



Admin. #: 07MU00553

Execution Copy

Re: The City of Philadelphia, Pennsylvania, Water and Wastewater Revenue Bonds.

as of February 21, 2007,
as amended as of December 20, 2007,
as further amended as of February 10, 2009

Ladies and Gentlemen:

This Confirmation amends and restates in its entirety our Confirmation dated as of February 21, 2007, evidencing that certain Swap Transaction entered into between Merrill Lynch Capital Services, Inc. ("MLCS") and The City of Philadelphia, Pennsylvania ("Counterparty") as of the Trade Date specified below (the "Original Transaction") as amended as of December 20, 2007 (the "First Amended Transaction").

The purpose of this letter agreement is to confirm the terms and conditions of the First Amended Transaction entered into between MLCS and the Counterparty, as amended and restated hereby, on the Trade Date specified below (the "Transaction" or the "Second Amended Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Master Agreement specified below.

The definitions and provisions contained in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of February 21, 2007, as amended and supplemented from time to time (the "Agreement"), between MLCS and Counterparty. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Notional Amount: USD 90,000,000, amortizing in accordance with Schedule I attached hereto.

Trade Date: February 21, 2007

Effective Date: August 1, 2010

Termination Date: January 1, 2037

FIXED AMOUNTS:

Fixed Rate Payer: Counterparty

Fixed Rate Payer Period End Dates: Semi-annually on the first day of each January and July, commencing on January 1, 2011 and

| | |
|---------------------------------------|---|
| | terminating on the Termination Date. No Adjustment shall apply to Period End Dates. |
| Fixed Rate Payer Payment Dates: | Semi-annually on the first day of each January and July, commencing on January 1, 2011 and terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention. |
| Fixed Rate: | 4.52275% |
| Fixed Rate Day Count Fraction: | 30/360 |
| FLOATING AMOUNTS: | |
| Floating Rate Payer: | MLCS |
| Floating Rate Payer Period End Dates: | Monthly on the first day of each month, commencing on September 1, 2010, and terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention. |
| Floating Rate Payer Payment Dates: | Monthly on the first day of each month, commencing on September 1, 2010, and terminating on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention. |
| Floating Rate: | USD-SIFMA Municipal Swap Index |
| Reset Date: | The Effective Date and weekly thereafter on every Thursday (or any other day specified by the Securities Industry and Financial Markets Association, or any successor thereto), or if any Thursday is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day. |
| Floating Rate Day Count Fraction: | Actual/Actual |
| Method of Averaging: | Weighted Average |
| Compounding: | Inapplicable |
| Business Days: | New York |
| Calculation Agent: | MLCS |

3. Payment Instructions:

To MLCS: Deutsche Bank Trust Company Americas
New York, NY
ABA: 021-001-033
A/C #: 00-811-874
Ref: Merrill Lynch Capital Services, Inc.
Attn: Muni Swaps

To Counterparty: As provided in writing by the Counterparty to MLCS on or before the Effective Date.

4. Other Provisions.

(a) Optional Termination. Counterparty may, on any Business Day (the "Optional Market Termination Date"), terminate this Transaction, in whole or in part, by providing at least five (5) Business Days' prior written notice to MLCS. The amount due with respect to any such termination (a "Cash Settlement Amount") shall be determined by MLCS in its sole discretion. If Counterparty elects to dispute such amount, the amount due with respect to such termination shall be determined pursuant to Section 6 of the Master Agreement as if (a) the Optional Market Termination Date is the Early Termination Date, (b) Counterparty is the sole Affected Party (for all purposes other than the election to terminate), (c) this Transaction is the sole Affected Transaction, and (d) Market Quotation and Second Method are selected for purposes of Payments on Early Termination (Section 6(e) of the Master Agreement). Notwithstanding anything herein to the contrary, the parties will be obligated to pay any accrued amounts that would otherwise be due on the Optional Market Termination Date with respect to such termination or partial termination.

Notwithstanding anything to the contrary contained herein, the Counterparty will not exercise this option if, in connection with such exercise, a Cash Settlement Amount would be payable by the Counterparty to MLCS unless the Counterparty provides evidence reasonably satisfactory to MLCS that: (i) such Cash Settlement Amount will be made by the Counterparty on or before the second Business Day immediately following the Optional Market Termination Date, and (ii) such Cash Settlement Amount will not cause the Counterparty to be in violation of, or in default of, any material obligation under the Covered Ordinance or any other material agreement of the Counterparty.

(b) Failure to Issue Bonds. The Counterparty's failure to issue the Bonds (as defined below) on or before August 1, 2010 shall constitute an Additional Termination Event, with respect to which the Counterparty shall be the sole Affected Party and this Transaction shall be the sole Affected Transaction. For purposes of this clause 4(b), "Bonds" means the Counterparty's Water and Wastewater Revenue Bonds in the aggregate initial principal amount of not less than \$90,000,000 relating to bonds being hedged only by this Transaction, which bonds are to be issued by the Counterparty under that certain eleventh Supplemental Ordinance (Bill No. 060620) to the Restated General Water and Wastewater Revenue Bond Ordinance of 1989, as amended and supplemented from time to time.

(c) Payment of Fees.

(1) In connection with the Original Transaction, at the direction of the Counterparty, MLCS, paid (i) USD 62,500.00 to CDR Financial Products, such amount representing a portion of the swap

advisor fee in connection with the Original Transaction, (ii) USD 17,500.00 to Ballard Spahr Andrews & Ingersoll, LLP, such amount representing a portion of certain legal costs and expense in connection with the Original Transaction and (iii) USD 10,000.00 to Andre C. Dasent, P.C., such amount representing a portion of certain legal costs and expense in connection with the Original Transaction.

(2) In connection with the First Amended Transaction, at the direction of the Counterparty, MLCS paid (i) USD 11,000 to CDR Financial Products, such amount representing a portion of the swap advisor fee in connection with the First Amended Transaction, (ii) USD 6,250 to Ballard Spahr Andrews & Ingersoll, LLP, such amount representing a portion of certain legal costs and expense in connection the First Amended Transaction and (iii) USD 5,000 to Andre C. Dasent, P.C., such amount representing a portion of certain legal costs and expense in connection with the First Amended Transaction.

(3) In connection with this Second Amended Transaction, the Counterparty, upon execution of this amended and restated Confirmation, hereby directs MLCS, to pay (i) USD 25,000.00 to Swap Financial Group, LLC, such amount representing a portion of the swap advisor fee in connection with this Second Amended Transaction and (ii) USD 12,500 to Ballard Spahr Andrews & Ingersoll, LLP, such amount representing a portion of certain legal costs and expense in connection with this Second Amended Transaction.

(4) The payment by MLCS of the above amounts (x) in connection with the Original Transaction and the First Amended Transaction was reflected in, and had increased, the respective Fixed Rate thereunder that would have otherwise been payable by the Counterparty in connection therewith and (y) in connection with this Second Amended Transaction is reflected in, and has increased, the Fixed Rate hereunder that would otherwise be payable by the Counterparty hereunder.

5. The following documents will be delivered by Counterparty promptly following the execution of this Confirmation, but in any event, on or before February 13, 2009, each such document to be in form and substance acceptable the MLCS and in any case substantially similar in all material respects to the documents previously delivered to MLCS in connection with the First Amended Transaction (as evidenced by that certain closing transcript previously provided to MLCS in connection therewith) but with such revisions or modifications as MLCS may request, such documents to include, without limitation:

a. opinions of counsel to Counterparty with respect to among other things, the due authorization, execution and delivery of this Confirmation and the enforceability thereof against Counterparty, and that the Transaction evidenced hereby is and continues to be a Qualified Swap (as defined in the Covered Ordinance);

b. evidence of (i) the authority of Counterparty to enter into this amended and restated Confirmation and (ii) the authority and genuine signature of the individual signing this Confirmation on behalf of Counterparty;

c. an updated certificate of the Chief Clerk of the Council of the City of Philadelphia to the effect that the Covered Ordinance has not been amended or modified and remains in full force and effect as of the date of this Confirmation;

d. a certificate of Counterparty as to the Bond Committee Determination and Designation of Qualified Swap as of the Trade Date have not been modified and remain in full force and effect as of the date of this Confirmation; and

e. such other documents and agreements as MLCS may reasonably request.

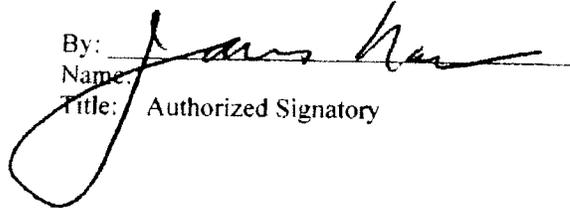
6. The parties hereto acknowledge the ratings of Merrill Lynch & Co., Inc. as of the Trade Date were at least "Aa3" by Moody's Investors Services, Inc. and "AA-" by Standard & Poor's Ratings Services, as evidenced by that certain Certification of the Ratings of Merrill Lynch Capital Services, Inc. dated as of the Trade Date and previously delivered to the Counterparty, and that as of the date hereof the ratings of Merrill Lynch & Co., Inc. are "A1" by Moody's Investors Services, Inc. and "A+" by Standard & Poor's Ratings Services.

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Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us.

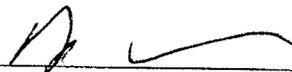
Yours sincerely,

MERRILL LYNCH CAPITAL SERVICES, INC.

By: 
Name: _____
Title: Authorized Signatory

Confirmed as of the
date first above written:

THE CITY OF PHILADELPHIA, PENNSYLVANIA

By: 
Name: _____
Title:

Admin. #: 07MU00553

SCHEDULE I
to Confirmation, dated as of February 21, 2007, as amended as of December 20, 2007,
as further amended as of February 10, 2009
between Merrill Lynch Capital Services, Inc.
and The City of Philadelphia, Pennsylvania

| <u>FROM (and including)</u> | <u>TO (but excluding)</u> | <u>NOTIONAL AMOUNT (USD)</u> |
|-----------------------------|---------------------------|----------------------------------|
| Effective Date | 1/1/2011 | 90,000,000 |
| 1/1/2011 | 1/1/2012 | 86,842,500 |
| 1/1/2012 | 1/1/2013 | 85,142,500 |
| 1/1/2013 | 1/1/2014 | 83,357,500 |
| 1/1/2014 | 1/1/2015 | 81,485,000 |
| 1/1/2015 | 1/1/2016 | 79,517,500 |
| 1/1/2016 | 1/1/2017 | 77,452,500 |
| 1/1/2017 | 1/1/2018 | 75,285,000 |
| 1/1/2018 | 1/1/2019 | 73,007,500 |
| 1/1/2019 | 1/1/2020 | 70,617,500 |
| 1/1/2020 | 1/1/2021 | 68,107,500 |
| 1/1/2021 | 1/1/2022 | 65,472,500 |
| 1/1/2022 | 1/1/2023 | 62,705,000 |
| 1/1/2023 | 1/1/2024 | 59,800,000 |
| 1/1/2024 | 1/1/2025 | 56,750,000 |
| 1/1/2025 | 1/1/2026 | 53,545,000 |
| 1/1/2026 | 1/1/2027 | 50,180,000 |
| 1/1/2027 | 1/1/2028 | 46,647,500 |
| 1/1/2028 | 1/1/2029 | 42,937,500 |
| 1/1/2029 | 1/1/2030 | 39,042,500 |
| 1/1/2030 | 1/1/2031 | 34,952,500 |
| 1/1/2031 | 1/1/2032 | 30,660,000 |
| 1/1/2032 | 1/1/2033 | 26,152,500 |
| 1/1/2033 | 1/1/2034 | 21,420,000 |
| 1/1/2034 | 1/1/2035 | 16,450,000 |
| 1/1/2035 | 1/1/2036 | 11,232,500 |
| 1/1/2036 | Termination Date | 5,752,500 |