Remarketing – Not A New Issue-Book-Entry Only **Ratings: (see "RATINGS" herein)**

On June 2, 2005, Saul Ewing LLP and the Law Offices of Denise Joy Smyler ("2005 Co-Bond Counsel"), delivered their opinions that, as of the date thereof assuming compliance by the City with certain covenants, interest on the 2005C Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, except as to interest on any 2005C Bond during any period such 2005C Bond is held by a person who is a "substantial user" of the facilities financed or refinanced by the 2005C Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), 2005C Co-Bond Counsel further opined that interest on the 2005C Bonds is treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes and under the laws of the Commonwealth of Pennsylvania, the 2005C Bonds are exempt from personal property taxes in Pennsylvania, and interest on the 2005C Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. On the date of remarketing of the 2005C Bonds, Saul Ewing LLP and Gonzalez Saggio & Harlan LLP, Co-Bond Counsel, will deliver their opinions that such remarketing and the delivery of the Letters of Credit will not, in and of themselves, adversely affect the exclusion of the interest on the 2005C Bonds from gross income for federal tax purposes. For a more complete discussion, see "TAX MATTERS" herein.

$162,600,000
CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE REFUNDING BONDS, SERIES 2005C
Consisting of

$81,300,000 2005 Sub-Series C-1 Bonds	$81,300,000 2005 Sub-Series C-2 Bonds

Dated: Original Date of Delivery **Price:** 100% **Due:** June 15, 2025

The City of Philadelphia, Pennsylvania a corporation and body politic existing under the laws of the Commonwealth of Pennsylvania (the "City"), is remarketing its Airport Revenue Refunding Bonds, Series 2005C currently outstanding in the aggregate principal amount of $162,600,000 (the "Remarketing"). In connection with the Remarketing, the City will bifurcate the 2005C Bonds into two subseries: the 2005 Sub-Series C-1 Bonds in the aggregate principal amount of $81,300,000 (the "2005C-1 Bonds") and the 2005 Sub-Series C-2 Bonds in the aggregate principal amount of $81,300,000 (the "2005C-2 Bonds", together with the 2005C-1 Bonds, the "2005C Bonds"). The 2005C Bonds will bear interest at a Weekly Interest Rate determined by J.P. Morgan Securities LLC, the initial remarketing agent for each subseries of 2005C Bonds (the "Remarketing Agent") and will mature on the dates specified above. The 2005C Bonds being remarketed by the Remarketing Agent were issued by the City on June 2, 2005, in the aggregate principal amount of $189,500,000.

The 2005C Bonds are being remarketed as fully registered bonds in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. The 2005C Bonds were issued pursuant to the Act, the Ordinances and the Variable Rate Securities Agreement (as such terms are defined herein). The 2005C Bonds, when remarketed, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the 2005C Bonds. Purchases of the beneficial ownership interests in the 2005C Bonds will be made in book entry only form. Purchasers will not receive certificates representing their ownership interests in the 2005C Bonds purchased, so long as Cede & Co. is the owner of the 2005C Bonds, as nominee of DTC. References herein to the bondholders, holders and registered owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the 2005C Bonds. See "DESCRIPTION OF THE 2005C BONDS Book Entry Only System."

The principal and redemption price of the 2005C Bonds are payable at the corporate trust office of U.S. Bank National Association, as Fiscal Agent and Sinking Fund Depository, in Philadelphia, Pennsylvania, at the times and in the amounts set forth herein. Interest on the 2005C Bonds while bearing interest at a Weekly Interest Rate is payable monthly on the fifteenth day of each month, by check mailed by the Fiscal Agent to the persons in whose names the 2005C Bonds are registered. So long as DTC, or its nominee, Cede & Co., is the registered owner of the 2005C Bonds, principal of and interest on the 2005C Bonds are payable directly to Cede & Co., for redistribution to Participants and in turn to Beneficial Owners as described herein. For so long as any purchaser is the Beneficial Owner of 2005C Bonds, such purchaser must maintain an account with a broker or dealer who is, or acts through, a Participant to receive payment of the principal of and interest on such 2005C Bonds.

THE 2005C BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED AMOUNTS (AS DESCRIBED HEREIN). THE 2005C BONDS ARE NOT SECURED BY A PLEDGE OF THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY. THE 2005C BONDS DO NOT CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE A LIEN AGAINST ANY PROPERTY OF THE CITY OTHER THAN AGAINST THE PLEDGED AMOUNTS.

Following the remarketing on December 23, 2011 (the "Remarketing Date"), until the expiration date described below, the payment of the principal of, interest on and purchase price of 2005C-1 Bonds tendered for purchase is payable in certain circumstances from the proceeds of an irrevocable direct pay letter of credit (the "2005C-1 Letter of Credit"), the stated expiration date of which is December 23, 2016, unless extended or terminated as described herein, issued by TD Bank, N.A. (the "2005C-1 Bank")

Following the Remarketing Date, until the expiration date described below, the payment of the principal of, interest on and purchase price of 2005C-2 Bonds tendered for purchase is payable in certain circumstances from the proceeds of an irrevocable direct pay letter of credit (the "2005C-2 Letter of Credit;" together with the 2005C-1 Letter of Credit, the "Letters of Credit"), the stated expiration date of which is December 23, 2014, unless extended or terminated as described herein, issued by Royal Bank of Canada (the "2005C-2 Bank"; together with the 2005C-1 Bank, the "Banks").

On the Remarketing Date, the Letters of Credit will replace a letter of credit issued for the 2005C Bonds by TD Bank, N.A. pursuant to a reimbursement agreement (the "Original Letter of Credit"). Simultaneously with the delivery of the Letters of Credit to the Fiscal Agent and Tender Agent on December 23, 2011, (i) the 2005C Bonds will become subject to mandatory tender for purchase, and (ii) the Original Letter of Credit will be terminated. Each Letter of Credit will constitute both a Credit Facility and Liquidity Facility under the Ordinance and the Variable Rate Securities Agreement, and each of the Banks will be a Credit Provider and Liquidity Provider under the Ordinance and the Variable Rate Securities Agreement, for the 2005C Bonds, as described herein.

The 2005C Bonds are subject to optional and mandatory redemption prior to maturity. The 2005C Bonds are also subject to optional and mandatory tender as described herein while bearing interest at a Variable Rate. See "DESCRIPTION OF THE 2005C BONDS."

This Remarketing Circular generally describes the 2005C Bonds while bearing interest at a Weekly Interest Rate. Prospective purchasers of the 2005C Bonds bearing interest at rates other than the Weekly Interest Rate should not rely on this Remarketing Circular.

By purchase and acceptance of the 2005C Bonds, the owners of the 2005C Bonds are deemed to have irrevocably consented to the amendments contained in the Variable Rate Securities Agreement. The Remarketing Agent, as owner for each subseries of 2005C Bonds in connection with the remarketing thereof, at the request of the City, will deliver its consent to the amendments to the Variable Rate Securities Agreement.

The 2005C Bonds are being reoffered subject to the opinions of Saul Ewing LLP, Philadelphia, Pennsylvania and Gonzalez Saggio & Harlan LLP, New York, New York, Co-Bond Counsel. Certain legal matters will be passed upon for the City of Philadelphia by the City Solicitor. Certain legal matters in connection with the issuance of the Letters of Credit will be passed upon for the Banks by their counsel, Nixon Peabody LLP, of New York, New York. It is expected that the 2005C Bonds in definitive form will be made available through DTC in New York, New York against payment therefore on or about December 23, 2011.

J.P. MORGAN

Remarketing Circular dated December 15, 2011

$162,600,000
CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE REFUNDING BONDS, SERIES 2005C

Consisting of

$81,300,000	**$81,300,000**
2005 Sub-Series C-1 Bonds	**2005 Sub-Series C-2 Bonds**

	2005 Sub- Series C-1 Bonds	2005 Sub-Series C-2 Bonds
CUSIP*	717817 RQ5	717817 RR3
Maturity Date	June 15, 2025	June 15, 2025
Interest Rate Mode	Weekly Mode	Weekly Mode
Remarketing Agent	J.P. Morgan Securities LLC	J.P. Morgan Securities LLC
Letter of Credit Bank	TD Bank, N.A.	Royal Bank of Canada
Letter of Credit Expiration Date	December 23, 2016	December 23, 2014

---

* The CUSIP numbers listed above are being provided only for the convenience of the reader and neither the City nor the Underwriters make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. Any CUSIP number may change after the issuance of the Bonds as a result of subsequent events including in particular, but not by way of limitation, the procurement of secondary market portfolio insurance or other similar enhancement that is applicable to all or certain portions of the Bonds.

CITY OF PHILADELPHIA, PENNSYLVANIA

MAYOR

HONORABLE MICHAEL A. NUTTER

MAYOR'S CHIEF OF STAFF
EVERETT A. GILLISON

MAYOR'S CABINET

Richard Negrin, Esquire	Managing Director
Rob Dubow	Director of Finance
Shelley R. Smith.	City Solicitor
Rina Cutler	Deputy Mayor of Transportation and Utilities
Everett A. Gillison	Deputy Mayor for Public Safety
Alan Greenberger	Deputy Mayor for Planning and Economic Development and Commerce Director
Donald F. Schwarz, M.D.	Deputy Mayor for Health and Opportunity and Health Commissioner
Michael DiBerardinis	Deputy Mayor for Environmental and Community Resources
Adel Ebeid	Chief Information Officer
Katherine Gajewski	Director of Sustainability
Teresa A. Gillen	Director, Federal Legislative Affairs
Melanie Johnson	City Representative
Amy L. Kurland	Inspector General
Joan L. Markman	Chief Integrity Officer
Lewis Rosman	Director, Legislative and Government Affairs
Lori A. Shorr, Ph.D.	Chief Education Officer
Gary Steuer	Chief Cultural Officer
David G. Wilson	First Deputy Managing Director

City Treasurer
Nancy E. Winkler

City Controller
Alan L. Butkovitz

PHILADELPHIA DEPARTMENT OF COMMERCE DIVISION OF AVIATION

Mark Gale	Chief Executive Officer
Christine Derenick-Lopez	Chief of Staff
Rochelle L. Cameron	Deputy Director of Aviation, Finance and Administration
Keith J. Brune	Deputy Director of Aviation, Operations and Facilities
James Tyrrell	Deputy Director of Aviation – Property Management and Business Development
Calvin M. Davenger, Jr.	Deputy Director of Aviation – Planning and Environmental Stewardship
Thomas J. Becker	Assistant Director of Aviation – Budget and Central Services
Tracy S. Borda	Assistant Director of Aviation, Audits and Contract Management

CO-FINANCIAL ADVISORS
First Southwest Company
Frasca & Associates, L.L.C.

FISCAL AGENT
U.S. Bank National Association

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2005C Bonds other than those contained in this Remarketing Circular, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City of Philadelphia (the "City"), TD Bank, N. A. or Royal Bank of Canada (the "Banks") or J.P. Morgan Securities LLC (the "Remarketing Agent"). This Remarketing Circular does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2005C Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Remarketing Circular is not to be construed as a contract with the purchasers of the 2005C Bonds. Statements contained in this Remarketing Circular which involve estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This information and expressions of opinions herein are subject to change without notice, and neither delivery of this Remarketing Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Division of Aviation since the date hereof. This Remarketing Circular, including any supplement or amendment thereto, is intended to be deposited with one or more nationally recognized municipal securities information repositories.

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

Other than with respect to information concerning the Banks contained under the captions "SUMMARY OF CERTAIN PROVISIONS OF THE LETTERS OF CREDIT AND REIMBURSEMENT AGREEMENTS" and "THE BANKS" herein, none of the information in this Remarketing Circular has been supplied or verified by the Banks and, in furtherance thereof, 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 2005C Bonds; or (iii) the tax exempt status of the interest on the 2005C Bonds.

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

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

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

REMARKETING CIRCULAR

Relating to

$162,600,000
CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE REFUNDING BONDS, SERIES 2005C

Consisting of

$81,300,000 2005 Sub-Series C-1 Bonds	**$81,300,000 2005 Sub-Series C-2 Bonds**

INTRODUCTION

GENERAL

This Remarketing Circular, including the cover page and appendices attached hereto, sets forth certain information in connection with the remarketing by the City of Philadelphia, Pennsylvania a corporation and body politic existing under the laws of the Commonwealth of Pennsylvania (the "City") of its Airport Revenue Refunding Bonds, Series 2005C, consisting of $81,300,000 aggregate principal amount 2005 Sub-Series C-1 (the "2005C-1 Bonds") and $81,300,000 aggregate principal amount 2005 Sub-Series C-2 (the "2005C-2 Bonds" together with the 2005C-1 Bonds, the "2005C Bonds"). The 2005C Bonds being remarketed by J.P. Morgan Securities LLC (the "Remarketing Agent") were issued by the City on June 2, 2005, in the aggregate principal amount of $189,500,000. Unless otherwise indicated, capitalized terms used in this Reoffering Circular are defined in APPENDIX II – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS" (hereinafter referred to as "SUMMARIES").

The 2005C Bonds were authorized and issued under and pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act"), the Amended and Restated General Airport Revenue Bond Ordinance, approved June 16, 1995 (Bill No. 950282), as amended and supplemented (the "General Ordinance"), and the Sixth Supplemental Ordinance (Bill No. 050214, approved by the Mayor on April 20, 2005) (the "Sixth Supplemental Ordinance" and, together with the General Ordinance, the "Ordinances"). Unless otherwise indicated, capitalized terms used in this Remarketing Circular, including the cover hereto, are defined in APPENDIX II - "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS."

THE 2005C BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED AMOUNTS (AS DESCRIBED HEREIN). THE 2005C BONDS ARE NOT SECURED BY A PLEDGE OF THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY. THE 2005C BONDS DO NOT CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE A LIEN AGAINST ANY PROPERTY OF THE CITY OTHER THAN AGAINST THE PLEDGED AMOUNTS.

In connection with the original issuance of the 2005C Bonds, the City and U.S. Bank National Association (the "Fiscal Agent" and "Tender Agent") entered into a Variable Rate Securities Agreement dated as of June 1, 2005, as amended and supplemented by a First Supplemental Variable Rate Securities Agreement dated as of December 1, 2008 (as so amended and supplemented, the "Existing Agreement").

As authorized by a bond committee determination adopted by the City on or before December 23, 2011, the City and the Fiscal Agent are entering into a Second Supplemental Variable Rate Securities Agreement dated as of December 1, 2011 (the "Second Supplemental Agreement" and together with the Existing Agreement, the "Agreement"). The Second Supplemental Agreement amends and supplements the Existing Agreement to provide for among other things, the following: (i) the bifurcation by subseries of the 2005C Bonds and (ii) the delivery of credit enhancement and liquidity support for the 2005C Bonds by subseries.

The payment of the principal of, interest on and purchase price of 2005C-1 Bonds tendered for purchase is payable from the proceeds of an irrevocable, direct-pay letter of credit, the stated expiration date of which is December 23, 2016, unless extended or terminated as described herein, issued by TD Bank, N. A. (the "2005C-1 Bank") pursuant to a Reimbursement Agreement dated as of December 1, 2011 between the City and the 2005C-1 Bank (the "2005C-1 Reimbursement Agreement"). The 2005C-1 Bonds are being remarketed in connection with the delivery of the 2005C-1 Letter of Credit.

The payment of the principal of, interest on and purchase price of 2005C-2 Bonds tendered for purchase is payable from the proceeds of an irrevocable, direct pay letter of credit, the stated expiration date of which is December 23, 2014 unless extended or terminated as described herein, issued by Royal Bank of Canada (the "2005C-2 Bank"; together with the 2005C-1 Bank, the "Banks") pursuant to a Reimbursement Agreement, dated as of December 1, 2011, by and between the City and the 2005C-2 Bank (the "2005C-2 Reimbursement Agreement"; together with the 2005C-1 Reimbursement Agreement, the "Reimbursement Agreements"). The 2005C-2 Bonds are being remarketed in connection with the delivery of the 2005C-2 Letter of Credit.

By purchase and acceptance of the 2005C Bonds, the owners of the 2005C Bonds are deemed to have irrevocably consented to the amendments contained in the Second Supplemental Agreement. The Remarketing Agent, as owner for each subseries of 2005C Bonds in connection with the remarketing thereof, at the request of the City, will deliver its consent to the Second Supplemental Agreement.

THE AIRPORT SYSTEM

The Airport System consists of the Philadelphia International Airport (the "Airport") and the Northeast Philadelphia Airport (the "Northeast Philadelphia Airport") and is owned by the City and operated by the Division of Aviation of the City's Department of Commerce (the "Division of Aviation"). In calendar year 2010, it was ranked 18th in the United States in terms of total passengers and served a total of approximately 30.8 million passengers. For a further description of the Airport System, the Service Area of the Airport and the Air Transport Industry, see "THE AIRPORT SYSTEM," "THE AIRPORT SERVICE REGION," and "CERTAIN INVESTMENT CONSIDERATIONS".

Brief descriptions of the 2005C Bonds, the security therefor, the Airport System and certain data about the City are included in this Remarketing Circular. Such descriptions do not purport to be comprehensive or definitive. All references in this Remarketing Circular to the Act, the General Ordinance and the Sixth Supplemental Ordinance are qualified in their entirety by reference to each such document. Copies of the Act, the General Ordinance, the Sixth Supplemental Ordinance, and the financial statements of the City for the Fiscal Year ended June 30, 2010, are available from the Office of the Director of Finance, 13th Floor, Municipal Services Building, 1401 John F. Kennedy Boulevard, Philadelphia, Pennsylvania 19102. A copy of the financial statements of the City for the Fiscal Year ended June 30, 2010 may be downloaded at http://www.phila.gov/investor. Financial statements of the Division of Aviation for the Fiscal Year ended June 30, 2010, are attached hereto as APPENDIX I. Summaries of legislation authorizing the issuance of the City's Airport Revenue Bonds, and the Airport-Airline Use and Lease Agreements (the "Airline Agreement") and a summary of the Agreement are attached hereto as APPENDIX II. Certain information concerning the government of and fiscal affairs of the City is attached hereto as APPENDIX III. Certain information concerning the Banks is attached hereto as APPENDIX IV and APPENDIX V. The opinion of 2005 Co-Bond Counsel issued on June 2, 2005 in connection with the issuance of the 2005C Bonds is attached hereto as APPENDIX VI. The Continuing Disclosure Agreement dated as of June 1, 2005 is attached hereto as APPENDIX VII. The proposed form of opinions of Co-Bond Counsel are attached hereto as APPENDIX VIII.

Under the caption "CERTAIN INVESTMENT CONSIDERATIONS" is a discussion of certain investment risks which, among others, may affect repayment of and security for the 2005C Bonds.

THIS REMARKETING CIRCULAR CONTAINS STATEMENTS RELATING TO FUTURE RESULTS THAT ARE "FORWARD LOOKING STATEMENTS" AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS REMARKETING CIRCULAR, THE WORDS "ESTIMATE," "ANTICIPATE," "FORECAST," "PROJECT," "INTEND," "PROPOSE," "PLAN," "EXPECT," "ASSUME" AND SIMILAR EXPRESSIONS IDENTIFY FORWARD LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD LOOKING STATEMENTS.

OUTSTANDING AND ADDITIONAL INDEBTEDNESS

Pursuant to the General Ordinance, as supplemented and amended, as of the date hereof, $1,417,055,000 of previously issued parity Airport Revenue Bonds (defined hereinafter) are outstanding.

In addition to the 2005C Bonds, the City has previously issued the following series of parity Airport Revenue Bonds: Airport Revenue Bonds, Series 2005A (the "2005A Bonds"), which are currently outstanding in the aggregate principal amount of $117,605,000; Airport Revenue Bonds, Series 2007A (the "2007A Bonds"), which are currently outstanding in the aggregate principal amount of $169,315,000; Airport Revenue Bonds, Series 2007B (the "2007B Bonds"), which are currently outstanding in the aggregate principal amount of $70,085,000; Airport Revenue Refunding Bonds, Series 2009A, which are currently outstanding in the aggregate principal amount of $44,050,000 (the "2009A Bonds") Airport Revenue Bonds, Series 2010A, which are currently outstanding in the aggregate principal amount of $273,060,000 (the "2010A Bonds"); Airport Revenue Refunding Bonds, Series 2010B, which are currently outstanding in the aggregate principal amount of $19,810,000 (the "2010B Bonds"); Airport Revenue Refunding Bonds, Series 2010C, which are currently outstanding in the aggregate principal amount of $54,725,000 (the "2010C Bonds"); and Airport Revenue Refunding Bonds Series 2011B in the aggregate principal amount of $34,790,000 (the "2011B Bonds"). The City has also issued its Airport Revenue Bond, Series 1998B (Philadelphia Airport System Project), which is currently outstanding in the aggregate principal amount of $5,000 (the "1998B Bond"); its Airport Revenue Refunding Bonds, Series 2010D (Philadelphia Airport System Project), which are currently outstanding in the aggregate principal amount of $271,970,000 (the "2010D Bonds"); and its Airport Revenue Refunding Bonds, Series 2011A in the aggregate principal amount of $199,040,000 (the "2011A Bonds"), each of which are additionally secured by a pledge of passenger facility charges ("PFC"). The 1998B Bond, the 2005A Bonds, the 2005C Bonds, the 2007A Bonds, the 2007B Bonds, the 2009A Bonds, the 2010A Bonds, the 2010B Bonds, the 2010C Bonds, the 2010D Bonds, the 2011A Bonds and the 2011B Bonds (collectively, the "Airport Revenue Bonds") are parity bonds issued under the General Ordinance. The 2005C Bonds are not secured by a pledge of Pledged PFC Revenues. See: "SECURITY FOR THE 2005C BONDS – Certain Provisions of General Ordinance Effective Upon City Election and Certain Consents" below for further information on the Pledged PFC Revenues as additional security for certain series of the Airport Revenue Bonds.

PLAN OF FINANCE

The proceeds of the 2005C Bonds, together with other available funds, were used to (i) currently refund the City's then outstanding Airport Revenue Bonds, Series 1995A, and (ii) pay the costs of issuance of the 2005C Bonds (which included the premiums for the financial guaranty insurance policy, a swap insurance policy and a debt service reserve surety bond).

The City has determined to deliver each Letter of Credit to U.S. Bank National Association, as Fiscal Agent and Tender Agent, to provide credit enhancement and liquidity support for the 2005C Bonds. Simultaneously with the delivery of each Letter of Credit to the Fiscal Agent on December 23, 2011, the 2005C Bonds will become subject to mandatory tender for purchase. Each Letter of Credit constitutes both a Credit Facility and Liquidity Facility under the Ordinance and the Agreement, and the Banks will be both Credit Provider's and Liquidity Provider's under the Ordinance and the Agreement as described herein.

In addition, in connection with the remarketing of the 2005C Bonds, TD Bank, N.A., will deliver to the Fiscal Agent an irrevocable, direct-pay letter of credit (the "2005C Parity Sinking Fund Reserve Letter of Credit") to be held to the credit of the Parity Sinking Fund Reserve Account established in accordance with the Ordinance, which 2005C Parity Sinking Fund Reserve Letter of Credit shall constitute a Sinking Fund Reserve Facility for the 2005C Bonds under the Ordinance, pursuant to a Reimbursement Agreement, dated as of December 1, 2011 between the City and TD Bank, N.A. (the "Reimbursement Agreement for the 2005C Parity Sinking Fund Reserve"). The 2005C Parity Sinking Fund Reserve Letter of Credit will replace a letter of credit issued by TD Bank, N.A. on December 23, 2008 which expires on December 23, 2011. See "SECURITY FOR THE 2005C BONDS – Sinking Fund Reserve Account and 2005C Parity Sinking Fund Reserve Letter of Credit" herein.

AUTHORIZATION FOR THE 2005C BONDS

The 2005C Bonds were authorized and issued under the Act, the General Ordinance, and the Sixth Supplemental Ordinance. The Act authorizes cities of the first class to issue revenue bonds to finance certain revenue producing projects and to refund any such bonds or other bonds of the City issued for the foregoing purposes. Such bonds must be payable solely from Project Revenues (as defined in the Act). See APPENDIX II -- "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS -The Amended and Restated General Airport Revenue Bond Ordinance - Summary of Operative Provisions of the General Ordinance-Covenants of the City."

DESCRIPTION OF THE 2005C BONDS

GENERAL

The 2005C Bonds are outstanding in the aggregate principal amount and are dated and will mature (subject to prior redemption), as shown on the cover of this Remarketing Circular. The 2005C Bonds have been issued in fully-registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC").

This Remarketing Circular summarizes certain terms of the 2005C Bonds only while the 2005C Bonds bear interest at a Weekly Interest Rate. Should the 2005C Bonds of a subseries be adjusted to a different Interest Rate Period, the 2005C Bonds of such subseries will be subject to mandatory tender for purchase and, at that time, it is expected that a new Remarketing Circular or other disclosure document will be prepared.

Each subseries of 2005C Bonds will initially bear interest at a Weekly Interest Rate as described herein until such time, if any, as the interest rate period is changed as described herein. At the direction of the City and upon compliance with the conditions set forth in the Ordinances and in the Agreement, each subseries of 2005C Bonds may be converted (a "Conversion") to bear interest at a Daily Interest Rate, a Long-Term Interest Rate, an ARS (Auction) Rate or a Bond Interest Term Rate (each, an "Interest Rate Period"). Except while 2005C Bonds bear interest at Bond Interest Term Rates, each subseries of 2005C Bonds shall bear the same interest rate for the same Interest Rate Period. For definitions used in the Agreement, see APPENDIX II — "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS."

Interest on the 2005C Bonds, while bearing interest at a Weekly Interest Rate, is payable monthly on the fifteenth day of each calendar month (the "Interest Payment Dates"). Interest is payable on such Interest Payment Dates by check or draft mailed by the Fiscal Agent, to the registered owners of the 2005C Bonds as of the close of business on the second Business Day preceding each such Interest Payment Date (the "Record Date"). Any person who is the registered owner of at least $1,000,000 principal amount of Airport Revenue Bonds may, by written request to the Fiscal Agent, at least three (3) days before the Record Date in connection with which such request is made, request that interest be paid by wire transfer to an account at a financial institution in the United States as may be specified in such written request. The principal or redemption price of the 2005C Bonds is payable at the principal Philadelphia corporate trust office of the Fiscal Agent upon surrender of the 2005C Bonds.

Any Conversion of a subseries of the 2005C Bonds from the Weekly Interest Rate to another Interest Rate Period is effected by the City providing written direction to the Fiscal Agent, the Tender Agent (if any), the Liquidity Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealer (if any), with a copy to each rating agency, by registered or certified mail, or by telecopy confirmed by registered or certified mail, specifying whether the 2005C Bonds of such subseries are to bear interest at the Weekly Interest Rate, Daily Interest Rate, Long-Term Interest Rate, Bond Interest Term Rate or ARS Rate, accompanied by a copy of the notice required to be given by the Fiscal Agent.

The City has the right to deliver to the Fiscal Agent, the Remarketing Agent (if any), the Tender Agent (if any), the Liquidity Provider (if any), the Auction Agent (if any) and the Broker-Dealer (if any) on or prior to 10:00 a.m., New York City time, on the second Business Day prior to any such Conversion a notice to the effect that the City elects to rescind its election to make such Conversion. If the City rescinds its election to make such Conversion, then the Interest Rate Period will not be converted and the applicable subseries of 2005C Bonds will continue to bear interest at the Weekly Interest Rate, Daily Interest Rate, Long-Term Interest Rate, Bond Interest Term Rates or ARS Rate, as the case may be, as in effect immediately prior to such proposed Conversion. In any event, if notice of a Conversion has been mailed to the Owners of the 2005C Bonds as provided in the Agreement and the City rescinds its election to make such Conversion, then, except in the case of a proposed Conversion from an ARS Interest Rate Period, the applicable subseries of 2005C Bonds will continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in the Agreement.

Each subseries of 2005C Bonds will be subject to redemption prior to maturity as and to the extent provided in the Agreement. The 2005C Bonds while bearing interest at Weekly Interest Rates also will be subject from time to time to optional and mandatory tender for purchase. See "DESCRIPTION OF THE 2005C BONDS – Purchase of 2005C Bonds."

THE 2005C BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED AMOUNTS (AS DESCRIBED HEREIN). THE 2005C BONDS ARE NOT SECURED BY A PLEDGE OF THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY. THE 2005C BONDS DO NOT CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE A LIEN AGAINST ANY PROPERTY OF THE CITY OTHER THAN AGAINST THE PLEDGED AMOUNTS. See "SECURITY FOR THE 2005C BONDS."

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2005C Bonds. The 2005C Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2005C Bond certificate will be issued for each maturity of each subseries of the 2005C Bonds, each in the aggregate principal amount of thereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2005C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2005C Bonds on DTC's records. The ownership interest of each actual purchaser of each 2005C Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2005C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2005C Bonds, except in the event that use of the book-entry system for the 2005C Bonds is discontinued.

To facilitate subsequent transfers, all 2005C 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 2005C Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2005C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2005C 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 2005C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2005C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2005C Bond documents. For example, Beneficial Owners of 2005C Bonds may wish to ascertain that the nominee holding the 2005C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all the 2005C Bonds of a subseries within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2005C Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2005C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal or redemption price and interest on the 2005C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest on the 2005C Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its 2005C Bonds purchased or tendered, through its Participant, to Tender/Remarketing Agent, and shall effect delivery of such 2005C Bonds by causing the Direct Participant to transfer the Participant's interest in the 2005C Bonds, on DTC's records, to Tender/Remarketing Agent. The requirement for physical delivery of 2005C Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2005C Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2005C Bonds to Tender/Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the 2005C Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, 2005C Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2005C Bond certificates will be printed and delivered to DTC.

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

THE CITY AND THE FISCAL AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, ITS NOMINEE OR ANY DTC PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE 2005C BONDS, OR PAYMENTS TO, OR THE PROVIDING OF NOTICE FOR, DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

WEEKLY INTEREST RATE

While bearing interest at a Weekly Interest Rate, the 2005C Bonds shall accrue interest on the basis of the actual number of days elapsed during the Interest Rate Period and a year of 365 days (366 days in a leap year).

For any Weekly Interest Rate Period, interest on the 2005C Bonds shall be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date (as defined in APPENDIX II — "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS — SUMMARY OF CERTAIN DEFINITIONS OF THE VARIABLE RATE SECURITIES AGREEMENT") and ending on the fourteenth (14^{th}) day of the next month (or, if sooner, the last day of the Weekly Interest Rate Period).

During each Weekly Interest Rate Period, the 2005C Bonds shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent by 5:00 p.m., New York City time, on Tuesday of each week during the Weekly Interest Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Interest Rate Period ends on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on and including the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on and including the last day of such Weekly Interest Rate Period.

Each Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of such Remarketing Agent, to the applicable subseries of 2005C Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by the applicable subseries of 2005C Bonds would enable the Remarketing Agent to sell all of the applicable subseries of 2005C Bonds on the effective date of that rate at a price (without regard to accrued interest) equal to the principal amount thereof.

The determination of the Weekly Interest Rate by the Remarketing Agent shall be conclusive and binding upon the City, the Fiscal Agent, the Tender Agent, the Remarketing Agent, the Liquidity Providers and the Owners.

If a Remarketing Agent fails to establish a Weekly Interest Rate for any week with respect to the 2005C Bonds bearing interest at such rate, then the Weekly Interest Rate for such week shall be the same as the immediately preceding Weekly Interest Rate if such Weekly Interest Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Interest Rate was not determined by the Remarketing Agent, or if the Weekly Interest Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for such week, as determined by the Remarketing Agent, shall be equal to 110% of the SIFMA Index made available for the week preceding the date of determination, or if the SIFMA Index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day such Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period.

BANK BONDS

Notwithstanding anything in the Agreement to the contrary, during any period in which a 2005C Bond is a Bank Bond, it shall bear interest calculated at the rates (and on the basis) applicable from time to time under the Agreement and the applicable Reimbursement Agreement; provided, however, that rate or rates will not exceed the Maximum Bank Bond Interest Rate. "Bank Bond" as used herein means any 2005C Bond purchased with amounts derived from a Letter of Credit or any Alternate Liquidity Facility, which 2005C Bond will be registered in the name of the Bank or issuer of the Alternate Liquidity Facility or its nominee or permitted assignee. The Bank Bond Rate shall accrue and be payable on the dates as provided in the Reimbursement Agreements or Alternate Liquidity Facility and the Agreement.

PURCHASE OF 2005C BONDS

Optional Tender for Purchase

During any Weekly Interest Rate Period, any 2005C Bond (other than a Bank Bond) bearing interest at a Weekly Interest Rate shall be purchased in an Authorized Denomination (provided that the amount of any such 2005C Bond not to be purchased shall also be in an Authorized Denomination) from its Owner at the option of the Owner on any Business Day at a purchase price equal to the Purchase Price, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of 2005C Bonds and to the Fiscal Agent at its Principal Office and to the Remarketing Agent of an irrevocable written notice which states the principal amount of such 2005C Bond, the principal amount thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day after the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day. Bank Bonds may not be tendered for purchase at the option of the Owner thereof. For payment of the Purchase Price on the Purchase Date, such 2005C Bond must be delivered at or prior to 10:00 a.m., New York City time, on the Purchase Date to the Tender Agent at its Principal Office for delivery of 2005C Bonds accompanied by an instrument of transfer, in form satisfactory to the Tender Agent executed in blank by the Owner or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company, or member firm of the New York Stock Exchange.

During any Weekly Interest Rate Period for which the book-entry-only system is in effect, any 2005C Bond bearing interest at the Weekly Interest Rate or portion thereof (provided that the principal amount of such 2005C Bond to be purchased and the principal amount to be retained shall each be an Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Purchase Price. The irrevocable written notice, executed by the DTC Participant, shall be delivered on any Business Day by the DTC Participant for such 2005C Bond to the Tender Agent at its Principal Office for the delivery of such 2005C Bonds, to the Fiscal Agent at its Principal Office and to the Remarketing Agent. That notice shall state the principal amount of such 2005C Bond (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day at least seven days after the date of delivery of such notice to the Fiscal Agent. Upon confirmation by the Securities Depository to the Fiscal Agent that such DTC Participant has an ownership interest in the 2005C Bonds at least equal to the amount of 2005C Bonds specified in such irrevocable written notice, payment of the Purchase Price of such 2005C Bonds shall be made by 3:30 p.m., New York City time, or as soon as practicably possible thereafter, upon the receipt by the Fiscal Agent of the Purchase Price on the Business Day specified in the notice, upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such 2005C Bonds tendered for purchase to the account of the Tender Agent, or a DTC Participant acting on behalf of such Tender Agent, at or prior to 10:00 a.m., New York City time, on the date specified in such notice.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period

The 2005C Bonds of each subseries shall be subject to mandatory tender for purchase on the date of any Conversion or proposed Conversion (except in the case of a proposed Conversion from an ARS Interest Rate Period) at the Purchase Price, payable in immediately available funds. For payment of the Purchase Price on the Purchase Date, a 2005C Bond must be delivered at or prior to 10:00 a.m., New York City time, on the Purchase Date. If delivered after that time, the Purchase Price shall be paid on the next succeeding Business Day.

Mandatory Tender for Purchase Upon Substitution, Termination or Acceleration

The 2005C Bonds of each subseries shall be subject to Mandatory Tender as a result of (i) the substitution of the applicable Letter of Credit or (ii) the termination or expiration of the term, as extended, of the Letter of Credit. In the case of a termination of the Letter of Credit for which an Alternate Liquidity Facility is being provided, the mandatory tender shall occur on the substitution date.

The 2005C Bonds of each subseries shall be subject to Mandatory Tender on the Termination Date following receipt by the Tender Agent of written notice from the Bank that an Event of Default (as defined in the applicable Reimbursement Agreement) has occurred under the applicable Reimbursement Agreement, and requiring a mandatory tender of the applicable subseries of 2005C Bonds and a drawing under the applicable Letter of Credit.

The 2005C Bonds of each subseries shall be subject to Mandatory Tender on the Termination Date following an acceleration of the applicable subseries of 2005C Bonds.

Payment of the Purchase Price of any such 2005C Bond shall be made in immediately available funds by 3:30 p.m., New York City time, on the Purchase Date upon delivery of such 2005C Bond to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Owner with the signature of such Bondowner guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 12:00 noon, New York City time, on the Purchase Date.

Notice of Mandatory Tender for Purchase

In connection with any mandatory tender for purchase of 2005C Bonds in accordance with the Agreement, the Fiscal Agent shall give the notice required in this Paragraph as a part of the notice given pursuant to the Agreement. Such notice shall state (i) in the case of a mandatory tender for purchase because of an interest rate mode conversion, the type of Interest Rate Period to commence on such mandatory Purchase Date; (ii) in the case of a mandatory tender for purchase described in "Mandatory Tender For Purchase Upon Substitution, Termination, or Expiration of A Liquidity Facility" above, that a Liquidity Facility will expire or terminate and that the 2005C Bonds will no longer be payable from such Liquidity Facility then in effect and that any rating applicable to the 2005C Bonds may be reduced or withdrawn and, in the case of a substitution, the name of the new Liquidity Provider and that information about such new Liquidity Provider will be forthcoming; (iii) that the Purchase Price of any 2005C Bond subject to mandatory tender for purchase shall be payable only upon surrender of that 2005C Bond to the Tender Agent at its Principal Office for delivery of 2005C Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Owner or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (iv) that, provided that moneys sufficient to effect such purchase shall have been provided through the remarketing of such 2005C Bonds by the Remarketing Agent or through the applicable Liquidity Facility, all 2005C Bonds subject to mandatory tender for purchase shall be purchased on the mandatory Purchase Date; and (v) that if any Owner of a 2005C Bond subject to mandatory tender for purchase does not surrender that 2005C Bond to the Tender Agent for purchase on the mandatory Purchase Date, then that 2005C Bond shall be deemed to be an Undelivered Bond, that no interest shall accrue on that 2005C Bond on and after the mandatory Purchase Date and that the Owner shall have no rights under the Agreement other than to receive payment of the Purchase Price.

Irrevocable Notice Deemed to be Tender of 2005C Bond; Undelivered Bonds

The giving of notice by an Owner of 2005C Bonds as provided in "Optional Tender for Purchase" above shall constitute the irrevocable tender for purchase of each 2005C Bond with respect to which such notice is given regardless of whether that 2005C Bond is delivered to the Tender Agent for purchase on the relevant Purchase Date.

The Tender Agent may refuse to accept delivery of any 2005C Bond for which a proper instrument of transfer has not been provided. However, such refusal shall not affect the validity of the purchase of such 2005C Bond as described in the Agreement. If any Owner of a 2005C Bond who has given notice of tender of purchase or any Owner of a 2005C Bond subject to mandatory tender for purchase, shall fail to deliver that 2005C Bond to the Tender Agent at the place and on the Purchase Date and at the time specified, or shall fail to deliver that 2005C Bond properly endorsed, that 2005C Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bond are available for payment to the Owner thereof on the Purchase Date and at the time specified, then from and after the Purchase Date and time of that required delivery (A) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be outstanding; (B) interest shall no longer accrue on the Undelivered Bond; and (C) funds in the amount of the Purchase Price of the Undelivered Bond shall be held uninvested by the Fiscal Agent for the benefit of the Owner thereof (provided that the Owner shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its Principal Office for delivery of 2005C Bonds.

THE REMARKETING AGENT AND REMARKETING AGREEMENTS

J.P. Morgan Securities LLC has been appointed to serve as remarketing agent for the 2005C-1 Bonds and the 2005C-2 Bonds pursuant to Remarketing Agreements for each subseries of 2005C Bonds dated December 23, 2011 between the City and the Remarketing Agent. If 2005C Bonds are tendered or deemed tendered for purchase as described herein under the caption "Purchase of 2005C Bonds," the Remarketing Agent is required to use its best efforts to remarket such 2005C Bonds in accordance with the terms of the Agreement and the applicable Remarketing Agreement. The Remarketing Agent will also be responsible for determining the rates of interest for such subseries of 2005C Bonds in accordance with the Agreement. The Remarketing Agent is to transfer any proceeds of a remarketing of the subseries of 2005C Bonds it receives to the Tender Agent for deposit in accordance with the Agreement.

A Remarketing Agent may at any time resign and be discharged of its duties and obligations under the Remarketing Agreements upon providing the City, the Fiscal Agent, the applicable Bank and the Tender Agent with sixty (60) days' prior written notice. A Remarketing Agent may be removed at any time, at the direction of the City, by an instrument filed with the Remarketing Agent, the Tender Agent, the applicable Bank and the Fiscal Agent, except that the City shall not remove a Remarketing Agent until the appointment of and acceptance by a successor Remarketing Agent under the Agreement. Any successor Remarketing Agent shall be selected by the City and must be acceptable to the applicable Bank. Upon the resignation or removal of a Remarketing Agent, the Remarketing Agent shall pay over, deliver and assign any moneys and 2005C Bonds, as the case may be, held by it in such capacity to its successor.

THIS REMARKETING CIRCULAR DOES NOT PROVIDE ANY INFORMATION REGARDING THE 2005C BONDS AFTER THE DATE, IF ANY, ON WHICH SUCH 2005C BONDS CEASE TO BEAR INTEREST AT A WEEKLY INTEREST RATE. DETAILS OF THE OPERATION OF EACH OF THE INTEREST RATE PERIODS THAT MAY BE APPLICABLE TO THE 2005C BONDS FOLLOWING CONVERSION TO ANOTHER INTEREST RATE IS NOT INCLUDED HEREIN. OWNERS AND PROSPECTIVE PURCHASERS OF 2005C BONDS SHOULD NOT RELY ON THIS REMARKETING CIRCULAR FOR INFORMATION CONCERNING 2005C BONDS ON AND AFTER ANY SUCH CONVERSION DATE, BUT SHOULD LOOK TO THE REVISIONS, AMENDMENTS, SUPPLEMENTS OR SUBSTITUTIONS HEREOF FOR INFORMATION CONCERNING THE 2005C BONDS ON OR AFTER ANY SUCH CONVERSION DATE.

OPTIONAL REDEMPTION

Each subseries of 2005C Bonds bearing interest at a Weekly Interest Rate are subject to redemption prior to maturity in whole or in part (and if in part, in such order of maturity as the City may direct and within a maturity by lot, subject to prior Bank Bond redemption) on any Business Day, at the redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

Bank Bonds

The City may redeem Bank Bonds, at its option, at any time, upon one Business Day's notice of redemption to the applicable Liquidity Provider and the Fiscal Agent, at a redemption price of 100% of the principal amount of the Bank Bonds to be redeemed plus accrued interest, if any, to the redemption date.

MANDATORY SINKING FUND REDEMPTION

The 2005C Bonds of each subseries are subject to mandatory redemption prior to maturity (to the extent that such 2005C Bonds in the principal amount otherwise required to be redeemed have not been previously purchased by the City), in part, as drawn by lot by the Fiscal Agent, subject to prior Bank Bond redemption, from moneys as required to be deposited for that purpose in the Sinking Fund on June 15 of the following years at a redemption price equal to 100% of the principal amount of each such 2005C Bond to be redeemed, plus accrued interest to the date of redemption according to the following schedules:

2005 Sub-Series C-1

Year	Amount	Year	Amount
2012	$3,350,000	2019	$6,100,000
2013	$3,750,000	2020	$6,500,000
2014	$4,100,000	2021	$6,850,000
2015	$4,500,000	2022	$7,150,000
2016	$4,900,000	2023	$7,450,000
2017	$5,350,000	2024	$7,700,000
2018	$5,700,000	2025*	$7,900,000

* Final Maturity

2005 Sub-Series C-2

Year	Amount	Year	Amount
2012	$3,350,000	2019	$6,100,000
2013	$3,750,000	2020	$6,500,000
2014	$4,100,000	2021	$6,850,000
2015	$4,500,000	2022	$7,150,000
2016	$4,900,000	2023	$7,450,000
2017	$5,350,000	2024	$7,700,000
2018	$5,700,000	2025*	$7,900,000

* Final Maturity

MANDATORY REDEMPTION OF BANK BONDS

Any Bank Bonds from time to time outstanding shall be subject to mandatory redemption in the amounts and at the times and at the redemption prices specified therefor in the applicable Liquidity Facility or other agreements with the Liquidity Provider applicable thereto.

Notwithstanding anything to the contrary, any Bank Bonds shall be selected for redemption prior to the selection of any other Bonds.

NOTICE OF REDEMPTION

As provided more fully in the General Ordinance and in the forms of the 2005C Bonds, notice of redemption of the 2005C Bonds shall be given by the Fiscal Agent by mailing a copy of the redemption notice by first class mail, postage prepaid, to each Holder of 2005C Bonds to be redeemed at such Holder's registered address as it appears in the Bond Register, not less than thirty (30) or more than sixty (60) days prior to the redemption date. Each notice shall be given in the name of the City and shall contain the CUSIP number, and, in the case of partial redemption of any subseries of 2005C Bonds, the certificate numbers and the respective principal amounts of the 2005C Bonds to be redeemed, the publication date, the redemption date, the redemption price and the name and address of the redemption agent, and shall further identify the subseries of 2005C Bonds by date of issue, interest rate and maturity date. Failure to mail any notice or any defect in a mailed notice or in the mailing thereof in respect of any notice shall not affect the validity of the redemption proceedings. If at the time of mailing notice of redemption the City shall not have deposited with the Fiscal Agent moneys sufficient to redeem the applicable 2005C Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of the redemption moneys with the Fiscal Agent not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited. Notice having been given and funds having been deposited in the Sinking Fund in accordance with the requirements of the General Ordinance, all interest on the 2005C Bonds called for redemption shall cease accruing from the date fixed for redemption.

SECURITY FOR THE 2005C BONDS

PLEDGE OF PROJECT REVENUES AND FUNDS

Pursuant to the General Ordinance, the City has covenanted that the 2005C Bonds, together with all other parity Airport Revenue Bonds issued under and outstanding or subject to the General Ordinance, are and will be equally and ratably secured by a lien on and security interest in (i) Project Revenues (as defined below); (ii) amounts payable to the City under a Qualified Swap; (iii) all amounts on deposit in or credited to the Aviation Funds (including the Parity Sinking Fund Reserve Account), except for amounts deposited into any Non-Parity Sinking Fund Reserve Subaccount; and (iv) proceeds of the foregoing (subsections (i) through (iv) are collectively referred to herein as the "Pledged Amounts"). See APPENDIX II - "SUMMARY OF AUTHORIZATIONS FOR THE 2005C BONDS - The Amended and Restated General Airport Revenue Bond Ordinance - Summary of Operative Provisions of the General Ordinance Pledge of Revenues; Grant of Security Interest; Limitation on Recourse." To the extent that the Fiscal Agent maintains such Pledged Amounts, the Fiscal Agent shall hold and apply the Pledged Amounts in trust, for the equal and ratable benefit and security of all Holders of parity Airport Revenue Bonds issued under or subject to the General Ordinance. The General Ordinance provides that such Pledged Amounts may also be pledged for the benefit of a letter of credit issuer, municipal bond insurance provider, standby purchaser, swap provider or any other person who undertakes to provide moneys for the account of the City for the payment of principal or redemption price of and interest on any series of Airport Revenue Bonds on an equal and ratable basis with Airport Revenue Bonds.

THE 2005C BONDS ARE LIMITED OBLIGATIONS OF THE CITY AND DO NOT PLEDGE THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY, OR CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE ANY LIEN AGAINST ANY PROPERTY OF THE CITY, OTHER THAN AGAINST THE PLEDGED AMOUNTS THEREFOR.

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

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

CERTAIN PROVISIONS OF GENERAL ORDINANCE EFFECTIVE UPON CITY ELECTION AND CERTAIN CONSENTS

Certain provisions of the General Ordinance relating to the Alternative Rate Covenant, become effective only upon the written election of the City and in certain circumstances, the consent of certain parties. Presently, the City has no plans to elect the Alternative Rate Covenant, however, the City may elect the Alternative Rate Covenant in the future. See APPENDIX II - "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS - The Amended and Restated General Airport Revenue Bond Ordinance."

City May Pledge Passenger Facility Charges Revenues.

Under federal law, the City is permitted under certain circumstances to include PFC Revenues in pledged airport revenues. However, the pledge of PFC Revenues is limited to the allowable costs of approved PFC projects ("PFC-Eligible" projects) and may not be used to pay debt service on any bonds issued to finance non-PFC-Eligible projects. The City may pledge PFC Revenues pursuant to a Supplemental Ordinance and such PFC Revenues shall constitute Pledged Amounts; *provided, however*, that if as a result of applicable law, rules and regulations, such PFC Revenues may only be pledged to secure one or more specified series of Airport Revenue Bonds, Pledged PFC Revenues and proceeds thereof shall constitute Pledged Amounts solely with respect to such series of Airport Revenue Bonds; provided, further, that PFC Revenues shall not constitute Pledged Amounts or Amounts Available for Debt Service unless the City first receives written confirmation from all Rating Agencies then rating any Airport Revenue Bonds outstanding under the General Ordinance, that the pledge of PFC Revenues, in and of itself, will not result in a downgrade, suspension or withdrawal of rating on any outstanding Airport Revenue Bonds, without taking into account Airport Revenue Bonds the rating on which is based upon a Credit Facility for such Airport Revenue Bonds, provided that if all outstanding Airport Revenue Bonds are rated based upon a Credit Facility, then PFC Revenues may be pledged only upon receipt by the City of written consent by the providers of such Credit Facilities. See "THE AIRPORT SYSTEM – Funding Sources for Airport System Capital Improvement Projects – Passenger Facility Charges" for additional information concerning the impact of federal law on the City's ability to collect and pledge, respectively, PFCs and PFC Revenues. The City was permitted and did pledge PFC Revenues to secure payment of the 1998B Bond, the 2010D Bonds and the 2011A Bonds.

"PFC Revenues" means PFCs paid to the City as a result of enplanements at the Airport, together with investment earnings thereon. "Pledged PFC Revenues" means the PFC Revenues pledged by the City pursuant to a Supplemental Ordinance, subject to the following limitation: at no time shall the amount of PFC Revenues pledged to the 1998B Bond, the 2010D Bonds and the 2011A Bonds outstanding in any year exceed the lesser of (a) 70% of the amount of all PFCs actually paid to the City in that year, or (b) 75% of total debt service on such series of Airport Revenue Bonds in that year.

Pledged PFC Revenues shall be in the amount described above with respect to the PFC-Pledge Bonds on an annual basis, such lien and security interest to be held on an equal and ratable basis without preference or priority except as may be otherwise provided in or arise from the terms of a pertinent Supplemental Ordinance, as referred to in the next sentence concerning the respective PFC-Pledge Bonds, with any lien and security interest hereafter created with respect to (i) any bonds issued pursuant to a Supplemental Ordinance to the General Ordinance pursuant to which PFC Revenues are pledged, and (ii) any other obligations of the City with respect to which PFC Revenues are pledged. Such pledge shall be equal to one hundred percent of the annual amount of the PFC eligible debt service on the PFC-Pledge Bonds; *provided, however*, that the lien and security interest created with respect to the Pledged PFC Revenues securing: (i) the 1998B Bond shall have first priority with respect to all Pledged PFC Revenues up to an amount in any year equal to the PFC Revenues pledged to the 1998B Bond in such year and (ii) the 2010D Bonds, the 2011A Bonds and any future bonds that are issued for PFC-Eligible projects (to the extent the City pledges PFC Revenues pursuant to a Supplemental Ordinance) will have a second priority parity lien with respect to all Pledged PFC Revenues up to an amount in any year equal to the PFC Revenues pledged for such PFC-Eligible projects. As such, at the time when no portion of the 1998B Bond remains outstanding, the 2010D Bonds, the 2011A Bonds and any future bonds that are issued for PFC-Eligible projects (to the extent the City pledges PFC Revenues pursuant to a Supplemental Ordinance) will share a first priority parity lien with respect to all Pledged PFC Revenues up to an amount in any year equal to the PFC Revenues pledged for such PFC-Eligible projects.

In addition to the previously issued Airport Revenue Bonds, including the 2005A Bonds, 2005C Bonds, 2007A Bonds, 2007B Bonds, 2009A Bonds, 2010A Bonds, 2010B Bonds, 2010C Bonds, 2010D Bonds, 2011A Bonds and 2011B Bonds, the City issued solely to the Philadelphia Authority for Industrial Development ("PAID") the 1998B Bond, in the original aggregate principal amount of $443,700,000 to acquire a capital leasehold interest in two new terminals, Terminal A West and Terminal F, and related improvements at the Airport (See "THE AIRPORT SYSTEM – Recently Completed and In Progress Capital Improvement Projects"), which 1998B Bond is also secured by Pledged PFC Revenues. The 1998B Bond, the 2010D Bonds and the 2011A Bonds are the only three series of Airport Revenue Bonds additionally secured by a pledge of Pledged PFC Revenues.

Flow of Funds and Application of Project Revenues

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

(a) to pay such sums constituting Net Operating Expenses in a timely manner;

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

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

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

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

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

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

(h) to pay any Interdepartment Charges;

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

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

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

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

---

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

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

In accordance with the provisions of the General Ordinance and the Airline Agreement, the balance of moneys on deposit in the Bond Redemption and Improvement Account shall equal the "Bond Redemption and Improvement Requirement." For the sole purpose of establishing the Bond Redemption and Improvement Requirement, and expressly not for the purpose of establishing a debt service reserve fund as set forth in the General Ordinance, the Bond Redemption and Improvement Requirement shall mean an amount not to exceed the lesser of (1)the amount of Debt Service Reserve Surety Bonds fulfilling the City's Sinking Fund Reserve requirements, or (2)such dollar amount required to maintain a dollar balance in the Bond Redemption and Improvement Account equal to twenty-five percent (25%) of the Debt Service Requirement. At the termination of the Airline Agreement, it is the City's intention to retain the balance in the Bond Redemption and Improvement Account in an Airport related account with substantially the same purpose.

(k) O&M Account. The O&M Account is available for use by the City for the payment of Operating Expenses in the City's sole discretion in the event the then current Airport Revenues allocated to Operating Expenses in the Annual Budget are deemed to be insufficient.

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

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

SINKING FUND RESERVE ACCOUNT

Under the General Ordinance, the City is required to maintain a parity Sinking Fund Reserve Account within the Sinking Fund known as the Parity Sinking Fund Reserve Account. The City is required to maintain an aggregate balance in the Parity Sinking Fund Reserve Account for all Airport Revenue Bonds which are to be secured by the Parity Sinking Fund Reserve Account, equal to the lesser of (a) the greatest amount of Debt Service Requirements on Airport Revenue Bonds payable in any one Fiscal Year, determined as of any particular date, or (b) the maximum amount permitted by the Internal Revenue Code of 1986, as amended (the "Code"), to be maintained without yield restriction for bonds, the interest on which is not includable in gross income for Federal income tax purposes; provided, however, that additional Airport Revenue Bonds may be secured by a Non-Parity Sinking Fund Reserve Account under certain circumstances. See APPENDIX II – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS - The Amended and Restated General Airport Revenue Bond Ordinance - Summary of Operative Provisions of the General Ordinance - Establishment of Funds and Accounts."

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

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

Under the General Ordinance, in lieu of the required deposits into the Sinking Fund Reserve Account, the City may cause to be deposited in such Account an unconditional and irrevocable surety bond, an insurance policy or an irrevocable letter of credit in the required amount.

2005C PARITY SINKING FUND RESERVE LETTER OF CREDIT

TD Bank, N.A., will deliver to the Fiscal Agent an irrevocable, direct-pay letter of credit (the "2005C Parity Sinking Fund Reserve Letter of Credit") to be held to the credit of the Parity Sinking Fund Reserve Account established in accordance with the General Ordinance, which 2005C Parity Sinking Fund Reserve Letter of Credit shall constitute a Sinking Fund Reserve Facility for the 2005C Bonds under the Ordinance, pursuant to a Reimbursement Agreement, dated as of December

1, 2011 between the City and TD Bank, N.A. (the "Reimbursement Agreement for the 2005C Parity Sinking Fund Reserve"). The 2005C Sinking Fund Reserve Letter of Credit will replace a letter of credit issued by T.D. Bank, N.A. on December 23, 2008.

The 2005C Parity Sinking Fund Reserve Letter of Credit will be in the original stated amount of $18,690,850 (the "Letter of Credit Amount"). The Fiscal Agent is authorized to request a drawing under the Letter of Credit with respect to (i) the payment of principal of and/or interest of the Airport Revenue Bonds in accordance with Section 4.09 of the General Ordinance due to insufficiency of funds in the Debt Service Account (as defined in the General Ordinance) of the Sinking Fund (as defined in the General Ordinance) established under the General Ordinance; (ii) for the full Letter of Credit Amount as required by Section 4.09 of the General Ordinance because the rating assigned to the Bank by one or more of the Rating Agencies maintaining a rating for the Airport Revenue Bonds has been reduced below the second highest rating category (without respect to gradations).

The City agrees to reimburse the Bank for the full amount of any drawing immediately upon payment by the Bank of each such drawing and on the date of each such payment. If the City does not make such reimbursement on such date, such reimbursement obligation shall bear interest at the rate per annum specified in the Reimbursement Agreement for the 2005C Parity Sinking Fund Reserve.

The 2005C Parity Sinking Fund Reserve Letter of Credit expires on the Termination Date, which shall mean the earliest of (i) the date on which the Letter of Credit Amount is reduced to zero pursuant to the terms of the 2005C Parity Sinking Fund Reserve Letter of Credit, and (ii) December 23, 2016, or if such date is extended pursuant to the terms of the Reimbursement Agreement for the 2005C Parity Sinking Fund Reserve, the date as so extended. The 2005C Parity Sinking Fund Reserve Letter of Credit shall automatically terminate at the close of business on the Termination Date.

RENEWAL FUND

The General Ordinance establishes a renewal fund (the "Renewal Fund") in the amount of $2,500,000 (the "Renewal Fund Requirement"). The amount required to be maintained in the Renewal Fund may be increased or decreased from time to time as determined by the Consultant. The Renewal Fund is maintained by the Fiscal Agent and, under the General Ordinance, may be used (1) to pay the cost of major repairs, renewals and replacements of Airport System facilities for purposes of meeting unforeseen contingencies and emergencies arising from the operation of the Airport System, (2) to pay expenses chargeable as Operating Expenses if Project Revenues are insufficient, for whatever reason, to cover such Operating Expenses in any Fiscal Year, (3) to pay debt service on Airport Revenue Bonds, or (4) to repay any loan from the Aviation Capital Fund to the Aviation Operating Fund, in accordance with the requirements of the General Ordinance. If the amount in the Renewal Fund drops below the Renewal Fund Requirement, such deficiency must be restored by regular quarterly deposits from Project Revenues which shall not be required to exceed the total of $500,000 in any Fiscal Year. If the monies and investments in the Renewal Fund are in excess of the Renewal Fund Requirement, the amount of such excess, on order of the Director of Finance, shall be paid over by the City to the Debt Service Account of the Sinking Fund, to be used and applied as are all other moneys deposited in or on deposit therein.

RATE COVENANT

The City covenants with the holders of the 2005C Bonds, that it will, at a minimum, impose, charge and recognize as revenues in each Fiscal Year such rentals, charges and fees as shall, together with that portion of the Aviation Operating Fund balance attributable to Amounts Available for Debt Service and carried forward at the beginning of such Fiscal Year and together with all other Amounts Available for Debt Service to be received in such Fiscal Year, be equal to not less than the greater of:

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

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

For a further discussion of the funds and accounts, priority of payment, the Rate Covenant, the Alternative Rate Covenant which may be elected by the City, and other provisions of the General Ordinance, see APPENDIX II - "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS - The Amended and Restated General Airport Revenue Bond Ordinance."

ISSUANCE OF ADDITIONAL AIRPORT REVENUE BONDS

The General Ordinance permits the issuance of Additional Bonds which, except as otherwise provided in the General Ordinance, will be equally and ratably secured with the 2005C Bonds and all other outstanding parity Bonds issued under and/or subject to the General Ordinance. Additional Bonds may be issued under the General Ordinance to pay the costs of Projects relating to the Airport System, to reimburse the City for the prior payment of such costs, to fund any such costs for which the City shall have outstanding obligations, to refund Bonds of the City previously issued for such purposes or to finance other costs relating to the Airport System permitted under the Act; provided that, among other requirements, in each case other than certain refundings of Bonds, the City obtains reports of the Consultants stating, among other things, that (i) for either the immediately preceding Fiscal Year of the City, or any period of 12 full consecutive months during the 18-month period preceding the delivery of the Consultants' reports, the Airport System yielded pledged Amounts Available for Debt Service, sufficient to satisfy the Rate Covenant, (ii) the Airport System will, in the opinion of the Consultant, yield pledged Amounts Available for Debt Service for each of the five Fiscal Years (or three Fiscal Years in the event that the Consultant is professionally unable to provide an opinion for a period in excess of three Fiscal Years) ended immediately following the issuance of the 2005C Bonds, sufficient to comply with the Rate Covenant, and (iii) a statement that the Airport System is in good operating condition or that adequate steps are being taken to return the Airport System to good operating condition. For a discussion of the issuance and assumption of additional Bonds under the General Ordinance, see APPENDIX II - "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS - The Amended and Restated General Airport Revenue Bond Ordinance - Summary of Operative Provisions of the General Ordinance - Conditions of and Provisions Relating to Issuing Bonds."

AUTHORIZATION FOR POSSIBLE TRANSFER OF AIRPORT SYSTEM

The General Ordinance provides that, under certain circumstances, the City has the ability to transfer the Airport System to a municipal authority created pursuant to the Municipality Authorities Act, or to an authority created pursuant to other authorizing legislation or to another entity which will assume the obligations evidenced by the outstanding Bonds. See APPENDIX II - "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS - The Amended and Restated General Airport Revenue Bond Ordinance - Summary of Operative Provisions of the General Ordinance -- Conveyance of System and Assignment, Assumption and Release of Obligations" for a summary of the conditions which must be satisfied prior to any such transfer.

SUMMARY OF CERTAIN PROVISIONS OF THE LETTERS OF CREDIT AND REIMBURSEMENT AGREEMENTS

Certain provisions of the Letters of Credit and the Reimbursement Agreements are summarized below, and such summary is qualified in its entirety by reference to the Letters of Credit and the Reimbursement Agreements.

TD BANK, N.A.

General. The 2005C-1 Bank has agreed to issue, in favor of the Fiscal Agent and the Tender Agent on behalf of the owners of the 2005C-1 Bonds, and pursuant to the Reimbursement Agreement, dated as of December 1, 2011 (the "2005C-1 Reimbursement Agreement"), between the City and the 2005C-1 Bank, an irrevocable transferable direct pay letter of credit in support of the 2005C-1 Bonds (the "2005C-1 Letter of Credit").

Under the 2005C-1 Reimbursement Agreement, the City has agreed to pay to the 2005C-1 Bank an amount equal to all amounts drawn under the 2005C-1 Letter of Credit, together with interest on any such amounts from the date of the drawing to the day of repayment. The City has also agreed to pay certain fees and expenses of the 2005C-1 Bank in connection with the issuance of the 2005C-1 Letter of Credit.

The 2005C-1 Letter of Credit and the 2005C-1 Reimbursement Agreement each contain various provisions, covenants and conditions, certain of which are summarized below. Various words or terms used in the following summary are defined elsewhere in this Remarketing Circular, the 2005C-1 Letter of Credit or the 2005C-1 Reimbursement Agreement, and reference is made thereto for a full understanding of their import.

THE 2005C-1 LETTER OF CREDIT

The 2005C-1 Letter of Credit will be issued in an amount equal to $82,970,548 (the "Stated Amount"), of which, up to $81,300,000 is available for the payment of the unpaid principal of the 2005C-1 Bonds, and up to $1,670,548 is available for the payment of unpaid interest accrued on the 2005C-1 Bonds. The 2005C-1 Letter of Credit will permit the Fiscal Agent and the Tender Agent to draw an amount sufficient to pay (i) the maturing principal of the 2005C-1 Bonds, and (ii) the interest coming due on the 2005C-1 Bonds up to 50 days' interest at a maximum rate of 15% per annum calculated on the basis of a 365-day year, all as described and subject to certain limitations and other terms as described in the 2005C-1 Letter of Credit. The 2005C-1 Letter of Credit is an irrevocable direct pay obligation of the 2005C-1 Bank to pay to the Fiscal Agent and the Tender Agent, upon timely demand and in accordance with the terms thereof, the Stated Amount of the 2005C-1 Letter of Credit, as said Stated Amount may be reduced and reinstated as provided therein.

The 2005C-1 Letter of Credit will be effective upon the remarketing of the 2005C-1 Bonds. The 2005C-1 Letter of Credit will terminate on the earliest to occur of (i) the 2005C-1 Bank's honoring a Final Drawing presented under the 2005C-1 Letter of Credit, (ii) on the date the 2005C-1 Bank receives a certificate signed by the Fiscal Agent accompanied by the 2005C-1 Letter of Credit stating that the City has provided and the Fiscal Agent has accepted a substitute or replacement Alternate Liquidity Facility in accordance with the terms of the Variable Rate Securities Agreement and following the payment by the 2005C-1 Bank of any drawing related thereto, (iii) the twelfth (12th) calendar day (or the next Business Day if such twelfth day is not a Business Day) after the date that the 2005C-1 Bank provides to the Fiscal Agent the notice of a mandatory tender that an Event of Default has occurred under the 2005C-1 Reimbursement Agreement, (iv) on the date on which the 2005C-1 Bank receives a certificate signed by the Fiscal Agent accompanied by the 2005C-1 Letter of Credit stating that (a) a Conversion to an Interest Rate Period other than a Daily Interest Rate Period or a Weekly Interest Rate Period has occurred pursuant to the Variable Rate Securities Agreement and following the payment by the Bank of any Drawing related thereto or (b) that there are no Bonds Outstanding under the General Ordinance, or (v) 5:00 p.m. (New York, New York Time) on December 23, 2016, or such later date agreed to by the City and the 2005C-1 Bank under the 2005C-1 Reimbursement Agreement.

The 2005C-1 Letter of Credit may only be drawn on by the Fiscal Agent and the Tender Agent or by a transferee that has succeeded to the duties of the Fiscal Agent and the Tender Agent and to whom the 2005C-1 Letter of Credit has been properly transferred in accordance with its terms.

EVENTS OF DEFAULT UNDER 2005C-1 REIMBURSEMENT AGREEMENT

The following events constitute events of default under the 2005C-1 Reimbursement Agreement:

(a) failure of the City to (i) repay a credit advance in full on the date of the related drawing or (ii) make timely payments of principal and interest on the Bank Bonds, in the amounts and on the dates, when due;

(b) default in the payment of (i) any fee required to be paid when and as due as provided in the 2005C-1 Reimbursement Agreement or in the Fee Letter; or (ii) except as described in the 2005C-1 Reimbursement Agreement, any other Obligation required to be paid or reimbursed to the Bank under the 2005C-1 Reimbursement Agreement or the Fee Letter when and as due, and such default in payment shall continue for four (4) calendar days;

(c) any material representation or warranty made by the City in the General Ordinance, the 2005C-1 Reimbursement Agreement (or incorporated therein by reference), the Fee Letter, any of the other Related Documents or any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with the General Ordinance, the 2005C-1 Reimbursement Agreement, the Fee Letter or any of the other Related Documents shall prove to have been incorrect, incomplete or misleading in any material respect when made or deemed made;

(d) failure of the City to perform or observe any term, covenant, agreement or condition contained in, or there shall occur any default under or as defined in, (i) any other agreement between the City and the 2005C-1 Bank or (ii) any other agreement by which it is bound involving a material liability of the City relating to the Airport System, which default under clause (i) or (ii) above shall not be remedied within the period of time (if any) within which such agreement permits such default to be remedied;

(e) default in the due observance or performance by the City of certain covenants set forth in the 2005C-1 Reimbursement Agreement;

(f) default in the due observance or performance by the City of any other term, covenant or agreement set forth in the 2005C-1 Reimbursement Agreement and the continuance of such default for thirty (30) days after the City is aware of the occurrence thereof;

(g) any material provision of the General Ordinance, the 2005C-1 Reimbursement Agreement, the Fee Letter or any of the other Related Documents shall cease to be valid and binding, or the City shall contest any such provision, or the City or any agent or trustee on behalf of the City shall deny that it has any or further liability under the General Ordinance, the 2005C-1 Reimbursement Agreement, the Fee Letter or any of the other Related Documents;

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

(i) the City commences any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any state or federal bankruptcy or insolvency law or any dissolution or liquidation proceeding;

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

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

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

(m) a judgment or judgments payable from any Pledged Amounts is entered, or an order or orders of any Governmental Authority is issued against the City, (i) for payment of money, which judgment or judgments in the aggregate, exceed $10,000,000 outstanding at any one time which is not fully covered by a valid insurance policy issued by an insurer that is solvent at the time of such judgment and has not refused coverage; or (ii) for injunctive or declaratory relief which judgment would reasonably be expected to have a Material Adverse Effect on the Airport System or Pledged Amounts; and such judgment is not discharged or execution thereon or enforcement thereof stayed pending appeal within sixty (60) days after entry or issuance thereof, or, in the event of such a stay, such judgment is not discharged within sixty (60) days after such stay expires, provided that no assets of the City are attached by the judgment creditor pending such stay or discharge; provided, however, that a default described in clause (i) and (ii) above shall not exist if funds equal to the amount of the judgment described in clause (i) and (ii) above are (x) included by the City's Division of Aviation ("DOA") in its calculation of airport rates and charges and paid from such rates and charges within sixty (60) days after entry or issuance of such judgment or (y) paid by the DOA within sixty (60) days after entry or issuance of such judgment from either (A) the DOA's Operating and Maintenance Account established under the General Ordinance, (B) the Bond Redemption and Improvement Account established under the General Ordinance, or (C) the Discretionary Account established under the General Ordinance;

(n) any termination event occurs under any Financial Products Agreement relating to Indebtedness (as such term is defined in such Financial Products Agreement), or a default or event of default (as defined in such Financial Products Agreement) otherwise occurs under any Financial Products Agreement relating to Indebtedness (subject to any applicable notice and cure provisions contained in such Financial Products Agreement), which results in an early termination date under such Financial Products Agreement properly occurring, the effect of which makes a termination payment by the City due and payable, and the City breaches its covenant with respect to the payment of such termination payment, as such covenant is set forth in the applicable Financial Products Agreement; or

(o) the unenhanced ratings assigned to the airport revenue bonds issued by the City pursuant to the General Ordinance by any two or all of the Rating Agencies are withdrawn or suspended for credit-related reasons or falls below Investment Grade.

REMEDIES UNDER 2005C-1 REIMBURSEMENT AGREEMENT

Upon the occurrence of any Event of Default under the 2005C-1 Reimbursement Agreement, the 2005C-1 Bank may exercise any one or more of the following rights and remedies in addition to any other remedies provided herein or by law:

(a) by notice to the City, subject to the provisions of the General Ordinance, declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the City, provided that upon the occurrence of an Event of Default under clauses (g), (h) or (i) under "Events of Default under 2005C-1 Reimbursement Agreement" above, such acceleration shall automatically occur (unless such automatic acceleration is waived by the 2005C-1 Bank, in writing);

(b) give notice of the occurrence of an Event of Default to the Fiscal Agent, directing the Fiscal Agent to cause an immediate mandatory tender of the 2005C-1 Bonds and a drawing under the Letter of Credit, thereby causing the 2005C-1 Letter of Credit to expire effective on the 12th calendar day (or the next Business Day if such 12th days is not a Business Day) after the date that the Bank gives such notice to the Fiscal Agent;

(c) pursue any rights and remedies it may have under the 2005C-1 Reimbursement Agreement, under the General Ordinance or under any of the other Related Documents; and

(d) pursue any other action available at law or in equity.

From and after the occurrence of an Event of Default until cured, all Obligations under the 2005C-1 Reimbursement Agreement shall bear interest at the Default Rate.

ROYAL BANK OF CANADA

General. The 2005C-2 Bank has agreed to issue, in favor of the Fiscal Agent and the Tender Agent on behalf of the owners of the 2005C-2 Bonds, and pursuant to the Reimbursement Agreement, dated as of December 1, 2011 (the "2005C-2 Reimbursement Agreement"), between the City and the 2005C-2 Bank, an irrevocable transferable direct pay letter of credit in support of the 2005C-2 Bonds (the "2005C-2 Letter of Credit").

Under the 2005C-2 Reimbursement Agreement, the City has agreed to pay to the 2005C-2 Bank an amount equal to all amounts drawn under the 2005C-2 Letter of Credit, together with interest on any such amounts from the date of the drawing to the day of repayment. The City has also agreed to pay certain fees and expenses of the 2005C-2 Bank in connection with the issuance of the 2005C-2 Letter of Credit.

The 2005C-2 Letter of Credit and the 2005C-2 Reimbursement Agreement each contain various provisions, covenants and conditions, certain of which are summarized below. Various words or terms used in the following summary are defined elsewhere in this Remarketing Circular, the 2005C-2 Letter of Credit or the 2005C-2 Reimbursement Agreement, and reference is made thereto for a full understanding of their import.

THE 2005C-2 LETTER OF CREDIT

The 2005C-2 Letter of Credit will be issued in an amount equal to $82,970,548 (the "Stated Amount"), of which, up to $81,300,000 is available for the payment of the unpaid principal of the 2005C-2 Bonds, and up to $1,670,548 is available for the payment of unpaid interest accrued on the 2005C-2 Bonds. The 2005C-2 Letter of Credit will permit the Fiscal Agent and the Tender Agent to draw an amount sufficient to pay (i) the maturing principal of the 2005C-2 Bonds, and (ii) the interest coming due on the 2005C-2 Bonds up to 50 days' interest at a maximum rate of 15% per annum calculated on the basis of a 365-day year, all as described and subject to certain limitations and other terms as described in the 2005C-2 Letter of Credit. The 2005C-2 Letter of Credit is an irrevocable direct pay obligation of the 2005C-2 Bank to pay to the Fiscal Agent and the Tender Agent, upon timely demand and in accordance with the terms thereof, the Stated Amount of the 2005C-2 Letter of Credit, as said Stated Amount may be reduced and reinstated as provided therein.

The 2005C-2 Letter of Credit will be effective upon the remarketing of the 2005C-2 Bonds. The 2005C-2 Letter of Credit will terminate on the earliest to occur of (a) the payment by the 2005C-2 Bank of the final drawing available to be made under the 2005C-2 Letter of Credit which is not subject to reinstatement, (b) the Bank's close of business in New York City on December 23, 2014 (as such date may be extended pursuant to the terms of the 2005C-2 Reimbursement Agreement),

(c) the Bank's receipt of the Fiscal Agent's certificate notifying the Bank that (i) fifteen days prior to the date thereof, all of the outstanding 2005C-2 Bonds were converted to bear interest at a rate other than the Weekly Rate or Daily Rate, (ii) all of the outstanding 2005C-2 Bonds have been paid, redeemed or purchased and canceled, (iii) the 2005C-2 Letter of Credit has been replaced by an Alternate Liquidity Facility, and, in each of such cases, payment by the Bank of any drawing under the 2005C-2 Letter of Credit relating thereto, and (d) the twelfth (12th) calendar day (or the next Business Day if such twelfth day is not a Business Day) after the date that the 2005C-2 Bank provides to the Fiscal Agent the notice of a mandatory tender that an event of default has occurred under the 2005C-2 Reimbursement Agreement.

The 2005C-2 Letter of Credit may only be drawn on by the Fiscal Agent and the Tender Agent or by a transferee that has succeeded to the duties of the Fiscal Agent and the Tender Agent and to whom the 2005C-2 Letter of Credit has been properly transferred in accordance with its terms.

EVENTS OF DEFAULT UNDER 2005C-2 REIMBURSEMENT AGREEMENT

The following events constitute events of default under the 2005C-2 Reimbursement Agreement:

(a) failure of the City to (i) repay a credit advance in full on the date of the related drawing or (ii) make timely payments of principal and interest on the Bank Bonds, in the amounts and on the dates, when due;

(b) default in the payment of (i) any fee required to be paid when and as due as provided in the 2005C-2 Reimbursement Agreement or in the Fee Letter; or (ii) except as described in the 2005C-2 Reimbursement Agreement, any other Obligation required to be paid or reimbursed to the Bank under the 2005C-2 Reimbursement Agreement or the Fee Letter when and as due, and such default in payment shall continue for four (4) calendar days;

(c) any material representation or warranty made by the City in the General Ordinance, the 2005C-2 Reimbursement Agreement (or incorporated therein by reference), the Fee Letter, any of the other Related Documents or any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with the General Ordinance, the 2005C-2 Reimbursement Agreement, the Fee Letter or any of the other Related Documents shall prove to have been incorrect, incomplete or misleading in any material respect when made or deemed made;

(d) failure of the City to perform or observe any term, covenant, agreement or condition contained in, or there shall occur any default under or as defined in, (i) any other agreement between the City and the 2005C-2 Bank or (ii) any other agreement by which it is bound involving a material liability of the City relating to the Airport System, which default under clause (i) or (ii) above shall not be remedied within the period of time (if any) within which such agreement permits such default to be remedied;

(e) default in the due observance or performance by the City of certain covenants set forth in the 2005C-2 Reimbursement Agreement;

(f) default in the due observance or performance by the City of any other term, covenant or agreement set forth in the 2005C-2 Reimbursement Agreement and the continuance of such default for thirty (30) days after the City is aware of the occurrence thereof;

(g) any material provision of the General Ordinance, the 2005C-2 Reimbursement Agreement, the Fee Letter or any of the other Related Documents shall cease to be valid and binding, or the City shall contest any such provision, or the City or any agent or trustee on behalf of the City shall deny that it has any or further liability under the General Ordinance, the 2005C-2 Reimbursement Agreement, the Fee Letter or any of the other Related Documents;

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

(i) the City commences any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any state or federal bankruptcy or insolvency law or any dissolution or liquidation proceeding;

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

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

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

(m) a judgment or judgments payable from any Pledged Amounts is entered, or an order or orders of any Governmental Authority is issued against the City, (i) for payment of money, which judgment or judgments in the aggregate, exceed $10,000,000 outstanding at any one time which is not fully covered by a valid insurance policy issued by an insurer that is solvent at the time of such judgment and has not refused coverage; or (ii) for injunctive or declaratory relief which judgment would reasonably be expected to have a Material Adverse Effect on the Airport System or Pledged Amounts; and such judgment is not discharged or execution thereon or enforcement thereof stayed pending appeal within sixty (60) days after entry or issuance thereof, or, in the event of such a stay, such judgment is not discharged within sixty (60) days after such stay expires, provided that no assets of the City are attached by the judgment creditor pending such stay or discharge; provided, however, that a default described in clause (i) and (ii) above shall not exist if funds equal to the amount of the judgment described in clause (i) and (ii) above are (x) included by the City's Division of Aviation ("DOA") in its calculation of airport rates and charges and paid from such rates and charges within sixty (60) days after entry or issuance of such judgment or (y) paid by the DOA within sixty (60) days after entry or issuance of such judgment from either (A) the DOA's Operating and Maintenance Account established under the General Ordinance, (B) the Bond Redemption and Improvement Account established under the General Ordinance, or (C) the Discretionary Account established under the General Ordinance;

(n) any termination event occurs under any Financial Products Agreement relating to Indebtedness (as such term is defined in such Financial Products Agreement), or a default or event of default (as defined in such Financial Products Agreement) otherwise occurs under any Financial Products Agreement relating to Indebtedness (subject to any applicable notice and cure provisions contained in such Financial Products Agreement), which results in an early termination date under such Financial Products Agreement properly occurring, the effect of which makes a termination payment by the City due and payable, and the City breaches its covenant with respect to the payment of such termination payment, as such covenant is set forth in the applicable Financial Products Agreement; or

(o) any unenhanced rating assigned to the airport revenue bonds issued by the City pursuant to the General Ordinance by Moody's, S&P or Fitch is withdrawn or suspended for credit-related reasons or falls below "Baa2," "BBB" or "BBB," respectively.

REMEDIES UNDER 2005C-2 REIMBURSEMENT AGREEMENT

Upon the occurrence of any Event of Default under the 2005C-2 Reimbursement Agreement, the 2005C-2 Bank may exercise any one or more of the following rights and remedies in addition to any other remedies provided herein or by law:

(a) by notice to the City, subject to the provisions of the General Ordinance, declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the City, provided that upon the occurrence of an Event of Default under clauses (g), (h) or (i) under "Events of Default under 2005C-2 Reimbursement Agreement" above, such acceleration shall automatically occur (unless such automatic acceleration is waived by the 2005C-2 Bank, in writing);

(b) give notice of the occurrence of an Event of Default to the Fiscal Agent, directing the Fiscal Agent to cause an immediate mandatory tender of the 2005C-2 Bonds and a drawing under the Letter of Credit, thereby causing the 2005C-2 Letter of Credit to expire effective on the twelfth (12th) calendar day (or the next Business Day if such twelfth day is not a Business Day) after the date that the 2005C-2 Bank gives such notice to the Fiscal Agent;

(c) pursue any rights and remedies it may have under the 2005C-2 Reimbursement Agreement, under the General Ordinance or under any of the other Related Documents; and

(d) pursue any other action available at law or in equity.

From and after the occurrence of an Event of Default until cured, all Obligations under the 2005C-2 Reimbursement Agreement shall bear interest at the Default Rate.

THE BANKS

TD Bank, N.A., a national banking association organized under the laws of the United States, with its principal executive offices located in Cherry Hill, New Jersey, will be issuing its irrevocable direct-pay letter of credit pursuant to the 2005C-1 Reimbursement Agreement to secure payments due on the 2005C-1 Bonds. See APPENDIX IV – "CERTAIN INFORMATION CONCERNING THE 2005C-1 BANK" for information related to the 2005C-1 Bank.

Royal Bank of Canada, a Schedule I bank under the *Bank Act* (Canada), with a federally licensed branch at Three World Trade Center, 200 Vesey Street, New York, New York, will be issuing its irrevocable direct-pay letter of credit pursuant to the 2005C-2 Reimbursement Agreement to secure payments due on the 2005C-2 Bonds. See APPENDIX V – "CERTAIN INFORMATION CONCERNING THE 2005C-2 BANK" for information related to the 2005C-2 Bank.

SOURCES OF PROJECT REVENUES UNDER THE GENERAL ORDINANCE

AIRPORT-AIRLINE USE AND LEASE AGREEMENTS

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

Between July 1, 2006 and June 30, 2007, all airlines serving the Airport operated under an Airport Rates and Charges Regulation (the "Regulation") adopted by the City on June 16, 2006. Since July 1, 2007, the City and the principal airlines serving the Airport have operated under the terms of a new Airport-Airline Use and Lease Agreement (the "Airline Agreement") to succeed the Prior Airline Agreement. The Airline Agreement has been executed by airlines accounting for substantially all of the landed aircraft weight at the Airport. The procedures in the Airline Agreement for setting airline rentals, fees, and charges are such as to ensure continued compliance with the Rate Covenant. The Airline Agreement was scheduled to expire on June 30, 2011. In June 2011, the Airline Agreement was extended for a two (2) year period and expires on June 30, 2013, unless earlier terminated as provided therein. The City and the principal airlines serving the Airport are currently in discussions regarding a successor Airport-Airline Use and Lease Agreement.

In the absence of a new Airline Agreement, the City has the power and authority to establish, charge and collect air carrier rates and charges by ordinance, subject to satisfaction of requirements of federal law. There follows a summary of certain provisions of the Airline Agreement. This summary is in all respects subject to and qualified by the complete, definitive form of the Airline Agreement in its entirety, copies of which are available from the Office of the Director of Finance at the address set forth under the heading "ADDITIONAL INFORMATION" herein. Certain capitalized terms in this summary are as defined in the Airline Agreement.

See APPENDIX II – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS" for a more detailed description of the provisions of the Airline Agreement.

COST CENTERS

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

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

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

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

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

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

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

ADJUSTMENT OF RENTALS, FEES, AND CHARGES

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

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

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

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

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

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

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

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

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

MAJORITY-IN-INTEREST APPROVAL OF CAPITAL EXPENDITURES

Under the Airline Agreement, Capital Expenditures are deemed approved by the Signatory Airlines unless they are specifically disapproved by a Majority-in-Interest. The Signatory Airlines pre-approved $250 million in Capital Expenditures as part of the June 2011 extension to the Airline Agreement. For any additional projects affecting Terminal Area rentals, fees, and charges, Majority-in-Interest is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of the passengers enplaned at the Airport during the preceding calendar year. For any additional projects affecting Airfield Area fees and charges, Majority-in-Interest is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of landed weight at the Airport during the preceding calendar year. Majority-in-Interest approval obligates the Signatory Airlines to pay rentals, fees, and charges as required to enable the City to comply with the Rate Covenant. The Signatory Airlines have pre-approved certain capital projects pursuant to Exhibit E-1 of the Airline Agreement.

Accommodation of Airlines

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

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

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

CERTAIN OTHER REVENUES

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

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

PHILADELPHIA PARKING AUTHORITY

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

Revenues under the Ground Lease with the Philadelphia Parking Authority. The PPA owns and operates five parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease that extends to December 31, 2030 or such time all bonds issued under PPA's bond indenture have been retired (the "Ground Lease"). The Ground Lease provides for payment of rent to the City (the "Rental Payment"), which is equal to gross receipts less operating expenses, debt service on PPA's bonds issued to finance improvements at the

Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The Rental Payments that were transferred from the PPA to the City's Aviation Operating Fund as rent on June 30, 2008, 2009 and 2010 were $33,570,037, $31,239,909 and $28,008,554, respectively. The decline between FY 2008 and FY 2010 resulted from a decrease in the number of originating passengers.

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

THE AIRPORT SYSTEM

GENERAL

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

The City is classified as a large air traffic hub by the Federal Aviation Administration (the "FAA"). According to the Airport Council International, in calendar year 2010, the Airport was ranked 18th in passenger traffic among U.S. airports and served a total of approximately 30.8 million passengers. Origin-destination traffic for Fiscal Year 2011 accounted for approximately 56% of annual passengers, with the remaining 44% being passengers who connected between flights.

MANAGEMENT OF THE AIRPORT SYSTEM

The Chief Executive Officer, Mark Gale, is responsible for the operation of the Division of Aviation. As of June 30**,** 2011, there were approximately 1000 persons employed by the City at the Airport.

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

Mark Gale, Chief Executive Officer. Mark Gale was appointed Chief Executive Officer (CEO) of Philadelphia International Airport (PHL) in December 2009. As CEO, Mr. Gale serves as the City's chief representative in local, state, national and international affairs, in marketing the Airport and improving air service. In this capacity, he is responsible for directing the planning, development and administration of all the activities of the City's Division of Aviation, including both Philadelphia International Airport and Northeast Philadelphia Airport and the management of about 800 Airport personnel. Mr. Gale served as Acting Director of Aviation from January 2009 to his appointment as CEO in December.

Prior to being named Acting Director of Aviation, Mr. Gale was Deputy Director of Aviation for Operations and Facilities since 2000. As Deputy Director, Mr. Gale led a group of managers directing the day-to-day critical airport functions, including all airport operations, and maintenance, safety/security, information technology, engineering design and construction. From 1996 to 2000, he served as the Airport's Operations Manager before being appointed Deputy Director. Mr. Gale originally began his career at the Airport in 1985 as an intern. After graduation, he returned to the Airport in early 1989 and has held a variety of positions during his tenure.

Mr. Gale holds a Bachelor's degree in Aeronautical Studies from Embry-Riddle Aeronautical University. Mr. Gale is an accredited member in the American Association of Airport Executives (AAAE) and also serves on AAAE's Board of Directors. Additionally, Mr. Gale currently serves on the Board of Directors for the Aviation Council of Pennsylvania, as well as the Philadelphia Convention and Visitors Bureau's Board of Directors Executive Committee.

Christine Derenick-Lopez, Chief of Staff. Christine Derenick-Lopez is the Chief of Staff at Philadelphia International Airport. Christine is responsible for overseeing the Airport's Marketing and Public Affairs unit, legislative affairs, strategic initiatives and serving as liaison to the City Law Department as well as assisting the CEO in a variety of Airport functions. She has more than 20 years of progressive public sector experience in human resources. Christine is currently serving as Philadelphia SHRM President-Elect. She also serves on the Hotel, Restaurant, Travel & Tourism Board, Philadelphia Academies Inc., as well as Airports Council International-North America/HR Steering Committee. Christine earned her BS degree in Business Administration from Mansfield University and has been Professional Human Resources certified since 1999.

Rochelle L. Cameron, Deputy Director of Aviation – Finance & Administration. Ms. Cameron is responsible for Airport financial and audit operations, capital program funding and administration, disadvantaged business programs, human resources management, procurement, contract management, risk management and materials management. Ms. Cameron joined the Division of Aviation in 2011 after 13 years with the Metropolitan Washington Airports Authority, where she oversaw Financial Strategy and Analysis for the entire Authority, Finance and Administration at Washington Dulles International Airport, the Inter-Terminal Concession Program at Ronald Reagan Washington National Airport and the Financial Management Division at Dulles. Ms. Cameron has more than 20 years experience in financial and business management and spent seven years as an active duty officer in the United States Air Force and one year as an Air Force civilian employee. Ms. Cameron holds a Bachelor of Arts degree in Political Science from the University of Notre Dame and a Masters degree in Business Administration from Auburn University at Montgomery. She is a Certified Public Accountant in the Commonwealth of Virginia and a member of the American Association of Airport Executives and the Government Financial Officers Association.

Keith J. Brune, Deputy Director of Aviation – Operations and Facilities. Mr. Brune was appointed Deputy Director of Aviation, Operations and Facilities, in October 2010. Mr. Brune is responsible for all Operations, Security, Facilities Maintenance and Engineering. Mr. Brune served as Acting Deputy Director, Operations and Facilities, from August 2009 to his appointment as Deputy Director. Mr. Brune started his career with Philadelphia International Airport as an Airport Operations Officer in 1991. Mr. Brune has also held positions as Airport Operations Superintendent, Acting Facilities Maintenance Manager and Airport Operations Manager. Mr. Brune holds Bachelor of Science and Master of Aeronautical Science degrees from Embry-Riddle Aeronautical University and is an Accredited Airport Executive with the American Association of Airport Executives. Mr. Brune is a member of the Board of Directors for the Delaware County Transportation Management Association, a member of several committees for both the American Association of Airport Executives and Airports Council International and has been a speaker at national and international aviation conferences. Mr. Brune is also a former adjunct instructor of aviation classes for Embry-Riddle Aeronautical University and Drexel University.

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

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

Thomas J. Becker, Assistant Director of Aviation – Budget and Central Services. Mr. Becker is responsible for the Airport's operating budget, rates and charges, administrative support and human resources functions, including payroll, labor relations, safety, and training. As part of the operating budget process, Mr. Becker coordinates budget issues with other city departments that utilize Aviation funds. He also serves as the Airport liaison with the Philadelphia Parking Authority (PPA) and Southeastern Pennsylvania Transportation Authority (SEPTA). Mr. Becker started to work for the City in 1984 and joined the Airport's accounting division in 1989. In 2002, he was appointed to his current position as Assistant Director and was selected as the Airport's Integrity Officer in 2007. Prior to joining the Airport, Mr. Becker served in various accounting and budget positions with the City's Accounting Bureau, Police Department and Office of Fleet Management. Mr. Becker holds a Bachelor of Science degree in Accounting from St. Joseph's University.

Tracy S. Borda, Assistant Director of Aviation – Audits and Contract Management. Ms. Borda is responsible for managing the funding of Airport capital projects, including the issuance of airport revenue bonds and securing grants; directing the Airport's audit, risk management, procurement, contract management and materials management; and serves as the liaison with bond rating agencies, and financial and legal advisors. She joined the Division of Aviation in 1995 and served as the Airport's Contract Audit Supervisor and later as the Airport Administrative Manager before being appointed to her current position. Ms. Borda holds an Masters degree in Business Administration from Temple University, a Bachelor of Science degree in Finance from Penn State University, and is a licensed Certified Public Accountant. Prior to joining the Airport, she served on the staff of the Office of the City Controller as a municipal auditor.

DESCRIPTION OF THE AIRPORT

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

Land. The Airport contains approximately 2,300 acres, which the City owns in fee simple subject only to certain liens or encumbrances which do not interfere with the orderly operation of the Airport.

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

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

Passenger Terminals. The passenger terminal complex, located north of the main runways, comprises seven terminal units, each providing a concourse for aircraft loading and unloading; a landside building for passenger ticketing, check-in, and security screening; and (except in the case of Terminal F) a separate baggage claim building. The landside buildings and baggage claim buildings are served by separate curbside roadway systems. The terminal complex provides a total of approximately 3.1 million square feet of space and 124 aircraft parking positions and associated facilities (gates).

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

All food, beverage and retail concessions in the terminal buildings are managed and operated under the Second Amended and Restated Master Lease, Development and Concession Agreement and Sub-Sublease Development and Concession Agreement (collectively, the "Master Lease Agreement") between the City and Marketplace Philadelphia Limited Partnership which was executed in January 2001 and extends through Fiscal Year 2013. The Master Lease Agreement provides for Marketplace Philadelphia to develop and manage Airport concessions showcasing national brands and local Philadelphia products. Approximately 130,000 square feet of space in the passenger terminals has been developed for concessions.

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

Public parking facilities, which are leased to and operated by the Philadelphia Parking Authority, consist of five multi-story garages and surface lots immediately north of the terminals (approximately 12,000 spaces) and a surface lot remote from the terminal complex and served by shuttle buses (approximately 6,800 spaces). A 50-acre site north of the terminal complex, designated the Outside Terminal Area, accommodates the parking garages as well as a hotel, rental car storage and maintenance sites, commercial ground transportation, and other facilities. The parking garages and hotel are connected directly to the terminals by enclosed walkways.

Seven car rental companies (Avis, Budget, Dollar, Enterprise, Hertz, National and Alamo) lease parking areas and areas adjacent to the baggage claim building for shuttle bus pickup and drop off. Although the car rental concessions are physically located in the Outside Terminal Area, the majority of the revenues payable by the car rental companies are Project Revenues.

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

Host Marriott Corporation operates a 14-story hotel with approximately 419-rooms on approximately three acres leased from the City adjacent to the Terminals A-B parking garage. It features a restaurant, lounge and an approximately 7,000 square foot grand ballroom.

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

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

US Airways opened a $22 million ground service equipment facility at the west end of the Airport in September 2011. The 56,000 square-foot building will handle repairs and upkeep on equipment that service US Airways' daily arrivals and departures to and from PHL. The building anticipates achievement of the Leadership in Energy and Environmental Design (LEED) Silver certification. This building, which is the latest addition to the airport's green initiative, will have a direct impact on the environment in terms of noise, air emissions and air quality.

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

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

NORTHEAST PHILADELPHIA AIRPORT

Northeast Philadelphia Airport is located on a 1,150-acre site situated within the City limits about 10 miles by road northeast of center city Philadelphia and provides for general aviation, air taxi and corporate, as well as occasional military use.

The airport currently has no scheduled commercial service. In recent years, the airport has handled approximately 75,000 general aviation operations annually. There are 85 T-hangars and 9 corporate hangars in use, and 6 open hangars for general aviation activities.

General aviation fuel services for both propeller and jet aircraft as well as aircraft and avionics maintenance are available. There are approximately 210 general aviation aircraft based at Northeast Philadelphia Airport.

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

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

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

RECENTLY COMPLETED AND IN PROGRESS CAPITAL IMPROVEMENT PROJECTS

Following are the major capital projects that are expected to enhance the economic viability of the Airport System that have been or are expected to be completed in Fiscal Year 2009 through approximately Fiscal Year 2013:

Terminal F Expansion. This project will provide additional capacity for passenger and baggage processing and airline operations. The project reconfigures the terminal and adds approximately 80,000 square feet to the existing 205,000 square feet of the terminal. The expansion includes a new baggage claim building on the arrivals roadway providing two claim devices; enlarged passenger holdrooms and concession areas; enlarged club room; crew lounges; and other airline operations facilities for US Airways; an enlarged "Central Hub" to accommodate additional concession space and improve passenger flow; a corridor linking Terminals F and E to allow passengers to move between all Airport terminals without having to leave the secure areas to be rescreened; a redesigned security checkpoint that has additional screening capacity and latest screening technology; and infrastructure improvements. The central hub is under construction with a planned completion end of 2012 and construction of the baggage claim building is scheduled to begin in early 2012. The final phases are in design at this time and the total estimated cost of the Terminal F expansion project is $117 million.

Expansion and Modernization of Terminals D and E. This project consists of a new 210,000 square foot multi-level connector building between Terminals D and E, a 50,000 square foot addition to the Terminal E concourse which provided three additional passenger gates, a 9,000 square foot connector building between Bag Claims D and E, and various renovations to areas within the two terminals and the adjacent Thermal Plant. The first level of the new connector building will house a new baggage make-up area that will contain Explosive Detection Devices which will be operated by the Transportation Security Administration as part of an in-line baggage screening system; the second level includes a fourteen-lane passenger security screening area serving both terminals, and the third level houses Division of Aviation offices. The combined security checkpoint was opened to the public in December 2008. The baggage claim renovations and the Hammerhead Expansion were completed in early 2010. The in-line Explosive Detection System checked baggage is scheduled for completion in 2012. The total estimated cost of the D-E project is currently $345 million.

Terminal A East Improvements. This project consists of various improvements to the terminal building and concourse of Terminal A-East to make it fully compatible with the newer adjacent international Terminal A-West. The first phase of the work, which included conversion of space formerly occupied by FIS agencies to new uses, creation of a new seven-lane security checkpoint, and upgrading the fire alarm and fire protection systems, has been completed. The second phase of work, which included concourse, ticketing and related spaces, was completed in mid-2011. The final phase, which modifies the outbound baggage handling system to provide a full in-line Explosive Detection Systems (EDS) for checked baggage, is currently under construction with an estimated completion in early 2014. The total estimated cost of the Terminal A East project is $78 million.

CCTV Project. This project is to design, install and operate a complete closed circuit television system that will provide greater surveillance at PHL, including TSA controlled areas. The first phase of installation is 95% complete. The design phase of the upgrade to the CCTV system is currently underway with the upgrade scheduled for completion in the fall 2012. The total estimated cost for this project is $5 million.

Restroom Renovations. This project is the renovation of several restrooms each year. The first phase, four sets of restrooms in concourse B/C, has been designed and construction is scheduled to start in January 2012 and is estimated to be completed October 2012. The total estimated cost for this project is $45 million. Phase 2 is planned to address facilities in Terminals D and E.

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

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

Other Airfield Area Improvements. Various projects have been in progress to renovate and upgrade existing airfield facilities. The aircraft parking aprons in the vicinity of Terminals D and E and in the Cargo City area are being replaced through multi-year construction programs. The work in those two areas is estimated to have a total cost of $60 million. Design work has been completed to extend the 9R safety area and construction will be completed in 2012 at an estimated total cost of $4.1 million. Also, work is underway to reconstruct 9L/27R runway along with adjacent and connecting taxiways and will include new paving and lighting system modifications. This construction is expected to start early 2012 and be completed in 2012 at a cost of $41.1 million. In addition, design work is underway for the extension of Taxiway K and high speed exit with design scheduled to be complete by January 2012 and construction is scheduled to be complete by the end of 2013 at an estimated cost of $20 million.

Residential Sound Insulation Program ("RSIP"). Through a Part 150 Noise Study completed in 2003, it has been determined that approximately 600 properties in Tinicum Township are located within the 65 DNL contour and are eligible for improvements to lessen the impacts of aircraft noise. A pilot program that involved 27 properties was completed in 2006. Construction for insulation improvements in 137 additional properties was completed in 2009. During 2011, 117 of the 246 properties were insulated with the remaining properties scheduled to be insulated by January 2012. In addition, design of the next 110 is currently underway and is expected to be completed by the end of 2012. The Airport plans to continue the program until noise abatement of all the affected properties has been addressed. The schedule for the future construction work will be dependent on the amount of federal grants-in-aid that can be provided each year. The total cost for the RSIP is expected to be between $40 and $50 million.

Northeast Philadelphia Airport. The taxiways are currently being rehabilitated. Reconstruction of Taxiways A and L was completed in 2010 at a cost of $2.6 million; reconstruction of Taxiways F, G, H & J was completed in 2011 at a cost of $1.3 million; design for 6-24 runway repairs was completed 2011 and reconstruction is scheduled to be completed in December 2012 at an estimated cost of $500,000.

FUTURE AIRPORT SYSTEM CAPITAL IMPROVEMENT PROJECTS

Over the next several years, the City expects to undertake additional Airport capital improvements and to finance such improvements in part with proceeds of additional bonds. The Airport recently culminated a 10-year planning and environmental review process in January 2011 with the Federal Aviation Administration (the "FAA") issuing a Record of Decision approving the Airport's Capacity Enhancement Program (the "CEP") and in September 2011 awarding a $466.5 million letter of intent to provide funding for certain elements of the CEP. The CEP provides for a new runway, which will allow independent simultaneous aircraft operations in poor weather conditions, to significantly reduce delays; two runway extensions; enlarging and reconfiguring the existing terminal complex; relocating several off-airport facilities; developing a centralized ground transportation center; constructing an automated people mover for transport of passengers between terminals; and additional parking facilities that will interface with the existing SEPTA rail line. The cost of the CEP is estimated to be $6.4 billion in 2010 and the total period for the phased construction is anticipated to be approximately 13 calendar years in duration, lasting from 2013 through 2025. The funding of this longer-term capital program will require the issuance of additional airport revenue bonds.

In the near term, the City expects to undertake the following projects set forth below:

- Terminal B-C In-Line Baggage Handling System
- International Gate Expansion
- Property Acquisitions identified for the CEP
- Security System Improvements
- Terminal B-C Expanded Security Checkpoint and Ticketing Area Improvements

The implementation of these projects and the issuance of additional bonds for their financing are subject to, among other requirements, obtaining MII approval from the Signatory Airlines and meeting the additional bonds test requirements of the General Ordinance.

Such future capital improvement projects will be initiated only in response to identified requirements or demand and as economically justified. The City has not committed to issuing any additional bonds to finance the capital program.

FUNDING SOURCES FOR AIRPORT SYSTEM CAPITAL IMPROVEMENT PROJECTS

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

FUNDING SOURCES FOR AIRPORT SYSTEM CAPITAL IMPROVEMENT PROJECTS

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

Airport Revenue Bonds and General Obligation Bonds of the City. The financing of a portion of the capital improvements to the Airport System has been accomplished through the sale of Airport Revenue Bonds and the City’s general obligation bonds. The City has previously issued several series of general obligation bonds and twenty-one series of Airport Revenue Bonds, twelve of which are currently outstanding (the 1998B Bond, the 2005A Bonds, the 2005C Bonds, the 2007A Bonds, the 2007B Bonds, the 2009A Bonds, the 2010A Bond, the 2010B Bonds, the 2010C Bonds, the 2010D Bonds, the 2011A Bonds and the 2011B Bonds). As of the date hereof, there are $1,417,055,000 of Airport Revenue Bonds outstanding for the Airport System. No general obligation bonds of the City issued to finance capital improvements to the Airport System are currently outstanding or contemplated.

Federal Grants-in-Aid. The Airport and Airway Improvement Act of 1982 created the Airport Improvement Program (the "AIP"), which is administered by the FAA and funded by the Airport and Airway Trust Fund. This fund is financed by various federal aviation user taxes. Grants are available to airport operators across the country in the form of "entitlement" funds and "discretionary" funds. Entitlement funds are apportioned annually based upon cargo volume and enplaned passengers and discretionary funds are available at the discretion of the FAA based upon a national priority system. Actual entitlement funds will vary with the actual numbers of passenger enplanements and cargo volume, with total appropriations for the AIP and with any revision of the existing statutory formula for calculating such funds. In addition, pursuant to the PFC Act (defined below) and the Aviation Investment and Reform Act for the 21st Century, an airport's annual Federal entitlement grants are reduced 50% following; the imposition of PFCs at the $3.00 level and 75% following imposition at the $4.00 or $4.50 level.

Through the AIP program in FY 2010, the City received no passenger entitlement grants, $2.1 million in cargo entitlement grants, and $6.5 million in discretionary grants, for a total of $8.6 million. A total of $21.6 million in AIP funding has been obtained or requested in FY 2011.

If such AIP grants are not received in the amounts assumed, the City would use Airport discretionary funds, defer projects, or issue additional bonds.

Commonwealth Grants-In-Aid. The Pennsylvania Department of Transportation (PennDOT) provides grants for airport improvements. The Division of Aviation has received approximately $800,000 per year for improvements at the Airport and approximately $50,000 per year in matching AIP funds for improvements at the Northeast Philadelphia Airport. These grants have been used for airfield improvements. In addition, five grants totaling $9.1 million were issued through the State Capital Budget from 2006 to 2011 for the Airport. The Airport has also received three grants totaling over $1.6 million from the Pennsylvania Department of Environmental Protection (PADEP), under the Alternative Fuels Incentive Grant (AFIG) program, for building re-charging stations and pre-conditioned air units. The re-charging stations are used by the airlines to charge newly purchased electric tugs and electric loaders to replace diesel powered tugs and loaders. The pre-conditioned air units are used on jetways so that airplanes do not have to use their diesel powered auxiliary units. Both of these systems lower polluting emissions at the Airport.

Passenger Facility Charges. Passenger Facility Charges ("PFCs") are authorized by the Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), and implemented by the FAA pursuant to published regulations issued with respect to the PFC Act (the "PFC Regulations"). The PFC Act permits a public agency, such as the City, which controls certain commercial service airports to charge each paying passenger enplaning at the airport (subject to certain limited exceptions) a PFC of $1.00, $2.00, $3.00, $4.00 or $4.50. Pursuant to the PFC Act and to the City's current approvals from the FAA, the City may, with certain exceptions, charge each paying passenger who enplanes at the Airport a PFC of $4.50. The annual amount of PFCs payable to the City depends upon the number of passenger enplanements at the Airport. The PFC Act requires air carriers and their agents to collect the PFCs and to remit to the City once each month the proceeds of such collections, less a handling fee and without interest earned prior to such remittance.

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

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

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

Table 1

HISTORY OF APPLICATIONS TO USE PFC REVENUES
Philadelphia International Airport

As of June 30, 2011

PFC Application No.	Approval Date	Initial Approved Amount	Amended Approved Amount
93-02-U-00-PHL	05/15/1993	$ 14,250,000	$ 12,805,496
95-03-C-00-PHL	02/27/1995	101,500,000	94,683,961
95-04-U-00-PHL	10/13/1995	950,000	1,270,605
95-05-C-00-PHL	11/21/1995	14,000,000	14,000,000
98-06-C-00-PHL	02/11/1998	26,150,000	19,534,950
99-08-U-00-PHL	10/12/1999	672,000,000	999,267,790
01-09-C-00-PHL	02/22/2000	22,250,000	24,400,000
06-10-C-00-PHL	02/16/2006	83,250,000	249,450,000
Totals		$934,350,000	$1,415,412,802

Source: City of Philadelphia, Division of Aviation.

The City is authorized to use PFC Revenues to pay a portion of the Debt Service Requirements of the 1998B Bond, the 2010D Bonds and the 2011A Bonds and has pledged PFC Revenues equal to 100% of the annual amount of PFC-eligible debt service on the 1998B Bond, the 2010D Bonds and the 2011A Bonds, subject to the limitation that in no year shall the amount pledged exceed the lesser of (a) 70% of the amount paid to the City in that year, or (b) 75% of total debt service on such series of Airport Revenue Bonds in that year.

Through June 30, 2011, PFC Revenues received by the City, including investment earnings, totaled approximately $865.9 million, of which approximately $795.0 million had been expended on approved project costs, as shown in Table 2 on the following page.

Table 2

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

FISCAL YEAR	COLLECTIONS	INTEREST	TOTAL REVENUES
1993-2001	$233,465,110	$ 17,518,849	$250,983,959
2002	53,688,877	2,112,347	55,801,224
2003	43,961,971	1,537,729	45,499,700
2004	51,766,443	808,417	52,574,860
2005	61,378,549	1,284,025	62,662,574
2006	62,165,176	3,252,682	65,417,858
2007	65,328,768	5,047,044	70,375,812
2008	70,120,974	5,098,760	75,219,734
2009	60,898,941	1,886,741	62,785,682
2010	61,696,738	353,391	62,050,129
2011	62,338,653	191,092	62,529,745
Total – Program Inception through June 30, 2011	$826,810,200	$39,091,077	$865,901,277
	Expenditures through June 30, 2011……………..		$794,977,603
	Balance……………………………………………		$70,923,674

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

Source: City of Philadelphia, Division of Aviation

AVIATION ACTIVITY AT THE AIRPORT

As of July 2011, the airlines serving the Airport provided a total of 590 average daily departures to 118 cities, including 86 domestic and 32 international destinations

In 2004, Southwest commenced service with 14 daily departures. Competition for market share among Southwest, US Airways, and other airlines led to a reduction in average airfares; the average airfare in FY 2005 was 19% less than in the previous year. These lower airfares, in turn, stimulated demand for air travel at the Airport.

Passenger traffic growth slowed through FY 2008 as average airfares increased. Additionally, ancillary fees (e.g., fees for checked baggage) have proliferated since 2008 contributing to the cost of air travel. In FY 2009 and FY 2010 traffic and seat capacity declined, reflecting weakening demand in the face of an economic recession.

However, in FY 2011, the number of enplaned passengers at the Airport increased nearly 3% over FY 2010 levels, while seat capacity declined 1%.

US Airways remains the principal air carrier operating at the Airport, and the Airport serves as a primary hub in US Airway's route system. US Airways currently leases 71 gates under the US Airways Airline Agreement and utilizes another 10 gates on a common-use basis, for 64 % of the total 126 gates at the Airport. US Airways, together with its regional airline affiliates operating as US Airways Express, accounted for approximately 68.8% of the 15.6 million passengers enplaned in FY 2011, as well as approximately 46% of total Aviation Fund operating revenues in FY 2011.

Since commencing service at the Airport in 2004, Southwest has significantly increased activity. As of July 2011, it provided 54 scheduled daily departures. In FY 2011, it accounted for approximately 11% of enplaned passengers, down from a peak of 12.3% in FY 2009). It is the second largest carrier at the Airport. As part of a corporate decision resulting from the merger with Air Tran Airlines, Southwest recently announced plans to reduce or eliminate service to the following cities served from Philadelphia: Providence, RI; Manchester, NH; Boston, MA; Jacksonville, FL and Pittsburgh, PA.

The scheduled passenger airlines serving the Airport and their respective market shares are listed in Table 3 below and Table 4 on the following page.

Table 3

HISTORICAL ENPLANED PASSENGERS

Philadelphia International Airport
(Fiscal Years Ending June 30)

Fiscal Year	Domestic	International	Total	Total Annual Increase (Decrease)
1990	7,400,854	379,667	7,780,521	
1991	7,322,959	388,954	7,711,913	(0.9)%
1992	7,041,274	534,004	7,575,278	(1.8)%
1993	7,645,396	582,621	8,228,017	8.6%
1994	7,777,184	607,718	8,384,902	1.9%
1995	8,419,133	634,955	9,054,088	8.0%
1996	8,538,732	665,334	9,204,066	1.7%
1997	9,502,168	890,094	10,392,262	12.9%
1998	10,601,187	1,104,443	11,705,630	12.6%
1999	10,737,979	1,329,813	12,067,792	3.1%
2000	10,652,391	1,326,524	11,978,915	(0.7)%
2001	11,149,732	1,521,721	12,671,453	5.8%
2002	10,501,846	1,499,659	12,001,505	(5.3)%
2003	10,519,234	1,617,391	12,136,625	1.1%
2004	11,149,952	1,938,821	13,088,773	7.8%
2005	13,427,191	2,063,378	15,490,569	18.4%
2006	13,563,540	2,011,457	15,574,997	0.5%
2007	13,864,721	1,986,970	15,851,691	1.8%
2008	13,971,056	2,081,917	16,052,973	1.3%
2009	13,357,446	2,005,297	15,362,743	(4.3)%
2010	13,113,239	2,080,502	15,193,741	(1.1)%
2011	13,407,158	2,204,425	15,611,583	2.8%
	Average Annual Percent Increase			
1990-2001	3.8%	13.5%	4.5%	
2001-2011	1.9	3.8	2.1	

Source: City of Philadelphia, Division of Aviation.

Table 4
AIRLINE SHARES OF ENPLANED PASSENGERS
Philadelphia International Airport (Fiscal Years Ending June 30)

	Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011	
	Number	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Domestic Service Scheduled Major and National								
US Airways	4,823,618	30.0%	4,586,744	29.9%	4,780,968	31.5%	5,052,647	32.4%
Southwest (a)	1,859,184	11.6	1,895,701	12.3	1,710,602	11.2	1,707,286	10.9
American	700,757	4.4	606,551	3.9	573,226	3.8	507,177	3.2
United (b)	614,669	3.8	538,269	3.5	455,193	3.0	405,836	2.6
Delta (c)	571,173	3.6	571,723	3.7	646,865	4.3	805,797	5.2
AirTran (a)	504,389	3.1	370,833	2.4	298,280	2.0	300,480	1.9
Northwest (c)	452,213	2.8	337,432	2.2	174,015	1.1	--	--
Continental (b)	253,738	1.6	234,198	1.5	233,656	1.5	233,502	1.5
Frontier	83,216	0.5	52,366	0.3	45,514	0.3	--	--
Midwest Express	72,270	0.5	50,384	0.3	50,962	0.3	--	--
Frontier/Midwest (d)	--	--	--	--	--	--	89,554	0.6
USA 3000	68,903	0.4	34,745	0.2	13,435	0.1	5,286	0.0
Subtotal	10,004,130	62.3%	9,278,946	60.4%	8,982,716	59.1%	9,107,565	58.3
Scheduled Regional Affiliates								
US Airways Express	3,589,475	22.4%	3,631,844	23.6%	3,678,578	24.2%	3,791,537	24.3%
Other	375,815	2.3	445,371	2.9	450,367	3.0	507,479	3.3
Subtotal	3,965,290	24.7%	4,077,215	26.5%	4,149,031	27.2%	4,299,016	27.6%
Nonscheduled	1,636	0.0	1,285	0.0	1,578	0.0	577	0.0
Total Domestic Service	13,971,056	87.0%	13,357,446	86.9%	13,113,239	86.3%	13,407,158	85.9%

	Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011	
	Number	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
International Service Scheduled								
US Airways	1,564,857	9.7%	1,558,766	10.1%	1,621,853	10.7%	1,638,110	10.5%
US Airways Express	140,444	0.9	104,297	0.7	137,464	0.9	248,524	1.6
British Airways	114,278	0.7	103,473	0.7	103,258	0.7	107,276	0.7
Lufthansa	74,508	0.5	69,804	0.5	69,030	0.5	60,185	0.4
Air France	56,920	0.4	50,549	0.3	41,124	0.3	--	--
Air Jamaica	42,445	0.3	42,537	0.3	36,217	0.2	35,200	0.2
USA 3000	35,079	0.2	26,144	0.2	24,452	0.2	24,492	0.2
Air Canada (e)	51,557	0.3	47,871	0.3	47,045	0.3	49,839	0.3
Delta	--	--	--	--	--	--	40,212	0.3
Piedmont	173	0.0	--	--	--	--	--	--
Subtotal	2,080,261	13.0%	2,003,441	13.0%	2,080,443	13.7%		
Nonscheduled	1,656	0.0	1,856	0.0	59	0.0	587	0.0
Total International Service	2,081,917	13.0%	2,005,297	13.1%	2,080,502	13.7%	2,204,425	14.1%
Total Service	16,052,973	100.0%	15,362,743	100.0%	15,193,741	100.0%	15,611,583	100.0%

(a) On May 2, 2011, Southwest acquired Air Tran. Southwest and Air Tran are currently operating as separate airlines, and are expected to begin operating as a single airline (under the Southwest brand) in the first quarter of 2012. See "Effect of Bankruptcies and Mergers on Various Airline Agreements – General; Bankruptcies and Mergers".

(b) On October 1, 2010, United Airlines and Continental Airlines merged. United and Continental continue to operate as separate airlines until their operations have been fully integrated, which is expected to occur in 2012.

(c) In October 2008, Delta and Northwest merged and in January 2010 the airlines began operating under a single operating certificate. See "Effect of Bankruptcies and Mergers on Various Airline Agreements – General; Bankruptcies and Mergers".

(d) On April 13, 2010, it was announced that Midwest Airlines and Frontier Airlines were merging, effective in the fall of 2011.

(e) Includes passengers enplaned on both Air Canada and Air Canada Jazz for all the time periods.

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

Source: City of Philadelphia, Division of Aviation.

INFORMATION CONCERNING THE SIGNATORY AIRLINES

General. Signatory Airlines accounting for substantially all of the landed weight at the Airport have entered into the Airline Agreement with the City. The Airline Agreement requires the Signatory Airlines to make payments in each Fiscal Year in amounts which, together with other Project Revenues and other pledged Amounts Available for Debt Service such as pledged PFC Revenues, are sufficient to pay Operating Expenses and annual debt service on all of the City's outstanding Airport Revenue Bonds and general obligation bonds issued for the Airport System and are sufficient to comply with the Rate Covenant. See "SOURCES OF PROJECT REVENUES UNDER THE GENERAL ORDINANCE – Airport-Airline Use and Lease Agreements." Certain domestic Signatory Airlines serving the Airport are reporting companies subject to the information requirements of the Securities Exchange Act of 1934 and, in accordance therewith, must file reports and other information with the Securities and Exchange Commission (the "Commission"). Certain information, including financial information, concerning such a Signatory Airline (or its agent corporation) is disclosed in certain reports and statements filed with the Commission. Such reports and statements can be inspected in the Public Reference Room of the Commission at 100 F Street, N.E., Washington. D.C. 20549, or at the Commission website at http://www.sec.gov, and copies of such reports and statements can be obtained from the Public Reference Section of the Commission at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, each Scheduled Airline is required to file periodic reports of financial and operating statistics with the Department of Transportation. Such reports may be inspected at the following location: Office of Aviation information Management; Data Requirements and Public Reports Division Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590. Domestic airlines serving the Airport that are privately held, foreign airlines serving the Airport, and foreign corporations operating airlines serving the Airport (unless such foreign airlines have ADRs registered on a national exchange) are not required to file information with the Commission. Such airlines, or foreign corporations operating airlines, serving the Airport file limited information only with the DOT. Additional data may be posted at the websites of the respective airlines. The City makes no representation as to the accuracy or completeness of any such information prepared and filed by any of the Signatory Airlines.

US AIRWAYS

According to the records of the Division of Aviation, US Airways, Inc. ("US Airways") and its regional affiliates accounted for 68.8% of the total enplaned domestic and international passengers at the Airport in the Fiscal Year ended June 30, 2011.

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

THE AIRPORT SERVICE REGION

Philadelphia International Airport is the principal airline airport serving the City of Philadelphia and surrounding areas of Pennsylvania, New Jersey, Delaware, and Maryland. The Airport serves as an international passenger gateway, a connecting hub for US Airways, and a hub for regional airlines, particularly those operating as US Airways Express. The Airport also serves as an international air cargo hub. The region served by the Airport consists primarily of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area, which includes Bucks, Chester, Delaware, Montgomery, and Philadelphia counties in Pennsylvania and Burlington, Camden, Gloucester and Salem counties in New Jersey; Cecil County, Maryland; and New Castle County, Delaware. These 11 counties are referred to as the Airport Service Region.

According to the U.S. Department of Commerce, Bureau of the Census, the Airport Service Region had a population of approximately 5.9 million in 2010. Its population has increased at an annual average rate of 0.5% since 2000, compared to an annual average rate of 0.9% for the nation as a whole. According to the U.S. Department of Commerce, Bureau of Economic Analysis, the Airport Service Region's 2009 per capita personal income of $46,075 was 18.6% higher than that of the nation ($38,846).

FINANCIAL FACTORS

The City Controller has not participated in the preparation of the budget estimates and projections set forth in various tables contained in this Remarketing Circular or otherwise set forth herein. The financial statements, tables, statistics and other information contained in this Remarketing Circular have been provided by the Division of Aviation and can be reconciled to the financial statements in the City's Comprehensive Annual Financial Report ("CAFR") for the Fiscal Years 2006 through 2010.

HISTORICAL PROJECT REVENUES AND OPERATING EXPENSES

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

Table 5

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

Line		2006	2007	2008	2009	2010
	AMOUNTS AVAILABLE FOR DEBT SERVICE					
1.	Revenue deferred from prior year	$22,876	$9,621	($12,485)	$3,304	$7,203
1a.	Deferred revenue adjustment	(3,714)	0	6,667	0	0
2.	Space rentals	47,947	55,929	75,420	83,608	86,821
3.	Landing Fees	29,622	25,845	44,597	49,082	49,144
4.	Ramp Area rentals	1,128	285	800	670	1,359
5.	Terminal Payments-in-Aid	9,719	0	0	0	0
6.	Outside Terminal Area Payments-in-Aid	0	0	0	0	0
7.	International Terminal revenues	16,919	15,370	17,722	19,673	19,497
8.	Revenue (deferred)/accrued to subsequent year	(9,621)	12,485	(3,304)	(7,203)	(19,983)
9.	Subtotal, Airline Rentals, Fees and Charges	114,876	119,535	129,418	149,134	144,041
10.	Nonairline Revenue	84,187	90,105	119,533	104,698	102,258
11.	Interest Income	1,724	1,619	1,594	1,420	608
12.	Total Project Revenues	200,787	211,259	250,544	255,252	246,907
13.	Passenger Facility Charges (PFCs) Available for Debt Service	32,592	32,921	32,926	32,926	33,133
14.	Portion of Fund Balance Attributable to Amounts Available for Debt Service	0	10,241	42,583	61,413	55,128
15.	Total Amounts Available for Debt Service	233,379	254,421	326,053	349,590	335,167
	EXPENSES					
16.	Net Operating Expenses	77,152	87,073	99,820	99,520	102,860
17.	Required Renewal Fund Deposit	0	0	0	0	0
18.	Revenue Bond Debt Service	88,126	85,565	84,388	95,645	94,307
19.	General Obligation Bond Debt Service	0	0	0	0	0
20.	Interdepartmental Charges	57,860	70,670	89,136	89,002	80,755
21.	Total Expenses	223,138	243,308	273,344	284,168	277,921
22.	NET REVENUE	$10,241	$11,113	$52,709	$65,422	57,246
	RATE COVENANT TEST OF THE ORIGINAL GENERAL ORDINANCE					
23.	Test A (Line 15-Line 16-Line 17)/(Line 18)	1.77	1.96	2.68	2.61	2.46
24.	Test B (Line 15-Line 16-Line 20)/(Line 18+Line 19)	1.12	1.13	1.62	1.68	1.61

MANAGEMENT DISCUSSION OF HISTORICAL RESULTS

Table 5 presents the annual revenues and expenses of the Airport System for Fiscal Year 2006 – Fiscal Year 2010. As shown in the table, Fiscal Year 2008 - Fiscal Year 2010 revenues and expenses are markedly higher than they were in Fiscal Year 2006 - Fiscal Year 2007. This is primarily due to enactment of the seventh supplemental amendment to the General Ordinance in June, 2007, which provides for inclusion of Outside Terminal Area (OTA) revenues and expenses in the calculation of debt service coverage. Since the OTA typically generates net revenue, coverage for Fiscal Year 2008 - Fiscal Year 2010 is significantly higher than Fiscal Year 2006 - Fiscal Year 2007. This enhancement of debt service coverage was a primary consideration in amending the General Ordinance.

The information contained in Table 5 is presented on the accrual basis of accounting adjusted to meet the particular requirements of the General Ordinance, the Prior Airline Agreement and, for Fiscal Year 2008-2010, the Airline Agreement. See APPENDIX I – "FINANCIAL STATEMENTS OF THE DIVISION OF AVIATION."

Fiscal Year 2009 and Fiscal Year 2010 Discussion.

As referenced previously, Fiscal Year 2008 is the first year in which revenues and expenses of the OTA were included in the calculation of debt service coverage. This inclusion, and the establishment of operating reserves in Fiscal Year 2008, account for the significant increase in the "Portion of Fund Balance Attributable to Amounts Available for Debt Service" (from $10.2 million in Fiscal Year 2007 to $55.1 million in Fiscal Year 2010).

The principal sources of OTA revenues, along with their Fiscal Year 2010 amounts, include net income from the public parking operation ($23.7 million), rental car concession fees and ground rentals ($5.8 million), the Airport hotel concession ($1.7 million), commercial ground transportation egress fees ($1.4 million) and utility sales ($0.3 million). The principal components of OTA operating expenses, along with their Fiscal Year 2010 amounts, include payroll ($1.0 million), contractual services, including ground transportation and shuttle bus service costs ($10.3 million) and police costs ($7.7 million)

Between Fiscal Year 2009 and Fiscal Year 2010, Total Project Revenues, which consist of both Airline and Nonairline Revenues, decreased from $255.2 million to $246.9 million. Nonairline Revenues decreased slightly from $104.7 million in Fiscal Year 2009 to $102.3 million in Fiscal Year 2010, primarily due to lower net concession revenue resulting from a reduction in enplanements, concentrated mainly in the originating passenger category. The Airline rate requirement was reduced in Fiscal 2010 because overall savings in Operating Expenses were achieved as a result of strategies implemented by Airport management. Reductions were seen in personal services (payroll), fringe benefits, Net Interdepartmental Charges due to reduced payroll costs and deferred pension costs within the uniformed personnel classes (police & fire), and lower electric and natural gas costs.

Net Revenue.

Net Revenue represents the balance of Total Amounts Available for Debt Service after total Expenses have been taken into account. Net Revenue have increased substantially, from $10.2 million in Fiscal Year 2006 to $65.4 million in Fiscal Year 2009. This rapid growth in the Airport System's financial results is due to the inclusion of the OTA in debt service coverage; the establishment of an Operating and Maintenance reserve in Fiscal Year 2008, pursuant to the Airline Agreement; and the establishment of a Bond Redemption and Improvement account in Fiscal Year 2008 pursuant to the Airline Agreement.

Rate Covenants.

As illustrated in Table 5, the rate covenants prescribed in the General Ordinance were satisfied in each fiscal year. The significant increase in achieved debt service coverage from Fiscal Year 2006 to Fiscal Year 2010 is directly attributable to the above described growth in Net Revenue.

MANAGEMENT DISCUSSION OF FISCAL YEAR 2011 AND FISCAL YEAR 2012 ESTIMATED RESULTS

The Airport System's Fiscal Year 2011 preliminary estimated revenues, operating expenses and debt service are expected to approximate Fiscal Year 2011 budgeted levels. Specifically, the aggregate of Airline Rentals, Fees and Charges and Nonairline Revenues are estimated at $260.8 million, or 2.2% lower than budgeted. Operating Expenses and Debt Service are estimated at $289.0 million, or 2.7% lower than budgeted.

Based on Fiscal Year 2012 budgeted Operating Expenses, Debt Service and Nonairline Revenues, required Airline Rentals, Fee and Charges in the Fiscal Year 2012 budget are $158.9 million, a $6.0 million (3.9%) increase over the Fiscal Year 2011 preliminary estimate. Nonairline Revenues are expected to increase slightly by $1.5 million and Other Amounts available for Debt Service are expected to increase by $9.1 million, which consists of the City's share of the estimated OTA surplus and airline's contribution to the Operating and Maintenance Reserve. However, these increases are expected to be offset by an increase in Project Expenses of $28.2 million (9.8%), including a $5.4 million increase in Debt Service and a $22.8 million increase in Operating Expenses, which includes:

- A projected $10.5 million increase in Net Operating Expense, which is comprised of the following: an increase in payroll to fill deferred positions ($2.0 million), an increase in contractual services for facility maintenance ($2.5 million); additional purchases of security and technology equipment and supplies ($1.5 million); an increased potential tax liability ($1.4 million); and a required reimbursement to the Airport's Renewal Fund per the General Ordinance ($0.5 million).

- A projected $12.3 million increase in Interdepartmental Charges, including: utility cost increases resulting from the expiration of certain statewide electric generation rate caps effective January 1, 2011, and a new Philadelphia Water Department rate structure effective July 1, 2010, which imposes higher fees on properties with a high concentration of impervious surfaces ($2.7 million); payroll and fringe benefit increases for uniformed (police and fire) employees ($5.4 million); pension and health and welfare cost increases for Airport employees ($1.8 million); increased insurance costs due to expected settlement of claims that occurred during previous years ($1.5 million); and new vehicle purchases that were previously deferred ($1 million)

The Airport System's actual revenues and expenses for Fiscal Year 2012 are expected to approximate budgeted revenues and expenses.

ESTIMATED PROJECT REVENUES AND EXPENSES

Table 5A contains data provided by the Division of Aviation regarding estimated Project Revenues and expenses of the City's Airport System on a preliminary basis for Fiscal Year 2011 and for budgeted amounts for Fiscal Year 2012.

Table 5A

SUMMARY OF ESTIMATED PROJECT REVENUES AND EXPENSES OF THE AIRPORT SYSTEM CITY OF PHILADELPHIA
Preliminary FY 2011 and Budget FY 2012
(Fiscal Years Ending June 30)
(Dollar Amounts are listed in thousands)

	Preliminary Fiscal Year 2011	Budget Fiscal Year 2012
Project Revenues	$260,786	$292,784
Pledged Passenger Facility Charges (PFCs)	32,353	31,997
Portion of Fund Balance Attributable to Amounts Available for Debt Service	77,635	86,698
Total Amounts Available for Debt Service	$370,774	$411,478
Less: Net Operating Expenses	98,134	$108,666
NET REVENUE	$272,640	$302,812
Bond Debt Service Requirements	102,448	$107,854
1.50x Coverage Requirement (Test A)	2.66	2.81

AIRPORT INSURANCE

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

CASH MANAGEMENT AND INVESTMENT POLICIES

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

HEDGES AND SWAPS

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

The General Ordinance provides, among other things, that the City will not enter into a Qualified Swap or Exchange Agreement unless it receives written confirmation from S&P that such agreement, in and of itself, will not result in a downgrade, withdrawal or suspension of the credit ratings on the 2005C Bonds.

The City has entered into one swaption agreement pursuant to the General Ordinance, which is an Exchange Agreement, as such term is defined in the General Ordinance. The City's obligations under the Swap Agreement are payable solely from and secured solely by Project Revenues in the order of priority listed in Section 4.06 of the General Ordinance, that is, subject and subordinate to the City's obligations to pay Net Operating Expenses, Debt Service Requirements (including debt service on the 2005C Bonds, payments on Qualified Swaps and Credit Facility charges secured on a parity to Bonds) and obligations to replenish the Sinking Fund Reserve. However, the City's obligation to pay termination payments with respect to the Swap Agreement and the security interest in Project Revenues therefor are subject and subordinate to its obligation to make periodic payments under the Swap Agreement.

The chart below details information regarding the City's existing swap relating to the 2005C Bonds:

City Entity	Airport
Related Bond Series	2005C Refunding
Initial Notional Amount	$189,500,000
Current Notional Amount	$162,600,000
Termination Date	6/15/2025
Product	Fixed Payer Swap (1)
Rate Paid by Dealer	SIFMA
Rate Paid by City Entity	Multiple Fixed Rates
Dealer	JP Morgan Chase Bank, N.A.
Fair Value (2)	($33,670,000)

(1) The City received an upfront payment of $6,536,800 for the related swaption. JPMorgan Chase Bank, N.A., exercised its option to enter into the swap on 6/15/2005. The swap includes a knock-out option whereby JPM organ Chase Bank, N.A.. has the right to terminate the swap if the 180-day SIFMA average exceeds 7.00%.

(2) Fair values are as of October 31, 2011 and are shown from the City's perspective and include accrued interest.

SCHEDULE OF DEBT SERVICE

The following schedule of debt service, shows the debt service requirements on the 2005C Bonds together with debt service on other outstanding Airport Revenue Bonds.

Fiscal Year Ending June 30	Series 2005C-1 Debt Service	Series 2005C-2 Debt Service	Other Bond Debt Service	Total Bond Debt Service*
2012	7,772,720	7,772,720	99,305,444	114,850,884
2013	7,990,480	7,990,480	103,691,165	119,672,125
2014	8,136,480	8,136,480	108,757,415	125,030,375
2015	8,313,440	8,313,440	108,759,053	125,385,933
2016	8,468,640	8,468,640	103,193,753	120,131,033
2017	8,652,080	8,652,080	103,230,073	120,534,233
2018	8,711,040	8,711,040	102,349,148	119,771,228
2019	8,800,960	8,800,960	92,889,348	110,491,268
2020	8,869,120	8,869,120	92,910,038	110,648,278
2021	8,865,520	8,865,520	92,937,731	110,668,771
2022	8,792,880	8,792,880	92,951,181	110,536,941
2023	8,703,920	8,703,920	92,961,619	110,369,459
2024	8,548,640	8,548,640	92,965,169	110,062,449
2025	8,329,760	8,329,760	92,979,663	109,639,183
2026	-	-	93,976,369	93,976,369
2027	-	-	93,977,894	93,977,894
2028	-	-	86,696,569	86,696,569
2029	-	-	45,090,781	45,090,781
2030	-	-	41,351,438	41,351,438
2031	-	-	41,352,400	41,352,400
2032	-	-	38,759,138	38,759,138
2033	-	-	38,764,900	38,764,900
2034	-	-	38,762,738	38,762,738
2035	-	-	38,759,688	38,759,688
2036	-	-	30,445,250	30,445,250
2037	-	-	30,439,750	30,439,750
2038	-	-	18,661,250	18,661,250
2039	-	-	18,665,250	18,665,250
2040	-	-	18,663,750	18,663,750
	118,955,680	118,955,680	2,054,247,960	2,292,159,320

* Interest calculated at the current fixed swap rate of 5.44% per annum for the Series 2005C Bonds; actual results may vary.

Note: Some annual totals are rounded or truncated.

DEBT SERVICE COVERAGE

Table 6 presents debt service coverage taken from the City's financial records.

Table 6

HISTORICAL DEBT SERVICE COVERAGE ON THE AIRPORT REVENUE BONDS

(Fiscal Years Ending June 30)

Fiscal Year	Pledged Amounts Available for Debt Service (A)	Annual Airport Revenue Bond Debt Service Requirements (B)	Debt Service Coverage (A/B)	Debt Service Coverage Requirement
2006	156,226,633	88,125,733	1.77	1.50
2007	167,347,713	85,564,659	1.96	1.50
2008	226,232,866	84,388,275	2.68	1.50
2009	250,069,825	95,645,239	2.61	1.50
2010	232,307,485	94,306,670	2.46	1.50

Airline costs for landing fees, terminal rentals and other use charges are often expressed on a cost per enplaned passenger basis for the purpose of comparing airline payments at different airports and assessing the reasonableness of major capital programs from an airline payments standpoint. The following Table 7 presents the airline costs (which include landing fees, terminal rentals and other use charges) per enplaned passenger taken from the City's financial records.

Table 7

AIRLINE COST PER ENPLANED PASSENGER
Philadelphia International Airport

(Fiscal Years Ending June 30)

Fiscal Year	Airline Cost Per Enplaned Passenger
2007	$6.15
2008	$8.31
2009	$9.68
2010	$9.73

The preliminary airline cost per enplaned passenger for Fiscal Year 2011 is estimated to be $10.23.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the 2005C Bonds entails certain investment risks. Prospective purchasers of the 2005C Bonds are urged to read this Remarketing Circular in its entirety. The factors set forth below, among others, may affect repayment of and the security for the 2005C Bonds.

GENERAL FACTORS AFFECTING THE AIRLINE INDUSTRY

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

ECONOMIC CONDITIONS

The financial performance of the air transportation industry correlates with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the U.S. to sustain growth in economic output and income. Since 2006, the rate of economic growth in the U.S. has slowed considerably, due in part to losses in real estate values and the tightening of credit in the financial markets. In December 2007, according to National Bureau of Economic Research, a private, nonprofit research group widely considered to be the official arbiter of economic contractions and expansions, the United States economy entered into a recessionary period. In September 2008, significant and dramatic changes occurred in the U.S. and global financial markets which worsened the economic slowdown, causing contractions in employment, consumer spending, personal income and construction activity. On September 20, 2010, the National Bureau of Economic Research announced that the recession had ended in June 2009; however unemployment remains high, job creation remains low, and the housing market and other economic indicators are still anemic. As a result of concerns about the U.S. government's ability to resolve long-term deficits, in August 2011, Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, downgraded the credit rating of the U.S. sovereign debt from "AAA" to "AA+". It is not known at this time whether the high national unemployment rate, or the slow rate of national and global economic growth will persist beyond 2012. There can be no assurances that the prolonged weak economic conditions, the downgrade of the credit rating of the U.S. sovereign debt or other national and global fiscal concerns will not have an adverse effect on the air transportation industry.

THE 2005C BONDS ARE LIMITED OBLIGATIONS OF THE CITY AND DO NOT PLEDGE THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY, OR CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE ANY LIEN AGAINST ANY PROPERTY OF THE CITY, OTHER THAN THE PLEDGED AMOUNTS THEREFOR.

AVIATION FUEL COSTS

According to the Air Transport Association, in mid-2008, jet fuel accounted for 20-30% of the airline industry's operating expenses, overtaking labor as the top cost for most carriers; historically it had only accounted for 10-15% of total airline costs. During 2007 to 2008 fuel prices rose to record levels only to fall precipitously in the second half of 2008, as demand was reduced worldwide. Fuel prices again increased in 2009 and 2010, partly as a result of a weakened U.S. dollar, and have remained high through 2011. Air Transport Association statistics show the price of aviation fuel averaged approximately $2.85 per gallon for the first six months of 2011. A number of airlines lock in fuel costs by way of hedge agreements that can result in these airlines' paying higher than the spot rate for a portion of their current usage in certain market conditions. Fuel prices are a crucial and uncertain determinative of an air carrier's operating economics. Airline earnings are affected by changes in the price of aircraft fuel, which in turn is affected by, natural disasters, hostilities and political unrest in various parts of the world, Organization of the Petroleum Exporting Countries (OPEC) policy, the growth of the economies of countries such as China, disruptions to production and refining operations, and other factors determining demand and supply. U.S. airlines have passed on higher fuel costs to consumers by imposing fuel surcharges and increasing airfares. The early, significant increases in the cost of jet fuel, combined with declining passenger demand, have led several airlines to reduce their capacity. Significant and prolonged high aviation fuel costs or any decreases in the availability of aviation fuel would likely have an adverse impact on air transportation industry economics and its ability to provide air service.

AIRLINE ECONOMICS, COMPETITION AND AIRFARES; STRUCTURAL CHANGES IN THE TRAVEL MARKET

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

Many factors have combined to alter consumer travel patterns. The threat of terrorism against the United States remains high. As a result, the federal government has mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. Additionally, consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. Consumers have come to expect extraordinarily low fares. In addition, the availability of price information on the Internet now allows comparison shopping, which has changed consumer purchasing habits. Consumers have shifted from purchasing paper tickets from travel agencies or airline ticketing offices to purchasing electronic tickets over the Internet. This has made pricing and marketing even more competitive in the U.S. airline industry. Finally, smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communication substitutes such as tele-and video-conferencing.

CAPACITY OF NATIONAL AIR TRAFFIC CONTROL AND AIRPORT SYSTEMS

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

AVIATION SECURITY CONCERNS

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

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

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

Historically airline travel demand has recovered from temporary decreases stemming from terrorist attacks, hijackings, aircraft crashes and international hostilities and, provided that intensified security precautions serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, of which there can be no assurance, it can be expected that future demand for airline travel at the Airport will depend primarily on economic rather than security factors.

US AIRWAYS' PRESENCE AT THE AIRPORT

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

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

Prior to the merger, America West largely served the western United States; America West also had a small hub at Columbus, Ohio, but reduced service there beginning in 2003. The post-merger combined company now operates domestic and international connecting hubs at Phoenix, Arizona; Las Vegas, Nevada; Charlotte, North Carolina; and Philadelphia, Pennsylvania. The company also maintains a focus city operation in Washington D.C. out of Ronald Reagan Washington National Airport. Philadelphia serves as US Airways' primary northeast connecting hub and the airline's international gateway.

In October 2011, US Airways received approval from the Department of Transportation to trade 132 of its takeoff and landing slots at LaGuardia Airport in New York to Delta Air Lines in exchange for 42 of Delta's slots at Ronald Reagan Washington National Airport as well as additional cash and route right considerations. The slot transfer is currently being investigated by the Department of Justice's antitrust division.

The City has no information regarding the financial condition of US Airways and its future plans generally, and with regard to the Airport in particular, other than from bankruptcy court filings and filings with Commission. The Commission website is http://www.sec.gov. *Neither the City nor the Underwriters undertake any responsibility for or make any representations as to the accuracy or completeness of the content of information available from the Commission, including but not limited to, updates of such information or links to other internet sites accessed through the Commission web site. See also "Effect of Bankruptcies and Mergers on Various Airline Agreements" and "Limitations on Bondholders' Remedies" below.*

INFORMATION CONCERNING THE AIRLINES

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

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

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

FORWARD LOOKING STATEMENTS

This Remarketing Circular contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Remarketing Circular, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect," "assume" and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements.

PASSENGER FACILITY CHARGE REVENUES

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

Amendment to the PFC Act. There is no assurance that the PFC Act will not be repealed or amended or that the PFC Regulations or the City's approvals from the FAA will not be amended in a manner that would adversely affect the City's ability to collect and use PFC Revenues in amounts sufficient to make timely payments of a portion of the principal and interest on those Airport Revenue Bonds secured by PFC Revenues, including the 1998B Bond, the 2010D Bonds and the 2011A Bonds. In such event, the City may have lower PFC Revenues available than projected and may have to use other Pledged Amounts to pay debt service on the 1998B Bond, the 2010D Bonds and the 2011A Bonds.

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

PFC Act and the PFC Regulations, or (iv) the City is otherwise in violation of the PFC Act, the PFC Regulations or the PFC approvals.

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

EFFECT OF BANKRUPTCIES AND MERGERS ON VARIOUS AIRLINE AGREEMENTS

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

In April 2008, Delta and Northwest announced a merger agreement. Approvals by the respective shareholders of both airlines was announced September 26, 2008. The European Union approved the transaction on August 7, 2008, and the United States Department of Justice on October 29, 2008. Following the merger of operating certificates as of December 31, 2009, the repainting of aircraft, the rebranding of hubs and consolidation of gates, the merger was essentially complete by January 31, 2010; creating what, then, was the largest airline in the world.

In May 2010, United announced an agreement to merge with Continental Airlines ("Continental"). The Justice Department announced on August 27, 2010, that it had closed its investigation of and approved the proposed merger following an agreement by United and Continental to transfer takeoff and landing slots and other assets at Newark, NJ Liberty Airport to Southwest. On September 17, 2010, shareholders of both airlines approved the merger. The merger became effective October 1, 2010, and the new entity, United Continental Holdings, Inc., is the largest airline in the world.

On September 27, 2010, Southwest Airlines announced that it had agreed to purchase AirTran Airways. Southwest said the transaction had been approved by the boards of both companies. Shareholder and regulatory approval were received and the acquisition was completed on May 2, 2011. Southwest currently expects that the Federal Aviation Administration will grant the airline a Single Operating Certificate in the first quarter of 2012 at which time the company will work toward full integration of AirTran into the Southwest brand.

On November 29, 2011, American Airlines, Inc. ("American") announced that its parent company, AMR Corporation, and certain United States-based subsidiaries had on that date voluntarily filed for Chapter 11 reorganization under the United States Bankruptcy Code. According to the press release making the announcement, American expects to continue normal business operations throughout the reorganization process, and the business will continue to be operated by the company's management. American accounted for approximately three percent (3%) of enplaned passengers at the Airport in Fiscal Year 2011. See Table 4, AIRLINE SHARES OF ENPLANED PASSENGERS.

According to the press release, more information about American's Chapter 11 filing is available on the internet at AA.com/restructuring. According to a subsequent November 29, 2011 press release, AMR Corporation, the parent company of American ("American"), will be filing monthly operating reports with the Bankruptcy Court and plans to post these monthly operating reports on the Investor Relations section of AA.com. In addition, according to that press release, AMR will continue to file quarterly and annual reports with the Securities and Exchange Commission, which will also be available in the Investor Relations section of AA.com.

Additional bankruptcies, liquidations, mergers or major restructurings of other airlines could occur. It is not possible to predict the impact on the Airport of the recent, potential and any future bankruptcies, liquidations, mergers or major restructurings of other airlines.

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

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

LIMITATIONS ON BONDHOLDERS' REMEDIES

The rights and remedies of the Fiscal Agent and the Bondholders with respect to the 2005C Bonds are subject to various provisions of Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"), which permits, under certain circumstances, a political subdivision or public agency or instrumentality of a state to file a voluntary petition in bankruptcy in the nature of a plan for adjustment in the repayment of debts if, generally, the entity is insolvent or unable to meet its debts as they mature. Such a petition may be filed by a political subdivision (such as the City) only if the state legislature has specifically authorized (by description or by name) the entity to be a debtor under Chapter 9 of the Bankruptcy Code or a governmental officer or organization empowered by state law to give such authorization has done so. The Financially Distressed Municipalities Act, Act No. 1987-47 of the Commonwealth of Pennsylvania, approved July 10, 1987, amended in 1992 and now known as the Municipalities Financial Recovery Act, Act No. 1992-69 of the Commonwealth, approved June 30, 1992 ("Financial Recovery Act"), provides, among other things, for the restructuring of debt of a financially distressed municipality and the method by which such entities are permitted to apply for relief under the Bankruptcy Code. In addition, the Financial Recovery Act empowered the Department of Community Affairs of the Commonwealth (now the Department of Community and Economic Development) to declare certain municipalities financially distressed upon the occurrence of certain events and the making of certain determinations by such Department.

With respect to the City, certain provisions of the Financial Recovery Act have been preempted by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6 of the Commonwealth, approved June 5, 1991 (the "PICA Act"). The provisions of the Financial Recovery Act relating to the City that were not preempted have been suspended with respect to the City by the PICA Act. The PICA Act prevents the City from filing a petition for relief under Chapter 9 of the Bankruptcy Code as long as PICA has outstanding any bonds issued pursuant to the PICA Act. As of June 30, 2011, PICA had bonds outstanding in the aggregate principal amount of $494,710,000 and the maturity of those bonds extends until June 15, 2023 in the absence of early redemption. If no such bonds were outstanding, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City. If the provisions of the PICA Act relating to the authorization by the Governor for the City to file a petition under Chapter 9 of the Bankruptcy Code were invoked, such provisions could limit the enforcement of rights and remedies by holders of the 2005C Bonds and other Airport Revenue Bonds. Because the term of the 2005C Bonds extends beyond the latest maturity date of the bonds issued by PICA, there is a possibility that the City could file for bankruptcy protection under the Bankruptcy Code. Should the City ever file under Chapter 9 of the Bankruptcy Code, the rights and remedies of the holders of the 2005C Bonds and other Airport Revenue Bonds may be adversely affected.

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

TAX MATTERS

On June 2, 2005, Saul Ewing LLP and the Law Offices of Denise Joy Smyler, 2005 Co-Bond Counsel, each delivered its opinion to the effect that for federal income tax purposes under existing law as enacted and construed on such date (i) interest on the 2005C Bonds is excludable from gross income assuming the accuracy of the certifications of the City and continuing compliance by the City with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"); and (ii) interest on the 2005C Bonds is treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes.

In each opinion dated June 2, 2005, Saul Ewing LLP and the Law Offices of Denise Joy Smyler, 2005 Co-Bond Counsel, also were of the opinion that, under the laws of the Commonwealth of Pennsylvania, as enacted and construed on such date, interest on the 2005C Bonds is exempt from Pennsylvania personal income tax and corporate net income tax and the 2005C Bonds are exempt from personal property taxes in the Commonwealth of Pennsylvania.

The Code contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2005C Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2005C Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the City subsequent to the remarketing of the 2005C Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The City has covenanted to comply with such requirements.

Copies of each approving opinion of 2005 Co-Bond Counsel delivered in connection with the issuance of the 2005C Bonds is attached as APPENDIX VI hereto. 2005 Co-Bond Counsel has not undertaken to update the approving opinions delivered on June 2, 2005.

Saul Ewing LLP and Gonzalez Saggio & Harlan LLP, Co-Bond Counsel, in connection with and on the Remarketing Date, expect to deliver their opinions to the effect that the replacement of the existing letter of credit with the Letters of Credit as described in this Remarketing Circular will not, in and of themselves, adversely affect the exclusion of interest on the 2005C Bonds from gross income of the owners thereof for federal tax purposes. The proposed form of opinions of Co-Bond Counsel are attached hereto as APPENDIX VIII.

OTHER

Existing law may change to reduce or eliminate the benefit to beneficial owners of the exclusion of interest on a subseries of 2005C Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of a subseries of 2005C Bonds. Prospective purchasers of the 2005C-1 Bonds and the 2005C-2 Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

LEGAL PROCEEDINGS

GENERAL

The City is involved in several claims and lawsuits arising in the ordinary course of operations of the Airport System. The City estimates that any liability assessed against the City as a result of claims that are not covered by insurance would not materially and adversely affect the 2005C Bonds, the security for the 2005C Bonds or the financial condition or operations of the Airport System. There has been no litigation seeking to enjoin the sale of the 2005C Bonds.

NO LITIGATION OPINION

On the Remarketing Date for the 2005C Bonds, the City Solicitor shall furnish an opinion, in form satisfactory to Co-Bond Counsel, to the effect that, among other things, except for litigation which in the opinion of the City Solicitor is without merit and except as disclosed in this Remarketing Circular, there is no litigation or other legal proceeding pending in any court, or, to the knowledge of the Law Department after investigation, threatened in writing against the City, to restrain or enjoin the remarketing of the 2005C Bonds or in any way contesting the validity or enforceability of the 2005C Bonds.

REMARKETING

The 2005C Bonds are being remarketed by the Remarketing Agent, pursuant to Remarketing Agreements, each dated December 23, 2011 (the "Remarketing Agreements") between the City and the Remarketing Agent. Subject to certain conditions, upon the delivery or deemed delivery of 2005C Bonds tendered for purchase by any owners thereof in accordance with the provisions of the 2005C Bonds and the Agreement, the Remarketing Agent will offer for sale and use its best efforts to remarket such tendered 2005C Bonds, any such remarketing to be made on the date such tendered 2005C Bonds are to be purchased, at a price equal to 100% of the principal amount thereof plus accrued interest, if any. The Remarketing Agent may be removed or replaced by the City and the Remarketing Agent may also resign in accordance with the provisions of the Remarketing Agreements and the Agreement. The Remarketing Agent will receive a periodic fee from the City for its services based upon the average principal amount of 2005C Bonds which are outstanding during each such period and which bear interest at a Weekly Interest Rate or a Daily Interest Rate.

THE REMARKETING AGENT IS PAID BY THE CITY

The Remarketing Agent's responsibilities include determining the interest rate from time to time and using its best efforts to remarket each subseries of 2005C Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), as further described in this Remarketing Circular. The Remarketing Agent is appointed by the City and is paid by the City for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of 2005C Bonds.

THE REMARKETING AGENT ROUTINELY PURCHASES 2005C 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 purchases such obligations for its own accounts. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2005C Bonds for its own account and, in its sole discretion, routinely acquire such tendered 2005C Bonds in order to achieve a successful remarketing of the 2005C Bonds (i.e., because there otherwise are not enough buyers to purchase the 2005C Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase 2005C Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2005C Bonds by routinely purchasing and selling 2005C Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the 2005C Bonds. The Remarketing Agent may also sell any 2005C Bonds they have purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2005C Bonds. The purchase of 2005C Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2005C Bonds in the market than is actually the case. The practices described above also may result in fewer 2005C Bonds being tendered in a remarketing.

2005C BONDS MAY BE OFFERED AT DIFFERENT PRICES ON ANY DATE INCLUDING A RATE DETERMINATION DATE

Pursuant to the Remarketing Agreements, the Remarketing Agent is required to use its best efforts to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2005C Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable rate determination date. The interest rate will reflect, among other factors, the level of market demand for the 2005C Bonds (including whether the Remarketing Agent is willing to purchase 2005C Bonds for its own account). There may or may not be 2005C Bonds tendered and remarketed on a rate determination date, the Remarketing Agent may or may not be able to remarket any 2005C Bonds tendered for purchase on such date at par and the Remarketing Agent may sell 2005C 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 it does not have third party buyers for all of the 2005C Bonds at the remarketing price. In the event a Remarketing Agent owns any 2005C Bonds for their its account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such 2005C Bonds on any date, including the rate determination date, at a discount to par to some investors.

THE ABILITY TO SELL THE 2005C BONDS OTHER THAN THROUGH TENDER PROCESS MAY BE LIMITED

The Remarketing Agent may buy and sell 2005C Bonds other than through the tender process. However, it 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 2005C Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2005C Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2005C Bonds other than by tendering the 2005C Bonds in accordance with the tender process.

RATINGS

Moody’s Investors Service ("Moody’s) and Fitch Ratings, Inc. ("Fitch") have assigned to the 2005C-1 Bonds the ratings of "Aa1/VMIG 1," and "AA+/F1+", respectively and Standard & Poor’s Rating Services, a Standard & Poor's Financial Sources LCC business ("Standard & Poor’s") is expected to assign to the 2005C-1 Bonds the rating of "AAA/A-1+". The ratings are based upon (i) the ratings of the 2005C-1 Bank, (ii) the long term ratings of the Department of Aviation and (iii) Moody’s, Standard & Poor’s and Fitch’s credit correlation of the ratings of the Bank and the Department of Aviation.

Moody’s and Fitch have assigned to the 2005C-2 Bonds the ratings of "Aa1/VMIG 1," and "AAA/F1+", respectively and Standard & Poor’s is expected to assign to the 2005C-2 Bonds the rating of "AAA/A-1+". The ratings are based upon (i) the ratings of the 2005C-2 Bank, (ii) the long term ratings of the Department of Aviation and (iii) Moody’s, Standard & Poor’s and Fitch’s credit correlation of the ratings of the Bank and the Department of Aviation.

A rating, including any related outlook with respect to potential changes in such ratings, reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the 2005C Bonds. An explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by any of such rating agencies if, in the judgment of any of them, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the 2005C Bonds.

CO-FINANCIAL ADVISORS

First Southwest Company, Houston, Texas, and Frasca & Associates, L.L.C., New York, New York, have been retained by the City as Co-Financial Advisors in connection with the remarketing of the 2005C Bonds and, in such capacity, have assisted the City in the preparation of Bond-related documents.

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

APPROVAL OF LEGALITY

The validity and tax exempt status of the 2005C Bonds were passed upon by Saul Ewing LLP and the Law Offices of Denise Joy Smyler, 2005 Co-Bond Counsel, both of Philadelphia, Pennsylvania, in connection with the original issuance and delivery of the 2005C Bonds on June 2, 2005. Such opinion has not been updated and a copy of such opinion is attached hereto as APPENDIX VI.

The 2005C Bonds are being reoffered subject to the opinions of Saul Ewing LLP and Gonzalez Saggio & Harlan LLP, Co-Bond Counsel. The proposed form of such opinions are attached hereto as APPENDIX VIII. Certain legal matters will be passed upon for the City of Philadelphia by the City Solicitor. Certain legal matters in connection with the issuance of the Letters of Credit will be passed upon for the Banks by their counsel, Nixon Peabody, LLP.

RELATIONSHIPS OF CERTAIN PARTIES

Saul Ewing LLP has in the past provided legal services to the City and periodically represents the City on matters unrelated to the remarketing of the 2005C Bonds.

ADDITIONAL INFORMATION

It is the practice of the City in connection with the remarketing and sale of each issue of the City's bonds or notes, to require in its contract with its Remarketing Agent that the remarketing agent deposits the Remarketing Circular 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 Remarketing Circular. 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. Since July 1, 2009, pursuant to Securities and Exchange Commission Rule 15c2-12, all such filings must be made with the Municipal Securities Rulemaking Board (MSRB) through the MSRB's Electronic Municipal Market Access (EMMA) system. The CAFR for the City's Fiscal Year ended June 30, 2010 was filed with EMMA on February 28, 2011. The CAFR is prepared by the Office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants audit guide, Audits of State and Local Government Units. Upon written request to the Office of the Director of Finance and payment of the costs of duplication and mailing, the City will make available copies of the CAFR for the Fiscal Year ended June 30, 2010. Such a request should be addressed to: Office of the Director of Finance, Municipal Services Building, 1401 John F. Kennedy Boulevard, Philadelphia, PA 19102. A copy of the financial statements of the City for the Fiscal Year ended June 30, 2010, may be downloaded at http://www.phila.gov/investor. The CAFR contains pertinent information with respect to the Division of Aviation. The City also expects to provide financial and other information as to the City from time to time to Moody's, S&P and Fitch in connection with securities ratings issued by those rating agencies for bonds or notes of the City.

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

CONTINUING DISCLOSURE AGREEMENT

At the time of the original issuance and delivery of the 2005C Bonds, in accordance with the requirements of Section (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the City entered into a continuing disclosure undertaking (the "Continuing Disclosure Agreement") for the benefit of the owners of the 2005C Bonds. See

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

CERTAIN REFERENCES

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

All quotations from and summaries and explanations of the Constitution and laws of the Commonwealth and Ordinances of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the 2005C Bonds are qualified in their entirety by reference to the definitive form of the 2005C Bonds. All capitalized terms used herein which are not defined herein or in APPENDIX II shall have the meanings ascribed to them in the Act and the General Ordinance. See APPENDIX II - "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS."

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

The Appendices are integral parts of this Remarketing Circular and must be read together with all parts of this Remarketing Circular.

[Remainder of page is intentionally blank]

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

CITY OF PHILADELPHIA

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

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

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

Approved:

/s/ Rob Dubow
Rob Dubow, Director of Finance

APPENDIX I

FINANCIAL STATEMENTS OF THE DIVISION OF AVIATION 2010

[THIS PAGE INTENTIONALLY LEFT BLANK]

PHL PHILADELPHIA INTERNATIONAL AIRPORT

CITY OF PHILADELPHIA

Philadelphia Airport System
Municipal Securities Disclosure
Annual Financial Information
Fiscal Year Ended June 30, 2010

[THIS PAGE INTENTIONALLY LEFT BLANK]

Philadelphia Airport System
Municipal Securities Disclosure
Annual Financial Information
Fiscal Year Ended June 30, 2010

This report has been prepared pursuant to certain provisions of the following Continuing Disclosure Agreements, collectively referred to as the "Disclosure Agreements":

- Continuing Disclosure Agreements dated July 23, 1998 and July 10, 2001 between the Philadelphia Authority for Industrial Development and the City of Philadelphia, Pennsylvania
- Continuing Disclosure Agreement dated July 10, 2001 between the City of Philadelphia, Pennsylvania and First Union National Bank
- Continuing Disclosure Agreements dated June 1, 2005, August 4, 2005, August 1, 2007 and April 14, 2009 between the City of Philadelphia, Pennsylvania and Digital Assurance Certification, L.L.C.

This report contains the following financial information and operating data which, together with the City of Philadelphia's Comprehensive Annual Financial Report ("CAFR"), constitute the "Annual Financial Information" as defined in the Disclosure Agreements:

In accordance with Section 3 of the Disclosure Agreements, the above-referenced tables and appendix are substantially similar to the type set forth in the Official Statements for the Philadelphia Authority for Industrial Development Airport Revenue Bonds, Series 1998A and Series 2001A and the City of Philadelphia, Pennsylvania Airport Revenue Bonds, Series 2001B, 2005A, 2005C, 2007A/B and 2009A.

TABLE 1

Philadelphia International Airport
Recent Trends in Enplaned Passengers
FY 2008 - FY 2011

						First 6 Months (July - December)		
Airlines	**FY 2008**	**FY 2009**	**Percent Increase (Decrease)**	**FY 2010**	**Percent Increase (Decrease)**	**FY 2010**	**FY 2011**	**Percent Increase (Decrease)**
Domestic								
Scheduled Major / National								
US Airways	4,694,777	4,586,744	-2.30%	4,780,968	4.23%	2,403,542	2,582,300	7.44%
Other	5,309,353	4,692,202	-11.62%	4,201,748	-10.45%	2,272,365	2,118,841	-6.76%
	10,004,130	9,278,946	-7.25%	8,982,716	-3.19%	4,675,907	4,701,141	0.54%
Scheduled Regional / Commuter	3,965,290	4,077,215	2.82%	4,128,945	1.27%	2,119,926	2,211,097	4.30%
Charter	1,636	1,285	-21.45%	1,578	22.80%	459	342	-25.49%
Subtotal - Domestic	**13,971,056**	**13,357,446**	**-4.39%**	**13,113,239**	**-1.83%**	**6,796,292**	**6,912,580**	**1.71%**
International								
Scheduled	2,080,261	2,003,441	-3.69%	2,080,443	3.84%	1,058,292	1,096,438	3.60%
Charter	1,656	1,856	12.08%	59	-96.82%	0	0	N/A
Subtotal - International	**2,081,917**	**2,005,297**	**-3.68%**	**2,080,502**	**3.75%**	**1,058,292**	**1,096,438**	**3.60%**
Total Enplaned Passengers	**16,052,973**	**15,362,743**	**-4.30%**	**15,193,741**	**-1.10%**	**7,854,584**	**8,009,018**	**1.97%**

Note: The City's Fiscal Year Ends June 30.

TABLE 2

Philadelphia International Airport
Airline Market Shares of Enplaned Passengers
Fiscal Year 2010

Airlines	Enplaned Passengers	Percent
Domestic		
Scheduled Major / National		
US Airways	4,780,968	31.5%
Southwest	1,710,602	11.3%
Delta/Northwest	820,880	5.4%
American	573,226	3.8%
United	455,193	3.0%
AirTran	298,280	2.0%
Continental	233,656	1.5%
Midwest	50,962	0.3%
Frontier	45,514	0.3%
USA 3000	13,435	0.1%
	8,982,716	59.1%
Scheduled Regional / Commuter		
US Airways Express		
Republic	1,386,820	9.1%
Air Wisconsin	1,386,681	9.1%
Piedmont	699,379	4.6%
PSA	151,274	1.0%
Chautauqua	54,338	0.4%
Mesa	86	0.0%
	3,678,578	24.2%
Other	450,367	3.0%
	4,128,945	27.2%
Charter	1,578	0.0%
Subtotal - Domestic	**13,113,239**	**86.3%**
International		
Scheduled		
US Airways	1,621,853	10.7%
Air Wisconsin	137,464	0.9%
British Airways	103,258	0.7%
Lufthansa	69,030	0.5%
Air Canada and Air Canada Jazz	47,045	0.3%
Air Jamaica	36,217	0.2%
Delta	25,340	0.2%
USA 3000	24,452	0.2%
Air France	15,784	0.1%
	2,080,443	13.7%
Charter	59	0.0%
Subtotal - International	**2,080,502**	**13.7%**
Total Enplaned Passengers	**15,193,741**	**100.0%**

Note: The City's Fiscal Year Ends June 30.

TABLE 3

Philadelphia International Airport
Airline Market Shares of Landed Weight (in 1,000 lb. Units)
Fiscal Year 2010

Airlines	Landed Weight	Percent
Domestic		
Scheduled Major / National		
US Airways	5,721,566	26.4%
Southwest	2,277,154	10.5%
Delta/Northwest	974,740	4.5%
American	641,022	3.0%
United	606,595	2.8%
AirTran	356,872	1.6%
Continental	239,403	1.1%
Midwest	57,713	0.3%
Frontier	49,220	0.2%
USA 3000	28,866	0.1%
	10,953,150	50.6%
Scheduled Regional / Commuter		
US Airways Express		
Air Wisconsin	1,750,797	8.1%
Republic	1,715,114	7.9%
Piedmont	978,762	4.5%
PSA	217,536	1.0%
Chautauqua	61,781	0.3%
Mesa	147	0.0%
	4,724,137	21.8%
Other	538,679	2.5%
	5,262,816	24.3%
Charter	3,543	0.0%
Subtotal - Domestic	**16,219,508**	**74.9%**
International		
Scheduled		
US Airways	2,574,713	11.9%
British Airways	254,332	1.2%
Air Wisconsin	177,801	0.8%
Lufthansa	142,696	0.7%
Air Canada, ACJetz and Air Canada Jazz	77,999	0.4%
Air Jamaica	44,165	0.2%
Delta	38,052	0.2%
Air France	35,770	0.2%
USA 3000	28,440	0.1%
	3,373,968	15.6%
Charter	1,685	0.0%
Subtotal - International	**3,375,653**	**15.6%**
All-Cargo Airlines	**2,059,609**	**9.5%**
Total Landed Weight	**21,654,771**	**100.0%**

Note: The City's Fiscal Year Ends June 30.

TABLE 4

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

LINE		2006	2007	2008	2009	2010
	AMOUNTS AVAILABLE FOR DEBT SERVICE					
1.	Revenue deferred from prior year	$22,876	$9,621	($12,485)	$3,304	$7,203
1a.	Deferred revenue adjustment	(3,714)	0	6,667	0	0
2.	Space rentals	47,947	55,929	75,420	83,608	86,821
3.	Landing fees	29,622	25,845	44,597	49,082	49,144
4.	Ramp Area rentals	1,128	285	800	670	1,359
5.	Terminal Payments-in-Aid	9,719	0	0	0	0
6.	Outside Terminal Area Payments-in-Aid	0	0	0	0	0
7.	International Terminal revenues	16,919	15,370	17,722	19,673	19,497
8.	Revenue (deferred to subsequent year) / accrued for current year	(9,621)	12,485	(3,304)	(7,203)	(19,983)
9.	Subtotal, Airline Rentals, Fees and Charges	114,876	119,535	129,418	149,134	144,041
10.	Nonairline Revenues	84,187	90,105	119,533	104,698	102,258
11.	Interest income	1,724	1,619	1,594	1,420	608
12.	Total Project Revenues	200,787	211,259	250,544	255,252	246,907
13.	Passenger Facility Charges (PFCs) Available for Debt Service	32,592	32,921	32,926	32,926	33,133
14.	Portion of Fund Balance Attributable to Amounts Available for Debt Service	0	10,241	42,583	61,413	55,128
15.	Total Amounts Available for Debt Service	233,379	254,421	326,053	349,590	335,167
	EXPENSES					
16.	Net Operating Expenses	77,152	87,073	99,820	99,520	102,860
17.	Required Renewal Fund Deposit	0	0	0	0	0
18.	Revenue Bond Debt Service	88,126	85,565	84,388	95,645	94,307
19.	General Obligation Bond Debt Service	0	0	0	0	0
20.	Interdepartmental Charges	57,860	70,670	89,136	89,002	80,755
21.	Total Expenses	223,138	243,308	273,344	284,168	277,921
22.	**NET REVENUE**	$10,241	$11,113	$52,709	$65,422	$57,246
	RATE COVENANT TESTS OF THE ORIGINAL GENERAL ORDINANCE					
23.	Test A (Line 15- Line 16- Line 17) / (Line 18)	1.77	1.96	2.68	2.61	2.46
24.	Test B (Line 15- Line 16- Line 17- Line 20) / (Line 18 + Line 19)	1.12	1.13	1.62	1.68	1.61

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

TABLE 5

Philadelpha International Airport
History of Applications to Use PFC Revenues
Thru 12/31/2010

PFC Application No.	Approval Date	Initial Approved Amount	Amended Approved Amount
93-02-U-00-PHL	05/15/1993	14,250,000	12,805,493
95-03-C-00-PHL	02/27/1995	101,500,000	94,683,960
95-04-U-00-PHL	10/13/1995	950,000	1,270,605
95-05-C-00-PHL	11/21/1995	14,000,000	14,000,000
98-06-C-00-PHL	02/11/1998	26,150,000	19,534,950
99-08-U-00-PHL	10/12/1999	672,000,000	999,267,790
01-09-C-00-PHL	02/22/2000	22,250,000	24,400,000
06-10-C-00-PHL	02/16/2006	83,250,000	238,950,000
Totals		934,350,000	1,404,912,798

TABLE 6

Philadelphia International Airport
PFC Revenues Through 12/31/2010

FY	COLLECTIONS	INTEREST	TOTAL REVENUES
1993	14,484,101	142,790	14,626,891
1994	22,605,318	1,111,511	23,716,829
1995	21,828,173	2,285,485	24,113,658
1996	22,817,704	2,277,935	25,095,639
1997	27,229,901	1,837,334	29,067,235
1998	30,931,674	1,654,752	32,586,426
1999	29,408,652	2,018,264	31,426,916
2000	32,278,858	2,828,083	35,106,941
2001	31,880,729	3,362,695	35,243,424
2002	53,688,877	2,112,347	55,801,223
2003	43,961,971	1,537,729	45,499,700
2004	51,766,443	808,417	52,574,859
2005	61,378,549	1,284,025	62,662,574
2006	62,165,176	3,252,682	65,417,858
2007	65,328,768	5,047,045	70,375,813
2008	70,120,974	5,098,760	75,219,734
2009	60,898,941	1,886,741	62,785,682
2010	61,696,738	353,391	62,050,129
First 6 Months 2011	31,418,979	93,369	31,512,348
Totals	795,890,525	38,993,354	834,883,880
Expenditures thru 12/31/2010			763,500,822
Balance			71,383,058

Note: The City's Fiscal Year Ends June 30.

TABLE 7

Philadelphia International Airport
Historical Enplaned Passengers

FY	Domestic	International	Total	Total annual increase (decrease)
1990	7,400,854	379,667	7,780,521	
1991	7,322,959	388,954	7,711,913	-0.9%
1992	7,041,274	534,004	7,575,278	-1.8%
1993	7,645,396	582,621	8,228,017	8.6%
1994	7,777,184	607,718	8,384,902	1.9%
1995	8,419,133	634,955	9,054,088	8.0%
1996	8,538,732	665,334	9,204,066	1.7%
1997	9,502,168	890,094	10,392,262	12.9%
1998	10,601,187	1,104,443	11,705,630	12.6%
1999	10,737,979	1,329,813	12,067,792	3.1%
2000	10,652,391	1,326,524	11,978,915	-0.7%
2001	11,149,732	1,521,721	12,671,453	5.8%
2002	10,501,846	1,499,659	12,001,505	-5.3%
2003	10,519,234	1,617,391	12,136,625	1.1%
2004	11,149,952	1,938,821	13,088,773	7.8%
2005	13,427,191	2,063,378	15,490,569	18.4%
2006	13,563,540	2,011,457	15,574,997	0.5%
2007	13,864,721	1,987,072	15,851,793	1.8%
2008	13,971,056	2,081,917	16,052,973	1.3%
2009	13,357,446	2,005,297	15,362,743	-4.3%
2010	13,113,239	2,080,502	15,193,741	-1.1%
First 6 months				
2010	6,796,292	1,058,292	7,854,584	-1.1%
2011	6,912,580	1,096,438	8,009,018	2.0%
	Average annual percent increase			
1990-2001	3.8%	13.5%	4.5%	
1996-2001	5.5%	18.0%	6.6%	
2001-2010	1.8%	3.5%	2.0%	

Note: The City's Fiscal Year ends June 30.

FINANCIAL STATEMENTS
OF THE DIVISION OF AVIATION

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

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

The accounting policies of the City of Philadelphia, as reflected in the accompanying Aviation Fund financial statements, conform to accounting principles generally accepted in the United States of America for local government units as prescribed by the Governmental Accounting Standards Board. Accounting principles generally accepted in the United States of America for proprietary funds, such as the Aviation Fund, require that both earnings and expenses be recorded as they accrue, and that depreciation of fixed assets be recorded as an expense. The financial statements for fiscal year 2010 are presented in accordance with accounting principles generally accepted in the United States of America.

The financial statements contained in Appendix I are reconcilable with the Basic Financial Statements contained in the City’s Comprehensive Annual Financial Report for fiscal year 2010, which are audited by the Office of the Controller of the City of Philadelphia.

CITY OF PHILADELPHIA
AVIATION FUND
Appendix I

TABLE OF CONTENTS

INTRODUCTION

Philadelphia International Airport (PHL, or the Airport) and Northeast Philadelphia Airport (PNE) are owned by the City of Philadelphia (the City) and operated by the Division of Aviation (the Division). The following discussion and analysis of the financial performance and activity of the Division is to provide an introduction and understanding of the basic financial statements of the Philadelphia Aviation Fund (Aviation Fund) for the fiscal year ended June 30, 2010 (Fiscal 2010) with selected comparative information for the fiscal year ended June 30, 2009 (Fiscal 2009).

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

AIRPORT ACTIVITIES AND HIGHLIGHTS

- ✈ **Financial Position:** The financial position of the Airport strengthened slightly in fiscal 2010 as total net assets increased $7.3 million. Due to the continued economic recession, the Airport experienced a decrease in operating revenues in fiscal 2010, which management mitigated by instituting budgetary restrictions and reducing operating expenses. This amount includes Aviation Fund unrestricted net assets of $70.7 million to supplement continuing operations.

- ✈ **Passenger Traffic:** In Fiscal 2010, PHL had a slight reduction of 1.1% in outbound passenger traffic. This reduction in enplanements resulted primarily from the cumulative effect of the winter storms of 2010, the eruption of the Icelandic volcano in April 2010, and overall stagnant global economy, causing airlines to reduce flights and cut seat capacity to enhance economies and efficiencies. Aircraft operations and landed weight incurred similar reductions with decreases of 3.4% and 4.8%, respectively.

Enplanements and Operations Activity at PHL

	Fiscal 2010	Fiscal 2009	% Increase (Decrease) from 2009
Enplanements (Outbound passengers):	15,193,741	15,362,743	-1.1%
Operations (Takeoffs & landings):	462,448	478,573	-3.4%
Landed Weight (1,000-pound units):	21,654,771	22,734,844	-4.8%

- **Capacity Enhancement Program:** In August 2010, the Federal Aviation Administration (FAA) issued the Final Environmental Impact Statement (FEIS) for the Airport's Capacity Enhancement Program (CEP). The FAA determined that Alternative A was the preferred alternative. Alternative A calls for the reconfiguration of the airfield, which will result in four parallel runways and one crosswind runway by adding a new runway and extending runways 8/26 and 9R/27L to the east. Alternative A also calls for the extension of the terminal complex, the addition of an automated people mover and ground transportation center and adding approximately 7,600 additional parking spaces. Alternative A is estimated to cost approximately $5.2 billion and is expected to take approximately 13 to 15 years to complete. The implementation of the CEP is necessary in order to address the significant airfield congestion at PHL, which FAA documentation shows ultimately affects the national airspace system (NAS) as a whole. The FAA published its Record of Decision (ROD) for PHL's CEP on January 4, 2011.

- **Airport Revenue Bonds:** In October 2010, the City completed the sale of its Series 2010 Airport Revenue Bonds totaling $624.7 million, comprised of the following: $273.1 million Series 2010A Airport Revenue Bonds; $24.4 million Series 2010B Airport Revenue Refunding Bonds; $54.7 million Series 2010C Airport Revenue Refunding Bonds; and $272.5 million Series 2010D Airport Revenue Refunding Bonds. Proceeds from the sale of the 2010A Bonds are funding a portion of several new Airport capital projects, including: Terminal F expansion and renovation; various terminal improvements; Terminal B-C expansion design; Eastside and Westside taxiway improvements; Runway 9L/27R resurfacing and navaids; Airport maintenance facility design and first phase of construction; central utility plant upgrades; and an infrastructure improvement program.

  The 2010B, 2010C, and 2010D Refunding Bonds were issued to effect a current refunding of all or portion of the outstanding Airport Revenue Refunding Bonds, Series 1997A; Airport Revenue Refunding Bonds Series 1998A; and Airport Revenue Bond, Series 1998B, respectively.

- **Airport Advisory Board:** On October 7, 2010, the Mayor announced the appointment of 19 members to the newly created Mayor's Airport Advisory Board. The intent of the Advisory Board is to assist the Airport CEO and the Administration in improving and expanding infrastructure, revitalizing and refocusing efforts on customer service and amenities, and furthering economic development. The Board will also advocate for key business initiatives and programs that enhance the overall operation and passenger experience at Philadelphia International Airport, and further support the Airport as Philadelphia's international gateway and largest economic engine.

- **Grant Funding:** In Fiscal 2010, PHL received FAA Airport Improvement Program (AIP) grants totaling $8.6 million. PHL was awarded $5.5 million for the continuation of the Residential Sound Insulation Program, $2.1 million for the Rehabilitation of Runway 9L/27R design, and $1.0 million in Voluntary Airport Low Emissions (VALE) funding.

- **Terminal D/E Modernization and Expansion Project:** In the spring of 2010, the Terminal D/E Project completed a 50,000 square foot hammerhead addition to Terminal E, which provided three additional gates, and a new 9,000 square foot connector building between Bag Claims D and E, which included two new baggage carousels. Renovations to the existing Terminal D and E ticketing lobbies include provisions for twenty additional ticket counter positions and an additional 50,000 square foot baggage makeup area with eight inline explosive detection machines. This project is scheduled for completion summer 2012.

- **Environmental Stewardship:** PHL has been a grant recipient of FAA's VALE program since 2005. To date, VALE funding has subsidized 75% of the differential cost of three hybrid vehicles, 75% of the total cost for 20 electrical re-chargers for airline ground service equipment, and the installation of 11 Preconditioned Air (PCAir) units at Terminal A-East. PHL received approximately $4 million in VALE funding during Fiscal 2008, $10.4 million in Fiscal 2009, and over $1 million in Fiscal 2011. The 2009 grants funded the purchase and installation of 25 electric re-charger stations and 24 PCAir units, which will be completed in the spring of 2011. The Fiscal 2011 grant will fund the design and installation of Ground Power Units (GPU) at the US Airways maintenance hanger. This project will be completed during the summer of 2011.

- **New Technology**
  - In February 2010, PHL was one of four airports to get new satellite technology, which relies on Global Positioning Satellites (GPS). Two ground satellite-surveillance radios have been installed at the Airport, along with five others around the Philadelphia area. Philadelphia air traffic controllers now have the capability to track planes equipped with Automatic Dependent Surveillance Broadcast (ADS-B), which the FAA believes will improve airspace efficiency and permit planes to fly more direct routes, ultimately allowing them to use less fuel. The project is part of a FAA nationwide aviation overhaul called Next Generation (NextGen).

  - PHL will soon receive the latest in runway safety systems, called Runway Status Lights. The system alerts a pilot if a runway is in use. Surveillance radar turns the lights on, so they become an automatic backup to the air traffic controllers. The FAA will install and pay for the system. Construction is expected to begin in late calendar year 2011, with completion expected in calendar year 2012.

- **Awards and Recognition**
  - **Autism Accessibility Program:** PHL, along with Einstein Healthcare Network and Southwest Airlines, received recognition from Congressman Bob Brady (D - Pennsylvania) for instituting best practices procedures for helping families with autistic children when they travel. The Airport approved a program that simulates a mock airline travel experience, which includes checking bags and receiving boarding passes, dealing with airline agents, clearing security, waiting at the gate for plane arrival and actually boarding and experiencing the in-flight atmosphere on a plane. The Congressman noted that PHL's first ever model would be beneficial for families and can be replicated in other public places.

- **Tripswithpets.com:** PHL was ranked one of the country's Top 10 "Pet Friendly Airports" according to tripswithpets.com, a website dedicated to traveling with pets. The Airport received the accolades for its seven Pet Ports. These pet relief areas opened in 2008 at the recommendation of the Airport's Americans with Disabilities Act Review Committee. The areas, which are located on both the Departures and Arrivals roads adjacent to ticketing and baggage claim areas, are designed to provide appropriate facilities for service animals traveling with special needs passengers as well as pets and Airport security canines.

- **American Red Cross:** In Fiscal 2010, PHL received the American Red Cross Partner Award for its ongoing partnership with The Southeastern Pennsylvania Chapter of the American Red Cross and its commitment to and participation in health and safety programs.

AIRLINE MERGERS/AQUISITIONS

✈ **United Airlines/Continental Airlines:** On May 3, 2010, United and Continental Airlines announced plans to merge their operations, creating the world's largest airline. The two airlines formally combined on October 1, 2010 and are now wholly owned subsidiaries of United Continental Holdings, Inc. In Fiscal 2010, United and Continental operated 17 and 15 daily flights at PHL respectively, accounting for an aggregate 4.5% of the Airport's enplaned passengers.

✈ **Southwest Airlines/AirTran Airways:** On September 27, 2010, Southwest Airlines entered into an agreement to acquire all of the outstanding common stock of AirTran Holdings, Inc., the parent company of AirTran Airways, a low-cost carrier, which operated 9 daily flights at PHL in Fiscal 2010. While Southwest has not yet announced a definitive closing date for the acquisition, the airline stated that it anticipates the transaction to close in the first half of 2011. Southwest currently operates 59 daily flights at PHL.

DESCRIPTION OF PHILADELPHIA AIRPORT SYSTEM

PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked as the eighteenth busiest airport in the United States, serving 30.7 million passengers in 2009, and is presently the eleventh busiest in the world, and ninth in the nation, based on aircraft operations.

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

Philadelphia International Airport

- *Land.* Approximately 2,354 acres located partly in the southwestern section of the City and partly in the northeastern section of Delaware County, about 7.2 miles from center city Philadelphia.
- *Runways.* The Airport's runway system consists of parallel runways 9L/27R and 9R/27L, crosswind runway 17/35, commuter runway 8/26, and interconnecting taxiways.
- *Terminal Building.* Approximately 3.1 million square feet, consisting of seven terminal units (A West, A East, B, C, D, E and F). Terminal facilities principally include: ticketing areas, passenger holdrooms, baggage claim and approximately 160 food, retail and service establishments.
- *Cargo Facilities.* Located in six major structures in and around Cargo City at the western end of the Airport.
- *Outside Terminal Area.* Consisting of a 14-story, 400-room hotel, six rental car facilities and five parking garages and surface lots operated by the Philadelphia Parking Authority.

Northeast Philadelphia Airport

PNE is located on 1,150 acres situated within the City limits, 10 miles northeast of center city Philadelphia. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. The airport currently has no scheduled commercial service. There are presently eighty-five (85) T-hangars, nine (9) corporate hangars and six open hangars for general aviation activities. There are approximately 210 general aviation based aircraft at PNE.

BACKGROUND INFORMATION ON THE AVIATION FUND

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

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

FINANCIAL STATEMENTS OVERVIEW

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

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

Aviation Fund financial activity is presented in three financial statements:

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

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

Notes to Financial Statements. The Notes provide additional information that is essential to a full understanding of the data provided in the Aviation Fund financial statements. The Notes to Financial Statements can be found on pages 18 through 46 of this report.

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

FINANCIAL POSITION

The following table summarizes the Airport's assets, liabilities and net assets at June 30, 2010 and June 30, 2009:

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

	2010	2009	Increase (Decrease) from 2009	% Increase (Decrease) from 2009
Current and other assets	$ 490,356	$ 558,569	$ (68,213)	-12.2%
Capital assets	1,682,174	1,596,402	85,772	5.4%
Total assets	2,172,529	2,154,971	17,558	0.8%
Long-term liabilities	1,215,994	1,225,705	$ (9,712)	-0.8%
Other liabilities	151,428	131,454	19,974	15.2%
Total liabilities	1,367,422	1,357,160	10,262	0.8%
Net assets:				
Invested in capital assets, net of related debt	606,198	560,028	46,170	8.2%
Restricted for Capital Projects	29,716	52,445	(22,729)	-43.3%
Restricted for Debt Service	98,471	107,607	(9,137)	-8.5%
Unrestricted	70,722	77,731	(7,008)	-9.0%
Total net assets	$ 805,107	$ 797,811	$ 7,296	0.9%

Net Assets serves as a useful indicator of the Airport's financial position and is a measurement of the financial condition of the Airport at a specific point in time. At June 30, 2010, the Aviation Fund's assets exceeded liabilities by $805 million. Between Fiscal 2009 and Fiscal 2010, total net assets increased by $7.3 million. Changes in total net assets are summarized below:

- **Total Assets** increased $17.6 million. Capital assets increased by $85.8 million due to capital asset additions of $173.7 million, resulting from ongoing Airport expansion projects, offset by depreciation of $87.9 million. This overall increase was offset by a decrease of $68.2 million in current and other assets. This decrease was due primarily to a combination of a $19 million increase in current assets, mainly consisting of cash on hand, and a $79.1 million decrease in total restricted assets due primarily to bond fund payments for construction projects, offset by collections from PFCs.

- **Total Liabilities** increased $10.3 million. Current liabilities increased $20 million due to an increase in deferred revenue of $13.4 million and an increase in the current portion of bonds payable of $7.3 million. The increase in current liabilities was offset by a decrease of $9.7 million in long-term liabilities. Long-term liabilities decreased primarily due to the repayment of debt of $43.8 million, which was reduced by recording the fair value of a derivative instrument of $31.6 million, also known as the Airport swap, as required by the implementation of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008.

- **Invested in capital assets, net of related debt** increased by $46.2 million due to an increase in capital construction of $173.7 million, which was offset by $87.9 million in accumulated depreciation. This net increase in capital assets of $85.8 million was offset by an increase in related debt of $39.6 million. Although these capital assets assist the Airport in providing services to the traveling public, they are generally not available to fund operations of future periods.

- **Restricted for capital projects** represents funds available and restricted for construction of capital assets, reduced by debt payable on those funds. This balance decreased by $22.7 million in Fiscal 2010 as a result of the following: PFC expenditures exceeded PFC revenues by $18.6 million; discretionary funds of $2.5 million were used to offset extraordinary snow costs; and accrued interest decreased $1.2 million as a result of ongoing construction coupled with declines in prevailing market rates.

- **Restricted for debt service** decreased $9.1 million due to changes in Sinking Fund and Sinking Fund Reserve requirements as a result of the use of sinking funds for repayment of debt.

- **Unrestricted net assets** decreased $7.0 million. Unrestricted net assets may be used to supplement the Airport's ongoing operations.

The following table compares the changes in revenues, expenses and fund net assets between Fiscal 2010 and Fiscal 2009:

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

	2010	2009	Increase (Decrease) from 2009	% Increase (Decrease) from 2009
Revenues:				
Operating income	$ 239,963	$ 251,703	$ (11,740)	-4.7%
Operating grants and contributions	3,009	2,052	957	46.6%
Capital grants and contributions	29,299	44,744	(15,445)	-34.5%
Passenger facility charges	61,278	61,255	22	0.0%
Interest income	1,694	1,568	126	8.0%
Total revenues	335,243	361,323	(26,079)	-7.2%
Expenses:				
Operating expenses	265,376	270,407	(5,031)	-1.9%
Debt service interest	53,211	52,086	1,125	2.2%
Other expenses	11,486	357	11,129	*
Total expenses	330,073	322,850	7,224	2.2%
Increase in Net Assets	5,170	38,473	(33,303)	-86.6%
Net assets beginning of year	797,811	759,338	38,473	5.1%
Prior Period Adjustment	2,127	-	2,127	
Net assets adjusted beginning of year	799,938	759,338	$ 40,599	5.3%
Net assets end of year	$ 805,107	$ 797,811	$ 7,296	0.9%

* Percentage comparisons in excess of 150% are omitted.

Changes in net assets represent the results of operations and are useful indicators of whether the overall financial condition of the Airport has improved or declined during the year. In Fiscal 2010, net assets increased $7.3 million, or 0.9%, from the prior year, which reflected the general slowdown experienced as a result of the recession that started in 2008. This increase reflects Airport net income and capital contributions. The Aviation Fund's Net Assets beginning balance was increased by approximately $2.1 million for the intangible asset valuation at the end of Fiscal 2009, as required by GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007.

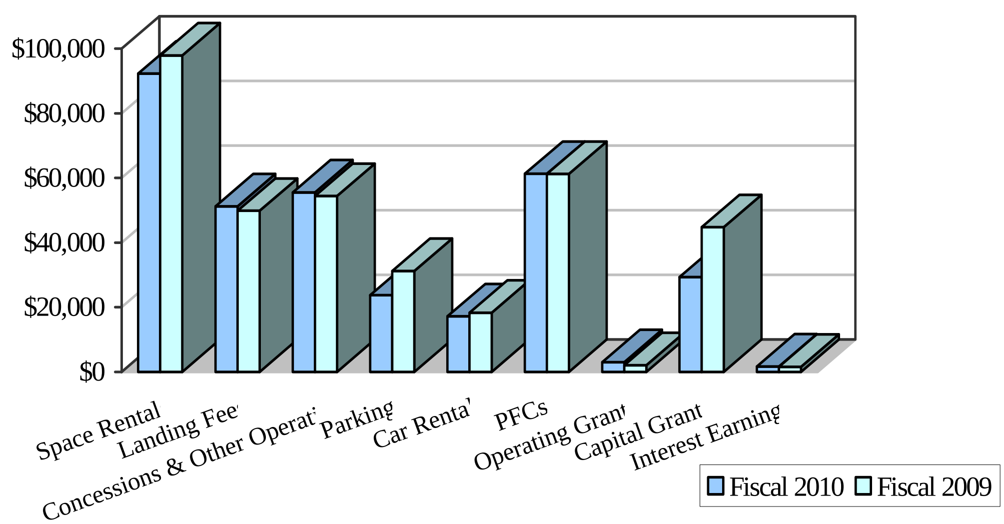
Airport income before capital contributions is composed of operating and non-operating revenues, net of expense. Capital contributions represent federal and state grants for approved capital projects.

Revenues

Approximately 72% of all revenue came from operating sources, which include space rentals, landing fees and revenues from parking, concessions and car rentals. PFCs account for another 18%, with the remainder coming from Federal and State grants, and interest earnings.

The graph below presents the major components of revenue for Fiscal 2010 and 2009, followed by explanations of significant changes in these categories between years.

Revenues by Source ($000)



- ✈ Operating revenues, which include the first five categories in the bar graph above, decreased approximately 5% in Fiscal 2010. Concessions and landing fee revenues increased 2% and 3%, respectively, in Fiscal 2010, but were offset by decreases in terminal rentals, car rentals and parking, primarily as a result of the decrease in passenger traffic.

- ✈ Operating grants increased 46.6% in Fiscal 2010 due to receipt of grant funds for the following: VALE infrastructure; electrification of ground service equipment; Law Enforcement Officers (LEO); and the explosive detection canine team.

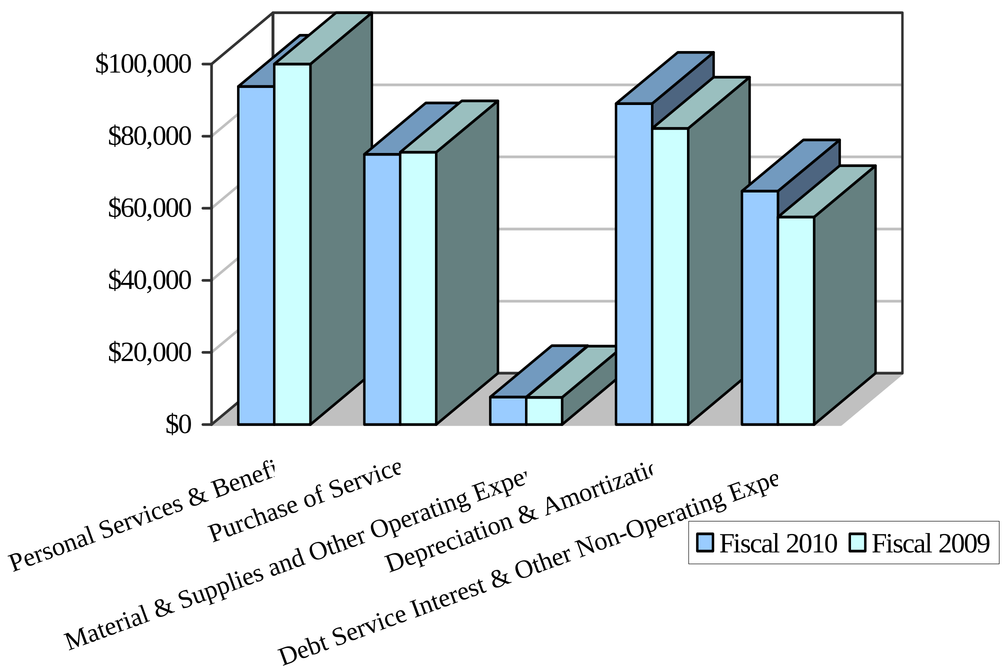
- ✈ Capital grants decreased approximately 35% in Fiscal 2010 as a result of several factors: Less reimbursable expenditures applied to the Terminal D/E Explosives Detection System (EDS) grant in Fiscal 2010 as compared to Fiscal 2009; a redesign required by TSA of the Sector 23 EDS project caused the project to move slower than anticipated; and grant-eligible accrual basis expenditures were approximately $8 million less in Fiscal 2010 versus Fiscal 2009.

Expenses

Airport expenses result from a wide range of services; wages, benefits and contractual services account for approximately 51% of total expenses. Depreciation and amortization comprise roughly 27% of the total, and the remainder consists of debt service interest and other operating and non-operating expenses.

The graph below presents the major components of expense for Fiscal 2010, followed by explanations of significant changes in these components from Fiscal 2009.

Expenses by Source ($000)



- Personal services and benefits decreased approximately 11% due to the implementation of cost containment measures that were instituted through hiring and wage freezes, and additional overtime controls.

- Depreciation and amortization increased almost 8% in Fiscal 2010 due to construction of new capital assets in 2009. The straight-line method is used to record depreciation.

- Net other non-operating expenses increased approximately 23% in Fiscal 2010 due to a one-time accounting in the previous fiscal year of approximately $5.2 million for the recording of fair market value of rental car facilities that reverted to the Airport upon the completion of long-term leases, and an increase in the Net Pension Obligation in the amount of approximately $6.0 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Airport's investment in capital assets, net of accumulated depreciation, amounted to $1.7 billion at the end of the current fiscal year. The following table presents the changes in capital assets for Fiscal 2010.

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

	July 1, 2009	Additions	Deletions	June 30, 2010
Non-Depreciable Business Type Assets				
Land	$ 88,433	$ 12,386	$ -	$ 100,819
Construction in Progress	148,217	171,245	(202,192)	117,270
Total Non-Depreciable Business Type Assets	236,650	183,631	(202,192)	218,089
Depreciable Business Type Assets				
Buildings	1,805,793	163,081	-	1,968,874
Infrastructure	557,657	28,851	-	586,508
Equipment	44,758	3,199	(2,853)	45,104
Total Depreciable Business Type Assets	2,408,208	195,132	(2,853)	2,600,486
Accumulated Depreciation				
Capital Additions	(752,291)	(63,120)	-	(815,412)
Infrastructure	(269,348)	(23,277)	-	(292,625)
Equipment	(26,817)	(2,614)	1,066	(28,365)
Total Accumulated Depreciation	(1,048,456)	(89,012)	1,066	(1,136,402)
Net Depreciable Business Type Assets	1,359,752	106,120	(1,788)	1,464,085
Total Business Type Assets	$ 1,596,402	$ 289,751	$ (203,980)	$ 1,682,174

Capital Assets

Major capital asset events for which capital expenditures were incurred during Fiscal 2010 include the following:

- ✈ *Construction in Progress.* Additions to construction in progress totaled $181.5 million during Fiscal 2010. Major projects that were under construction during the fiscal year included: expansion and modernization of Terminals D and E; resurfacing of runway 9R/27L; improvements to Terminal A East; noise compatibility program; and airline relocation project. Substantially completed projects, identified below, were transferred from construction in progress to capital assets.

✈ *Buildings, Infrastructure & Equipment.* Fixed asset additions totaled $195.1 million during Fiscal 2010. Significant design and construction projects substantially completed during Fiscal 2010 include the following:

- Terminal D&E Expansion & Modernization – completed phases ($87.4 million)
- Terminal E Concourse Expansion – completed phases ($21.7 million)
- Runway 9R/27L Resurfacing – completed phases ($18.6 million)
- Terminal A-East Improvements – completed phases ($13.5 million)
- Acquisition of Heilweil Site ($9.8 million)
- Airline Relocation Project – completed phases ($9.5 million)
- Noise Programs ($9.2 million)
- Terminal F Renovations & Expansion – completed phases ($4.2 million)
- Electrical Substation Rehabilitation – completed phases ($2.8 million)
- Runway 17–35 Extension – completed phases ($2.8 million)
- Terminal A-West – Bag Recheck System – completed phases ($2.4 million)
- USPS Lease Termination (2.2 million)
- Airport Master Plan/Environmental Impact Statement – completed phases ($1.9 million)

Long-Term Debt

Principal paid on debt instruments totaled $38.5 million for Fiscal 2010. Interest payments on debt instruments totaled $69.9 million for Fiscal 2010. The following table summarizes the changes in long-term debt, including the current portion, for Fiscal 2010:

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

	July 1, 2009	Additions	Retirements/ Repayments	June 30, 2010
Revenue bonds	$ 1,271,210	$ -	$ 38,510	$ 1,232,700

As of June 30, 2010, total revenue bonds payable, less current maturities of $45.9 million, equated to $78.11 per enplaned passenger, compared to $80.35 as of June 30, 2009.

BUDGETARY HIGHLIGHTS FROM FISCAL 2010

Actual expenditures for Fiscal 2010 were 6.6% lower than budgeted expenditures. In Fiscal 2010, the Division maintained many of the cost containment measures instituted during Fiscal 2009 in recognition of the slow pace of the global economic recovery and to mitigate the impact to the airlines. The results of these initiatives are highlighted below:

- A 3.3% reduction ($3.5 million) in direct expenses related to Division of Aviation personal services, contractual services, materials and supplies, equipment, and other direct expenses.
- Net interdepartmental charges were 11.8% ($10.8 million) lower than projected due to reduced payroll costs and deferred pension costs within the uniformed personnel classes (police & fire); less than projected actual insurance premiums; and lower than anticipated electric and natural gas costs.
- Net debt service was 4.5% ($2.9 million) lower than budgeted as a result of greater than anticipated excess interest income in sinking fund reserves accounts, and lower than anticipated interest expense on the Division's variable rate bonds.

KEY FACTORS AFFECTING THE FISCAL 2011 OPERATING BUDGET

The Airport's Fiscal 2011 operating budget increased by 4.7% from Fiscal 2010 due to the following factors:

- A 3.0% increase ($2.7 million) in net interdepartmental charges due to an anticipated increase in the cost of electric service to the Airport, beginning January 1, 2011 resulting from the expiration of electric rate caps in the Commonwealth of PA.
- An $8.2 million increase (12.9%) in net debt service attributable to the anticipated completion of various capital projects funded by 2007A Bonds. Debt service on these capital projects was previously capitalized.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Philadelphia Airport finances and to demonstrate the City's accountability for the funds it receives and disburses. For additional information concerning this report, please contact: Tracy S. Borda, CPA, Assistant Director of Aviation – Audit and Contract Management, Philadelphia International Airport, Executive offices, Terminal D, 3rd Floor, Philadelphia, PA 19153.

CITY OF PHILADELPHIA
AVIATION FUND
Statement of Net Assets
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 118,363,799
Accounts receivable:	14,870,237
Allowance for doubtful accounts	(1,074,542)
Inventories	3,084,553
Due from other governmental units	883,288
Total current assets	136,127,335
Restricted assets:	
Cash and cash equivalents	235,816,265
Cash held by fiscal agent	30,806,228
Sinking funds and reserves held by fiscal agents	35,012,755
Grants from other governments for capital purposes	14,069,748
Receivables	6,929,282
Deferred outflow from derivative instruments	31,594,103
Total restricted assets	354,228,381
Property, plant and equipment:	
Land	100,818,547
Infrastructure	586,508,427
Construction in progress	117,270,477
Buildings and equipment	2,013,977,808
Less: accumulated depreciation and amortization	(1,136,401,667)
Property, plant and equipment, net	1,682,173,592
Total assets	2,172,529,308
LIABILITIES	
Current liabilities:	
Vouchers payable	4,904,580
Accounts payable	11,541,915
Salaries and wages payable	3,066,164
Construction contracts payable	41,342,514
Accrued expenses	15,952,978
Deferred revenue	28,765,133
Current maturities of long-term bonded debt	45,855,000
Total current liabilities	151,428,284
Long-term liabilities:	
Revenue bonds - principal amount	1,186,845,000
Unamortized discount and loss	(18,767,887)
Derivative instrument liability	31,594,103
Other long-term liabilities	16,322,465
Total long-term liabilities	1,215,993,681
Total liabilities	1,367,421,965
NET ASSETS	
Invested in capital assets, net of related debt:	606,197,956
Restricted:	
Capital projects	29,716,455
Debt service	98,470,765
Unrestricted	70,722,167
Total net assets	$ 805,107,343

See notes to the financial statements.

CITY OF PHILADELPHIA
AVIATION FUND
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2010

Operating revenues:	
Charges for goods and services	$ 74,669,812
Rentals and concessions	161,375,950
Miscellaneous operating revenues	3,917,583
Total operating revenues	239,963,345
Operating expenses:	
Personal services	59,674,324
Purchase of services	74,975,124
Materials and supplies	6,234,831
Employee benefits	34,031,459
Indemnities and taxes	1,448,984
Depreciation and amortization	89,011,531
Total operating expenses	265,376,253
Operating loss	(25,412,908)
Nonoperating revenues (expenses):	
Operating grants	3,009,284
Passenger facility charges	61,277,506
Interest income	1,694,129
Net pension obligation	(9,698,449)
Debt service, interest	(53,211,021)
Other revenue (expenses)	(1,787,752)
Total nonoperating revenues (expenses)	1,283,697
Income before capital contributions	(24,129,211)
Capital contributions	29,298,943
Change in net assets	5,169,732
Net assets beginning of period	797,810,966
Prior period adjustment	2,126,645
Net assets beginning of period, as adjusted	799,937,611
Net assets end of period	$ 805,107,343

See notes to the financial statements.

CITY OF PHILADELPHIA
AVIATION FUND
Statement of Cash Flows
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 249,341,206
Receipts from interfund services	903,505
Payments to suppliers	(77,074,900)
Payments to employees	(89,345,980)
Internal activity-payments to other funds	(5,674,340)
Other receipts (payments)	
Net cash provided by operating activities	78,149,491
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES :	
Grant proceed not specifically restricted for capital purposes	3,090,728
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital contributions	28,759,004
Purchase of capital assets	(160,864,696)
Principal paid on capital debt	(38,510,000)
Interest paid on capital debt	(68,317,339)
Passenger facility charges	61,698,155
Net cash provided by capital and related financing activities	(177,234,876)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale and maturities of investments	11,790,236
Interest and dividends	2,955,049
	14,745,285
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	(81,249,372)
Balance beginning of year	466,235,664
Balance end of year	$ 384,986,292
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating (loss)	$ (25,412,908)
Adjustment to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation and amortization	89,011,531
Changes in assets and liabilities:	
Receivables, net	(2,650,323)
Inventories	(121,952)
Accounts and other payables	3,948,432
Deferred revenue	13,374,711
Net cash provided by operating activities	$ 78,149,491

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

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

Basis of Accounting

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenue of the Aviation Fund is charges for the use of the airport facilities. Operating expenses for proprietary 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.

Deposits and Investments

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

Statutes authorize the City to invest in obligations of the Treasury, agencies, and instruments of the United States, repurchase agreements, collateralized certificates of deposit, bank acceptance or mortgage obligations, certain corporate bonds, and money market funds. Management is not aware of any violations of statutory authority or contractual provisions for investments for the year ended June 30, 2010.

Accounts Receivable

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2010. Credit balance receivables have been included in deferred revenue in the statement of net assets. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable, which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are written off when recommended by the Law Department.

Inventories

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

Restricted Assets

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

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

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

- Passenger Facility Charges (PFCs) represent fees remitted by airlines based on passenger ticket sales for flights boarding at Philadelphia International Airport. The fees are reserved for funding certain Federal Aviation Administration (FAA) approved capital projects and debt service payments. Collection of PFCs began in the fall of 1992. All unexpended PFC funds, including accumulated interest, are classified as restricted assets.

Capital Assets

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

Construction in progress includes all direct contract costs plus overhead costs. Overhead costs include direct and indirect engineering and architectural 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 by offsetting interest expense from the date of borrowing through the project completion with the amount of interest income on the invested proceeds over the same period. After construction is completed, interest income and expense on these funds are recorded as non-operating revenue and expense. Construction in progress is transferred to capital assets when 80% of the estimated project costs have been expended, the expenditures are for existing facilities, or they relate to specific identifiable items completed during the year which are part of a larger project. Depreciation commences in the year following the transfer.

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

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

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

Deferred Revenue

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

Revenues

Operating revenues consist primarily of the following:

- Charges for goods and services – landing fees, international terminal charges, and utility charges.

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

Non-operating revenues consist primarily of the following:

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

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

Operating Expenses

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

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

Bond premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Bonds payable are reported net of applicable premium or discount. Bond issuance costs are reported as deferred charges and are reported over the life of the related debt. The loss on retirement of bonds is amortized on the straight-line method over the life of the new debt issued.

Compensated Absences

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

Management's Use of Estimates

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

2. DEPOSITS AND INVESTMENTS

For the year ended June 30, 2010, deposits and investments are included in the financial statements in current and restricted cash and cash equivalents, in sinking funds and reserves held by fiscal agents, and in cash held by fiscal agent.

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, both the carrying amount (book balance) and bank balance of deposits for the Aviation Fund were $24.7 million. All of the collateralized securities were held in the City's name.

Investments

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

As of June 30, 2010 the fair value of the Aviation Fund's investments consisted of the following:

	Fair Value	% of Total
U.S. Government Securities	$ 81,995,702	20.40%
U.S. Government Agency Securities	196,688,956	48.93%
Corporate Bonds	5,842,732	1.45%
Short-Term Investment Pools	70,118,300	17.44%
Repurchase Agreements	10,658,601	2.65%
Commercial Paper	36,696,384	9.13%
	$ 402,000,675	100.0%

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

	Less Than 1 Year	1 - 3 Years	More Than 3 Years
U.S. Government Securities	$ 75,644,746	$ 6,350,956	$ -
U.S. Government Agency Securities	196,688,956		
Corporate Bonds	970,819	4,871,913	-
Short-Term Investment Pools	70,118,300	-	-
Repurchase Agreements	-	-	10,658,601
Commercial Paper	36,696,384	-	-
	$ 380,119,205	$ 11,222,869	$ 10,658,601

Credit Risk: For the City as a whole, credit risk is limited by investing in US Government securities (5.6%) or US Government Agency obligations (14.6%). The US Government Agency obligations must be rated AAA by Standard & Poor's (S&P) or Aaa by Moody's Investor Services (Moody's). All US Government Securities meet the criteria. The City's investment in Commercial Paper (3.0%) must be rated A1 by S&P and/or M1G1 by Moody's and the senior long-term debt of the issuer must not be rated lower than A by S&P and/or Moody's. Commercial Paper is also limited to 25% of the portfolio. All commercial paper investments meet the criteria. Of the corporate bonds held by the City, 88.0% had an S&P rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short-term investment pools). Short-term investment pools are rated AAAm by S&P and Aaa by Moody's. The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in US dollars providing that the banking institution has assets of not less than $100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year the City did not have any investments of that nature.

3. CASH HELD BY FISCAL AGENT

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

4. CAPITAL ASSET ACTIVITY

The following schedule reflects the capital asset activity for the Aviation Fund during the year.

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Non-depreciable business type assets				
Land	$ 88,432,784	$ 12,385,763	$ -	$ 100,818,547
Construction-in-progress	148,217,022	171,245,389	(202,191,934)	117,270,477
Total non-depreciable business type assets	236,649,806	183,631,152	(202,191,934)	218,089,024
Depreciable business type assets				
Buildings	1,557,848,010	149,707,949		1,707,555,959
Infrastructure	557,656,992	28,851,435		586,508,427
Equipment	44,758,103	3,198,834	(2,853,427)	45,103,510
Other improvements	247,944,907	13,373,432		261,318,339
Total depreciable business-type assets	2,408,208,012	195,131,650	(2,853,427)	2,600,486,235
Accumulated depreciation				
Infrastructure	(268,688,925)	(23,277,134)		(291,966,059)
Building & Improvement	(625,562,678)	(53,543,397)		(679,106,075)
Equipment	(26,817,020)	(2,613,929)	1,065,675	(28,365,274)
Other improvements	(127,387,188)	(9,577,071)		(136,964,259)
Total accumulated depreciation	(1,048,455,811)	(89,011,531)	1,065,675	(1,136,401,667)
Net depreciable business type assets	1,359,752,201	106,120,119	(1,787,752)	1,464,084,568
Total business type assets	$ 1,596,402,007	$ 289,751,271	$ (203,979,686)	$ 1,682,173,592

A portion of bond interest expense net of related interest income on unexpended funds is capitalized during the construction phase of the projects funded by the bonds. Net interest capitalized to construction in progress was $16,223,065 for the fiscal year, which represents $16,652,314 in interest expense net of $429,249 of related interest income. Depreciation and amortization expense for the year was $89,011,531.

5. DEFERRED REVENUE

Deferred revenue of $28,765,133 includes revenues received in advance, excess billing to the scheduled airlines, and credit balance receivables at June 30, 2010.

6. ARBITRAGE REBATE

The Aviation Fund has several series of revenue bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on these issues over interest expense paid on the bonds be paid to the federal government at the end of a five year period. The arbitrage rebate liability as of June 30, 2010 was $1,078,319 and is included in other long-term liabilities.

7. INTEREST RATE SWAP

Objective: In April 2002, the City entered into a swaption that provided the City's Aviation Department (the Philadelphia Airport) with an up-front payment of $6.5 million. As a synthetic refunding of its 1995 Bonds, this payment approximated the present-value savings as of April 2002, of refunding on June 15, 2005, based upon interest rates in effect at the time. The swaption gave JP Morgan Chase Bank, N.A. the option to enter into an interest rate swap with the Airport whereby JP Morgan would receive fixed amounts and pay variable amounts.

Terms: JP Morgan exercised its option to enter into a swap on June 15, 2005, and the swap commenced on that date. Under the swap, the Airport pays multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%). The payments 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 were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into. The swap's variable payments are based on the SIFMA Municipal Swap Index. If the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan Chase has the option to terminate the swap.

As of June 30, 2010, the swap had a notional amount of $168.6 million and the associated variable-rate bonds had a $168.6 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

Fair Value: As of June 30, 2010, the swap had a negative fair value of ($31.6 million). This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase.

Risk: As of June 30, 2010, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.

As of June 30, 2010, the rates were:

Interest Rate Swap	Terms	Rates
Fixed payment to JPMorgan Chase	Fixed	5.64975%
Variable rate from JPMorgan Chase	SIFMA	-0.25000%
Net interest rate swap payments		5.39975%
Variable rate bond coupon payments	Weekly resets	0.22000%
Synthetic interest rate on bonds		5.61975%

Swap payments and associated debt: As of June 30, 2010, 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
2011	$ 6,000,000	$ 370,920	$ 9,103,976	$ 9,474,896
2012	6,700,000	357,720	8,779,991	9,137,711
2013	7,500,000	342,980	8,418,208	8,761,188
2014	8,200,000	326,480	8,013,227	8,339,707
2015	9,000,000	308,440	7,570,447	7,878,887
2060 - 2020	57,100,000	1,209,340	29,682,418	30,891,758
2021 - 2025	74,100,000	500,720	12,289,828	12,790,548
	$ 168,600,000	$ 3,416,600	$ 83,858,095	$ 87,274,695

8. BONDS PAYABLE

General obligation (G.O.) bonds, payable out of Aviation Fund revenues, consist of bonds declared by statute to be self-sustaining from airport revenues. There are no G.O. bonds outstanding as of June 30, 2010.

In July 1997, Airport Revenue Refunding Bonds, Series 1997A in the amount of $123,565,000 were issued. The proceeds of Series 1997A were used to: refund the City's Airport Revenue Bonds, Series 1978, Series 1984, and Series 1985; fund the deposit into the sinking fund reserve; and pay costs of issuance relating to the bonds. Subsequent to Fiscal 2010, the Series 1997A bonds were fully refunded by a new bond series.

In March 1998, Airport Revenue Refunding Bonds, Series 1998A in the amount of $123,405,000 were issued. The proceeds of these bonds were used to refund the City's Airport Revenue Bonds, Series 1988; fund the deposit into the sinking fund reserve; and pay costs of issuance relating to the bonds. Subsequent to Fiscal 2010, the Series 1998A bonds were partially refunded by a new bond series.

In July 1998, Airport Revenue Bonds, Series 1998B in the amount of $443,700,000 were issued. The proceeds of Series 1998B were used to prepay the City's fixed rental obligation under a lease with PAID ("the PAID Lease"). Under this lease, the City acquired a leasehold interest and will occupy, operate and manage certain new terminals and related improvements ("the US Airways Project Facility") constructed with funds provided by the Series 1998A PAID Airport Revenue Bonds. In June 2008, the City purchased a letter of credit from Wachovia Bank, N.A. to replace a surety policy purchased from FGIC. When FGIC was downgraded below the 'AA' category the policy no longer met the rating requirements of the Amended and Restated General Airport Revenue Bond Ordinance (the Ordinance), approved June 16, 1995. The letter of credit meets the Ordinance's rating requirements. Subsequent to Fiscal 2010, the Series 1998B bonds were partially refunded by a new bond series.

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

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

In June 2005, Airport Revenue Refunding Bonds, Series 2005C in the amount of $189,500,000 were issued. The proceeds of Series 2005C were used to refund $183,900,000 of the 1995A Series Airport Revenue Bonds, maturing from 2006 through 2025, and to pay issuance and insurance costs on the bonds. The cash flow required by the new bonds was the same as the cash flow required by the refunded bonds at the time of the sale. JPMorgan entered into a swaption agreement with the Airport on the 1995A bonds in 2002, which agreement was exercised June 15, 2005. In December 2008, the outstanding balance of $178.6 million of Airport Revenue Refunding Bonds, Series 2005C was remarketed under an irrevocable direct pay letter of credit ("LOC") from TD Bank ("the Bank"). The LOC replaces a bond insurance policy from MBIA Insurance Corporation and a liquidity facility for the 2005C bonds provided by JP Morgan Chase Bank, N.A., pursuant to a standby bond purchase agreement, issued simultaneously with the issuance of the 2005C bonds in June 2005, and the surety policy for the sinking fund reserve account for the 2005C bonds. The LOC constitutes both a credit facility and liquidity facility under the Ordinance and the Variable Rate Securities Agreement, and the TD Bank will be the credit provider and liquidity provider under the Ordinance and the Variable Rate Securities Agreement for the 2005C bonds. The bonds will have a weekly interest rate and maturity date in 2025.

In August 2005, Airport Revenue Bonds, Series 2005A sub-series (1), (2) and (3) in the amounts of $59,860,000, $22,575,000 and $42,550,000, respectively, were issued. The proceeds of Series 2005A were used to finance a portion of the cost of Airport capital projects. Sub-series (1) are serial bonds and sub-series (2) and (3) are term bonds. The Series 2005A bonds had MBIA Insurance Corporation surety policies for their sinking fund reserve requirements. Because MBIA was downgraded below the 'AA' category, the surety policies no longer met the requirements of the Ordinance. During Fiscal 2009, the Aviation Fund replaced the surety policy by funding the sinking fund reserve required under the Ordinance for the 2005A bonds.

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

In August 2007, Airport Revenue Bonds, Refunding Series 2007B in the amount of $82,915,000 were issued. The proceeds of Series 2007B were used to refund Revenue Bonds, Series 1997B and the costs of issuing and insuring the bonds with municipal bond insurance. The refunding structure of the 2007B bonds realized a net present value savings of approximately $2.6 million or 3.22% of the principal amount of the refunded bonds. The early extinguishment of debt resulted in an accounting loss of approximately $3.2 million, representing the difference between the reacquisition price of $83.1 million and the amount of debt extinguished of $81.4 million (less $1.5 million unamortized discount). The resulting loss will be amortized over the life of the refunded bonds through 2027.

In April 2009, Airport Revenue Bonds, Refunding Series 2009A sub series (1) through (3) in the amount of $45,715,000 were issued. Serial bonds were issued in the amount of $25.7 million with interest rates ranging from 1.5% to 5.0% maturing in 2023. Term bonds were issued in the amount of $3.9 million and $16.1 million with interest rates ranging from 5.0% to 5.375% maturing in 2024 and 2029 respectively. The gain/loss on the bonds cannot be calculated in the usual way because the refunded bonds (series 2005B) were variable rate bonds that were subject to Alternative Minimum Tax (AMT). However the 2009A bonds were issued on a fixed rate basis and are not subject to AMT. The proceeds of Series 2009A along with other monies of the Aviation Fund were used to currently refund Airport Revenue Bonds Series 2005B, fund a deposit to the parity sinking fund reserve account in respect of the bonds, and pay the costs of issuance of the bonds. The Series 2009A bonds were issued under a financial guaranty insurance policy issued by Assured Guaranty Corp. The early extinguishment of debt resulted in a loss on refunding of approximately $1 million, representing the unamortized discount on the bonds. The resulting loss will be amortized over the life of the refunded bonds, through 2023.

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

Years Ending June 30	Principal	Interest	Total Debt Service
2011	$ 45,855,000	$ 63,277,697	$ 109,132,697
2012	48,555,000	60,502,416	109,057,416
2013	51,510,000	57,553,279	109,063,279
2014	54,490,000	54,579,582	109,069,582
2015	57,715,000	51,365,738	109,080,738
2016-2020	283,715,000	208,353,740	492,068,740
2021-2025	326,770,000	133,166,047	459,936,047
2026-2030	257,065,000	57,189,687	314,254,687
2031-2035	85,125,000	18,101,288	103,226,288
2036-2040	21,900,000	1,655,750	23,555,750
Total	$ 1,232,700,000	$ 705,745,224	$ 1,938,445,224

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

Total interest cost for the fiscal year was $69,863,334 of which $16,652,314 was capitalized and $53,211,021 was recorded as non-operating expense.

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

8. BONDS PAYABLE

Type of Debt	Description	Authorized and Issued	Included in Current Liabilities	Portion Due After June 30, 2011	Total Outstanding Bonded Debt	Final Maturity	Interest Percentage Rate
Airport Revenue Bonds - Series 1997A	Loan # 705	$ 123,565,000	$ 4,695,000	$ 21,435,000	$ 26,130,000	2015	5.00 - 6.00%
Airport Revenue Bonds - Series 1998A	Loan # 705	$ 123,405,000	6,770,000	58,770,000	65,540,000	2016	5.25 - 6.00%
Airport Revenue Bonds - Series 1998B	Loan # 706	$ 443,700,000	11,805,000	354,805,000	366,610,000	2028	4.25 - 5.38%
Airport Revenue Bonds - Series 2001A	Loan # 707	$ 187,680,000	5,000,000	154,555,000	159,555,000	2028	4.00 - 5.50%
Airport Revenue Bonds - Series 2001B	Loan # 708	$ 40,120,000	935,000	33,625,000	34,560,000	2031	4.00 - 5.25%
Airport Revenue Bonds - Series 2005C	Loan # 710	$ 189,500,000	6,000,000	162,600,000	168,600,000	2025	Variable Rate
Airport Revenue Bonds - Series 2005A	Loan # 711	$ 124,985,000	2,580,000	117,605,000	120,185,000	2035	4.50 - 5.00%
Airport Revenue Bonds - Series 2007A	Loan # 712	$ 172,470,000	3,155,000	169,315,000	172,470,000	2037	5.00 - 5.00%
Airport Revenue Bonds - Series 2007B	Loan # 713	$ 82,915,000	3,260,000	70,085,000	73,345,000	2027	4.50 - 5.00%
Airport Revenue Bonds - Series 2009A	Loan # 714	$ 45,715,000	1,655,000	44,050,000	45,705,000	2029	1.50 - 5.00%
			$ 45,855,000	$ 1,186,845,000	$ 1,232,700,000		

Airport General Obligation Bonds authorized and unissued at June 30, 2010	$ 62,500,000

CHANGES IN LONG-TERM DEBT:

	Beginning Balance	Additions	Retirements/ Repayments	Ending Balance	Due Within One Year
Revenue bonds	$ 1,271,210,000		$ (38,510,000)	$ 1,232,700,000	$ 45,855,000
Less unamortized premium/ discount and loss on refunding	(20,822,136)		2,054,249	(18,767,887)	
Total bonds	1,250,387,864	-	(36,455,751)	1,213,932,113	45,855,000
Workers compensation claims	5,345,600	2,073,722	(1,040,522)	6,378,800	-
Net pension obligation	-	9,698,449	(8,099,111)	1,599,338	-
Termination compensation payable	6,541,326	887,418	(763,198)	6,665,546	777,691
Derivative instrument liability	28,580,144	3,013,959		31,594,103	-
Legal liability	1,293,221	891,528	(806,595)	1,378,154	-
Arbitrage	1,332,148	782,591	(1,036,420)	1,078,319	-
	$ 1,293,480,303	$ 17,347,667	$ (48,201,597)	$ 1,262,626,373	$ 46,632,691

9. FUND BALANCES

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

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

10. PRIOR PERIOD ADJUSTMENT

The Aviation Fund Net Assets beginning balance was increased by $2.1 million representing the net effect of corrections made to Capital Assets accounts to record Intangible Assets.

11. PENSION PLAN

The Aviation Fund contributes to the Municipal Pension Plan (City Plan) of the City of Philadelphia. Information for the City Plan as a whole is available in the Comprehensive Annual Financial Report (CAFR) of the City of Philadelphia for the year ended June 30, 2010. Required Supplementary Information is presented in accordance with GASB Statement No.25 in the audited financial statement of the City Plan, which may be obtained from the Director of Finance of the City of Philadelphia.

<u>Plan Description</u>
The Philadelphia Home Rule Charter (the Charter) mandates that the City maintain an actuarially sound pension and retirement system. To satisfy that mandate, the City's Board of Pensions and Retirement maintains the single-employer Municipal Pension Plan (the Plan). The Plan covers all officers and employees of the City and officers and employees of five other governmental and quasi-governmental organizations. By authority of two ordinances and related amendments passed by City Council, the Plan provides retirement benefits as well as death and disability benefits. Benefits vary by the class of employee. The Plan has two major classes of members – those covered under the 1967 Plan and those covered under the 1987 Plan. Both plans have multiple divisions.

Retirement Benefits

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

Death Benefits

If an employee dies from the performance of duties, his/her spouse, children or dependent parents may be eligible for an annual benefit ranging from 15% to 80% of the employee's final average compensation. Depending on age and years of service, the beneficiary of an employee who dies other than from the performance of duties will be eligible for either a lump sum benefit only or a choice between a lump sum and 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 for the City as a whole as of July 1, 2009 was as follows:

Retirees and beneficiaries currently receiving benefits	35,694
Terminated members entitled to benefits but not yet receiving benefits	1,336
Active members	28,632
Total Members	65,662

Funding Policy

Employee contributions are required by City Ordinance. For 1967 Plan members, employees contribute 3¾ % of their total compensation that is subject to FICA and 6% of compensation not subject to FICA. 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, 2010. 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 members' benefit modifications (10 years)
  - experience gains and losses (15 years)
  - changes in actuarial assumptions (20 years)
  - active members' benefit modifications (20 years)

Under the City's current funding policy, the total required employer contribution for the current year amounted to $566.0 million or 40.0% of covered payroll of $1,423.0 million for the City as a whole. The City's actual contribution was $297.4 million. The City's contribution did not meet the Minimum Municipal Obligations (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189.

In Fiscal Year 2010 the City made several changes to the pension plan based on Act 44, which provided a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline. The City adopted fresh start amortization, alternating to 30 years and lowered the assumed rate of interest from 8.75% to 8.25% assuming a partial deferral of the pension payments in Fiscal Years 2010 and 2011 of $150.0 million and $90.0 million respectively, which must be repaid by the Fiscal Year 2014. The change in amortization period and the partial deferral were approved by the Commonwealth of Pennsylvania General Assembly.

The Annual Pension Cost and related percentage contributed for the three most recent fiscal years for the City as a whole are as follows:

(in millions of dollars)

Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2008	$ 561.0	76.10%	$ (559.5)
2009	$ 559.0	81.47%	$ (456.0)
2010	$ 597.0	52.36%	$ (171.6)

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2009. Methods and assumptions used for that valuation include:

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

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

Funding Status

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

(in millions)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2009	$ 4,042.1	$ 8,975.0	$ 4,932.9	45.04%	$ 1,463.3	337.11%

Net Pension Obligation

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

	(in thousands)
Annual Required Contribution (ARC)	$ 581,123
Interest on Net Pension Obligation (NPO)	(39,899)
Adjustment to ARC	55,744
Annual Pension Cost	596,968
Contributions Made	(312,556)
Increase in NPO	284,412
NPO at Beginning of Year	(455,988)
NPO at End of Year	$ (171,576)
Interest Rate	8.75%
15 Year Amortization Factor (EOY)	8.18%

Derivative Instruments

In 2010, the City of Philadelphia adopted GASB Statement No. 53 which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments such as swaps, options, futures and forwards are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investments tools. Derivative instruments, however, also can expose governments to significant risks and liabilities.

The City of Philadelphia Municipal Pension Fund enters into a variety of financial contracts which include options, futures, forwards and swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMO's); other forward contracts, and U.S. Treasury strips. The contracts are used primarily to enhance performance and reduce volatility of the portfolio. The City of Philadelphia is exposed to credit risk in the event of non-performance by counter-parties to financial instruments. The City generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The City is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of the City of Philadelphia's involvement in the various types of derivative financial instruments used and do not measure the City's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives. The following table summarizes the aggregate notional or contractual amounts for the City of Philadelphia's derivative financial instruments at June 30, 2010.

Derivative Instruments
List of Derivatives Aggregated by Investment Type

	Change in Fair Value (4)		Fair Value at June 30, 2010		
	Classification	Amount (1)	Classification	Amount (2)	Notional (3)
Credit Default Swaps Bought	Investment Revenue	$ 7,637	Swaps	45,630	507,000
Credit Default Swaps Written	Investment Revenue	1,461,517	Swaps	(280,319)	4,344,486
FX Forwards	Investment Revenue	2,911,240	Long Term Instruments	6,454,534	-
Index Futures Long	Investment Revenue	23,238,058	Futures	(3,080,041)	152,030
Pay Fixed Interst Rate Swaps	Investment Revenue	(423,746)	Swaps	(423,746)	5,407,000
Receive Fixed Interest Rate Swaps	Investment Revenue	14,316	Swaps	-	-
Rights	Investment Revenue	71,225	Common Stock	167,463	816,539
TBA Transaction Long	Investment Revenue	567,276	Long Term Instruments	50,564	8,700,000
Total Return Swaps Bond	Investment Revenue	69,728	Swaps	-	-
Warrents	Investment Revenue	17,296	Common Stock	12,614,382	12,287,869
Grand Totals		27,934,547		15,548,467	

A Derivative Policy Statement identified and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the City of Philadelphia. The guidelines identify transaction-level and portfolio-level risk control procedures and documentation requirements. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have credit ratings available from nationally recognized rating institutions such as Moody, Fitch and S&P. The following tables show the details of counter parties and their rating information as follows:

The details of other risks and financial instruments in which the municipal pension fund of Philadelphia involves are described below:

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Royal Bank of Scotland PLC	33%	A+	AA-	Aa3
UBS AG	32%	A+	A+	Aa3
Citibank N.A.	20%	A+	A+	A1
Barclays Bank PLC Wholesale	6%	AA-	AA-	Aa3
HSBC Bank USA	2%	AA	AA	Aa3
UBS AG London	2%	A+	A+	Aa3
HSBC Bank PLC	1%	AA	AA	Aa3
JPMorgan Chase Bank N.A.	1%	AA-	AA-	Aa1
Morgan Stanley & Co. International PLC	1%	A	A	A2
BNP Paribas SA	0%	AA	AA-	Aa2
Credit Suisse London Branch (GFX)	0%	A+	A-	Aa1
Brown Brothers Harriman + Co	0%	NR	A+	NR
Deutsche Bank AG London	0%	A+	A-	Aa3
State Street Bank London	0%	A+	A+	A1
Bank of America Securities LLC	0%	A	A+	A2
Royal Bank of Canada (UK)	0%	A-	AA	Aaa
Societe Generrale	0%	A+	A+	Aa2
Goldman Sachs + Co	0%	A	A+	A1
Goldman Sachs International	0%	A	A+	A1
JPMorgan Securities Inc.	0%	A+	AA-	Aa3
Westpac Banking Corporation	0%	AA	AA	Aa1
Morgan Stanley Capital Services Inc.	0%	A	A	A2

Credit Risk: The City is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the City's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below AA as issued by Fitch Ratings and Standard & Poor's or Aa as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The city has never failed to access collateral when required.

It is the City's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2010, was $27.9 million. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. This maximum exposure is reduced by $2.6 million of collateral or liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of $25.4 million.

Interest Rate Swap agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. During the year ended June 30, 2010 the City of Philadelphia entered into interest rate swaps. Under the 'receive-fixed' interest rate type swap agreements, the City receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. The total receive-fixed interest rate swaps were $14,315. On its 'pay-variable, received-fixed' interest rate swap, as LIBOR increases, the City's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the City's net payment on the swap increases. The pay-fixed interest rate swaps were ($423,746).

The following table shows the interest rate swaps including reference rates and interest rate risk disclosure for June 30, 2010.

Asset ID	Asset Description	Fair Value	Notional
OWP158397	OWP158397 IRS USD RV 03MLIBOR/ OWP158397 IRS USD PF .00000	(35,445)	460,000
OWP158470	OWP158470 IRS USD RV 03MLIBOR/ OWP158470 IRS USD PF .00000	(48,465)	590,000
OWP158538	OWP158538 IRS USD RV 03MLIBOR/ OWP158538 IRS USD PF .00000	(90,705)	1,140,000
OWP158611	OWP158611 IRS USD RV 03MLIBOR/ OWP158611 IRS USD PF .00000	(92,039)	1,197,000
OWP159155	OWP159155 IRS USD RV 03MLIBOR/ OWP159155 IRS USD PF .00000	(37,577)	460,000
OWP159478	OWP159478 IRS USD RV 03MLIBOR/ OWP159478 IRS USD PF .00000	(119,515)	1,560,000
Total Pay Fixed Interst Rate Swaps:		(423,746)	5,407,000

Future Contracts are types of contracts in which the buyer agrees to purchase and the seller agrees to make a delivery of a specific financial instrument at a predetermined date and price. Gains and losses on future contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the City of Philadelphia enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the City of Philadelphia has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The value of securities pledged and the amount of cash held at June 30, 2010 of $23.2 million represent a restriction on the amount of assets available as of year-end for other purposes.

Forward contracts: The City is exposed to basis risk on its forward contract because the expected funds purchase being hedged will price based on a pricing point different than the pricing point at which the forward contract is expected to settle. At June 30, 2010, the FX Forwards had a fair value of $2.9 million.

Termination risk: The City or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the City is exposed to termination risk on its receive-fixed interest rate swap. The City is exposed to termination risk on its rate cap because the counterparty has the option to terminate the contract if the SIFMA swap index exceeds 12 percent. If at the time of termination, a hedging derivative instrument is in a liability position, the City would be liable to the counterparty for a payment equal to the liability subject to netting arrangements. The total credit default swaps bought at fair market value were $7,637 and the total credit default swaps written were $1.5 million.

Rollover risk: The City is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the City will be re-exposed to the risks being hedged by the hedging derivative instrument.

In addition, the Municipal Pension Fund also was involved in other financial instruments such as rights that were worth $71,225 and warrants that were $17,296

Summary of Significant Accounting Policies

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

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

12. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The following information is provided for the City as a whole because discrete information is not available for the Aviation Fund.

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

Funding Policy: The City funds its' retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts and is self-insured for non-union employees. For fiscal year 2010, the City paid $71.1 million for retiree healthcare.

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

	(in thousands)
Annual required contribution	$ 93,602
Interest on net OPEB obligation	1,057
Adjustment to ARC	(815)
Annual OPEB cost	93,844
Payments made	(71,693)
Increase in net OPEB obligation	22,151
Net OPEB obligation – beginning of year	21,150
Net OPEB obligation – end of year	$ 43,301

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the two most recent fiscal years was as follows:

(Amounts in thousands)

Year Ended June 30	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
2008	$ 83,373	96%	$ 3,668
2009	$ 98,733	82%	$ 21,150
2010	$ 93,844	76%	$ 43,301

Funded Status and Funding Progress: As of July 1, 2009, the most recent actuarial valuation date, the City is funding OPEB on a pay-as-you go basis and accordingly, the unfunded actuarial accrued liability (UAAL) for benefits was $1.1 billion. The covered annual payroll was $1.463 billion and the ratio of the UAAL to the covered payroll was 79.0 percent.

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

The projections of future benefit payments for an ongoing plan obligation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the obligation and contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. The City uses a level percent open approach as its method of amortization. Unfunded liabilities are funded over a 30-year period as a level percentage of payroll, which is assumed to increase at a compound annual rate of 4% per year. The actuarial assumption included a 5.0% compound annual interest rate on the City's general investments. The current plan incorporates the following assumptions: no post-retirement benefit increases since the last year; a 5% investment rate of return; a 4% rate of salary increase; and, a 5% ultimate rate of medical inflation.

13. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan in accordance with the Internal Revenue Service Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2010, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB #32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Aviation Fund does not include the assets or activity of the plan in its financial statements.

14. ACCUMULATED UNPAID SICK LEAVE

The Aviation Fund follows City policies regarding accumulation of sick leave. City employees may accumulate unused sick leave to predetermined balances. The accumulated sick leave is payable in varying amounts from 25% to 50% only upon retirement or in some cases death while on active duty. The City budgets for, and charges, the cost of sick leave as it is taken.

15. OPERATING LEASES

The Aviation Fund as a Lessor

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

The Aviation Fund's other operating leases consist primarily of leases of airport facilities for retail or other aviation related matters. Most assets constructed by lessees revert to the City at the end of the lease term under terms of the lease. Those assets are recorded at fair value, as determined by an appraisal on the property.

The Aviation Fund's most significant non-airline lease is with MarketPlace Philadelphia, LP for the development and management of the food and retail program throughout Philadelphia International Airport. The award-winning food and retail program consists of 173 shops, restaurants, retail carts and passenger services throughout Terminals A-West through F. The lease agreement provides for MarketPlace Philadelphia, LP to pay rentals to the City in the form of minimum annual guarantees and profit sharing.

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

Minimum rentals	$	25,820,555
Additional rentals		144,484,673
Total rental income	$	170,305,228

As of year-end, future minimum rentals receivable under non-cancelable operating leases are as follows:

Years Ending June 30	Future Payments
2011	$ 15,679,807
2012	13,561,499
2013	13,364,828
2014	7,044,106
2015	7,015,793
2016-2020	29,768,865
2021-2025	16,150,756
2026-2030	11,922,182
2031-2035 and thereafter	6,640,473
Total	$ 121,148,309

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

The Aviation Fund as a Lessee

The Aviation Fund leases office space, land, and both office and operations equipment on short-term and long-term bases. Rental expense for operating leases for the year was as follows:

Minimum rentals	$	1,528,338
Additional rentals		16,930,960
Total rental income	$	18,459,298

As of year-end, future minimum rental commitments for operating leases having initial or remaining non-cancelable lease terms of more than one year are as follows:

Years Ending June 30	
2011	$ 775,346
2012	757,517
2013	480,749
2014	93,273
2015	46,637
Total	$ 2,153,522

16. RISK MANAGEMENT

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

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

At June 30, the amount of these liabilities for the City as a whole was $371.3 million. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2008 resulted from the following:

(in millions)	**Beginning Liability**	**Current Year Claims and Changes in Estimates**	**Claim Payments**	**Ending Liability**
Fiscal 2009	$261.1	$144.4	$(96.2)	$309.3
Fiscal 2010	$309.3	$156.5	$(94.5)	$371.3

The City's unemployment and workers' compensation coverages are provided through its general fund and are funded by a pro-rata charge to the various funds. The City's payments for the year were $6.0 million for unemployment compensation claims and $55.4 million for workers' compensation claims.

The City's estimated outstanding workers' compensation liabilities are $318.9 million discounted at 3.5% and $443.4 million on an undiscounted basis. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers compensation total $292.1 million discounted and $329.6 million undiscounted. The Aviation Fund's accrued liability for worker's compensation was $6,378,800 at June 30, 2010. Further discrete information is not available for the Aviation Fund.

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

17. CONCENTRATION OF CREDIT RISK

US Airways is the principal airline serving Philadelphia International Airport. For Fiscal 2010, the airline, together with its US Airways Express affiliates accounted for approximately 66.8% of passengers enplaned at the airport. Operating revenues from US Airways and its affiliates totaled approximately $115.9 million in Fiscal Year 2010, which represented approximately 46.4 % of total Aviation Fund operating revenues.

18. CONTINGENCIES AND COMMITMENTS

As of June 30, 2010, the Aviation Fund had commitments of approximately $28.8 million for operating expenses and $192.4 million for capital assets and improvements. The Aviation Fund expects to fund these commitments through operations and through capital grants, bond proceeds, and passenger facility charges.

Litigation

Condemnation of Tract of Land k/a Parcel C (within Eastwick Urban Renewal Area): In November 2003, the City condemned certain property known as parcel C within the Eastwick Urban Renewal Area Plan of 1958 for the benefit of Philadelphia International Airport. The Redevelopment Authority of the City of Philadelphia (RDA) was the record title holder for the property. The City deposited in court estimated just compensation in the amount of $7.7 million. In 2007, Eastwick Development Joint Venture IX, L.P. and New Eastwick Corporation, petitioned the Court for appointment of a Board of Viewers and the Court appointed a Board of View to ascertain and award just compensation. Eastwick alleged they owned or held equitable interest in and certain development rights to the condemned property. After a view of the premises and a hearing in July 2009, the Board filed a report with the Court and made an award of just compensation for the property of $13.5 million (including attorney fees), subject to credit for the $7.7 million already paid and distributed. In addition, the Board awarded delay damages from the date of taking (November 2003) until July 2009 in the amount of $3.3 million and accruing interest thereafter until payment at the rate of 4.25% per year through 2009, and at rates not yet fixed for subsequent years.

The City filed an appeal to the Court of Common Pleas in November 2009, requesting a jury trial de novo. The City objected, among other things, to the award of any compensation amount beyond that amount already paid into court, to evidentiary, procedural and substantive errors in the Board of View proceeding and award, and to delay damage computation and award. Eastwick Development filed a separate appeal from the Board of View Report to the Court of Common Pleas in November 2009. Eastwick Development sought a jury trial de novo and objected to the sufficiency of the amount of compensation awarded. The Court scheduled a case management conference for the cases in February 2010.

The City vigorously contests the award. At this time, the City's attorneys are unable in their professional judgment to evaluate the likelihood of unfavorable outcome in terms of probability and the range or amount of any loss assuming an unfavorable outcome. Any ultimate judgment would be paid from the Aviation Fund.

19. SUBSEQUENT EVENTS

In October 2010, the City issued Airport Revenue Bond Series 2010 in the amount of $624.7 million. The bonds have various maturities and interest rates and include both insured and uninsured bonds. The Series 2010 consists of:

Bond Series	AMT Type	Amount	Refunding Bonds	Maturities	Interest Rates
2010A Serial & Term	Non-AMT	$273,065,000	No	2011 - 2035	2%-5.25%
2010B Serial	Non-AMT	$ 24,395,000	Yes	2035 - 2040	5%
2010C Serial	AMT	$ 54,730,000	Yes	2011 - 2015	2% - 5%
2010D Serial	AMT	$272,475,000	Yes	2011 - 2018	2% - 5%

The proceeds from the bonds together with other available funds will be used to: pay or reimburse for the costs of the 2010 Project; provide for capitalized interest on the 2010A bonds during construction of the 2010 Project; currently refund all of the City's outstanding Airport Revenue Refunding Bonds, Series 1997A; currently refund a portion of the City's outstanding Airport Revenue Refunding Bonds, Series 1998A; currently refund a portion of the City's outstanding Airport Revenue Bonds Series 1998B; fund a deposit to the Parity Sinking Fund Reserve Account; and pay the costs of issuance of the 2010 bonds.

Any prepayment of the 1998B bond shall be in an amount that is sufficient and used to pay a like amount of the Philadelphia Authority for Industrial Development (PAID) Airport Revenue Bonds, Series 1998A and together with the 1998B bond some-times hereinafter referred to, collectively as the International Terminal Bonds.

CITY OF PHILADELPHIA
AVIATION FUND
Reconciliation of Fund Balance (Legally Enacted Basis) to
Net Assets (GAAP Basis)
For the Year Ended June 30, 2010

Fund balance, legal basis June 30, 2010	$	73,622,558
Add assets not included in legal basis:		
Current assets		14,727,466
Fixed assets, net of depreciation		1,682,173,592
Restricted assets		354,228,381
		2,051,129,439
Deduct liabilities not included in legal basis:		
Construction accounts payable		(41,342,514)
Current liabilities		(36,196,765)
Bonds payable		(1,245,526,216)
Other long-term liabilities		(16,322,465)
		(1,339,387,960)
Add (deduct) fund balance accounts included in legal basis:		
Reserve for encumbrance, current		21,505,598
Reserve for encumbrance, prior		(4,215,477)
Reserve for collectible accounts		2,453,185
		19,743,306
Net assets - GAAP basis, June 30, 2010	$	805,107,343

CITY OF PHILADELPHIA
AVIATION FUND
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010
(Amounts in thousands)

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	$355,000	$293,740	$285,016	($8,724)
Revenue from Other Governments	7,800	2,000	3,091	1,091
Revenue from Other Funds	2,000	1,000	2,063	1,063
Total Revenues	364,800	296,740	290,170	(6,570)
Expenditures and Encumbrances				
Personal Services	66,066	66,066	56,628	9,438
Pension Contributions	20,978	20,978	14,946	6,032
Other Employee Benefits	19,305	19,305	17,993	1,312
Sub-Total Employee Compensation	106,349	106,349	89,567	16,782
Purchase of Services	110,515	110,515	79,954	30,561
Materials and Supplies	8,526	8,526	8,135	391
Equipment	12,846	12,846	3,835	9,011
Contributions, Indemnities and Taxes	6,032	6,032	1,449	4,583
Debt Service	107,650	107,650	95,343	12,307
Payments to Other Funds	24,627	24,627	5,674	18,953
Total Expenditures and Encumbrances	376,545	376,545	283,957	92,588
Operating Surplus (Deficit) for the Year	(11,745)	(79,805)	6,213	86,018
Fund Balance Available for Appropriation, July 1, 2009	57,183	55,128	55,128	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net (Budget Book)	15,000	15,000	12,281	(2,719)
Adjusted Fund Balance, July 1, 2010	72,183	70,128	67,409	(2,719)
Fund Balance Available for Appropriation, June 30, 2010	$60,438	($9,677)	$73,622	$83,299

APPENDIX II

SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2005C BONDS

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX II
SUMMARY OF CERTAIN AUTHORIZATIONS
FOR THE 2005C BONDS

The following are summaries of certain provisions and/or definitions of The First Class City Revenue Bond Act (the "Act"), the Amended and Restated General Airport Revenue Bond Ordinance of 1995, as amended and supplemented (the "General Ordinance"), including the Sixth Supplemental Ordinance to the General Ordinance (the "Sixth Supplemental Ordinance"), the Airline Agreements (as defined herein) and the Variable Rate Securities Agreement, as amended and supplemented (as defined herein). The summaries are not, and should not be regarded as, complete statements of the provisions of these documents and legislation. Reference is made to the Act, the General Ordinance, the Sixth Supplemental Ordinance, the Airline Agreements and the Variable Rate Securities Agreement, copies of which are available from the Office of the Director of Finance, 1401 John F. Kennedy Boulevard, Municipal Services Building, Room 1330, Philadelphia, Pennsylvania 19102, for the complete terms and provisions thereof.

THE FIRST CLASS CITY REVENUE BOND ACT

The 2005C Bonds are being remarketed under the terms of The First Class City Revenue Bond Act, the General Ordinance pursuant to the terms of the Sixth Supplemental Ordinance and the Bond Committee Determination. The following summarizes the terms of The First Class City Revenue Bond Act. All capitalized terms used in the following summary of The First Class City Revenue Bond Act are defined as in The First Class City Revenue Bond Act and may be differently referenced in other portions of this Remarketing Circular.

General Authorization; Definition of Project; Bonds to be Special Obligations

The Act is intended to provide a comprehensive authorization to the City and any other Pennsylvania city of the first class to issue revenue bonds ("Bonds") to finance various types of projects.

The Act defines "Project" to include, among other things, any buildings, structures, facilities or improvements of a public nature, the related land, rights or leasehold estates in land and the related furnishings, machinery, apparatus or equipment of a capital nature, which the City is authorized to own, construct acquire, improve, lease, operate or support; any item of construction, acquisition or extraordinary maintenance or repair thereof, the City's share of the cost of any of the foregoing undertaken jointly with others; and any combination of the foregoing or any undivided portion of the cost of any of the foregoing as may be designated a project by the City for financing purposes and in respect of which the City may reasonably be expected to receive "Project Revenues" (as defined in the act), which include, among other things, all revenues generated by the Project financed.

Bonds issued under the Act are required to be payable solely from Project Revenues and to be secured solely by such revenues and by any reserve funds which may be created in connection with the Bonds. The Bonds are not permitted to pledge the credit or taxing power of the City, to create a debt or charge against the tax or general revenues of the City, or to create a lien against any City property other than the Project Revenues pledged therefore and reserve funds established in respect of the Bonds. The Bonds are excluded from the calculation of the City's debt-incurring capacity under the Pennsylvania Constitution.

Estimates of Future Revenues

To establish that Project Revenues will be sufficient to amortize all Bonds outstanding, the Act requires a finding to be made in the ordinance authorizing the issuance of the Bonds that the pledged Project Revenues will be sufficient to pay any prior parity charges on such pledged Project Revenues and the principal of and interest on the Bonds. The finding is to be based on a report of the chief fiscal officer of the City filed with the City Council and supported by appropriate schedules and summaries. The report of the chief fiscal officer of the city may be based on a report of the airport consultant employed by the City to evaluate the Project.

For the purposes of estimating future Project Revenues, the Act provides that only the following shall be included (i) those rents, rates, tolls or charges to the general public which, under existing authorizations, and in effect as of the date of calculation, will be reasonably collectable during the fiscal year under the rate schedule which is or will be in effect during such fiscal year, or which may be imposed by administrative action without further legislation: (ii) those bulk payments which may be imposed under subsisting legislation or which are provided under subsisting agreements or are the subject of an expression of intent by the prospective obligor deemed reliable by the chief fiscal officer of the City; and (iii) those governmental subsidies or payments which, under subsisting legislation, are subject to reasonably precise calculation and, unless stated in such legislation or authorization to be of an annually or more frequent recurring nature, are payable in such year.

Details of Bonds and City Covenants

The Act provides that the ordinance authorizing the issuance of the Bonds shall fix the aggregate amounts of the Bonds to be issued from time to time and determine, or designate officers of the City to determine, the form and details of the Bonds. The City may include in its Bond ordinance various covenants with Bondholders, including covenants governing the imposition, collection and disbursement of Project Revenues, Project operation and maintenance, the establishment, segregation, maintenance, custody, investment and disbursement of sinking funds and reserves, the issuance of additional priority or parity bonds, the redemption of the Bonds and such other provisions as the City deems necessary or desirable in the interest or for the protection of the City or of such Bondholders. Under the Act the covenants, terms and provisions of the Bond ordinance made for the benefit of Bondholders constitute contractual obligations of the City, but such covenants (within limitations, if any, fixed by the Bond ordinance) may be modified by agreement with a majority in interest of the Bondholders or such larger portion thereof as may by provided in the Bond ordinance.

Sinking Fund

The Act requires that the Bond ordinance shall provide for the establishment of a sinking fund for the payment of the principal of and interest on the Bonds. Payment into such sinking fund shall be made in annual or more frequent installments and shall be sufficient to pay or accumulate for payment all principal of and interest on the Bonds for which the sinking fund is established as and when the same shall become due and payable. The sinking fund shall be managed by the chief fiscal officer of the City and moneys therein to the extent not currently required, shall be invested, subject to limitations established by the Bond ordinance and the Act. Interest and profits from investment of moneys in the sinking fund shall be added to such fund and may be applied in reduction of or to complete required deposits into the sinking fund. Excess moneys in the sinking fund shall be repaid to the City for its general purposes or may be applied as may be provided in the Bond ordinance. All moneys deposited in the sinking fund are subjected to a perfected security interest for the benefit of the holders of the Bonds, for which the fund is established, until properly disbursed. This perfected security interest also applies, under the terms of the Act, to moneys in the sinking fund reserve created as part of the sinking fund by the General Ordinance.

Refunding

Any outstanding Bonds issued under the Act or other bonds issued for purposes for which bonds are issuable under the Act, whether issued before or after the effective date of the Act, may from time to time be refunded by Bonds issued under the Act and are subject to the same protections and provisions required for the issuance of an original issue of Bonds. The last stated maturity date of the refunding Bonds may not be later than ten years after the last stated maturity date of the Bonds to be refunded. If outstanding Bonds are refunded in advance of their maturity or redemption date, the principal thereof and interest thereon to payment or redemption date, and redemption premium payable, if any, will no longer be deemed to be outstanding obligations when the City shall have deposited with a bank, bank and trust company or trust company, funds irrevocably pledged to the purpose, which are represented by demand deposits, interest bearing time accounts, savings deposits, certificates of deposit (insured or secured as public funds) or specified obligations of the United States or of the Commonwealth of Pennsylvania to effect such redemption or payment or, if interest on the deposited funds to the time of disbursement is also pledged, sufficient, together with such interest, for such purpose and, in the case of redemption, shall have duly called the Bonds for redemption or given irrevocable instructions to give notice of such call.

Validity of Proceedings; Suits and Limitations Thereon

Prior to delivery of any Bonds, the City must file with the Court of Common Pleas a transcript of the proceedings authorizing the issuance of the Bonds. If no action is brought on or before the twentieth day following the date of recording of the transcript, the validity of the proceedings, the City's right to issue the Bonds, the lawful nature of the purpose for which the Bonds are issued, and the validity and enforceability of the Bonds in accordance with their terms may not thereafter be inquired into judicially, in equity, at law, or by civil or criminal proceedings, or otherwise, either directly or collaterally, except where a constitutional question is involved.

Negotiable Instrument

The Act provides that Bonds issued thereunder shall have the qualities and incidents of securities under article 8 of the Uniform Commercial Code of the Commonwealth and shall be negotiable instruments.

Exemption from State Taxation

The Commonwealth pledges with the holders from time to time of Bonds issued under the Act that such Bonds, and the interest thereon, shall at all times be free from taxation within and by the Commonwealth, but this exemption does not extend to gift, succession or inheritance taxes or any other taxes not levied directly on the Bonds and the receipt of interest thereon.

Defaults and Remedies

If the City should fail to pay the principal of or interest on any Bond when the same shall be due and payable, the remedy provisions of the Act permit the holder of such Bond, subject to the limitations described below, to recover the amount due in an action in Philadelphia Common Pleas Court; but a judgment rendered in favor of the Bondholder in such an action is collectible only from Pledged Amounts. The holders of 25% or more in aggregate principal amount of the Bonds of such series then outstanding which are in default, whether because of failure of timely payment which is not cured in 30 days, or failure of the City to comply with any other provisions of the Bonds or any Bond ordinance, may appoint a trustee to represent them. On being appointed, the trustee shall be the exclusive representative for the affected Bondholders and the individuals rights of action described above shall no longer be available. The trustee may, and upon written request of the holders of 25% or more in aggregate principal amount of Bonds in default, and on being furnished with indemnity satisfactory to it, shall, take one or more of the following actions, which, if taken, shall preclude similar action, whether previously or subsequently initiated, by individual holders of Bonds; enforce, by proceedings at law or in equity, all rights of the holders of the Bonds; bring suit on the Bonds; bring suit in equity to require the City to make an accounting for all pledged Project Revenues received and to enjoin unlawful action or action in violation of the holders' rights; and, after 30 days' written notice to the City, and subject to any limitations in the Bond ordinance, declare the unpaid principal of the Bonds to be immediately due and payable, together with interest thereon at the rates stated in the Bonds until final payment, and upon the curing of all defaults, to annual such declaration. In any suit, action or proceeding by or on behalf of holders of defaulted Bonds, trustee fees and expenses, including operating costs of a project and reasonable counsel fees, shall constitute taxable costs, and all such costs and expenses allowed by the Court shall be deemed additional principal due on the Bonds and shall be paid in full from any recovery prior to any distribution to the holders of the Bonds. The General Ordinance limits any such recovery to Pledged Amounts. The trustee shall make distribution of any sums so collected in accordance with the Act.

Refunding with General Obligation Bonds

Upon certification by the City's chief fiscal officer that Project Revenues pledged for the payment of Bonds have become insufficient to meet the requirements of the ordinance or ordinances under which the Bonds were issued, the City Council is empowered, subject to applicable Pennsylvania constitutional debt limitations, to authorize the issuance and sale of general obligation refunding bonds of the City, without limitations as to rate of interest, in such principal amount (subject to the aforesaid limitations on indebtedness) as may be required, together with other available funds, to pay and redeem such Bonds, together with interest to the payment or redemption date and redemption premium, if any.

THE AMENDED AND RESTATED GENERAL AIRPORT REVENUE BOND ORDINANCE

The 2005C Bonds are being remarketed under the terms of the General Ordinance, pursuant to the Sixth Supplemental Ordinance and the Bond Committee Determination. The Sixth Supplemental Ordinance (see below) *set forth the specific terms of the 2005C Bonds when they were originally issued on June 2, 2005. The following summarizes the terms of the General Ordinance. All capitalized terms used in the following summary of the General Ordinance are defined as in the General Ordinance and may be differently referenced in other portions of this Remarketing Circular.*

Certain Definitions

The following is a summary of certain terms defined in the General Ordinance and used in this Remarketing Circular. Reference should be made to the General Ordinance for a full and complete statement of its terms and any capitalized terms used herein but not otherwise defined.

"Accreted Value" means, with respect to Capital Appreciation Bonds, the amount to which, as of any specified time, the Original Value of any such Capital Appreciation Bond has been increased by accretion, all as may be provided in an applicable Supplemental Ordinance.

"Act" means The First Class City Revenue Bond Act, approved October 18, 1972 (Act No. 234, 53 P.S. §15901 to 15924), as from time to time amended.

"Airport System" means the Airport and Northeast Philadelphia Airport, as such system currently exists or hereafter may be developed, expanded, extended or improved from time to time.

"Amended and Restated General Airport Revenue Bond Ordinance" or "General Ordinance" means the Amended and Restated General Airport Revenue Bond Ordinance, as amended from time to time by one or more Supplemental Ordinances in accordance with Article V or Article X of the Amended and Restated General Airport Revenue Bond Ordinance.

"Amounts Available for Debt Service" means for any particular period, Project Revenues for that period plus: (a) Passenger Facility Charges which are legally available to pay Debt Service Requirements with respect to such particular period to the extent such Passenger Facility Charges have been pledged under a Supplemental Ordinance, and (b) grants or moneys received from private persons or public agencies, either federal, state or local, directly or indirectly for the benefit of the Airport System, to the extent deposited in the Sinking Fund to be used for Debt Service Requirements.

"Assumed Amortization Period" means, with respect to Balloon Bonds, the period of time specified in clause (a) or clause (b), as selected by the City: (a) five years; or (b) the period of time exceeding five years set forth in an Investment Banker's Certificate delivered to the City, as being not longer than the maximum period of time over which indebtedness having comparable terms and security issued or incurred by similar issuers of comparable credit standing would need to be amortized, if then being offered, in order to be marketable on reasonable and customary terms.

Notwithstanding the foregoing, such period shall not be in excess of (i) the maximum amortization period permitted by the Act, or (ii) the useful life of the assets to be financed, or the remaining useful life of the assets being refinanced.

"Assumed Interest Rate" means with respect to Balloon Bonds, the rate per annum (determined as of the last day of the calendar month next preceding the month in which the determination of Assumed Interest Rate is being made) set forth in an Investment Banker's Certificate delivered to the City, as being not lower than the lowest rate of interest at which indebtedness having comparable terms, security and federal tax status amortized on a level debt service basis over a period of time equal to the Assumed Amortization Period, and issued or incurred by similar issuers of comparable credit standing would, if being offered as of such last day of the calendar month, be marketed at par on reasonable and customary terms.

"Authority" shall mean a municipal authority created pursuant to the Municipal Authorities Act of 1945, as amended, or an authority created pursuant to any other applicable statute or to another entity.

"Aviation Capital Fund" means the Aviation Capital Fund established in Section 4.04 of the General Ordinance.

"Aviation Funds" means, collectively, the Aviation Operating Fund, the Aviation Capital Fund, the Sinking Fund (including the Sinking Fund Reserve Account), the Subordinate Obligations Fund, and the Renewal Fund.

"Aviation Operating Fund" means the operating fund of the Division of Aviation which is so designated in the City's books and records and which is established in Section 4.04 of the General Ordinance and described in Sections 4.05 and 4.06 of the General Ordinance.

"Balloon Bonds" means any series of Bonds, or any portion of a series of Bonds, designated by Determination as Balloon Bonds, (a) 25% or more of the principal payments (including mandatory sinking fund payments) of which are due in a single year, or (b) 25% or more of the principal of which may, at the option of the holder or holders thereof, be redeemed at one time.

"Bond" or "Bonds" means any airport revenue bond of the City, authorized and issued, or assumed, under one or more supplemental ordinances amending and supplementing the General Airport Revenue Bond Ordinance of 1978, or the General Ordinance.

"Bond Committee" means the Mayor, City Controller and City Solicitor or a majority thereof.

"Bond Counsel" means a firm of nationally recognized bond counsel selected by the City.

"Bondholder" or "Holder" means any registered owner of Bonds or holder of Bonds issued in coupon form at the time Outstanding.

"Capital Appreciation Bonds" means any Bonds issued under the General Ordinance which do not pay interest either until maturity or until a specified date prior to maturity, but whose Accreted Value increases periodically by accretion to a final Maturity Value.

"City" means the City of Philadelphia, Pennsylvania.

"City Controller" means the head of the City's auditing department as provided by the Philadelphia Home Rule Charter.

"City Solicitor" means the head of the City's law department as provided by the Philadelphia Home Rule Charter.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consultants" means nationally recognized Independent registered consulting engineers, registered architects, certified public accountants or other Independent qualified experts having broad experience in the operation of airport systems of the magnitude and scope of the Airport System.

"Cost Accounting System" means the system for accounting for the collection, allocation, and reporting of revenues, expenses and debt service associated with the operation of the Airport System in accordance with Cost Centers as provided for in the Airline Agreements, or if none of the Airline Agreements is in effect, as determined by the City, from time to time.

"Cost Centers" means the cost areas to be used in the Cost Accounting System as set forth in the Airline Agreements, or if none of the Airline Agreements is in effect, then as determined by the City from time to time. Such Cost Centers shall initially consist of the Airport Area Cost Center, the Terminal Area Cost Center, the Other Buildings and Area Cost Center, the Northeast Philadelphia Airport Cost Center, the Outside Terminal Area Cost Center and the Airport Services Cost Center, all as defined in the Airline Agreements.

"Credit Facility" means any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement (other than a Qualified Swap or an Exchange Agreement) that is provided by a commercial bank, insurance company or other institution, with a current long term rating (or whose obligations thereunder are guaranteed by a financial institution with a long term rating) from Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is, at the time in question, rating Bonds Outstanding under the General Ordinance) not lower than the credit rating of any Series of Bonds which has no Credit Facility, to provide support for a Series of Bonds, and shall include any Substitute Credit Facility.

"Debt Service Account" means the Debt Service Account of the Sinking Fund established in Section 4.04 of the General Ordinance.

"Debt Service Requirements," with reference to a specified period, means:

A. amounts required to be paid into any mandatory sinking fund established for the Bonds, for the benefit of Bondholders during the period;

B. amounts needed to pay the principal or redemption price of Bonds maturing during the period and not to be redeemed at or prior to maturity through any sinking fund established for the Bonds, for the benefit of the Bondholders;

C. interest payable on Bonds during the period, with adjustments for (i) capitalized interest and accrued interest, (ii) any investment income realized from investments in the Aviation Capital Fund, Sinking Fund Reserve Account and Renewal Fund to the extent that such investment proceeds are deposited in or credited to the Debt Service Account of the Sinking Fund, and (iii) all net amounts payable to the City under a Qualified Swap during such period (other than termination amounts payable by a Qualified Swap Provider due as a result of termination of a Qualified Swap); and

D. all net amounts, if any, due and payable by the City under a Qualified Swap (other than termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap), a Credit Facility, or a Standby Agreement for Bonds during such period secured by a parity pledge of Project Revenues as set forth in a Determination or Supplemental Ordinance pursuant to which the related Bonds were issued.

For purposes of estimating Debt Service Requirements for any future period, (i) any Option Bond outstanding during such period shall be assumed to mature on the stated maturity date thereof, except that the principal amount of any Option Bond that has been tendered for payment before its stated maturity date and has not at the time of such estimate been remarketed, shall be deemed to accrue on the date required for payment pursuant to the terms of the Standby Agreement; and (ii) Debt Service Requirements on Bonds for which the City has entered into a Qualified Swap shall be calculated assuming that the interest rate on such Bonds shall equal the stated fixed or variable rate payable by the City on the Qualified Swap or, if applicable and if greater than such stated rate, the applicable rate for any Bonds issued in connection with the Qualified Swap adjusted, in the case of a variable rate obligation, as provided in Section 5.01 of the General Ordinance; provided that if the Qualified Swap Provider's payments under the Qualified Swap are based on an index, then, Debt Service Requirements on such Bonds shall be calculated using the sum of (i) the interest rate on the Bonds, and (ii) the difference between the fixed rate obligation of the City under the Swap Agreement and such index; provided, further that, for purposes of projecting the difference in (ii) above, the City shall be entitled to assume that the difference will be equal to the average differential during the period of twenty-four (24) consecutive calendar months preceding the date of calculation or, if the Swap Agreement was entered into less than twenty-four (24) months prior thereto, the average differential since the date the Swap Agreement was entered into.

Calculation of Debt Service Requirements with respect to Variable Rate Bonds and Balloon Bonds shall be subject to adjustment as permitted by Section 5.01(b) of the General Ordinance.

"Determination" means a determination by the Bond Committee regarding certain matters relating to the issuance of a Series of Bonds, made pursuant to the General Ordinance or the Supplemental Ordinance providing for the issuance of such Series of Bonds.

"Director of Finance" means the chief financial officer of the City as established by the Philadelphia Home Rule Charter.

"Division of Aviation" means the division of the Department of Commerce of the City responsible for the maintenance, improvement, repair and operation of the Airport System and for the construction of additional facilities for the Airport System or any successor division or Department of the City which is charged by law with such responsibility.

"Effective Date" shall have the meaning set forth in Article I of the General Ordinance.

"Exchange Agreement" means, to the extent from time to time permitted by applicable law, any interest exchange agreement, interest rate swap agreement, currency swap agreement or other contract or agreement, other than a Qualified Swap that has not been deemed to be an Exchange Agreement pursuant to Section 3.12 of the General Ordinance, authorized, recognized and approved by a Supplemental Ordinance or Determination as an Exchange Agreement and providing for (i) certain payments by the City, and (ii) payments by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, or whose obligations under an Exchange Agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated at all times in one of the three highest rating categories (without regard to gradation) by Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance) or the equivalent thereof by any successor thereto as of the date the Exchange Agreement is entered into; which payments by the City and counterparty are calculated by reference to fixed or variable rates.

"Existing Bonds" means any Bonds to the extent the lien of such bonds is not defeased on or prior to the Effective Date of the General Ordinance, which Existing Bonds shall be specified in a certificate of the Director of Finance on the Effective Date and thereafter shall be secured by the General Ordinance.

"Financial Consultant" means a firm of investment bankers, a financial consulting firm, a firm of certified public accountants or any other firm which is qualified to calculate amounts required to be rebated to the United States pursuant to Section 148(f) of the Code.

"Fiscal Agent" means a bank or other entity designated as such pursuant to Section 7.01 of the General Ordinance or its successor.

"Fiscal Year" means the fiscal year of the City.

"Fitch" means Fitch Investors Service and any successor thereto.

"General Airport Revenue Bond Ordinance of 1978" means the General Airport Revenue Bond Ordinance of 1978, approved March 16, 1978, as amended and supplemented from time to time.

"General Obligation Bonds" means the general obligation bonds of the City issued and outstanding from time to time to finance, in whole or in part, improvements to the Airport System and adjudged, pursuant to the Constitution and laws of the Commonwealth of Pennsylvania, to be self-sustaining on the basis of expected Project Revenues.

"Government Obligations" means direct noncallable obligations of, or obligations of the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America.

"Interdepartmental Charges" means the actual charges for services performed for the Division of Aviation by all officers, departments, boards or commissions of the City which are included in the computation of Operating Expenses of the Division of Aviation and allocable to the Airport System.

"Independent" means a person who is not a salaried employee or elected or appointed official of the City; provided, however, that the fact that such person is retained regularly by or transacts business with the City shall not make such person an employee within the meaning of this definition.

"Investment Banker's Certificate" means a written estimate of an investment banker selected by the City and experienced in underwriting indebtedness of the character of the Bonds in question.

"Maturity Value" with respect to Capital Appreciation Bonds means the amount due on the maturity date.

"Moody's" means Moody's Investors Service and any successor thereto.

"Net Operating Expenses" means Operating Expenses exclusive of Interdepartmental Charges. On and after the date on which a transaction described in Section 9.01 of the General Ordinance is completed, Net Operating Expenses may include Interdepartmental Charges at the written direction of the City.

"Non-Parity Sinking Fund Reserve Requirement" means any Sinking Fund Reserve Requirement referred to in clause (ii) of the definition of "Sinking Fund Reserve Requirement" as specified in a Supplemental Ordinance.

"Non-Parity Sinking Fund Reserve Account" means any account of the Sinking Fund Reserve Account created pursuant to a Supplemental Ordinance for a particular Series of Bonds that will not be secured by the Parity Sinking Fund Reserve Account, and for which a Non-Parity Sinking Fund Reserve Requirement applies.

"Northeast Philadelphia Airport" means the airport facility operated by the Division of Aviation, and located in the northeast portion of the City as such facility currently exists or hereafter may be developed, extended or improved from time to time.

"NSS General Obligation Bonds" means the general obligation bonds of the City issued and outstanding from time to time to finance, in whole or in part, improvements to the Airport System that have not been adjudged to be self-sustaining on the basis of expected Project Revenues.

"Operating Expenses" means all costs and expenses of the Airport System necessary and appropriate to operate and maintain in good operating condition during each Fiscal Year those portions of the Airport System from which revenues are derived and which are included within the definition of Project Revenues, and shall include, without limitation, salaries and wages, purchases of services, interest on temporary borrowings to be paid from Bonds, costs of materials, supplies and equipment that can be expensed, maintenance costs, costs of any property or the replacement thereof or for any work or project, related to the Airport System having an estimated life or usefulness and a cost less than minimum standards for capitalization established by the Division of Aviation's accounting policies (provided such minimum standards shall in no event be less than the standards set forth in the City Charter of the City), pension and welfare plan and worker's compensation requirements, unemployment compensation requirements, taxes and payments in lieu of taxes, insurance premiums, provisions for claims, refunds and uncollectible receivables and Interdepartmental Charges, all consistently determined in accordance with the accrual basis of accounting adjusted to meet the particular requirements of the Airline Agreements and this Ordinance, consistently applied, but Operating Expenses shall exclude depreciation, amortization, and except as expressly set forth above, Debt Service Requirements and amounts due under Subordinate Obligations and Exchange Agreements. Operating Expenses shall also exclude debt service on General Obligation Bonds and NSS General Obligation Bonds. Aggregate financing payments under capitalized lease agreements shall be payable as Operating Expenses to the extent payments under such capitalized lease agreements either (i) do not constitute Capital Expenditures under the Airline Agreements, or (ii) constitute Capital Expenditures under the Airline Agreements and have not been disapproved by the Majority-in-Interest under the Airline Agreements. Any financing payments on capitalized lease agreements not satisfying the requirements of either clause (i) or (ii) above, may be payable in accordance with Section 4.06(i) of the General Ordinance.

"Option Bond" means any Bond which by its terms may be tendered by and at the option of the Holder thereof for payment by the City prior to its stated maturity date or the maturity date of which may be extended by and at the option of the Holder thereof.

"Ordinance" means the General Ordinance, as amended from time to time by one or more Supplemental Ordinances in accordance with Article V or Article X of the General Ordinance.

"Original Value" with respect to Capital Appreciation Bonds means the principal amount paid by the initial purchasers on the date of original issuance.

"Outside Terminal Area" shall have the meaning ascribed in the Airline Agreements.

"Outstanding," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being issued and delivered subject to the General Airport Revenue Bond Ordinance of 1978 or the General Ordinance except (i) any Bonds canceled by the Fiscal Agent at or prior to such date; (ii) Bonds (or portion of Bonds) for the payment or redemption of which moneys, equal to the principal amount, Accreted Value or redemption price thereof, as the case may be, with interest (except to the extent of any Capital Appreciation Bonds) to the date of maturity or redemption date, shall be held in trust under the General Ordinance and set aside for such payment or redemption, provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in Article VI of the General Ordinance or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice; (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 6.06 of the General Ordinance; and (iv) Bonds deemed to have been paid as provided in Section 11.01 of the General Ordinance.

"Parity Sinking Fund Reserve Requirement" means the Sinking Fund Reserve Requirement described in clause (i) of the definition of " Sinking Fund Reserve Requirement."

"Parity Sinking Fund Reserve Account" means the Sinking Fund Reserve Account created pursuant to the first paragraph of Section 4.09 of the General Ordinance.

"Passenger Facility Charges" means all passenger facility charges collected pursuant to applicable law.

"Payments-in-Aid of Outside Terminal Area" means the payment-in-aid of the Outside Terminal area required to be made by the Scheduled Airlines pursuant to the Airline Agreements.

"Permitted Investments" shall mean any of the following obligations, but only to the extent the same are legal for investment of funds of the City at the time, under applicable law:

(a) Government Obligations;

(b) Qualified Rebate Fund Securities;

(c) Bonds, notes or other obligations of United States government agencies issued by the Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, General Services Administration, Government National Mortgage Association, Resolution Funding Corporation, U.S. Maritime Administration, Small Business Administration, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Student Loan Marketing Association;

(d) Interest-bearing time or demand deposits, or certificates of deposit with a maturity date of no longer than twenty four months from the date of the investment, or other similar arrangements with any institution (including the Fiscal Agent or its affiliates) with a bond or deposit rating at all times in the higher of (i) the rating on the Bonds Outstanding under the General Ordinance, or (ii) one of the three highest rating categories (without regard to gradation), by S&P and Moody's (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance); with a maturity date of no longer than twenty four months from the date of the investment, provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation through the Bank Insurance Fund or Savings Association Insurance Fund, or to the extent not insured, are secured by a pledge of collateral as provided by laws applicable to funds of the City of Philadelphia;

(e) Commercial paper (having original maturities of not more than 270 days) rated at all times P-1 or A-1+ by Moody's and S&P, respectively, however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance;

(f) Investments in money market funds rated at all times in one of the two highest rating categories (without regard to gradation) by S&P and Moody's (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance);

(g) Repurchase agreements with a term not exceeding twenty four months with the Fiscal Agent or any bank with a capital and surplus of at least $100,000,000 and a bond or deposit rating at all times in the higher of (i) the rating on the Bonds Outstanding under the General Ordinance, or (ii) one of the three highest rating categories of S&P and Moody's (provided that, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance) which bank is a member of the Federal Reserve System, or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, that are collateralized with Permitted Investments described in (a) or (b) above, having a market value at the time of purchase (inclusive of accrued interest) at least equal to 102% of the full amount of the repurchase agreement and which Permitted Investments shall be held by a third party custodian which is a bank or trust company pursuant to a third party custodial agreement;

(h) General Obligation bonds of corporations rating in one of the two highest rating categories (without regard to gradation) by Moody's and S&P, provided that, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance;

(i) Collateralized mortgage obligations which are rated in one of the two highest rating categories (without regard to gradation) by Moody's and S&P, with a maturity date no later than two years from the date of investment; provided that the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance;

(j) Obligations of the Commonwealth or any municipality or other political subdivision of the Commonwealth with a maturity date no later than two years from the date of investment, rated by Moody's and S&P in one of the three highest rating categories (without regard to gradation); provided that, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bond Outstanding under the General Ordinance; and

(k) Any other obligation approved in writing by S&P and Moody's to the extent that either is rating Bonds Outstanding under the General Ordinance at the time.

"Philadelphia Home Rule Charter" means the Philadelphia Home Rule Charter, as amended or superseded by any new home rule charter, adopted pursuant to authorization of the First Class City Home Rule Act approved April 21, 1949, P. L. 665 §1 et seq. (53 P. S. § 13101 et seq.).

"Pledged Amounts" shall have the meaning set forth in Section 4.02 of the General Ordinance.

"Prior Bonds" means the bonds issued under the General Airport Revenue Bond Ordinance of 1978 designated as Airport Revenue Bonds, Series 1978, 1984, 1985 and 1988.

"Project" shall have the meaning assigned to it in the Act, as the same may be amended from time to time.

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

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

"Qualified Escrow Securities" means funds which are represented by (a) demand deposits, interest-bearing time accounts, savings deposits or certificates of deposit, but only to the extent such deposits or accounts are fully insured by the Federal Deposit Insurance Corporation or any successor United States governmental agency, or to the extent not insured, fully secured and collateralized by Government Obligations having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such deposits or accounts, (b) if at the time permitted under the Act, noncallable obligations of the Commonwealth of Pennsylvania or any political subdivision thereof or any agency or instrumentality of the Commonwealth of Pennsylvania or any political subdivision thereof for which cash, Government Obligations or a combination thereof have been irrevocably pledged to or deposited in a segregated escrow account for the payment when due of principal or redemption price of and interest on such obligations, and any such cash or Government Obligations pledged and deposited are payable as to principal or interest in such amounts and on such dates as may be necessary without reinvestment to provide for the payment when due of the principal or redemption price of and interest on such obligations, and such obligations are rated by Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance) in the highest rating category (without regard to gradations) assigned by each such rating service to obligations of the same type, or (c) noncallable Government Obligations. In each case such funds (i) are subject to withdrawal, maturing or payable at the option of the holder, at or prior to the dates needed for disbursement, provided such deposits or accounts, whether deposited by the City or by such depository, are insured or secured as public deposits with securities having at all times a market value exclusive of accrued interest equal to the principal amount thereof, (ii) are irrevocably pledged for the payment of such obligations and (iii) are sufficient, together with the interest to disbursement date payable with respect thereto, if also pledged, to meet such obligations in full.

"Qualified Rebate Fund Securities" means either:

(a) Government Obligations; or

(b) rights to receive the principal of or the interest on Government Obligations through (i) direct ownership, as evidenced by physical possession of such Government Obligations or unmatured interest coupons or by registration as to ownership on the books of the issuer or its duly authorized paying agent or transfer agent, or (ii) purchase of certificates or other instruments evidencing an undivided ownership interest in payments of the principal of or interest on Government Obligations held under book-entry with the New York Federal Reserve Bank; or

(c) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and which are rated at the time purchased, based on the escrow, in the highest rating category of S&P and Moody's.

"Qualified Swap" or "Swap Agreement" means, with respect to a Series of Bonds, any financial arrangement that (i) is entered into by the City with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) provides that (a) the City shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to the principal amount of all or any portion of the Outstanding Bonds of such Series, and that such entity shall pay to the City an amount based on the interest accruing on a principal amount initially equal to the same principal amount of such Bonds, at either a variable rate of interest or a fixed rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the Bonds) or that one shall pay to the other any net amount due under such arrangement, (b) the City shall pay to such entity an amount based on the interest accruing on the principal amount of all or any portion of the Outstanding Bonds of such Series at a variable rate of interest as set forth in the arrangement and that such entity shall pay to the City an amount based on interest accruing on a principal amount equal to the same principal amount of such Bonds at an agreed fixed rate or that one shall pay to the other any net amount due under such arrangement or, (c) the City shall be paid by a Qualified Swap Provider an amount, based on a notional amount equal to the principal amount of all or any portion of the Outstanding Variable Rate Bonds of such Series, if the interest rate on such Series of Variable Rate Bonds exceeds a previously agreed upon rate, and/or the City shall pay to the Qualified Swap Provider an amount, based on a notional amount equal to the principal amount of all or any portion of the Outstanding Variable Rate Bonds of such Series, if the interest rate on such Series of Variable Rate Bonds is less than a previously agreed upon rate; (iii) has been approved of in writing by the Scheduled Airlines and UPS (provided that the written consent of UPS shall be obtained only to the extent required, as determined in the sole discretion of the City); and (iv) which has been designated in writing to the Fiscal Agent by the City as a Qualified Swap with respect to the Bonds.

"Qualified Swap Provider" means, with respect to a Series of Bonds, an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, are rated (at the time the subject Qualified Swap is entered into) at the higher of (i) A by Moody's and A by S&P, or the equivalent thereof by any successor thereto, or (ii) the then current rating on Bonds outstanding under the General Ordinance, without taking into account Bonds the rating on which is based upon a Credit Facility for such Bonds, provided if all Bonds Outstanding under the General Ordinance are rated based upon one or more Credit Facilities, then the senior unsecured long term obligations or claims paying ability of the provider shall be at least equal to A by Moody's and S&P.

"Rate Covenant" means the rate covenant applicable pursuant to Section 5.01 of the General Ordinance.

"Rating Agency" means Moody's, S&P or Fitch, to the extent that any of such rating services have issued a credit rating on the Bonds which is in effect at the time in question or, upon discontinuance of any of such rating services, such other nationally recognized rating service or services if any such rating service has issued a credit rating on the Bonds at the request of the City and such credit rating is in effect at the time in question.

"Rebate Bond Year," for purposes of Section 4.14 of the General Ordinance and in order to facilitate compliance with the arbitrage rebate requirements of the Code, shall mean the period or periods specified in a Supplemental Ordinance or Determination for a Series of Bonds.

"Rebate Fund" means the Rebate Fund established in Section 4.04 of the General Ordinance.

"Record Date" means (i) with respect to any Variable Rate Bond, the Business Day immediately preceding an interest payment date or a redemption date or the maturity date, or such other date as set forth in the related Supplemental Ordinance, and (ii) with respect to Bonds bearing interest in a fixed rate mode or Bonds bearing interest at a prescribed fixed rate, the fifteenth (15th) day (regardless of whether it is a Business Day) of the calendar month next preceding an interest payment date, a redemption date or maturity date, or such other date as set forth in the related Supplemental Ordinance.

"Remarketing Agent" means a Remarketing Agent appointed in the manner provided in the applicable Supplemental Ordinance or Determination authorizing the issuance of Variable Rate Bonds.

"Remarketing Agreement" means an agreement providing for the remarketing of tendered Variable Rate Bonds by a Remarketing Agent, as more fully set forth and defined in the Supplemental Ordinance authorizing any Series of Variable Rate Bonds.

"Renewal Fund" means the Renewal Fund established in Section 4.04 of the General Ordinance.

"Renewal Fund Requirement" means $2,500,000 or such other amount as determined by the Consultant from time to time to be appropriate taking into account the size and operations of the Airport System.

"Required Rebate Fund Balance" shall have the meaning set forth in Section 4.14 of the General Ordinance.

"Scheduled Airlines" means the airlines that are signatories to the Airline Agreements.

"Second Supplemental Ordinance" means the Second Supplemental Ordinance to the General Ordinance.

"Series" when applied to Bonds means, collectively, all of the Bonds of a given issue authorized by Supplemental Ordinance, as provided in the General Ordinance, and may also mean, if appropriate, a subseries of any Series if, for any reason, the City should determine to divide any Series into one or more subseries of Bonds, or multiple series of Bonds, as the case may be.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill and any successor thereto.

"Sinking Fund" means the Sinking Fund established in Section 4.04 of the General Ordinance.

"Sinking Fund Depositary" means the bank named as such in Section 7.01 of the General Ordinance.

"Sinking Fund Installment" means an amount so designated which is established pursuant to Section 3.01 of the General Ordinance.

"Sinking Fund Reserve Account" means the Sinking Fund Reserve Account established in Section 4.04 of the General Ordinance.

"Sinking Fund Reserve Requirement" means (i) with respect to all Bonds (whether interest thereon is includable in, or excludable from, gross income for Federal income tax purposes) which the City determines will be secured by the Parity Sinking Fund Reserve Account, an amount equal to the lesser of (A) the greatest amount of Debt Service Requirements on Bonds payable in any one Fiscal Year, determined as of any particular date, or (B) the maximum amount permitted by the Code to be maintained without yield restriction for bonds, the interest on which is not includable in gross income for federal income tax purposes, and (ii) with respect to all Bonds which the City determines to secure with a Non-Parity Sinking Fund Reserve Account (whether interest thereon is includable in, or excludable from, gross income for Federal income tax purposes), the amount, if any, required to be deposited or maintained in the subaccount of the Sinking Fund Reserve Account as specified in a Supplemental Ordinance. For purposes of determining the Sinking Fund Reserve Requirement, Debt Service Requirements will be computed without regard to any Qualified Swap, Credit Facility or Standby Agreement, and the Debt Service Requirements attributable to any (i) Balloon Bonds, or Variable Rate Bonds shall be calculated in the manner set forth in Section 5.01(b) of the General Ordinance, or based upon the assumed fixed rate of interest as set forth in the Supplemental Ordinance or Determination for such Bonds, and (ii) Option Bonds shall be calculated in the manner set forth in the last paragraph under the definition of Debt Service Requirements.

"Special Facility Agreement" means an agreement entered into by the City and one or more other parties, relating to the design, construction, and/or financing of any facility, improvement, structure, equipment, or assets acquired or constructed on any land or in or on any structure or buildings that is or are part of the Airport System, all or a portion of the payments to the City under which (a) are intended to be excluded from Amounts Available for Debt Service, and (b) may be pledged to the payment of Special Facility Revenue Bonds.

"Special Facility Revenue Bonds" means any City revenue bonds or notes authorized and issued for the purpose of acquiring, constructing, or improving a Special Purpose Facility leased to, or contracted for operation by, any person or persons, under a specific lease or contract requiring the user or users thereof to provide for the payment of rentals or sums adequate to pay all principal, interest, redemption price, reserve requirements, if any, as required in the legislation authorizing the Special Facility Revenue Bonds (the "debt service charges") on the Special Facility Revenue Bonds.

"Special Purpose Facility" means any facility acquired or constructed for the benefit or use of any person or persons and the costs of construction and acquisition of which are paid for (a) by the obligor under a Special Facility Agreement, (b) from the proceeds of Special Facility Revenue Bonds, or (c) both.

"Standby Agreement" with respect to a Series of Bonds, means an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of all or a portion of the Bonds of such Series, as amended, supplemented or extended from time to time.

"Standby Purchaser," with respect to a Series of Bonds, means the provider of the Standby Agreement for such Series of Bonds.

"Subordinate Obligation" means any obligation referred to in, and complying with the provisions of, Section 5.04(h) of the General Ordinance.

"Subordinate Obligation Fund" means the Subordinate Obligation Fund established in Section 4.04 of the General Ordinance.

"Subordinate Obligation Ordinance" means the ordinance, and any supplements or amendments thereto authorizing the issuance of a series of Subordinate Obligations.

"Substitute Credit Facility" means any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement (other than a Qualified Swap or an Exchange Agreement) that replaces a Credit Facility and is provided by a commercial bank, insurance company or other financial institution with a then current long term credit rating (or whose obligations thereunder are guaranteed by a financial institution with a long term rating) from Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is, at the time in question, then rating Bonds Outstanding under the General Ordinance) not lower than the credit rating of any Series of Bonds which has no Credit Facility; provided that in no event shall such substitution take place unless Moody's and S&P acknowledge in writing that such substitution, in and of itself, will not result in a lowering, suspension or withdrawal of the rating on the Bonds secured by such Credit Facility.

"Supplemental Ordinance" means an ordinance supplemental to the General Ordinance enacted pursuant to the Act and the General Ordinance by the Council of the City.

"Tender Agent," with respect to a Series of Bonds, means any commercial bank or trust company organized under the laws of any state of the United States or any national banking association designated as a tender agent for such Series of Bonds, and its successor or successors hereafter appointed in the manner provided in the applicable Supplemental Ordinance or Determination.

"Uncertificated Bond" means any Bond which is fully registered as to principal and interest and which is not represented by an instrument.

"UPS" means United Parcel Service and its successors.

"UPS Agreement" means that certain agreement between the City and United Parcel Service dated as of December 18, 1985, as amended from time to time.

"Use and Lease Agreements" mean the Airline - Airport Use and Lease Agreements (the "Airline Agreements) currently in effect, if any and, as amended from time to time, between the City and the Scheduled Airlines providing for the construction of capital improvements to the Airport System, the financing of such improvements, the use and occupancy of portions of the Airport System by the Scheduled Airlines and the rates, rents and charges to be paid by the Scheduled Airlines for such use and occupancy as therein provided.

"Variable Rate Bond" means any Bond, the rate of interest on which is subject to change prior to maturity and cannot be determined in advance of such change.

SUMMARY OF OPERATIVE PROVISIONS OF THE GENERAL ORDINANCE

The following is a summary of certain operative provisions of the General Ordinance. Reference should be made to the General Ordinance for a full and complete statement of its provisions and the meaning of any capitalized terms used herein but not otherwise defined.

Authorization, Scope and Purpose; Effective Date

The General Ordinance was enacted pursuant to the provisions of The First Class City Revenue Bond Act for the purpose of amending and restating in full, the General Airport Revenue Bond Ordinance of 1978, approved on March 16, 1978, as supplemented and amended. The General Ordinance became effective immediately and without any further action by City Council upon the consent of the Holders of at least 67 percent of the Outstanding Bonds (the "Effective Date"). On the Effective Date, the General Airport Revenue Bond Ordinance of 1978 and all supplements thereto were no longer in force or with any effect; provided that supplements to the General Airport Revenue Bond Ordinance of 1978 relating to Existing Bonds were deemed to be supplements to the General Ordinance on and after the Effective Date, to the extent such supplements were not inconsistent with the General Ordinance.

Concerning the Bonds

Form and Terms of Bonds. The aggregate principal amount of Bonds which may be issued or assumed, authenticated and delivered under the General Ordinance is unlimited, but prior to the issuance or assumption of such Series of Bonds, the City shall enact a Supplemental Ordinance authorizing such Series and the maximum aggregate principal amount of such Series and comply with all conditions in Section 5.04 of the General Ordinance (described under "Conditions and Provisions Relating to Issuing Bonds" hereinafter) and all conditions in the Act pertaining to the issuance or assumption of Airport revenue bonds.

A Series of Bonds may be secured by a Credit Facility or Standby Agreement meeting the requirements of the General Ordinance and the applicable Supplemental Ordinance. In connection with the issuance of its Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the City also may enter into Qualified Swaps or Exchange Agreements if the Bond Committee determines that any such Qualified Swap or Exchange Agreement will assist the City in more effectively managing its interest costs. The City's payment obligation under any Qualified Swap (other than termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap) shall be made from the Sinking Fund and its payment obligation under any such Exchange Agreement shall be made in accordance with Section 4.06(e) of the General Ordinance. Unless otherwise acknowledged in writing by S&P, that execution and delivery of such Qualified Swap Agreement or Exchange Agreement will not, in and of itself, result in a downgrade, suspension or withdrawal of the credit ratings on any Bonds Outstanding under the General Ordinance, the City will not enter into any Qualified Swap or Exchange Agreement.

Notwithstanding anything to the contrary in the General Ordinance, any Qualified Swap or Exchange Agreement entered into after June 15, 2005, may only be executed if authorized by Resolution of the City Council.

Issuance of Bonds

Purpose of Bonds; Combination of Projects for Financing Purposes. The Bonds issued or assumed under the General Ordinance shall be issued or assumed for the purpose (i) of paying the costs of Projects relating to the Airport System of the City, (ii) of reimbursing any fund of the City from which such costs shall have been paid or advanced together with interest thereon, (iii) of funding any of such costs for which the City shall have outstanding bond anticipation notes or other obligations, (iv) of refunding any Bonds or bonds of the City issued for the foregoing purposes, or (v) of refunding any General Obligation Bonds or NSS General Obligation Bonds.

Pledge of Revenues; Grant of Security Interest; Limitation on Recourse

The City pursuant to the General Ordinance pledges for the security and payment of all Bonds and thereby grants to Bondholders a lien on and security interest in: (i) all Project Revenues, (ii) amounts payable to the City under a Qualified Swap, (iii) except as provided in Section 4.09 of the General Ordinance (with respect to a non-parity reserve fund), all amounts on deposit in or credited to the Aviation Funds and (iv) proceeds of the foregoing ((i)-(iv) collectively are referred to herein as, the "Pledged Amounts"). The City may pledge Passenger Facility Charges pursuant to a Supplemental Ordinance and such Passenger Facility Charges, and proceeds thereof, shall constitute Pledged Amounts; provided, however, that if as a result of applicable law, rules and regulations, such Passenger Facility Charges may only be pledged to secure one or more specified Series of Bonds, such pledged Passenger Facility Charges, and proceeds thereof, shall constitute Pledged Amounts solely with respect to such Series of Bonds; provided, further, that Passenger Facility Charges shall not constitute Pledged Amounts or Amounts Available for Debt Service under the General Ordinance unless the City first receives written confirmation from all Rating Agencies then rating any Bonds Outstanding under the General Ordinance, that the pledge of Passenger Facility Charges in and of itself will not result in a downgrade, suspension or withdrawal of rating on any Bonds Outstanding under the General Ordinance, without taking into account Bonds the rating on which is based upon one or more Credit Facilities for such Bonds, provided that if all Bonds Outstanding under the General Ordinance are rated based upon a Credit Facility, then Passenger Facility Charges may be pledged only upon receipt by the City of written consent by the providers of all such Credit Facilities. To the extent that the Fiscal Agent maintains such Pledged Amounts, the Fiscal Agent shall hold and apply the security interest granted by the General Ordinance in the Pledged Amounts, in trust, for the equal and ratable benefit and security of all present and future Holders of Bonds issued pursuant to the provisions of the General Ordinance and each Supplemental Ordinance, without preference, priority or distinction of any one Bond over any other Bond; provided however, that the pledge of the General Ordinance may also be for the benefit of the provider of a Credit Facility, Standby Agreement or Qualified Swap (other than with respect to termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap), or any other person who undertakes to provide moneys for the account of the City for the payment of principal or redemption price of and interest on any Series of Bonds, on an equal and ratable basis with Bonds, to the extent provided by any Supplemental Ordinance or Determination.

Amounts constituting revenues, rents, rates, tolls or other charges generated or allocable to the Outside Terminal Area may be pledged under the General Ordinance as Project Revenues, only if there shall be delivered to the Fiscal Agent: (i) a written statement supported by appropriate schedules and summaries, that on the basis of historical, and estimated future annual financial operations of the Airport System, from which Amounts Available for Debt Service are to be derived, the Airport System will, in the opinion of the Consultant, yield Amounts Available for Debt Service for each of the five Fiscal Years (or three Fiscal Years in the event that the Consultant is professionally unable to provide an opinion for a period in excess of three Fiscal Years) ended immediately following the pledge of amounts described above, sufficient to comply with the Rate Covenant, and (ii) for so long as any of the Airline Agreements are in effect, with the prior written consent of the Scheduled Airlines to amend the Airline Agreements so that they reflect the foregoing modifications. For purposes of the statement in clause (i) above, the definition of "Operating Expenses" shall be deemed to include projected operating expenses of the Outside Terminal Area and Debt Service Requirements shall be deemed to include the debt service on any Bonds assumed or to be assumed under the General Ordinance, and any Qualified Swap, Credit Facility or Standby Agreement related thereto which is secured by a parity pledge of Project Revenues.

Neither the Bonds nor the City's reimbursement or other contractual obligations under any Credit Facility, Standby Agreement, Qualified Swap or Exchange Agreement shall constitute a general indebtedness or a pledge of the full faith and credit of the City within the meaning of any Constitutional or statutory provision or limitation of indebtedness. No Bondholder or beneficiary of any of the foregoing agreements shall ever have the right, directly or indirectly, to require or compel the exercise of the ad valorem taxing power of the City for the payment of the principal and redemption price of or interest on the Bonds or the making of any payments under the General Ordinance. The Bonds and the obligations evidenced thereby and by the foregoing agreements, shall not constitute a lien on any property of or in the City, except as set forth in this section.

Bonds to be Parity Bonds

All Bonds issued under the General Ordinance shall be parity Bonds equally and ratably secured by the pledge of and grant of the security interest described in the preceding section, except as provided for in the preceding section and the section below entitled "Sinking Fund Reserve Account" without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond or as between principal and interest.

Subordinate Obligations issued pursuant to a Subordinate Obligation Ordinance shall be secured (i) by a pledge of and grant of the security interest in Project Revenues to the extent required to be deposited in the Subordinate Obligations Fund and (ii) the amounts on deposit in or credited to the Subordinate Obligations Fund subject and subordinate to the payment of the amounts described in clauses (a) through (d) of the section below entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts" from Amounts Available for Debt Service and subject to the elimination of any deficiency in any fund or account established under the General Ordinance or under any Supplemental Ordinance.

Pursuant to the General Ordinance, the City reserves the right, and nothing in the General Ordinance shall be construed to impair such right, to finance improvements to the Airport System by the issuance of its General Obligation Bonds, NSS General Obligation Bonds, Special Facility Revenue Bonds or Subordinate Obligations under ordinances other than Supplemental Ordinances; provided that in the case of any Airport System revenue bonds or notes for the payment of which Project Revenues shall be used or pledged, payment of such Airport System revenue bonds shall be subject and subordinate to the payment from such Project Revenues of the payments described in the section below entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts" and subject to the elimination of any deficiency in any fund or account established under the General Ordinance or under any Supplemental Ordinance.

Establishment of Funds and Accounts

The following funds and accounts are established pursuant to the General Ordinance and shall be held by the City: (a) Aviation Operating Fund; (b) Aviation Capital Fund; and (c) Rebate Fund.

The following funds and accounts are established pursuant to the General Ordinance or, have heretofore been established and shall be maintained by the Fiscal Agent: (a) Sinking Fund and within such Sinking Fund, a Sinking Fund Reserve Account, a Debt Service Account and a Charges Account; (b) Subordinate Obligation Fund; and (c) Renewal Fund.

On the Effective Date of the General Ordinance, the City transferred or caused to be transferred or credited on its books and records all amounts maintained in or credited to the funds and accounts created under the General Airport Revenue Bond Ordinance of 1978 as set forth in the General Ordinance.

Nothing in the General Ordinance shall be construed to prevent the City from establishing, in connection with the issuance of one or more Series of Bonds, additional funds or accounts to be held for the benefit of one or more Series of Bonds issued under the General Ordinance, as set forth in Supplemental Ordinances; provided that, no such additional funds or accounts shall be established unless, in the opinion of Bond Counsel, establishment of additional funds or accounts would not (i) adversely affect the exclusion of interest on Bonds, if any, from gross income for federal income tax purposes, or (ii) materially adversely affect the security or interests of Bondholders. If required by law, rules or regulations, the City shall establish and maintain a separate account within the Sinking Fund for pledged Passenger Facility Charges.

Segregation of Aviation Funds; Deposit of Project Revenues into Aviation Operating Fund.

(a) The Aviation Funds shall be held separate and apart from all other funds and accounts of the City and the Fiscal Agent and the funds and accounts therein shall not be commingled with, loaned or transferred among themselves or to any other City funds or accounts except as expressly permitted in the General Ordinance.

(b) The City shall, upon receipt of any Project Revenues, deposit such Project Revenues into the Aviation Operating Fund. Any Passenger Facility Charges that constitute Amounts Available for Debt Service under the General Ordinance, shall be deposited directly into the appropriate account or subaccount of the Sinking Fund to the extent required to pay debt service on Bonds. The City and Fiscal Agent also shall cause to be deposited into the Aviation Operating Fund, Sinking Fund Reserve Account, Sinking Fund, and Renewal Fund proceeds of Bonds as designated by Supplemental Ordinance or Determination and any other funds directed to be deposited into the Aviation Operating Fund, Sinking Fund Reserve Account, Sinking Fund, or Renewal Fund by the City. The Fiscal Agent shall, at the written direction of the City, disburse from the Aviation Operating Fund the amounts and at the times specified below in the section entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts."

(c) (i) If at any time sufficient moneys are not available in the Aviation Operating Fund to pay Operating Expenses and to make the transfers required by the section below entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts", or if a deficiency exists in the Aviation Capital Fund, then, subject to the requirements of (ii) and (iii) below, amounts on deposit in the Aviation Capital Fund and Renewal Fund may be loaned, at the written direction of the City, to the Aviation Operating Fund for the payment of such Operating Expenses and to make transfers required by the section below entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts", to the extent of the deficiency, and amounts on deposit in the Aviation Operating Fund and Renewal Fund may be loaned, at the written direction of the City, to the Aviation Capital Fund, to the extent of the deficiency. Notwithstanding anything to the contrary in this subparagraph (c), during any Fiscal Year, loans from the Aviation Capital Fund and loans from the Aviation Operating Fund pursuant to this section at any time shall not exceed in the aggregate 5% of the Division of Aviation's budgeted Operating Expenses net of Debt Service Requirements for such Fiscal Year.

(ii) Loans from the Aviation Capital Fund to the Aviation Operating Fund shall be made only to the extent of unencumbered capital amounts in the Aviation Capital Fund, and may be spent only for purposes authorized under applicable federal, state and local law. Any amounts borrowed from the Aviation Capital Fund shall be repaid on the earlier to occur of: (1) the date the funds are required by the Division of Aviation for purposes of the Aviation Capital Fund, (2) the date proceeds of Bonds, bonds or notes become available to the City for reimbursement of the expenditures made with the money borrowed, or (3) the last day of the twelve-month period beginning on the date the loan was made, in which case repayment may be made from the Renewal Fund;

(iii) Loans from the Aviation Operating Fund to the Aviation Capital Fund shall be made only to the extent of any surplus in the Aviation Operating Fund; provided that a Consultant delivers a written certification to the Fiscal Agent that the Division of Aviation will have, after making the loan, sufficient funds in the Aviation Operating Fund to pay all Operating Expenses when payable and the Debt Service Requirements up to and including the later of: the last day of the Fiscal Year in which the loan takes place or, the next interest payment date. Amounts loaned to the Aviation Capital Fund shall be used for the following purposes: (1) capital projects previously approved by the Scheduled Airlines in accordance with the Airline Agreements, or (2) capital projects for which an appropriation has been made. Any amounts borrowed shall be repaid no later than the date the funds are required by the Division of Aviation for purposes of the Aviation Operating Fund.

Transfer from Aviation Operating Fund to Other Funds and Accounts. Amounts on deposit in the Aviation Operating Fund Operating Fund shall be applied by the City or the Fiscal Agent, as the case may be, in the following manner and in the following order of priority:

(a) to pay such sums constituting Net Operating Expenses in a timely manner;

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

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

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

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

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

(g) to pay to the City the amount necessary to provide for the timely payment of the principal or redemption price of and interest on General Obligation Bonds; [1]

(h) to pay any Interdepartmental Charges;

(i) to pay to the City the amount necessary to provide for the timely payment of the principal or redemption price of and interest of NSS (non-self-sustaining) General Obligation Bonds;[1] and

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

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

(j) Bond Redemption and Improvement Account. The Bond Redemption and Improvement Account is available for use by City for the payment of deficiencies with respect to the Debt Service Requirements or deficiencies with respect to the Sinking Fund Reserve Requirement as provided under the General Ordinance. If no such deficiencies exist, City is not in default under the General Ordinance and a Majority-in Interest of the Eligible Signatory Airlines, determined pursuant to the Airfield Area MII Formula, mutually agree (whose agreement will not be unreasonably withheld), the Division of Aviation can use such amounts for repair, renewals,

[1] No general obligation debt of the City described in paragraphs g and i above are currently outstanding.

replacements or alterations to the Airport System; redemption of Bonds; costs of Capital Projects or equipment; purchase of Bonds; arbitrage rebate pursuant to Section 148(f) of the Code or for any lawful Airport System purposes. In addition to the initial deposit of sixteen million eight hundred thousand dollars ($16,800,000) into the Bond Redemption and Improvement Account, the City will make periodic deposits therein. For the sole purpose of establishing a dollar amount for the Bond Redemption and Improvement Requirement, and expressly not for the purpose to establish a debt service reserve fund as set forth in the General Ordinance, the Bond Redemption and Improvement Requirement shall mean an amount not to exceed the lesser of (i) the amount of Debt Service Reserve Surety Bonds fulfilling the City's Sinking Fund Reserve Requirements, or (ii) such dollar amount required to maintain a dollar balance in the Bond Redemption and Improvement Account equal to fifteen percent (15%) of the Debt Service Requirement in Fiscal Year 2009, twenty percent (20%) of the Debt Service Requirement in Fiscal Year 2010, and twenty five percent (25%) of the Debt Service Requirement thereafter. The Bond Redemption and Improvement Account may be funded with amounts remaining, if any, following any and all transfers required by subparagraphs (a)-(i) above.

(1) Notwithstanding the foregoing, for each and every Fiscal Year during the term of Airline Agreement, the interest earned on the balance of the Bond Redemption and Improvement Account shall first be used to reduce the Bond Redemption and Improvement Requirement for the following Fiscal Year and the remaining interest and any excess balance in the Bond Redemption and Improvement Account due to a reduction in the Debt Service Requirement, if any, shall be transferred to the Aviation Operating Fund and then allocated to the Airport Cost Centers in proportion to the Debt Service Requirement for each such Airport Cost Center as a Non-Airline Revenue.

(2) The net Bond Redemption and Improvement Requirement shall be allocated on the basis of Debt Service Requirements to the Airport Cost Centers.

(k) O&M Account. The O&M Account is available for use by City for the payment of Operating Expenses in City’s sole discretion in the event the then current Airport Revenues allocated to Operating Expenses in the Annual Budget are deemed to be insufficient. If a Majority-in Interest of the Eligible Signatory Airlines, determined pursuant to the Airfield Area MII Formula, and City mutually agree (whose agreement will not be unreasonably withheld), any balance then can be used for repairs, renewals, replacements, alterations, the redemption of Bonds or bonds or for any Airport System purposes. Notwithstanding the foregoing, City has no reasonable expectation that funds in the O&M Account will be used to pay Debt Service since the account is being created to pay Operating Expenses. The City will make an initial deposit in the O&M Account in the amount of fifteen million dollars ($15,000,000). The O&M Account may be funded with amounts remaining, if any, following any and all transfers required by subparagraphs (a)-(j) above. Thereafter, the O&M Requirement shall mean an amount not to exceed one million dollars ($1,000,000) per Fiscal Year to be deposited in the O&M Account to maintain a balance equal to ten percent (10%) of Operating Expenses.

(1) Notwithstanding the foregoing, for each and every Fiscal Year during the term of the Agreement, the interest earned on the balance of the O&M Account shall first be used to reduce the O&M Requirement for the following Fiscal Year and the remaining interest and any excess balance in the O&M Account due to a reduction in Operating Expenses, if any, shall be transferred to the Aviation Operating Fund, then allocated to the Airport Cost Centers in proportion to the Operating Expenses for each such Airport Cost Center as a Non-Airline Revenue.

(2) The net O&M Requirement shall be allocated on the basis of Operating Expenses to the Airport Cost Centers.

(l) Airline Revenue Allocation. The Airline Revenue Allocation shall be calculated from any amounts remaining in the Aviation Operating Fund if any, following any and all transfers required by subparagraphs (a)-(k) above. The Airline Revenue Allocation is equal to fifty percent (50%) of the prior Fiscal Year's total net revenue from the Outside Terminal Areas Cost Center reduced by an amount of up to seven million dollars ($7,000,000), to the extent net revenue from the Outside Terminal Areas Cost Center equals or exceeds seven million dollars ($7,000,000). The Airline Revenue Allocation, if any, shall first be credited to the Other Buildings and Areas Cost Center to determine the Airfield Area Requirement for such Fiscal Year and then, if the Airline Revenue Allocation exceeds the deficit of the Other Buildings and Areas Cost Center, the excess shall be allocated pro rata to the Airfield Area Cost Center and Terminal Area Cost Center based on airline revenue allocable to such cost center.

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

Sinking Fund. Except as set forth in Sections 4.02, 4.04 and 4.09 of the General Ordinance, the Sinking Fund shall be a consolidated fund for the equal and proportionate benefit of the Holders of all Bonds from time to time Outstanding, Credit Facilities, Standby Agreements, and Qualified Swap Agreements secured by a parity pledge of Project Revenues and payable pursuant to subparagraph (c) of the section above entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts", and each account therein may be invested and reinvested on a consolidated basis in accordance with Section 9 of the Act.

The Fiscal Agent, as directed by the City by Supplemental Ordinance, Determination or other written direction, shall pay out of the Debt Service Account of the Sinking Fund to the designated paying agent or agents (i) on or before each interest payment date for any of the Bonds the amount required for the interest payable on such date; and (ii) on or before each principal, redemption or prepayment date for any Bonds, the amount required for the principal, redemption or prepayment payable on such date, and (iii) on or before the respective due dates the amounts, if any, due under any Swap Agreements (other than termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap). Such amounts shall be applied by the designated paying agent or agents on the due dates thereof. The Fiscal Agent shall also pay out of the Debt Service Account of the Sinking Fund the accrued interest included in the purchase price of Bonds purchased for retirement and on or before the due dates any amounts owing by the City under any Credit Facility or Standby Agreement, payable from the Debt Service Account, on account of advances to pay principal of or interest or redemption premium on Bonds.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) if so directed by the City, shall be applied by the Fiscal Agent, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, to the purchase of Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established. All purchases of Bonds pursuant to this paragraph shall be made at prices not exceeding the applicable sinking fund redemption price of such Bonds plus accrued interest, and such purchases shall be made by the Fiscal Agent as directed by the City. As soon as practicable after the 42nd day preceding the due date of any such Sinking Fund Installment, the Fiscal Agent shall proceed to call for redemption, by giving notice as provided in Section 6.03 of the General Ordinance, on such due date Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment after making allowance for any Bonds purchased pursuant to Section 4.10 of the General Ordinance which the City has directed the Fiscal Agent to apply as a credit against such Sinking Fund Installment as provided in Section 4.08 thereof. The Fiscal Agent shall pay out of the Sinking Fund to the appropriate paying agent or agents, on or before such redemption date (or maturity date) the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing) and such amount shall be applied by such paying agent or agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds shall be paid by the City from Amounts Available for Debt Service, or other amounts available therefor.

In the event of the refunding of any Bonds, the Fiscal Agent shall, if the City so directs in writing, withdraw from the Sinking Fund all, or any portion of, the amounts accumulated therein with respect to principal or interest on the Bonds being refunded and deposit such amounts with itself or another financial institution serving as escrow agent to be held for the payment of the principal or redemption price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 11.01 of the General Ordinance. In the event of a refunding, the City may also direct the Fiscal Agent to withdraw from the Sinking Fund all, or a portion of, the amounts accumulated therein with respect to principal and interest on the Bonds being refunded and deposit such amounts in any fund or account established under the General Ordinance.

If any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise or at the date fixed for redemption thereof, if moneys sufficient to pay such Bond shall have been deposited with the Fiscal Agent, it shall be the duty of the Fiscal Agent to hold such moneys, without liability to the City, any Bondholder or any other person for interest thereon, for the benefit of the owner of such Bond. Notwithstanding the foregoing, any moneys in the Sinking Fund for the payment of the interest, principal or redemption premium of Bonds unclaimed for two (2) years after the due date shall be repaid to the Aviation Operating Fund but such repayment shall not discharge the obligation, if any, for which such moneys were previously held in the Sinking Fund; provided, however, that such repayment shall not be made unless, at the time of such repayment, there shall exist no deficiency in any fund or account established under the General Ordinance or any Supplemental Ordinance.

The Fiscal Agent shall pay, solely out of the Charges Account to the appropriate payees any fees, expenses and other amounts due and payable from the Charges Account, under any Credit Facility or Standby Agreement, with respect to Bonds, to the extent such amounts are not paid from the Debt Service Account.

Credits Against Sinking Fund Installments. If at any time Bonds of any Series or maturity for which Sinking Fund Installments shall have been established are purchased or redeemed other than pursuant to the third paragraph of the section above entitled "Sinking Fund" or are deemed to have been paid pursuant to Section 11.01 of the General Ordinance and, with respect to such Bonds which have been deemed paid, irrevocable instructions have been given to the Fiscal Agent to redeem or purchase the same on or prior to the due date of the Sinking Fund Installment to be credited under this section, the City may from time to time and at any time by written notice to the Fiscal Agent specify the portion, if any, of such Bonds so purchased, redeemed or deemed to have been paid and not previously applied as a credit against any Sinking Fund Installment which are to be credited against future Sinking Fund Installments. Such notice shall specify the amounts of such Bonds to be applied as a credit against such Sinking Fund Installment or Sinking Fund Installments and the particular Sinking Fund Installment or Installments against which such Bonds are to be applied as a credit; provided, however that none of such Bonds may be applied as a credit against a Sinking Fund Installment to become due less than forty-two (42) days after such notice is delivered to the Fiscal Agent. All such Bonds to be applied as a credit shall be surrendered to the Fiscal Agent for cancellation on or prior to the due date of the Sinking Fund Installment against which they are being applied as a credit. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

Sinking Fund Reserve Account. There is created under the General Ordinance a parity Sinking Fund Reserve Account within the Sinking Fund to be known as the "Parity Sinking Fund Reserve Account." Unless the applicable Supplemental Ordinance designates a Non-Parity Sinking Fund Reserve Requirement, the City shall deposit, or cause to be deposited in the Parity Sinking Fund Reserve Account from the proceeds of the sale of each Series of Bonds, or from other amounts available therefor, an amount which, when added to the existing balance in the Parity Sinking Fund Reserve Account, will be equal to the Parity Sinking Fund Reserve Requirement immediately after the issuance of such Series of Bonds. All amounts in the Parity Sinking Fund Reserve Account shall be available to pay the principal, redemption price or interest on any other Series of Bonds secured by the Parity Sinking Fund Reserve Account.

If a Supplemental Ordinance for a Series of Bonds designates a Non-Parity Sinking Reserve Requirement for such Series of Bonds, the Supplemental Ordinance pursuant to which such Bonds were issued shall either create a separate Non-Parity Sinking Fund Reserve Subaccount, or create or designate a previously created subaccount within the Sinking Fund Reserve Account. Notwithstanding anything to the contrary in this section, the City shall not create a Non-Parity Sinking Fund Reserve Account or designate a Non-Parity Sinking Fund Reserve Requirement unless the City first obtains written confirmation from S&P (such confirmation shall only be required if S&P is then rating Bonds Outstanding under the General Ordinance) that such action, in and of itself, will not result in a downgrade, suspension or withdrawal of the credit rating on any Bonds Outstanding under the General Ordinance. The City shall, under direction of the Director of Finance, deposit in the specified Non-Parity Sinking Fund Reserve Subaccount created pursuant to any Supplemental Ordinance, the amount required to be deposited pursuant to the Supplemental Ordinance for such Series of Bonds. The money and investments in each Non-Parity Sinking Fund Reserve Subaccount shall be held and maintained in an amount equal at all times to the applicable

Non-Parity Sinking Fund Reserve Requirement for such Series secured thereby, as provided in the Supplemental Ordinance authorizing such Series of Bonds. All amounts in each Non-Parity Sinking Fund Reserve Subaccount shall be available solely to secure the Bonds specified in the Supplemental Ordinance pursuant to which such subaccount was created.

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

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

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Sinking Fund Reserve Account or any subaccount thereof, the City may cause to be deposited into any account or subaccount of the Sinking Fund Reserve Account an unconditional and irrevocable surety bond or an insurance policy payable to the Fiscal Agent for the account of the Holders of the Series of Bonds in question or an irrevocable letter of credit in an amount equal to the difference between the Sinking Fund Reserve Requirement for the related Series of Bonds and the remaining sums, if any, then on deposit in the applicable account or subaccount of the Sinking Fund Reserve Account. The surety bond, insurance policy or letter of credit (each, a "Sinking Fund Reserve Facility") shall be payable (upon the giving of notice as required thereunder) on any payment date on which moneys will be required to be withdrawn from the applicable account or subaccount of the Sinking Fund Reserve Account and applied to the payment of debt service on the related Series of Bonds and such withdrawal cannot be met by amounts on deposit in the applicable account or subaccount of the Sinking Fund Reserve Account or provided from amounts held in any other Fund under the General Ordinance that are available to pay debt service on such Series of Bonds.

The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in not lower then the second highest rating category (without regard to gradations) by Moody’s and S&P (however, the rating by Moody’s and S&P, or either of them, shall only be required to the extent such Rating Agency is, at the time in question, rating Bonds Outstanding under the General Ordinance). The letter of credit issuer shall be a bank or trust company which is rated not lower than the second highest rating category (without regard to gradations) by Moody’s and S&P (however, the rating by Moody’s and S&P, or either of them, shall only be required to the extent such Rating Agency is, at the time in question, rating Bonds Outstanding under the General Ordinance), and the letter of credit itself shall be rated in at least the second highest category of such Rating Agencies. If a disbursement is made pursuant to a Sinking Fund Reserve Facility provided pursuant to this subsection, the City shall be obligated either (i) to reinstate the maximum limits of such Sinking Fund Reserve Facility or (ii) to deposit into the applicable account or subaccount of the Sinking Fund Reserve Account, funds in the amount of the disbursement made under such Sinking Fund Reserve Facility, or a combination of such alternatives, as shall provide that the amount in the applicable account or subaccount of the Sinking Fund Reserve Account equals the Sinking Fund Reserve Requirement for the related Series of Bonds within a time period not longer than would be required to restore the applicable account or subaccount of the Sinking Fund Reserve Account by operation of this section and from the same source of funds as provided herein. Upon the occurrence of any reduction or suspension of any credit rating with respect to such Sinking Fund Reserve Facility (or the provider thereof) required by this section, the City shall replace the Sinking Fund Reserve Facility with a new one that meets the aforesaid rating requirements; provided however that with respect to any letter of credit that is a Sinking Fund Reserve Facility, the City may in lieu of replacing such Sinking Fund Reserve Facility, cause the Sinking Fund

Reserve Facility to be drawn upon to the full extent possible and deposit such monies in the subaccount of the Sinking Fund Reserve Account in which the Sinking Fund Reserve Facility was held. In addition, 30 days prior to the expiration date of any Sinking Fund Reserve Facility, that is a letter of credit the City shall either extend the term of such Sinking Fund Reserve Facility by at least one year or deposit cash in the face amount of the Sinking Fund Reserve Facility in question in the appropriate account or subaccount of the Sinking Fund Reserve Account in replacement of such Sinking Fund Reserve Facility, and if the City fails to take either of such actions by such date, the Fiscal Agent shall within five Business Days thereafter draw down upon the Sinking Fund Reserve Facility that is a letter of credit to the full extent possible and deposit the proceeds of such draw in the appropriate subaccount of the Sinking Fund Reserve Account.

Subordinate Obligation Fund. Subject to the third paragraph of this section, the Fiscal Agent upon direction of the Director of Finance, shall apply amounts in the Subordinate Obligation Fund to the payment of the principal of, redemption premium, if any, and interest on Subordinate Obligations and to payments due under any credit facility, qualified swap or standby agreement in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided, in the Subordinate Obligation Ordinance or Supplemental Ordinance or Determination.

At any time and from time to time the City may deposit in the Subordinate Obligation Fund for the payment of Subordinate Obligations amounts received from any source other than Project Revenues which is not inconsistent with the General Ordinance, any Supplemental Ordinance or any Subordinate Obligation Ordinance or Determination.

If at any time the amounts in the Sinking Fund shall be less than the current requirement of such fund pursuant to subparagraphs (b) and (c) of Section 4.06 of the General Ordinance and there shall not be on deposit in the Sinking Fund Reserve Account, the Aviation Operating Fund or the Renewal Fund available moneys sufficient to cure such deficiency, then the Fiscal Agent shall withdraw from the Subordinate Obligation Fund and deposit in the Sinking Fund the amount necessary (or all the moneys in said fund, if less than the amount necessary) to eliminate such deficiency.

Any moneys in the Subordinate Obligation Fund for the payment of Subordinate Obligations, unclaimed for two (2) years after the due date shall be repaid to the City but such repayment shall not discharge the obligation, if any, for which such moneys were previously held in the Subordinate Obligation Fund; provided, however, that such repayment shall not be made unless, at the time of such repayment, there shall exist no deficiency in any fund or account established under the General Ordinance, any Supplemental Ordinance or any Subordinate Obligation Ordinance.

Aviation Capital Fund. Proceeds of Bonds issued for capital purposes shall be deposited into the Aviation Capital Fund and disbursed according to established procedures of the City for purposes permitted by the Act, other applicable law and the Bonds and such other purposes as are permitted under the General Ordinance.

Renewal Fund. All amounts credited to the Renewal Fund on or after the Effective Date shall be maintained in accordance with this section. Payments from the Renewal Fund shall be made only for the following purposes: (a) to pay the cost of major repairs, renewals and replacements of Airport System facilities for purposes of meeting unforeseen contingencies and emergencies arising from the operation of the Airport System, or (b) to pay expenses chargeable as Operating Expenses if Project Revenues are insufficient, for whatever reason to cover such Operating Expenses in any Fiscal Year, (c) to pay debt service on the Bonds, or (d) to repay any loan in accordance with Section 4.05(c)(ii)(3) of the General Ordinance.

The City shall withdraw from the Renewal Fund the sum or sums necessary to make such payments and shall apply the same to such purpose. If by reason of such withdrawal or any other reason, funds on deposit in the Renewal Fund are less than the Renewal Fund Requirement, the City shall deposit in the Renewal Fund the amount of such deficiency, but only from Project Revenues as the same shall become available, by regular quarterly deposits which shall not be required to exceed the total of $500,000 in any Fiscal Year, and the availability of which shall be determined in accordance with the priorities specified in the section herein entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts."

If at any time the moneys and investments in the Renewal Fund are in excess of the Renewal Fund Requirement, the amount of such excess on order of the Director of Finance, shall be paid over by the City to the Debt Service Account of the Sinking Fund, to be used and applied as are all other moneys deposited in or on deposit therein.

Rebate Fund. The Rebate Fund shall be maintained by the City for so long as any Series of Bonds is Outstanding, and for sixty (60) days thereafter (or such other period as may be specified by the Code and applicable regulations), for the purpose of paying to the United States Treasury the amount required to be rebated pursuant to Section 148(f) of the Code. All amounts in the Rebate Fund, including income earned from investment of amounts in the Rebate Fund, shall be held by the City free and clear of the lien created by the General Ordinance.

Management of Funds and Accounts. The moneys on deposit in the funds and accounts established under the General Ordinance, to the extent not currently required, shall be invested and secured as required by Section 9 of the Act, all at the direction and under the management of the Director of Finance or such other chief fiscal officer of the City as may hereinafter be established.

Investment of Funds and Accounts. All moneys deposited in any fund or account established under the General Ordinance or under any Supplemental Ordinance may be invested by the City or by the Fiscal Agent, at the oral (confirmed in writing promptly thereafter) or written direction of the City, in any Permitted Investments (except as otherwise provided in the General Ordinance with respect to the Sinking Fund, Sinking Fund Reserve Account and Rebate Fund); provided that any investments with respect to amounts on deposit in the Sinking Fund (other than the Sinking Fund Reserve Account) shall mature or shall be subject to redemption by the holder thereof upon demand at par no later than the date when such amounts are needed for the purposes of such funds or accounts.

Interest earnings on amounts on deposit (i) in the Aviation Operating Fund shall be credited to the Aviation Operating Fund; (ii) in the Sinking Fund shall be credited to the Sinking Fund to the extent needed to meet Debt Service Requirements and additional interest earnings may be credited to the Aviation Operating Fund so long as such credit will not adversely impact the tax-exempt status of tax-exempt Bonds Outstanding under the General Ordinance; (iii) in the Sinking Fund Reserve Account shall be credited to the Sinking Fund Reserve Account to the extent needed to satisfy the Sinking Fund Reserve Requirements and additional interest earnings shall be credited to the Debt Service Account of the Sinking Fund; (iv) in the Subordinate Obligation Fund shall be credited to the Subordinate Obligation Fund to the extent needed to satisfy payment provisions for the Subordinate Obligations and additional interest earnings may be credited to the Aviation Operating Fund; (v) in the Renewal Fund, shall be credited to the Renewal Fund to the extent needed to meet the Renewal Fund Requirements and any additional interest earnings shall be credited to the Debt Service Account of the Sinking Fund; (vi) in the Aviation Capital Fund shall be credited to the appropriate account of the Aviation Capital Fund; and (vii) in the Rebate Fund shall be credited to the Rebate Fund.

Valuation of Funds and Accounts. In computing the assets of any fund or account established under the General Ordinance, investments and accrued interest thereon shall be deemed a part thereof. Such investments shall be valued on June 30 of each Fiscal Year at the lower of the cost or current market value thereof if the applicable maturity is more than one (1) year and at par if the applicable maturity is equal to or less than one (1) year plus accrued interest, or at the redemption price thereof, if then redeemable at the option of the holder; provided that investments in any reserve fund or reserve account of the Sinking Fund established pursuant to a Supplemental Ordinance may be valued as provided in the Supplemental Ordinance establishing it. The annual valuation shall apply for all purposes of the General Ordinance except if Bonds are issued or a fund deficit occurs based on the annual valuation, in which cases a valuation shall be made on the date Bonds are issued or the deficit is eliminated, as the case may be.

Covenants of City

Rate Covenant.

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

(1) The sum of:

(i) all Net Operating Expenses payable during such Fiscal Year;

(ii) 150% of the amount required to pay the Debt Service Requirements during such Fiscal Year;

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

(iv) the amount, if any, required to be paid into the Renewal Fund during such Fiscal Year; or

(2) The sum of:

(i) all Operating Expenses payable during such Fiscal Year; and

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

Provided, however, if (i) the written election of the City is obtained and filed with the Fiscal Agent, and (ii) so long as any Airline Agreements or the UPS Agreement is in effect, the prior written consent of the Scheduled Airlines and UPS (provided that the written consent of UPS shall be obtained only to the extent required, as determined in the sole discretion of the City) to amend the Airline Agreements is obtained, then the foregoing rate covenant shall no longer be effective, and the rate covenant in the section below entitled "Alternative Rate Covenant" shall be substituted in lieu of the foregoing for all purposes.

(b) (1) In the event that any Bonds Outstanding are, or any proposed series of Bonds, are to be

Balloon Bonds, then Debt Service Requirements on such Balloon Bonds shall be calculated for purposes of projecting compliance with this section or the section below entitled "Conditions of and Provisions Relating to Issuing Bonds", or for purposes of determining the Sinking Fund Reserve Requirement for a particular series of Balloon Bonds, whether for any period prior to or after the date of calculation, as follows:

(i) If such Balloon Bonds are not Capital Appreciation Bonds, by assuming that such Bonds will be amortized on the basis of level debt service over the Assumed Amortization Period beginning on the date on which principal on Balloon Bonds is payable and that such Bonds bear interest at the Assumed Interest Rate; and

(ii) If such Balloon Bonds are Capital Appreciation Bonds, by assuming that the Accreted Value of such Bonds at maturity is to be amortized on the basis of level principal payments over the Assumed Amortization Period.

(2) The City shall be entitled to assume, in calculating Debt Service Requirements on any Variable Rate Bonds for purposes of projecting compliance with this section or funding the Sinking Fund Reserve Account, that such Variable Rate Bonds will bear interest at a rate equal to (i) the average interest rate on the Variable Rate Bonds during the period of twenty-four (24) consecutive calendar months preceding the date of calculation or (ii) if the Variable Rate Bonds were not Outstanding during the entire twenty-four (24) month period, the average interest rate on the Variable Rate Bonds since their date of issue or (iii) such other rate as may be specified in a Supplemental Ordinance or Determination.

(3) If a series of Bonds to be issued will be Variable Rate Bonds, then for purposes of calculating the Debt Service Requirements on the proposed series of Bonds under this section or the section below entitled "Conditions of and Provisions Relating to Issuing Bonds", the rate of interest to be borne by such Variable Rate Bonds shall be deemed to be the Bond Buyer's 25 Bond Revenue Index, or any successor standard index for long-term, tax exempt, investment grade revenue bonds for a date within 90 days of the issuance of such Variable Rate Bonds.

The City represents that it has, by its Code of Ordinances, as amended, authorized the imposition of rents, rates, fees and charges by the Department of Commerce by contract, lease or otherwise sufficient from time to time to comply with the Rate Covenant and covenants with the Holders of Bonds that it will not repeal or materially adversely dilute or impair such authorization.

Operation of System

The City covenants with the Holders of all Bonds Outstanding under the General Ordinance that so long as such Bonds shall remain Outstanding it will continuously maintain the Airport System or cause the Airport System to be maintained in good condition and will continuously operate the Airport System or cause the Airport System to be operated; provided that the City may dispose of such portions of the Airport System which are no longer necessary or required for Airport purposes; and provided further that this covenant shall not apply to any portion of the Airport System assigned or conveyed pursuant to Article IX of the General Ordinance.

Conditions and Provisions Relating to Issuing Bonds

The City covenants with the Holders of all Bonds Outstanding under the General Ordinance that so long as any such Bonds shall remain Outstanding it will not issue or assume any Series of Bonds thereunder without first complying with the conditions set forth in subparagraphs (a) through (d) below and further covenants to comply with the provisions of subparagraphs (e) through (h) below:

(a) *Enactment of Supplemental Ordinance*. Prior to the issuance or assumption of any Series of Bonds (but only following the filing of the report and opinion required by Section 8 of the Act) the City shall enact a Supplemental Ordinance meeting the requirements of Section 5.04(a) of the General Ordinance.

(b) *Filing of Transcript*. Prior to the issuance or assumption of any Series of Bonds, the Director of Finance shall, in addition to the filing requirements of Section 12 of the Act, file with the Fiscal Agent a transcript of the proceedings authorizing the issuance of such Series of Bonds meeting the requirements of Section 5.04(b) of the General Ordinance.

(c) *Delivery of Consultant's Report*. Prior to the issuance or assumption of any Series of Bonds pursuant to a Supplemental Ordinance (except that no Consultant's report shall be required in the case of issuance of any Series of Bonds for the purpose of refunding another Series of Bonds so long as the City certifies in writing that the Debt Service Requirements in any year on the proposed refunding Bonds do not exceed the Debt Service Requirements in any such year on the Bonds to be refunded), the City shall cause to be filed with the Fiscal Agent a report of Consultants setting forth the qualifications of the Consultants and containing, among other things, a statement, supported by appropriate schedules and summaries, that, on the basis of historical and estimated future annual financial operations of the Aviation System from which pledged Amounts Available for Debt Service are to be derived, (1) for either the immediately preceding Fiscal Year of the City, or any period of 12 full consecutive months during the 18-month period preceding the delivery of the Consultant's report, the Aviation System yielded pledged Amounts Available for Debt Service sufficient to satisfy the Rate Covenant, (2) no deficiency exists in the Sinking Fund Reserve Account and (3) the Airport System will, in the opinion of the Consultants, yield pledged Amounts Available for Debt Service for each of the five Fiscal Years (or three Fiscal Years in the event that the Consultant is professionally unable to provide an opinion for a period in excess of three Fiscal Years) ended immediately following the issuance or assumption of the Bonds, sufficient to comply with the Rate Covenant.

(d) *Opinions of Counsel*. Upon the issuance of any Series of Bonds, the City shall cause to be filed with the Fiscal Agent (i) an opinion of Bond Counsel to the effect that (1) the Bonds have been duly issued or assumed for a permitted purpose under the Act and the General Ordinance and (2) all conditions precedent to the issuance or assumption of the Bonds pursuant to the Act and the General Ordinance have been satisfied, and (ii) an opinion of the City Solicitor to the effect that (1) all documents delivered by the City in connection with the issuance of the Bonds have been duly and validly authorized, executed and delivered, (2) such execution and delivery and all other actions taken by the City in connection with the issuance of the Bonds have been duly authorized by all necessary actions of City Council, and (3) nothing has come to their attention that would lead them to believe that an event of default under the General Ordinance has occurred, and is continuing. The Fiscal Agent may conclusively rely upon such opinions.

(e) *Execution of Documents*. The Mayor, the City Solicitor, the City Controller, the Director of Finance and such other officers of the City as may be appropriate are authorized in connection with the issuance or assumption of any Series of Bonds under the General Ordinance to prepare, execute and file on behalf of the City such statements, documents, certificates or other material as may accurately and properly reflect the financial condition of the City or other matters relevant to the issuance or payment of such Bonds and as may be required or appropriate to comply with applicable State or Federal laws or regulation.

(f) *Disposition of Proceeds*. Unless otherwise provided in the applicable Supplemental Ordinance or Determination, accrued interest on Bonds shall be deposited in the Sinking Fund, an amount sufficient to satisfy the requirements of Section 4.09 of the General Ordinance shall be deposited in the Sinking Fund Reserve Account and the balance of the proceeds of the Bonds shall be deposited in the Bond Proceeds Account of the Aviation Capital Fund and shall be disbursed therefrom, in accordance with established procedures of the City, as provided in Section 4.11 of the General Ordinance, provided, however, that if such Bonds shall be issued for the purpose of funding or refunding Bonds previously issued by the City such proceeds shall, unless otherwise directed by the Supplemental Ordinance, be deposited in a special fund or account to be established with and held by the Fiscal Agent or another entity acting as an escrow agent and invested (if appropriate) and disbursed under the direction of the Director of Finance for the purpose of retiring the Bonds being funded or refunded.

(g) *Refunding Bonds*. If the City shall, by Supplemental Ordinance, authorize the issuance of refunding Bonds pursuant to Section 10 of the Act, in the absence of specific direction or inconsistent authorization in the Supplemental Ordinance, the Director of Finance is authorized by the General Ordinance in the name and on behalf of the City to take all such action, including the irrevocable pledge of proceeds and the income and profit from the investment thereof for the payment and redemption of the refunded Bonds, bonds or notes including the publication of all required redemption notices or the giving of irrevocable instructions therefor, as may be necessary or appropriate to accomplish the funding or refunding and to comply with the requirements of Section 10 of the Act.

(h) *Subordinate Obligations*. The City may, at any time, or from time to time, issue Subordinate Obligations for any purpose permitted under the Act pursuant to a Subordinate Obligation Ordinance. Subordinate Obligations shall be payable out of, and may be secured by a security interest in and a pledge and assignment of Project Revenues; provided, however, that any such security interest in and pledge and assignment of Project Revenues and amounts on deposit in the Subordinate Obligation Fund shall be, and shall be expressed to be, subordinate in all respects to the security interest in, and pledge and assignment of the Pledged Amounts for the security of Bonds.

Delivery of Reports

The City covenants with the Holders of all Bonds Outstanding under the General Ordinance that so long as such Bonds shall remain Outstanding it will, within one hundred twenty (120) days following the close of each Fiscal Year of the City or as soon thereafter as is practicable (not exceeding one hundred fifty (150) days following the close of each Fiscal Year), file with the Fiscal Agent a report of the operation of the Airport System for such Fiscal Year, including a statement of revenue, expenses, and net revenue (in each case not inconsistent with the statement of income, expenses, and other accounts of the City audited by the City Controller) prepared by the City or its Division of Aviation in accordance with the accrual basis of accounting adjusted to meet the particular requirements of the Airline Agreements and the General Ordinance consistently applied, showing compliance with the Rate Covenant and containing any required information as to the Cost Centers prepared in accordance with the Cost Accounting System, accompanied by a certificate of the Director of Commerce that the Airport System is in good operating condition and by a certificate of the Director of Finance that as of the date of such report the City has complied with all of the covenants in the General Ordinance and in all Supplemental Ordinances on its part to be performed. Such report shall be furnished to the Fiscal Agent in such reasonable number of copies as shall be required to meet the written requests of Bondholders therefor on a first come first served basis.

Disposition of Insurance Proceeds and Proceeds from the Sale of Assets

In the event that any assets of the Airport System are destroyed or the City shall sell any assets of the Airport System (except in the event of the sale or transfer of all or substantially all of the assets of the Airport System under Section 9.01 of the General Ordinance), the City shall apply such amounts, at the direction of the Director of Finance or such other chief fiscal officer of the City as may hereinafter be established (i) to the retirement of the principal amount of debt incurred in respect to the Airport System; (ii) to the reconstruction, repair or replacement of assets of the Airport System; (iii) to the making of capital additions or improvements to the Airport System or (iv) to the deposit in one of the Aviation Funds for any other Airport System purpose; provided that, if the insurance proceeds or the proceeds from the sale of assets are less than or equal to one and five-tenths percent (1.5%) of the depreciated value of property, plant and equipment of the Airport System, as shown on the financial statements of the City for the preceding Fiscal Year, such amounts may be used for any Airport System purpose.

Bonds Not to Become Arbitrage Bonds

The City covenants for the benefit of the Bondholders that, notwithstanding any other provision of the General Ordinance or any other instrument, it will neither make nor instruct the Fiscal Agent to make any investment or other use of amounts on deposit in the funds and accounts established under the General Ordinance or other proceeds of the Bonds which would cause any Series of Bonds issued under the General Ordinance as tax-exempt to be arbitrage bonds under Section 148 of the Code and the regulations thereunder to the extent that the same are applicable at the time of such investment; it will file any reports required to be filed pursuant to the Code; and it will not take or fail to take any action so as to render any Series of Bonds issued under the General Ordinance as tax-exempt to be arbitrage bonds under Section 148 of the Code.

Prohibition Against Certain Uses of Funds; Enforcement

(a) The City covenants that while any Bonds are Outstanding under the General Ordinance, it will not direct the Fiscal Agent to transfer, loan or advance proceeds of the Bonds or Amounts Available for Debt Service from the Aviation Funds to any City account for application other than for Airport System purposes.

(b) If, on any date when a deposit is required to be made of the Project Revenues, the City fails to comply with any provision of the General Ordinance, the Fiscal Agent is authorized to and shall seek, by mandamus or other suit, action or proceeding at law or in equity, the specific enforcement or performance of the obligation of the City to cause the Project Revenues to be transferred to the Aviation Operating Fund, and still have any and all other rights and remedies of a fiscal agent under the General Ordinance, any Supplemental Ordinance, the Act or otherwise at law or in equity.

Credit Facilities, Standby Agreements and Qualified Swaps

All or any of the foregoing covenants of the City for the benefit of the Bondholders may also be for the benefit of the providers of any Credit Facility, Standby Agreement and any Qualified Swap to the extent provided in a Supplemental Ordinance or Determination.

Fiscal Agent

Fiscal Agent. The Fiscal Agent under the General Airport Revenue Bond Ordinance of 1978 or its successor, shall be Fiscal Agent as of the Effective Date for the General Ordinance. The City may appoint a successor Fiscal Agent by Supplemental Ordinance to act as Fiscal Agent under the General Ordinance, and in connection with the Bonds issued thereunder. The Fiscal Agent shall also act as depository of the Sinking Fund and the Subordinate Obligation Fund, and may act as paying agent and Bonds Registrar.

Nothing in the General Ordinance shall be construed to prevent the City, in accordance with law, from engaging other Fiscal Agents from time to time or to engage other paying agents of the Bonds or any Series thereof in addition to, or as a successor to the Fiscal Agent. Any entity appointed by the City as Fiscal Agent under the General Ordinance shall be a trust company or national or state bank having trust powers and combined capital and surplus of at least fifty million ($50,000,000) dollars and be qualified to serve pursuant to the Act. Any entity appointed by the City as Fiscal Agent under the General Ordinance as a successor to the Fiscal Agent shall assume all rights and obligations of the Fiscal Agent thereunder.

Subject to the foregoing, the proper officers of the City are authorized to enter into contracts or to confirm existing agreements governing the maintenance of funds and accounts and records, the disposal of canceled Bonds, the rights, duties, privileges and immunities of the Fiscal Agent, and such other matters as are authorized by the Act and as are customary and appropriate and to confirm the agreement of the Fiscal Agent, in its several capacities, to comply with the provisions of the Act and of the General Ordinance.

The Fiscal Agent shall keep on file a copy of each report and its accompanying certificates delivered to it pursuant to the General Ordinance for a period of ten (10) years and shall exhibit the same to, and permit the copying thereof by, any Bondholder, or his authorized representative at all reasonable times.

Resignation of Fiscal Agent. The Fiscal Agent may resign and be discharged of the duties created by the General Ordinance by written resignation filed with the Director of Finance not less than sixty (60) days before the date when such resignation is to take effect. Such resignation shall take effect on the day specified in such notice provided that a successor Fiscal Agent has been appointed and has accepted its role as Fiscal Agent. If a successor Fiscal Agent is appointed prior to the date specified in the notice, the resignation shall take effect immediately on the appointment and acceptance of such successor, and the City shall give the notices required in the following section.

Appointment of Successor Fiscal Agent. If the Fiscal Agent or any successor Fiscal Agent resigns, is replaced, or is dissolved or if its property or business is taken under the control of any state or Federal court or administrative body, a vacancy shall exist in the office of the Fiscal Agent, and the City shall appoint a successor within thirty (30) days of such vacancy and shall mail notice of such appointment to the Bondholders and to the registered depositories at their registered addresses by first class mail, postage prepaid, within thirty (30) days of such appointment. If no successor is appointed within such thirty (30) day period, the Fiscal Agent and any Bondholder may petition any court of competent jurisdiction to appoint a successor.

Defaults and Remedies

Defaults and Statutory Remedies: Notice to Bondholders. If the City shall fail or neglect to pay or to cause to be paid the principal of, redemption premium, if any, or interest on any Bond or any Series of Bonds issued under the General Ordinance, whether at stated maturity or upon call for prior redemption or if the City, after written notice to it, shall fail or neglect to make any payment owed by it as a result of a Credit Facility or Standby Agreement and secured by a parity pledge of Project Revenues entered into with respect to Bonds and the provider of the Credit Facility or Standby Agreement provides written notification to the Fiscal Agent of such failure or neglect, or if the City shall fail to comply with any provision of any Bonds or with any covenant of the City contained in the General Ordinance, then, under and subject to the terms and conditions stated in the Act, the Holder or Holders of any Bond or Bonds shall be entitled to all of the rights and remedies, including the appointment of a trustee, provided in the Act; provided, however, that the remedy provided in Section 20(b)(4) of the Act may be exercised only upon the failure of the City to pay, when due, principal and redemption price (including principal due as a result of a scheduled mandatory redemption) and interest on a Series of Bonds.

Upon the occurrence of an event of default specified in this section, or if an event occurs which could lead to a default with the passage of time and of which the Fiscal Agent has actual notice, the Fiscal Agent shall, within thirty (30) days, given written notice thereof by first-class mail to all Bondholders.

Remedies Not Exclusive; Effect of Delay in Exercise of Remedies. No remedy in the General Ordinance or in the Act conferred upon or reserved to the trustee, if any, or to the Holder of any Bond is intended to be exclusive (except as specifically provided in the Act) of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the General Ordinance or now or hereafter existing at law or in equity or by statute.

No delay or omission of a trustee, if one be appointed pursuant to Section 20 of the Act, or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Article VIII of the General Ordinance, by the Act or otherwise may be exercised from time to time, and as often as may be deemed expedient.

Remedies to be Enforced Only Against Pledged Amounts. Any decree or judgment for the payment of money against the City by reason of default under the General Ordinance shall be enforceable only against the Pledged Amounts, and no decree or judgment against the City upon an action brought under the General Ordinance shall order or be construed to permit the occupation, attachment, seizure, or sale upon execution of any other property of the City.

Conveyance of System and Assignment, Assumption and Release of Obligations

Conveyance and Assignment, Assumption and Release. Nothing in the General Ordinance shall prevent the City from conveying and assigning to a municipal authority created pursuant to the Municipality Authorities Act, 53 Pa. C. S. ch. 56, or an authority created pursuant to any other applicable statute or to another entity (the "Authority") all or substantially all (or less than substantially all, as provided below) of its right, title and interest in the Airport System and thereupon becoming released from all of its obligations under the General Ordinance, under any Supplemental Ordinance and under the Bonds and related obligations, including, but not limited to Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements, (i) if the Authority assumes in writing the City's obligations (1) to operate or cause the Airport System to be operated and to maintain or cause the Airport System to be maintained in good condition; and (2) to pay the principal, redemption premium, if any, and interest on all Outstanding Bonds and Subordinate Obligations, and all payments due under Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements entered into pursuant to the General Ordinance and then outstanding according to the terms thereof; and (ii) if the instrument of assumption provides the Bondholders or the trustee or entity serving in a similar capacity and acting on behalf of the Bondholders with the substantial equivalent of all of the rights and remedies provided in the General Ordinance and the Act; provided, however, that before the City may consummate such a conveyance and assignment and obtain a release of its obligations under the General Ordinance, under any Supplemental Ordinance and under the Bonds and related obligations, including but not limited to Credit Facilities, Standby Agreements, Qualified Swaps, and Exchange Agreements, the following conditions shall have been satisfied:

(a) the City and the Fiscal Agent shall have received an opinion of the City Solicitor substantially to the effect that the conveyance to the Authority of all or substantially all of the City's right, title and interest in the Airport System, the assignment to the Authority of the obligations of the City under the General Ordinance, any Supplemental Ordinance, the Bonds and any Subordinate Obligations to make payments of principal, redemption premium, if any, and interest on the Bonds, and the release of the City from all of its obligations under the General Ordinance, under any Supplemental Ordinance, under the Bonds or any Subordinate Obligations, and under related obligations, including, but not limited to, Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements, have been duly authorized by the City and do not violate any applicable law, ordinance, resolution or regulation of the City or any applicable court decision;

(b) the City and the Fiscal Agent shall have received an opinion of the solicitor of the Authority substantially to the effect that (i) the acquisition by the Authority of all or substantially all of the City's right, title and interest in the Airport System and the assumption by the Authority of the City's obligations under the General Ordinance, under any Supplemental Ordinance, under the Bonds, and any Subordinate Obligations to make payments of principal, redemption premium, if any, and interest on the Bonds and any Subordinate Obligations and related obligations, including, but not limited to, Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements, have been duly authorized by the Authority and do not violate any law, ordinance, resolution or regulation applicable to the Authority or any applicable court decision; (ii) the instrument under which the Authority assumes the obligations of the City under the General Ordinance, under any Supplemental Ordinance and under the Bonds, and any Subordinate Obligations to make payments of principal, redemption premium, if any, and interest on the Bonds and any Subordinate Obligations constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights; (iii) the security interest granted by the Authority pursuant to subparagraph (d) creates a valid and effective lien in favor of Holders of Bonds and security interest in the Pledged Amounts to be generated by the Airport System; and (iv) the rates and charges established by the Authority and referred to below in subparagraph (e) have been duly authorized and enacted in accordance with applicable law;

(c) the City and the Fiscal Agent shall have received an opinion of Bond Counsel substantially to the effect that (i) the conveyance of all or substantially all of the City's right, title and interest in the Airport System to the Authority; the release of the City from its obligations under the General Ordinance, under any Supplemental Ordinance and under the Bonds and any Subordinate Obligations; and the assumption by the Authority of the City's obligations under the General Ordinance, under any Supplemental Ordinance, under the Bonds and Subordinate Obligations to make payments of principal, redemption premium, if any, and interest on the Bonds and Subordinate Obligations, and under related obligations, including, but not limited to, Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements, will not have an adverse effect on the exemption of interest on any series of Bonds issued as tax-exempt Bonds; (ii) the instrument under which the Authority assumes the obligations of the City under the General Ordinance, under any Supplemental Ordinance and under the Bonds to make payments of principal, redemption premium, if any, and interest on the Bonds constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights, and (iii) the security interest granted by the Authority pursuant to subparagraph (d) creates a valid and effective lien in favor of the Holders of Bonds and security interest in the Pledged Amounts;

(d) the Authority shall, concurrently with the conveyance, assignment, assumption and release described above, grant to the trustee or entity serving in a similar capacity and acting on behalf of Bondholders a security interest in Pledged Amounts following the conveyance, assignment, assumption and release;

(e) the City and the Fiscal Agent shall have received a report of a Consultant, concluding that for each of the three (3) twelve (12) month periods following the conveyance, assignment, assumption and release described above, or for each of the three (3) fiscal years of the Authority commencing with the first full fiscal year of the Authority following the conveyance, assignment, assumption and release described above, the Airport System is projected to generate Amounts Available for Debt Service in an amount which is sufficient to enable the Authority to comply with the Rate Covenant determined in accordance with consistently applied accounting principles for each of the three twelve (12) month periods or three (3) fiscal years, as the case may be;

(f) the Authority shall have the authority, so long as Bonds remain Outstanding, to establish, and shall have established and shall have agreed to maintain rates and charges in connection with the operation of the Airport System at a level sufficient, in the opinion of a Consultant, as contained in a report filed with the Fiscal Agent, to generate Amounts Available for Debt Service in an amount which is sufficient to enable the Authority to comply with the Rate Covenant determined in accordance with consistently applied accounting principles;

(g) the Authority shall have agreed, so long as Bonds remain Outstanding, to incur or assume no parity debt payable from Amounts Available for Debt Service following the conveyance, assignment, assumption and release unless (1) in the case of debt incurred or assumed for the purpose of financing capital improvements, extensions, or expansions to the Airport System, or acquisition or assumption of such other assets for use in the operation, maintenance, and administration of the Airport System, or (2) in the case of debt incurred or assumed for the purpose of refinancing existing debt, the Authority first shall have obtained a report of a Consultant, concluding that on the basis of historical and estimated future annual financial operations of the Airport System from which Amounts Available for Debt Service are to be derived, (A) for either the immediately preceding Fiscal Year of the City, or any period of 12 full consecutive months during the 18-month period preceding the delivery of the Consultant's report, the Airport System yielded Amounts Available for Debt Service sufficient to satisfy the Rate Covenant, (B) no deficiency exists in the Sinking Fund Reserve Account and (C) the Airport System will, in the opinion of the Consultants, yield Amounts Available for Debt Service for each of the five Fiscal Years (or, if interest on all or a portion of the proposed debt is to be capitalized, following the Fiscal Year up to which interest has been capitalized on the debt or a portion thereof; provided that in the event that the Consultant is professionally unable to provide an opinion for a period in excess of three Fiscal Years, then such opinion may be for such three year period) ended immediately following the issuance or assumption of the Bonds, sufficient to comply with the Rate Covenant; provided, however, no Consultant's report is required to be delivered in the case of debt incurred or assumed for the purpose of refinancing existing debt, so long as the Authority certifies in writing that the Debt Service Requirements in any year on the proposed refinancing obligations do not exceed the Debt Service Requirements in any such year on the obligations to be refinanced. For purposes of the foregoing sentence and subparagraphs (e) and (f), the phrases "Amounts Available for Debt Service" and "Debt Service Requirements" shall have the meaning assigned in Section 2.01 of the General Ordinance with the exception that references therein to Bonds shall be deemed to include reference to Subordinate Obligations, General Obligation Bonds or NSS General Obligation Bonds which continue to be Outstanding after such transfer, additional debt of the Authority payable from revenues of the Airport System and the debt, if any, which the Authority proposes to incur or assume; and

(h) the Authority shall have agreed to incur or assume no obligation secured, or to be secured, by a pledge of Pledged Amounts senior to the pledge securing the Bonds.

In consideration of such conveyance and transfer, the Authority may finance and pay to the City compensation in an amount agreed upon between the City and Authority. Any such financing and payment of compensation to the City shall be disregarded in determining whether the Authority's instrument of assumption provides the Bondholders or the trustee or entity serving in a similar capacity on behalf of the Bondholders with the substantial equivalent of all of the rights and remedies provided in the General Ordinance and the Act.

Notwithstanding the foregoing, the City may convey to the Authority less than substantially all of its right, title and interest in the Airport System if a Consultant shall first have certified that the assets of and/or rights and interest in the Airport System which the City proposes to exclude from the conveyance to the Authority are not material to the ability of the Airport System to generate revenues following the conveyance. If less than substantially all of the assets of and/or rights and interest in the Airport System are conveyed to the Authority pursuant to this paragraph, references in the preceding paragraphs of this section to "all or substantially all of the City's right, title and interest in the Airport System" shall be deemed modified to reflect a conveyance of less than substantially all of the City's right, title and interest in the Airport System.

In connection with the conveyance to the Authority of all or substantially all of the City's right, title and interest in the Airport System, the City shall convey and assign to the Authority all amounts on deposit in the funds and accounts established under the General Ordinance, provided that any reserve funds shall be transferred as trust funds established for the benefit of the Series of Bonds for which such reserve funds were initially established. The Fiscal Agent shall take such actions as are necessary to terminate its security interest in the Project Revenues and funds and accounts established under the General Ordinance. If the City transfers less than substantially all of its right, title and interest in the Airport System then the City shall convey and assign to the Authority an amount of the balances on deposit in funds and accounts established under the General Ordinance proportionate to the amount of Bonds assumed or defeased. The City Controller shall certify the balances on deposit in the funds and accounts established under the General Ordinance as of the date of the conveyance. To the extent permitted by law, the City Controller will have the right to audit the books of any public Authority created by the City of Philadelphia pursuant to the laws of the Commonwealth of Pennsylvania, and the City Controller will be compensated by such public Authority for reasonable costs incurred in connection with the audit of such books.

Anything in the General Ordinance to the contrary notwithstanding, upon conveyance of all or substantially all of the assets of the Airport System to the Authority pursuant to Article IX of the General Ordinance, the provisions of the General Ordinance shall no longer be enforceable against the City.

Nothing contained in Article IX of the General Ordinance shall be construed to prohibit the City from conveying and assigning all or substantially all (or less than substantially all, as provided in Article IX) of its right, title and interest in the Airport System to an entity owned by private persons provided that the requirements of Article IX of the General Ordinance are otherwise satisfied.

Alternative Rate Covenant.

(a) The Authority may elect, upon conveyance of all or substantially all of the City's right, title and interest in the Airport System, to include in the resolution of the Authority the following rate covenant in lieu of the Rate Covenant contained in Article V of the General Ordinance, and such election shall state whether such election shall become effective as of the date of conveyance, or as of the first day of the immediately succeeding Fiscal Year. If such election states that it shall become effective beginning on the first day of the immediately succeeding Fiscal Year, then the Rate Covenant in Section 5.01 of the General Ordinance shall remain in effect from the date of conveyance until the last day of the Fiscal Year in which the conveyance took place.

The Authority covenants with the Bondholders that it will, at a minimum, impose, charge and collect in each Fiscal Year such rents, rates, fees and charges, together with any Amounts Available for Debt Service carried forward at the beginning of such Fiscal Year, as shall yield Amounts Available for Debt Service which shall be equal to the greater of the following amounts:

(A) the lesser of (1) The sum of: (i) all Net Operating Expenses incurred during such Fiscal Year; (ii) 150% of Debt Service Requirements payable during the Fiscal Year; (iii) the amount, if any, required to be paid into the Sinking Fund Reserve Account during such Fiscal Year; and (iv) the amount, if any, required to be paid into the Renewal Fund during the Fiscal Year, or (2) The sum of: (i) all Operating Expenses incurred during such Fiscal Year; (ii) 125% of Debt Service Requirements payable during the Fiscal Year; (iii) the amount, if any, required to be paid into the Sinking Fund Reserve Account during such Fiscal Year; and (iv) the amount, if any, required to be paid into the Renewal Fund during the Fiscal Year; or

(B) (1) The sum of: (i) all Operating Expenses incurred during such Fiscal Year, (ii) all Debt Service Requirements during such Fiscal Year, (iii) all debt service requirements during such Fiscal Year in respect of all outstanding General Obligation Bonds or NSS General Obligation Bonds issued for improvements to the Airport System; (iv) all debt service requirements during such Fiscal Year on Subordinate Obligations and any other subordinate indebtedness secured by any Amounts Available for Debt Service, (v) all amounts required to repay loans among funds made pursuant to Section 4.05(c) of the General Ordinance, (vi) the amount, if any, required to be paid into the Sinking Fund Reserve Account or Renewal Fund during such Fiscal Year and (vii) all amounts required to be paid under Exchange Agreements.

(b) Promptly upon any material change in the circumstances which were contemplated at the time such rents, rates, fees and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the Authority shall review the rents, rates, fees and charges as necessary to enable the Authority to comply with the foregoing requirements; provided that such rents, rates, fees and charges shall in any event produce moneys sufficient to enable the Authority to comply with its covenants in the resolution.

Amendments and Modifications

Amendments and Modifications. In addition to the enactment of Supplemental Ordinances supplementing or amending the General Ordinance in connection with the issuance of successive Series of Bonds, the General

Ordinance and any Supplemental Ordinance may be further supplemented, modified or amended: (a) to cure any ambiguity, formal defect or omission therein or to make such provisions in regard to matters or questions arising thereunder which shall not be inconsistent with the provisions thereof and which shall not adversely affect the interests of Bondholders; (b) to grant to or confer upon Bondholders, or a trustee, if any, for the benefit of Bondholders any additional rights, remedies, powers, authority, or security that may be lawfully granted or conferred; (c) to incorporate modifications requested by any Rating Agency or Credit Facility provider to obtain or maintain a credit rating on any Series of Bonds; (d) to comply with any mandatory provision of state or Federal law or with any permissive provision of such law or regulation which does not substantially impair the security or right to payment of the Bonds but no amendment or modification shall be made with respect to any Outstanding Bonds to alter the amount, rate or time of payment, respectively, of the principal thereof or the interest thereon or to alter the redemption provisions thereof without the written consent of the Holders of all affected Outstanding Bonds; and (e) except as aforesaid, in such other respect as may be authorized in writing by the Holders of sixty-seven percent (67%) in principal amount or Original Value in the case of Capital Appreciation Bonds of the Bonds Outstanding and affected. In the case of a Credit Facility, Standby Agreement or Qualified Swap, if and to the extent provided in the Supplemental Ordinance and Determination of Bonds related thereto, the provider thereof may be the representative of the Bondholders of such Series or portion of such Series for purposes of Bondholder consent, approval or authorization. The written authorization of Bondholders of any supplement to or modification or amendment of the General Ordinance or any Supplemental Ordinance need not approve the particular form of any proposed supplement, modification or amendment but only the substance thereof. Bonds, the payment for which has been provided for in accordance with Section 6.04 of the General Ordinance, shall be deemed to be not Outstanding.

Miscellaneous

Deposit of Funds for Payment of Bonds. When interest on, and principal or redemption price (as the case may be) of, all Bonds issued under the General Ordinance, and all amounts owed under any Credit Facility and Standby Agreement entered into under the General Ordinance, have been paid, or there shall have been deposited with the Fiscal Agent or an entity which would qualify as a Fiscal Agent under Section 7.01 thereof an amount, evidenced by moneys or Qualified Escrow Securities the principal of and interest on which, when due, will provide sufficient moneys to fully pay the Bonds at the maturity date or date fixed for redemption thereof, and all amounts owed under any Credit Facility and Standby Agreement entered into under the General Ordinance, the pledge and grant of a security interest in the Pledged Amounts under the General Ordinance shall cease and terminate, and the Fiscal Agent and any other depository of funds and accounts established thereunder shall turn over to the City or to such person, body or authority as may be entitled to receive the same all balances remaining in any funds and accounts established under the General Ordinance.

If the City deposits with the Fiscal Agent or such other qualified entity moneys or Qualified Escrow Securities sufficient to pay, together with interest thereon, the principal or redemption price of any particular Bond or Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on the Bond or Bonds shall cease to accrue on the due date and all liability of the City with respect to such Bond or Bonds shall likewise cease, except as provided in the following paragraph. Thereafter such Bond or Bonds shall be deemed not to be outstanding under the General Ordinance and shall have recourse solely and exclusively to the funds so deposited for any claims of whatsoever nature with respect to such Bond or Bonds, and the Fiscal Agent or such other qualified entity shall hold such funds in trust for such Holder or Holders.

Moneys deposited with the Fiscal Agent or such other qualified entity pursuant to the preceding paragraphs which remain unclaimed two (2) years after the date payment thereof becomes due shall, upon written request of the City, if the City is not at the time to the knowledge of the Fiscal Agent or such other qualified entity (the Fiscal Agent having no responsibility to independently investigate), in default with respect to any covenant in the General Ordinance or the Bonds contained, be paid to the City; and the Holders of the Bond for which the deposit was made shall thereafter be limited to a claim against the City; provided, however, that before making any such payment to the City, the Fiscal Agent or such other qualified entity shall, at the expense of the City, publish in a newspaper of general circulation published in Philadelphia, Pennsylvania, a notice of said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of publication of such notice, the balance of such moneys then unclaimed will be paid to the City.

This section shall not be construed to limit the procedure set forth in Section 10 of the Act for calculating the principal or redemption price of and interest on any Bonds for the purpose of ascertaining the sufficiency of revenues for the purpose of Sections 7(a)(5) and 8(a)(iii) of the Act for the purpose of determining the outstanding net debt of the City if General Obligation Bonds of the City are refunded pursuant to the Act.

No deposit of funds shall be made pursuant to Section 11.01 of the General Ordinance if, in the opinion of Bond Counsel, such action shall cause the interest on any Series of Bonds initially issued as tax exempt Bonds, to become subject to Federal income tax.

Ordinances are Contracts With Bondholders. The General Ordinance and Supplemental Ordinances adopted pursuant thereto are contracts with the Holders of all Bonds from time to time Outstanding under the General Ordinance and thereunder and shall be enforceable in accordance with the provisions thereof and the laws of Pennsylvania.

THE SIXTH SUPPLEMENTAL ORDINANCE

The 2005C Bonds were issued under and are subject to the Sixth Supplemental Ordinance which supplements the provisions of the General Ordinance. Reference is made to the Sixth Supplemental Ordinance and the General Ordinance for complete details of the terms of the 2005C Bonds. All capitalized and defined terms used in the following summary of the Sixth Supplemental Ordinance which are not otherwise defined in this Remarketing Circular are defined as in the General Ordinance.

The Sixth Supplemental Ordinance authorized the Mayor, the City Controller and the City Solicitor, or a majority of them (the "Bond Committee"), on behalf of the City of Philadelphia (the "City"), to borrow, by the issuance of one or more series of Airport Revenue Bonds of the City (the "Bonds"). The 2005C Bonds were issued and are to be remarketed under and pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act"), and are to be secured by the General Ordinance.

The Sixth Supplemental Ordinance provides that the 2005C Bonds shall not pledge the credit or taxing power of the City, or create any debt, charge or lien against the tax, general revenues or property of the City other than the revenues pledged by the General Ordinance. The Bond Committee is authorized on behalf of the City to enter into agreements (the "Agreements") with any bank, insurance company or other appropriate entity providing credit enhancement or payment or liquidity sources for the account of the City for the 2005C Bonds, including, without limitation, letters of credit, lines of credit and insurance. Such Agreements may provide for payment or acquisition of the 2005C Bonds if the City does not pay the 2005C Bonds when due and may provide for repayment with interest to the bank or other institution from the date of such payment or acquisition. The City Council determines that a private negotiated sale of the 2005C Bonds is in the best interest of the City.

The Bond Committee is authorized, by the Sixth Supplemental Ordinance, to make all such covenants and to take any and all necessary or appropriate or other actions in connection with the consummation of the transactions contemplated by the Sixth Supplemental Ordinance.

The City covenants in the Sixth Supplemental Ordinance that, so long as any 2005C Bond shall remain unpaid, it will make payments or cause payments to be made out of the Sinking Fund established pursuant to the General Ordinance or any of the other Aviation Funds available therefor, at such times and in such amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due.

The City covenants in the Sixth Supplemental Ordinance that it will make no investment or other use of the proceeds of the 2005C Bonds which would cause the 2005C Bonds to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended, and Treasury Regulations promulgated thereunder (the "Code"), and that the City will comply with the requirements of Section 148 of the Code throughout the term of the 2005C Bonds as more fully described in the determination of the Bond Committee.

AIRLINE AGREEMENTS

Below is a summary of the Airline Agreements which the City has entered into with each of the Signatory Airlines accounting for substantially all of the landed weight at the Airport. This summary is in all respects subject to and qualified in its entirety by reference to the summarized agreement in its complete form.

Term

The Agreement commenced on July 1, 2007, was originally scheduled to expire on June 30, 2011, was extended by agreement and shall terminate on June 30, 2013.

Use of Airport

All of the gates are being leased on a preferential-use basis or a common use basis. The Agreement grants to the Signatory Airlines the use, in common with others, of the Airport and appurtenances, including the Terminal Buildings, the Ramp Area and the Airfield for the purpose of operating an Air Transportation Business and related facilities, equipment and improvements for the carriage of persons, property, baggage cargo and mail.

Each airline was provided with and agreed to Exhibits to the Agreement (Exhibits B and C) setting for the overall leased premises and the specific leased premises of each signatory airline.

The Signatory Airlines have the right to provide ground handling services.

Airline Requirements

The Signatory Airlines are required to meet certain insurance, environmental and security standards that are consistent with the provisions contained in large hub airport use and lease agreements across the country.

Accommodation of New Entrant Airlines

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

If the requesting airline's operations cannot be accommodated at a Signatory Airline's preferential-use premises, the Airline Agreement also provides for the reallocation of leased gates and other terminal areas to provide facilities for lease to a requesting airline or for additional common-use gates. The City may reallocate a portion of any Signatory Airline's leased premises according to specified procedures if such Signatory Airline does not maintain certain minimum use requirements. The minimum use requirement ranges between 4.25 departures per gate per day for a Signatory Airline leasing only one gate to 5.75 departures per gate per day for Signatory Airlines leasing four or more gates.

Cost Centers

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

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

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

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

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

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

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

Adjustment of Rentals, Fees, and Charges

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

Landing Fee Rates. Signatory Airline Landing Fees are calculated according to a multiple cost-center residual methodology to recover the net costs of the Airfield Area, Other Buildings and Areas, and Northeast Philadelphia Airport cost centers. The Airfield Area Requirement is calculated by summing all estimated debt service requirements, operating expenses, and fund requirements allocable to the three cost centers and deducting (1) all estimated revenues for the three cost centers from sources other than Landing Fees, (2) any Airline Revenue Allocation, equal to 50% of any net revenues of the OTA cost center in excess of $7.0 million from the prior Fiscal Year, and (3) 2% of the operating costs of the Airfield Area included in Ramp Area Rentals. The residual amount is divided by the landed weight of the Signatory Airlines to derive the required airline Landing Fee rate per 1,000 pounds of landed weight.

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

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

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

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

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

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

Majority-in-Interest Approval of Capital Expenditures

Under the Airline Agreement, Capital Expenditures are deemed approved by the Signatory Airlines unless they are specifically disapproved by a Majority-in-Interest. For projects affecting Terminal Area rentals, fees, and charges, Majority-in-Interest is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of the passengers enplaned at the Airport during the preceding calendar year. For projects affecting Airfield Area fees and charges, Majority-in-Interest is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of landed weight at the Airport during the preceding calendar year. Majority-in-Interest approval obligates the Signatory Airlines to pay rentals, fees, and charges as required to enable the City to comply with the Rate Covenant. The Signatory Airlines have pre-approved certain capital projects pursuant to Exhibit E-1 of the Airline Agreement.

Default Provisions

The Agreement provides for an event of default if a Signatory Airline abandons its space for a period of fifteen days.

The Agreement provides for a ten day notice and cure period for monetary defaults and a thirty day notice period for non-monetary defaults.

SUMMARY OF CERTAIN DEFINITIONS OF THE VARIABLE RATE SECURITIES AGREEMENT

The following is a summary of certain terms defined in the Variable Rate Securities Agreement dated as of June 1, 2005, as amended by the First Supplemental Variable Rate Securities Agreement dated as of December 1, 2008, and the Second Supplemental Variable Rate Securities Agreement dated as of December 1, 2011, between the City and the Tender Agent (collectively the "Variable Rate Securities Agreement") and used in this Remarketing Circular. Reference should be made to the Variable Rate Securities Agreement for a full and complete statement of its terms and the meaning of any capitalized terms used herein but not otherwise defined.

"Alternate Liquidity Facility" means a Liquidity Facility issued to replace a Liquidity Facility to purchase Bonds (other than ARS Bonds) tendered for purchase as provided herein.

"Authorized Denominations" means (a) with respect to the 2005C Bonds which are subject to a Long-Term Interest Rate Period, $5,000 or any integral multiple thereof, (b) with respect to the 2005C Bonds which are ARS Bonds, $25,000 or any integral multiple thereof, and (c) with respect to the 2005C Bonds which are not described in the preceding clause (a) or clause (b), $100,000 or any integral multiple of $5,000 in excess of $100,000.

"Bank Bonds" means 2005C Bonds purchased by and/or pledged to a Liquidity Facility Provider or its assignee pursuant to a Liquidity Facility.

"Bank Bond Rate" means, at the date of determination, the interest rate specified by written agreement between the City and a Liquidity Facility Provider as being applicable with respect to draws or advances made under the Liquidity Facility in effect on such date, but in no event in excess of the Maximum Bank Bond Interest Rate.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person owning holding a Bond through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

"Closing Date" means the date of the remarketing of the 2005C Bonds.

"Commercial Bank" means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation, which has a capital and surplus of $25,000,000 or more and which is located within the United States; and such term includes, without limitation, any "Trust Bank" as defined in the Variable Rate Securities Agreement.

"Conversion," "Convert" or "Converted" means or refers to a conversion of the Bonds from one Interest Rate Period to another Interest Rate Period as provided in the Variable Rate Securities Agreement.

"Conversion Date" means the effective date of a Conversion of the Bonds.

"Daily Interest Rate" means a variable interest rate for the Bonds established in accordance with Section 2.3E of the Variable Rate Securities Agreement.

"Daily Interest Rate Period" means each period during which a Daily Interest Rate is in effect for the Bonds.

"Eligible Account" means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a S&P's short-term debt rating of at least "A-2" (or, if no short-term debt rating, a long-term debt rating of "BBB+"); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit, which, in either case, has corporate trust powers and is acting in its fiduciary capacity. In the event that an account required to be an "Eligible Account" no longer complies with the requirement, the Fiscal Agent shall promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

"Fixed Rate Bonds" has the meaning provided in Section 2.2C of the Variable Rate Securities Agreement.

"Interest Payment Date" means the following, provided, that if the date for making any payment as provided in this Variable Rate Securities Agreement shall not be a Business Day, such payment may be made on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Variable Rate Securities Agreement, and no interest shall accrue for the period after such nominal date:

(a) with respect to the 2005C Bonds other than ARS Bonds:

(i) for any Weekly Interest Rate Period, monthly, on the fifteenth day of each calendar month;

(ii) for any Daily Interest Rate Period, the fifteenth Business Day of each calendar month;

(iii) for any Long-Term Interest Rate Period, each July 15 and January 15;

(iv) for any Bond Interest Term, the day next succeeding the last day of that Bond Interest Term;

(v) for each Interest Rate Period, the day next succeeding the last day thereof; and

(vi) for Bank Bonds, the days on which interest is due pursuant to the Liquidity Facility or any agreement providing therefor.

(b) with respect to ARS Bonds, each ARS Interest Payment Date.

"Interest Rate Period" means each Daily Interest Rate Period, Weekly Interest Rate Period, Short-Term Interest Rate Period, Long-Term Interest Rate Period or ARS Interest Rate Period.

"Liquidity Facility" means a letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement by the Liquidity Facility Provider to provide liquidity support to pay the Purchase Price of the Bonds (other than ARS Bonds) tendered for purchase in accordance with the provisions of the Variable Rate Securities Agreement and any Alternate Liquidity Facility delivered pursuant to the terms thereof that are not inconsistent with the terms of the Variable Rate Securities Agreement.

"Liquidity Facility Provider" means the provider of a Liquidity Facility. If any Alternate Liquidity Facility is issued by more than one bank, financial institution or other person, notices required to be given to the Liquidity Facility Provider may be given to the bank, financial institution or other person under such Alternate Liquidity Facility appointed to act as agent for all such banks, financial institutions or other persons

"Long-Term Interest Rate" means a term, non-variable interest rate established in accordance with Section 2.3F of the Variable Rate Securities Agreement.

"Long-Term Interest Rate Period" means each period during which a Long-Term Interest Rate is in effect.

"Mandatory Tender" means the mandatory tender of 2005C Bonds pursuant to Section 4.2E of the Variable Rate Securities Agreement.

"Maturity Date" means June 15, 2025.

"Maximum Bank Bond Interest Rate" means the lesser of (a) the maximum rate provided in the Liquidity Facility or, if the Liquidity Facility is a letter of credit, in the related Reimbursement Agreement, and (b) the Maximum Lawful Rate.

"Maximum Bond Interest Rate" means the lesser of (a) the rate of 15% (or such lesser rate as may be provided in the Liquidity Facility) per annum calculated in the same manner as interest is calculated for the particular interest rate on a Sub-Series of 2005C Bonds (other than Bank Bonds) and (b) the Maximum Lawful Rate.

"Owner" or any similar term, when used in conjunction with any Bonds, or any other designated securities, means the registered owner of any Bonds or other security which is registrable for payment if it shall at the time be registered for payment otherwise than to bearer.

"Principal Office" means (a) with respect to the Fiscal Agent, U.S. Bank National Association, Philadelphia, Pennsylvania 19109-1190, Attention: Corporate Trust Administration, or (b) with respect to any Tender Agent, the office designated by such Tender Agent upon its appointment hereunder, or, in either case, the address of such person otherwise notified in writing by such person to the City, the Fiscal Agent (in the case of notice by the Tender Agent) and the Tender Agent (in the case of notice by the Fiscal Agent) during any Daily Interest Rate Period, Weekly Interest Rate Period or Short-Term Interest Rate Period, the Remarketing Agent.

"Remarketing Agent" means each person qualified under Section 4.8A of the Original Agreement to act as Remarketing Agent for 2005C Bonds other than ARS Bonds and appointed by the City from time to time. The initial Remarketing Agent for the 2005C Bonds is J.P. Morgan Securities Inc.

"Tender Agent" shall mean the Fiscal Agent. If the Fiscal Agent is removed and replaced the Initial Liquidity Facility Provider shall be notified of such removal and replacement.

"Termination Date means the Purchase Date resulting from the Fiscal Agent's receipt of written notice from the applicable Liquidity Facility Provider pursuant to Section 4.2E of the Variable Rate Securities Agreement following an Event of Default under and as defined in the applicable Reimbursement Agreement, which date shall be a Business Day no earlier than the fifth day following the receipt of such written notice by the Fiscal Agent and no later than the seventh day following receipt of such written notice by the Fiscal Agent.

"Weekly Interest Rate" means a variable interest rate for the 2005C Bonds established in accordance with Section 2.3D of the Variable Rate Securities Agreement.

"Weekly Interest Rate Period" means each period during which a Weekly Interest Rate is in effect for the 2005C Bonds.

APPENDIX III

CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

APPENDIX III

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 of the Commonwealth, 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 of the Commonwealth (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 the City of 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 the City, consisting of Common Pleas, Municipal and Traffic Courts, is part of the Commonwealth judicial system. Although judges are paid by the Commonwealth, most other court costs are paid by the City, with partial reimbursement from the Commonwealth.

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 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 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. Of the thirty members of the board of PIDC, seven are City officers or officials (the Mayor, the Director of Commerce, the President of City Council or a designee, the Chairman of the City Planning Commission, the City Solicitor, the Managing Director, and the Director of Finance), fifteen are nominated jointly by the President of the Greater Philadelphia Chamber of Commerce and the Director of Commerce, and eight are nominated by the President of the Greater Philadelphia Chamber of Commerce. The board of PAID is appointed by the Mayor.

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 PMA is governed by a five-member board appointed by City Council from nominations made by the Mayor.

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 Redevelopment Authority is governed by a five-member board appointed by the Mayor and must submit its budgets to the City for review and approval. The Philadelphia Housing Authority is normally governed by a five-member board with two members appointed by the Mayor, two appointed by the City Controller and a tenant member elected by the other members; however, on March 5, 2011, the board resigned to allow the U.S. Department of Housing and Urban Development to take over control of the Philadelphia Housing Authority for approximately a year, as a result of an ongoing federal investigation. On August 4, 2011, Michael P. Kelly was appointed Executive Director of PHA by the board. Mr. Kelly had previously acted as receiver for PHA at the request of HUD during the federal investigation.

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 Hospitals Authority is governed by a five-member board appointed by City Council from nominations made by the Mayor.

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 members of the Philadelphia Parking Authority's board are appointed by the Governor of Pennsylvania, with certain nominations from the General Assembly of the Commonwealth.

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. Currently, two of the fifteen members of SEPTA's board are appointed by the Mayor and confirmed by City Council.

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 Pennsylvania Convention Center is owned by the Commonwealth and leased to the Convention Center Authority. An expansion of the Pennsylvania Convention Center was completed in March 2011. This expansion enlarged the Pennsylvania Convention Center to almost 1,000,000 square feet of saleable space with the largest contiguous exhibit space in the Northeast, the largest convention center ballroom in the East and the ability to host large tradeshows or two major conventions simultaneously. Of the fifteen members of the board of the Convention Center Authority, two are appointed by the Mayor and one by each of the President and Minority Leader of City Council. The Commonwealth, the City and the Convention Center Authority have entered into an operating agreement with respect to the operation and financing 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. Two of the five members of the School Reform Commission are appointed by the Mayor and three by the Governor of Pennsylvania.

SUMMARY FINANCIAL INFORMATION

Tables 1 and 2 below should be read in conjunction with the discussion concerning financial procedures of the City described under "CITY FINANCIAL PROCEDURES" below.

Table 1
General Fund
Summary of Operations (Legal Basis)
(Amounts In Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Unaudited Actual 2011	Current Estimate[2,6] 2012
Revenues							
Real Property Taxes[1]	395.8	397.5	402.8	400.1	402.2	482.7	486.7
Wage and Earnings Tax	1,111.2	1,167.4	1,184.8	1,117.0	1,114.2	1,134.3	1,166.8
Net Profits Tax	14.6	15.3	12.5	12.2	14.5	8.8	17.5
Business Privilege Tax	415.5	436.4	398.8	386.0	364.7	376.9	369.3
Sales Tax[2]	127.8	132.6	137.3	128.2	207.1	244.6	248.6
Other Taxes[3]	304.1	286.7	260.3	209.3	213.9	211.8	218.9
Total Taxes	2,369.0	2,435.9	2,396.5	2,252.8	2,316.6	2,459.1	2,507.8
Locally Generated Non-Tax Revenue	235.9	247.9	265.8	256.3	229.4	280.0	258.0
Revenue from Other Governments[5]	924.5	1,032.9	1,033.4	993.4	1,076.4	1,066.5	688.5
Receipts from Other City Funds[5]	24.9	27.4	27.2	135.4	31.9	54.6	51.5
Total Revenue	3,554.3	3,744.1	3,722.8	3,637.9	3,654.3	3,860.3	3,505.8
Obligations/Appropriations							
Personnel Services	1,250.2	1,327.6	1,390.7	1,406.3	1,358.5	1,360.4	1,339.6
Purchase of Services	1,065.7	1,151.6	1,188.7	1,174.2	1,111.4	1,127.8	759.0
Materials, Supplies and Equipment	82.1	89.1	92.1	82.7	68.7	78.3	79.0
Employee Benefits	760.2	890.3	983.0	973.2	831.4	967.0	1,022.7
Indemnities, Contributions and Grants	110.9	119.0	120.9	130.0	128.0	111.1	117.5
City Debt Service	82.9	89.1	87.2	100.9	105.5	110.4	130.7
Other	38.6	31.2	32.3	22.7	26.0	0.0	4.0
Payments to Other City Funds	35.4	38.7	24.8	25.3	24.2	30.3	27.1
Total Obligations/Appropriations	3,426.0	3,736.6	3,919.8	3,915.3	3,653.7	3,785.3	3,479.6
Operating Surplus (Deficit) for the Year	128.2	7.5	(197.0)	(277.4)	0.6	75.0	26.2
Net Adjustments – Prior Year	30.1	35.9	18.6	20.7	22.6	39.1	24.5
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	96.2	254.5	297.9	119.5	(137.2)	(114.0)	0.1
Cumulative Adjusted Year End Fund Balance (Deficit)	254.5	297.9	119.5	(137.2)	(114.0)	0.1	50.8

(1) The Unaudited Actual for 2011 reflects a 9.9% increase. See "Revenues of the City – Assessment and Collection of Real and Personal Property Taxes" herein.
(2) Reflects 1% increase effective October 8, 2009.
(3) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
(4) From the September 30, 2011 Quarterly City Manager's Report (QCMR).
(5) State gaming revenues are reported as a Receipt from Other City Funds in 2009 and as Revenue from Other Governments in 2010, 2011 and 2012.
(6) The reduction in Revenue from Other Governments (State and Federal funding) in Fiscal Year 2012 is largely the result of transferring the majority of the Department of Human Services revenues and obligations to the Grants Revenue Fund.

Source: City of Philadelphia Department of Finance
Figures may not add up due to rounding.

Table 2

Principal Operating Funds (Debt Related)
Summary of Operations (Legal Basis)
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Unaudited Actual 2011	Current[5,6] Estimate 2012
Revenues							
General Fund	3,554.3	3,744.1	3,722.8	3,637.9	3,654.3	3.860.3	3,505.8
Water Fund[1]	490.3	519.7	589.7	543.5	546.7	567.5	623.9
Aviation Fund[2]	271.5	268.6	287.9	294.1	290.2	304.8	323.5
Other Operating Funds[3]	41.9	44.9	113.2	49.5	50.1	38.1	49.2
Total Revenue	4,358.0	4,577.3	4,713.6	4,525.0	4,541.3	4,770.7	4,502.5
Obligations/Appropriations							
Personnel Services	1,412.9	1,498.2	1,568.9	1,579.0	1,523.6	1,524.9	1,512.5
Purchase of Services	1,233.5	1,328.5	1,441.4	1,369.2	1,312.8	1,344.3	1,012.9
Materials, Supplies and Equipment	136.2	145.9	151.1	140.7	128.9	135.2	143.7
Employee Benefits	845.3	990.1	1,095.8	1,091.4	932.8	1,092.2	1,162.3
Indemnities, Contributions and Taxes	116.5	122.6	127.1	135.9	134.4	118.7	129.2
Debt Service[4]	337.6	348.8	346.7	384.8	397.8	398.3	436.7
Other	38.6	31.2	32.3	22.7	24.2	0.0	4.0
Payments to Other City Funds	119.4	144.9	154.7	88.1	98.5	101.4	113.3
Total Obligations/Appropriations	4,240.0	4,610.2	4,917.9	4,811.8	4,553.0	4,715.0	4,514.6
Operating Surplus (Deficit) for the Year	118.0	(32.8)	(204.3)	(286.8)	(11.6)	55.7	(12.1)
Net Adjustments Prior Year	60.6	69.6	51.0	41.8	58.1	70.4	56.7
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance (Deficit) Prior Year End	132.9	311.5	348.3	195.0	(50.0)	(3.4)	122.7
Cumulative Adjusted Year End Fund Balance (Deficit)	311.5	348.3	195.0	(50.0)	(3.4)	122.7	167.3

(1) Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of $4,994,000 per year, provided certain further conditions are satisfied. From Fiscal Year 1991 to Fiscal Year 2003, the maximum transfer, per administrative agreement, was $4,138,000. For Fiscal Year 2004, the budgeted transfer was not made. For Fiscal Year 2005, the transferred amount was $4,401,000. For Fiscal Year 2006, 2007 and 2008, the transferred amount was $4,994,000. For Fiscal Year 2009, the transferred amount was $4,185,463. For Fiscal Year 2010 the transferred amount was $2,303,986, the unaudited actual amount for Fiscal Year 2011 is $1,229,851 and the current estimate for Fiscal Year 2012 is 3,788,000.

(2) Airport revenues are not available for other City purposes.

(3) Includes County Liquid Fuels Tax Fund, Special Gasoline Tax Fund and Water Residual Fund.

(4) Excludes PICA bonds.

(5) From the September 30, 2011 Quarterly City Manager's Report.

(6) The reduction in Revenue from Other Governments (State and Federal funding) in Fiscal Year 2012 is largely the result of transferring the majority of the Department of Human Services revenues and obligations to the Grants Revenue Fund.

Figures may not add up due to rounding.

DISCUSSION OF FINANCIAL OPERATIONS

Impact of Economic Downturn

Since October of 2008, the City has implemented significant actions to balance the budget and its five-year plans, including reducing overtime costs, reducing General Fund full and part time employee headcount by 1,600 (from June 30, 2008 to December 31, 2010), implementing a temporary five year sales tax increase and a 9.9% Real Estate Tax increase in Fiscal Year 2011, pension funding changes, freezing City funded and business privilege tax reductions until Fiscal Year 2014, increasing fees, and instituting spending cuts throughout the government. During this period of time, the City has improved its public safety results due to important changes in policing and has maintained delivery of its services.

The City undertook these measures as a result of the impact of the national and global recession. Beginning in August 2008, the City began to experience adverse budgetary performance for Fiscal Year 2009 as a result of the recession. In November 2008, the City projected a $1 billion gap over the five year period of the Seventeenth Five-Year Plan, and the City took a series of measures to close the projected gap for Fiscal Year 2009 and over the period of the Seventeenth Five-Year Plan. However, the economy deteriorated further and revenues declined at a greater pace than had been projected, leaving the City with a Fiscal Year 2009 operating deficit of $286.8 million resulting in a deficit of $236.8 million after prior year net adjustments of $41.8 million. Tax receipts continued to display weakness in Fiscal Year 2010, increasing the projected gap for both Fiscal Year 2010 and the period of the Eighteenth Five-Year Plan. In total during the six year period Fiscal Years 2009-2014, the projected shortfall reached $2.4 billion. The actions taken by the City, described above, are currently anticipated to close these projected gaps.

Fiscal Year 2012 Adopted Budget

The City's Fiscal Year 2012 budget was presented to City Council on March 3, 2011, was approved by City Council on June 23, 2011, and signed by the Mayor on June 24, 2011. The process and required timing for the approval of the budget is described under "CITY FINANCIAL PROCEDURES-Budget Procedures" herein. The budget projects estimated revenues of $3.503 billion, obligations of $3.470 billion, an operating surplus of $57.1 million and an ending fund balance of $60.6 million on the legally enacted basis.

The Fiscal Year 2012 budget conforms to the Twentieth Five-Year Plan (hereinafter defined) which was submitted to PICA (hereinafter defined) on July 7, 2011, and approved by PICA on July 26, 2011.

For the past several years, the financial position of the City's General Fund has been distorted by the timing of the receipt of reimbursements from the Commonwealth for the Department of Human Services. For a variety of reasons, those reimbursements have not been received in the same year as the costs were incurred. As a result, the costs are reflected in the City's fund balances, but the reimbursements are not, leading to fund balances that are distorted and artificially low. In some years, the late receipt of reimbursements has led to changes of tens of millions of dollars in the City's fund balance.

The Fiscal Year 2012 budget moves reimbursed costs and corresponding revenues for services provided by the Department of Human Services of approximately $495.1 million to the Grants Revenue Fund. As a result of this change the City's General Fund balance will better reflect the City's financial condition.

Fiscal Year 2012 Current Estimate

The September 30, 2011 Quarterly City Manager's Report contains revised estimates for Fiscal Year 2012. Revenue estimates have been revised upward $3.1 million versus the adopted budget. Tax Revenues for Fiscal Year 2012 are projected to be $31.7 million lower than the Adopted Budget due to reduction in projections for Wage and Earnings Tax – $21.8 million, Sales Tax - $7.9 million and Amusement Tax - $2.0 million. Locally Generated Non-Tax Revenues are revised downward by $2 million, the net result of a $3 million reduction in the interest earnings projection offset by a $1 million increase in casino settlement agreement payments. Revenues from Other Governments are projected to be $36.8 million higher than forecasted largely due to additional funds for Pension Aid (Act 205) of $34.9 million and additional funds from PICA for a settlement with J.P. Morgan of $7.5 million which are being partially offset by lower than estimated gaming revenues in the amount of $5.5 million. The revised estimate of obligations includes $9.5 million in higher than budgeted obligations for personal services including higher overtime costs for Police, Fire, Prisons and Sheriff. The revised estimate projects revenues for Fiscal Year 2012 of $3.506 billion, obligations of $3.480 billion, an operating surplus of $50.7 million, and an ending fund balance of $50.8 million.

The Quarterly city Manager's Report are available at the City's Investor Information website. http://www.phila.gov/investor/Budget_Detail.html

Fiscal Year 2011 Budget

The City's Fiscal Year 2011 budget was presented to City Council on March 4, 2010, was approved by City Council on May 20, 2010, and signed by the Mayor on June 1, 2010. The budget projects estimated revenues of $3.909 billion, obligations of $3.853 billion, an operating surplus of $80.5 million and an ending fund balance of $42.6 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis. The budget includes a 9.9% Real Estate Tax increase which is estimated to yield $86 million. The Nineteenth Five-Year Plan (hereinafter defined) was approved by PICA on August 10, 2010.

Fiscal Year 2011 Results (Unaudited)

For Fiscal Year 2011, the City had revenues of $3.860, obligations of $3.785 billion and an ending fund balance of a positive $0.1 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis. The unaudited FY2011 fund balance of $0.1 million is a decrease of $3.4 million from the fund balance projected in the June 30, 2011 Quarterly City Manager's Report.

Fiscal Year 2010 Budget

The City's Fiscal Year 2010 budget was presented to City Council on March 19, 2009, was approved by City Council on May 21, 2009, and signed by the Mayor on May 27, 2009. The budget projected estimated revenues of $3.815 billion, obligations of $3.694 billion and an ending fund balance of $85.3 million after discharging the Fiscal Year 2009 fund balance deficit on the legally enacted basis. The budget included a temporary one percent City Sales Tax increase which was estimated to yield $97 million in Fiscal Year 2010 increasing to an estimated $121 million in Fiscal Year 2014. The Sales Tax increase became effective on October 8, 2009. With the delay in Commonwealth approval of the temporary Sales Tax increase, reduced child welfare funding, revisions to the pension amortization schedule and other reductions and delays in implementation of revenue initiatives, the City revised the Fiscal Year 2010 budget and Eighteenth Five-Year Plan and submitted the revision to PICA on September 1, 2009. PICA approved the revised Eighteenth Five-Year Plan on September 16, 2009. Such revised Eighteenth Five-Year Plan was based upon Fiscal Year 2010 estimated projected revenues of

$3.789 billion, obligations of $3.727 billion and an ending funds balance on the legally enacted basis of negative $51.7 million.

Fiscal Year 2010 Results

For Fiscal Year 2010, the City had revenues of $3.654 billion, obligations of $3.653 billion and an ending fund balance on the legally enacted basis of negative $114 million. The decrease in such ending fund balance from the projection used in the revised Eighteenth Five-Year Plan was the result of the delayed reimbursement of Department of Human Services costs from the federal and state governments.

CITY FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the City's Comprehensive Annual Financial Report and Notes therein.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City of Philadelphia contained in the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2010 (the "Fiscal Year 2010 Comprehensive Annual Financial Report"), which can be found at http://www.phila.gov/reports/reports2.html.

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 2010 Comprehensive Annual Financial Report.

Pennsylvania Intergovernmental Cooperation Authority

The City is required to develop an annual five-year financial plan and obtain annual approval of such five-year financial plan from the Pennsylvania Intergovernmental Cooperation Authority ("PICA"); the City is also required to prepare and submit quarterly reports to PICA. See "PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY" for a further discussion of PICA, its relationship to the City and its financial oversight role.

Principal Operations

The major operations of the City are conducted through the General Fund. In addition to the General Fund, operations of the City are conducted through two other major governmental funds and 12 minor governmental funds. The two major governmental funds and three of the minor governmental funds are financed solely through grants from the Commonwealth and Federal government. The City's Debt Service Fund and Capital Projects Fund are also included with the minor governmental funds. The Fiscal Year 2012 Operating Budget moves the activities of the Department of Human Services from the General Fund to the Grants Revenue 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 funds' financial activities focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. The financial information presented for the governmental funds is useful in evaluating the City's short term financing requirements.

The City maintains twenty-three individual governmental funds. The City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2010), 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 twenty 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, 2010), as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

Basis of Accounting and Measurement Focus

Governmental funds account for their activities using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as in the case of full accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due; however, those expenditures may be accrued if they are to be liquidated with available resources.

Imposed non-exchange revenues, such as Real Estate Taxes, are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as wage, business privilege, net profits and earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue that is considered to be program revenue includes: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program specific revenues; therefore, all taxes are considered general revenues.

The City's financial statements reflect the following three funds as major Governmental Funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

- The Health Choices Behavioral Health Fund accounts for resources received from the Commonwealth. These resources are restricted to providing managed behavioral health care to residents of the City.

- The Grants Revenue Fund accounts for the resources received from various federal, state and private grantor agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

The City also reports on Permanent Funds, which are used to account for resources legally held in trust for use by the park and library systems of the City. There are legal restrictions on the resources of the funds that require the principal to remain intact, while only the earnings may be used for the programs.

The City reports on the following Fiduciary Funds:

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.

- The Philadelphia Gas Works Retirement Reserve Fund accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its noncontributory pension plan.

The City reports on the following major Proprietary Funds:

- The Water Fund accounts for the activities related to the operation of the City's water delivery and sewage systems.

- The Aviation Fund accounts for the activities of the City's airports.

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

Legal Compliance

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles ("GAAP"). In accordance with the Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The operating funds of the City, consisting of the General Fund, ten Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, Health Choices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Wage Tax Reduction, Acute Care Hospital Assessment and Housing Trust Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. Included with the Water Fund is the Water Residual Fund. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies; equipment; contributions, indemnities and taxes; debt service; payments to other funds; and advances and other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes (except for materials and supplies and equipment, which are appropriated together) must have councilmatic 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 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 20 for a summary of the City's capital improvement program for the Fiscal Years 2012 through 2017.

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 thirtieth 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 ("GFOA Awards") to the City for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2009. 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 City has applied for the GFOA Award for its 2010 CAFR.

REVENUES OF THE CITY

General

In 1932, the General Assembly of the Commonwealth 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 Estate Tax as the mainstay of its revenue system. Acting under the Sterling Act and other legislation, the City has taken various steps over the years to reduce its reliance on real property taxes as a source of income, including: (1) enacting the wage, earnings, and net profits tax in 1939; (2) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (3) requiring under the Home Rule Charter that the water, sewer, and other utility systems be fully self-sustaining; and (4) enacting in 1952 the Mercantile License Tax (a gross receipts tax on business done within the City), which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax.

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 below for revenues by major source for Fiscal Years 2001-2012 and Table 4 below for General Fund tax revenues for Fiscal Years 2006-2012. The following descriptions do not take into account revenues in the Non-Debt Related Funds. The tax rates for Fiscal Years 2000 through 2010 are contained in the Fiscal Year 2010 Comprehensive Annual Financial Report.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 3
Summary of Principal Operating Funds (Debt Related)
Revenues by Major Source
Fiscal Years 2001-2012 (Legal Basis)
(Amounts in Millions of USD)

	General Fund Tax Revenues						Other Revenues						
Fiscal Year	Real Property Taxes[1]	Wage Earnings & Net Profits Taxes[1]	Business Privilege Tax[1]	Sales and Use Tax[1]	Other Taxes[2]	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
2001	363.4	1,059.0[3]	314.0[3]	111.3	130.0[3]	1,977.7	285.8	175.7	251.3	2,690.5	781.7	90.5	3,562.7
2002	376.8	1,019.3	295.8	108.1	148.6	1,945.4	302.8	181.7	257.9	2,687.8	722.5	80.8	3,491.1
2003	361.1	1,025.1	286.1	108.0	156.3	1,936.6	329.6	219.4	327.4	2,813.0	909.7	62.8	3,785.5
2004	377.7	1,062.6	309.2	108.0	202.2	2,059.7	383.1	235.0	207.4	2,885.2	834.2	92.1	3,811.5
2005	392.7	1,087.3	379.5	119.9	250.9	2,230.3	419.7	246.3	200.8	3,097.1	1,082.4	71.6	4,251.1
2006	395.8	1,125.8	415.5	127.8	304.1	2,369.0	460.4	269.4	236.2	3,335.0	953.1	69.9	4,358.0
2007	397.5	1,182.7	436.4	132.6	286.7	2,435.9	486.9	266.0	248.3	3,437.1	1,063.3	77.0	4,577.4
2008	402.8	1,197.3	398.8	137.3	260.3	2,396.5	555.0	275.3	267.5	3,494.3	1,066.2	153.1 [4]	4,713.6
2009	400.1	1,129.2	386.0	128.2	209.3	2,252.8	484.5	291.3	258.3	3,286.9	1,025.4	212.7 [5]	4,525.0
2010	402.2	1,128.7	364.7	207.1[6]	213.9	2,316.6	516.4	290.2	224.5	3,347.7	1,110.7[7]	82.7	4,541.3
2011 Unaudited Actual	482.7[8]	1,143.1	376.9	244.6	211.8	2,459.1	537.5	302.7	280.2	3,579.5	1,100.0	91.1	4,770.7
2012 (Current Estimate)[9,10]	486.7	1,184.3	369.3	248.6	218.9	2,507.8	566.8	319.9	260.0	3,654.5	722.6	125.5	4,502

(1) See Table 7 in the Fiscal Year 2010 Comprehensive Annual Financial Report for Tax Rates.
(2) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
(3) 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).
(4) In Fiscal Year 2008, there was an increase of $73 million in payment from Water Fund to Water Residual Fund.
(5) In Fiscal Year 2009, there was an $86 million payment from the Wage Tax Reduction Fund.
(6) Reflects 1% increase effective October 8, 2009.
(7) In Fiscal Year 2010, the Wage Tax Reduction payment is shown in the Revenue from Other Governments column.
(8) Reflects a Real Estate Real Estate Tax increase of 9.9%.
(9) From the September 30, 2011 Quarterly City Manager's Report.
(10) The reduction in Revenue from Other Governments (State and Federal funding) in Fiscal Year 2012 is largely the result of the transfer of the majority of the Department of Human Services revenue and obligations to the Grants Revenue Fund.

Figures may not add up due to rounding.

Table 4
General Fund Tax Revenues[1]
Fiscal Years 2006-2012
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Unaudited Actual 2011	Current Estimate[5] 2012
Real Property Taxes							
Current	354.1	367.2	366.5	365.6	364.3	454.7[4]	449.2
Prior	41.7	30.3	36.3	34.4	37.9	28.0	37.5
Total	395.8	397.5	402.8	400.0	402.2	482.7	486.7
Wage and Earnings Tax[2]							
Current	1,104.0	1,162.4	1,176.5	1,105.9	1,102.3	1,127.4	1,154.8
Prior	7.2	5.1	8.3	11.1	11.9	6.9	12.0
Total	1,111.2	1,167.5	1,184.8	1,117.0	1,114.2	1,134.3	1,166.8
Business Taxes							
Business Privilege							
Current	390.5	401.9	376.1	367.1	329.3	335.0	349.3
Prior	25.0	34.5	22.7	18.9	35.4	41.9	20.0
Subtotal Business Privilege	415.5	436.4	398.8	386.0	364.7	376.9	369.3
Net Profits Tax							
Current	11.8	10.9	9.1	9.5	12.1	5.7	15.0
Prior	2.8	4.3	3.4	2.7	2.4	3.1	2.5
Subtotal Net Profits Tax	14.6	15.3	12.5	12.2	14.5	8.8	17.5
Total Business Taxes	430.1	451.6	411.3	398.2	379.2	385.8	368.8
Other Taxes							
Sales and Use Tax	127.8	132.6	137.3	128.3	207.1[3]	244.6	248.6
Amusement Tax	17.0	16.4	18.0	21.4	21.8	20.8	19.6
Real Property Transfer Tax	236.4	217.3	184.0	115.1	119.2	116.6	120.9
Parking Taxes	48.4	50.3	55.5	70.4	70.5	71.6	74.3
Other Taxes	2.3	2.6	2.8	2.4	2.4	2.7	4.1
Subtotal Other Taxes	431.9	419.2	397.6	337.6	421.0	456.3	467.4
TOTAL TAXES	2,369.0	2,435.9	2,396.5	2,252.8	2,316.6	2,459.1	2,507.8

(1) See Table 7 in the Fiscal Year 2010 Comprehensive Annual Financial Report for Tax Rates.
(2) 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.
(3) Effective October 8, 2009, there was a 1% increase to the City Sales tax.
(4) Reflects a Real Estate Real Estate Tax increase of 9.9%.
(5) From the September 30, 2011 Quarterly City Manager's Report.

Figures may not add up due to rounding.

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. 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. See "PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY—Source of Payment of PICA Bonds." The table below sets forth the resident and non-resident wage and earnings tax rates for Fiscal Years 2001-2012, and the annual wage and earnings tax receipts in Fiscal Years 2001-2010, the unaudited actual for Fiscal Year 2011, and the current estimate for Fiscal Year 2012.

Table 5
Summary of Wage, Earnings and Net Profits Tax Rates and Receipts

Fiscal Year	Resident Wage, Earnings and Net Profits Tax Rates[1]	Non-Resident Wage, Earnings and Net Profits Tax Rates	Annual Wage, Earnings and Net Profits Tax Receipts (including PICA Tax) (Amounts in Millions of USD)
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	4.4625 (Jul. 1)	3.8801 (Jul. 1)	1,387.5
	4.3310 (Jan. 1)	3.8197 (Jan. 1)	
2006	4.3310 (Jul. 1)	3.8197 (Jul. 1)	1,435.6
	4.3010 (Jan. 1)	3.7716 (Jan. 1)	
2007	4.3010 (Jul. 1)	3.7716 (Jul. 1)	1,510.6
	4.2600 (Jan. 1)	3.7557 (Jan. 1)	
2008	4.2600 (Jul. 1)	3.7557 (Jul. 1)	1,527.5
	4.2190 (Jan. 1)	3.7242 (Jan. 1)	
2009[2]	3.9800 (Jul. 1)	3.5392 (Jul. 1)	1,477.8
	3.9300 (Jan. 1)	3.5000 (Jan. 1)	
2010	3.9296	3.4997	1,472.0
2011	3.9280	3.4985	1,501.8 Unaudited Actual
2012	3.9280	3.4985	1,541,3 Current Estimate[3]

(1) Includes PICA Tax.
(2) There were two rate decreases during Fiscal Year 2009.
(3) From the September 30, 2011 Quarterly City Manager's Report...

Commonwealth funding from gaming revenues is mandated by statue to be used to reduce the resident and nonresident wage tax rate. Gaming revenues were first used to reduce the wage tax rates in 2009. Revenues from gaming revenues were $86.545 million in FY2009, $86.270 million in FY2010 and are projected to be $86.277 million in FY2011. Accordingly, the wage tax rates in 2009, 2010 and 2011 reflect a rate reduction due to these revenues.

In the Seventeenth Five-Year Plan, the Mayor approved further reductions in this tax rate for each of the Fiscal Years 2009-2013. The Seventeenth Five-Year Plan approved reducing the wage tax from the Fiscal Year 2008 level of 4.2190% for residents and 3.7242% for non-residents to 3.60% for residents and 3.25% for non-residents by Fiscal Year 2013. These reduced rates include rate reductions funded with Commonwealth funds from gaming proceeds. In Fiscal Year 2009 there were two rate reductions: one that took effect July 1, 2008 and the other that took effect January 1, 2009. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2015. The Nineteenth Five-Year Plan suspended City-funded rate reductions until Fiscal Year 2014, and the Twentieth Five-Year Plan continues to suspend the City-funded rate reductions until Fiscal Year 2014.

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.

The tax rates for tax years 2003-2012 are set forth below.

Table 6
Summary of Business Privilege Tax Rates

Tax Year	Business Privilege
2003	2.300 mills
2004	2.100 mills
2005	1.900 mills
2006	1.665 mills
2007	1.540 mills
2008	1.415 mills
2009	1.415 mills
2010	1.415 mills
2011	1.415 mills
2012	1.415 mills

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. In the Seventeenth Five-Year Plan, the Mayor approved further reductions in the gross receipts portion of the Business Privilege Tax for each of the Fiscal Years 2009-2013. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2015. The Nineteenth Five-Year Plan suspended future City rate reductions until Fiscal Year 2014, and the Twentieth Five-Year Plan continues to suspend the City-funded rate reductions until Fiscal Year 2014.

All business activity is also assessed a one-time $300 licensing fee administered by the Department of Licenses and Inspections.

Real Property Taxes. A Real Estate Tax on all taxable real property is levied on the assessed value of residential and commercial property located within the City's boundaries. From Fiscal Year 2003 through Fiscal Year 2007 the City's portion of the rate was 34.74 mills and the School District's portion was 47.90 mills. In Fiscal Year 2008, City Council shifted 1.69 mills of City tax to the School District. In Fiscal Year 2008, the City's portion of the rate became 33.05 mills and the School District's portion became 49.59 mills. In Fiscal Year 2011, the Real Estate Tax rate was increased 9.9% through Fiscal Year 2012 with the City's portion of the rate increasing to 41.23 mills and the School District's portion remaining the same at 49.59 mills. In Fiscal Year 2012, the Real Estate Tax rate was increased 3.85% for Fiscal Year 2012 (one year only) with the City's portion of the rate remaining the same at 41.23 mills and the School District's portion increasing to 53.09 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 Fiscal Year 2010 budget assumed an increase to 2% from the then-current 1% rate. The General Assembly of the Commonwealth enacted legislation authorizing this increase effective October 8, 2009. The Eighteenth Five-Year Plan and the Nineteenth Five-Year Plan assume this temporary increase will sunset on June 30, 2014, and the Twentieth Five-Year Plan also assumes the temporary increase will sunset on June 30, 2014.

The table below sets forth the City Sales Tax collected in Fiscal Years 2001 through 2010, the unaudited actual for Fiscal Year 2011 and the current estimate for fiscal Year 2012.

Table 7
Summary of City Sales Tax Collections
(Amounts In Millions of USD)

Fiscal Year	City Sales Tax Collections
2001	$ 111.3
2002	108.1
2003	108.0
2004	108.0
2005	119.9
2006	127.8
2007	132.6
2008	137.3
2009	128.0
2010	207.1
2011 (Unaudited Actual)	244.6
2012 (Current Estimate(1))	248.6

(1) From the September 30, 2011 Quarterly City Manager's Report.

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 2010 General Fund received 29.5 percent of General Fund revenues from other governmental jurisdictions, including: (1) $580.8 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $140.3 million from the Federal government; and (3) $78.6 million from other governments, in which revenues are primarily rental and payments from PGW and parking fines and fees from the Philadelphia Parking Authority. In addition, the net collections of the PICA Tax of $275.8 million are included in "Revenue from Other Governments."

The City's Fiscal Year 2011 General Fund unaudited actual results show that approximately 27.6 percent of General Fund revenues will be received from other governmental jurisdictions, including: (1) $833.7 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $170.1 million from the Federal government; and (3) $62.7 million from other governments, in which revenues are primarily rentals and payments from PGW and parking fines and fees from the Philadelphia Parking Authority. In addition, the net collections of the PICA Tax of $295.7 million are included in "Revenue from Other Governments."

The City's Fiscal Year 2012 General Fund current estimate projects that approximately 19.6 percent of General Fund revenues will be received from other governmental jurisdictions, including: (1) $247.8 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $90.5 million from the Federal government; and (3) $59.3 million from other governments, in which revenues are primarily rentals and payments from the PGW and parking fines and fees from the Philadelphia Parking Authority. In addition, the net collections of the PICA Tax of $290.9 million are included in "Revenue from Other Governments. The decrease in Fiscal Year 2012 Revenue from Other Governments is largely due to the transfer of the majority of the Department of Human Services revenue and obligations to the Grants Revenue Fund.

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 Years 2006 through 2008, the transferred amount was $4,994,000. In Fiscal Years 2009 and 2010, the transferred amounts were $4,185,463 and $2,303,986, respectively. In Fiscal Year 2011, the unaudited actual amount is $1,229,851, and the Fiscal Year 2012 current estimate amount is $3,788,000.

The revenues of PGW are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by PGW. In previous years, PGW has also made an annual payment of $18,000,000 to the City's General Fund. For Fiscal Year 2005, the City agreed to forgo the $18,000,000 payment, and for Fiscal Years 2006, 2007, 2008, 2009 and 2010, the City budgeted the receipt of the $18,000,000 payment and the grant back of such amount to PGW. The City's Nineteenth Five-Year Plan assumes that the $18,000,000 payment will be made in each of Fiscal Years 2011 through 2015 and that the City will grant back such payment to PGW in each such Fiscal Year. See also "EXPENDITURES OF THE CITY -- Fiscal Year 2011 PGW Payment to City." The City's Twentieth Five-Year Plan includes the PGW annual payment of $18,000,000 to the City's General Fund but discontinues the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2012, 2013, 2014, 2015 and 2016.

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" or "PHL"), and to administer the City's on-street parking program through an Agreement of Cooperation ("Agreement of Cooperation") with the City.

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 2006 through 2010 that totaled $30,186,642, $33,184,918, $33,570,037, $31,239,909 and $23,732,623, respectively. The Fiscal Year 2011 unaudited actual amount is $28,008,550, and the Fiscal Year 2012 current estimate amount is $27,000,000.

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. According to PPA's audited financial statements, as filed with the City, PPA has been in compliance with the FAA Letter Agreement since its execution.

Assessment and Collection of Real and Personal Property Taxes

Historically, the Board of the Revision of Taxes (the "BRT") was responsible for both the property assessment and property appeals functions for the City. The BRT consists of a seven-member panel that is appointed by the Judges of the First Judicial District of Pennsylvania. On December 17, 2009, City Council passed legislation that would disband the BRT and replace it with separate offices for assessments and appeals, subject to the approval of City voters. In the May 10, 2010, primary election voters approved the separation of the assessment and appeals functions. On June 16, 2010 a new Chief

Assessment Officer, Rich McKeithen, was appointed by the Mayor and approved by City Council on June 17, 2010 to lead the new Office of Property Assessment.

According to the legislation, the BRT would cease to exist at the end of September 2010 and the changes described above would take effect; however, the Pennsylvania Supreme Court ruled on September 20, 2010 that the City could not abolish the existing appeals board because only the General Assembly of the Commonwealth has the authority to do so. Therefore, the BRT remains in place as the property appeals board; however, the separation of the property assessment function from the property appeals function proceeds as per the original legislation.

Beginning on October 1, 2010, the new Office of Property Assessment was formally created to conduct the annual assessment of all real estate located within the City. The Office of Property Assessment has begun the work to conduct a complete reassessment of the approximately 577,000 parcels in the City. Completion of the reassessment is a major priority for the Mayor's administration and is expected to be finalized in 2012. In the interim, there is a moratorium on all routine property assessments – exceptions to the moratorium include newly constructed properties, improved properties and consolidated or subdivided properties.

According to the existing appeals mechanism, the BRT has the authority to increase or decrease the property valuations contained in the returns of the assessors in order that such valuations conform with law. After all changes in property assessments, and after all assessment appeals, assessments are certified and the results provided 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 2010 Comprehensive Annual Financial Report for assessed and market values of taxable realty in the City and for levies and rates of collections.

Real estate taxes in the City are imposed on the assessed value of a property, which is generally equal to the established predetermined ratio (the "EPR") for the City of 32% multiplied by the market value of the property assigned to the property by the Office of Property Assessment. However, in a real estate tax appeal, the taxpayer may request that the assessed value be multiplied instead by the common level ratio (the "CLR") determined by the State Board of Equalization of Taxes ("STEB") if it varies from the EPR by a margin of more than 15% of the EPR. STEB recently released the CLR for 2010 (applicable to 2012 real estate tax appeals) for the City of 18.1% which varies from the EPR by more than such 15% margin. Appeals with respect to 2012 real estate taxes must have been filed by October 3, 2011. There are approximately 2,000 appeals subject to the potential adjustment. The City is currently evaluating what effect this determination by the STEB may have on the City. The City has filed a request for reconsideration by the STEB of its determination of the CLR for the City for 2010.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 8
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2001 through 2010
as of June 30, 2010
(Amounts In Millions of USD)

		Collected within the Year of the Levy			Total Collections to Date	
Calendar Year of Levy[1]	Taxes Levied for the Year	Amount	Percentage of Levy	Collected in Subsequent Years	Amount[2]	Percentage of Levy
2001	356.6	326.7	91.6%	25.8	352.5	98.9%
2002	368.2	340.4	92.4%	26.0	366.4	99.5%
2003	359.4	326.8	90.9%	26.8	353.6	98.4%
2004	372.5	340.9	91.5%	25.3	366.2	98.3%
2005	373.5	350.3	93.8%	20.8	371.1	99.4%
2006	385.6	339.6	88.1%	21.1	360.7	93.5%
2007	391.7	347.5	88.7%	20.3	367.8	93.9%
2008	390.2	346.4	88.8%	18.9	365.3	93.6%
2009	396.5	315.4[3]	79.6%	29.7	345.1	87.0%
2010	405.8	353.7[3]	87.2%	N/A	353.7	87.2%

[1]Real Real Estate Tax bills are sent out in November and are payable at 1% discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

[2] Includes collections through June 30, 2010.

[3] Includes collections through June 30, 2010. It is estimated that approximately 91% of the amount levied for 2010 will be collected within the year of levy.

Table 9
Principal Real Estate Taxpayers
2011 and 2002
(Amounts in Millions of USD)

	2011		2002	
Taxpayer	Assessment*	Percentage of Total Assessments	Assessment*	Percentage of Total Assessments
Franklin Mills Associates	57.6	0.47	48.1	0.49
Phila Liberty Place E LP	54.4	0.44	64.3	0.61
Nine Penn Center Associates	54.1	0.44	52.0	0.53
HUB Properties Trust	43.8	0.36	59.5	0.61
Brandywine Operating Partners	40.6	0.33	-	-
PRU 1901 Market LLC	35.2	0.29	32.3	0.33
Maguire/Thomas	33.9	0.28	32.0	0.33
Commerce Square Partners	33.3	0.27	32.3	0.33
Phila Shipyard Development Corp	30.3	0.25	-	-
Philadelphia Market Street	28.8	0.24	30.4	0.31
Total	412.0	3.37	350.9	3.54
Total Taxable Assessments **	12,225.0		9,953.3	

*Assessment Values rounded to the nearest $100,000 and only include the largest assessed property for each taxpayer -- additional properties owned by the same taxpayer are not included.
** Total Taxable Assessment as of May 5, 2011.
Source: City of Philadelphia, Board of Revision of Taxes.

Table 10
Ten Largest Certified Market and Assessment Values
of Tax-Abated Properties
Certified Values for 2011
(Amounts in Millions of USD)

Location	2011 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment	Exempt Thru Tax Year
1701 John F Kennedy Blvd.	181.5	58.1	2.9	55.2	2017
1001 N Delaware Ave	150.9	48.3	12.8	35.5	2020
2929L Arch St.	117.0	37.4	0	37.4	2015
1500 Spring Garden St.	54.8	17.5	2.9	14.6	2020
2201 Park Towne Pl.	48.0	15.4	13.5	1.9	2012
3401 Chestnut St.	35.3	11.3	0.7	10.6	2017
1327-39 Chestnut St.	35.0	11.2	10.9	0.3	2016
4000 Monument Rd.	31.8	10.2	6.2	4	2017
1601 N 15th St.	31.5	10.1	0.2	9.9	2017
200 W Washington Sq.	30.6	9.8	0.7	9.1	2014

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, 2011, the City employed 26,560 full-time employees with the salaries of 22,020 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.

The following table sets forth the number of filled full-time positions of the City as of the dates indicated.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 11
Filled, Full Time Positions - All Operating Funds
as of June 30 (Actual)

	2006	2007	2008	2009	2010	2011	2012[1]
General Fund							
Police	7,287	7,424	7,367	7,443	7,378	7,219	7,371
Streets	1,858	1,814	1,839	1,724	1,693	1,689	1,785
Fire	2,270	2,399	2,326	2,252	2,187	2,146	2,229
Health	662	664	665	662	662	661	731
Courts	1,936	1,928	1,970	1,889	1,756	1,869	1,909
Prisons	2,225	2,176	2,131	2,294	2,254	2,166	2,310
Human Services	1,703	1,721	1,784	1,743	1,751	1,668	0
All Other	4,878	4,941	5,029	4,905	4,616	4,602	4,960
Total General Fund	22,819	23,067	23,111	22,912	22,297	22,020	21,295
Other Funds	4,616	4,598	4,642	4,570	4,566	4,540	7,162
Total - All Funds	27,435	27,665	27,753	27,482	26,863	26,560	28,450

[1]Reflects budgeted full-time positions for FY 2012 from the September 30, 2011 Quarterly City Manager's Report..

Labor Agreements

Four major bargaining units represent City employees for collective bargaining purposes. District Councils 33 and 47 of the American Federation of State, County and Municipal Employees, AFL-CIO represents approximately 15,000 non-uniformed employees. The bargaining units for uniformed employees are the Fraternal Order of Police, Lodge 5 (the "FOP") and the Philadelphia Fire Fighters Association, Local 22, International Association of Fire Fighters AFL-CIO ("IAFF Local 22"), which together represent approximately 9,400 employees. The non-uniformed employees bargain under Act 195 of 1972, which allows for the limited right to strike over collective bargaining impasses. The uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses. All contract expiration dates are June 30 unless otherwise noted.

On July 10, 2008, an arbitration panel awarded a one-year contract to the FOP effective July 1, 2008. The award called for a 2% wage increase effective July 1, 2008, a 2% wage increase effective January 1, 2009 and a 1% increase in longevity pay effective January 1, 2009. In addition, the panel reduced the per member per month health medical payment from the current monthly rate of $1,303 per member to $1,165 per member. The contract expired June 30, 2009.

On December 18, 2009, an arbitration panel awarded a five-year contract to the FOP effective July 1, 2009 which calls for no raise the first year, a 3% wage increase and one percent stress differential increase effective July 1, 2010, a 3% wage increase effective July 1, 2011, and reopeners on wages in Fiscal Year 2013 and 2014. The award also includes higher employee co-pays in the police medical plan, reduced City contributions to the union's healthcare fund in Fiscal Year 2010, self insurance for employee health benefits and a requirement that new employees choose between a 20 percent increase in pension contributions over the amount current employees pay or entering a 401(k) type retirement plan for the first time.

On June 21, 2011, an arbitration award was issued for a smaller unit comprised of uniformed employees of the Sheriff's Office and civilian employees of the Register of Wills. The award deferred wages and improvements for the civilian employees pending the outcome of negotiations with District Council 33. Uniformed employees of the Sheriff's Office received wage increases of 2.5% on July 1, 2010, 2.5% on July 1, 2011, and reopeners in Fiscal Year 2013 and 2014. A new pension plan similar to that for uniformed police was created, but with a lower benefit level. Since these employees were not in the uniformed division of the City's pension plan, the award created a new pension plan for the municipal division of the pension plan which must be approved by City Council in order to be implemented.

On October 17, 2008, an arbitration panel awarded a one-year contract to the IAFF Local 22 effective July 1, 2008. The award called for a 2% wage increase effective July 1, 2008, a 2% wage increase effective January 1, 2009, and a 1% increase in longevity pay effective January 1, 2009. In addition, the panel reduced the per member per month health medical payment from the current monthly rate of $1,444 per member to $1,270 per member. The contract expired on June 30, 2009.

On October 15, 2010, an arbitration panel awarded a four year contract to the IAFF Local 22 effective July 1, 2009 which calls for no raise the first year, a 3% wage increase effective July 1, 2010, a three percent wage increase effective July 1, 2011, and a 3% wage increase effective July 1, 2012. The award also included a change from purchase of health insurance to self-insurance as of January 1, 2011, higher employee co-pays in the Fire medical plan, the union's healthcare fund will be responsible for the first $5 million in self-insurance costs, and a requirement that new employees choose between a 20% increase in pension contributions over the amount current employees pay or entering a 401(k) type retirement plan for the first time. The City appealed the award, other than the revisions to the pension plan and a change related to vacations, on the basis that the award violated the Pennsylvania Intergovernmental Cooperation Authorities Act (PICA Act), 53 P.S. 12720.101 et seq., because it failed to accord substantial weight to the City's approved Five Year Plan and ability to pay and, as a result, provided increases in pay and benefits in excess of what the City can afford. The City's appeal also challenged certain provisions of the award, including those related to promotional examinations and deployment of chief's aides, on the separate ground that they exceeded the arbitration panel's power under Act 111 because they interfered with the City's managerial rights. On November 16, 2011, the Philadelphia Court of Common Pleas vacated the entire award, with the exception of the pension and vacation provisions, and remanded it to the interest arbitration panel to issue an award that complies with the PICA Act. The court's order preserved the City's argument that portions of the award violated Act 111 as well.

The City reached one year agreements with District Council 33 and District Council 47, which were effective July 1, 2008. The agreements called for a lump sum bonus of $1,100 per member. The agreements also called for no increase in the current per member per month health benefit payments. The contracts expired June 30, 2009. Negotiations are currently underway with District Councils 33 and 47.

District Council 47 also represents a separate bargaining unit (Local 810) of employees of the First Judicial District for which the City is a joint employer. The City reached a one year agreement with District Council 47 regarding Local 810 employees, effective July 1, 2008, which mirrored the major economic terms of the District Council 47 agreement. That agreement expired June 30, 2009 and Local 810 demanded interest arbitration pursuant to Act 195. Those interest arbitration hearings have been completed and the parties are currently awaiting the issuance of an award from the interest arbitration panel.

District Council 33 represents groups of employees who are classified as prison guards under state law, including Correctional Officers in the Philadelphia Prison System. In October 2009, the Pennsylvania Commonwealth Court ruled that these employees have the right to interest arbitration under Act 195. The prior contract with District Council 33 covering these employees expired on June 30, 2008. Interest arbitration hearings have been completed and the parties are currently awaiting the issuance of an award from the interest arbitration panel.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The following table presents employee wage increases for the Fiscal Years 2006 through 2012.

Table 12
Employee Wage Increases
Fiscal Years 2006-2012

Fiscal Year	District Council No. 33	District Council No. 47	Fraternal Order of Police	International Association of Fire Fighters
2006	2.0%	2.0%	3.0%	3.0%
2007	3.0%(1)	3.0%(1)	3.0%	3.0%
2008	4.0%(2)	4.0%(2)	4.0%	4.0%
2009	No increase(3)	No increase(3)	4.0%(4)	4.0%(4)
2010	(5)	(5)	0.0%(6)	0.0%(7)
2011	(5)	(5)	3.0%(6)	3.0%(7)
2012	(5)	(5)	3.0%(6)	3.0%(7)

(1) Third year of a four year contract: 3% effective July 1, 2006.
(2) Fourth year of a four year contract: 4% effective July 1, 2007.
(3) Cash bonus of $1,100 paid 15 days after ratification.
(4) One year contract: 2% effective July 1, 2008 and 2% effective January 1, 2009.
(5) Contract expired on June 30, 2009, negotiations are currently underway.
(6) Five year contract: 0% effective July 1, 2009, 3% effective July 1, 2010, 3% effective July 1, 2011, and re-openers on wages in Fiscal Years 2013 and 2014.
(7) Four year contract: 0% effective July 1, 2009, 3% effective July 1, 2010, 3% effective July 1, 2011, 3% effective July 1, 2012. The contract award is currently being appealed by the City.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 2006 through 2012 are shown in the following table.

Table 13
General Fund Employee Benefit Expenditures
Fiscal Years 2006-2012
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Unaudited Actual 2011	Current Estimate(2) 2012
Pension Contribution(1)	346.5	436.8	430.8	459.0	346.7	485.2	554.3
Health/Medical/Dental	291.8	331.5	421.0	377.0	349.7	346.3	334.3
Social Security	60.8	64.1	69.7	68.8	65.2	64.6	62.1
Other	61.1	57.9	61.5	68.4	69.5	70.9	72.0
Total	760.2	890.3	983.0	973.2	831.4	967.0	1,022.7

(1) The Pension Contribution amount includes debt service on the Pension Obligation Bonds, Series 1999.
(2) From the September 30, 2011 Quarterly City Manager's Report.

Municipal Pension Fund (Related to All Funds)

The Board of Pensions and Retirement (the "Pension Board") is charged under the Philadelphia Home Rule Charter with the creation and maintenance of an actuarially sound retirement system providing benefits for all City employees. The Pension Board, pursuant to the Home Rule Charter, is composed of the Director of Finance, who serves as chairperson, the Managing Director, the City Solicitor, the Personnel Director, the City Controller and four members who are elected by the Civil Service employees of the City of Philadelphia. The elected members serve a four-year term of office.

The Pension Board formally approves all benefit applications, but its major role is that of "trustee," to ensure that the retirement system remains actuarially and financially sound for the benefit of current and future benefit recipients. The Pension Board, with the assistance of its professional consultants, develops the policies and strategies which enable the Pension Board to successfully execute its fiduciary obligations.

Court decisions have interpreted the requirement to maintain a retirement system, described above, to mean that the City must make contributions to the Municipal Pension Fund sufficient to fund:

A. Accrued actuarially determined normal costs; and

B. Amortization of the unfunded actuarial accrued liability ("UAAL").

Prior to July 1, 2009, the amortization of the UAAL was determined in accordance with the provisions of the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, 1984 ("Act 205"), as amended from time to time. Any increases or decrease in unfunded liabilities were amortized according to Act 205; however, effective for the July 1, 2009 valuation, which defines the City's contribution obligation for the Fiscal Year ending on June 30, 2010, and subsequent valuations, which define the City's contribution obligation in subsequent fiscal years, and as further described below, the unfunded liability may be amortized over a fixed 30 year period as a level dollar amount pursuant to Act 44.

Based on the City's actuarial report dated March 22, 2011 for the period ending July 1, 2010, the UAAL was \$4.936 billion which equals a funding ratio of 47% and a UAAL as a percentage of covered payroll of 347.3%, each based on actuarial assets of \$4.381 billion. The market value of the assets in the Municipal Pension Fund was \$3.651 billion as of July 1, 2010, and the funding ratio based on such market value was 39%. As of June 30, 2011, the market value of assets in the Municipal Pension Fund was \$4.0 billion.

As part of Act 44, which provided for a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline, the City adopted the fresh start amortization alternative of 30 years (previously 20 years) and lowered the assumed rate of interest for funding valuation purposes from 8.75% to 8.25%.[†] Additionally, the legislation allowed the City to defer a portion of its pension payment in the amount of \$150 million in Fiscal Year 2010 and \$80 million in Fiscal Year 2011 to be paid back (including interest) over a four-year period ending in Fiscal Year 2014. The change in amortization period and the partial deferral were approved by the Pennsylvania General Assembly.

A schedule of funding progress as of June 30, 2010, a comparative schedule of operations of the City's Municipal Pension Fund for Fiscal Years 2001 through 2010, the City's annual pension cost and net pension obligation for Fiscal Years 2008, 2009 and 2010, and the actuarial valuation method for determining the City's contributions (subject to the changes described above), among other items, are contained in the Fiscal Year 2010 Comprehensive Annual Financial Report.

Non-uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, non-uniformed employees may receive up to 80% of their average final compensation depending upon their years of credited service. Generally, uniformed employees

[†] On October 28, 2010, the Pension Board voted to further lower the pension fund's annual earnings assumption from 8.25% to 8.15%.

become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, uniformed employees may receive up to 100% of their average final compensation depending upon their years of credited service. City employees participate in arrangements set forth under one of two municipal pensions programs know as Plan 67 or Plan 87 (except as described for certain police employees below), depending, primarily, on such employee's date of hire. The retirement age differs for Plan 67 (age 55) and Plan 87 (age 60) for non-uniformed employees and also for Plan 67 (age 45) and Plan 87 (age 50) for uniformed employees.

Police employees hired on or after January 1, 2010 will have the option to participate in a defined benefit plan with a different benefit calculation formula and eligibility and vesting rules and a defined contribution plan with eligibility for City matching contributions, or enter Plan 87 but with an increased employee contribution rate of 6.0% instead of 5.0%.

Other Post-Employment Benefits

The City self-administers a single employer, defined benefit plan and provides health care for five years subsequent to separation for eligible retirees. Certain union represented employees may defer their coverage until a later date but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to $7,500 coverage and all other employees receive $6,000 in coverage.

The City funds its retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts (other than police) and is self insured for nonunion employees and union police employees.

The City's annual other post employment benefit ("OPEB") expense is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

For Fiscal Year 2010, the City's ARC was $93.6 million and it contributed $71.7 million for OPEB expense; its net OPEB obligation for Fiscal Year 2010 was $43.3 million.

Further information on the City's annual OPEB expense and net OPEB obligation for Fiscal Years 2008, 2009 and 2010 and the funded status of the OPEB benefits is contained in the Fiscal Year 2010 Comprehensive Annual Financial Report.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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 2006 through 2012.

Table 14
Purchase of Service in the General Fund
Fiscal Years 2006-2012
(Amounts in Millions of USD)

	Actual					Unaudited Actual	Current Estimate (9,10)
	2006	2007	2008	2009	2010	2011	2012
Human Services(1)	467.9	495.3	515.3	499.0	465.5	448.2	68.4
Public Health	61.1	65.5	65.1	67.9	64.7	66.1	65.7
Public Property(2)	137.9	156.3	139.5	142.6	136.2	138.7	141.5
Streets(3)	54.8	58.3	58.4	51.0	55.8	51.0	46.4
Sinking Fund - Lease Debt(4)	77.0	84.3	85.1	86.1	79.9	87.5	93.2
Legal Services(5)	33.6	35.4	37.3	37.3	35.9	36.6	37.6
First Judicial District	24.4	24.8	25.6	23.6	23.7	22.9	22.0
Licenses & Inspections(6)	11.5	11.4	11.9	9.6	8.2	4.1	7.1
Supportive Housing (7)	28.6	31.3	33.9	32.3	31.7	30.2	30.2
Prisons	82.8	87.5	93.6	110.7	106.4	106.6	104.0
All Other(8)	86.4	101.5	123.0	114.1	103.4	131.0	142.9
Total	1,065.7	1,151.6	1,188.7	1,174.2	1,111.4	1,127.9	759.0

(1) Includes payments for care of dependent and delinquent children.
(2) Includes payments for SEPTA, space rentals, utilities, and telecommunications. In Fiscal Year 2008, the telecommunications division was transferred to the Managing Director – Division of Technology ("DOT"). Services purchased for DOT appear in the table under the category "All Other."
(3) Includes solid waste disposal costs.
(4) Includes, among other things, Justice Center, Neighborhood Transformation Initiative and Stadium lease debt.
(5) Includes payments to the Defender Association to provide legal representation for indigents.
(6) Includes payments for demolition in Fiscal Year 2006 through Fiscal Year 2012.
(7) Includes homeless shelter and boarding home payments.
(8) Includes payment for Convention Center Subsidy and Vehicle leasing.
(9) From the September 30, 2011 Quarterly City Manager's Report.
(10) The reduction in Revenue from Other Governments (State and Federal funding) in Fiscal Year 2012 is largely the result of the transfer of the majority of the Department of Human Services revenue and obligations to the Grants Revenue Fund.

Figures may not add up 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. In Fiscal Year 2010, the City made a $38.5 million contribution. In Fiscal Year 2011, the City made a $38.6 million contribution. The Fiscal Year 2012 adopted budget includes an additional contribution of $10 million, bringing the total contribution to $48.6 million.

Annual Payments to PGW

In order to assist PGW, (i) the City agreed to forgo the $18 million annual payment in Fiscal Year 2004, (ii) for Fiscal Years 2005, 2006, 2007, 2008, 2009 and 2010 the City made a grant to PGW equal to the annual payment received from PGW in such fiscal years, In Fiscal Year 2011, PGW remitted to the City the required annual payment of $18,000,000. The City's Twentieth Five-Year Plan includes the PGW annual payment of $18,000,000 to the City's General Fund but discontinues the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2012, 2013, 2014, 2015 and 2016.

City Payments to SEPTA

The City made operating subsidy payments to SEPTA in Fiscal Years 2008, 2009, 2010 and 2011 of $61.3 million, $62.9 million, $64.2, and $65.9 million, respectively. The Fiscal Year 2012 budget projects operating subsidy payments to SEPTA of $66.3 million. The Twentieth Five-Year Plan provides that the City's contribution to SEPTA will increase to $74.8 million by Fiscal Year 2016.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

Consolidated Cash

The Act of the General Assembly of the Commonwealth of June 25, 1919, P.L. 581, Art. XVII, § 6, gives the City the authority to make temporary inter-fund loans between operating and capital funds.

The Consolidated Cash Account provides for the physical commingling of the cash of all City Funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of PGW, the Water Fund, the Aviation Fund and certain other restricted purpose funds). A separate accounting is maintained for the equity of each member fund in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to the following procedures:

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, the required advance is made from the Consolidated Cash Account, in the amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a borrowing fund are applied in repayment of the advance.

All advances are made within the budgetary constraints of the borrowing funds. Within the General Fund, this system of inter-fund advances has historically resulted in the temporary use of tax revenues or other operating revenues for capital purposes and the temporary use of capital funds for operating purposes.

Procedures governing the City's cash management operations require the General Fund-related operating fund to borrow initially from the General Fund-related capital fund, and only to the extent there is a deficiency in such fund may the General Fund-related operating fund borrow money from any other funds in the Consolidated Cash Account.

Investment Practices

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and make investments that preserve principal while striving to obtain the maximum rate of return. In accordance with the Home Rule Charter, the City Treasurer is the City Official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional money managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to Revenue Bonds for Water and Sewer and the Airport are directly deposited and held separately in trust. A Fiscal Agent manages these cash balances per the related bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy. In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with Federal or State reporting.

Investment guidelines for the City are embodied in legislation approved by City Council appearing in the Philadelphia City Code, Chapter 19-202. 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 January 2011. The 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, repurchase agreements, commercial paper, corporate bonds, money market mutual funds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a federal agency of the United States, all of investment grade rating or better.

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio. Repurchase agreements, money market mutual funds, commercial paper, and corporate bonds are limited to investment of no more than 25% of the total portfolio. Obligations of the Commonwealth and collateralized banker's acceptances and certificates of deposit are limited to no more than 15% of the total portfolio. Collateralized mortgage obligations and pass-through securities directly issued by a federal agency of the United States are limited to no more than 5% of the total portfolio.

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio per issuer. Repurchase agreements and money market mutual funds are limited to no more than 10% of the total portfolio per issuer. Commercial paper, corporate bonds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a federal agency of the United States are limited to no more than 3% of the total portfolio per 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 and the City Treasurer with ex-officio membership of a representative of each of the principal operating and capital funds, i.e., Water Fund, Aviation Fund, PGW and PMA. 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 as well as investments in any security whose yield or market value does not follow the normal swings in interest rates. Examples of these types of securities include, but are not limited to: structured notes, floating rate or inverse floating rate instruments, securities that could result in zero interest accrual if held to maturity, and mortgage derived interest and principal only strips. The City currently makes no investments in derivatives.

General Fund Cash Flow

Because the receipts of General Fund revenues lag behind expenditures during most of each fiscal year, the City issues notes in anticipation of General Fund revenues and makes payments from the Consolidated Cash Account to finance its on-going operations. The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each issue was repaid when due, prior to the end of the fiscal year.

The timing imbalance referred to above results from a number of factors, principally the following: (1) real property, business privilege tax and certain other taxes are not due until the latter part of the fiscal year; and (2) 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.

The City issued $285 million of Tax and Revenue Anticipation Notes in July 2010. These notes were repaid on June 30, 2011. The September 30, 2011 Quarterly City Manager's Report projects Tax and Revenue Anticipation Notes in the amount of $173 million to be issued in Fiscal Year 2012.

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 July 1, 2011, the Constitutional debt limitation for tax-supported general obligation debt was approximately $1,571,939,000. This amount is based upon a formula of 13.5% of the assessed value of taxable real estate within the City on a 10 year rolling average. The total amount of authorized debt applicable to the debt limit was $1,434,080,000, leaving a legal debt margin of $137,859,000. The calculation of the legal debt margin is as follows:

Table 15
General Obligation Bonded Debt
November 1, 2011
(in thousands)

Authorized, issued and outstanding	$1,336,400
Authorized and unissued	459,304
Total	1,795,704
Less: Self-supporting debt	(354,369)
Less: Serial bonds maturing within a year	(6,855)
Total amount of authorized debt applicable to debt limit	1,434,080
Legal debt limit	1,571,939
Legal debt margin	$ 137,859

The City is also authorized to issue revenue bonds pursuant to The First Class City Revenue Bond Act of 1972. Currently, the City issues revenue bonds to support the Division of Aviation, the Water Department and PGW. Bonds so issued are excluded for purposes of the calculation of the Constitutional debt limit.

Short-Term Debt

The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each note issue was repaid when due prior to the end of the fiscal year of issuance. The City issued $285 million of Tax and Revenue Anticipation Notes on July 28, 2010. These notes were repaid on June 30, 2011. The City expects to issue $200 million of notes in December 2011 which will be payable in June 2012.

Long-Term Debt

The table below presents a synopsis of the bonded debt of the City and its component units as of the date indicated. 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, 2010, see the Fiscal Year 2010 Comprehensive Annual Financial Report.

Of the total balance of City tax-supported general obligation bonds issued and outstanding on October 31, 2011, approximately 18% is scheduled to mature within five years and approximately 39% is scheduled to mature within ten years.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 16
Bonded Debt -- City of Philadelphia and Component Units
as of October 31, 2011
(Amounts in thousands)
(Unaudited)

Tax-supported bonds		
General Fund		$ 1,336,502
PA Intergovernmental Cooperation Authority		494,710
Subtotal: Tax-supported bonds		1,831,212
Other Long-Term Debt-Related Obligations		
Philadelphia Municipal Authority		
Municipal Services Building	$ 25,731	
Criminal Justice Center	135,850	
Juvenile Justice Center	97,850	259,431
Philadelphia Authority for Industrial Development		
Pension Bonds	1,427,917	
Stadiums	325,560	
Library	8,655	
Cultural and Commercial Corridor	122,860	
One Parkway	45,115	1,930,107
Parking Authority		15,365
Redevelopment Authority		245,880
Subtotal		4,281,994
Revenue bonds		
Water Fund		1,807,436
Aviation Fund		1,423,300
Gas Works		1,155,720
Subtotal: Revenue bonds		4,386,456
Grand total		$ 8,668,450

Source: Office of Director of Finance

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 17
City of Philadelphia
Annual Debt Service on City-Related Long-Term Debt
(Amounts in millions of USD)

	Tax Supported Bonds[1]			Other Long-Term Obligations[2]			Total		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	$41.76	$67.44	$109.20	$75.71	$132.58	$208.29	$117.47	$200.02	$317.49
2013	48.54	68.44	116.98	82.53	139.30	221.83	131.06	207.74	338.80
2014	50.74	66.22	116.95	82.74	140.33	223.06	133.47	206.54	340.02
2015	53.45	63.55	117.00	84.00	143.93	227.93	137.45	207.48	344.93
2016	52.01	60.86	112.87	83.92	140.23	224.15	135.93	201.09	337.02
2017	54.57	58.20	112.77	84.11	139.85	223.96	138.67	198.05	336.73
2018	57.21	55.35	112.56	89.56	139.03	228.59	146.77	194.38	341.15
2019	60.12	52.34	112.45	74.57	138.25	212.82	134.68	190.59	325.27
2020	62.56	49.50	112.05	64.12	138.01	202.13	126.68	187.50	314.18
2021	54.36	46.37	100.72	64.28	137.88	202.16	118.64	184.25	302.89
2022	57.89	43.58	101.47	64.62	137.58	202.20	122.50	181.16	303.66
2023	60.70	40.52	101.22	65.12	137.11	202.23	125.82	177.62	303.44
2024	63.80	37.24	101.04	65.76	136.51	202.26	129.56	173.75	303.30
2025	67.00	33.79	100.79	66.73	135.57	202.30	133.73	169.37	303.10
2026	62.93	30.38	93.31	80.13	121.38	201.51	143.06	151.76	294.82
2027	66.02	27.00	93.02	158.97	43.77	202.74	224.99	70.77	295.76
2028	69.82	23.61	93.42	164.13	34.54	198.67	233.95	58.15	292.10
2029	42.84	20.90	63.74	277.50	17.61	295.11	320.34	38.51	358.85
2030	58.20	18.39	76.58	53.73	7.81	61.53	111.92	26.20	138.12
2031	61.32	15.37	76.68	56.27	5.32	61.58	117.58	20.69	138.27
2032	64.58	12.18	76.76	13.63	3.21	16.84	78.21	15.39	93.60
2033	28.16	9.70	37.86	4.90	2.71	7.61	33.06	12.42	45.47
2034	14.70	8.38	23.07	5.22	2.39	7.61	19.91	10.77	30.68
2035	15.71	7.36	23.07	5.56	2.06	7.61	21.27	9.42	30.68
2036	16.80	6.28	23.07	5.92	1.69	7.61	22.71	7.97	30.68
2037	17.96	5.12	23.07	6.30	1.31	7.61	24.26	6.43	30.68
2038	19.22	3.85	23.07	6.71	0.90	7.61	25.93	4.75	30.68
2039	20.59	2.48	23.07	7.15	0.46	7.61	27.74	2.95	30.68
2040	8.52	1.50	10.02	0.00	0.00	0.00	8.52	1.50	10.02
2041	9.10	0.93	10.02	0.00	0.00	0.00	9.10	0.93	10.02
2042	9.71	0.32	10.02	0.00	0.00	0.00	9.71	0.32	10.02
TOTAL	$1,370.80	$937.14	$2,307.94	$1,893.85	$2,181.32	$4,075.17	$3,264.65	$3,118.46	$6,383.11

[1] Includes General Obligation bonds.
[2] Includes PAID, PMA, Parking Authority, and Redevelopment Authority bonds.

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 shown on Table 16. The City budgets all other long-term debt-related obligations as a single budget item with the exception of the Parking Authority which has a budget of $1,336,700 for Fiscal Year 2012.

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia ("CCP"). Under the Community College Act, each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of CCP, which includes debt service. The remaining 50% is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP's operating costs (less tuition and less the Commonwealth's payment). The total payment to CCP in Fiscal Year 2008 was $24,467,924. The amount paid in Fiscal Year 2009 and Fiscal Year 2010 was $26,467,924 each year. The amount paid in Fiscal Year 2011 was $25,409,207. The budgeted amount for Fiscal Year 2012 is $25,409,207. This amount represents the portion of operating costs (less student tuition and the Commonwealth payment) and up to half of the annual capital expenses for the year.

Swap Information

The City has entered into various swaps related to its outstanding General Fund supported bonds as detailed in the following table:

Table 18
Summary of Swap Information
for General Fund Supported Bonds
as of October 31, 2011

City Entity	City GO	City Lease - PAID	City Lease - PAID	City Lease - PAID
Related Bond Series	2009B[(1)]	2001 (Stadium)	2007B (Stadium)	2007B (Stadium)
Initial Notional Amount	$313,505,000	$298,485,000	$217,275,000	$72,400,000
Current Notional Amount	$100,000,000	$193,520,000	$217,275,000	$72,400,000
Termination Date	8/1/2031	10/1/2030	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap[(2)]	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	67% 1-month LIBOR + 0.20%, plus fixed annuity	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	SIFMA	3.9713%	3.9713%
Dealer	Royal Bank of Canada	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Fair Value[(3)]	($18,630,069)	($8,867,189)	($39,056,646)	($13,014,586)

(1) On July 28, 2009, the City terminated a portion of the swap in the amount of $213,505,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2009A fixed rate bonds and the Series 2009B variable rate bonds. The City made a termination payment of $15,450,000.

(2) PAID receives annual fixed payments of $1,216,500 from July 1, 2004 through July 1, 2013. As the result of an amendment on July 14, 2006, $104,965,000 of the total notional was restructured as a constant maturity swap (the rate received by PAID on that portion was converted from a percentage of 1-month LIBOR to a percentage of the 5-year LIBOR swap rate from October 1, 2006 to October 1, 2020). The constant maturity swap was terminated in December 2009. The City received a termination payment of $3,049,000.

(3) Fair values are as of October 31, 2011, and are shown from the City's perspective and include accrued interest.

While the City is party to several interest rate swap agreements, for which there is General Fund exposure and on which the swaps currently have a negative mark against the City, the City has no obligation to post collateral on these swaps while the City's underlying ratings are investment grade.

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, Water and the Airport, see the Fiscal Year 2010 Comprehensive Annual Financial Report. In addition, PICA has entered into swaps which are detailed in the Fiscal Year 2010 Comprehensive Annual Financial Report.

Letter of Credit and Liquidity Agreements

The City has entered into various letter of credit and standby agreements related to its General Fund supported bonds:

Table 19
Summary of Letter of Credit and Standby Agreements for General Fund Supported Bonds as of October 31, 2011

Variable Rate Bond Series	Amount Outstanding	Provider	Expiration Date
General Obligation Bonds, Series 2009B	$ 100,000,000	RBC	08/04/2014
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B	234,280,000	JP Morgan/ Bank of America/ PNC Bank	05/24/2013

On August 4, 2011, the City replaced the letter of credit for the General Obligation, Bonds Series 2009B.

Recent and Upcoming Financings

The City anticipates issuing tax and revenue anticipation notes in the amount of $200 million in December 2011.

The City, together with Philadelphia International Airport, anticipates issuing revenue refunding bonds in the amount of approximately $150 million, and remarketing the City's Airport Revenue Bonds, Series 2005C in the amount of $162 million in Fiscal Year 2012.

The City, through the Redevelopment Authority, anticipates issuing revenue refunding bonds in the amount of approximately $100 million in Fiscal Year 2012.

From time to time, the City considers additional new money and/or refunding financings as market opportunities arise.

The following is a list of financings that the City has entered into since the close of Fiscal Year 2010:

In September 2011, the City along with PGW, remarketed the Eighth Series B-E bonds in the amount of approximately $225.5 million and issued approximately $88.8 million of Twentieth (1975 Ordinance) and Tenth (1998 Ordinance) Series Refunding Bonds.

In September 2011, the City along with the Water Department, remarketed the Water and Wastewater Revenue Bonds, Variable Rate Series 1997B Bonds in the amount of approximately $70 million.

In August 2011, the City remarketed the General Obligation Multi-Modal Refunding Bonds, Series 2009B in the amount of $100 million.

In May 2011, the City, through the Pennsylvania Authority for Industrial Development, remarketed the Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B in the amount of approximately $289.6 million.

In April 2011, the City issued $252,720,000 General Obligation Bonds, Series 2011, $139,059,234 for capital projects and $119,733,727 for refunding for savings.

The City has entered into a $28,000,000 lease agreement with the Philadelphia Municipal Authority for the purpose of purchasing certain city vehicles. The lease payments are subject to annual appropriation by the City. This transaction closed in March 2011.

The City, in conjunction with the Philadelphia International Airport, issued $625 million of Airport Revenue Bonds and Airport Revenue Refunding Bonds. This transaction closed on November 15, 2010.

The City, along with PGW, issued $150 million of Ninth Series Gas Works Revenue Bonds. This transaction closed August 26, 2010.

The City, together with the Water Department, issued $185 million of new money water and wastewater bonds for capital projects. This transaction closed August 5, 2010.

In July 2010, the City issued the Tax and Revenue Anticipation Notes, Series A of 2010-2011 in the principal amount of $285 million.

The City is continually monitoring refunding opportunities for its outstanding debt and may undertake certain refundings depending on market conditions.

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2012-2017 contemplates a total budget of $8,990,983,000 of which $1,972,365,000 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 2012-2017 on June 23, 2011.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 20
Fiscal Years 2012-2017
Capital Improvement Program
(Amounts in Thousands of USD)

City Funds – Tax Supported	2012	2013	2014	2015	2016	2017	2012-2017
Carried-forward Loans	$240,051	$0	$0	$0	$0	$0	$240,051
Operating Revenue	33,509	9,529	8,029	7,029	6,029	3,729	67,854
New Loans	107,012	106,050	86,985	81,625	84,079	80,534	546,285
Pre-financed Loans	3,268	1,000	1,000	1,000	1,000	1,000	8,268
PICA Pre-financed Loans	26,492	0	0	0	0	0	26,492
Tax-supported Subtotal	410,332	116,579	96,014	89,654	91,108	85,263	888,950
City Funds – Self-Sustaining							
Carried-forward Loans	1,094,637	0	0	0	0	0	1,094,637
Operating	179,625	37,322	43,689	44,062	46,444	47,000	398,142
New Loans	683,803	791,680	668,941	866,664	972,741	635,060	4,618,889
Self-Sustaining Subtotal	1,958,065	829,002	712,630	910,726	1,019,185	682,060	6,111,668
Revolving Funds	18,000	0	0	0	0	0	18,000
Other Than City Funds							
Carried-Forward Other Government	17,171	0	0	0	0	0	17,171
Other Governments Off Budget	461	695	869	1,114	1,303	1,421	5,863
Carried-Forward State	67,944	0	0	0	0	0	67,944
State Off Budget	61,495	99,336	123,622	155,243	164,204	165,191	769,091
State	23,707	7,552	6,232	6,507	6,532	6,507	57,037
Carried-Forward Private	74,446	0	0	0	0	0	74,446
Private	17,020	25,120	25,020	25,020	25,020	25,020	142,220
Carried-Forward Federal	298,025	0	0	0	0	0	298,025
Federal Off Budget	25,548	30,258	30,579	7,324	7,324	9,154	110,187
Federal	132,460	86,311	57,340	48,690	50,490	55,090	430,381
Other Than City Funds Subtotal	718,277	249,272	243,662	243,898	254,873	262,383	1,972,365
TOTAL	$3,104,674	$1,194,853	$1,052,306	$1,244,278	$1,365,166	$1,029,706	$8,990,983

LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Division of Aviation, 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 Division of Aviation, to the extent not covered by insurance, are paid first from the Aviation Fund and only secondarily from the General Fund. Claims against the Gas Works, to the extent not covered by insurance, are paid first from Gas Works revenues and only secondarily from the General Fund.

The Act of October 5, 1980, P.L. 693, No. 142, known as the “Political Subdivision Tort Claims Act,” (the “Tort Claims Act”) establishes a $500,000 aggregate limitation on damages for injury to a person or property arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been repeatedly upheld by the Pennsylvania Supreme Court. In February 1987, an appeal of a decision upholding such constitutionality to the United States Supreme Court was dismissed for want of jurisdiction. However, under Pennsylvania Rule of Civil Procedure 238, delay damages in State Court cases are not subject to the $500,000 limitation. Moreover, the limit on damages is inapplicable to any suit against the City which does not arise under state tort law such as claims made against the City under Federal civil rights laws.

The aggregate loss resulting from general and special litigation claims was $30.2 million for Fiscal Year 2001, $30.0 million for Fiscal Year 2002, $24.1 million for Fiscal Year 2003, $24.5 million for Fiscal Year 2004, $27.5 million for Fiscal Year 2005, $23.0 million for Fiscal Year 2006, $26.6 million for Fiscal Year 2007, $29.8 million for Fiscal Year 2008, $34.5 million for Fiscal Year 2009, $32.7 million for Fiscal Year 2010, and $33.7 million for Fiscal Year 2011. Estimates of settlements and judgments from the General Fund are $33.12 million for each of the Fiscal Years 2012 through 2016, respectively (based on the Twentieth Five-Year Plan). 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 2011, payments for claims arising from labor settlements in the General Fund were $1.31 million of which $1.3 million were paid from the Indemnities account, and $6,000 from the Operating budgets of the affected departments. For Fiscal Year 2010, payments for claims arising from labor settlements in the General Fund were $1.4 million of which $1.38 million was paid from the Indemnities account, and $13,000 from the operating budgets of the affected departments. Actual claims paid out from the General Fund for settlements and judgments averaged $31.4 million per year over the five years from Fiscal Year 2007 through Fiscal Year 2011.

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; and a pay dispute with former and current paramedics. The ultimate outcome and fiscal impact, if any, on the City’s General Fund of the claims and proceedings described in this paragraph are not currently predictable.

Various claims in addition to the lawsuits described in the preceding paragraph 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 2009 which resulted from these claims and lawsuits was $5.0 million, and $4.9 million in Fiscal Year 2010. The aggregate loss for Fiscal Year 2011 was $5.4 million. The Water Fund's budget for Fiscal Year 2012 contains an appropriation for Water Department claims in the amount of $6.5 million, although the current estimate, based on the prior three fiscal years' expenditures, is for only $2.9 million in Fiscal Year 2012. The Water Fund is the first source of payment for any of the claims against the Water Department.

In addition, various claims have been asserted against the Division of Aviation and in some cases lawsuits have been instituted. Many of these Division of Aviation claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Division of Aviation. The aggregate loss for Fiscal Year 2009 which resulted from these claims and lawsuits was $430,000 and $881,600 for Fiscal Year 2010. The aggregate loss for Fiscal Year 2011 was $1,685,000. The Indemnities budget for Aviation Fund claims for Fiscal Year 2012 contains an appropriation in the amount of $2.5 million, although the current estimate, based on the prior three fiscal years' expenditures, is only $1.0 million in Fiscal Year 2012. The Division of Aviation is the first source of payment for any of the claims against the Division of Aviation.

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 Generally Accepted Government Auditing Standards ("GAGAS") 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 October 31, 2011, the Office of the City Controller had 113 employees, including 63 auditors, 21 of whom were certified public accountants.

The City Controller post-audits and reports on the City's and the School District's comprehensive Annual Financial Reports, federal assistance received by the City and the performance of City departments. The City Controller also conducts a pre-audit program of expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit by category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the Home Rule Charter and other pertinent legal and contractual requirements before any moneys are paid by the City Treasurer. The Pre-Audit Technical Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to PICA 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"), the City Solicitor (the "City Solicitor"), the Deputy Mayor for Planning and Economic Development and Director of Commerce (the "Director of Commerce") and the City Representative (the "City Representative"). These officials, together with the Mayor and the other members of the Mayor's cabinet, constitute the major policy-making group in the City's government.

The Managing Director is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The Director of Commerce is charged with the responsibility of promoting and developing commerce and industry. The City Representative is the Ceremonial Representative of the City and especially of the Mayor. The City Representative is charged with the responsibility of giving wide publicity to any items of interest reflecting the activities of the City, its inhabitants and for the marketing and promotion of the image of the City.

The City Solicitor is head of the Law Department and acts as legal advisor to the Mayor, the City Council, and all of the agencies of the City government. The City Solicitor is also responsible for all of the City's contracts and bonds, for assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council, and for the conduct of litigation involving the City.

The Director of Finance is the chief financial and budget officer of the City and is selected from three names submitted to the Mayor by a Finance Panel. 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 manages the City's debt program and 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, as defined in the City Charter, the City Controller and the City Treasurer:

Michael A. Nutter, Mayor, was sworn in as the City'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 Councilmatic District for nearly fifteen years. During his time in City 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.

Alan L. Butkovitz is serving his second term as the City'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 the City. 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.

Everett A. Gillison, Chief of Staff to the Mayor and Deputy Mayor for Public Safety, was appointed Chief of Staff by Mayor Nutter on October 19, 2011. Mr. Gillison has served as Deputy Mayor for Public Safety since January 7, 2008 where he advises and assistes the Mayor on all policies, planning and initiatives designed to promote the public safety and prevent crime. He also leads 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 will continue in his role as Deputy Mayor for Public Safety in addition to his role as the Mayor's Chief of Staff. 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.

Richard Negrin, Deputy Mayor for Administration and Coordination and Managing Director, was appointed in July 2010. This Cabinet position has direct management responsibility over the City's key infrastructure departments and coordinates across all City government to provide oversight and support to ensure optimal performance. In December 2009, Mr. Negrin was appointed by Mayor Nutter to serve as Executive Director of the Board of Revision of Taxes to provide strong leadership and to revitalize, restructure and reform the embattled agency. From November 2006 through December 2009, Mr. Negrin served as Vice-Chair of the independent Philadelphia Board of Ethics which helped to change the culture of government by providing guidance, education and training on ethics rules to the entire City workforce as well as to promote greater transparency in government by overseeing financial disclosures by City officials and having oversight related to campaign finance limits and disclosures. Prior to joining the City, Mr. Negrin was Vice President, Associate General Counsel, and a member of the Executive Leadership Council of ARAMARK Corporation. Prior to joining ARAMARK, Mr. Negrin was a litigator with the law firm of Morgan, Lewis & Bockius LLP and was a prosecutor in the Major Trials Unit of the Philadelphia District Attorney's Office. Mr. Negrin is a graduate of Rutgers University School of Law, where he was the recipient of the Richard L. Barbour, Jr. Memorial Award. He received his Bachelor's degree in political science from Wagner College where he received the Pre-Law Prize for academic excellence. During college, Mr. Negrin was a consensus football all-American and served as captain of the football team, helping to lead them to the small college National Championship in 1987. After college, Mr. Negrin played briefly in the National Football League, signing contracts with the Cleveland Browns in 1988 and the New York Jets in 1989.

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 PICA. He served as Chief Financial Officer of the Commonwealth from 2004 to 2005. From 2000 to 2004, he served as Budget Director for the City, where he had also been a Deputy Budget Director and Assistant Budget Director. Before working for the City, Mr. Dubow was a Senior Financial Analyst for PICA. He also served as a Research Associate at the Pennsylvania Economy League and was a reporter for the Associated Press. Mr. Dubow earned a Masters in Business Administration degree from the Wharton School of Business and a Bachelor of Arts degree from the University of Pennsylvania.

Shelley R. Smith, City Solicitor, was appointed on January 7, 2008. The City Solicitor of the City of Philadelphia is the City's chief legal officer, the head of the City's Law Department, and a member of the Mayor's Cabinet. Prior to her appointment, Ms. Smith was the Associate General Counsel for Regulatory Affairs - East at Exelon Corporation. Prior to joining Exelon, Ms. Smith was with Ballard Spahr as Of Counsel in the Labor, Employment & Immigration Group. Ms. Smith also spent more than a decade with the City'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.

Rina Cutler, Deputy Mayor for Transportation and Utilities was appointed in March 2008. She is responsible for the coordination and oversight of all transportation functions in the City of Philadelphia including the Streets Department, the Philadelphia Water Department and the Philadelphia International Airport. She also coordinates the City's interests with a variety of agencies including the Philadelphia Gas Works, PATCO, Delaware River Port Authority, AMTRAK, the Parking Authority and PENNDOT and serves on the Boards of SEPTA, the Delaware Valley Regional Planning Commission and the Philadelphia Regional Port Authority. Prior to returning to Philadelphia, Ms Cutler was the Deputy Secretary for Administration for the Pennsylvania Department of Transportation (PENNDOT) for 5 years. The Deputy Mayor has extensive experience in the management and operations of parking and transportation programs. Her prior experience also includes Transportation Commissioner for the City of Boston, the founding Director of the Department of Parking and Traffic for the City of San Francisco and the Executive Director of the Philadelphia Parking Authority. In 2011, American City and County Magazine named Ms. Cutler their Public Works Leader of the Year.

Alan Greenberger, Deputy Mayor for Planning and Economic Development and Director of Commerce, was appointed on June 30, 2009. Mr. Greenberger is also the Executive Director of the City Planning Commission where he chairs the Philadelphia Zoning Code Commission. A native of New York City, he moved to the City in 1974 to join Mitchell/Giurgola Architects. He became an associate of Mitchell/Giurgola in 1980, moved to Australia to join Mitchell/Giurgola & Thorpe, architects for the Australian Parliament House, and rejoined Mitchell/Giurgola in the City as a partner in 1986. In 1990, he and several partners at M/G changed the name of the firm to MGA Partners, where he practiced through 2008. He has been the lead designer on numerous MGA projects including the Department of State National Foreign Affairs Training Center, the West Chester University School of Music and Performing Arts Center, America on Wheels Museum, Lehigh University Linderman Library Renovation, Mann Center for the Performing Arts Master Plan and Pavilions, and the Centennial District Master Plan.

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.

Nancy E. Winkler, City Treasurer, was appointed City Treasurer effective January 31, 2011. Her responsibilities include oversight of all activities related to the issuance of debt by the City, managing the investment of approximately $2.0 billion of operating and bond funds as well as managing the City's depository banking. Prior to her tenure with the City, Ms. Winkler worked for over twenty-eight years with Public Financial Management (the PFM Group), from 1990 to 2011 as Managing Director, with responsibility to manage the firm's municipal, state and authority practices in New York and Maryland. Ms. Winkler holds a B.A. in American Studies and Economics from Georgetown University, where she was a George F. Baker Scholar.

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 Governor of Pennsylvania, the President pro tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member of PICA's board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA's board with no voting rights.

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. 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. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place; and PICA is required to certify non-compliance with an approved five-year plan if the City has failed to file mandatory revisions to an approved five-year plan. Under the PICA Act, any such certification of non-compliance 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 "PICA Bonds" below. Under the PICA Act, the City is required to make quarterly financial reports to PICA, as further described under "Quarterly Reporting to PICA" below.

Five-Year Plans of the City

The PICA Act requires the City to annually develop a five-year financial plan and obtain PICA's approval of it. 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 approved by PICA.

The City's Eighteenth Five-Year Plan (the "Eighteenth Five-Year Plan"), covering Fiscal Years 2010-2014, included a one percent City Sales Tax increase through Fiscal Year 2014 and a partial deferral of the City's pension payment in Fiscal Year 2010 ($150 million) and Fiscal Year 2011 ($80 million) to be paid back in full by Fiscal Year 2014, as permitted under Act 44 of 2009 of the General Assembly of the Commonwealth ("Act 44"). In addition to the deferrals, the City changed the amortization period from 20 years to 30 years and lowered the interest rate assumption from 8.75% to 8.25%.[1] At PICA's request, the Eighteenth Five-Year Plan was revised to include at least $25 million in additional savings or recurring revenues in each year of the Eighteenth Five-Year Plan. PICA approved the revised Eighteenth Five-Year Plan on September 16, 2009, subject to the enactment of the legislation authorizing the increase in the City's sales tax and change in the City's pension fund payments. The Commonwealth enacted such legislation on September 18, 2009.

The Mayor presented the Nineteenth Five-Year Plan (the "Nineteenth Five-Year Plan") to City Council on March 4, 2010. City Council approved the Fiscal Year 2011 Budget on May 20, 2010, and the Mayor signed it on June 1, 2010. The Nineteenth Five-Year Plan was approved by PICA on August 10, 2010. The Nineteenth Five-Year Plan includes a temporary 9.9% Real Estate Tax increase through Fiscal Year 2012, which is estimated to generate $94.4 million in Fiscal Year 2011.

---

[1] On October 28, 2010, the City's Board of Pensions and Retirement voted to further lower the pension fund's annual earnings assumption from 8.25% to 8.15%. This is reflected in subsequent five-year plans.

The Mayor presented the Twentieth Five-Year Plan (the "Twentieth Five-Year Plan") to City Council on March 3, 2011. The adopted Fiscal Year 2012 Operating Budget conforms to the Twentieth Five-Year Plan. The Twentieth Five-Year Plan was approved by PICA on July 26, 2011.

Quarterly Reporting to PICA

The PICA Act requires the City to prepare and submit quarterly reports to PICA 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 each month in the previous quarter 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. PICA last declared a variance in February 2009. It has since been removed and there are no current variances.

PICA Bonds

PICA has previously issued eleven series of bonds. 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. Two series of bonds remain outstanding: (i) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009 issued in the original aggregate principal amount of $354,925,000, having a final stated maturity date of June 15, 2023 and (ii) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010 in the original principal amount of $206,960,000, having a final stated maturity date of June 15, 2022. As of the close of business on June 30, 2011, the principal amount of PICA bonds outstanding was $494,710,000.

The proceeds of the previous series of bonds issued by PICA were used (a) to make grants to the City to fund General Fund deficits of the City, to fund the costs of certain capital projects undertaken by the City, to provide other financial assistance to the City to enhance productivity in the operation of City government, and to defease certain general obligation bonds of the City, (b) to refund other bonds of PICA and (c) to pay costs of issuance.

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. PICA bonds are payable from the PICA revenues, including the PICA Tax, pledged to secure PICA's bonds, the Bond Payment Account (as described below) and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

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 2001 through 2010, unaudited actual for Fiscal Year 2011 and the current estimate for Fiscal Year 2012 are set forth below.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 21
Summary of PICA Tax Remitted to PICA by the State Treasurer
and Net Taxes Remitted to the City
(Amounts In Millions of USD)

Year	PICA Tax	PICA Annual Debt Service and Investment Expenses	Net taxes remitted to the City[1]
2001	$273.6	$107.0	$166.6
2002	278.0	107.3	170.7
2003	281.5	79.2	202.3
2004	285.0	78.9	206.1
2005	300.2	85.9	214.3
2006	309.9	87.1	222.8
2007	327.9	86.0	241.9
2008	341.8	86.4	255.4
2009	348.5	86.4	262.1
2010	343.3	68.9	274.4
2011 Unaudited Actual	358.7	64.9	293.8
2012 (Current Estimate)[2]	357.0	66.1	290.9

(1) Does not include additional one-time grants to the City from PICA reserves in certain years.
(2) From the September 30, 2011 Quarterly City Manager's Report.

ADDITIONAL INFORMATION

Current City Practices

It is the City's practice to file its Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, with the Municipal Securities Rulemaking Board ("MSRB") as soon as practicable after delivery of such report. The CAFR for the City's fiscal year ended June 30, 2010 was deposited with the MSRB on February 25, 2010, through the MSRB's Electronic Municipal Market Access (EMMA) system. 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, 2010. Such a request should be addressed to: Office of the Director of Finance, Municipal Services Building, Suite 1300, 1401 John F. Kennedy Boulevard, Philadelphia, Pennsylvania 19102. The CAFR is also available online at www.phila.gov/investor, the City's website ("City Website" or "Website"). The City also expects to provide financial and other information from time to time to Moody's Investors Service, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and Fitch Ratings, in connection with the securities ratings assigned by those rating agencies to bonds or notes of the City.

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

The City Website contains information in addition to that set forth in the CAFR. The "Terms of Use" statement of the City Website, incorporated herein by this reference, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City Website is not incorporated by reference in this Official Statement and persons considering a purchase of the Bonds should rely only on information contained in this Official Statement or incorporated by reference herein.

CITY SOCIOECONOMIC INFORMATION

Introduction

The City includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.526 million according to the U.S. Census Bureau, 2010 Population Estimates. The City is in the heart of the eleven-county Philadelphia–Camden–Wilmington metropolitan statistical area with approximately six million residents. Air, rail, highway, and water routes provide easy access to the City.

The City, the fifth largest in the United States, 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 retail market with over 2,500 retail stores in Center City Philadelphia.

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 and the Wells Fargo Center, is home to the Philadelphia 76ers, Flyers, Phillies and Eagles. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell, as well as Fairmount Park, which spans 8,000 acres and includes Pennypack Park and the country's first zoo.

The City is a center for health, education, and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. There are presently more than 30 hospitals, seven medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry and veterinary medicine, and the Philadelphia Center for Health Care Sciences in West Philadelphia. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area.

The City has the second largest concentration of students on the East Coast with eighty degree granting institutions of higher education and a total enrollment of over 300,000 students. Included among these institutions are the University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force to the Philadelphia community.

Hospitals and Medical Centers

The City also has major research facilities, including those located at its universities, the medical schools, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. The Children's Hospital of Philadelphia has recently completed the construction of a new $400 million biomedical research facility located within the Philadelphia Center for Health Care Sciences in West Philadelphia. A Comprehensive Cancer Center is also located at the University of Pennsylvania.

The following table presents data regarding hospitals and medical centers in the City. 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 22
Hospitals and Medical Centers
as of June 2011

Institution Name	Total Beds
Aria Health System[1]	485
Belmont Center for Comprehensive Treatment	147
Chestnut Hill Hospital	119
Department of Veterans Affairs Medical Center-Philadelphia	142
Einstein Medical Center -Philadelphia	711
Fairmount Behavioral Health System	185
Fox Chase Cancer Center	100
Friends Hospital	192
Girard Medical Center/Continuing Care Hospital of Philadelphia	51
Good Shepherd Penn Partners	38
Hahnemann University Hospital	510
Hospital of the University of Pennsylvania	776
Jeanes Hospital	176
Kensington Hospital	35
Magee Rehabilitation Hospital	96
Mercy Hospital of Philadelphia	180
Methodist Hospital Division - TJUH	165
Nazareth Hospital	195
Penn Presbyterian Medical Center	245
Pennsylvania Hospital	435
Roxborough Memorial Hospital	141
Shriners Hospitals for Children - Philadelphia	39
St. Christopher's Hospital for Children	175
St. Joseph's Hospital	146
Temple University Hospital[2]	740
The Children's Hospital of Philadelphia	461
Thomas Jefferson University Hospital	701
Triumph Hospital Philadelphia	58

[1] Aria Health System includes data for all three divisions - Frankford, Torresdale and Bucks County.
[2] Temple includes data for Episcopal Hospital.
Source: Delaware Valley Healthcare Council of HAP, Monthly Utilization Report, June 2010.

Children's Hospital Expansion. The **Children's Hospital of Philadelphia** (**CHOP**) is one of the largest and oldest children's hospitals in the world. It has an annual budget of $1.7 billion and receives approximately $203 million in research funding. It has over 13,000 employees. It admits 28,000 inpatients annually, has 1.6 million outpatient visits each year. Recently, *U.S.News & World Report's*

2011-12 ranked CHOP the nation's best children's hospital. Since 2002, CHOP has invested over $2.6 Billion in its expansion in Philadelphia, which is one of the largest hospital expansions in the U.S. The $500 million Ruth and Tristram Colket, Jr. Translational Research Building opened in 2010. The Trustees of CHOP recently approved an additional investment of $2.7 billion in CHOP's expansion in Philadelphia through 2017. CHOP is currently completing design on a $500 million Ambulatory Care Facility, whichbegan excavation in 2011, and will start full construction in the second quarter of 2012 and be opened in late 2013. The 8 story 500,000 s.f. facility will provide state of the art outpatient care, advanced imaging, and enhanced amenities for patients, families, and employees. In addition to this major development, CHOP has purchased a 9 acre vacant former school district vocational facility on the banks of the Schuylkill River directly across from its main campus in University City. CHOP is developing a master plan for the site, which would include administrative offices and research.

University of Pennsylvania. The University of Pennsylvania, a private ivy league institution, sits on a 300 acre campus in West Philadelphia across the river from downtown Philadelphia. Its more than 20,000 undergraduate, graduate and professional full time students attend more than 12 graduate and professional schools on its single campus within the City. The University and its health system is the largest private sector employer in Philadelphia employing over 30,000 staff with an annual budget of $6 billion. It receives close to $800 million in federally sponsored research funding annually. The University recently completed a new $370 million medical research building which houses three Penn institutes: the Institute for Diabetes, Obesity, and Metabolism; the Institute for Translational Medicine and Therapeutics; and the Penn Cardiovascular Institute. Penn will continue more than $61 million in fit out to three floors in the facility through the winter of 2012/2013. In 2011, Penn broke ground on its Krishna P. Singh Center for Nanotechnology, a new $88 million nanotechnology research facility combining expertise from both Penn's School of Arts and Sciences and its School of Engineering and Applied Science (SEAS). The Singh Center will also create new collaborations between industry and Penn, providing world class sophisticated electron microscopes, optics labs, and 10,000 square feet of nanofabrication clean rooms which are vital for prototyping new devices for the next wave of nanotechnology. The Center will establish Penn as a leader in this fast-moving technology and yield the translation of fundamental research into commercial products making the University and the City a hub for nanoscience research in the Mid-Atlantic. The building will open in 2013. Penn has also partnered with a local developer on a second phase of a multi-use $20 million development with 60 apartments and 12,000 s.f. of retail along its western commercial corridor at 40th and Market. The professionally managed apartment building is expected to break ground in 2012.

The Fox Chase Cancer Center. Fox Chase Cancer Center is one of the leading cancer research and treatment centers in the United States. Founded in 1904 in Philadelphia as one of the nation's first cancer hospitals, Fox Chase was also among the first institutions to be designated a National Cancer Institute Comprehensive Cancer Center in 1974. In late 2010, the Fox Chase Cancer Center and the Institute for Individualized Health, together, formed a partnership to create a $100 million Cancer Genome Institute. When it opens, the Institute will be the largest cancer genome sequencing effort in the United States. The Institute will perform highly collaborative research to understand the complex molecular underpinnings of cancer, and then apply those discoveries at the point of care.

Wistar. The Wistar Institute (the "Institute") was founded in 1892 and was the nation's first independent biomedical research facility. Wistar has evolved as one of the world's outstanding centers of basic biomedical research, focusing on cancer and vaccines and was designated a National Cancer Institute in 1972. It is a leader in vaccine research, developing vaccines against rubella and rabies in addition to conducting research in the area of genetics. The Institute is located within the campus of the University of Pennsylvania. The original building was constructed in 1894, with an annex added in the early 1900's; an animal facility built in 1922 and expanded in 1975; and a cancer wing added in 1975.

The Institute has started construction on a $100 million expansion and renovation project that will significantly increase its ability to carry out its mission. The Project will include the construction of a new seven-story 89,700 s.f. research building which will rise above its current historic facility at 36th and Spruce Streets in University City. The project will enable Wistar to expand its research operations, recruit new scientific faculty, and pursue new collaborative biomedical research in emerging areas of science. The building is scheduled for completion in 2014 and is expected to create 100 new research and administrative jobs, and allow the Institute to bring in more federal research funding to Philadelphia.

Drexel University – Founded in 1891 as the Drexel Institute of Science, Art and Industry, the University has since thrived into a 74-acre University City Main Campus that has blossomed into a state-of-the-art academic, residential and commercial destination fully integrated into the fabric of its surrounding neighborhood and Philadelphia. Since 2002, Drexel has significantly invested in its West Philadelphia neighborhood by adding new, modern aesthetic buildings that aim to reflect the University's high-technology mission. Today $232 million has been allocated for construction already in progress and scheduled for completion in 2011, and an estimated $300 million will be allocated for projected construction projects through 2016. In September, 2011 Drexel University opened the doors to its new $69-million science building, the Constantine N. Papadakis Integrated Sciences Building. The facility serves as the new home of Drexel University's biology department and includes North America's largest living biowall, a four-story wall of plants, serves as a living biological air filter. The University has also begun site preparation for a $92 million 12 story facility for its LeBow School of Business, which will house classrooms, student lounges and faculty offices. The building is scheduled to open in 2014.

Demographics

During the ten-year period between 2000 and 2010, the population of the City increased from 1,517,550 to 1,526,006. During the same period, the population of the Commonwealth increased by 3.4%.

Table 23
Population
City, Pennsylvania & Nation

	1990	2000	2010	% Change 1990-2000	% Change 2000-2010
Philadelphia	1,585,577	1,517,550	1,526,006	-4.3%	0.9%
Pennsylvania	11,881,643	12,281,054	12,702,379	3.4%	3.4%
United States	248,709,873	281,421,906	308,745,538	13.2%	9.7%

Source: U.S. Census Bureau, Census 2010, Census 2000, Census 1990.

Table 24
Population Age Distribution

Philadelphia County

Age	1990	% of Total	2000	% of Total	2007 – 2009	% of Total	2010	% of Total
0-24	563,816	35.6	551,308	36.3	529,490	34.4	547,534	35.9
25-44	490,224	30.9	444,774	29.3	461,068	30.0	434,385	28.5
45-64	290,803	18.3	307,746	20.2	355,484	23.1	358,778	23.5
65-84	217,913	13.7	186,383	12.3	162,531	10.6	157,198	10.3
85 & up	22,801	1.4	27,339	1.8	30,653	2.0	28,111	1.8
Total	1,585,577	100	1,517,550	100	1,539,226	100.0	1,526,006	100

Pennsylvania

Age	1990	% of Total	2000	% of Total	2007 – 2009	% of Total	2010	% of total
0-24	4,021,585	33.8	4,016,670	32.6	4,003,759	31.9	4,053,536	31.9
25-44	3,657,323	30.8	3,508,562	28.6	3,207,408	25.5	3,126,788	24.6
45-64	2,373,629	20	2,836,657	23.1	3,427,763	27.3	3,562,748	28.0
65-84	1,657,270	13.9	1,681,598	13.7	1,628,092	13.0	1,653,631	13.0
85 & up	171,836	1.4	237,567	1.9	297,534	2.4	305,676	2.4
Total	11,881,643	100	12,281,054	100	12,564,556	100.0	12,702,379	100

United States

Age	1990	% of Total	2000	% of Total	2007 – 2009	% of Total	2010	% of Total
0-24	90,342,198	36.3	99,437,266	35.3	104,507,545	34.3	103,699,067	34.1
25-44	80,754,835	32.5	85,040,251	30.2	83,150,108	27.3	83,432,695	27.4
45-64	46,371,009	18.6	61,952,636	22	77,943,353	25.6	78,058,246	25.7
65-84	28,161,666	11.3	30,752,166	11	33,370,213	11.0	33,147,948	10.9
85 & up	3,080,165	1.2	4,239,587	1.5	5,349,246	1.8	5,721,768	1.9
Total	248,709,873	100	281,421,906	100	304,320,465	100	304,059,724	100

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The Economy

The City'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 the City 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 25
Office Rental Rates in Cities
Throughout the United States
(In $ Per Square Foot)

	May 2006	November 2006	May 2007	May 2008	November 2008	May 2009	November 2009	May 2010	November 2010
Atlanta	20.08	20.56	20.16	21.76	21.23	21.29	21.03	23.25	22.50
Chicago	23.77	22.97	22.44	24.75	24.78	24.56	24.82	23.95	23.70
Dallas	17.43	16.47	17.20	22.96	23.72	23.71	23.12	22.72	22.16
Denver	19.03	20.37	22.17	27.15	27.55	26.53	25.96	25.07	24.65
Houston	19.15	19.52	21.53	28.92	26.83	24.91	26.35	27.00	27.35
Los Angeles	23.12	22.59	23.74	30.52	30.51	29.92	28.72	28.74	28.80
New York	55.15	62.07	69.44	103.43	98.08	68.63	68.93	64.51	66.59
Philadelphia	22.42	22.96	22.60	24.35	25.26	25.24	24.09	25.36	25.91
Phoenix	24.29	26.19	27.32	29.14	29.17	28.23	26.72	26.89	25.70
Portland	21.58	22.41	23.00	25.85	27.62	26.99	26.65	26.33	25.86
San Francisco	30.62	31.11	35.81	49.71	48.57	39.40	33.94	33.17	33.97
St. Louis	21.12	21.75	21.21	22.82	22.42	22.78	22.51	22.58	22.55
Tampa	20.54	21.13	22.46	25.30	26.22	26.36	26.39	25.63	25.25
Washington, D.C.	42.74	43.58	44.00	51.05	51.26	51.77	51.74	51.75	53.03

Source: CB Richard Ellis, Global Market Rents Report; Global MarketView: Office Occupancy Costs Report.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Employment

The employment and unemployment rates and the total number of jobs within the City are reflected in Tables 26 and 27, respectively.

Overall, 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. However the overall gap between local and national unemployment remains due to market conditions brought on by the nation's financial crisis. 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.

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. Although the jobs report is mixed, Philadelphia has recovered nearly 7,000 jobs since 2009 and the City's job levels are consistent with average levels dating from 2004. As reflected in the Table 28, total employment has generally trended upwards in education/healthcare and leisure/hospitality over the entire period shown, while overall growth decreased slightly in 2009 and continues to be sluggish.

In March 2000, PAID assumed ownership of more than 1,200 acres at the site of the former Philadelphia Navy Shipyard, Naval Station, Naval Hospital and Defense Supply Center and began implementing an aggressive redevelopment campaign. To date, at least 115 companies and three Navy operations have leased or purchased in excess of 6 million square feet of facilities at the complex, now known as The Navy Yard. The Navy has retained more than two million square feet of facilities. Together, the private and Navy facilities employ more than 8,000 people. The Navy Yard's long-term development plans call for more than ten million square feet of developed industrial and commercial space and employment ranging between 15,000-25,000 persons.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 26
Labor Force Data Annual Average
Based on Residency (not seasonally adjusted)

	2003	2004	2005	2006	2007	2008	2009	2010	2011[3]
Philadelphia (000)[1]									
Labor Force	622.6	618.3	619.0	617.2	619.1	629.5	629.9	647.4	653.9
Employment	575.7	573.1	577.5	579.2	581.9	585.0	566.6	577.0	577.9
Unemployment	46.9	45.2	41.6	38.0	37.2	44.5	63.3	70.4	76.0
Unemployment Rate (%)	7.5	7.3	6.7	6.2	6.0	7.1	10.0	10.9	11.6
Philadelphia PMSA (000)[2]									
Labor Force	2,879.2	2,888.6	2,9196	2,949.2.	2,948.3	2,986.2	2,997.6	2,982.1	2,964.1
Employment	2,722.4	2,741.7	2,781.9	2,817.4	2,822.3	2,826.3	2,749.7	2,712.3	2,694.6
Unemployment	156.8	146.9	137.7	131.8	126.1	159.9	248.0	269.7	269.6
Unemployment Rate (%)	5.4	5.1	4.7	4.5	4.3	5.4	8.3	9.0	9.1
Pennsylvania (000)									
Labor Force	6,145.0	6,197.0	6,270.0	6,308.0	6,329.0	6,439.0	6,383.0	6,340.0	6,361.0
Employment	5,796.0	5,860.0	5,958.0	6,021.0	6,054.0	6,096.0	5,870.0	5,791.0	5,882.0
Unemployment	349.0	337.0	312.0	287.0	275.0	343.0	514.0	549.0	479.0
Unemployment Rate (%)	5.7	5.4	5.0	4.5	4.3	5.3	8.0	8.7	7.5
United States (000,000)									
Labor Force	146.5	147.4	149.3	151.4	153.1	154.3	154.1	153.9	154.02
Employment	137.7	139.3	141.7	144.4	146.0	145.4	139.9	139.1	140.5
Unemployment	8.8	8.1	7.6	7.0	7.1	8.9	14.3	14.8	13.5
Unemployment Rate (%)	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.6	8.8

(1) Philadelphia County
(2) The Philadelphia PMSA includes Philadelphia-Camden-Wilmington, PA, NJ, DE, MD Metro Stat Area.
(3) For September 2011.
Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, 2011.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 27
Philadelphia County
Total Monthly Employment and Monthly Unemployment Rates
Based on Residency (Seasonally Adjusted)
2004 – 2010

	Total Employment in 000's							Unemployment Rate Percent						
Month	2004	2005	2006	2007	2008	2009	2010	2004	2005	2006	2007	2008	2009	2010
January	573.7	574.8	574.9	578.9	583.4	577.8	580.4	7.5	6.9	6.1	6.0	6.4	8.7	10.7
February	573.4	573.5	576.3	579.8	582.0	575.6	577.5	7.3	7.2	6.4	5.8	6.4	9.2	10.8
March	572.0	572.2	576.4	579.2	582.7	572.4	577.4	7.7	6.9	6.2	5.7	6.6	9.2	10.8
April	572.4	574.4	576.4	576.2	586.0	572.1	578.6	7.4	6.8	6.4	6.0	6.5	9.3	11.0
May	569.7	576.2	576.5	575.4	584.4	569.2	579.4	7.5	6.7	6.2	6.0	6.8	9.6	10.7
June	570.7	574.7	577.7	578.3	583.3	567.3	577.4	7.6	6.6	6.2	6.0	6.9	10.0	10.8
July	573.6	577.2	575.6	579.4	582.4	565.3	574.1	7.4	6.4	6.3	6.1	7.1	10.2	10.9
August	572.8	575.8	577.0	578.9	582.6	563.2	577.5	7.3	6.5	6.2	6.0	7.5	10.5	10.8
September	573.4	576.6	576.8	579.2	582.0	560.7	577.4	7.2	6.7	6.1	6.1	7.5	10.8	10.8
October	574.0	576.0	577.8	578.6	582.2	559.2	574.7	7.1	6.5	5.9	6.2	7.8	11.0	11.0
November	575.3	575.7	577.2	581.8	579.1	559.0	574.6	7.0	6.8	6.1	6.1	8.0	11.0	11.3
December	576.5	578.8	578.5	580.4	578.3	557.9	575.2	6.9	6.4	5.9	6.3	8.4	11.1	10.9

Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, December 2010 (monthly) Seasonally Adjusted Labor Force, Philadelphia County.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 28
Philadelphia City
Non-Farm Payroll Employment[1]
(Amounts in Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011[2]	% Change from 2001 (%)	Average Annual % Change (%)
Construction & Mining	13.5	12.9	12.3	11.4	12.0	12.4	11.9	12.1	10.1	10.0	10.0	-25.68	-2.92
Manufacturing	40.2	37.7	34.0	32.6	31.2	29.9	28.5	27.8	25.7	24.8	24.3	-39.66	-4.93
Trade, Transportation, & Utilities	99.6	98.5	95.8	90.9	90.0	88.5	87.7	87.8	85.9	86.8	85.8	-13.88	-1.48
Information	17.1	17.0	15.9	13.6	13.2	12.8	12.6	12.5	12.6	12.3	12.2	-28.65	-3.32
Financial Activities	52.6	52.3	507	49.0	48.2	47.7	47.1	45.5	44.9	42.8	42.3	-19.52	-2.15
Professional & Business Services	83.7	825.9	80.9	80.3	82.4	84.2	85.8	85.3	80.1	81.3	79.8	-4.63	-0.47
Education & Health Services	177.9	181.0	185.3	184.1	186.8	192.2	197.1	201.6	204.8	207.5	211.2	18.69	1.73
Leisure & Hospitality	56.5	54.2	52.9	54.6	56.6	58.0	58.0	57.9	56.9	58.4	60.6	7.26	.70
Other Services	29.2	29.9	29.0	28.5	28.5	28.2	28.0	27.8	26.6	26.5	26.8	-8.30	-0.86
Government	118.0	117.1	114.7	113.0	111.4	108.6	105.9	104.3	105.1	106.3	103.9	-11.97	-1.27
Total	688.3	683.5	671.5	658.0	660.3	662.5	662.6	662.6	652.7	656.7	656.8	-4.57	-0.47

Source: Bureau of Labor Statistics (BLS).2011
[1] Includes persons employed within the City, without regard to residency.
[2] *Preliminary average employment estimates through September, 2011.*

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 29
Principal Employers in Philadelphia
as of June 30, 2010
(Listed Alphabetically)

Albert Einstein Medical
Children's Hospital of Philadelphia
City of Philadelphia
School District of Philadelphia
Southeastern Pennsylvania Transportation Authority
Temple University
Thomas Jefferson University Hospitals
United States Postal Service
University of Pennsylvania
University of Pennsylvania Hospital

Source: Philadelphia Department of Revenue.

Table 30
Fortune 500
Largest Corporations
With Headquarters in Philadelphia

(Amounts In Millions of USD)

Corporation	Type of Industry	Ranking	Revenues
Comcast	Telecommunications	66	37,937.0
Sunoco	Petroleum Refining	68	35,453.0
Cigna	Health Care/Insurance	122	21,253.0
ARAMARK	Diversified Outsourcing Services	194	12,571.7
Crown Holdings	Metal Products	301	7,941.0

Source: Fortune Magazine website, May 2011

Income

The following tables present data relating to per-capita income for the City, the PMSA, and the United States.

Table 31
Consumer Price Indices and Median Household Effective Buying Income

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
CPIU United States [1]	172.2	179.9	184.0	188.9	195.3	201.6	207.3	215.3	214.5	218.1
CPIU Philadelphia PMSA[1]	176.5	184.9	188.8	196.5	204.2	212.1	216.7	224.1	225.1	228.0
Buying Income[2]										
Philadelphia	$31,621	$29,995	$28,015	$28,150	$29,269	$30,748	$31,292	$30,746	$31,110	N/A
Philadelphia Metro Area[3]	$47,152	$43,800	$41,820	$42,852	$44,060	$45,395	$46,413	$46,900	$47,580	N/A
United States	$37,233	$38,365	$38,035	$38,201	$39,324	$39,324	$40,710	$41,792	$42,303	N/A

[1] Source: Consumer Price Index - All Urban Consumers. U.S. Bureau of Labor Statistics.
[2] Source: Sales & Marketing Management's 2009 Survey of Buying Power.
[3] Statistic is a measure of the Philadelphia, Camden & Wilmington Metropolitan Area.

Table 32
Number of Households by Income Range in Philadelphia County

	Number of Households[1]			Percentage of Households[1]		
Income	1990	2000	November 2007-2009[2]	1990	2000	2007-2009[2]
Under $ 9,999	136,335	109,237	82,818	22.6	18.5	14.5
$10,000-14,999	59,331	49,035	48,093	9.9	8.3	8.4
$15,000-24,999	108,405	89,059	76,005	18.1	15.0	13.3
$25,000-49,999	190,237	171,215	148,851	31.7	29.0	26.1
$50,000 and over	106,432	171,737	213,845	17.6	29.1	37.5
Total	600,740	590,283	569,612	100.0	100.0	100.0

[1] A household includes all the persons who occupy a housing unit.
[2] 2007-2009 American Community Survey 3 year estimates.
Source: U.S. Department of Commerce, Bureau of the Census.

Table 33
Number of Households by Income Range in United States

	Number of Households (000's)			Percentage of Households		
Income	1990	2000	2007 - 2009[1]	1990	2000	2007 - 2009[1]
Under $9,999	14,214	10,067	8,347	15.5	9.5	7.4
$10,000-14,999	8,133	6,657	6,313	8.8	6.3	5.6
$15,000-24,999	16,124	13,536	12,281	17.5	12.8	10.9
$25,000-49,999	31,003	30,965	28,141	33.7	29.3	24.9
$50,000 and over	22,519	44,312	58,022	24.5	42.1	51.3
Total	91,994	105,537	113,104	100.0%	100.0%	100.0%

[1] 2007-2009 American Community Survey 3 year estimates.
Source: U.S. Department of Commerce, Economics and Statistics Administration, 2000 Census of Population.
Figures may not add up due to rounding.

Retail Sales

The following table reflects taxable sales for the City from Fiscal Years 1997 to 2010.

Table 34
Taxable Retail Sales 1997-2010
(Amounts in Thousands of USD)

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
2008	13,704,958
2009	13,211,446
2010	13,050,202

Source: Figures determined by dividing the City's local sales tax reported by the Pennsylvania Department of Revenue by the applicable local sales tax rate.

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 ("PHL") in 1985. The line places PHL 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 the City 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 City operates PHL and Northeast Philadelphia Airport ("PNE") through its Division of Aviation. PHL is situated over 2,300 acres of land and is located approximately 7.2 miles from Center City Philadelphia. It is adjacent to I 95 and is served by a SEPTA commuter rail line with direct service to Center City Philadelphia. PHL serves residents of and visitors to a broad geographic area that includes portions of four states: Pennsylvania, New Jersey, Delaware and Maryland. In 2010, PHL handled approximately 30.8 million passengers, including 4.2 million international passengers. PHL is served by 30 different airlines and handles 607 daily departures to 121 cities, including 57 non-stop flights to 36 international destinations. PNE, a smaller reliever airport, is located on 1,150 acres situated within the City limits, 10 miles northeast of Center City Philadelphia. PNE provides for general aviation, air taxi, corporate, and occasional military use. The airport currently has no scheduled commercial service.

Water and Wastewater Systems

The water and wastewater systems of the City 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 57% of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 476,100 retail customers through 3,159 miles of mains, 3 water treatment plants, 15 pumping stations and provides fire protection through more than 25,200 fire hydrants. The water treatment plants continue to meet and /or exceed their Safe Drinking Water Act as well as partnership for Safe Water standards.

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 retail customer accounts is approximately 478,900 excluding approximately 35,150 stormwater only accounts. The wastewater and stormwater systems contain three water pollution control plants, a biosolids processing facility, 21 pumping stations, and approximately 3,657 miles of sewers. The wastewater treatment plants continue to meet and/or exceed their National Pollutant Discharge Elimination System permit limits.

Municipal Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2,400 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of through a combination of recycling processing facilities, private and City transfer stations within the City limits, and at various landfills operated outside the City limits. The contract is currently in its last year and we are soliciting bids for a new contract, which will be awarded during the course of this fiscal year.

Housing

The table below shows details related to Philadelphia County and the Commonwealth's housing markets:

Table 35
Characteristics of Housing Units

	1990	2000	2007-2009[1]	2010
Total Housing Units				
Philadelphia County	674,899	661,958	661,575	670,171
Pennsylvania	4,938,140	5,249,750	5,518,558	5,018,904
Percent Owner-Occupied				
Philadelphia County	62.0%	59.3%	56.8%	54.1%
Pennsylvania	70.6%	71.3%	71.5%	69.6%
Median Value of Owner-Occupied Housing				
Philadelphia County	$49,400	$59,700	$128,900	N/A
Pennsylvania	$69,700	$97,000	$152,300	N/A
Number/Average Persons per Housing Unit				
Philadelphia County	2.56	2.65	2.60	2.45
Pennsylvania	2.72	2.62	2.46	2.45

[1] 2007-2009 American Community Survey 3 year estimates.
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—all in order to grow the City's tax base.

Background

In 2010 and early 2011, while the nation endured a slow economic recovery, the City of Philadelphia continued to capitalize on its assets to push economic priorities. 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 industries. The City of Philadelphia is the fifth-largest city in the nation (2010 U.S. Census Data) with the third largest residential downtown and is at the center of the sixth largest metropolitan region. The Philadelphia region includes the fourth largest retail sales market in the nation, as well as a diverse network of business suppliers and complementary industries. The City's priorities include attraction and retention of knowledge workers, increasing educational attainment among Philadelphians, attracting development and promoting Philadelphia as a smart location for business in knowledge industries.

Strategic Location

The City is within a day's drive of 50 percent of the nation's population and is in key position to access regional and international markets, due to the transportation infrastructure centered here, including PHL, AMTRAK's Northeast Corridor service, major interstate highway access, regional SEPTA service and the Port of Philadelphia. Although the capacity of the Port of Philadelphia and PHL are currently limited, the Port of Philadelphia processed 3,644,919 metric tons of cargo and the airport processed 419,702 metric tons in 2010, both entities are in the midst of expansion projects which will ultimately increase cargo capacity in the region. The Port of Philadelphia is serviced by three Class I railroads and lies adjacent to the I-95 and I-76 highway routes, encompassing 4 million square feet of warehousing. PHL is similarly well located near these resources. As a passenger facility, PHL accommodated over 30 million passengers in 2010, a slight increase from 2009. PHL's passenger terminal expansion projects, scheduled to be completed in 2012, will increase passenger capacity and improve traveler experiences within the airport.

Beyond business, Philadelphians also benefit from this transportation infrastructure. For example, City's median commuting time is 19 percent lower than the national metropolitan average. Thirty-seven percent of residents do not drive their car to work, including 25 percent utilizing public transit, compared to just 10 percent nationally (2005-2009 American Community Survey). Access to public and alternative transportation also contributes to the affordability of the city.

Affordability

The City remains affordable when compared to its peers, as reflected in the chart below. The City's cost of living provides a competitive advantage over neighboring cities. In 2008, Forbes Magazine listed the City among the twenty best cities for young professionals to live, noting that college graduates are increasingly choosing the City over traditionally higher priced northeastern markets like Boston and New York.

Table 36
Cost of Living
2011 (First Quarter)[1]

Index	Philadelphia, PA	Washington-Arlington – Arlington, DC-VA	Boston, MA	New York (Manhattan), NY	National Average
Composite (100%)	126.5	140.5	133.9	217.4	100.0

[1] The Council for Community and Economic Research determines "Cost of Living" by weighing various living expenses including: cost of groceries, housing, utilities, transportation and health. The national average cost for each index area is set at "100," with the indices for each place calculated based upon their relation to that average.

Source: Council for Community and Economic Research ACCRA Cost of Living Index 2011

Arts, Culture, Recreation, and Sports

As a major urban center with a rich historic legacy, the City boasts of nationally recognized cultural amenities and entertainment opportunities, including landmarks such as Independence National Historical Park, the Philadelphia Art Museum, and the Kimmel Center for the Performing Arts, as well as recent developments, such as the construction of the Barnes Foundation Museum and the newly completed National Museum of American Jewish History. Additionally, the City is home to the nation's first "Percent for Art" Public Art Program, and the award winning Mural Arts Program, allowing arts access to all residents. Philadelphia is also home to the nation's largest urban park, 9,200 acre Fairmount Park. The City continues to add green space as it embarks on redevelopment of trails and recreational areas along the Delaware and Schuylkill rivers.

Beyond recreation, the City offers a robust nightlife. The central business district ("CBD") has experienced a 234 percent increase in fine dining restaurants since 1992 with 217 locations, and offers nearly as many outdoor cafes. The success of first-class sports facilities in South Philadelphia adds to the many recreation and entertainment options open to Philadelphians, regional residents and visitors.

Educational Attainment

The City captures a significant portion of the region's educational employment and enrollment because of its major colleges and universities. Among a much larger regional network of universities representing approximately 300,000 students, 18 institutions of higher education have campuses in the City. Forty percent of those students live in the City during their studies. More recently, the Philadelphia region has retained a stronger share of native graduates than in previous years, with 71% retained in 2010 versus 64% in 2004. Also, among students not from the area, 48% stayed in the region in 2010 while only 29% stayed in 2004. 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%, compared to 27%).

Real Estate Market

Despite challenges in the national economy, the City's central business district (the "CBD"), which encompasses 43.7 million rentable square feet, shows stable office market conditions. In the first quarter of 2011, the CBD posted a modest 21,000 square feet of positive net absorption during the first quarter, while the vacancy rate stayed flat at 12.5 percent, and average asking rental rates for class A space remain at $27.64 per-square-foot. While overall leasing velocity is below historical norms, the CBD has enjoyed two consecutive quarters of increases in overall occupancy, albeit modest increases.

Additional real estate opportunities will become available in the CBD in the upcoming year as GlaxoSmithKline relocates its 1,300-person Center City workforce to a 205,000 square-foot build-to-suit project in the Navy Yard in late 2012. The former GlaxoSmithKline site, among others, is under consideration for new hotel capacity for the City's recently expanded Pennsylvania Convention Center. Other future development activity in the CBD includes a 125,000 square-foot tower near East Market Street, slated to be developed for the University of Pennsylvania Health System. Leasing activities are also underway for two additional projects in University City, the 90,000 square-foot 2.0 University Place project and the Science Center's next planned development, 3737 Market.

Major Industry Sectors

Philadelphia demonstrates concentrations in seven sectors when compared to the United States: Educational Services, Health Care and Social Assistance, Management of Companies and Enterprises Finance and Insurance, Professional and Technical Services, Transportation and Warehousing, and Arts, Entertainment, and Recreation. Of these seven sectors, the City has a higher concentration of employment than the State of Pennsylvania in four sectors: Education Services, Health Care and Social Assistance, Finance and Insurance, and Professional & Technical Services.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 37
Philadelphia and Pennsylvania Industry Concentrations
Compared to the United States

Industry	Pennsylvania	Philadelphia County
Educational Services	1.65	4.75
Health Care and Social Assistance	1.23	1.72
Management of Companies and Enterprises	1.42	1.40
Finance and Insurance	1.03	1.23
Professional and Technical Services	0.91	1.14
Transportation and Warehousing	1.13	1.10
Arts, Entertainment, and Recreation	1.05	1.05

Source BLS: 2011 Location Quotient, 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.

Knowledge Industry: Poised for Growth

The sector of the City's economy which has remained most insulated from the recent recession has been Education and Health Services, capturing a 20.6% growth rate since 2001. The City, in its strategic plan for economic development and job growth, has identified the "Eds and Meds," along with Professional and Business Services, and Leisure and Hospitality, as targeted growth sectors that will drive the City's recovery process and position it for continued long-term growth.

The Education sector not only provides stable support to the local economy, but also generates a steady supply of potential "Knowledge Industry" workers. 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. In a 2009 report published by the Milken Institute, the Greater Philadelphia region's life sciences industry earned the number one ranking of the study's "current impact" category by directly employing 94,400 workers and generating $7.7 billion in direct revenue in 2008. These advantages equip the City and the region to continue to build its knowledge industries.

While the City 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 the City and the region, the life sciences, which includes health care, research, biotechnology, and pharmaceuticals. The City 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.

The City'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. The City supports several initiatives with the goal of increasing employment in this sector and fostering population growth in the City as a result. The City's population has increased 0.6% since 2000 according to the U.S. Census Bureau's 2010 figures. The City's official population is now recorded as 1,526,006.

Notably in the 2010 Census, several neighborhoods in the City experienced a significant increase of residents in their 20s and 30s. Six neighborhoods are now majority "young adult." This residential shift is also responsible for increasing wealth within those neighborhoods. For example, average household income increased 61 percent in Southeast Center City, and 57 percent in Northern Liberties.

Philadelphia International Airport

PHL is situated on over 2,300 acres of land located partly in the southwestern section of the City and partly in the northeastern section of Delaware County, about 7.2 miles southwest of Center City Philadelphia. PHL has four runways and seven terminal buildings, is served by 30 different airlines and handles 607 daily departures to 121 cities, including 57 non-stop flights to 36 international destinations. Currently, PHL accounts for over 141,000 jobs within the region and has a regional economic impact of $14.4 billion annually.

In calendar year 2010, PHL served 30.8 million passengers, including 4.2 million international travelers. PHL is ranked the ninth busiest airport in the nation and twelfth busiest in the world for aircraft operations (take-offs and landings). Since 2001, PHL has added two new terminals, one regional and one international, to its complex. This development, along with other terminal expansion, more than doubled the size of the Airport terminal complex from 1.4 million to 3.1 million square feet and expanded the number of boarding gates by 94% from 65 to 124. Demand for air travel, spurred by low-fare competition with the entrance of Southwest Airlines in 2004, increased passenger traffic from 24.9 million in 2000 to 30.8 million in 2010. In addition, PHL serves as a key-connecting hub for US Airways.

Airport system capital improvements have been financed primarily through Federal and Commonwealth grants-in-aid, Passenger Facility Charge (PFC) revenues, general obligation bonds and Airport Revenue Bonds. The City currently has $1,470,385,000 of Airport Revenue Bonds outstanding. No general obligation bonds of the City issued to finance capital improvements to the Airport System are currently outstanding or contemplated. In November 2010, the City completed the sale of its Series 2010A Airport Revenue Bonds and 2010B, C, and D Airport Revenue Refunding Bonds totaling approximately $625 million in principal amount. The 2010A Airport Revenue Bonds financed several new capital projects, including expansion of the commuter terminal, Terminal B/C expansion design, taxiway design and construction, runway resurfacing, and other infrastructure and terminal improvements. The 2010B, 2010C and 2010D Airport Revenue Bonds refunded the City's Series 1997B Airport Revenue Bonds, a portion of the 1998A Airport Revenue Bonds, and a portion of the 1998B Airport Revenue Bonds respectively.

PHL recently culminated a 10-year planning process and a 7-year environmental review process in January 2011 with the Federal Aviation Administration (the "FAA") issuing a Record of Decision approving the Airport's Capacity Enhancement Program (the "CEP"). Receipt of this final document enables PHL to proceed with the next steps required to expand and make critically needed improvements. The CEP provides for a new runway, which will allow independent simultaneous aircraft operations in all weather conditions, to significantly reduce delays; two runway extensions (one of which will provide the necessary runway length to accommodate non-stop, long haul flights to reach around the world); enlarging and reconfiguring the existing terminal complex; relocating several off-airport facilities; developing a centralized ground transportation center; constructing an automated people mover for transport of passengers between terminals; and additional parking facilities that will interface with the existing SEPTA rail line. The cost of the CEP is estimated to be $6.4 billion in 2010 dollars and the total period for the phased construction is anticipated to be approximately 13 calendar years, in duration, lasting from 2013 through 2025. The funding of this longer-term capital program will require the issuance of additional airport revenue bonds.

PHL's four-year Airport-Airline Use and Lease Agreement (the "Airline Agreement") expired on June 30, 2011. It established procedures for the annual review and adjustment of airlines rentals, fees and charges for airlines operating at PHL. PHL and the airlines have agreed upon a two-year extension to the Airline Agreement. As part of the extension, the airlines granted approval to PHL to proceed with projects totaling approximately $250 million. During the two-year extension, PHL and tenant airlines will discuss a longer-term agreement to cover the CEP period.

Philadelphia Industrial Development Corporation

PIDC is a private, not-for-profit Pennsylvania corporation, founded in 1958 as a joint venture between the City and the Greater Philadelphia Chamber of Commerce, with the mission of implementing the City's economic development initiatives. PIDC is governed by a 30-member Board of Directors appointed by the Mayor and the President of the Greater Philadelphia Chamber of Commerce. PIDC provides financing programs and real estate services to business and not-for-profit corporations throughout the City as well as coordinates workforce development and developer assistance programs offered by the City and the Commonwealth. PIDC manages the PAID, which serves as a conduit for the issuance of tax-exempt debt and other economic development initiatives. PIDC also is responsible for the redevelopment of the former Philadelphia Naval Shipyard and Naval Station, now collectively known as The Navy Yard, described further below under the section titled "The Navy Yard."

Financing Programs

PIDC offers a variety of financing programs, including direct loans, grants and tax-exempt financing, designed to encourage economic growth in the City.

PIDC Loan Programs: Largely funded by federal, state, and local government sources, PIDC loan programs generally offer subordinated financing and below-market interest rates. Eligible uses of PIDC loans include infrastructure costs, land acquisition, building construction, machinery/equipment purchase, or working capital. During 2010, PIDC settled seventy loan transactions and provided in excess of $50 million of funding to projects valued at approximately $416 million. Since January 2011, PIDC settled 50 loans totaling approximately $78.8 million.

PIDC and PAID Grant Programs: PIDC and PAID administer a number of federal, state and local grant programs, targeted to non-profit organizations in the City. The Commonwealth's Redevelopment Assistance Capital Program and the City's Cultural and Commercial Corridors grant program are important sources of capital funding to local cultural institutions, health-care organizations, universities and community development corporations. During 2010, 85 grant transactions totaling $167.3 million were closed through PIDC and PAID. Since January 2011, 81 grants totaling $295.8 million closed through PIDC and PAID.

PAID Tax-Exempt Programs: PAID issues, as a conduit, tax-exempt bonds for qualified manufacturing and not-for-profit organizations. PAID is also a conduit for taxable issues. During calendar year 2010, PAID settled ten tax-exempt financings for approximately $120 million for project costs totaling $147.5 million. Since January 2011, PAID has settled six tax-exempt bond transactions totaling $109.3 million.

Real Estate Services

On behalf of the City, PIDC is responsible for managing the City's industrial land inventory by acquiring, improving and selling industrial and commercial land throughout the City. Over the years, PIDC has successfully acquired, improved and sold more than 2,800 acres of such land in 18 industrial parks in the City.

- Industrial Land: PIDC's parcels are competitively priced, zoned and ready for development, as well as fully improved with roads and utilities. Many of these sites are located in established Northeast, West, and Southwest Philadelphia industrial parks with excellent access to transportation and workforce. The other industrial sites are situated in redeveloping commercial neighborhood corridors. PIDC anticipates selling three acres of industrial land by the end of the year.

  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.

  PIDC is seeking opportunities to replenish the City's inventory of industrial land by purchasing distressed or underutilized industrially-zoned sites to improve and sell on behalf of the City. During the first half of 2011, there have been no industrial land sales. This reflects the impact of the overall slowdown in the national and regional economy and the shortage of quality industrial sites in the City. PIDC is negotiating two acquisitions of industrially-zoned sites, which if successful, will settle in 2011 or early 2012.

  In September 2010, PIDC published the Industrial Land and Marketing Strategy, along with the City Commerce Department and the City Planning Commission, which provides a comprehensive review of the City's industrial land inventory, and develops 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. PIDC along with the City's Commerce Department and the Planning Commission will commence a comprehensive planning study of the Lower Schuylkill River, with the objective of revitalizing this heavily industrial portion of the City.

- Public Property Sales: In 2005, PIDC entered into an agreement with the City's Department of Public Property to market the City's surplus real estate. Since this effort began, PIDC has completed the sale of 34 properties resulting in approximately $17 million for the City's General Fund. PIDC completed five transactions in 2010 totaling $1,993,800 in sales. During 2011 PIDC has sold one public property for a nominal amount.

- Developer Selection: PIDC also manages developer selection and sales of key real estate assets in the City utilizing conventional RFQ/RFP methodology. PIDC recently selected a developer for development of a location on the Avenue of the Arts at Broad a& South Streets and expects to settle on this property during the last quarter of 2012.

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 the former military property at The Navy Yard to civilian use. The Navy Yard, the largest former Defense Department asset with 1,200 acres and 6.5 million square feet of existing industrial and office space, is located on the Delaware River at the south end of Broad Street.

Since the ownership transfer in March 2000, PIDC has been responsible for planning, operations and development of this massive property. Initial development emphasis was on infrastructure and $25 million was invested on upgrades to the roads and utilities systems. The development of the Aker Philadelphia Shipyard, a $300 million state-of-the-art facility, was funded by federal, state, and local sources. To-date more than 115 companies and three Navy operations occupy in excess of 6 million square feet of space and employ more than 8,000 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 has been 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. Aker employs in excess of 600 persons in its commercial shipbuilding operation and has completed $2 billion worth of ship orders. During February of 2011, the Commonwealth announced the investment of $42 million (subject to various conditions) to allow Aker to compete for future orders of commercial ships. In September of 2011 Aker executed an agreement for two tankers with ExxonMobil's U.S. marine affiliate valued at approximately $400 million.

  There are also 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 500 employees. Building on the skilled workforce and range of industrial supplier companies located at The Navy Yard, Philadelphia Ship Repair and Rhoads Industries each lease a dry-dock, pier and related facilities to support commercial and military ship repair activity. Tasty Baking Company opened a 350,000 SF bakery and distribution center at The Navy Yard in 2010. This facility, along with an additional 100,000 square feet of speculative flex and industrial space, has been 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, all of which are fully leased: (i) a 77,000-square-foot, multi-tenant speculative building, (ii) a 47,000 square foot build-to-suit headquarters for Unique Industries and (iii) a 95,000 square foot office building completed in the second quarter of 2009. In February 2011, the pharmaceutical company GlaxoSmithKline announced the relocation of its operations and 1,300 employees from Center City Philadelphia to The Navy Yard. The brand new, 205,000 square foot, Class A office space facility represents $80 million dollars of private investment. The relocation of GlaxoSmithKline is currently anticipated to occur between fourth quarter 2012 and first quarter 2013. In September 2011, the pharmaceutical company Iroko broke ground on a 56,412 square foot Class A office headquarters, which is scheduled to be completed in the fourth quarter of 2012. PIDC and Liberty/Synterra are in pre-development for the next phase of speculative office construction.

- Additional Corporate Office Activity: The Navy Yard's shift from a federal, industrial property to a private sector business park is underscored by the number of headquarter relocations including the relocations of Unique Industries, and Barthco International in addition to those mentioned above. In 2006, Urban Outfitters ("Urban"), a major retailer of clothing, furnishings and accessories completed its $115 million corporate campus, an award-winning historic conversion of approximately 300,000 square feet of former industrial facilities. Urban has grown their headquarters workforce to more than 1,200 employees since relocating to The Navy Yard and completed work on a $20 million, 50,000 square feet expansion in June 2010. Urban exercised their options on additional space with the announcement of expansion plans which will add an additional 1,000 employees once completed in three years. ● 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 a 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.

- Green Technology: In 2009, PIDC established the Navy Yard Clean Energy Campus as the identity of Navy Yard R&D activity. Early initiatives of the Clean Energy Campus have resulted in Penn State establishing a Navy Yard location for its graduate level engineering program; the relocation of Ben Franklin Technology Partners' Corporate Office to The Navy Yard; the development of the Building 100 Innovation Center by Ben Franklin, DVIRC and PIDC to house early stage technology companies focused on power and energy related research; and a cadre of twelve related companies with offices at The Navy Yard.

  PIDC and its Navy Yard Clean Energy Campus partners also continue to pursue significant federal funding for research, education and commercialization facilities. The Navy has commenced development on a new, $20 million energy test center. Penn State University was recently awarded $10 million in grants from the Department of Energy ("DOE") to establish regional, Mid Atlantic Centers at The Navy Yard for Solar Training and Resources, Clean Energy Applications and Smart Grid Development. These activities commenced in 2011. PIDC, Penn State University and nearly 100 partners have been awarded a $130 million grant from the Department of Energy to study new technology around energy efficient buildings at The Navy Yard.

- Life Sciences: 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 square feet office and lab facility at The Navy Yard. AppTec, which started with 40 employees, was subsequently acquired by WuXi Pharmaceuticals and now the resultant firm employs 150 persons at The Navy Yard. This facility was recently acquired by Charles River Laboratories, North America's largest contract manufacturing operation. Phoenix IP Ventures, an intellectual property Merchant Bank focused in the life sciences area, established its corporate headquarters at The Navy Yard.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Additional Projects under Construction

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

Table 38
Projects under Construction

Project	Estimated Cost
City Hall Exterior Renovation Project	$90,000,000
Robin Hood Dell Restoration	$5,500,000
Emergency Standby Generators	$4,600,000
Philadelphia Industrial Correctional Center Security Upgrade Project	$2,100,000
Fire Point Source Capture	$11,000,000
Waterworks Esplanade Bulkhead Reconstruction	$1,100,000
New Youth Study Center	$93,000,000
Fire Department - New Engine 38	$7,000.000
The Police SWAT/Bomb Squad/K9 Facility	$10,500,000

Source: Office of Budget and Program Evaluation.

APPENDIX IV

CERTAIN INFORMATION CONCERNING THE 2005C-1 BANK

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX IV

CERTAIN INFORMATION CONCERNING THE 2005C-1 BANK

TD Bank, N.A. (the "2005C-1 Bank") is a national banking association organized under the laws of the United States, with its main office located in Wilmington, Delaware. The 2005C-1 Bank is an indirect, wholly-owned subsidiary of The Toronto-Dominion Bank ("TD") and offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer, trust and insurance agency services. The 2005C-1 Bank operates banking offices in Connecticut, Delaware, the District of Columbia, Florida, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, North Carolina, New York, Pennsylvania, Rhode Island, South Carolina, Vermont and Virginia. As of September 30, 2011, the 2005C-1 Bank had consolidated assets of $187.5 billion, consolidated deposits of $150.6 billion and stockholder's equity of $28.1 billion, based on regulatory accounting principles.

On April 1, 2011, TD and the 2005C-1 Bank acquired Chrysler Financial Services Americas LLC ("Chrysler Financial") for cash consideration of approximately $6.3 billion. The purchase is comprised of net assets of $5.9 billion and approximately $400 million in goodwill. Under the terms of the acquisition agreement, the 2005C-1 Bank acquired the Chrysler Financial business in the U.S. and TD acquired the Chrysler Financial business in Canada. The acquisition gives TD and the 2005C-1 Bank all of Chrysler Financial's processes and technology as well as its existing portfolio of retail assets in both countries, and gives TD and the 2005C-1 Bank a platform for asset generation in the North American automotive lending market, giving it the opportunity to significantly grow its consumer loan portfolio.

Additional information regarding the foregoing, and the 2005C-1 Bank and TD, is available from the filings made by TD with the U.S. Securities and Exchange Commission (the "SEC"), which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning TD and the 2005C-1 Bank contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The 2005C-1 Letter of Credit has been issued by the 2005C-1 Bank and is the obligation of the 2005C-1 Bank and not TD.

The 2005C-1 Bank will provide copies of the publicly available portions of the most recent quarterly Call Report of the 2005C-1 Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

TD Bank, N.A.
1701 Route 70 East
Cherry Hill, New Jersey 08034
Attn: Corporate and Public Affairs

Information regarding the financial condition and results of operations of the 2005C-1 Bank is contained in the quarterly Call Reports of the 2005C-1 Bank delivered to the Comptroller of the Currency and available online at https://cdr.ffiec.gov/public. General information regarding the 2005C-1 Bank may be found in periodic filings made by TD with the SEC. TD is a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare certain filings with the SEC in accordance with the disclosure requirements of Canada, its home country. Canadian disclosure requirements are different from those of the United States. TD's financial statements are prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles.

The delivery hereof shall not create any implication that there has been no change in the affairs of TD or the 2005C-1 Bank since the date hereof, or that the information contained or referred to in this Appendix IV is correct as of any time subsequent to its date.

APPENDIX V

CERTAIN INFORMATION CONCERNING THE 2005C-2 BANK

Royal Bank of Canada (referred to in this Appendix V as "Royal Bank") is a Schedule I bank under the *Bank Act* (Canada), which constitutes its charter and governs its operations. Royal Bank's corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario M5J 2J5, Canada, and its head office is located at 1 Place Ville Marie, Montreal, Quebec H3C 3A9, Canada.

Royal Bank and its subsidiaries operate under the master brand name RBC. Royal Bank is one of Canada's largest banks as measured by assets and market capitalization and is among the largest banks in the world based on market capitalization. Royal Bank is one of North America's leading diversified financial services companies and provides personal and commercial banking, wealth management services, insurance, corporate and investment banking and transaction processing services on a global basis. Royal Bank and its subsidiaries employ approximately 74,000 full- and part-time employees who serve close to 15 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 56 other countries.

Royal Bank had, on a consolidated basis, as at October 31, 2011, total assets of C$752 billion (approximately US$749 billion[*]), shareholders' equity of C$42 billion (approximately US$42 billion*), and total deposits of C$444 billion (approximately US$443 billion*). The foregoing figures were prepared in accordance with Canadian generally accepted accounting principles and have been extracted and derived from, and are qualified by reference to, Royal Bank's audited Consolidated Financial Statements included in Royal Bank's Annual Report to Shareholders for the fiscal year ended October 31, 2011.

The senior long-term unsecured debt of Royal Bank has been assigned ratings of AA- (stable outlook) by Standard & Poor's Ratings Services, Aa1 (stable outlook) by Moody's Investors Service and AA (stable outlook) by Fitch Ratings. Royal Bank's common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange under the trading symbol "RY." Its preferred shares are listed on the Toronto Stock Exchange.

Upon written request, and without charge, Royal Bank will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited Consolidated Financial Statements, to any person to whom this Remarketing Circular is delivered. Requests for such copies should be directed to Investor Relations, Royal Bank of Canada, by writing to 200 Bay Street, 4th Floor, North Tower, Toronto, Ontario M5J 2W7, Canada, or by calling (416) 955-7802, or by visiting rbc.com/investorrelations/.

The delivery of this Remarketing Circular shall not create any implication that there has been no change in the affairs of Royal Bank since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date.

---

[*] As at October 31, 2011: C$1.00 = US$0.9967.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX VI

APPROVING OPINIONS OF 2005 CO-BOND COUNSEL DELIVERED JUNE 2, 2005

[THIS PAGE INTENTIONALLY LEFT BLANK]

SAUL
EWING
Attorneys at Law
A Delaware LLP

lawyers@saul.com
www.saul.com

June 2, 2005

Re: City of Philadelphia, Pennsylvania
$41,000,000 Airport Revenue Bonds, Series 2005B
$189,500,000 Airport Revenue Refunding Bonds, Series 2005C

To the Purchasers of the Within-Described 2005B Bonds and 2005C Bonds:

We have acted as Co-Bond Counsel in connection with the authorization, issuance and sale by the City of Philadelphia, Pennsylvania (the "City") of its Airport Revenue Bonds, Series 2005B (the "2005B Bonds"), in the aggregate principal amount of $41,000,000 and its Airport Revenue Refunding Bonds, Series 2005C (the "2005C Bonds", and collectively with the 2005B Bonds, the "2005 Bonds") in the aggregate principal amount of $189,500,000. The 2005 Bonds are being issued under and pursuant to the First Class City Revenue Bond Act of the Commonwealth of Pennsylvania, Act No. 234 of October 18, 1972, P.L. 955, as amended (the "Act") and the Amended and Restated General Airport Revenue Bond Ordinance approved June 16, 1995 (the "General Ordinance") as amended and supplemented including the Sixth Supplemental Ordinance approved April 20, 2005 (the "Sixth Supplemental Ordinance," together with the General Ordinance, as amended and supplemented, the "Ordinance"). The proceeds of the 2005 Bonds, together with other available moneys, are being used for the purpose of: (i) paying the costs of certain capital improvements to Philadelphia International Airport, (ii) currently refunding the City's Airport Revenue Bonds, Series 1995A, (iii) paying the cost of a surety bond to meet the Parity Sinking Fund Reserve Requirement, (iv) funding a portion of capitalized interest on the 2005B Bonds, and (v) paying certain costs of issuance and insurance of the 2005 Bonds.

The 2005B Bonds and 2005C Bonds are issued in fully registered form and are dated, are in such denominations, bear interest, mature and are subject to redemption prior to maturity as set forth in the respective forms of 2005 Bonds. The 2005 Bonds are payable as to principal at the corporate trust office of Wachovia Bank, National Association (the "Fiscal Agent").

The 2005 Bonds, together with outstanding issues of Airport Revenue Bonds, Series 1997A, Series 1997B, Series 1998A, Series 1998B, Series 2001A and Series 2001B, and all other airport revenue bonds hereafter issued for the purposes and upon the terms and conditions prescribed in the Ordinance, as the case may be (collectively, the "Bonds") are equally and ratably secured to the extent provided in the Ordinance, as the case may be, and the Act.

As Co-Bond Counsel for the City, we have examined the Act and such Constitutional provisions, statutes and regulations of the Commonwealth of Pennsylvania and such other records and documents of the City as we deemed necessary for the purposes of this opinion. We have also examined the proceedings authorizing the issuance and sale of the 2005 Bonds, including the General Ordinance and the Sixth Supplemental Ordinance; the transcript of proceedings filed by the City with the Court of Common Pleas of Philadelphia, together with evidence of the filing thereof, and certain statements, certifications, opinions, agreements, reports, affidavits, receipts and other documents which we have considered relevant, including, without limitation, an opinion of the City Solicitor of the City and a certification of officials of the City having responsibility for issuing the 2005 Bonds given pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder. We have also examined a fully executed and authenticated 2005B Bond and 2005C Bond and have assumed that all other 2005B Bonds and 2005C Bonds, respectively, have been similarly executed and authenticated.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon.

On the basis of the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the Commonwealth of Pennsylvania, including the Act, the General Ordinance and the Sixth Supplemental Ordinance, the City is authorized to issue the 2005 Bonds, and the terms thereof comply with the requirements of the Act, the General Ordinance and the Sixth Supplemental Ordinance.

2. The General Ordinance and the Sixth Supplemental Ordinance have been duly enacted and constitute legal, valid and binding obligations of the City with respect to the 2005 Bonds and are enforceable against the City in accordance with their respective terms except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws, or by legal or equitable principles affecting creditors' rights generally.

3. The 2005 Bonds have been duly authorized and issued and are valid and binding obligations of the City, are enforceable against the City in accordance with their terms and are limited obligations of the City, payable solely out of the pledged project revenues and certain other funds and monies that have been pledged as provided in the General Ordinance for the timely payment of the principal thereof, at their respective maturities or redemption dates, and the interest thereon when due.

4. The 2005 Bonds do not pledge the credit or taxing power, nor create any debt or charge against the tax or general revenues of the City, nor do they create any lien against any property of the City other than the revenues, monies and funds pledged in the General Ordinance.

5. The issuance of the 2005 Bonds does not cause the debt of the City to exceed Constitutional debt limitations.

6. Interest on the 2005 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, except as to interest on any 2005 Bond during any period such 2005 Bond is held by a person who is a "substantial user" of the facilities financed with the 2005 Bond proceeds, or a "related person," as those terms are used in Section 147(a) of the Code. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2005 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2005 Bonds to be includable in gross income retroactive to the date of issuance of the 2005 Bonds. The City has covenanted to comply with all such requirements. Interest on the 2005 Bonds is treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes.

We express no opinion regarding other federal tax consequences relating to the 2005 Bonds or the receipt of interest thereon.

7. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the 2005 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2005 Bonds or the interest thereon.

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 offering of the 2005 Bonds, and make no representation that we have independently verified the contents thereof.

Finally, we call to your attention that the rights of the holders of the 2005 Bonds and the enforceability thereof and of the General Ordinance and the Sixth Supplemental Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws or equitable principles affecting creditors' rights generally.

Very truly yours,

Saul Ewing LLP

[THIS PAGE INTENTIONALLY LEFT BLANK]

LAW OFFICES OF

Denise Joy Smyler

109 South Twenty Second Street
Philadelphia, PA 19103

215-568-6090
FAX 215-568-6091

June 2, 2005

Re: City of Philadelphia, Pennsylvania
$41,000,000 Airport Revenue Bonds, Series 2005B
$189,500,000 Airport Revenue Refunding Bonds, Series 2005C

To the Purchasers of the Within-Described 2005B Bonds and 2005C Bonds:

We have acted as Co-Bond Counsel in connection with the authorization, issuance and sale by the City of Philadelphia, Pennsylvania (the "City") of its Airport Revenue Bonds, Series 2005B (the "2005B Bonds"), in the aggregate principal amount of $41,000,000 and its Airport Revenue Refunding Bonds, Series 2005C (the "2005C Bonds", and collectively with the 2005B Bonds, the "2005 Bonds") in the aggregate principal amount of $189,500,000. The 2005 Bonds are being issued under and pursuant to the First Class City Revenue Bond Act of the Commonwealth of Pennsylvania, Act No. 234 of October 18, 1972, P.L. 955, as amended (the "Act") and the Amended and Restated General Airport Revenue Bond Ordinance approved June 16, 1995 (the "General Ordinance") as amended and supplemented including the Sixth Supplemental Ordinance approved April 20, 2005 (the "Sixth Supplemental Ordinance," together with the General Ordinance, as amended and supplemented, the "Ordinance"). The proceeds of the 2005 Bonds, together with other available moneys, are being used for the purpose of: (i) paying the costs of certain capital improvements to Philadelphia International Airport, (ii) currently refunding the City's Airport Revenue Bonds, Series 1995A, (iii) paying the cost of a surety bond to meet the Parity Sinking Fund Reserve Requirement, (iv) funding a portion of capitalized interest on the 2005B Bonds, and (v) paying certain costs of issuance and insurance of the 2005 Bonds.

The 2005B Bonds and 2005C Bonds are issued in fully registered form and are dated, are in such denominations, bear interest, mature and are subject to redemption prior to maturity as set forth in the respective forms of 2005 Bonds. The 2005 Bonds are payable as to principal at the corporate trust office of Wachovia Bank, National Association (the "Fiscal Agent").

The 2005 Bonds, together with outstanding issues of Airport Revenue Bonds, Series 1997A, Series 1997B, Series 1998A, Series 1998B, Series 2001A and Series 2001B, and all other airport revenue bonds hereafter issued for the purposes and upon the terms and conditions prescribed in the Ordinance, as the case may be (collectively, the "Bonds") are equally and ratably secured to the extent provided in the Ordinance, as the case may be, and the Act.

As Co-Bond Counsel for the City, we have examined the Act and such Constitutional provisions, statutes and regulations of the Commonwealth of Pennsylvania and such other records and documents of the City as we deemed necessary for the purposes of this opinion. We have also examined the proceedings authorizing the issuance and sale of the 2005 Bonds, including the General Ordinance and the Sixth Supplemental Ordinance; the transcript of proceedings filed by the City with the Court of Common Pleas of Philadelphia, together with evidence of the filing thereof, and certain statements, certifications, opinions, agreements, reports, affidavits, receipts and other documents which we have considered relevant, including, without limitation, an opinion of the City Solicitor of the City and a certification of officials of the City having responsibility for issuing the 2005 Bonds given pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder. We have also examined a fully executed and authenticated 2005B Bond and 2005C Bond and have assumed that all other 2005B Bonds and 2005C Bonds, respectively, have been similarly executed and authenticated.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon.

On the basis of the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the Commonwealth of Pennsylvania, including the Act, the General Ordinance and the Sixth Supplemental Ordinance, the City is authorized to issue the 2005 Bonds, and the terms thereof comply with the requirements of the Act, the General Ordinance and the Sixth Supplemental Ordinance.

2. The General Ordinance and the Sixth Supplemental Ordinance have been duly enacted and constitute legal, valid and binding obligations of the City with respect to the 2005 Bonds and are enforceable against the City in accordance with their respective terms except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws, or by legal or equitable principles affecting creditors' rights generally.

3. The 2005 Bonds have been duly authorized and issued and are valid and binding obligations of the City, are enforceable against the City in accordance with their terms and are limited obligations of the City, payable solely out of the pledged project revenues and certain other funds and monies that have been pledged as provided in the General Ordinance for the timely payment of the principal thereof, at their respective maturities or redemption dates, and the interest thereon when due.

4. The 2005 Bonds do not pledge the credit or taxing power, nor create any debt or charge against the tax or general revenues of the City, nor do they create any lien against any property of the City other than the revenues, monies and funds pledged in the General Ordinance.

5. The issuance of the 2005 Bonds does not cause the debt of the City to exceed Constitutional debt limitations.

6. Interest on the 2005 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, except as to interest on any 2005 Bond during any period such 2005 Bond is held by a person who is a "substantial user" of the facilities financed with the 2005 Bond proceeds, or a "related person," as those terms are used in Section 147(a) of the Code. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2005 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2005 Bonds to be includable in gross income retroactive to the date of issuance of the 2005 Bonds. The City has covenanted to comply with all such requirements. Interest on the 2005 Bonds is treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes.

We express no opinion regarding other federal tax consequences relating to the 2005 Bonds or the receipt of interest thereon.

7. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the 2005 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2005 Bonds or the interest thereon.

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 offering of the 2005 Bonds, and make no representation that we have independently verified the contents thereof.

Finally, we call to your attention that the rights of the holders of the 2005 Bonds and the enforceability thereof and of the General Ordinance and the Sixth Supplemental Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws or equitable principles affecting creditors' rights generally.

Very truly yours,

Denise J. Forge

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX VII

CONTINUING DISCLOSURE AGREEMENT DATED AS OF JUNE 1, 2005

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE AGREEMENT

THE CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE BONDS, SERIES 2005B, AND AIRPORT
REVENUE REFUNDING BONDS, SERIES 2005C

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered as of this 1st day of June, 2005 by and between The City of Philadelphia, a corporation and body politic existing under the laws of the Commonwealth of Pennsylvania (the "City") and Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent"), in connection with the issuance by the City of $41,000,000, Aggregate Principal Amount, Airport Revenue Bonds, Series 2005B, and $189,500,000, Aggregate Principal Amount, Airport Revenue Refunding Bonds, Series 2005C (collectively, the "Bonds").

The Bonds are being issued and secured under the provisions of The First Class City Revenue Bond Act, P.L. 955, Act No. 234 of the General Assembly of the Commonwealth of Pennsylvania approved October 18, 1972 (the "Act"); the Amended and Restated General Airport Revenue Bond Ordinance, approved June 16, 1995 (Bill No. 950282), as amended and supplemented (the "General Ordinance") and the Sixth Supplemental Ordinance to the General Ordinance approved April 20, 2005 (Bill No. 050214) (the "Sixth Supplemental Ordinance"). The General Ordinance, as amended and supplemented, including as supplemented by the Sixth Supplemental Ordinance, is herein referred to as the "Ordinance." Certain matters concerning the Bonds have been determined pursuant to the Ordinance by the Bond Committee of the City, consisting of the Mayor, the City Controller and the City Solicitor ("Bond Committee"), in an authorization for the Bonds dated June 2, 2005 ("Bond Authorization").

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1. Definitions.

In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context clearly requires otherwise) terms defined in the recitals hereto shall have such meanings throughout this Disclosure Agreement, and, in addition, the following terms shall have the meanings specified below:

"Airport System" means the Philadelphia International Airport and the Northeast Philadelphia Airport, both of which are currently owned by the City and operated by the Division of Aviation of the City's Department of Commerce.

"Annual Financial Information" means the financial information and operating data with respect to the Airport System, delivered at least annually pursuant to Section 3 hereof, substantially similar to the type set forth in certain sections of the Official Statement as listed in Section 3(a)(2) hereof and in Appendix I to the Official Statement. The financial statements comprising the Annual Financial Information are prepared according to accounting methods and procedures which conform to generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board.

"Business Day" or "Business Days" means any day other than a Saturday or Sunday or, in the City, a legal holiday or a day on which banking institutions are authorized by law to close or a day on which the Dissemination Agent is closed.

"Disclosure Representative" means the Director of Finance of the City or such other official or employee of the City as the Director of Finance shall designate in writing to the Dissemination Agent.

"Fiscal Agent" means Wachovia Bank, National Association, as fiscal agent under the Fiscal Agent Agreement.

"Material Event" means any of the events listed in Section 4(a) of this Disclosure Agreement, if material within the meaning of the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

"National Repository" means any nationally recognized municipal securities information repository now or hereafter designated as such by the Securities and Exchange Commission for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission can be found at *www.sec.gov/info/municipal/nrmsir.htm*.

"Obligated Person" means the City and any airline or other entity using the Airport System pursuant to an agreement (for more than one year from the date in question) that includes debt service on the Bonds as part of the calculation of rates and charges, under which agreement such airline or other entity has paid amounts equal to at least 20% of the Project Revenues (as defined in the Ordinance) of the Airport System for each of the two prior Fiscal Years of the Airport System.

"Official Statement" means the City's Official Statement dated May 24, 2005 relating to the Bonds.

"Participating Underwriters" means any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase and reoffering of the Bonds.

"Registered Owner" or "Registered Owners" means the person or persons in whose name a Bond is registered on the books of the City maintained by the Fiscal Agent in accordance with the General Ordinance. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owners" shall also mean and include, for the purposes of this Disclosure Agreement, beneficial owners and the owners of book-entry credits evidencing a beneficial ownership interest in the Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds, except those who have filed their names and addresses with the Dissemination Agent for the purpose of receiving notices or giving direction under this Disclosure Agreement.

"Rule" means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time.

"Securities Depository" means The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the Ordinance.

"State Information Depository" means any public or private repository designated by the Commonwealth of Pennsylvania as a state information depository within the meaning of the Rule. As of the date of this Disclosure Agreement, there is no State Information Depository.

All words and terms used in this Disclosure Agreement and defined above or elsewhere herein shall have the same meanings as set forth in the Bond Authorization, the Fiscal Agent Agreement, if defined therein, or in the Ordinance, if defined therein.

Section 2. **Authorization and Purpose of Agreement.** This Disclosure Agreement is authorized to be executed and delivered by the City pursuant to the Ordinance and the Bond Authorization in order to enable the Participating Underwriters to comply with the requirements of the Rule.

Section 3. **Provision and Filing of Annual Financial Information.**

(a) Within 240 days of the close of each fiscal year of the City, commencing with the fiscal year ending June 30, 2005, the Disclosure Representative shall file with the Dissemination Agent Annual Financial Information for such fiscal year. The Dissemination Agent shall file promptly upon receipt thereof the Annual Financial Information with each National Repository and with the State Information Depository, if any, the Annual Financial Information. Such Annual Financial Information shall include:

(1) commencing with the fiscal year ending June 30, 2005, a copy of the Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, prepared by the office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards board and the American Institute of Certified Public Accountants' Audit Guide, Audits of State and Local Government Units; and

(2) commencing with the fiscal year ending June 30, 2005, to the extent such information is not contained in the CAFR, an update of the information in the Official Statement contained in "THE AIRPORT SYSTEM – Table 1 History of Applications to Use PFC Revenues," "-Table 2 PFC Revenues Through 12/31/05," "-Table 3 Historical Enplaned Passengers," "-Table 4 Airline Shares of Enplaned Passengers," and "FINANCIAL FACTORS – Table 5 Summary of Historical Project Revenues and Expenses of the Airport System City of Philadelphia" and Appendix I – "Financial Statements of the Division of Aviation."

(b) The Annual Financial Information will contain unaudited financial statements if audited financial statements are not available.

(c) The City agrees to use its reasonable best efforts to cause any Obligated Person (to the extent such entity is not otherwise required under federal law to do so) to make annual financial information available as required by the Rule. The City takes no responsibility for the accuracy or completeness of such filings by any Obligated Person. The City's obligations under this paragraph are limited to and satisfied by the City's transmitting a notice to such Obligated Person that it has become an Obligated Person under this Disclosure Agreement, by enclosing a copy of this Agreement and the Rule, and by requesting that such person transmit back to the City an acknowledgement and acceptance of such person's obligations under the Rule with regard to the Bonds.

(d) The City may provide the CAFR and the Annual Financial Information with respect to the Airport System by specific cross-reference to other documents which have been submitted to the Repositories or filed with the Securities and Exchange Commission.

(e) The City reserves the right to modify from time to time the specific types of information provided and the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City; provided that the City agrees that any such modification will be done in a manner consistent with the Rule. The City may, at its option, satisfy its obligations by providing an official statement for one or more series of general obligation bonds or lease revenue bonds or by specific reference, in accordance with the Rule, to one or more official statements provided previously and available from the MSRB.

(f) As soon as audited financial statements for the City are available, commencing with the audited financial statements for the fiscal year ending June 30, 2005, the Disclosure Representative shall file the audited financial statements with the Dissemination Agent. The Dissemination Agent shall file promptly upon receipt thereof the audited financial statements with each National Repository and the State Information Depository, if any.

Section 4. <u>Material Events.</u>

(a) The City agrees that it shall provide through the Dissemination Agent, in a timely manner, each National Repository or to the MSRB and to the State Information Depository, if any, notice of the occurrence of any of the following events with respect to the Bonds if material within the meaning of the Rule (each a "Material Event"):

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements, if any, reflecting financial difficulties;

(5) substitution of credit or liquidity providers, if any, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(7) modifications to the rights of the holders of the Bonds;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds; and

(11) rating changes.

The foregoing eleven events are quoted from the Rule. No mandatory redemption shall be deemed a material event.

(b) Whenever the City concludes that a Material Event has occurred, the Disclosure Representative shall promptly notify the Dissemination Agent in writing of such occurrence, specifying the Material Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with each National Repository or the MSRB and the State Information Depository, if any. Upon receipt, the Dissemination Agent shall promptly file such notice with each National Repository or the MSRB and the State Information Depository, if any. In addition, the Dissemination Agent shall file with each National Repository or the MSRB and the State Information Depository, if any, notice of any failure by the City or the Dissemination Agent to timely file the Annual Financial Information as provided in Section 3 hereof, including any failure by the City or the Disclosure Representative to provide the Annual Financial Information on or before the date specified in Section 3(a) hereof, no later than noon of the following Business Day. Any filing with each National Repository, the MSRB and the State Information Depository, if any, shall be accompanied by the form annexed hereto as Exhibit A and made a part hereof.

(c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in clauses (a)(1), (3), (4), (5), (8) or (9) of this Section 4, notify the Disclosure Representative of the occurrence of such event and shall, within three Business Days after giving notice to the Disclosure Representative, file notice of such occurrence with the MSRB and the State Information Depository, if any, unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice because the event has not occurred or the event is not material within the meaning of the Rule.

(d) The Dissemination Agent shall prepare an affidavit of mailing for each notice delivered pursuant to clauses (b) and (c) of this Section 4 and shall deliver such affidavit to the City no later than three Business Days following the date of delivery of such notice.

(e) The Dissemination Agent shall request the return from each National Repository, the MSRB and the State Information Depository, if any, of acknowledgement or receipt of any notice delivered to each National Repository, the MSRB and the State Information Depository, if any. Upon the return of all completed acknowledgements of a notice, the Dissemination Agent shall prepare an affidavit of receipt specifying the date and hour of receipt of such notice by each recipient to the extent such information has been provided to the Dissemination Agent. Such affidavit of receipt shall be delivered to the City no later than three Business Days following the date of receipt by the Dissemination Agent of the last completed acknowledgement.

Section 5. **Amendment; Waiver.**

(a) Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement or waive any of the provisions hereof by a writing executed by each of the parties hereto, provided that no such amendment or waiver shall be executed by the parties hereto or be effective unless:

(i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in identity, nature or status of the Airport System, the City or the governmental operations conducted by the City;

(ii) this Disclosure Agreement, as amended by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the Registered Owners of the Bonds.

(b) Evidence of compliance with the conditions set forth in clause (a) of this Section 5 shall be satisfied by the delivery to the Dissemination Agent of an opinion of counsel having recognized experience and skill in the issuance of municipal securities and federal securities law, acceptable to both the City and the Dissemination Agent, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a)(i), (a)(ii), and (a)(iii) of this Section 5.

(c) Notice of any amendment or waiver containing an explanation of the reasons therefor shall be given by the Disclosure Representative to the Dissemination Agent upon execution of the amendment or waiver and the Dissemination Agent shall promptly file such notice with each National Repository, the MSRB and the State Information Depository, if any. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner, including owners of book-entry credits who have filed their names and addresses with the Dissemination Agent.

Section 6. **Other Information.**

(a) Nothing in this Disclosure Agreement shall preclude the City from disseminating any other information with respect to the City or the Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the Annual Financial Information and the notices of Material Events specifically provided for herein, nor shall the City be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the City to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the City shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

(b) Nothing in this Disclosure Agreement shall relieve the Dissemination Agent of any of its duties and obligations under the Ordinance or the Bond Authorization.

(c) Except as expressly set forth in this Disclosure Agreement, the Dissemination Agent shall have no responsibility for any continuing disclosure to the Registered Owners, the MSRB, any National Repository or any State Information Depository.

Section 7. Default.

(a) In the event that the City or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Registered Owner of the Bonds shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the City or the Dissemination Agent to perform each and every term, provision and covenant contained in this Disclosure Agreement. The Dissemination Agent shall be under no obligation to take any action in respect of any default hereunder unless it has received the direction in writing to do so by the Registered Owners of at least 25% of the outstanding principal amount of the Bonds and if, in the Dissemination Agent's opinion, such action may tend to involve expense or liability, unless it is also furnished with indemnity and security for expenses satisfactory to it.

(b) A default under the Disclosure Agreement shall not be or be deemed to be an Event of Default under the Bonds, the Ordinance , the Bond Authorization or the Act and the sole remedy in the event of a failure by the City or the Dissemination Agent to comply with the provisions hereof shall be the action to compel performance described in Section 7(a) above.

Section 8. Concerning the Dissemination Agent.

(a) The Dissemination Agent accepts and agrees to perform the duties imposed on it by this Disclosure Agreement, but only upon the terms and conditions set forth herein. The Dissemination Agent shall have only such duties in its capacity as are specifically set forth in this Disclosure Agreement. The Dissemination Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, and other experts, officers, or employees selected by it, and the written advice of such counsel or other experts shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Dissemination Agent shall not be answerable for the default or misconduct of any attorney, agent, expert or employee selected by it with reasonable care. The Dissemination Agent shall not be answerable for the exercise of any discretion or power under this Disclosure Agreement or liable to the City or any other person for actions taken hereunder, except only its own willful misconduct or negligence.

(b) The City shall pay the Dissemination Agent reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including reasonable fees and expenses of its counsel or other experts, as shall be agreed upon by the Dissemination Agent and the City. Nothing in this Section 8(b) shall be deemed to constitute a waiver of governmental immunity by the City. The provisions of this Section 8(b) shall survive termination of this Disclosure Agreement.

(c) The Dissemination Agent may act on any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Disclosure Agreement; and the Dissemination Agent shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement in the absence of actual notice to the contrary. The Dissemination Agent shall be under no obligation to institute any suit, or to take any action under this Disclosure Agreement, or to enter any appearance or in any way defend in any suit in which it may be made a defendant, or to take any steps in the execution of the duties hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified by the Registered Owners to its satisfaction against any and all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements, and against all liability; the Dissemination Agent may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Dissemination Agent, without indemnity.

Section 9. **Term of Disclosure Agreement.**

This Disclosure Agreement shall terminate as to each series of Bonds upon (1) payment or provision for payment in full of such series of Bonds; (2) repeal or rescission of Section (b)(5) of the Rule; or (3) a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

Section 10. **Beneficiaries.**

This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent and the Registered Owners from time to time of the Bonds and nothing herein contained shall confer any right upon any other person.

Section 11. **Notices and Filings.**

(a) Any written notice to or demand may be served, presented or made to the persons named below and shall be sufficiently given or filed for all purposes of this Disclosure Agreement if deposited in the United States mail, first class postage prepaid, or in a recognized form of overnight mail or by telecopy with confirmation of receipt, addressed:

(i) to each National Repository and the State Information Depository, if any, at its address listed for such National Repository by the Security and Exchange Commission at *www.sec.gov/info/municipal/nrmsir.htm*

(ii) to the Dissemination Agent at:

DAC, an Ernst and Young Company LLP
250 Park Avenue South, Suite 305
Winter Park, FL 32789
Attention: Nicole Sheehan
Fax: (407) 515-6513

(iii) to the City or the Disclosure Representative at:

The City of Philadelphia
Office of the Director of Finance
Municipal Services Building
1401 J.F.K. Boulevard
Philadelphia, PA 19102;
Attention: Director of Finance
Fax: (215) 568-1947

(iv) to the MSRB at:

Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314
Telecopier No.: (703) 797-6700

or such other addresses as may be designated in writing to all parties hereto.

(b) Any filing under this Disclosure Agreement may be made to the National Repositories and State Information Depositories solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at *http://www.disclosureusa.org* unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 12. No Personal Recourse.

No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the City (including without limitation, the Disclosure Representative), or of any successor body as such, either directly or through the City or any such successor body, under any constitutional provisions, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

Section 13. Controlling Law.

The laws of the Commonwealth of Pennsylvania shall govern the construction and interpretation of this Disclosure Agreement.

Section 14. **Removal and Resignation of the Dissemination Agent.**

The City has appointed the Dissemination Agent as exclusive Dissemination Agent under this Disclosure Agreement. The City may, upon 30 days' written notice to the Dissemination Agent and the Fiscal Agent, replace or appoint a successor Dissemination Agent. Upon termination of the Dissemination Agent's services as Dissemination Agent, whether by notice of the City or the Dissemination Agent, the City agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Agreement for the benefit of the holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the City shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty days' prior written notice to the City.

Section 15. **Successors and Assigns.**

All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the City or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 16. **Headings for Convenience Only.**

The descriptive headings of this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 17. **Counterparts.**

This Disclosure Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 18. **Entire Agreement.**

This Disclosure Agreement sets forth the entire understanding and agreement of the City and the Dissemination Agent with respect to the matters herein contemplated and no modification or amendment of or supplement to this Disclosure Agreement shall be valid or effective unless the same is in writing and signed by the parties hereto.

Section 19. **Severability.**

In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision or the Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall be construed and enforced as if such illegal or invalid or inoperable portion were not contained herein.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA has caused this Disclosure Agreement to be executed by the Acting Director of Finance and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its duly authorized officers, all as of the day and year first above written.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

By:____________________________
Acting Director of Finance

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent

By:____________________________
Authorized Officer

ACKNOWLEDGEMENT AND AGREEMENT:

US Airways, Inc. ("US Airways") hereby acknowledges its current status as an Obligated Person hereunder and the City's undertaking to provide information in accordance with the Rule as described herein. So long as it is an Obligated Person, US Airways agrees to make available, within 120 days after the end of its fiscal year (December 31), with respect to the information regarding US Airways set forth in the Official Statement under the caption "THE AIRPORT SYSTEM – Information Concerning the Scheduled Airlines" such information regarding itself and its operations as is required by the Rule.

US AIRWAYS, INC.

BY:____________________________
Name: STEPHEN L. MORRELL
Title: VP - FINANCE AND TREASURER

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA has caused this Disclosure Agreement to be executed by the Acting Director of Finance and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its duly authorized officers, all as of the day and year first above written.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

By:____________________________
Acting Director of Finance

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent

By:____________________________
Authorized Officer

ACKNOWLEDGEMENT AND AGREEMENT:

US Airways, Inc. ("US Airways") hereby acknowledges its current status as an Obligated Person hereunder and the City's undertaking to provide information in accordance with the Rule as described herein. So long as it is an Obligated Person, US Airways agrees to make available, within 120 days after the end of its fiscal year (December 31), with respect to the information regarding US Airways set forth in the Official Statement under the caption "THE AIRPORT SYSTEM – Information Concerning the Scheduled Airlines" such information regarding itself and its operations as is required by the Rule.

US AIRWAYS, INC.

BY:____________________________
Name:
Title:

EXHIBIT A

MUNICIPAL SECONDARY MARKET DISCLOSURE

INFORMATION COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12 or any analogous state statute.

City's and/or Other Obligated Person's Name: ____________________________________
CUSIP Numbers (attach additional sheet if necessary):______________________________

Nine-Digit CUSIP Number(s) to which this material event notice relates:________________
____

Information relates to all securities issued by issuer having the following six-digit numbers: ____
____

Number of pages of attached material event notice:____________________________________

Description of Material Events Notice (Check One):

1. ___Principal and interest payment delinquencies

2. ___Non-Payment related defaults
3. ___Unscheduled draws on debt service reserves reflecting financial difficulties
4. ___Unscheduled draws on credit enhancements reflecting financial difficulties
5. ___Substitution of credit or liquidity providers, or their failure to perform
6. ___Adverse tax opinions or events affecting the tax-exempt status of the security
7. ___Modifications to rights of security holders
8. ___Bond calls
9. ___Defeasances
10. ___Release, substitution, or sale of property securing repayment of the security
11. ___Rating changes
12. ___Failure to provide annual financial information as required
13. ___Other material event notice (specify):
14. ___Financial information: Please check all appropriate spaces:

___CAFR (a) __ includes __ does not include Annual Financial information
(b) __ Audited? Yes __ No __
___ Annual Financial Information: Audited? Yes __ No __
_____ Operating Data
Fiscal Period Covered: ___________________________

* Financial Information should not be filed with the MSRB.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:___________________________
Name: ______________________________
Title:________________________________
Employer:___________________________
Address: ____________________________
City, State, Zip Code:__________________
Voice Telephone Number:______________

Please print the material event notice attached to the cover sheet in 10-point type or larger.

The cover sheet and notice may be faxed to the MSRB at (703) 683-1930. Contact the MSRB at (202) 223-9503 with questions regarding this form or the dissemination of this notice.

APPENDIX VIII

PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX VIII

[PROPOSED FORM OF OPINION OF CO-BOND COUNSEL]

_____________, 2011

CITY OF PHILADELPHIA, PENNSYLVANIA
$81,300,000 AIRPORT REVENUE REFUNDING BONDS, SUB-SERIES 2005C-1

TO THE PURCHASERS OF THE ABOVE-ENTITLED BONDS:

On June 2, 2005, we acted as Co-Bond Counsel in connection with the issuance by the City of Philadelphia, Pennsylvania (the "City") of $189,500,000 in aggregate principal amount of its Airport Revenue Refunding Bonds, Series 2005C (the "Bonds"). The Bonds were issued under and pursuant to the First Class City Revenue Bond Act of the Commonwealth of Pennsylvania, Act No. 234 of October 18, 1972, P.L. 955, as amended (the "Act"), and the Amended and Restated General Airport Revenue Bond Ordinance approved June 16, 1995 (the "Original Ordinance"), as supplemented and amended, including, by the Sixth Supplemental Ordinance (Bill No. 050214, approved by the Mayor on April 20, 2005) (the "Sixth Supplemental Ordinance" together with the Original Ordinance, the "General Ordinance"). Capitalized terms used herein and not defined shall have the meanings given to such terms in the General Ordinance.

On December 23, 2008, the Bonds were remarketed and secured by a direct-pay, irrevocable letter of credit issued by TD Bank, N.A. (the “Original LOC”) which expires on December 23, 2011. Pursuant to the terms of the General Ordinance and a Variable Rate Securities Agreement dated as of June 1, 2005 as amended by a First Supplemental Variable Rate Securities Agreement dated as of December 1, 2008 and a Second Supplemental Variable Rate Securities Agreement dated as of December 1, 2011 (collectively, the "Variable Rate Securities Agreement") and in connection with the expiration of the Original LOC, the City has determined to remarket the Bonds currently outstanding in the aggregate principal amount of $162,600,000 (the "Remarketing"). In connection with the Remarketing, the City will bifurcate the Bonds into two subseries: the 2005 Sub-Series C-1 Bonds in the aggregate principal amount of $81,300,000 (the "2005C-1 Bonds") and the 2005 Sub-Series C-2 Bonds in the aggregate principal amount of $81,300,000. On the date of the Remarketing, the City will terminate the Original LOC and cause to be delivered to U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), a direct-pay, irrevocable letter of credit (the "Alternate Liquidity Facility") issued by TD Bank, N.A. (the "Bank") pursuant to a Reimbursement Agreement between the City and the Bank dated as of December 1, 2011 (the "Reimbursement Agreement") for the 2005C-1 Bonds.

For purposes of this opinion, we have, among other things, examined the following: the Variable Rate Securities Agreement, the General Ordinance and such other agreements, documents and records as we have deemed necessary as a basis for the opinion expressed below.

On the basis of and subject to the assumptions, qualifications, exceptions and limitations set forth above and below, we are of the opinion that the termination of the Original LOC and the delivery of the Alternate Liquidity Facility, will not, in and of themselves, adversely affect the exclusion of the interest from gross income for federal income tax purposes on the 2005C-1 Bonds.

We call to your attention that ownership of tax-exempt obligations, including the 2005C-1 Bonds, may result in collateral federal income tax consequences to certain taxpayers, including financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We express no opinions as to such collateral tax consequences. Prospective purchasers of the 2005C-1 Bonds should consult their own tax advisors as to such consequences.

We further call to your attention that certain requirements must be satisfied subsequent to the issuance of obligations, including the 2005C-1 Bonds, in order that interest thereon continues to be excluded from gross income for federal income tax purposes. We have not undertaken to investigate such matters other than the proposed replacement of the Original LOC with the Alternate Liquidity Facility, and, except as expressly set forth above, express no opinion on the present status of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The opinion in this letter is limited to the matters set forth herein; no opinion may be inferred or implied beyond the matters expressly stated in this letter; and the opinion must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth in this letter. We assume no obligation to update this opinion to advise you of any changes in facts or laws subsequent to the date hereof.

We express no opinion herein with regard to, and we assume no responsibility for the accuracy or completeness of the Remarketing Circular prepared in connection with the remarketing of the 2005C-1 Bonds.

APPENDIX VIII

[PROPOSED FORM OF OPINION OF CO-BOND COUNSEL]

_____________, 2011

CITY OF PHILADELPHIA, PENNSYLVANIA
$81,300,000 AIRPORT REVENUE REFUNDING BONDS, SUB-SERIES 2005C-2

TO THE PURCHASERS OF THE ABOVE-ENTITLED BONDS:

On June 2, 2005, we acted as Co-Bond Counsel in connection with the issuance by the City of Philadelphia, Pennsylvania (the "City") of $189,500,000 in aggregate principal amount of its Airport Revenue Refunding Bonds, Series 2005C (the "Bonds"). The Bonds were issued under and pursuant to the First Class City Revenue Bond Act of the Commonwealth of Pennsylvania, Act No. 234 of October 18, 1972, P.L. 955, as amended (the "Act"), and the Amended and Restated General Airport Revenue Bond Ordinance approved June 16, 1995 (the "Original Ordinance"), as supplemented and amended, including, by the Sixth Supplemental Ordinance (Bill No. 050214, approved by the Mayor on April 20, 2005) (the "Sixth Supplemental Ordinance" together with the Original Ordinance, the "General Ordinance"). Capitalized terms used herein and not defined shall have the meanings given to such terms in the General Ordinance.

On December 23, 2008, the Bonds were remarketed and secured by a direct-pay, irrevocable letter of credit issued by TD Bank, N.A. (the “Original LOC”) which expires on December 23, 2011. Pursuant to the terms of the General Ordinance and a Variable Rate Securities Agreement dated as of June 1, 2005 as amended by a First Supplemental Variable Rate Securities Agreement dated as of December 1, 2008 and a Second Supplemental Variable Rate Securities Agreement dated as of December 1, 2011 (collectively, the "Variable Rate Securities Agreement") and in connection with the expiration of the Original LOC, the City has determined to remarket the Bonds currently outstanding in the aggregate principal amount of $162,600,000 (the "Remarketing"). In connection with the Remarketing, the City will bifurcate the Bonds into two subseries: the 2005 Sub-Series C-1 Bonds in the aggregate principal amount of $81,300,000 and the 2005 Sub-Series C-2 Bonds in the aggregate principal amount of $81,300,000 (the "2005C-2 Bonds"). On the date of the Remarketing, the City will terminate the Original LOC and cause to be delivered to U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), a direct-pay, irrevocable letter of credit (the "Alternate Liquidity Facility") issued by Royal Bank of Canada (the "Bank") pursuant to a Reimbursement Agreement between the City and the Bank dated as of December 1, 2011 (the "Reimbursement Agreement") for the 2005C-2 Bonds.

For purposes of this opinion, we have, among other things, examined the following: the Variable Rate Securities Agreement, the General Ordinance and such other agreements, documents and records as we have deemed necessary as a basis for the opinion expressed below.

On the basis of and subject to the assumptions, qualifications, exceptions and limitations set forth above and below, we are of the opinion that the termination of the Original LOC and the delivery of the Alternate Liquidity Facility, will not, in and of themselves, adversely affect the exclusion of the interest from gross income for federal income tax purposes on the 2005C-2 Bonds.

We call to your attention that ownership of tax-exempt obligations, including the 2005C-2 Bonds, may result in collateral federal income tax consequences to certain taxpayers, including financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We express no opinions as to such collateral tax consequences. Prospective purchasers of the 2005C-2 Bonds should consult their own tax advisors as to such consequences.

We further call to your attention that certain requirements must be satisfied subsequent to the issuance of obligations, including the 2005C-2 Bonds, in order that interest thereon continues to be excluded from gross income for federal income tax purposes. We have not undertaken to investigate such matters other than the proposed replacement of the Original LOC with the Alternate Liquidity Facility, and, except as expressly set forth above, express no opinion on the present status of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The opinion in this letter is limited to the matters set forth herein; no opinion may be inferred or implied beyond the matters expressly stated in this letter; and the opinion must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth in this letter. We assume no obligation to update this opinion to advise you of any changes in facts or laws subsequent to the date hereof.

We express no opinion herein with regard to, and we assume no responsibility for the accuracy or completeness of the Remarketing Circular prepared in connection with the remarketing of the 2005C-2 Bonds.