Agreements pursuant to which the Authority and City will be obligated to provide certain information and make certain filings pursuant to the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The City thereby shall assume ail responsibility for collecting the necessary information for dissemination and filing pursuant to such Continuing Disclosure Agreement or Agreements. The individual responsible for performing these duties is the City Treasurer.

City Covenants

The City covenants to perform its obligations under the Transaction Documents, including but not limited to the obligations imposed on the City pursuant to the Indenture, even though the City is not a party thereto, fully, faithfully and in a timely fashion. In connection with the issuance of any Bonds by the Authority, the City will provide to the Authority and the Trustee, written directions, instructions and certifications consistent in form and substance with those required to be given by the Authority to the Trustee under certain sections of the Indenture.

The City covenants to do all of the actions which the Authority covenants under the terms of the Eagles Lease to cause or require the City to do, in each case, fully, faithfully and in a timely fashion.

Staffing Assistance

As requested by the Authority, the City will designate certain employees who will consult with the Authority regarding the Authority's performance under the Transaction Documents and, as requested by the Authority, perform any Authority responsibilities and prepare any documents required of the Authority under the Transaction Documents. In addition, the City expressly undertakes to perform the obligations of the Authority to provide to any Credit Facility Provider, any notices of default, and all financial and litigation information regarding the City,, and information regarding the Eagles Stadium Premises as may be required under, and otherwise to comply with the Authority's affirmative and negative covenants in any Credit Facility. The City Treasurer shall perform these duties.

Rights Against the Eagles and Other Third Parties

Provided the City is current in the performance of all of its obligations to the Authority under the Prime Lease, the City shall have the right, with the consent of the Authority, to pursue all remedies which the Authority may have against the Eagles or any third party under the Eagles Lease or against any party to any other Transaction Document or any third party thereunder.

Litigation

In the event of any litigation arising out of or relating to the Transaction Documents, the performance of the Authority's obligations thereunder, or by reason of the Authority's being a party thereto, including but not limited to claims by the Team, any contractor, architect or engineer (whether or not working on the Eagles Stadium Premises, if the claim relates to the Eagles Stadium Premises or the participation of the Authority or the City therein), the Trustee, Holders of the Bonds or any third party, the Authority shall, within four (4) business days of receipt, deliver all process served upon it directly to the City Solicitor. All such process will be directed to the attention of the City Solicitor. The City Solicitor will either enter its appearance on behalf of the Authority in a timely fashion or retain counsel which will enter its appearance on behalf of the Authority in a timely fashion. The City shall defend the Authority in all such actions at the City's sole cost and expense and the City shall have the right to control the defense of such proceeding but shall keep the Authority advised as to all material developments in such proceeding. All information with respect to litigation will be sent to the Authority to the attention of Philip M. Brandt, Esquire at

Philadelphia Industrial Development Corporation ("PIDC"). The City Solicitor shall be permitted to arrange for defense of the Authority by any applicable insurer pursuant to any insurance policy maintained by any third party under which the Authority is an additional named insured or loss payee.

Indemnification

To the extent (i) that a party to any Transaction Document fails to provide reasonable and timely indemnification against Claims or Losses (as defined below), (ii) permitted by Applicable Laws and subject to the section of the Prime Lease entitled "No Waiver of Immunity" and (iii) that Claims or Losses are not covered under an insurance policy maintained by a third party for the benefit of the Authority pursuant to the terms of any Transaction Document, the City agrees to indemnify, defend and hold harmless the Authority and PIDC, and each of their directors, members, officials, officers, employees, agents and representatives (each an "Indemnified Party" and collectively, the "Indemnified Parties"), from and against any and all suits, claims or causes of action (collectively "Claims"), and all liabilities, losses, obligations, damages, penalties, costs, charges, expenses, judgments and amounts paid in settlement (including without limitation, reasonable attorneys' fees) of every kind (collectively "Losses"), which may be imposed upon, incurred by or asserted against any Indemnified Party arising out of or relating to or arising in connection with the Authority's entering into the Prime Lease or any of the Transaction Documents, the performance of any of the Authority's obligations thereunder, any acts or omissions with respect to the Authority's interest under the Prime Lease or any of the Transaction Documents, or any other acts or omissions relating to the Authority's involvement in the Eagles Stadium Premises; except in each case to the extent that the Claims and Losses are attributable to the gross negligence or willful misconduct of any such Indemnified Party. In consideration of this undertaking by the City, the Authority thereby agrees to cooperate with the City to enforce the Authority's rights under any insurance policies maintained by any third party under which the Authority is an additional named insured or loss payee, and to enforce any indemnification rights to which the Authority may be entitled under any of the Transaction Documents (including but not limited to any rights against the Team), and the City and the Authority agree to pursue all such third party insurance policies and indemnitors diligently with respect to all Claims or Losses which may be property asserted in good faith against them. The City shall be subrogated to the rights of the Authority under such insurance policies and indemnification rights; provided, however, it is expressly agreed that the City shall not have, and expressly waives, any right of subrogation under any insurance policies maintained by the Authority or PIDC. To the extent that either (i) any party to any Transaction Document, other than the City, provides reasonable and timely indemnification against any Claims or Losses, or (ii) Claims are covered by an insurer under an insurance policy maintained by a third party for the benefit of the Authority without reservation of rights and Losses under such Claims are paid by such insurer on a basis such that the Authority does not incur any liability, then in each case, the City's obligations under Section 18.8 of the Prime Lease with respect to such specific Claims and Losses will be discharged. The City acknowledges that the Authority shall not be obligated to exhaust any remedies against any third party as a condition to its right to receive indemnification under the Prime Lease. This indemnification is intended to be in addition to any indemnification by the City in favor of the Authority provided elsewhere in the Transaction Documents.

To the extent (i) that any party to any Transaction Document other than the City or Authority fails to provide reasonable and timely indemnification against Claims or Losses under the Eagles Lease, (ii) permitted by Applicable Laws and subject to the applicable Section herein, and (iii) that Claims or Losses are not covered under an insurance policy maintained by or for the benefit of the City, the Authority thereby agrees to indemnify, defend and hold harmless the City and its officers, officials, employees and agents from and against any and all Losses which may be imposed upon, incurred by or asserted against the City and its officers, officials, employees and agents arising put of or relating to (!) the performance or breach of the obligations or representations of the Authority under the Prime Lease or any of the Transaction Documents, or (ii) any other acts or omissions of the Authority or any of its directors, members, officers, officials, employees, agents and attorneys providing services related to the Eagles Stadium Premises, in each case insofar as such Claims or Losses a rise directly or indirectly from the willful misconduct, fraud or gross negligence of the Authority or any Indemnified Party, as defined above. The liability of the Authority, PIDC and any other indemnified party under the Prime Lease is limited solely to the Authority's interest in the Eagles Stadium Premises, and the lien of any judgment shall be restricted thereto.

The Authority's taking of any action, or the failure to take any action, which it is permitted to take under the terms of the 'Prime Lease or any of the Transaction Documents shall under no circumstances be deemed to constitute willful misconduct, fraud or gross negligence, and furthermore, the taking of any action by the Authority,

which action is directed in writing by the City, Trustee or Credit Facility Provider pursuant to the Transaction Documents shall not under any circumstances be deemed to constitute willful misconduct, fraud or gross negligence.

The parties agree that neither shall be obligated under Section 18.8 of the Prime Lease unless the indemnifying party has been given prompt and timely notice of matters contemplated by Section 18.8 of the Prime Lease; provided, however, the failure to so notify the indemnifying party will not relieve the indemnifying party from any obligation under Section 18.8 of the Prime Lease except to the extent such failure has materially injured the ability of the indemnifying party to defend such matter successfully or to minimize the economic exposure resulting therefrom.

No Waiver of Immunity

Nothing herein shall be construed to waive or amend any defense or immunity which the City or the Authority, or their officials, members, officers, agents, employees or representatives may have under Title 42, Chapter 85 of the Pennsylvania Consolidated Statutes Annotated, as amended, or other Applicable Law. The parties expressly acknowledge that Section 18.9 of the Prime Lease is intended to preclude any third party from having any rights whatsoever under the Prime Lease against either party and is not intended in any way to constitute a defense against, or otherwise limit, the obligations of the City under the Prime Lease to pay the costs, expenses, Claims and Losses of the Authority as provided therein.

Nondisturbance Agreement

Concurrently with the execution and delivery of the Eagles Lease, at the request of the Eagles or its leasehold mortgagee, the City and the Authority shall enter into a non-disturbance agreement thereby the City and the Authority agree not to disturb the rights of the Eagles under the Eagles Lease in substantially the same form and upon substantially the same terms as are set forth in Exhibit E of the Prime Lease.

Survival

The rights and obligations of the parties under Article 18 shall survive termination of the Prime Lease and the defeasance of the Indenture.

MISCELLANEOUS

Quiet Enjoyment

The City, upon paying the Rent and other charges provided for in the Prime Lease and upon observing and keeping all agreements, covenants and conditions of the Prime Lease on City's part to be kept, shall have and enjoy quiet possession of the Eagles Stadium Premises without hindrance or molestation by or from the Authority, subject, however, to the exceptions, reservations, terms and conditions of the Prime Lease.

No Third Party Rights

Except as provided (i) in Article 18 of the Prime Lease as to Indemnified Parties, (ii) in Article 4 of the Prime Lease as to the Trustee and the Credit Facility Provider, (iii) in Section 19.15 of the Prime Lease as to the Trustee, the Credit Facility Provider and the Eagles (iv) in Section 18.10 of the Prime Lease as to the Eagles and its leasehold mortgagee, and (v) in Section 18.2 of the Prime Lease as to the Trustee and the Credit Facility Provider, nothing in the Prime Lease shall be construed to constitute, create or confer rights, remedies or claims in or upon any Person not a party thereto (as third party beneficiary or otherwise), or to create obligations or responsibilities of the parties thereto to such Persons, or to permit any Person, other than the parties hereto and their respective successors and assigns, to rely upon the covenants, conditions and agreements contained therein.

Survival

Any and all agreements set forth in the Prime Lease which, by its or their nature, would reasonably be expected to be performed after the termination of the Prime Lease shall survive and be enforceable after such termination. Any and all liabilities, actual or contingent, which shall have arisen in connection with the Prime Lease, shall survive any termination of the Prime Lease. Any express statement of survival contained in any Section of the Prime Lease shall not be construed to affect the survival of any other Section of the Prime Lease.

Expiration of Authority

In the event that during the Prime Lease Term, the existence of the Authority is not renewed or extended pursuant to applicable Law and a successor to the Authority is not established, all rights and obligations of the Authority under the Prime Lease shall automatically vest in the City without any further action by the parties hereto.

Severability

If any term or covenant of the Prime Lease or the application thereof to any Person or circumstances shall, to any extent, be held invalid or unenforceable, the remaining terms and covenants of the Prime Lease, or the application of such term or covenant to Persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and covenant of the Prime Lease shall be valid and enforceable to the fullest extent permitted by law.

Effect of Drafting on Construction

The fact that the Prime Lease may have been initially drafted by the attorney for one of the parties hereto has no significance as to construction of ambiguous terms against either party, inasmuch as the Prime Lease is the product of arms-length negotiations between the parties, and no provision of the Prime Lease shall be construed against a party solely because that party or that party's counsel dratted such provision.

Amendments

The parties to the Prime Lease, from time to time may enter into any amendments thereto (which thereafter shall form a part thereof) without the consent of any other parties such as shall not adversely affect the rights of or the security of the Holders (as defined in the Indenture), only for the following purposes:

(a) To cure any ambiguity, defect or omission therein or in any amendment thereto or to supplement any provision thereof, provided such cure shall not materially adversely affect the Eagles, the Holders or the Credit Facility Provider; or

(b) To reflect a change in Applicable Law which shall not impair the security hereof or materially adversely affect the rights of the Holders, the Eagles or the Credit Facility Provider; or

(c) To provide for additional Rent thereunder to the extent necessary in connection with the issuance of additional debt; or

(d) To add to the covenants and agreements of the City therein contained, or to surrender any right or power herein reserved to or conferred upon the City which shall not impair the security hereof nor materially adversely affect the rights of the Eagles, the Holders or the Credit Facility Provider.

The Trustee, the Credit Facility Provider and the Eagles shall be provided notice of any amendments with respect to (a), (b), (c) and (d) of Section 19.15 of the Prime Lease. All other amendments must be approved by the Eagles, the Trustee (if the Trustee's approval is required in accordance with the Indenture) and the Credit Facility Provider (if the Credit Facility Provider's approval is required in accordance with the terms of the Credit Facility), and, if the Indenture must be amended with Holders' consent, the Holders, in the same manner and to the same extent as is set forth in the applicable Article of the Indenture.

Notwithstanding the foregoing, the Authority shall not amend the Prime Lease: (a) other than as provided in the Indenture; and (b) without the consent of Dexia Credit Local, acting through its New York Agency ("Dexia"); provided, however, that Dexia shall be deemed to have consented to any modification, amendment or supplement of, or waiver with respect to, the Prime Lease if (i) Dexia shall have failed to respond to a written request of the Authority for Dexia's consent thereto within ten (10) days after receipt by Dexia of such request, and (ii) such request shall have indicated thereon that Dexia shall be deemed to have consented thereto unless Dexia responds to such request within ten (10) days after receipt by-Dexia of such request; and provided further, however, that Dexia's right to consent to amendments to the Prime Lease shall terminate upon (i) surrender of the Credit Facility issued by Dexia for cancellation, and (ii) payment in full by the Authority of all of its obligations to Dexia under that certain Letter of Credit and Reimbursement Agreement, dated as of April 1, 2001 between the Authority and Dexia.

No Modification

The Prime Lease is intended by the parties as a final expression of their agreement and as a complete and exclusive statement of the terms thereof, all negotiations, considerations and representations between the parties having been incorporated herein. No course of prior dealings between the parties or their officers, employees, agents or Affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of the Prime Lease. No prior agreement, course of dealing or custom between the parties or their Affiliates shall be relevant or admissible to determine the meaning of any of the terms of the Prime Lease. No representations, understandings, or agreements have been made or relied upon in the making of the Prime Lease other than those specifically set forth herein. The Prime Lease can be modified only by a writing signed by the party against whom the modification is enforceable subject to Section 19.15 of the Prime Lease.

No Personal Liability

Notwithstanding any provision or obligation to the contrary set forth in the Prime Lease, no provision of the Prime Lease or any related document shall be construed so as to give rise to a pecuniary liability of the Authority or any of its members, officers, agents or employees or to give rise to a charge upon the general credit of the Authority or such members, officers, agents or employees; any pecuniary liability under the Prime Lease of the Authority under any theory of law, including contract or tort, shall be limited exclusively, to its interest in the Eagles Stadium Premises and the lien of any judgment shall be restricted thereto.

No member, director, officer, official, employee or agent of any party to the Prime Lease shall be personally liable for any costs or obligations of such party. All Persons, corporations, or other, entities extending credit to, contracting with or having any claim against any party, may look only to the funds or property of such party legally available for the purpose for payment of any such suit, contract or claim to the extent such party is liable therefor, or for the payment of any costs that may become due or payable to them from any party, respectively, and not from any member, director, officer, official, agent or employee of any party.

EXHIBIT "F" TO PRIME LEASE (EAGLES STADIUM LAND & IMPROVEMENTS)

EAGLES OPERATING AND EXPENSE REIMBURSEMENT

Year	Payment
2000	-
2001	-
2002	-
2003	6,820,000
2004	6,820,000
2005	6,820,000
2006	6,820,000
2007	6,820,000
2008	7,840,000
2009	7,840,000
2010	7,840,000
2011	7,840,000
2012	7,840,000
2013	9,010,000
2014	9,010,000
2015	9,010,000
2016	9,010,000
2017	9,010,000
2018	10,370,000
2019	10,370,000
2020	10,370,000
2021	10,370,000
2022	10,370,000
2023	11,920,000
2024	11,920,000
2025	11,920,000
2026	11,920,000
2027	11,920,000
2028	-
2029	-
2030	-
2031	-
2032	-

PRIME LEASE

(PHILLIES BALLPARK LAND & IMPROVEMENTS)

The following description of certain provisions of the Prime Lease (PHILLIES BALLPARK LAND & IMPROVEMENTS) (the "Prime Lease") set forth below is only an outline of some of the provisions thereof and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Prime Lease in its entirety, copies of which are on file at the corporate trust office of the Trustee in Philadelphia, Pennsylvania, for the complete statements of the provisions thereof.

DEFINITION OF TERMS

Wherever used in the Prime Lease, the following terms shall have the following meanings:

"Act" shall mean Economic Development Financing Law, Act No. 102 of the General Assembly of the Commonwealth of Pennsylvania approved August 23, 1967 (P.L. 251), as amended and supplemented.

"Act of Bankruptcy" shall mean that (i) a party shall have commenced a voluntary case under any bankruptcy law, applied for or consented to the appointment of, or taking of possession by, a receiver, trustee, assignee, custodian or liquidator of all or a substantial part of its assets; (ii) a party shall have failed, or admitted in writing its inability generally, to pay its debts as such debts become due; (iii) a party shall have made a general assignment for the benefit of creditors; (iv) a party shall have been adjudicated a bankrupt, or shall have filed a petition or an answer seeking an arrangement with creditors; (v) a party shall have taken advantage of any insolvency law, or shall have submitted an answer admitting the material allegations of a petition in bankruptcy or insolvency proceeding; (vi) an order, judgment or decree for relief shall have been entered in an involuntary case against a party, without the application, approval or consent of such party, by any court of competent jurisdiction appointing a receiver, trustee, assignee, custodian or liquidator, for the party or for a substantial part of any of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days; or (vii) an involuntary petition in bankruptcy shall have continued undismissed for sixty (60) days after the filing thereof.

"Additional Land" shall mean, collectively, the land which has a use functionally related and accessory to the Phillies Ballpark Premises and shall mean, for the purposes of the Prime Lease, collectively, the land known as the "North Lot", as more particularly described on Exhibit "C" of the Prime Lease and the land known as the "Veterans Stadium", as more particularly described on Exhibit "D" of the Prime Lease.

"Additional Rent" shall mean all sums payable by the City under the Prime Lease, other than (and in addition to) the Rent (as defined below).

"Affiliate" or "Affiliates" shall mean as to any Person, any other Person controlled by, controlling of, or under common control with such Person.

"Applicable Laws" shall mean the constitution and laws of the United States of America, the constitution and laws of the Commonwealth of Pennsylvania and all rules and regulations promulgated pursuant thereto, and shall include but not be limited to the Home Rule Charter of the City of Philadelphia and the City of Philadelphia Code.

"Authority" shall mean the Philadelphia Authority for Industrial Development, a body politic and corporate existing under the laws of the Commonwealth.

"Authority Contractual Commitments" shall mean obligations of the Authority as set forth in the Phillies Lease for reimbursement of excess tax payments on account of real estate taxes, amusement taxes and use and occupancy taxes which are payable by the Phillies in excess of the base amounts to be set forth in the Phillies Lease.

"Bonds" shall mean those bonds, notes or other forms of indebtedness issued for the purpose of financing or refinancing a portion of the Phillies Ballpark Premises, Additional Land, demolition, site preparation, improvements and infrastructure in connection therewith and a portion of any and all other costs incurred in connection with the sports stadia in an aggregate principal amount not to exceed Two Hundred Two Million Five Hundred Thousand Dollars ($202,500,000) net of original issue discount, plus amounts necessary for any reserves, capitalized interest, costs of issuance, amounts necessary to effect any refunding and such amount as may be finally determined to be owed to any condemnees as Just Compensation (as defined in the Pennsylvania Eminent Domain Code), at any one time outstanding; provided that in no event shall the term of each series of Bonds exceed thirty (30) years from the date of issuance of such series of Bonds, provided further that in the case of any series of refunding bonds the term of such Bonds shall not exceed thirty (30) years from the date of issue of the Bonds to be refunded.

"City" shall mean, the City of Philadelphia, a City of the First Class of the Commonwealth, acting through its Commerce Department and Department of Public Property.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Credit Facility" shall mean any letter of credit, liquidity facility, standby bond purchase agreement, line of credit, surety bond, insurance commitment, insurance policy or similar agreement with respect to the Bonds and any credit, loan or reimbursement agreement or other obligation of the Authority to the Credit Facility Provider in connection therewith, and all documents collateral thereto, as may be substituted from time to time.

"Credit Facility Provider" shall mean the provider of any Credit Facility as may be substituted from time to time.

"Fiscal Year shall mean July 1 through and including June 30 of the following calendar year.

"Force Majeure Event" shall mean any event (except for the payment of money) which is beyond the reasonable control of, and is not caused by the fault or negligence of, the party asserting the Force Majeure, which wholly or partially prevents the performance of any of the duties, responsibilities or obligations of the party asserting the Force Majeure and the term "Force Majeure" shall include, but not be limited to, an act of God, an act of the public enemy, lightning, fire, explosion or other serious casualty; unusually severe weather (such as hurricane, earthquake, tornado, landslide or flood); war (whether declared or not); or condemnation or other taking by the action of any governmental body on behalf of any public, quasi-governmental or private entity.

"Ground Lease" shall mean Ground Lease dated April 1, 2001, as amended by the First Amendment to Ground Lease dated July 12, 2001 and a Second Amendment to Ground Lease dated November 28, 2001, between the City, as landlord, and the Authority, as tenant, pursuant to which the City has agreed to lease and the Authority has agreed to take and hire the Phillies Ballpark Land (as such term is hereinafter defined).

"Improvements" shall mean those certain structures and improvements, including but not limited to a new stadium and related improvements and amenities on the Phillies Ballpark Land.

"Indenture" shall mean one or more instruments executed and delivered by and between the Authority and the Trustee (defined below) governing the issuance and administration of the Bonds for the benefit of the holders thereof.

"Person" shall mean an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, estate, unincorporated association, joint venture or any other entity, the United States, a state, or political subdivision thereof, or any agency, department or court thereof.

"Phillies" shall mean The Phillies, a Pennsylvania limited partnership or its successor with respect to the franchise, herein referred, or controlled affiliate, which is the holder of the franchise for a geographic area which includes the City issued by the National League and is the owner of the Major League Baseball team known as The Phillies.

"Phillies Lease" shall mean that certain Sublease and Development Agreement entered into between the Authority, as landlord, and the Phillies, as tenant, pursuant to which the Authority intends to lease and the Phillies intend to take and hire the Phillies Ballpark Land and to construct thereon certain structures, including, but not limited to a new stadium and Improvements.

"Phillies Lease-Back Lease" shall mean that certain lease by and between the City, as landlord, and the Authority, as tenant, dated April 1, 2001, as amended by the First Amendment to Lease-Back Lease dated July 12, 2001 and a Second Amendment to Lease-Back Lease dated November 28, 2001, with respect to the Phillies Ballpark Premises.

"Phillies Ballpark" shall mean the baseball Ballpark to be constructed on the Phillies Ballpark Land as contemplated by the Phillies Lease.

"Phillies Ballpark Land" shall mean the 26 acres of land described on Exhibit A to the Prime Lease and any and all appurtenances, easements, rights, licenses, hereditaments and privileges as may in any way belong to or appertain thereto or inure to the benefit thereof.

"Phillies Ballpark Premises" shall mean the Phillies Ballpark Land and the Improvements, together with all improvements and appurtenances now existing or in the future constructed thereon.

"Prime Lease" shall mean the Prime Lease between the Authority and the City dated April 1, 2001, as amended by the First Amendment to Prime Lease dated July 12, 2001 and a Second Amendment to Prime Lease dated November 28, 2001.

"Team" shall mean the Phillies together with any successor or holder of said franchise or controlled affiliate.

"Transaction Documents" shall mean the Ground Lease, the Prime Lease, the Phillies Lease-Back Lease, the Phillies Lease, the Indenture, the Bonds, the Credit Facility, any bond purchase contract and documents collateral thereto, and any other financing documents and other related documents.

"Trustee" shall mean the bank or other institutional lending entity acting as trustee under the Indenture governing the Bonds.

DEMISE OF PHILLIES BALLPARK PREMISES

Demise of Phillies Ballpark Premises

On the Commencement Date in consideration of the Rent and Additional Rent thereinafter reserved and the terms, covenants, conditions and agreements set forth in the Prime Lease, the Authority demises and lets unto City, and City hires and leases from the Authority, the Phillies Ballpark Premises and any other improvements and appurtenances then existing or in the future constructed on the Phillies Ballpark Premises, for the Prime Lease Term, upon and subject to the conditions, terms, agreements and covenants set forth therein. At all times during the Prime Lease Term, ownership of and title to the Phillies Ballpark Land shall be and remain in the City, subject to the Authority's leasehold under the Ground Lease, the City's leasehold under the Prime Lease, and the other leaseholds contemplated thereby; and ownership and title to the Phillies Ballpark Premises (excluding Phillies Ballpark Land) and all other improvements and appurtenances on the Phillies Ballpark Premises, whether then existing or thereafter constructed, shall be and remain in the Authority, subject to the interests of the Phillies and its Affiliates to be granted and established in the Phillies Lease.

Condition of Phillies Ballpark Premises

The City acknowledges and agrees to accept the Phillies Ballpark Premises, subsurface conditions, and the present uses and non-uses thereof without recourse to Authority, in its and their "AS IS," "WHERE IS" condition, as the same may be modified, altered, improved, constructed or reconfigured from time to time. The City expressly

acknowledges that the Authority has made no promises to alter, remodel, improve, repair, decorate or clean the same or any part thereof and makes no representation or warranty, express or implied, in fact or arising by operation of law, of, as to, or concerning, the Phillies Ballpark Premises or the sidewalks and structures adjoining the same, subsurface conditions, and the present uses and non-uses thereof, including without limitation, health, safety, or environmental matters, accessibility for disabled persons, the compliance of the same with any Applicable Laws, the nature, condition or usability thereof, the use or uses to which the same or any part thereof may be put, or any other matter or thing affecting or relating thereto. The provisions of Section 2.2 of the Prime Lease have been fully negotiated at arm's-length between the parties hereto and are intended to be a complete exclusion and negation of any warranties or promises by the Authority, express or implied, with respect to the Phillies Ballpark Premises. The provisions of Section 2.2 of the Prime Lease shall survive the expiration or earlier termination of the Prime Lease.

Inability to Deliver

If, subject to Force Majeure Events or any other event or occurrence which is beyond the Authority's control, the Authority does not deliver the Phillies Ballpark Premises to City on or before July 1, 2001, the Prime Lease shall not terminate and the Authority shall not be liable or responsible for any damages of any kind for failure to deliver possession, but City and Authority shall promptly meet for purposes of determining a mutually acceptable extension for delivery of the Phillies Ballpark Premises. In any case, failure of the Authority to deliver the Phillies Ballpark Premises shall not in any way affect the City's obligation to pay Rent thereunder.

Title

The City acknowledges and agrees that the Prime Lease and the City's leasehold estate thereunder, are and shall be under and subject to the Ground Lease and matters of record and any condition which a current accurate survey of the Phillies Ballpark Land would disclose. The Authority covenants and agrees that it shall not further encumber the fee title to the Phillies Ballpark Land (other than by entering into the Phillies Lease-Back Lease and the Phillies Lease), by operation of law or otherwise, during the Prime Lease Term without the prior written consent of the Director of Commerce of the City, which consent shall not be unreasonably withheld, conditioned or delayed.

PRIME LEASE TERM

Prime Lease Term

The term of the Prime Lease (the "Prime Lease Term") shall commence upon the earlier to occur of the date on which (a) the Phillies Ballpark Land is acquired by the City, or (b) the Bonds are issued ("Commencement Date"), and shall expire on the later of: (A) the date which is thirty (30) days after the expiration or earlier termination of the term to be set forth in the Phillies Lease, as it may be renewed or extended; or (B) the date which is thirty (30) days after the last of the Bonds are no longer outstanding under the Indenture and there shall have been a defeasance of the lien of the Indenture and the Authority's obligations under the Indenture have been duly terminated pursuant to its terms and there is no outstanding obligation under any Credit Facility, or (C) such later date as may be necessary for the Authority, acting diligently, to comply with any covenant, condition, term or provision of the Indenture or to be set forth in Phillies Lease, or to exercise any of the remedies provided to the Authority herein for the benefit of the Trustee under the Indenture.

RENT

Rent

In consideration of the Authority's entering into the Ground Lease, the Prime Lease and the Phillies Lease-Back Lease Agreement, including but not limited to its obligation with respect to any financing or refinancing of the obligations undertaken by the Authority under the Prime Lease or under the Phillies Lease, such as the sale of the Bonds, the City hereby agrees to pay as rent ("Rent") to the Authority, or the Trustee or the Credit Facility Provider on behalf of the Authority, as hereinafter described, the following amounts (all of which together shall constitute Rent) in the following order of payment priority:

When the Authority issues its Bonds, then:

(1) for deposit in accordance with the Indenture, at least one business day prior to each date that principal of and premium, if any, and interest on the Bonds, or any portion thereof, shall be due and payable, whether by maturity, redemption or otherwise (other than by acceleration under the Indenture), an amount which, together with other moneys under the Indenture available therefor is sufficient to make the Authority's required payments of principal of, premium, if any, and interest on the Bonds then becoming due, whether by maturity, redemption or otherwise (other than by acceleration under the Indenture) until the principal of, or redemption premium, if any, and interest on the Bonds shall have been paid in full or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture; and

(2) for deposit in accordance with the Indenture or Credit Facility, in the manner provided therein, the amounts required to satisfy the timely payment (other than by acceleration) of any reimbursement obligation (including interest thereon) and any fees, expenses, charges and indemnification pursuant to the Credit Facility and related documentation; and

(3) payments required pursuant to any swap agreements; and

(4) additionally, from time to time, certain amounts due in connection with the issuance of Bonds in connection with the Phillies Ballpark Premises on behalf of the Authority; and

(5) additionally, from time to time, the City shall be required to make payments necessary to make up any deficiency in the funds established under the Indenture (other than as a result of acceleration under the Indenture or the Credit Facility), including an amount which is sufficient to make any payment required to be made by the Authority to the United States Treasury, as provided in the Indenture, as determined and specified in writing by the City, other than as stated in (1) above, and to make payments to reimburse the Authority for any premiums paid for insurance policies purchased by the Authority, to the extent that the City has funds appropriated for such purposes in such Fiscal Year.

(6) all Rent payable under subparagraphs (1) through (5) above shall be paid in immediately available funds and held, invested, disbursed and applied as provided in the Indenture or any Credit Facility; provided, however, that, on or before forty-five (45) days prior to any Sinking Fund Installment Date, the City may deliver to the Trustee, Bonds of a maturity, a portion of which is required to be redeemed by the Trustee on such Sinking Fund Installment Date, and the Rent required to effect such redemption otherwise due from the City shall be reduced by the aggregate principal amount of the Bonds so delivered; up to the full amount of such Sinking Fund Installment.

(7) The Authority directs the City to pay the Rent due under Section 4.1(a) of the Prime Lease (other than fees, expenses and indemnities owing the Credit Facility Provider) to the Trustee to which, under the terms of the Prime Lease and of the Indenture, the Prime Lease (as provided in the Indenture) and the Rent due under Section 4.1(a) of the Prime Lease (other than fees, expenses and indemnities owing to the Credit Facility Provider) are assigned. That portion of the Rent due under Section 4.1(a) of the Prime Lease representing fees, expenses and indemnities owing to the Credit Facility Provider shall be paid by the City directly to the Credit Facility Provider.

(8) Except for Rent due during the period with respect to which the Notes are Outstanding (as defined in the Indenture), which Rent shall be determined from time to time, the Rent due under Section 4.1(a) of the Prime Lease shall be determined on an annual basis by the City Treasurer for each fiscal year of the City based upon the principal amount of Outstanding Bonds issued under the Indenture.

An amount necessary to fulfill the Authority Contractual Commitments including reimbursement of excess tax payments on account of real estate taxes, amusement taxes and use and occupancy taxes which are payable by the Phillies in excess of the base amounts to be set forth in the Phillies Lease, the PILOT Agreement or the Use and Occupancy Tax Settlement Agreement (the PILOT Agreement and the Use and Occupancy Tax Settlement Agreement being defined in and attached to the Phillies Lease).

If the monies available to the Authority to meet its requirements under the Indenture or under the Bonds are insufficient to pay the Authority's obligations thereunder, then the City upon demand shall pay to the Authority or its assigns under and pursuant to Section 4.3 of the Prime Lease such additional sum or sums, in each Fiscal Year as are required for such purposes subject to the provisions of Section 4.2(a) of the Prime Lease. Notwithstanding any provision to the contrary, there shall be no acceleration of the Rent payments under the Prime Lease.

Notwithstanding any other provision of the Prime Lease, the City's obligation to pay the Rent as set forth in Section 4.1(a) of the Prime Lease shall terminate upon the date ("Partial Rent Termination Date") upon which neither the Bonds nor any obligations under the Credit Facility are outstanding, and there shall have been a defeasance of the lien of the Indenture. During the remainder of the Prime Lease Term following such date. Rent shall mean the sum of One Dollar ($1.00) per year plus the Authority Contractual Commitments as set forth in the Prime Lease.

The City may make payments in advance at any time, on account of Rent payable pursuant to Section 4.1(a) of the Prime Lease, in one or more prepayment installments, which amounts shall be credited against the Rent at the time next due, unless otherwise directed by the City. Alt such prepayments shall be deposited in accordance with the Indenture and the Credit Facility.

Notwithstanding anything in the Prime Lease to the contrary, the Rent under Section 4.1(a) of the Prime Lease due and payable may also secure indebtedness issued pursuant to the Indenture in addition to the Bonds.

Additional debt issued for the purposes for which the Bonds may be issued, may be issued only through an amendment to the Prime Lease, to the extent that such additional debt exceeds the authorized amount set forth in the definition of "Bonds" therein (the foregoing shall not be construed as a limitation of any approval of the City Council of the City that may be required with respect to any such amendment).

Manner of Rent and Additional Rent Payment by City: Appropriations: Failure to Pay Rent and Additional Rent.

The Rent and Additional Rent shall be payable only out of the current revenues of the City and the City agrees to provide for payment of the Rent and Additional Rent and include the same in the City's annual operating budget for each Fiscal Year of the City. If the current revenues of the City are insufficient to pay the Rent and Additional Rent in any Fiscal Year as the same becomes due and payable, the City shall include amounts not so paid in the City's operating budget for the ensuing Fiscal Year and shall produce sufficient current revenues to pay in the ensuing Fiscal Year such balance due for the preceding Fiscal Year In addition to the amount of Rent and Additional Rent due for the ensuing Fiscal Year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required to make all Rent and Additional Rent payments due and payable under the Prime Lease and all payments due under Article 18 of the Prime Lease in each of the City's Fiscal Years.

The failure of the City to make any payment of Rent and Additional Rent or any other amounts due pursuant to Article 18 of the Prime Lease on the date specified for payment shall constitute a default under the Prime Lease.

Anything in the Prime Lease to the contrary notwithstanding, no payments under the Prime Lease shall be characterized as debt or deemed to be debt of the City under Article IX of the Constitution of the Commonwealth of Pennsylvania. The City's obligation to make payments of Rent and Additional Rent to the Authority under the Prime Lease is payable from the current general revenues of the City, but shall not constitute a pledge of or a grant of a security interest in the general tax revenues of the City.

Assignment by Authority

The Authority, immediately following the execution and delivery of the Prime Lease, may assign, transfer and set over all right, title and interest of the Authority in and to the right to receive the Rent under Section 4.1(a) of

the Prime Lease to the Trustee and the rights and remedies related thereto, in trust, to be held, and applied pursuant to provisions of the Indenture, for the benefit of the Holders (as defined in the Indenture) and the Credit Facility Provider and/or to the Credit Facility Provider. The City: (a) consents to such assignment and accepts notice thereof with the same legal effect as though such acceptance were embodied in a separate instrument, separately executed after execution of such assignment; (b) agrees to pay directly to the Trustee, all Rent payable under Section 4.1(a) of the Prime Lease (other than Rent payable in respect of the fees, expenses and indemnities owing to the Credit Facility Provider and such amounts due under Section 18.2 of the Prime Lease) and directly to the Credit Facility Provider all Rent payable under Section 4.1(a) of the Prime Lease in respect of fees, expenses and indemnities owing to the Credit Facility Provider under the Credit Facility, in each case, without any defense, set-offs or counterclaim; and (c) agrees that the Trustee and the Credit Facility Provider may exercise all rights and remedies granted to the Authority under the Prime Lease with respect to such Rent (which are assigned to the Trustee and the Credit Facility Provider, respectively).

Assignment by the City

Prior to providing for the payment in lull of outstanding Bonds or the earlier redemption thereof, the defeasance of the lien of the Indenture, and the payment in full of any outstanding obligation under any Credit Facility, without the prior written consent of the Authority, the Trustee and the Credit Facility Provider, the City may not by operation of law or otherwise assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise dispose of the Prime Lease or any interest therein.

No Suspension or Abatement of Rent and Additional Rent

The City shall pay the Rent as required under Section 4.1 of the Prime Lease and Additional Rent without suspension or abatement of any nature. So long as (i) the Bonds remain outstanding, (ii) the lien of the Indenture has not been defeased, (iii) there exists any outstanding obligation under any Credit Facility, or (iv) the Authority shall have any obligation to the Phillies under the Phillies Lease, the obligation of the City to pay the Rent and Additional Rent payable under the Prime Lease strictly in accordance with the terms of the Prime Lease shall be an absolute and unconditional obligation of the City and shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, and regardless of any rights of setoff, recoupment or counterclaim that the City might otherwise have against the Authority, the Phillies, the Credit Facility Provider or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise or take place after the date of the Prime Lease, including without limiting the generality of the foregoing those items set forth under Section 4.5(a)(i) through (xv) of the Prime Lease.

Except to the extent provided in and subject to Section 4.5 and in Article 15 of the Prime Lease, nothing contained in the Prime Lease shall be construed to prevent or restrict the City from asserting any rights which it may have under the Prime Lease or any provision of law against the Authority or the Trustee.

Notwithstanding any provision in the Prime Lease concerning the termination of the Prime Lease or the leasehold created therein, the City and Authority agree that, as long as (i) the Bonds are outstanding, (ii) the lien of the Indenture has not been defeased, (iii) there exists any obligation under any Credit Facility, or (iv) the Authority shall have any obligation to the Phillies under the Phillies Lease, in pursuing their remedies under Article 15 of the Prime Lease they shall not terminate the Prime Lease or the leasehold created thereby or cease payment of the Rent and Additional Rent.

Approval by the City

The terms and conditions of the Indenture, the Credit Facility, the identity of the Credit Facility Provider, the form of the Bonds and the collateral security therefor, if any, shall be subject to the prior written approval of the City, acting through its Director of Finance, which may be granted or withheld in its sole discretion.

OWNERSHIP OF INTERESTS

City Leasehold Interest

On the last day of the Prime Lease Term, or upon any earlier termination of the Prime Lease, the City's leasehold interest shall revert to the Authority without the necessity of any further action by either Authority or the City; provided, however, that, upon the Authority's request, the City shall execute and deliver to the Authority (in recordable form where necessary or appropriate) all documents necessary to evidence such reversion.

REAL ESTATE TAXES

Real Estate Taxes

Unless otherwise provided in Article 18 of the Prime Lease, the City shall not be liable or responsible during the Prime Lease Term for the payment of any real estate taxes or any payment or other charge in lieu of real estate taxes, if and to the extent any such taxes, payments or charges are permitted by Applicable Laws to be assessed with respect to the Phillies Ballpark Premises. Nothing in the Prime Lease shall be construed to alter, amend or in any way affect the liability of the Phillies under the Phillies Lease or Applicable Law for the payment of any taxes or payments or other charges in lieu thereof accruing or payable with respect to the Phillies Ballpark Premises, or the use and enjoyment thereof by the Phillies, the City or by any other user thereof.

USE OF PHILLIES BALLPARK PREMISES

City Compliance with Applicable Laws

In the exercise of its rights under the Prime Lease, the City shall, at all times during the Prime Lease Term, comply with all Applicable Laws now or hereafter enacted or promulgated, and whether or not such Applicable Laws can be said to be within the present contemplation of the parties; provided that, except as provided in Article 18 of the Prime Lease, City shall have no obligation to perform construction or alterations, or maintenance, repairs, or replacements, whether ordinary or extraordinary, operating, routine, or capital in nature, in, on, or about any portion of the Phillies Ballpark Premises or the Improvements and the other improvements, fixtures and appurtenances erected thereon.

MAINTENANCE, REPAIR AND ALTERATIONS

City Liability for Operations and Maintenance of Phillies Ballpark Premises

Except as otherwise provided in Article 18 of the Prime Lease, the Authority acknowledges and agrees that in no circumstance whatsoever will the City have any liability to pay any sums toward or for any of the operating and maintenance costs of the Phillies Ballpark Premises or the Improvements, or any other improvements, fixtures or appurtenances forming any part of the Phillies Ballpark Premises (provided that nothing in Section 8.1 of the Prime Lease is intended to relieve the City from its obligations pursuant to the Prime Lease for payments of Rent and Additional Rent).

No Obligation of City

Except as otherwise provided in Article 18 of the Prime Lease and as may be provided in the Phillies Lease, it is-expressly understood and agreed by the Authority that the City shall not be required, and shall not be responsible or liable In any way whatsoever, to maintain, alter, repair, build, rebuild or replace all or any portion of the Phillies Ballpark Premises (whether such work be interior or exterior, structural or nonstructural, ordinary or extraordinary, foreseen or unforeseen, capital or routine); provided, however, that nothing in Section 8.2 of the Prime Lease shall in any way alter or diminish the City's obligation to pay Rent and Additional Rent.

No Liability of City

Except as otherwise provided in Article 18 of the Prime Lease, the City shall not in any event be liable or responsible by virtue of the Prime Lease for any injury or damage to any property or to any Person happening on, or in or about the Phillies Ballpark Premises, nor for any injury or damage to the Phillies Ballpark Premises, nor to any property, whether belonging to Authority or any other Person, caused by any fire, breakage, leakage, defect or bad condition in any part of the Phillies Ballpark Premises, or from water, rain or snow that may leak into, issue or flow from any part of the Phillies Ballpark Premises from the drains, pipes, or plumbing work of the same, or from any place or quarter, or due to the use, misuse or abuse of all or any of the openings or installations of any kind whatsoever which may thereafter be erected or constructed in or on the Phillies Ballpark Premises, or from any kind of injury which may arise from any other cause whatsoever on the Phillies Ballpark Premises.

ASSIGNMENT AND SUBLETTING

No Assignment by City

In addition to and without limiting in any way the provisions of Section 4.4 of the Prime Lease, the City shall not, by operation of law or otherwise, sublet, assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise dispose of the Prime Lease, or any interest in, to or under the Prime Lease for the Phillies Ballpark Premises (or any part thereof) without prior written approval of the Authority.

Authority Consent to Assignment

The Authority has the absolute right to withhold its consent without giving any reason whatsoever to any assignment, transfer, mortgage, pledge, hypothecation, encumbrance or other disposition of the Prime Lease or City's interest in the Prime Lease. In no event shall the Prime Lease be assigned or assignable by operation of law, attachment, assignment for the benefit of creditors or otherwise, or by voluntary or involuntary bankruptcy proceedings (it being understood and agreed that any such assignment shall be null and void, of no force or effect and inoperative), and in no event shall the Prime Lease or any rights or privileges thereunder be an asset of City under any bankruptcy, insolvency or reorganization proceedings.

City to Remain Obligated

Notwithstanding anything contained in the Prime Lease to the contrary, any assignment, subletting, use, occupancy or transfer under the Prime Lease (whether with or without the consent of the Authority) shall not operate to relieve the City from any covenant or obligation under the Prime Lease, or be deemed to be a consent to or relieve the City or any assignee, subtenant or sublicensee permitted pursuant to the Prime Lease from obtaining the Authority's prior written consent to any subsequent assignment, transfer, lien, charge, subletting, use or occupancy (which may be withheld by the Authority in its sole discretion), and City shall continue to remain primarily, jointly and severally liable and obligated for any and all covenants and obligations under the Prime Lease, including but not limited to the obligations to pay Rent and Additional Rent pursuant to the terms of the Prime Lease.

Permitted Subletting

Notwithstanding the foregoing prohibition on assigning set forth above, the City shall have the right to let or sublet the Phillies Ballpark Premises to Authority for further sub-lease to Phillies pursuant to the Phillies Lease.

CASUALTY

Terms of Phillies Lease Controls

In the event of casualty to some or all of the Phillies Ballpark Premises, the terms and conditions to be set forth in the Phillies Lease regarding casualty shall control the parties' respective rights following such casualty; provided, however, that notwithstanding any damage or destruction to some or all of the Phillies Ballpark Premises, the City's obligation to pay Rent and Additional Rent under the Prime Lease and to fulfill its obligations under

Article 18 of the Prime Lease shall not be suspended, abated, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, and the City shall continue to pay Rent and Additional Rent and to fulfill its obligations under Article 18 of the Prime Lease as if no such damage or destruction had occurred. The foregoing to the contrary notwithstanding, in the event that any claims of the Phillies pursuant to the terms to be set forth in the Phillies Lease, and any claims of any fee or leasehold mortgagee have been satisfied, then any remaining casualty insurance proceeds shall be promptly paid to the City provided that sufficient proceeds are made available to the Authority to provide for a cleared and safe site.

SURRENDER OF PHILLIES BALLPARK PREMISES

Surrender of Phillies Ballpark Premises

Upon the expiration or earlier termination of the Prime Lease, the City shall peaceably and quietly surrender, vacate, and deliver up possession of the Phillies Ballpark Premises to the Authority, and the City's and Authority's rights and obligations regarding the Phillies Ballpark Premises, including but not limited to the Improvements, shall be governed in accordance with the terms to be set forth in the Phillies Lease regarding surrender of the Phillies Ballpark Premises.

LEASEHOLD MORTGAGES

Leasehold Mortgages

At no time during the Prime Lease Term shall City engage in any financing or other transaction creating any mortgage upon, indenture, trust agreement, or other security interest in, the Phillies Ballpark Premises, the Prime Lease or City's interest in any of the foregoing, or any portion thereof (collectively, a "Leasehold Mortgage"), Any placement or attempted or purported placement of a Leasehold Mortgage' upon the Phillies Ballpark Premises or any portion thereof without the Authority's prior written approval shall be null and void, inoperative, of no force or effect and shall constitute an Event of Default under the Prime Lease on the date of its execution or filing of record, or attempted or purported execution, or filing of record, regardless of whether or when it is foreclosed or otherwise enforced. City expressly consents and agrees, however, that Authority may assign, transfer, and pledge the Prime Lease or the Rent as otherwise expressly provided in Article 4 of the Prime Lease. Nothing contained in the Prime Lease is intended -to prevent the Phillies from granting leasehold mortgages and security interests upon their interest in the Phillies Lease in accordance with the terms of the Phillies Lease.

CONDEMNATION

Notice of Taking

The City and the Authority each agree to give the other written notice of any taking as a result of, or in lieu of, condemnation or the exercise of the power of eminent domain by any sovereign, municipality or any other public or private authority ("Taking") of all or any part of the Phillies Ballpark Premises or any interest therein promptly after such party receives notice thereof.

Total Taking of Phillies Ballpark Premises

If the whole of the Phillies Ballpark Premises or the leasehold estate created under the Prime Lease shall be acquired or condemned as a result of a Taking ("Total Taking"), then notwithstanding such Total Taking, the Prime Lease Term shall not terminate and the Prime Lease, including but not limited to all Rent and Additional Rent then accrued and accruing thereafter, shall continue in full force and effect until the expiration or earlier termination of the Prime Lease Term.

Partial Taking

In the event of a Taking of a portion of the Phillies Ballpark Premises which is not a Total Taking as provided in Section 14.2 of the Prime Lease (a "Partial Taking"), then and in that event, the Prime Lease shall

remain in full force and effect as to the portion of the Phillies Ballpark Premises remaining immediately after such Partial Taking. Any Partial Taking to the contrary notwithstanding, the Rent and Additional Rent accruing under the Prime Lease after a Partial Taking shall not be apportioned, prorated or otherwise abated.

City Rent Obligation Continues

Notwithstanding any Total Taking or Partial Taking of the Phillies Ballpark Premises or the leasehold estate created under the Prime Lease, whether temporary or permanent, the City's obligation to pay Rent and Additional Rent under the Prime Lease shall not be suspended, abated, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, and the City shall continue to pay Rent and Additional Rent under the Prime Lease as if no such Total Taking or Partial Taking had occurred.

Award

In the event of any Taking, whether a Total Taking or Partial Taking, and whether temporary or permanent, the parties expressly agree that their rights to make claims against the condemning sovereign, municipality, or other authority, and against each other, shall be governed by the terms to be set forth in the Phillies Lease regarding condemnation and award. The foregoing to the contrary notwithstanding, in the event that any claims of the Phillies pursuant to the terms to be set forth in the Phillies Lease, and any claims of any fee or leasehold mortgagee have been satisfied, and provided that the City is not in default of the payment obligations under Section 4.1(a) of the Prime Lease, then any remaining condemnation award, or sums in lieu thereof relating to the Improvements, shall be promptly paid to the City provided that sufficient proceeds are made available to the Authority to provide for a cleared and safe site.

DEFAULTS AND REMEDIES

Defaults

Each of the following shall constitute an "Event of Default" by the City under the Prime Lease:

(a) Any failure by the City to pay Rent or any other amount, charge, fee or sum required to be paid by the City under the Prime Lease when due;

(b) Any Act of Bankruptcy by the City;

(c) Any failure by the City to observe or perform any of the terms, covenants, agreements, provisions, conditions or limitations contained in the Prime Lease.

Remedies

Upon the occurrence of an Event of Default by City and at any time thereafter, the Authority shall have, in addition to all other rights available to the Authority at law or in equity, the following rights and remedies:

(a) To institute any and all proceedings permitted by law or equity including, but not limited to, an action to enjoin a violation of the Prime Lease by the City or to compel specific performance of the Prime Lease by the City;

(b) To seek and obtain, and the City thereby consents to the entry of, a temporary restraining order, together with such other temporary, preliminary and permanent injunctive or other equitable relief, from any court of competent jurisdiction capable of issuing or granting such relief, to compel the City to comply with or refrain or cease from breaching or violating the terms, covenants and conditions of the Prime Lease, and, with respect thereto, the City thereby waives any requirement that the Authority post a bond or other security in connection with such injunctive or other equitable relief; and

(c) To require that the City immediately pay all of the Authority's costs, charges and expenses, including, without limitation, court and other costs, expert fees, receiver and trustee's fees, consultant fees, all costs and expenses in connection with litigation, service and attorneys' fees, incurred in enforcing the City's obligations and the Authority's rights and remedies under the Prime Lease or incurred by the Authority in any litigation, negotiation or transaction in which the City causes the Authority, without the Authority's fault, to become involved or concerned.

Any provision of the Prime Lease to the contrary notwithstanding, under no circumstances shall the Authority's remedies include the right to cause an acceleration of all or any part of the Rent or a termination of the Prime Lease.

No Waiver

No failure or delay by the Authority to insist upon the strict performance of any term, covenant, agreement, provision, condition or limitation of the Prime Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance by the Authority of full or partial Rent or any other payment due under the Prime Lease during the continuance of any such breach (with or without knowledge of the breach), shall constitute or be construed to constitute a waiver of any such breach or of such term, covenant, agreement, provision, condition or limitation. No term, covenant, agreement, provision, condition or limitation of the Prime Lease to be kept, observed, or performed by City, and no breach thereof, shall be waived, altered or modified except by a written instrument executed by the Authority. Any waiver of any breach shall be limited to the breach so waived, and shall not affect or alter the Prime Lease; each and every term, covenant, agreement, provision, condition and limitation of the Prime Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Authority's Rights Not Exclusive

No right or remedy therein conferred upon or reserved to the Authority is intended to be exclusive of any other right or remedy therein or by law or in equity provided, but each shall be cumulative and in addition to every other right or remedy given therein or then or thereafter existing at law or in equity or by statute.

AFFIRMATIVE ACTION AND COVENANTS AGAINST DISCRIMINATION

Nondiscrimination

In its performance of the Prime Lease, the Authority and the City shall not discriminate or permit discrimination against any Person because of race, color, religion, national origin, age, sexual preference, sexual orientation or sex. Any such discrimination shall constitute an Event of Default under the Prime Lease and the City or the Authority shall have the right to exercise any of its rights and remedies thereunder.

Organization Membership

In accordance with Chapter 17-400 of The Philadelphia Code, the Authority agrees that its payment or reimbursement of membership fees or other expenses associated with participation by its employees in an exclusionary private organization, insofar as participation-confers an employment advantage or constitutes or results in discrimination with regard to hiring, or tenure of employment, including but not limited to promotions, terms, privileges or conditions of employment, or on the basis of race, color, sex, sexual orientation, religion, national origin or ancestry, constitutes a substantial breach of the Prime Lease entitling the City to all rights and remedies provided in the Prime Lease or otherwise available in law or equity, subject to the provisions of Section 4.5 of the Prime Lease.

The Authority agrees to include and require to be included the immediately preceding paragraph, with appropriate adjustment for the identity of the parties, in all contracts and subcontracts which are entered into for work to be performed on behalf of Authority pursuant to the Prime Lease, if any.

The Authority further agrees to cooperate with the Commission on Human Relations of the City (the "Commission") in any manner that the Commission deems reasonable and necessary for the Commission to carry out its responsibilities under Chapter 17-400 of The Philadelphia Code. Failure to so cooperate shall constitute a substantial breach of the Prime Lease entitling the City to all rights and remedies provided in the Prime Lease or otherwise available in law or equity.

Nondiscrimination Clause

During the term of the Prime Lease, the City agrees, as to itself and as to each occupant of the Phillies Ballpark Premises controlling, controlled by or under common 'control with the City (each, a "Contractor") to not take or allow certain actions and to take certain actions, all as more fully set forth in the Prime Lease.

CERTAIN COVENANTS

Payment of Authority Fees

Notwithstanding anything to the contrary contained in the Transaction Documents, the City agrees to pay promptly when due to the Authority, or on the Authority's behalf, to the extent the same are not paid out of the proceeds of the Bonds issued by the Authority as contemplated by the Prime Lease, all fees, costs and expenses reasonably incurred by the Authority, including but not limited to reasonable attorneys' fees and expenses, whenever incurred, in connection with the negotiation, execution and delivery of any of the Transaction Documents, the administration of the Phillies Ballpark Premises and the Transaction Documents and the performance of any Authority duties or obligations under any of the Transaction Documents.

Bonds and Certain Tax Matters

The City agrees, in the event that Authority issues from time to time any Bonds in connection with the Phillies Ballpark Premises:

(a) to pay promptly on Authority's behalf reasonable compensation to the Trustee and the Credit Facility Provider for their services under the Indenture and the Credit Facility, respectively, relating to the Bonds and the Credit Facility, and said Trustee's and Credit Facility Provider's reasonable expenses and disbursements, including reasonable attorney fees and expenses, incurred in connection with issuance of the Bonds and the execution, delivery and performance of obligations under the Indenture and the Credit Facility, and, further, to satisfy any indemnification obligations of the Authority to the Trustee and the Credit Facility Provider against any liabilities either may incur in the exercise and performance of their respective powers and duties and rights and remedies under the Indenture or the Credit Facility, except (i) in the case of the Trustee, those liabilities caused by the Trustee's own negligence or willful misconduct, and (ii) in the case of the Credit Facility Provider, those liabilities caused by the Credit Facility Provider's own gross negligence or willful misconduct;

(b) to the extent that any Bonds are issued on a tax-exempt basis, to execute an appropriate tax certificate as to arbitrage and instructions as to compliance with provisions of Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") (the "Federal Tax Certificate"), if and to the extent applicable, and to comply with all provisions of the Federal Tax Certificate applicable to it and take no action which would cause the interest on the Bonds to be includable in the gross income of Holders of the Bonds under the Code; and

(c) to the extent that any Bonds are issued on a tax-exempt basis, to perform and satisfy, through the City Treasurer, the record keeping obligations of the Authority under the Federal Tax Certificate and to perform all monitoring, oversight, calculations and reporting required of the Authority under the Federal Tax Certificate to make any and all elections permitted to be made by Authority pursuant to the Code, and to comply with all requirements relating to rebate and make any required rebate payments to the United States Treasury.

Continuing Disclosure Obligations

In connection with Authority's issuance of the Bonds, the Authority and the City, if required to do so, shall enter into a Continuing Disclosure Agreement or Agreements pursuant to which the Authority and City will be obligated to provide certain information and make certain filings pursuant to the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The City assumes all responsibility for collecting the necessary information for dissemination and filing pursuant to such Continuing Disclosure Agreement or Agreements. The individual responsible for performing these duties is the City Treasurer.

City Covenants

The City covenants to perform its obligations under the Transaction Documents, including but not limited to the obligations imposed on the City pursuant to the Indenture, even though the City is not a party thereto, fully, faithfully and in a timely fashion. In connection with the issuance of any Bonds by the Authority, the City will provide to the Authority and the Trustee, written directions, instructions and certifications consistent in form and substance with those required to be given by the Authority to the Trustee under certain sections of the Indenture.

The City covenants to do all of the actions which the Authority covenants under the terms of the Phillies Lease to cause or require the City to do, in each case, fully, faithfully and in a timely fashion.

Staffing Assistance

As requested by the Authority, the City will designate certain employees who will consult with the Authority regarding the Authority's performance under the Transaction Documents and, as requested by the Authority, perform any Authority responsibilities and prepare any documents required of the Authority under the Transaction Documents. In addition, the City expressly undertakes to perform the obligations of the Authority to provide to any Credit Facility Provider, any notices of default, and all financial and litigation information regarding the City, and information regarding the Phillies Ballpark Premises as may be required under, and otherwise to comply with the Authority's affirmative and negative covenants in any Credit Facility. The City Treasurer shall perform these duties.

Rights Against the Phillies and Other Third Parties

Provided the City is current in the performance of all of its obligations to the Authority under the Prime Lease, the City shall have the right, with the consent of the Authority, to pursue all remedies which the Authority may have against the Phillies or any third party under the Phillies Lease or against any party to any other Transaction Document or any third party thereunder.

Litigation

In the event of any litigation arising out of or relating to the Transaction Documents, the performance of the Authority's obligations thereunder, or by reason of the Authority's being a party thereto, including but not limited to claims by the Team, any contractor, architect or engineer (whether or not working on the Phillies Ballpark Premises, if the claim relates to the Phillies Ballpark Premises or the participation of the Authority or the City therein), the Trustee, Holders of the Bonds or any third party, the Authority shall, within four (4) business days of receipt, deliver all process served upon it directly to the City Solicitor. All such process will be directed to the attention of the City Solicitor. The City Solicitor will either enter its appearance on behalf of the Authority in a timely fashion or retain counsel which will enter its appearance on behalf of the Authority in a timely fashion. The City shall defend the Authority in all such actions at the City's sole cost and expense and the City shall have the right to control the defense of such proceeding but shall keep the Authority advised as to all material developments in such proceeding. All information with respect to litigation will be sent to the Authority to the attention of Philip M. Brandt, Esquire at Philadelphia Industrial Development Corporation ("PIDC"). The City Solicitor shall be permitted to arrange for defense of the Authority by any applicable insurer pursuant to any insurance policy maintained by any third party under which the Authority is an additional named insured or loss payee.

Indemnification

To the extent (i) that a party to any Transaction Document fails to provide reasonable and timely indemnification against Claims or Losses (as defined below), (it) permitted by Applicable Laws and subject to the section of the Prime Lease entitled "No Waiver of Immunity" and (iii) that Claims or Losses are not covered under an insurance policy maintained by a third party for the benefit of the Authority pursuant to the terms of any Transaction Document, the City agrees to indemnify, defend and hold harmless the Authority and PIDC, and each of their directors, members, officials, officers, employees, agents and representatives (each an "Indemnified Party" and collectively, the "Indemnified Parties"), from and against any and all suits, claims or causes of action (collectively "Claims"), and all liabilities, losses, obligations, damages, penalties, costs, charges, expenses, judgments and amounts paid in settlement (including without limitation, reasonable attorneys' fees) of every kind (collectively "Losses"), which may be imposed upon, incurred by or asserted against any Indemnified Party arising out of or relating to or arising in connection with the Authority's entering into the Prime Lease or any of the Transaction Documents, the performance of any of the Authority's obligations thereunder, any acts or omissions with respect to the Authority's interest under the Prime Lease or any of the Transaction Documents, or any other acts or omissions relating to the Authority's involvement in the Phillies Ballpark Premises; except in each case to the extent that the Claims and Losses are attributable to the gross negligence or willful misconduct of any such Indemnified Party. In consideration of this undertaking by the City, the Authority thereby agrees to cooperate with the City to enforce the Authority's rights under any insurance policies maintained by any third party under which the Authority is an additional named insured or loss payee, and to enforce any indemnification rights to which the Authority may be entitled under any of the Transaction Documents (including but not limited to any rights against the Team), and the City and the Authority agree to pursue all such third party insurance policies and indemnitors diligently with respect to all Claims or Losses which may be properly asserted in good faith against them. The City shall be subrogated to the rights of the Authority under such insurance policies and indemnification rights; provided, however, it is expressly agreed that the City shall not have, and expressly waives, any right of subrogation under any insurance policies maintained by the Authority or PIDC. To the extent that either (i) any party to any Transaction Document, other than the City, provides reasonable and timely indemnification against any Claims or Losses, or (ii) Claims are covered by an insurer under an insurance policy maintained by a third party for the benefit of the Authority without reservation of rights and Losses under such Claims are paid by such insurer on a basis such that the Authority does not incur any liability, then in each case, the City's obligations under Section 18.8 of the Prime Lease with respect to such specific Claims and Losses will be discharged. The City acknowledges that the Authority shall not be obligated to exhaust any remedies against any third party as a condition to its right to receive indemnification under the Prime Lease. This indemnification is intended to be in addition to any indemnification by the City in favor of the Authority provided elsewhere in the Transaction Documents.

To the extent (i) that any party to any Transaction Document other than the City or Authority fails to provide reasonable and timely indemnification against Claims or Losses under the Phillies Lease, (ii) permitted by Applicable Laws and subject to the applicable section in the Prime Lease, and (iii) that Claims or Losses are not covered under an insurance policy maintained by or for the benefit of the City, the Authority agreed to indemnify, defend and hold harmless the City and its officers, officials, employees and agents from and against any and all Losses which may be imposed upon, incurred by or asserted against the City and its officers, officials, employees and agents arising out of or relating to (i) the performance or breach of the obligations or representations of the Authority under the Prime Lease or any of the Transaction Documents, or (ii) any other acts or omissions of the Authority or any of its directors, members, officers, officials, employees, agents and attorneys providing services related to the Phillies Ballpark Premises, in each case insofar as such Claims or Losses arise directly or indirectly from the willful misconduct, fraud or gross negligence of the Authority or any Indemnified Party, as defined above. The liability of the Authority, PIDC and any other indemnified party under the Prime Lease is limited solely to the Authority's interest in the Phillies Ballpark Premises, and the' lien of any judgment shall be restricted thereto.

The Authority's taking of any action, or the failure, to take any action, which it is permitted to take under the terms of the Prime Lease or any of the Transaction Documents shall under no circumstances be deemed to constitute willful misconduct, fraud or gross negligence, and furthermore, the taking of any action by the Authority, which action is directed in writing by the City. Trustee or Credit Facility Provider pursuant to the Transaction Documents shall not under any circumstances be deemed to constitute willful misconduct, fraud or gross negligence.

The parties agree that neither shall be obligated under Section 18.8 of the Prime Lease unless the indemnifying party has been given prompt and timely notice of matters contemplated by Section 18.8 of the Prime Lease; provided, however, the failure to so notify the indemnifying party will not relieve the indemnifying party from any obligation under Section 18.8 of the Prime Lease except to the extent such failure has materially injured the ability of the indemnifying party to defend such matter successfully or to minimize the economic exposure resulting therefrom.

No Waiver of Immunity

Nothing herein shall be construed to waive or amend any defense or immunity which the City or the Authority, or their officials, members, officers, agents, employees or representatives may have under Title 42, Chapter 85 of the Pennsylvania Consolidated Statutes Annotated, as amended, or other Applicable Law. The parties expressly acknowledge that Section 18.9 of the Prime Lease is intended to preclude any third party from having any rights whatsoever under the Prime Lease against either party and is not intended in any way to constitute a defense against, or otherwise limit, the obligations of the City under the Prime Lease to pay the costs, expenses, Claims and Losses of the Authority as provided therein.

Nondisturbance Agreement

Concurrently with the execution and delivery of the Phillies Lease, at the request of the Phillies or its leasehold mortgagee, the City and the Authority shall enter into a non-disturbance agreement whereby the City and the Authority agree not to disturb the rights of the Phillies under the Phillies Lease in substantially the same form and upon substantially the same terms as are set forth in Exhibit E of the Prime Lease.

Survival

The rights and obligations of the parties under Article 18 of the Prime Lease shall survive termination of the Prime Lease and the defeasance of the Indenture.

MISCELLANEOUS

Quiet Enjoyment

The City, upon paying the Rent and other charges provided for in the Prime Lease and upon observing and keeping all agreements, covenants and conditions of the Prime Lease on City's part to be kept, shall have and enjoy quiet possession of the Phillies Ballpark Premises without hindrance or molestation by or from the Authority, subject, however, to the exceptions, reservations, terms and conditions of the Prime Lease.

No Third Party Rights

Except as provided (i) in Article 18 of the Prime Lease as to Indemnified Parties, (ii) in Article 4 of the Prime Lease as to the Trustee and the Credit Facility Provider, (iii) in Section 19.15 of the Prime Lease as to the Trustee, the Credit Facility Provider and the Phillies, (iv) in Section 18.10 of the Prime Lease as to the Phillies and its leasehold mortgagee, and (v) in Section 18.2 of the Prime Lease as to the Trustee and the Credit Facility Provider, nothing in the Prime Lease shall be construed to constitute, create or confer rights, remedies or claims in or upon any Person not a party thereto (as third party beneficiary or otherwise), or to create obligations or responsibilities of the parties thereto to such Persons, or to permit any Person, other than the parties thereto and their respective successors and assigns, to rely upon the covenants, conditions and agreements contained therein.

Survival

Any and all agreements set forth in the Prime Lease which, by its or their nature, would reasonably be expected to be performed after the termination of the Prime Lease shall survive and be enforceable after such termination. Any and all liabilities, actual or contingent, which shall have arisen in connection with the Prime

Lease, shall survive any termination of the Prime Lease. Any express statement of survival contained in any Section of the Prime Lease shall not be construed to affect the survival of any other Section of the Prime Lease.

Expiration of Authority

In the event that during the Prime Lease Term, the existence of the Authority is not renewed or extended pursuant to applicable Law and a successor to the Authority is not established, alt rights and obligations of the Authority under the Prime Lease shall automatically vest in the City without any further action by the parties hereto.

Severability

If any term or covenant of the Prime Lease or the application thereof to any Person or circumstances shall, to any extent, be held invalid or unenforceable, the remaining terms and covenants of the Prime Lease, or the application of such term or covenant to Persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and covenant of the Prime Lease shall be valid and enforceable to the fullest extent permitted by law.

Effect of Drafting on Construction

The fact that the Prime Lease document may have been initially drafted by the attorney for one of the parties hereto has no significance as to construction of ambiguous terms against either party, inasmuch as the Prime Lease is the product of arms-length negotiations between the parties, and no provision of the Prime Lease shall be construed against a party solely because that party or that party's counsel drafted such provision.

Amendments

The parties to the Prime Lease, from time to time may enter into any amendments thereto (which thereafter shall form a part thereof) without the consent of any other parties such as shall not adversely affect the rights of or the security of the Holders (as defined in the Indenture), only for the following purposes:

(a) To cure any ambiguity, defect or omission therein or in any amendment thereto or to supplement any provision thereof, provided such cure shall not materially adversely affect the Phillies, the Holders or the Credit Facility Provider; or

(b) To reflect a change in Applicable Law which shall not impair the security hereof or materially adversely affect the rights of the Holders, the Phillies or the Credit Facility Provider; or

(c) To provide for additional Rent thereunder to the extent necessary in connection with the issuance of additional debt; or

(d) To add to the covenants and agreements of the City therein contained, or to surrender any right or power therein reserved to or conferred upon the City which shall not impair the security hereof nor materially adversely affect the rights of the Phillies, the Holders or the Credit Facility Provider.

The Trustee, the Credit Facility Provider and the Phillies shall be provided notice of any amendments with respect to (a), (b), (c) and (d) of Section 19.15 of the Prime Lease. All other amendments must be approved by the Phillies, the Trustee (if the Trustee's approval is required in accordance with the Indenture) and the Credit Facility Provider (if the Credit Facility Provider's approval is required in accordance with the terms of the Credit Facility), and, if the Indenture must be amended with Holders' consent, the Holders, in the same manner and to tile same extent as is set forth in the applicable Article of the Indenture.

Notwithstanding the foregoing, the Authority shall not amend the Prime Lease: (a) other than as provided in the Indenture; and (b) without the consent of Dexia Credit Local, acting through its New York Agency ("Dexia"); provided, however, that Dexia shall be deemed to have consented to any modification, amendment or supplement of, or waiver with respect to, the Prime Lease if (i) Dexia shall have failed to respond to a written request of the

Authority for Dexia's consent thereto within ten (10) days after receipt by Dexia of such request, and (ii) such request shall have indicated thereon that Dexia shall be deemed to have consented thereto unless Dexia responds to such request within ten (10) days after receipt by Dexia of such request; and provided further, however, that Dexia's right to consent to amendments to the Prime Lease shall terminate upon (i) surrender of the Credit Facility issued by Dexia for cancellation, and (ii) payment in full by the Authority of all of its obligations to Dexia under that certain Letter of Credit and Reimbursement Agreement, dated as of April 1, 2001 between the Authority and Dexia.

No Modification

The Prime Lease is intended by the parties as a final expression of their agreement and as a complete and exclusive statement of the terms thereof, all negotiations, considerations and representations between the parties having been incorporated herein. No course of prior dealings between the parties or their officers, employees, agents or Affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of the Prime Lease. No prior agreement, course of dealing or custom between the parties or their Affiliates shall be relevant or admissible to determine the meaning of any of the terms of the Prime Lease. No representations, understandings, or agreements have been made or relied upon in the making of the Prime Lease other than- those specifically set forth herein. The Prime Lease can be modified only by a writing signed by the party against whom the modification is enforceable subject to Section 19.15 of the Prime Lease.

No Personal Liability

Notwithstanding any provision or obligation to the contrary set forth in the Prime Lease, no provision of the Prime Lease or any related document shall be construed so as to give rise to a pecuniary liability of the Authority or any of its members, officers, agents or employees or to give rise to a charge upon the general credit of the Authority or such members, officers, agents or employees; any pecuniary liability under the Prime Lease of the Authority under any theory of law, including contract or tort, shall be limited exclusively to its interest in the Phillies Ballpark Premises and the lien of any judgment shall be restricted thereto.

No member, director, officer, official, employee or agent of any party to the Prime Lease shall be personally liable for any costs or obligations of such party. All Persons, corporations, or other entities extending credit to, contracting with or having any claim against any party, may look only to the funds or property of such party legally available for the purpose for payment of any such suit, contract or claim to the extent such party is liable therefor, or for the payment of any costs that may become due or payable to them from any party, respectively, and not from any member, director, officer, official, agent or employee of any party.

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Appendix D

Approving Opinion of Co-Bond Counsel
Dated October 25, 2007

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LAW OFFICES
BALLARD SPAHR ANDREWS & INGERSOLL, LLP
1735 MARKET STREET, 51ST FLOOR
PHILADELPHIA, PENNSYLVANIA 19103-7599
215-665-8500
FAX: 215-864-8999
WWW.BALLARDSPAHR.COM

LAW OFFICES
ANDRE C. DASENT, P.C.
ONE LIBERTY PLACE
1650 MARKET STREET, 36TH FLOOR
PHILADELPHIA, PENNSYLVANIA 19103
(215) 625-0555
FAX: (215) 625-9292

October 25, 2007

Philadelphia Authority for Industrial Development
2600 Centre Square West
1500 Market Street
Philadelphia, Pennsylvania 19102

The Bank of New York
One Wall Street, 18th Floor
New York, New York 10286
Attention: Public Finance Division

JP Morgan Securities Inc.,
as representative for the Underwriters
One Liberty Place
1650 Market Street, 47th Floor
Philadelphia, Pennsylvania 19103

JPMorgan Chase Bank, N.A.,
270 Park Avenue, 20th Floor
Mail Code: NY1-K934
New York, New York 10017

The Bank of New York Trust Company, N.A.,
as Trustee
1600 Market Street, Suite 1500
Philadelphia, Pennsylvania 19103
Attention: Global Corporate Trust

Financial Guaranty Insurance Company
125 Park Avenue
New York, New York 10017

Re: $339,995,000 Philadelphia Authority for Industrial Development
Lease Revenue Refunding Bonds, Series of 2007

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance and sale by the Philadelphia Authority for Industrial Development (the "Authority") of its $339,995,000 Lease Revenue Refunding Bonds consisting of $50,320,000 Fixed Rate Lease Revenue Refunding Bonds, 2007 Series A (the "2007 Series A Bonds") and $289,675,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B (the "2007 Series B Bonds" and, together with the 2007 Series A Bonds, the "Bonds"). The Bonds are authorized to be issued under and pursuant to, the Pennsylvania Economic Development Financing Law (the Act of August 23, 1967, P.L. 251, as amended, 73 P.S. § 371 *et seq.*) (the "Act"), a bond resolution of the Authority adopted September 11, 2007 (the "Resolution"), and are secured by a Trust Indenture dated as of April 1, 2001 (the "Original Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented by a First Supplemental Trust Indenture dated as of December 1, 2001 (the "First Supplemental Trust Indenture"), a Second Supplemental Trust Indenture dated as of June 30, 2004 (the "Second Supplemental Trust Indenture"), and a Third Supplemental Trust Indenture dated as of October 1, 2007 (the "Third Supplemental Trust Indenture" and, together with the Original

Indenture, the First Supplemental Trust Indenture and the Second Supplemental Trust Indenture, the "Indenture"). The Bonds are issued for the purposes set forth in the Third Supplemental Trust Indenture. Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Indenture.

Scheduled payments of the principal of and interest on, the Bonds, are guaranteed under a bond insurance policy issued concurrently with the delivery of the Bonds by Financial Guaranty Insurance Company.

As Co-Bond Counsel for the Authority, we have examined such instruments, opinions, ordinances, resolutions, records, certificates, agreements and other documents as we have deemed necessary to express this opinion, including but not limited to the resolutions of the Authority, ordinances of the City, approvals of the 2007 Project by the Department of Community and Economic Development of the Commonwealth of Pennsylvania, and certificates of the Authority and the City as to material factual matters, including matters relating to compliance with the Internal Revenue Code of 1986 (the "Code"). In rendering our opinion, we have not undertaken to verify the factual matters set forth in such certificates by independent investigation and have assumed that the representations made by the Authority and the City in such certificates and in the Indenture and other financing documents are true and correct as of the date hereof.

Based on the foregoing, it is our opinion that:

1. The Authority is a public instrumentality of the Commonwealth of Pennsylvania and a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania and has the power and authority within all applicable constitutional and legal limitations to execute and deliver the Indenture and to issue and sell the Bonds.

2. Each of the Indenture and the Security Leases has been duly authorized, executed and delivered by the Authority, and, assuming due execution and delivery by the other party thereto, constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

3. The Trust Estate has been duly and validly assigned to the Trustee under the Indenture.

4. The issuance and sale of the Bonds have been duly authorized by the Authority and the terms of the Bonds comply with the requirements of the Indenture and the Act.

5. The Bonds have been duly authorized, executed and delivered by the Authority and authenticated by the Trustee in accordance with the Indenture, and constitute valid and binding limited obligations of the Authority, enforceable against the Authority in accordance with their terms, and are entitled to all of the benefits and security of the Indenture.

6. Interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the Authority and the City and continuing compliance by the Authority and the City with the requirements of the Code. Interest on the Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on Bonds held by a corporation (other than an S corporation, regulated investment company, real estate investment trust, or real estate mortgage investment conduit) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Interest on Bonds held by foreign corporations may be subject to the branch profits tax imposed by the Code.

Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, certain S corporations and taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Bonds. No opinion is expressed as to these matters.

Original issue premium on a Bond issued at an issue price that exceeds its principal amount is amortizable periodically over the term of a Bond through reductions in the holder's tax basis for the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss.

7. Under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date of initial delivery of the Bonds, 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.

In providing this opinion, we advise you as follows:

(a) The enforceability of the documents mentioned herein may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles affecting the enforcement of creditors' rights and remedies, and by the exercise of judicial discretion in accordance with general principles of equity.

(b) The Bonds are limited obligations of the Authority payable solely from the Trust Estate as provided under the Indenture, and neither the full faith and credit nor the taxing power of the City of Philadelphia, the Commonwealth of Pennsylvania or any political subdivision thereof is pledged to the payment of principal of, premium, if any, and interest on the Bonds. The Authority has no taxing power.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. We express no opinion with respect to, and assume no responsibility for, the accuracy or completeness of the Official Statement prepared in respect of the Bonds, and make no representations that we have independently verified the contents thereof. We express no opinion concerning the existence or ownership of, or legal or equitable title to, any property or any interest in property, or the priority of, or the perfection of, the interest of any entity in any property or any interest in property.

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 laws which may hereafter occur or review any legal matters incident to the purposes to which the proceeds thereof are to be applied, after the date hereof.

Very truly yours,

Ballard Spahr Andrews & Ingersoll, LLP
Cindi C Dasent, P.C.

Appendix E

Proposed Form of Opinion of Bond Counsel

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**[Letterhead of Ballard Spahr Andrews & Ingersoll, LLP
and Andre C. Dasent P.C.]**

May 1, 2008

Re: $289,675,000 Philadelphia Authority for Industrial Development
Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance and sale by the Philadelphia Authority for Industrial Development (the "Authority") of its $289,675,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B (the "2007 Series B Bonds") on October 25, 2007 for the benefit of the City of Philadelphia (the "City"). As Co-Bond Counsel we provided you with an approving bond counsel opinion in connection with the issuance and sale of the 2007 Series B Bonds on the same date.

The 2007 Series B Bonds were issued under and are secured by a Trust Indenture dated as of April 1, 2001 (the "Original Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented by a First Supplemental Trust Indenture dated as of December 1, 2001 (the "First Supplemental Trust Indenture"), a Second Supplemental Trust Indenture dated as of June 30, 2004 (the "Second Supplemental Trust Indenture"), and a Third Supplemental Trust Indenture dated as of October 1, 2007 (the "Third Supplemental Trust Indenture"), all between the Authority and the Trustee. In connection with the replacement of credit enhancement and liquidity support for the 2007 Series B Bonds described below, the Original Indenture has been further amended and supplemented by a Fourth Supplemental Trust Indenture dated as of May 1, 2008 (the "Fourth Supplemental Trust Indenture" and, together with the Original Indenture, the First Supplemental Trust Indenture, the Second Supplemental Trust Indenture and the Third Supplemental Trust Indenture, the "Indenture") between the Authority and the Trustee. Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Indenture.

Simultaneously with the issuance of the 2007 Series B Bonds, a bond insurance policy (the "Original Credit Enhancement") insuring the payment of the principal of and interest on the 2007 Series B Bonds when due was issued by Financial Guaranty Insurance Company (the "2007 Bond Insurer"). To provide liquidity support for the 2007 Series B Bonds, the Authority and the Trustee entered into a standby bond purchase agreement (the "Original Liquidity Facility") with JPMorgan Chase Bank, National Association and The Bank of New York at the time the 2007 Series B Bonds were issued.

The Third Supplemental Indenture provides that the Authority, at the direction of the City, with the prior written consent of the 2007 Bond Insurer, may provide an Alternate Credit Enhancement or Alternate Liquidity Facility upon the satisfaction of the terms and conditions specified therein.

The Authority, at the direction of the City, and with the prior written consent of the 2007 Bond Insurer, has obtained a direct pay letter of credit (the "Letter of Credit") from JPMorgan Chase Bank, National Association and The Bank of New York (collectively, the "Banks") to replace the Original Credit Enhancement and the Original Liquidity Facility. The Letter of Credit has been issued by the Banks under a Reimbursement Agreement dated as of May 1, 2008 (the "Reimbursement Agreement") between the Authority and the Banks, and approved by the City. The Authority approved the substitution of the Letter of Credit and all required documents, including the Fourth Supplemental Trust Indenture, by a board resolution adopted on April 8, 2008.

In our capacity as Co-Bond Counsel, we have reviewed such instruments, opinions, ordinances, resolutions, records, certificates, agreements and other documents as we have deemed necessary to express this opinion, including but not limited to the resolutions of the Authority, ordinances of the City, certificates of the Authority and the City as to material factual matters and copies of the Indenture, the Letter of Credit and the Reimbursement Agreement. In rendering our opinion, we have not undertaken to verify the factual matters set forth in such certificates by independent investigation and have assumed that the representations made by the Authority and the City in such certificates and in the Indenture and the other financing documents are true and correct as of the date hereof.

We have not updated and we are not re-issuing our original approving bond counsel opinion of October 25, 2007 and we have not been requested to do so.

Based on the foregoing, it is our opinion that:

1. The substitution by the Authority of the Alternate Credit Enhancement and the Alternate Liquidity Facility represented by the Letter of Credit has been properly authorized by the Authority and is permitted by the Indenture.

2. The substitution by the Authority of the Alternate Credit Enhancement and the Alternate Liquidity Facility represented by the Letter of Credit will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the 2007 Series B Bonds.

3. The substitution by the Authority of the Alternate Credit Enhancement and the Alternate Liquidity Facility represented by the Letter of Credit will not be treated as a significant modification of the 2007B Bonds and therefore will not cause them to be treated as reissued for purposes of the Internal Revenue Code of 1986.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. We express no opinion with respect to, and assume no responsibility for, the accuracy or completeness of the Reoffering Circular prepared to reoffer the 2007 Series B Bonds, and make no representations 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 laws which may hereafter occur or review any legal matters incident to the purposes to which the proceeds of the Series 2007 B Bonds are to be applied, after the date hereof.

Very truly yours,

Appendix F

Information Relating to JPMorgan Chase Bank, National Association and The Bank of New York

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JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

JPMorgan Chase Bank, National Association (the "Bank") is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of December 31, 2007, JPMorgan Chase Bank, National Association, had total assets of $1,318.9 billion, total net loans of $488.4 billion, total deposits of $772.1 billion, and total stockholder's equity of $106.3 billion. These figures are extracted from the Bank's unaudited Consolidated Reports of Condition and Income (the "Call Report") as at December 31, 2007, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation. The Call Report, including any update to the above quarterly figures, can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2007, of JPMorgan Chase & Co., the 2007 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the "SEC") by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC's website at www.sec.gov.

The information contained in this Appendix relates to and has been obtained from the Bank. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

THE BANK OF NEW YORK

The Bank of New York (the "Bank") is one of two principal banking subsidiaries of The Bank of New York Mellon Corporation (NYSE: BK), a bank holding company ("BNY Mellon"). The Bank was founded in 1784 by Alexander Hamilton and is the nation's oldest bank. The Bank is a state chartered New York banking corporation and a member of the Federal Reserve System. Its business is subject to examination and regulation by federal and state banking authorities. The Bank has long-term senior debt ratings of "Aaa"/ "AA–"/ "AA–" and short-term ratings of "P-1"/ "A-1+"/ "F-1+" from Moody's Investors Services, Inc., Standard & Poor's and Fitch Ratings, respectively.

On July 1, 2007, The Bank of New York Company, Inc. and Mellon Financial Corporation merged into BNY Mellon, with BNY Mellon being the surviving entity. At December 31, 2007, BNY Mellon had total assets of $198 billion, loans net of reserve for loan losses of $51 billion and total shareholders' equity of $29 billion. BNY Mellon's net income for the year ended December 31, 2007 was $2 billion. BNY Mellon was incorporated under the laws of Delaware in 2007 and is registered under the Federal Bank Holding Company Act of 1956, as amended.

BNY Mellon is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, regularly files reports, proxy statements and other information with the Securities and Exchange Commission. You may request a copy of the filings made by BNY Mellon under the Exchange Act at no cost by writing BNY Mellon at The Bank of New York Mellon Corporation, Corporate Communications, One Wall Street, New York, New York, 10286 or by telephoning (212) 495-1784. Copies of filings also may be obtained by visiting BNY Mellon's website, at www.bnymellon.com

Appendix G

Form of the Letter of Credit

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Irrevocable Direct Pay Letter of Credit

May 1, 2008

JPMorgan Letter of Credit No. TPTS-251114 $167,246,637
Bank of New York Letter of Credit No. S00056045 $126,952,055

The Bank of New York Trust Company, N.A., as trustee
1600 Market Street, Suite 1500
Philadelphia, PA 19103
Attention: Global Corporate Trust

Ladies and Gentlemen:

1. At the request of the Philadelphia Authority for Industrial Development (the "**Authority**"), JPMorgan Chase Bank, National Association ("**JPMorgan**" or the "**Administrative Agent**") and The Bank of New York ("**BNY**" and together with JPMorgan, the "**Banks**") hereby establish in favor of The Bank of New York Trust Company, N.A., as Trustee (the "**Trustee**") acting for the benefit of the holders of the Authority's $289,675,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B (the "**Bonds**"), pursuant to a Trust Indenture dated as of April 1, 2001 between the Authority and the Trustee (the "**Original Indenture**"), as amended and supplemented from time to time, including by that certain Third Supplemental Trust Indenture dated as of October 1, 2007 (the "**Third Supplemental Indenture**") and that certain Fourth Supplemental Trust Indenture dated May 1, 2008 (the "**Fourth Supplemental Indenture**" and together with the Original Indenture and the Third Supplemental Indenture, the "**Indenture**") this Irrevocable Direct Pay Letter of Credit (this "**Letter of Credit**") pursuant to a Reimbursement Agreement dated May 1, 2008 (the "**Reimbursement Agreement**"), by and among the Authority, JPMorgan and BNY. All terms not otherwise defined herein shall have the meanings assigned thereto in the Reimbursement Agreement or the Indenture.

Pursuant to this Letter of Credit, the Trustee is authorized to draw on the Banks, severally but not jointly, in the amounts set forth above in an aggregate amount not exceeding $294,198,692 (as reduced and reinstated from time to time as provided herein, the "**Stated Amount**"), of which (a) an amount not exceeding $289,675,000 may be drawn upon by the Trustee with respect to payment of the unpaid principal amount of the Bonds, whether at maturity or upon redemption or acceleration, or the principal portion of the purchase price of Bonds tendered or deemed tendered under the Indenture, and (b) an amount not exceeding $4,523,692 may be drawn upon by the Trustee with respect to the payment of interest on the Bonds, or the interest portion of the purchase price of Bonds so tendered for purchase, representing fifty-seven (57) days interest at the rate of 10% per annum, as calculated on the basis of a year of 365 days and the actual number of days elapsed in each such year. This Letter of Credit is effective immediately and expires on May 1, 2011 (the "**Stated Expiration Date**"), unless terminated earlier in accordance with the provisions hereof or extended. Such extension, if agreed to by the Banks, shall be evidenced by delivering to the Trustee an amendment to this Letter of Credit in the form of Annex H hereto designating the date to which the Stated Expiration Date is being extended.

2. Funds under this Letter of Credit are available to the Trustee against the Trustee's presentation of the following certificates to the Administrative Agent, which shall be made by telecopier at (312) 954-6163 or alternately to (312) 954-3140, Attention: Standby Letter of Credit Department, without further need of documentation, including the original of this Letter of Credit, it being understood that each certificate so submitted is to be the sole operative instrument of drawing. You shall use your best efforts to give telephonic notice of a drawing to the Bank at: (312) 954-1922 (or alternately to 1-800-634-1969, option 1) on the Business Day (defined herein) preceding the day of such drawing (but such notice shall not be a condition to drawing hereunder and you shall have no liability for not doing so) or at any other number or numbers which may be designated by the Administrative Agent by written notice delivered to the Trustee. Each demand for payment under this Letter of Credit shall be made under a drawing certificate:

(a) in the form of Annex A attached hereto (an "**A Drawing**") if the drawing is made pursuant to Section 3.08 of the Third Supplemental Indenture for payment of principal of the Bonds at maturity, acceleration or redemption;

(b) in the form of Annex B attached hereto (a "**B Drawing**") if the drawing is made pursuant to 3.08 of the Third Supplemental Indenture for the payment of interest on the Bonds on an interest payment date, at maturity, acceleration or redemption;

(c) in the form of Annex C attached hereto (a "**C Drawing**") if the drawing is made pursuant to 3.08 of the Third Supplemental Indenture for the payment of the portion of the purchase price on the Bonds tendered pursuant to Section 3.01 or Section 3.02 of the Third Supplemental Indenture equal to the principal amount thereof; and

(d) in the form of Annex D attached hereto (a "**D Drawing**") if the drawing is made pursuant to 3.08 of the Third Supplemental Indenture for the payment of the portion of the purchase price on Bonds tendered pursuant to Section 3.01 or Section 3.02 of the Third Supplemental Indenture equal to the amount of accrued and unpaid interest on such Bonds.

The aforesaid certificates shall have all blanks appropriately filled in and shall be signed by an authorized signatory of the Trustee and the aforesaid certificates shall be in the form of a communication by telecopy delivered or transmitted to the Administrative Agent.

The Banks hereby irrevocably authorize the Trustee to draw on this Letter of Credit, in accordance with the terms and conditions hereof, in an aggregate amount not to exceed the Stated Amount for the payment of principal, purchase price and interest on the Bonds; provided that no drawings shall be made under this Letter of Credit for any payment of any amount arising, directly or indirectly, under, pursuant to or in connection with any Bond which is (A) held by or on behalf of the Banks ("**Pledged Bonds**") or (B) held by or on behalf of the Authority or any Affiliate of the Authority or (C) a Bond bearing interest at a rate of interest other than at the Daily Rate or the Weekly Rate (each of (A), (B) and (C), an "**Ineligible Bond**"). On each date on which payment is to be made on the Bonds the Trustee may submit an "**A Drawing**", a "**B Drawing**", a "**C Drawing**" or a "**D Drawing**" (hereinafter collectively referred to as a "**demand for payment**") to the Administrative Agent as provided in Section 3 hereof in an amount equal to the lesser of (i) the Stated Amount or (ii) the amount of principal, purchase price and/or interest due on the Bonds

on such date. All drawings under this Letter of Credit will be paid by the Banks from their own funds.

3. The Banks hereby agree with the Trustee that all demands for payment made under and in strict conformity with the terms of this Letter of Credit will be duly honored upon delivery of transmission of the appropriate drawing certificate or certificates as specified in paragraph 2 hereof and if presented at the aforesaid office on or before the expiration or termination date hereof. If a demand for payment is made hereunder for an A Drawing or a B Drawing at or prior to 4:00 p.m., New York City time, on a Business Day immediately preceding a 2007B Interest Payment Date or a 2007B Principal Payment Date, and provided that such demand for payment conforms to the terms and conditions hereof, payment shall be made on the amount specified in immediately available funds, no later than 11:00 a.m., New York City time, on such 2007B Interest Payment Date or 2007B Principal Payment Date, as applicable. If such demand for payment is made hereunder after 4:00 p.m., New York City time, on a Business Day, and provided that such demand for payment conforms to the terms and conditions hereof, payment shall be made on the amount specified in immediately available funds, no later than 11:00 a.m., New York City time on the Business Day next succeeding such 2007B Interest Payment Date or 2007B Principal Payment Date, as applicable. If a demand for payment is made hereunder for a C Drawing or a D Drawing at or prior to 12:00 noon, New York City time, on a Business Day, and provided that such demand for payment conforms to the terms and conditions hereof, payment shall be made on the amount specified in immediately available funds, no later than 2:00 p.m., New York City time, on the same Business Day. If such demand for payment is made hereunder for a C Drawing or a D Drawing after 12:00 noon, New York City time, on a Business Day, and provided that such demand for payment conforms to the terms and conditions hereof, payment shall be made on the amount specified in immediately available funds, no later than 12:00 noon, New York City time on the next succeeding Business Day.

Payment under this Letter of Credit shall be made by wire transfer of immediately available funds to the Trustee:

(i) for payments of A Drawings and B Drawings as follows:

The Bank of New York Trust Company, N.A.
c/o The Bank of New York
ABA: 021000018
For credit to GLA: 211065
For final credit to: 601007
Account Name: PAID/Lease Rev Bds 2007
Details of Payment: Attn: M. Judge 215-640-8464

(ii) for payments of C Drawings and D Drawings as follows:

The Bank of New York Trust Company, N.A.
c/o The Bank of New York
ABA: 021000018
For credit to GLA: 211065
For final credit to 601030
Account Name: PAID/Lease Rev Bond Purchase Fd
Details of Payment: Attention: M. Judge 215-640-8464

Such accounts and telephone number may be changed only by presentation to the Administrative Agent of a letter in form satisfactory to the Administrative Agent specifying a different account or telephone number, as the case may be, of the Trustee and executed by the Trustee. If a demand for payment is not effected in conformity with this Letter of Credit, the Administrative Agent shall notify the Trustee to that effect by telecopy, with telephone confirmation to such telephone numbers designated by the Trustee to the Banks, and the Trustee may attempt to correct any such nonconforming demand for payment to the extent that the Trustee is entitled to do so.

As used in this Letter of Credit "**Business Day**" means any day other than (a) a Saturday or Sunday, (b) in the City, a legal holiday or a day on which banking institutions are authorized by law to close, (c) a day on which the Trustee or the Paying Agent is authorized or required by law or executive order to be closed, or (d) so long as the Letter of Credit remains outstanding or there exists an obligation of the Authority hereunder, a day on which commercial banks in the State of New York or in the Commonwealth are authorized or obligated by law or executive order to close.

4. Multiple drawings may be made hereunder, provided, that each A Drawing and C Drawing honored by the Banks hereunder shall pro tanto reduce the amount available under this Letter of Credit for such Drawing and provided, further, that, subject to paragraph 5 hereof, each B Drawing and D Drawing honored by the Banks hereunder shall pro tanto reduce the amount available under this Letter of Credit for such Drawings. Payments made in respect of any drawing (whether or not complying with the terms of this Letter of Credit) shall so reduce by the amount of such payment the amounts which the Trustee may draw hereunder notwithstanding any acts or omissions, whether authorized or unauthorized, of the Trustee or any officer, director, employee or agent of the Trustee in connection with any drawing hereunder of the proceeds hereof or otherwise in connection with this Letter of Credit.

5. Upon (i) receipt by the Administrative Agent of written notice from the Trustee in the form of Annex I and (ii) receipt of payment in immediately available funds of the principal of and accrued interest on Pledged Bonds in connection with the remarketing thereof, the Stated Amount of this Letter of Credit shall be automatically reinstated by an amount equal to the portion of such payment attributable to the reimbursement of such C Drawing, and such Stated Amount shall be additionally automatically reinstated by the Banks, if not previously reinstated, by an amount equal to such corresponding portion of such D Drawing or B Drawing, as the case may be.

6. If the Trustee shall draw on this Letter of Credit by presentation of a B Drawing to the Administrative Agent and shall not have received, not later than 11:00 a.m., New York City

time, on the fifth (5th) calendar day from the date of our honoring such drawing, written notice from the Administrative Agent that any "**Event of Default**" as defined in the Reimbursement Agreement, has occurred and is continuing, an amount equal to the payment of a B Drawing shall be automatically and immediately reinstated by the amount of such B Drawing (and to the portion thereof available to pay B Drawings and D Drawings), effective on the opening of business of the Banks on the sixth (6th) day from the date of such drawing, subject to any further subsequent reductions in the Stated Amount of this Letter of Credit pursuant to the terms hereof; provided that such reinstated amount shall not exceed $4,523,692, representing fifty-seven (57) days interest at the rate of 10% per annum, as calculated on the basis of a year of 365 days and the actual number of days elapsed in each such year.

7. If the Stated Amount shall be partially reduced pursuant to paragraph 4 upon an A Drawing, the Banks shall have the right to require the Trustee to surrender this Letter of Credit to the Administrative Agent. Upon such surrender, the Banks may, at their option, either (a) return this Letter of Credit after endorsing thereon the amounts of such reduction or (b) cancel this Letter of Credit and issue to the Trustee in substitution therefor a substitute irrevocable letter of credit dated the date of such surrender, for an amount equal to the amount to which the Stated Amount shall have been so reduced but otherwise having terms identical to this Letter of Credit.

8. Only the Trustee may make drawings under this Letter of Credit. Upon payment as provided in paragraph 3 of the amount specified in a drawing certificate drawn hereunder, the Banks shall be fully discharged of their obligation under this Letter of Credit with respect to such drawing certificate.

9. This Letter of Credit is intended to apply only to (a) the principal amount of Bonds or the principal portion of the purchase price of Bonds and (b) fifty-seven (57) days of interest on the Bonds at the rate of up to 10% per annum, calculated on the basis of a year of 365 days and the actual number of days elapsed in each such year, in each case, accruing on or prior to the maturity thereof (whether at the stated maturity date or upon redemption, acceleration or otherwise) or payable as the interest portion of the purchase price of Bonds, subject to reinstatement as provided in paragraphs 5 and 6 hereof, and is not intended to apply to any interest that may accrue thereon after such maturity.

10. Upon the earliest of (i) the Stated Expiration Date (or if such day is not a Business Day, on the next succeeding Business Day), (ii) the date on which the Administrative Agent receives notice from the Trustee in the form of Annex F hereto, (iii) the fifteenth day following the date of receipt by the Trustee of written notice from the Administrative Agent that an "**Event of Default**", as defined in the Reimbursement Agreement, has occurred and is continuing, (iv) the date on which the Banks honor the final drawing available to be made hereunder which is not subject to reinstatement, and (v) the date on which this Letter of Credit is surrendered by the Trustee to the Administrative Agent for cancellation, this Letter of Credit shall automatically terminate.

11. The Stated Amount shall be reduced from time to time upon our receipt of the Trustee's certificate in the form of Annex G hereto.

12. This Letter of Credit shall be governed by the International Standby Practice 1998, International Chamber of Commerce Publication No. 590 (the "ISP98") and, to the extent not governed by the ISP, by the internal laws of the State of New York, including, without limitation, Article 5 of the Uniform Commercial Code as in effect in the State of New York.

13. Unless otherwise specified herein, communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at JPMorgan Chase Bank, N.A. c/o JPMorgan Treasury Services, 10420 Highland Manor Dr., 4th Floor, Tampa, FL 33610, Attn: Standby Letter of Credit Dept., specifically referring thereon to this Letter of Credit by number. Copies of such communications and any demand for payment shall also be sent to the Administrative Agent at:

JPMorgan Chase Bank, National Association
270 Park Avenue
New York, New York 10017
Mail Code: NY1-K934
Attention: David Weinstein, Executive Director,
Tax Exempt Capital Markets- Credit Origination
Telephone: (212) 270-4948
Facsimile: (212) 270-4251

Any communication to the Administrative Agent which is made by telecopier as permitted hereby shall be immediately confirmed in writing delivered to the Administrative Agent at the address of the Administrative Agent set forth above, provided that failure to provide such written confirmation shall not affect the validity of such notice by telecopier.

14. The Trustee may transfer its rights under this Letter of Credit in their entirety (but not in part) to any transferee who has succeeded to it as Trustee under the Indenture and such transferred rights may be successively transferred. Transfer of the Trustee's rights under this Letter of Credit to any such transferee shall be effected upon the presentation to the Administrative Agent of this Letter of Credit accompanied by a transfer letter in the form attached hereto as Annex E.

15. This Letter of Credit sets forth in full the Banks' undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the certificates and letters referred to herein; and no such reference shall be deemed to incorporate herein by reference any document, instrument or agreement.

Very truly yours,

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

By:_____
Its: Executive Director

THE BANK OF NEW YORK

By:_____
Its:

[ANNEX A]

[Letterhead of Trustee]

[Date]

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
Irrevocable Direct Pay Letter of Credit No: TPTS-251114

THE BANK OF NEW YORK
Irrevocable Direct Pay Letter of Credit No: S00056045

JPMorgan Chase Bank, N.A.
c/o JPMorgan Chase Treasury Services
telecopy #(312) 954-6163 or (312) 954-3140
Attention: Standby Letter of Credit Dept.

Re: A Drawing Certificate

Ladies and Gentlemen:

The Bank of New York Trust Company, N.A., as Trustee (the "**Trustee**") hereby certifies to JPMorgan Chase Bank, National Association, as Administrative Agent, with reference to the above-referenced Irrevocable Direct Pay Letter of Credit (the "**Letter of Credit**"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Indenture and is entitled to make this drawing under the Letter of Credit pursuant to the Indenture.

2. The Trustee hereby makes a demand for payment under the Letter of Credit in the amount of $_____ to be used for the payment of principal of the Bonds at maturity, acceleration or redemption pursuant to 3.08 of the Third Supplemental Indenture.

3. The amount of this demand for payment was computed in accordance with the terms and conditions of the Bonds and the Indenture and is made in accordance with 3.08 of the Third Supplemental Indenture.

4. The amount hereby demanded does not exceed the amount available to be drawn under the Letter of Credit for the payment of principal of the Bonds.

5. The amount hereby demanded will not be applied to any payment in respect of Ineligible Bonds.

6. Upon receipt by the Trustee of the amount demanded hereby, (a) the Trustee will apply the same directly to the payment when due of the appropriate amount owing on account of principal of the Bonds pursuant to the Indenture, (b) no portion of said amount shall be applied by the Trustee for any other purpose, and (c) no portion of said amount shall be commingled with other funds held by the Trustee, except amounts received pursuant to any contemporaneous B Drawing.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate as of the ____ day of _____, ____.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee

By:_____
Name:
Title:

[ANNEX B]

[Letterhead of Trustee]

[Date]

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
Irrevocable Direct Pay Letter of Credit No: TPTS-251114

THE BANK OF NEW YORK
Irrevocable Direct Pay Letter of Credit No: S00056045

JPMorgan Chase Bank, N.A.
c/o JPMorgan Chase Treasury Services
telecopy #(312) 954-6163 or (312) 954-3140
Attention: Standby Letter of Credit Dept.

Re: B Drawing Certificate

Ladies and Gentlemen:

The Bank of New York Trust Company, N.A., as Trustee (the "**Trustee**") hereby certifies to JPMorgan Chase Bank, National Association, as Administrative Agent, with reference to the above-referenced Irrevocable Direct Pay Letter of Credit (the "**Letter of Credit**"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Indenture and is entitled to make this drawing under the Letter of Credit pursuant to the Indenture.

2. The Trustee hereby makes a demand for payment under the Letter of Credit in the amount of $_____ to be used for the payment of interest on the Bonds due on or prior to their stated maturity date.

3. The amount of this demand for payment was computed in accordance with the terms and conditions of the Bonds and the Indenture and is demanded in accordance with 3.08 of the Third Supplemental Indenture.

4. The amount hereby demanded does not exceed the amount available to be drawn under the Letter of Credit for the payment of interest on the Bonds.

5. [This demand for payment is the first such demand for payment presented by the Trustee under the Letter of Credit.]* [The demand for payment last presented by the Trustee under the Letter of Credit was honored and paid by you on _____, _____ and the Trustee did not, prior to 11:00 a.m., New York City time, on the fifth (5th) calendar day after the date of such drawing receive a notice from you that an Event of Default had occurred and was

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To be used in this certificate relating to the first demand for interest payment only.

continuing under the Reimbursement Agreement and directing the Trustee to cause a mandatory tender of the Bonds pursuant to Section 3.02 of the Third Supplemental Indenture.]**

6. The amount hereby demanded will not be applied to any payment in respect of Ineligible Bonds.

7. Upon receipt by the Trustee of the amount demanded hereby, (a) the Trustee will apply the same directly to the payment when due of the appropriate amount owing on account of interest on the Bonds pursuant to the Indenture, (b) no portion of said amount shall be applied by the Trustee for any other purpose, and (c) no portion of said amount shall be commingled with other funds held by the Trustee, except amounts received pursuant to any contemporaneous A Drawing.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate as of the ____ day of _____, ____.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee

By: _____
Name:
Title:

To be used in each certificate relating to each demand for interest payment other than the first demand for interest payment.

[ANNEX C]

[Letterhead of Trustee]

[Date]

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
Irrevocable Direct Pay Letter of Credit No: TPTS-251114

THE BANK OF NEW YORK
Irrevocable Direct Pay Letter of Credit No: S00056045

JPMorgan Chase Bank, N.A.
c/o JPMorgan Chase Treasury Services
telecopy #(312) 954-6163 or (312) 954-3140
Attention: Standby Letter of Credit Dept.

Re: C Drawing Certificate

Ladies and Gentlemen:

The Bank of New York Trust Company, N.A., as Trustee (the "**Trustee**") hereby certifies to JPMorgan Chase Bank, National Association, as Administrative Agent, with reference to the above-referenced Irrevocable Direct Pay Letter of Credit (the "**Letter of Credit**"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Indenture and is entitled to make this drawing under the Letter of Credit pursuant to the Indenture.

2. The Trustee hereby makes a demand for payment under the Letter of Credit in the amount of $_____ to enable the payment of the portion of the purchase price of Bonds tendered for purchase pursuant to [Section 3.01] [Section 3.02]* of the Third Supplemental Indenture equal to the principal amount hereof.

3. The amount of this demand for payment was computed in accordance with the terms and conditions of the Bonds and the Indenture and is demanded in accordance with 3.08 of the Third Supplemental Indenture.

4. The amount hereby demanded does not exceed the amount available to be drawn under the Letter of Credit for the payment of the principal portion of the purchase price of unremarketed Bonds.

5. The amount hereby demanded will not be applied to any payment in respect of Ineligible Bonds.

Trustee to insert applicable section.

6. Upon receipt by the Trustee of the amount demanded hereby, (a) the Trustee shall apply the same directly to the payment when due of the appropriate amount owing on account of the principal portion of the purchase price of Bonds pursuant to the Indenture, (b) no portion of said amount shall be applied by the Trustee for any other purpose, and (c) no portion of said amount shall be commingled with other funds held by the Trustee, except amounts received pursuant to any contemporaneous D Drawing.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate as of the ___ day of _____, ____.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee

By: _____
Name:
Title:

[ANNEX D]

[Letterhead of Trustee]

[Date]

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
Irrevocable Direct Pay Letter of Credit No: TPTS-251114

THE BANK OF NEW YORK
Irrevocable Direct Pay Letter of Credit No: S00056045

JPMorgan Chase Bank, N.A.
c/o JPMorgan Chase Treasury Services
telecopy #(312) 954-6163 or (312) 954-3140
Attention: Standby Letter of Credit Dept.

Re: D Drawing Certificate

Ladies and Gentlemen:

The Bank of New York Trust Company, N.A., as Trustee (the "**Trustee**") hereby certifies to JPMorgan Chase Bank, National Association, as Administrative Agent, with reference to the above-referenced Irrevocable Direct Pay Letter of Credit (the "**Letter of Credit**"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Indenture and is entitled to make this drawing under the Letter of Credit pursuant to the Indenture.

2. The Trustee hereby makes a demand for payment under the Letter of Credit in the amount of $ _____ to enable the payment of the portion of purchase price of Bonds tendered for purchase pursuant to [Section 3.01] [Section 3.02]* of the Third Supplemental Indenture equal to the amount of accrued and unpaid interest on such Bonds to the date of purchase thereof.

3. The amount of this demand for payment was computed in accordance with the terms and conditions of the Bonds and the Indenture and is demanded in accordance with 3.08 of the Third Supplemental Indenture.

4. The amount hereby demanded does not exceed the amount available to be drawn under the Letter of Credit for the payment of the interest portion of the purchase price of unremarketed Bonds.

5. The amount hereby demanded will not be applied to any payment in respect of Ineligible Bonds.

Trustee to insert applicable section.

6. Upon receipt by the Trustee of the amount demanded hereby, (a) the Trustee shall apply the same directly to the payment when due of the appropriate amount owing on account of the interest portion of the purchase price of Bonds pursuant to the Indenture, (b) no portion of said amount shall be applied by the Trustee for any other purpose, and (c) no portion of said amount shall be commingled with other funds held by the Trustee, except amounts received pursuant to any contemporaneous C Drawing.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate as of the ___ day of _____, ____.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee

By: _____
Name:
Title:

[ANNEX E]

Date

JPMorgan Chase Bank, N.A.
10420 Highland Manor Dr., 4th Floor
Tampa, FL 33610
Attention: Standby Letter of Credit Dept.

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (the "**Administrative Agent**")
Irrevocable Direct Pay Letter of Credit No: TPTS-251114

THE BANK OF NEW YORK
Irrevocable Direct Pay Letter of Credit No: S00056045

We, the undersigned "**Transferor**", hereby irrevocably transfer all of our rights to draw under the above-referenced Letter of Credit ("**Credit**") in its entirety to:

[NAME OF TRANSFEREE]

(Print Name and complete address of the Transferee) (the "**Transferee**")
[ADDRESS OF TRANSFEREE
CITY, STATE/COUNTRY ZIP]

in accordance with ISP98 Rule 6 regarding transfer of drawing rights all rights of the undersigned Transferor in such Credit are transferred to the Transferee who shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the undersigned Transferor.

The original Credit, including amendments to this date, is attached and the undersigned Transferor requests that you endorse an acknowledgment of this transfer on the reverse thereof. The undersigned Transferor requests that you notify the Transferee of this Credit in such form and manner as you deem appropriate and the terms and conditions of the Credit as transferred. The undersigned Transferor acknowledges that you incur no obligation hereunder and that the transfer shall not be effective until you have expressly consented to effect the transfer by notice to the Transferee.

If you agree to these instructions, please advise the Transferee of the terms and conditions of this transferred Credit and these instructions.

Transferor represents and warrants to Transferee that (i) our execution, delivery and performance of this request to Transfer (a) are within our powers (b) have been duly authorized (c) constitute our legal valid binding and enforceable obligation (d) do not contravene any charter provision or by-law affecting us or any of our properties (e) do not require any notice filing or other action to with or by any governmental authority (f) the enclosed Credit is original and complete (g) there is no outstanding demand or request for payment or transfer under the

Credit affecting the rights to be transferred, (h) the Transferee's name and address are correct and complete and the Transferee's use of the Credit as transferred and the transactions underlying the Credit and the requested Transfer do not violate any applicable United States or other law, rule or regulation.

The effective date of this transfer shall be the date hereafter on which Administrative Agent effects the requested transfer by acknowledging this request and giving notice thereof to Transferee.

WE WAIVE ANY RIGHT TO TRIAL BY JURY THAT WE MAY HAVE IN ANY ACTION OR PROCEEDING RELATING TO OR ARISING OUT OF THIS TRANSFER.

This Request is made subject to ISP98 and is subject to and shall be governed by Article 5 of the Uniform Commercial Code of the State of New York without regard to principles of conflict of laws.

Sincerely yours,

_____
(Print Name of Transferor)

_____
(Transferor's Authorized Signature)

_____
(Print Authorized Signer's Name and Title)

_____
(Telephone Number/Fax Number)

Acknowledged:

_____
(Print Name of Transferee)

_____
(Transferee's Authorized Signature)

_____
(Print Authorized Signers' Name and Title)

_____
(Telephone Number/Fax Number)

[ANNEX F]

Date

[Letterhead of Trustee]

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
Irrevocable Direct Pay Letter of Credit No: TPTS-251114

THE BANK OF NEW YORK
Irrevocable Direct Pay Letter of Credit No: S00056045

JPMorgan Chase Bank, N.A.
10420 Highland Manor Dr., 4th Floor
Tampa, FL 33610
Attention: Standby Letter of Credit Dept.

Ladies and Gentlemen:

The undersigned, a duly authorized signatory of The Bank of New York Trust Company, N.A., as Trustee under the Indenture hereinafter referred to (the "**Trustee**"), hereby certifies to JPMorgan Chase Bank, National Association, as Administrative Agent, with reference to the above-referenced Irrevocable Direct Pay Letter of Credit (the "**Letter of Credit**"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit) issued in favor of the Trustee, that five days (or one Business Day if no drawing on the Letter of Credit was required to be made or any drawing was paid upon the occurrence of any of the following events) prior to the date hereof, [all of the outstanding Bonds were converted to Bonds bearing interest at a rate other than the Daily Rate or the Weekly Rate], [all of the outstanding Bonds have been [paid] [redeemed]] [an Alternate Facility has been issued to replace the Letter of Credit and has become effective following the mandatory tender of the Bonds pursuant to Section 3.02 of the Third Supplemental Indenture],* in accordance with the Indenture.

Pursuant to the Indenture, the Trustee is delivering the Letter of Credit (which is attached hereto) for cancellation.

Trustee to select appropriate statement.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate as of the ___ day of _____, ____.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee

By: _____
Name:
Title:

[ANNEX G]

[Letterhead of Trustee]

[Date]

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
Irrevocable Direct Pay Letter of Credit No: TPTS-251114

THE BANK OF NEW YORK
Irrevocable Direct Pay Letter of Credit No: S00056045

JPMorgan Chase Bank, N.A.
10420 Highland Manor Dr., 4th Floor
Tampa, FL 33610
Attention: Standby Letter of Credit Dept.

Re: Reduction of Stated Amount

Ladies and Gentlemen:

The Bank of New York Trust Company, N.A., as Trustee (the "**Trustee**") hereby certifies to JPMorgan Chase Bank, National Association, as Administrative Agent, with reference to the above-referenced Letter of Credit (the "**Letter of Credit**"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Indenture and is entitled to deliver this Certificate under the Letter of Credit pursuant to the Indenture.

2. Bonds in the aggregate principal amount of $_____ have been [paid] [redeemed] in accordance with the terms of the Indenture.

3. The Stated Amount is hereby reduced by the amount specified in paragraph 2 above, plus the amount of interest coverage ($_____) of the Letter of Credit on the amount specified in paragraph 2 above calculated in accordance with paragraph 1 of the Letter of Credit. After such reduction, the Letter of Credit shall have a Stated Amount of $ _____, which is composed of a principal component of $_____ and an interest component of $_____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate as of the ___ day of _____, ____.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee

By: _____
Name:
Title:

[ANNEX H]

[Date]

[Letterhead of the Bank]

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
Irrevocable Direct Pay Letter of Credit No: TPTS-251114

THE BANK OF NEW YORK
Irrevocable Direct Pay Letter of Credit No: S00056045

[Name and Address of Trustee]

Re: Notice of Extension

Ladies and Gentlemen:

Reference is hereby made to the above-referenced Irrevocable Direct Pay Letter of Credit (as amended through the date hereof, the "**Letter of Credit**"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit), established by us in your favor as Trustee under the Indenture. We hereby notify you that, in accordance with the terms of the Letter of Credit and the Reimbursement Agreement, the Stated Expiration Date of the Letter of Credit has been extended to _____, which shall be the new Stated Expiration Date.

This letter should be attached to the Letter of Credit and made a part thereof.

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

By:_____
Its:

THE BANK OF NEW YORK

By:_____
Its:

[ANNEX I]

[Letterhead of Trustee]

[Date]

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
Irrevocable Direct Pay Letter of Credit No: TPTS-251114

THE BANK OF NEW YORK
Irrevocable Direct Pay Letter of Credit No: S00056045

JPMorgan Chase Bank, N.A.
c/o JPMorgan Chase Treasury Services
telecopy # (312) 954-6163 or (312) 954-3140
Attention: Standby Letter of Credit Dept.

Ladies and Gentlemen:

The undersigned, a duly authorized officer of The Bank of New York Trust Company, N.A. (the "**Trustee**"), hereby notifies JPMorgan Chase Bank, National Association (the "**Administrative Agent**"), with reference to the above-referenced Letter of Credit (the "**Letter of Credit**"; terms defined therein and not otherwise defined herein shall have the meanings set forth in the Letter of Credit) issued by JPMorgan Chase Bank, National Association and The Bank of New York (together, the "**Banks**") in favor of the Trustee as follows:

1. _____ is the Remarketing Agent under the Indenture for the holders of the Bonds.

2. The Trustee has been advised by the Authority or the Remarketing Agent that the amount of $_____ paid to the Banks today by the Authority or the Remarketing Agent on behalf of the Authority is a payment made to reimburse the Banks, pursuant to the Reimbursement Agreement for amounts drawn under the Letter of Credit pursuant to a C Drawing and accompanying D Drawing, if any.

3. Of the amount referred to in paragraph 2, $_____ represents the aggregate principal amount of Pledged Bonds resold or to be resold on behalf of the Authority.

4. Of the amount referred to in paragraph 2, $_____ represents accrued and unpaid interest on such Pledged Bonds.

5. We hereby request the immediate reinstatement of the Letter of Credit by an amount sufficient to cover (i) the principal of and (ii) fifty-seven (57) days' interest at the rate of 10% per annum, calculated on the basis of a year of 365 days and the actual number of days elapsed in each such year.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate as of the ___ day of _____, ____.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee

By: _____
Name:
Title:

PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT • MULTI-MODAL LEASE REVENUE REFUNDING BONDS 2007 SERIES B

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