REOFFERING CIRCULAR

Remarketing – No New Issue – Book Entry Only **Ratings: See "Expected Ratings" herein.**

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

$234,280,000
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
Multi-Modal Lease Revenue Refunding Bonds
2007 Series B

Consisting of:

$117,275,000 2007 Series B-1 **$72,400,000 2007 Series B-2** **$44,605,000 2007 Series B-3**

Dated: Date of Original Delivery **Due: As shown on inside front cover**

The Philadelphia Authority for Industrial Development's Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B (the "2007B Bonds") were issued pursuant to a Trust Indenture dated as of April 1, 2001 between the Philadelphia Authority for Industrial Development (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as previously amended and supplemented (the "Existing Indenture"), and as further amended and supplemented by a Fifth Supplemental Trust Indenture dated as of May 1, 2011 (the "Fifth Supplemental Indenture" and, together with the Existing Indenture, the "Indenture") in connection with (i) the designation of the 2007B Bonds into three subseries: 2007 Series B-1 in the aggregate principal amount of $117,275,000 (the "2007B-1 Bonds"), 2007 Series B-2 in the aggregate principal amount of $72,400,000 (the "2007B-2 Bonds") and 2007 Series B-3 in the aggregate principal amount of $44,605,000 (the "2007B-3 Bonds") and (ii) the delivery by the Authority to the Trustee of a separate irrevocable, direct-pay letter of credit for each subseries of the 2007B Bonds. By the purchase and acceptance of the 2007B Bonds, the owners of the 2007B Bonds are deemed to have irrevocably consented to the amendments contained in the Fifth Supplemental Indenture.

The 2007B Bonds are dated their date of original delivery and mature on the dates and in the amounts set forth on the inside front cover. The 2007B Bonds of each subseries will bear interest from May 24, 2011 to and including the Last Day of Initial Interest Period set forth on the inside front cover, and thereafter at a Weekly Rate, subject to conversion to an ARS Rate, Daily Rate, Commercial Paper Rate, Term Rate or Fixed Rate by the Authority, at the direction of the City of Philadelphia, Pennsylvania (the "City"), and upon satisfaction of certain conditions described herein and in the Indenture. While the 2007B Bonds of a subseries bear interest at a Weekly Rate, the interest rate will be determined by the Remarketing Agent therefor as described herein. (See "THE 2007B BONDS – Determination of Interest Rates" herein.) The Remarketing Agent for each subseries of 2007B Bonds is shown on the inside front cover.

Interest on the 2007B Bonds is payable on the first Business Day of each month, by wire transfer to registered owners of $1,000,000 or more of any subseries of 2007B Bonds who so request, as described herein. Principal or redemption price of the 2007B Bonds is payable at the office of the Trustee designated herein upon surrender of such 2007B Bonds.

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

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

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

Under separate irrevocable, direct-pay letters of credit (collectively the "Letters of Credit") issued with respect to the 2007B-1 Bonds, the 2007B-2 Bonds the 2007B-3 Bonds, by JPMorgan Chase Bank, National Association, Bank of America, N.A. and PNC Bank, National Association

J.P.Morgan Bank of America Merrill Lynch PNC

(collectively, the "Banks"), respectively, the Trustee will be entitled to draw up to an amount equal to the principal of and 57 days' accrued interest at a maximum rate of 10% to be used to pay the principal or redemption price of and interest on the 2007B Bonds or the purchase price of the 2007B Bonds, as described in this Reoffering Circular. The Letters of Credit will expire on the dates shown on the inside front cover unless terminated earlier or extended as described herein. Unless a Letter of Credit is extended or replaced as described herein, the related 2007B Bonds will be subject to mandatory tender for purchase prior to the termination of such Letter of Credit. (See "LETTERS OF CREDIT" herein.)

Price: 100%

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

The 2007B Bonds were offered originally on October 25, 2007. In connection with the reoffering of the 2007B Bonds as described in this Reoffering Circular, certain legal matters will be passed on by Ballard Spahr LLP and Andre C. Dasent, P.C. , Co-Bond Counsel, both of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Authority by Philip Brandt, Esq., Authority Counsel, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for JPMorgan Chase Bank, National Association by Winston & Strawn LLP, Chicago, Illinois, and for Bank of America, N.A. and PNC Bank, National Association by Nixon Peabody LLP, New York, New York. Certain legal matters will be passed upon for the City by the City Solicitor. It is expected that the reoffered 2007B Bonds will be available for delivery through The Depository Trust Company in New York, New York on or about May 24, 2011 against payment thereof.

J.P. Morgan	**BofA Merrill Lynch**	**PNC Capital Markets LLC**
as Remarketing Agent for the 2007B-1 Bonds	as Remarketing Agent for the 2007B-2 Bonds	as Remarketing Agent for the 2007B-3 Bonds

Dated: May 18, 2011

$234,280,000
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
Multi-Modal Lease Revenue Refunding Bonds
2007 Series B

Consisting of:

$117,275,000 2007 Series B-1 **$72,400,000 2007 Series B-2** **$44,605,000 2007 Series B-3**

	2007B-1 Bonds	2007B-2 Bonds	2007B-3 Bonds
CUSIP*	71781Q EG9	71781Q EJ3	71781Q EL8
Maturity Date	October 1, 2030	October 1, 2030	October 1, 2030
Interest Rate Mode	Weekly	Weekly	Weekly
Last Day of Initial Interest Period	May 25, 2011	June 1, 2011	June 1, 2011
Remarketing Agent	J.P. Morgan Securities LLC	Merrill Lynch, Pierce, Fenner & Smith, Incorporated	PNC Capital Markets LLC
Letter of Credit Bank	JPMorgan Chase Bank, National Association	Bank of America, N.A.	PNC Bank, National Association
Letter of Credit Expiration Date	May 24, 2013	May 24, 2013	May 23, 2014

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

AUTHORITY'S COUNSEL
Philip M. Brandt, Esquire

CO-BOND COUNSEL
Ballard Spahr LLP
Philadelphia, Pennsylvania

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

REMARKETING AGENTS
J.P. Morgan Securities LLC
New York, New York

Merrill Lynch, Pierce, Fenner & Smith, Incorporated
New York, New York

PNC Capital Markets LLC
Philadelphia, Pennsylvania

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

Bank of America, N.A.
New York, New York

PNC Bank, National Association
Pittsburgh, Pennsylvania

BANKS' COUNSEL
Nixon Peabody LLP
New York, New York

Winston & Strawn LLP
Chicago, Illinois

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

CO-FINANCIAL ADVISORS
Public Financial Management Inc.
Philadelphia, Pennsylvania

Acacia Financial Group, Inc.
Marlton, New Jersey

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

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

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

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APPENDICES

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REOFFERING CIRCULAR

Relating To

$234,280,000
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
Multi-Modal Lease Revenue Refunding Bonds
2007 Series B

Consisting of:

$117,275,000 2007 Series B-1 **$72,400,000 2007 Series B-2** **$44,605,000 2007 Series B-3**

INTRODUCTORY STATEMENT

This Reoffering Circular, including the cover page and the attached Appendices, is furnished to provide information concerning Philadelphia Authority for Industrial Development (the "Authority") and the City of Philadelphia, Pennsylvania (the "City") in connection with the reoffering of $234,280,000 aggregate principal amount of the Authority's Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B (the "2007B Bonds"), consisting of $117,275,000 aggregate principal amount 2007 Series B-1 (the "2007B-1 Bonds"), $72,400,000 aggregate principal amount 2007 Series B-2 (the "2007B-2 Bonds") and $44,605,000 aggregate principal amount 2007 Series B-3 (the "2007B-3 Bonds"). The 2007B Bonds are dated, mature and bear interest, and are subject to redemption and tender for purchase prior to maturity, all as described in this Reoffering Circular.

The Authority

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

2007B Bonds

The 2007B Bonds were issued, concurrently with an additional $55,395,000 aggregate principal amount of the Authority's Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B (the "2007B-4 Bonds") and the hereinafter described 2007A Bonds, and are secured pursuant to the provisions of the Pennsylvania Economic Development Financing Law, Act of August 23, 1967, P.L. 251, as amended and supplemented, 73 P.S. § 371 et seq. (the "Act") and a bond resolution adopted by the Authority on September 11, 2007, and under the terms of a Trust Indenture dated as of April 1, 2001, as amended and supplemented pursuant to a First Supplemental Trust Indenture dated as of December 1, 2001, a Second Supplemental Trust Indenture dated as of June 30, 2004, a Third Supplemental Trust Indenture dated as of October 1, 2007, and a Fourth Supplemental Trust Indenture dated May 1, 2008 (as so amended and supplemented, the "Existing Indenture"), all between the Authority and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association, the "Trustee").

As authorized by a bond resolution adopted by the Authority on April 19, 2011, the Authority and the Trustee are entering into a Fifth Supplemental Trust Indenture dated as of May 1, 2011 (the "Fifth Supplemental Indenture" and, together with the Existing Indenture, the "Indenture"). The Fifth

Supplemental Indenture amends and supplements the Existing Indenture to provide for, among other things, the following: (i) the redesignation by subseries of the 2007B Bonds, (ii) the delivery of credit enhancement and/or liquidity support for the 2007B Bonds by subseries, and (iii) the establishment of a new SIFMA index rate mode solely in respect of the 2007B-4 Bonds. By the purchase and acceptance of the 2007B Bonds, the owners of the 2007B Bonds are deemed to have irrevocably consented to the amendments contained in the Fifth Supplemental Indenture. To evidence the consent of the owners of the 2007B Bonds of each subseries upon their reoffering described herein, the Remarketing Agent for such 2007B Bonds will deliver its irrevocable consent to the Fifth Supplemental Indenture to the Trustee.

Pursuant to the Fifth Supplemental Indenture, the 2007B-4 Bonds are being executed and delivered by the Authority directly to a financial institution, as evidence of its repayment obligations under a loan agreement with such financial institution, concurrently with the reoffering of the 2007B Bonds described in this Reoffering Circular. The 2007B-4 Bonds are not being re-offered hereunder. The 2007B Bonds are not eligible to be converted into the new SIFMA index rate mode established pursuant to the Fifth Supplemental Indenture. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES" for a summary of certain provisions of the Fifth Supplemental Indenture.

This Reoffering Circular generally describes the 2007B Bonds only while bearing interest at Daily Rates or Weekly Rates. Prospective Purchasers of 2007B Bonds bearing interest at rates other than Daily Rates or Weekly Rates should not rely on this Reoffering Circular.

The 2007B Bonds of each subseries will bear interest from May 24, 2011 to and including the Last Day of Initial Interest Period set forth on the inside front cover, and thereafter at a Weekly Rate, subject to conversion to an ARS Rate, Daily Rate, Commercial Paper Rate, Term Rate or Fixed Rate by the Authority, at the direction of the City, and upon satisfaction of certain conditions described herein and in the Indenture. Each Remarketing Agent will set the initial rate for the subseries of reoffered 2007B Bonds for which it acts as Remarketing Agent. While the 2007B Bonds of a subseries bears interest at a Weekly Rate, the interest rate for such 2007B Bonds will be determined by the respective Remarketing Agent therefor. See "THE 2007B BONDS – Determination of Interest Rate" herein.

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

The 2007B Bonds were issued, together with the 2007B-4 Bonds and the Authority's $50,320,000 original principal amount Fixed Rate Lease Revenue Refunding Bonds, 2007 Series A, of which $41,805,000 aggregate principal amount currently is outstanding (the "2007A Bonds"), on October 25, 2007 to finance a project consisting of (i) the advance refunding of the Authority's Lease Revenue Bonds, Series B of 2001 (Tax Exempt) (the "2001B Bonds"); and (ii) the payment of certain costs of issuance (collectively, the "2007 Project"). The 2001B Bonds were issued to finance a portion of the costs of two stadiums, which are known currently as Citizens Bank Park and Lincoln Financial Field, for use by, among other entities, the Philadelphia Phillies baseball team and Philadelphia Eagles football team, respectively. The 2007A Bonds, the 2007B Bonds, the 2007B-4 Bonds and any future indebtedness issued under the Indenture ("Additional Bonds") are referred to collectively as the "Bonds" herein.

Letters of Credit

Payment of principal and redemption price of and interest on 2007B Bonds of a subseries, when due, and the purchase price of 2007B Bonds of a subseries tendered but not remarketed, will be paid with proceeds of a draw upon the Letter of Credit issued for such subseries of 2007B Bonds by the Bank shown on the inside front cover. Each Letter of Credit shall expire, unless extended or earlier terminated, on the Expiration Date shown on the inside front cover. See "THE LETTERS OF CREDIT" herein.

Each Letter of Credit will be issued and secured pursuant to a Reimbursement Agreement dated May 1, 2011 (each a "Reimbursement Agreement" and collectively, the "Reimbursement Agreements") between the Authority and the issuing Bank upon terms and conditions summarized herein. See APPENDIX F, APPENDIX G and APPENDIX H hereto for a summary of the Reimbursement Agreements.

Security

The Bonds are special limited obligations of the Authority payable solely out of certain amounts available therefor under the Indenture, if any, and certain rental payments to be made by the City, as lessee, to the Authority, as lessor, under the following leases: (i) the Eagles Prime Lease dated as of April 1, 2001 (the "Eagles Prime Lease") with respect to the Eagles Premises (defined herein); and (ii) the Phillies Prime Lease dated as of April 1, 2001, as amended (the "Phillies Prime Lease") with respect to the Phillies Premises (defined herein). Collectively, the Eagles Prime Lease and the Phillies Prime Lease, together with any other lease or sublease hereafter pledged to secure the Bonds, shall from time to time be referred to herein as the "Security Leases."

In order to secure the Bonds, the Authority has assigned to the Trustee certain of the rental payments to be received by it from the City under the Security Leases. The Bonds also are secured by the funds and accounts established under the Indenture (other than the Rebate Fund, the Purchase Fund and any other fund or account established hereafter and specifically excluded from the pledge of the Indenture), including all instruments and obligations in which the moneys in such funds and accounts may from time to time be invested and all interest and other investment earnings thereon and proceeds thereof. Neither the Phillies nor the Eagles are obligated to make any payments with respect to the Bonds. Additionally, pursuant to the Eagles Prime Lease, the rental payments made by the City to the Authority thereunder for the payment of the principal or redemption price of, and interest on the Bonds, are subordinate to the payment of certain rental payments made by the City to the Authority with respect to certain operating and maintenance expenses associated with the Eagles Premises.

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

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

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

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

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

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

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

The Banks have furnished the information contained in APPENDIX F, APPENDIX G and APPENDIX H attached hereto and in the section of this Reoffering Circular captioned "THE LETTERS OF CREDIT."

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

THE AUTHORITY

Organization

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

Board of Authority

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

Name	Position
James F. McManus	Chairman
Thomas A. K. Queenan	Vice Chairman
Evelyn F. Smalls	Member
David L. Hyman, Esquire	Member
Harold B. Yaffe, DDS	Member
Paul J. Deegan*	Secretary
Terry A. DeMusis*	Assistant Secretary

* Non-Member

Financing Program of the Authority

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

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

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

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

THE 2007B BONDS

General

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

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

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

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

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

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

Description of the 2007B Bonds

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

The 2007B Bonds of each subseries will bear interest from May 24, 2011 to and including the Last Day of Initial Interest Period set forth on the inside front cover, and thereafter at a Weekly Rate unless and until converted to a different Mode permitted under the Indenture. The permitted Modes are the "Daily Rate," the "Commercial Paper Rate," the "Weekly Rate," the "Auction Rate," the "Term Rate" and the "Fixed Rate." The 2007B Bonds are subject to conversion (a "Conversion") to a different Mode from time to time by the Authority at the direction of the City and upon satisfaction of certain conditions set forth in the Indenture. While the Mode for the 2007B is the Daily Mode or the Weekly Mode, the 2007B Bonds may be issued only in denominations of $100,000 and any larger denomination constituting an integral multiple of $5,000 ("Authorized Denominations").

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

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

Weekly Rates and Daily Rates for each subseries of 2007B Bonds will be determined by the Remarketing Agent therefor appointed pursuant to the Indenture, provided that the interest rate on the 2007B Bonds shall not exceed 10% per annum, and with respect to Pledged Bonds (as defined in the Reimbursement Agreement) or Liquidity Provider Bonds, the rate specified in the Reimbursement Agreement.

J.P. Morgan Securities LLC will set the initial rate for the 2007B-1 Bonds and will act as Remarketing Agent for the 2007B-1 Bonds. Merrill Lynch, Pierce, Fenner & Smith, Incorporated will set the initial rate for the 2007B-2 Bonds and will act as Remarketing Agent for the 2007B-2 Bonds. PNC Capital Markets LLC will set the initial rate for the 2007B-3 Bonds and will act as Remarketing Agent for the 2007B-3 Bonds. (See also "REMARKETING" herein.) The Remarketing Agent may be removed at any time by the Authority as set forth in the Remarketing Agreement, upon notice to the City, the Trustee, the Credit Provider, the Liquidity Provider, the Tender Agent and the Remarketing Agent. The Remarketing Agent may resign upon 30 days' prior notice to the Authority, the City, the Trustee, the Credit Provider, the Liquidity Provider, and the Tender Agent.

The Bank of New York Mellon Trust Company, N.A. has been appointed as Tender Agent (the "Tender Agent") for the 2007B Bonds under the Indenture. The Payment Office of the Tender Agent as of the date hereof is East Syracuse, New York.

Determination of Interest Rates

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

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

Failure of the Remarketing Agent to Determine the Interest Rate

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

Optional Tender

The owners of 2007B Bonds in the Weekly Mode or the Daily Mode may elect to have their 2007B Bonds (or portions of those 2007B Bonds in amounts equal to Authorized Denominations) purchased on any Business Day at a price equal to the Purchase Price, upon delivery of a notice to the Tender Agent specifying (i) the principal amount of the 2007B Bonds to be purchased, (ii) the purchase date on which such 2007B Bonds are to be purchased, (iii) the applicable payment instructions with respect to the 2007B Bonds to be purchased and (iv) an irrevocable demand for such purchase by the Tender Notice Deadline, which is (A) 5:00 p.m. on the Business Day seven days prior to the applicable purchase date for 2007B Bonds in the Weekly Mode and (B) 11:00 A.M. on any Business Day for 2007B Bonds in the Daily Mode. Promptly, but during the Daily Mode by no later than 11:15 A.M., upon receipt of such notice, the Tender Agent shall notify the Remarketing Agent and provide the Remarketing Agent with a copy of such notice. "Purchase Price" shall mean the principal amount of such 2007B Bonds purchased on any purchase date, plus accrued interest to the purchase date (unless such purchase date is a 2007B Interest Payment Date, in which case the Purchase Price shall not include accrued interest, which shall be paid in the normal course).

Conversions of Modes for the 2007B Bonds

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

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

Mandatory Purchase

The 2007B Bonds are subject to mandatory tender upon the date of (i) conversion from a Weekly Rate Period or a Daily Rate Period to an Auction Period, a Commercial Paper Rate Period, a Term Rate Period or a Fixed Rate Period, (ii) any date upon which an Alternate Liquidity Facility is scheduled to be substituted for the Liquidity Facility then in effect, (iii) the fifth day prior to the Expiration Date (other than as a result of an Automatic Termination Event) for the Liquidity Facility or any Alternate Liquidity Facility, (iv) the date specified by the Trustee following its receipt of a Notice of Termination, which date shall be a Business Day not less than 15 days after the Trustee's receipt of written notice of such Notice of Termination, but in no event later than the Business Day preceding the termination date (or the date no further purchases shall be made by the Liquidity Provider) specified in such Notice of Termination, (v) any Business Day specified in a written notice by the Authority not less than 20 days after the Trustee's receipt of such notice, (vi) for 2007B Bonds in the Daily Mode or the Weekly Mode, if a notice of non-reinstatement is received by the Trustee from the Bank on or before 11:00 a.m. on the fifth calendar day following any draw for payment of interest on the Letter of Credit, the date specified by the Trustee, which date shall be not less than 15 calendar days after the Trustee's receipt of such notice of non-reinstatement, and (vii) discontinuance by either the Authority or DTC of the book-entry system with respect to 2007B Bonds (each, a "Mandatory Tender Date"), in each case at a purchase price equal to the principal amount thereof, without premium, plus accrued interest to the Mandatory Purchase Date. Notice of a mandatory tender is required to be given to the Holders of the 2007B Bonds not less than 15 Business Days nor more than 20 Business Days before the Mandatory Purchase Date. Any 2007B Bonds subject to conversion and not tendered on the applicable conversion date will be deemed tendered and, upon payment of the Purchase Price, will not be entitled to any further interest thereon.

The Indenture provides that the Authority may, at the direction of the City with the prior written consent of the Credit Provider, provide an Alternate Liquidity Facility to replace the Liquidity Facility then in effect. As described above, the 2007B Bonds will be subject to mandatory tender for purchase in connection with the substitution of an Alternate Liquidity Facility for the Liquidity Facility then in effect. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES – ALTERNATE CREDIT ENHANCEMENT AND ALTERNATE LIQUIDITY FACILITY."

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

Payment of Purchase Price; Delivery of 2007B Bonds

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

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

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

Remarketing of the 2007B Bonds

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

Redemption of the 2007B Bonds

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

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

2007 Series B-1

Year	Amount	Year	Amount
2019	$7,960,000	2025	$ 9,875,000
2020	8,020,000	2026	10,295,000
2021	8,360,000	2027	10,735,000
2022	8,715,000	2028	11,190,000
2023	9,090,000	2029	11,665,000
2024	9,475,000	2030*	12,165,000

* Final maturity

2007 Series B-2

Year	Amount	Year	Amount
2019	$4,475,000	2025	$6,100,000
2020	4,945,000	2026	6,360,000
2021	5,155,000	2027	6,630,000
2022	5,375,000	2028	6,915,000
2023	5,605,000	2029	7,210,000
2024	5,845,000	2030*	7,515,000

* Final maturity

2007 Series B-3

Year	Amount	Year	Amount
2019	$2,920,000	2025	$3,755,000
2020	3,050,000	2026	3,915,000
2021	3,180,000	2027	4,080,000
2022	3,315,000	2028	4,260,000
2023	3,455,000	2029	4,440,000
2024	3,605,000	2030*	4,630,000

* Final maturity

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

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

Notice of Redemption

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

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

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

Special Considerations Relating to the 2007B Bonds

Each Remarketing Agent is Paid by the Authority. Each Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing 2007B Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Reoffering Circular. Each Remarketing Agent is appointed by the Authority and paid by the Authority for its services. As a result, the interests of each Remarketing Agent may differ from those of existing holders and potential purchasers of 2007B Bonds.

Each Remarketing Agent Routinely Purchases 2007B Bonds for its Own Account. Each Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchase such obligations for their own account. Each Remarketing Agent is permitted, but not obligated, to purchase tendered 2007B Bonds for its own account and, in its sole discretion, routinely acquires such tendered 2007B Bonds in order to achieve a successful remarketing of the 2007B Bonds (i.e., because there otherwise are not enough buyers to purchase the 2007B Bonds) or for other reasons. However, each Remarketing Agent is not obligated to purchase 2007B Bonds, and may cease doing so at any time without notice. If any Remarketing Agent ceases to purchase 2007B Bonds, it may be necessary for the Trustee to draw on the applicable Liquidity Facility. Each Remarketing Agent also may make a market in the 2007B Bonds by routinely purchasing and selling 2007B Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales must be at fair market value, which may be at or below par. However, none of the Remarketing Agents is required to make a market in the 2007B Bonds. Each Remarketing Agent also may sell any 2007B Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce their exposure to the 2007B Bonds. The purchase of 2007B Bonds by any Remarketing Agent may create the appearance that there is greater third party demand for the 2007B Bonds in the market than is actually the case. The practices described above also may result in fewer 2007B Bonds being tendered in a remarketing.

2007B Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, each Remarketing Agent is required to determine the applicable rate of interest that, in its opinion under then-existing market conditions, is the minimum rate of interest that would result in the sale of the 2007B Bonds bearing interest at the Weekly Rate at a price equal to the principal amount thereof, plus accrued interest, if any, on and as of the Rate Determination Date. At the time the new rate becomes effective, the applicable Remarketing Agent is required to use its best efforts to remarket the 2007B Bonds at par. The interest rate will reflect, among other factors, the level of market demand for the 2007B Bonds (including whether the applicable Remarketing Agent are willing to purchase 2007B Bonds for their own accounts). There may or may not be 2007B Bonds tendered and remarketed on a Rate Determination Date, the applicable Remarketing Agent may or may not be able to remarket any 2007B Bonds tendered for purchase on such date at par and the applicable Remarketing Agent may sell 2007B Bonds at varying prices to different investors on such date or any other date. None of the Remarketing Agents is obligated to advise purchasers in a remarketing if they do not have third party buyers for all of the 2007B Bonds at the remarketing price. In the event any Remarketing Agent owns any 2007B Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such 2007B Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the 2007B Bonds other than through Tender Process May Be Limited. Each Remarketing Agent may buy and sell 2007B Bonds other than through the tender process. However, Remarketing Agents are not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their 2007B Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2007B Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2007B Bonds other than by tendering the 2007B Bonds in accordance with the tender process.

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

Book-Entry Only System

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "SEC"). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2007B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007B Bonds on DTC's records. The ownership interest of each actual purchaser of each 2007B Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2007B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in 2007B Bonds, except in the event that use of the book-entry system for the 2007B Bonds is discontinued.

To facilitate subsequent transfers, all 2007B Bonds deposited by Direct Participants with DTC are registered in the name of DTC' s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2007B Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2007B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the 2007B Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2007B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the 2007B Bonds may wish to ascertain that the nominee holding the 2007B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners; in the alternative, Beneficial Owners may wish to provide their names and address to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2007B Bonds of a subseries and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2007B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer or its agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2007B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the 2007B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

THE LETTERS OF CREDIT

The following is a summary description of the Letters of Credit and certain of the terms of the Letters of Credit. This summary should not be regarded as a full description of the documents themselves or of the portions summarized. Reference is made to the Letters of Credit in their entirety, copies of which are on file at the principal corporate trust office of the Trustee, for a complete statement of the provisions thereof.

Payment of principal and redemption price of and interest on 2007B Bonds of a subseries, when due, and the purchase price of 2007B Bonds of a subseries tendered but not remarketed, will be funded with proceeds of draws by the Trustee on the Letter of Credit for such subseries of 2007B Bonds. Each Letter of Credit is an irrevocable direct-pay letter of credit issued by the Bank identified on the inside front cover of this Reoffering Circular, for the subseries of 2007B Bonds identified on the inside front cover, pursuant to the Reimbursement Agreement for such Letter of Credit between the Authority and the related Bank. See APPENDIX F, APPENDIX G and APPENDIX H for certain information relating to the Banks and summaries of the Reimbursement Agreements. The Letters of Credit expire on the Expiration Dates set forth on the inside front cover of this Reoffering Circular. The Trustee is entitled to draw on the Letter of Credit to pay the principal of, and interest on, the 2007B Bonds at maturity, acceleration or redemption and for the payment of the purchase price of the 2007B Bonds upon optional tender or mandatory purchase, to the extent that remarketing proceeds are not available.

SWAP AGREEMENTS

In connection with the issuance and sale of the 2007B Bonds, the Authority entered into separate interest rate swap agreements (collectively, the "2007 Swap Agreement") with JPMorgan Chase Bank, National Association ("JPMorgan") and Merrill Lynch Capital Services, Inc. ("MLCS" and, together with JPMorgan, the "Counterparties"), pursuant to which the Authority makes periodic fixed rate payments to the Counterparties and the Counterparties makes periodic floating rate payments to the Authority. The 2007 Swap Agreement is subject to termination prior to their scheduled termination dates by either party under a number of circumstances. Such early termination could result in either a payment from the Authority to the Counterparties or from the Counterparties to the Authority, depending on market conditions at the time of early termination. Payment obligations under the 2007 Swap Agreement are subordinate in security and priority of payment to the Bonds. Please refer to Appendix A for information the current mark to market value on the 2007 Swap Agreement.

Estimated Pro-Forma Annual Debt Service Requirements

Set forth below is the schedule of estimated yearly debt service due on the Bonds outstanding as of the date of this Reoffering Circular in each fiscal year ending June 30.

	2007A Bonds		2007B-1, B-2, B-3 Bonds		2007B-4 Bonds		
Year Ending June 30	Principal Payment	Interest	Principal or Sinking Fund Payment	Interest [2]	Principal or Sinking Fund Payment	Interest [3]	Total Debt Service
2012	$ 5,920,000	$1,882,213	-	$7,934,212	-	$2,608,241	$18,344,666
2013	11,445,000	1,455,100	-	9,303,962	-	3,058,524	25,262,586
2014	12,010,000	888,900	-	9,303,962	-	3,058,524	25,261,386
2015	12,430,000	300,906	-	9,303,962	-	3,058,524	25,093,392
2016	-	-	-	9,303,962	$12,990,000	2,699,916	24,993,877
2017	-	-	-	9,303,962	13,550,000	1,967,239	24,821,201
2018	-	-	-	9,303,962	14,125,000	1,203,229	24,632,191
2019	-	-	-	9,303,962	14,730,000	406,644	24,440,605
2020	-	-	$15,355,000	8,999,065	-	-	24,354,065
2021	-	-	16,015,000	8,376,167	-	-	24,391,167
2022	-	-	16,695,000	7,726,661	-	-	24,421,661
2023	-	-	17,405,000	7,049,554	-	-	24,454,554
2024	-	-	18,150,000	6,343,556	-	-	24,493,556
2025	-	-	18,925,000	5,607,376	-	-	24,532,376
2026	-	-	19,730,000	4,839,823	-	-	24,569,823
2027	-	-	20,570,000	4,039,606	-	-	24,609,606
2028	-	-	21,445,000	3,205,336	-	-	24,650,336
2029	-	-	22,365,000	2,335,422	-	-	24,700,422
2030	-	-	23,315,000	1,428,377	-	-	24,743,377
2031	-	-	24,310,000	482,712	-	-	24,792,712
Total[1]	$41,805,000	$4,527,119	$234,280,000	$133,495,598	$55,395,000	$18,060,842	$487,563,559

(1) Numbers may not add due to rounding.

(2) Amounts shown in this column assume a "synthetic fixed rate" of interest of 3.9713%, calculated on a semi-annual basis with 30/360 day count. The Authority issued the 2007B Bonds as variable rate demand obligations and contemporaneously entered into separate interest rate swap agreements with the Counterparties, pursuant to which the Counterparties are required to pay an amount equal to the SIFMA Index, and the Authority is required to pay the fixed rate set forth in the interest rate swap agreement. The Authority is responsible for all interest on the 2007B Bonds in excess of the amounts paid by the Counterparties.

(3) Amounts shown in this column assume a "synthetic fixed rate" of interest of 3.9713% plus 1.55%, calculated on a semi-annual basis with 30/360 day count. The Authority issued the 2007B Bonds as variable rate demand obligations and contemporaneously entered into separate interest rate swap agreements with the Counterparties, pursuant to which the Counterparties are required to pay an amount equal to the SIFMA Index, and the Authority is required to pay the fixed rate set forth in the interest rate swap agreement.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

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

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

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

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

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

Additional Debt

In accordance with the provisions of the Indenture, the Authority may issue Additional Debt from time to time pursuant to a Supplemental Indenture, which Additional Debt shall be on parity with the 2007A Bonds, the 2007B Bonds and the 2007B-4 Bonds, except as provided in the Indenture or a Supplemental Indenture and may be issued in one or more series and in various principal amounts, and may bear interest at different rates and otherwise may vary as provided in the Indenture and such Supplemental Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES" in APPENDIX C hereto.

Letters of Credit

The 2007B Bonds of each subseries are entitled to the benefit of the irrevocable, direct-pay Letter of Credit issued by the Bank identified on the inside front cover of this Reoffering Circular. The Trustee is entitled to draw on each Letter of Credit in an amount equal to the principal of and 57 days accrued interest at a maximum rate of 10% on the related 2007B Bonds at maturity, acceleration or redemption, and for the payment of purchase price of such 2007B Bonds upon optional or mandatory tender, to the extent that remarketing proceeds are not available. Each Letter of Credit expires on the Expiration Date identified on the inside front cover of this Reoffering Circular unless terminated earlier or extended as set forth in the Letters of Credit.

The Authority, at the direction of the City, has provided the irrevocable, direct-pay Letter of Credit as both an Alternate Credit Enhancement and an Alternate Liquidity Facility pursuant to the requirements of the Indenture. The Authority approved the substitution of the Letters of Credit and the execution of all required documents by a board resolution adopted on April 19, 2011.

Information herein regarding the Letters of Credit has been provided by the Banks. Information regarding the Banks and their respective Reimbursement Agreements has been provided by JPMorgan Chase Bank, National Association, Bank of America, N.A. and PNC Bank, National Association and is attached hereto as APPENDIX F, APPENDIX G and APPENDIX H, respectively.

LITIGATION

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

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

EXPECTED RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Services, a Division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), are expected to assign the ratings set forth in the table below for the 2007B Bonds. Such ratings are based upon (i) the ratings of the Banks, (ii) the long term ratings of the City of Philadelphia and (iii) Moody's and Standard & Poor's credit correlation of the ratings of the Banks and the City.

Subseries	Moody's	S&P
2007B-1 Bonds	"Aa1/VMIG 1"	"AAA/ A-1+"
2007B-2 Bonds	"Aa1/VMIG 1"	"AA+/ A-1"
2007B-3 Bonds	"Aa3/VMIG 1"	"AA+/ A-1"

Moody's and Standard & Poor's ratings for the Banks as of the date of this Reoffering Circular are set forth in the table below.

Bank	Moody's	S&P
JPMorgan Chase Bank, National Association	"Aa1/P-1"	"AA-/A-1+"
Bank of America, N.A.	"Aa3/P-1"	"A+/A-1"
PNC Bank, National Association	"A2/P-1"	"A+/A-1"

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

LEGAL MATTERS

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

Certain legal matters in connection with the delivery of the Letters of Credit and reoffering of the 2007 Bonds will be passed upon for the Authority and the City by Co-Bond Counsel. Co-Bond Counsel will provide a favorable opinion that the substitution by the Authority of the Letters of Credit as an Alternate Credit Enhancement and an Alternate Liquidity Facility has been properly authorized and is permitted by the Indenture and that such substitution will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the 2007B Bonds. The forms of the proposed opinions of Co-Bond Counsel are attached hereto as APPENDIX E. Certain legal matters in connection with the delivery of the Letters of Credit and reoffering of the 2007 Bonds will be passed upon for the Authority by its Counsel, Philip M. Brandt, Esquire, Philadelphia, Pennsylvania; and certain legal matters in connection with the delivery of the Letters of Credit will be passed upon for JPMorgan Chase Bank, National Association by Winston & Strawn LLP, Chicago, Illinois, and for Bank of America, N.A. and PNC Bank, National Association by Nixon Peabody LLP, New York, New York. Certain legal matters for the City will be passed upon by the City Solicitor.

TAX MATTERS

Tax Exemption

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

Ownership of the 2007B Bonds may result in other federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, certain S corporations and taxpayers who may be deemed to have incurred or continued debt to purchase or carry the 2007B Bonds. No opinion is expressed as to these matters.

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

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

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

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

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

REMARKETING

The 2007B Bonds of each subseries are being remarketed by the Remarketing Agent therefor, pursuant to three separate Remarketing Agreements dated May 1, 2011 (each a "Remarketing Agreement") between the Authority and the applicable Remarketing Agent. Each Remarketing Agent will earn remarketing fees paid by the Authority in connection with periodic remarketings pursuant to its Remarketing Agreement.

FINANCIAL ADVISORS

Public Financial Management Inc., Philadelphia, Pennsylvania, and Acacia Financial Group, Inc., Marlton, New Jersey (collectively, the "Financial Advisors"), have acted as financial advisors to the City and the Authority in matters relating to the substitution of the Letters of Credit and remarketing of the 2007B Bonds. The Financial Advisors are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information in this Reoffering Circular.

CONTINUING DISCLOSURE

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

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

CERTAIN RELATIONSHIPS

Co-Bond Counsel each provide ongoing legal services to the City.

J.P. Morgan Securities LLC is the Remarketing Agent for the 2007B-1 Bonds. JPMorgan Chase Bank, National Association is the provider of the Letter of Credit relating to the 2007B-1 Bonds and also acts as a counterparty under an interest rate swap agreement with the City which hedges the City's interest rate risk relating to the 2007B Bonds. J.P. Morgan Securities LLC and JPMorgan Chase Bank, National Association are each wholly-owned subsidiaries of J.P. Morgan Chase & Co.

Merrill Lynch, Pierce, Fenner & Smith, Incorporated is the Remarketing Agent for the 2007B-2 Bonds. Bank of America, N.A. is the provider of the Letter of Credit relating to the 2007B-2 Bonds. Merrill Lynch, Pierce, Fenner & Smith, Incorporated and Bank of America, N.A. are each wholly-owned subsidiaries of Bank of America Corporation.

PNC Capital Markets LLC is the Remarketing Agent for the 2007B-3 Bonds. PNC Bank, National Association is the provider of the Letter of Credit relating to the 2007B-3 Bonds. PNC Capital Markets LLC and PNC Bank, National Association each wholly-owned subsidiaries of The PNC Financial Services Group, Inc.

MISCELLANEOUS

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

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

Philadelphia Authority for Industrial Development

By: /s/ James F. McManus
Chairman

Approved:

City of Philadelphia

By: /s/ Rob Dubow
Director of Finance

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APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA

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APPENDIX A

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.

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	Current(4) Estimate 2011
Revenues						
Real Property Taxes[(1)]	395.8	397.5	402.8	400.1	402.2	488.7
Wage and Earnings Tax	1,111.2	1,167.4	1,184.8	1,117.0	1,114.2	1,149.9
Net Profits Tax	14.6	15.3	12.5	12.2	14.5	17.1
Business Privilege Tax	415.5	436.4	398.8	386.0	364.7	360.8
Sales Tax[(2)]	127.8	132.6	137.3	128.2	207.1	247.5
Other Taxes[(3)]	304.1	286.7	260.3	209.3	213.9	217.5
Total Taxes	2,369.0	2,435.9	2,396.5	2,252.8	2,316.6	2,481.5
Locally Generated Non-Tax Revenue	235.9	247.9	265.8	256.3	229.4	271.0
Revenue from Other Governments[(5)]	924.5	1,032.9	1,033.4	993.4	1,076.4	1,112.0
Receipts from Other City Funds[(5)]	24.9	27.4	27.2	135.4	31.9	64.2
Total Revenue	3,554.3	3,744.1	3,722.8	3,637.9	3,654.3	3,928.7
Obligations/Appropriations						
Personnel Services	1,250.2	1,327.6	1,390.7	1,406.3	1,358.5	1,363.8
Purchase of Services	1,065.7	1,151.6	1,188.7	1,174.2	1,111.4	1,150.9
Materials, Supplies and Equipment	82.1	89.1	92.1	82.7	68.7	80.7
Employee Benefits	760.2	890.3	983.0	973.2	831.4	979.9
Indemnities, Contributions and Grants	110.9	119.0	120.9	130.0	128.0	109.4
City Debt Service	82.9	89.1	87.2	100.9	105.5	121.4
Other	38.6	31.2	32.3	22.7	26.0	0.0
Payments to Other City Funds	35.4	38.7	24.8	25.3	24.2	27.9
Total Obligations/Appropriations	3,426.0	3,736.6	3,919.8	3,915.3	3,653.7	3,834.1
Operating Surplus (Deficit) for the Year	128.2	7.5	(197.0)	(277.4)	0.6	94.6
Net Adjustments – Prior Year	30.1	35.9	18.6	20.7	22.6	24.5
Funding for Contingencies	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)
Cumulative Adjusted Year End Fund Balance (Deficit)	254.5	297.9	119.5	(137.2)	(114.0)	5.1

(1) Current Estimate 2011 reflects a 9.9% increase.
(2) Reflects 1% increase effective October 8, 2009.
(3) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
(4) As of March 31, 2011 Quarterly City Managers 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 and 2011.
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	Current(5) Estimate 2011
Revenues						
General Fund	3,554.3	3,744.1	3,722.8	3,637.9	3,654.3	3,928.7
Water Fund[(1)]	490.3	519.7	589.7	543.5	546.7	592.5
Aviation Fund[(2)]	271.5	268.6	287.9	294.1	290.2	296.2
Other Operating Funds[(3)]	41.9	44.9	113.2	49.5	50.1	49.8
Total Revenue	4,358.0	4,577.3	4,713.6	4,525.0	4,541.3	4,867.2
Obligations/Appropriations						
Personnel Services	1,412.9	1,498.2	1,568.9	1,579.0	1,523.6	1,537.5
Purchase of Services	1,233.5	1,328.5	1,441.4	1,369.2	1,312.8	1,399.5
Materials, Supplies and Equipment	136.2	145.9	151.1	140.7	128.9	146.5
Employee Benefits	845.3	990.1	1,095.8	1,091.4	932.8	1,101.5
Indemnities, Contributions and Taxes	116.5	122.6	127.1	135.9	134.4	121.0
Debt Service[(4)]	337.6	348.8	346.7	384.8	397.8	437.6
Other	38.6	31.2	32.3	22.7	26.0	0.0
Payments to Other City Funds	119.4	144.9	154.7	88.1	96.6	126.9
Total Obligations/Appropriations	4,240.0	4,610.2	4,917.9	4,811.8	4,552.9	4,870.5
Operating Surplus (Deficit) for the Year	118.0	(32.8)	(204.3)	(286.8)	(11.6)	(3.3)
Net Adjustments Prior Year	60.6	69.6	51.0	41.8	58.1	53.6
Funding for Contingencies	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	236.8	(50.0)	(3.4)
Cumulative Adjusted Year End Fund Balance (Deficit)	311.5	348.3	195.0	(50.0)	(3.4)	46.9

(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 transfer amount was $2,303,986, and the current estimate for Fiscal Year 2011 is $3,004,000.

(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) As of March 31, 2011 QCMR

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 Proposed Budget

The City's Fiscal Year 2012 budget was presented to City Council on March 3, 2011. The proposed Fiscal Year 2012 budget conforms to the Twentieth Five-Year Plan. The process and required timing for the approval of the budget is described under "CITY FINANCIAL PROCEDURES - Budget Procedure" herein.

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 proposed budget moves reimbursed costs and corresponding revenues for services provided by the Department of Human Services of approximately $495.1 million to the grants fund. If this change is adopted in the final Fiscal Year 2012 budget, the City's General Fund balances will better reflect the City's financial condition.

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 was approved by PICA on August 10, 2010.

Fiscal Year 2011 Current Estimate

The March 31, 2011 Quarterly City Manager's Report adjusted Fiscal Year 2011 revenues upwards by $79.5 million, which is largely due to anticipated receipts of prior year Department of Human Services reimbursements of $39.5 million and higher than anticipated collections for Wage Tax, Business Privilege Tax and Sales Tax, which are being partially off-set by lower than projected tax collections for Real Estate Tax and Real Estate Transfer Tax. The revised estimate of obligations includes $45.9 million in higher than projected obligations including increased employee benefit costs of $15 million, snow removal costs of $10.3 million, $1.5 million for the purchase of police patrol cars and higher overtime costs for the Police and Fire Departments of $2.4 million and $2.2 million, respectively. The revised estimate projects revenues for Fiscal Year 2011 of $3.929 billion, obligations of $3.834 billion, an operating surplus of $119.1 million, and an ending fund balance of $5.1 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis.

As presented in this Appendix A, unless otherwise noted, current estimates for Fiscal Year 2011 are based on the March 31, 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").

The City Controller has not participated in the preparation of this Reoffering Circular nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Reoffering Circular. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Reoffering Circular 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 proposed by the Mayor 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.

<u>Governmental Funds</u>. 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.

<u>Proprietary Funds</u>. 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 be approved by City Council. 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 2011 through 2016.

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 CAFR for the fiscal year ended June 30, 2010.

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 2001-2011 and Table 4 below for General Fund tax revenues for Fiscal Years 2006-2011. 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.

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Table 3
Summary of Principal Operating Funds (Debt Related)
Revenues by Major Source
Fiscal Years 2001-2011 (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 (Current Estimate)[9]	488.7[8]	1,167.0	360.8	247.5	217.5	2,481.5	540.1	292.6	271.0	3,585.2	1,146.5	135.5	4,867.2

(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) As of March 31, 2011 QCMR

Figures may not add up due to rounding.

Table 4
General Fund Tax Revenues[1]
Fiscal Years 2006-2011
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Current Estimate[5] 2011
Real Property Taxes						
Current	354.1	367.2	366.5	365.6	364.3	451.2[4]
Prior	41.7	30.3	36.3	34.4	37.9	37.5
Total	395.8	397.5	402.8	400.0	402.2	488.7
Wage And Earnings Tax[2]						
Current	1,104.0	1,162.4	1,176.5	1,105.9	1,102.3	1,137.9
Prior	7.2	5.1	8.3	11.1	11.9	12.0
Total	1,111.2	1,167.5	1,184.8	1,117.0	1,114.2	1,149.9
Business Taxes						
Business Privilege						
Current	390.5	401.9	376.1	367.1	329.3	340.8
Prior	25.0	34.5	22.7	18.9	35.4	20.0
Subtotal Business Privilege	415.5	436.4	398.8	386.0	364.7	360.8
Net Profits Tax						
Current	11.8	10.9	9.1	9.5	12.1	14.6
Prior	2.8	4.3	3.4	2.7	2.4	2.5
Subtotal Net Profits Tax	14.6	15.3	12.5	12.2	14.5	17.1
Total Business Taxes	430.1	451.6	411.3	398.2	379.2	377.9
Other Taxes						
Sales and Use Tax	127.8	132.6	137.3	128.3	207.1[3]	247.5
Amusement Tax	17.0	16.4	18.0	21.4	21.8	21.1
Real Property Transfer Tax	236.4	217.3	184.0	115.1	119.2	119.8
Parking Taxes	48.4	50.3	55.5	70.4	70.5	72.5
Other Taxes	2.3	2.6	2.8	2.4	2.4	4.1
Subtotal Other Taxes	431.9	419.2	397.6	337.6	421.0	465.0
TOTAL TAXES	2,369.0	2,435.9	2,396.5	2,252.8	2,316.6	2,481.5

(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) As of March 31, 2011 QCMR

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 2001-2011, and the annual wage and earnings tax receipts in Fiscal Years 2001-2010 and the current estimate for Fiscal Year 2011.

Table 5
Summary of Wage and Earning Tax Rates and Receipts

Fiscal Year	Resident Wage and Earnings Tax Rates[1]	Non-Resident Wage and Earnings Tax Rates	Annual Wage and Earnings 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	1,512.5 Current Estimate(3)

(1) Includes PICA Tax.
(2) There were two rate decreases during Fiscal Year 2009
(3) As of March 31, 2011 QCMR

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 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 proposed 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 2002-2011 are set forth below.

Table 6
Summary of Business Privilege Tax Rates

Tax Year	Business Privilege
2002	2.400 mills
2003	2.300 mills
2004	2.100 mills
2005	1.900 mills
2006	1.665 mills
2007	1.540 mills
2008	1.415 mills
2009	1.415 mills
2010	1.415 mills
2011	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 proposed 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.

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 proposed 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 and the current estimate for Fiscal Year 2011.

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 (Current Estimate[(1)])	247.5

[(1)] As of March 31, 2011 QCMR

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 current estimate projects that approximately 28.3 percent of General Fund revenues will be received from other governmental jurisdictions, including: (1) $575.1 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $198.0 million from the Federal government; and (3) $55.7 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 $279.2 million are included in "Revenue from Other Governments."

These amounts do not include the substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Revenues from City-Owned Systems

In addition to taxes, the City realizes revenues through the operation of various City-owned systems such as the Water and Wastewater Systems and PGW. The City has issued revenue bonds with respect to the Water and Wastewater Systems and PGW to be paid solely from and secured by a pledge of the respective revenues of these systems. The revenues of the Water and Wastewater Systems and PGW are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied and then, in a limited amount and upon satisfaction of certain other conditions.

Effective June 1991, the revenues of the Water Department were required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (a) all Net Reserve Earnings, as defined below, or (b) $4,994,000. Net Reserve Earnings means the amount of interest earnings during the fiscal year on amounts in the Debt Reserve Account and Subordinated Bond Fund, as defined in the Water Ordinance. Commencing in Fiscal Year 1991, the $4,994,000 amount was reduced to $4,138,000 by administrative agreement that remained in effect through Fiscal Year 2003. No such transfer was made in Fiscal Year 1992; however, the transfer was made in each subsequent year through Fiscal Year 2003. For Fiscal Year 2004, the transfer was to have increased to $4,994,000 but no payment was made. For Fiscal Year 2005, the transferred amount was $4,401,000; for Fiscal 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 current estimate is $3,004,000.

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 proposed 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 current estimate is projected to be $26,000,000.

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.

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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 Tax Payers
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, 2010, the City employed 26,863 full-time employees with the salaries of 22,297 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.

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Table 11
Filled, Full Time Positions - All Operating Funds
as of June 30 (Actual)

	2006	2007	2008	2009	2010	2011[(1)]
General Fund						
Police	7,287	7,424	7,367	7,443	7,378	7,263
Streets	1,858	1,814	1,839	1,724	1,693	1,678
Fire	2,270	2,399	2,326	2,252	2,187	2,143
Health	662	664	665	662	662	660
Courts	1,936	1,928	1,970	1,889	1,756	1,862
Prisons	2,225	2,176	2,131	2,294	2,254	2,193
Human Services	1,703	1,721	1,784	1,743	1,751	1,672
All Other	4,878	4,941	5,029	4,905	4,616	4,558
Total General Fund	22,819	23,067	23,111	22,912	22,297	22,029
Other Funds	4,616	4,598	4,642	4,570	4,566	4,579
Total - All Funds	27,435	27,665	27,753	27,482	26,863	26,470

(1) As of March 31, 2011 QCMR

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 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 includes 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 reached a one year agreement with District Council 33 and District Council 47, which was effective July 1, 2008. The agreement called for a lump sum bonus of $1,100 per member. The agreement also called for no increase in the current per member per month health benefit payment. The contract expired June 30, 2009. Negotiations are currently underway with District Councils 33 and 47.

The following table presents employee wage increases for the Fiscal Years 1998 through 2011.

Table 12
Employee Wage Increases
Fiscal Years 2006-2011

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)

(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 2011 are shown in the following table.

Table 13
General Fund Employee Benefit Expenditures
Fiscal Years 2006-2011

(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Current Estimate 2011
Pension Contribution[(1)]	346.5	436.8	430.8	459.0	346.7	492.5
Health/Medical/Dental	291.8	331.5	421.0	377.0	349.7	345.0
Social Security	60.8	64.1	69.7	68.8	65.2	70.2
Other	61.1	57.9	61.5	68.4	69.5	72.2
Total	760.2	890.3	983.0	973.2	831.4	979.9

[(1)] The Pension Contribution amount includes debt service on the Pension Obligation Bonds, Series 1999.
[(2)] As of March 31, 2011 QCMR

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 February 28, 2011, the market value of assets in the Municipal Pension Fund was $3.775 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, attached to this Reoffering Circular as Appendix B.

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 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.

[†] On October 28, 2010, the Pension Board voted to further lower the pension fund's annual earnings assumption from 8.25% to 8.15%.

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, attached here as Appendix B.

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Purchase of Services

The City accounts for a number of expenditures as purchase of services. The following table presents major purchases of services in the General Fund in Fiscal Years 2006 through 2011.

Table 14
Purchase of Service in the General Fund
Fiscal Years 2006-2011
(Amounts in Millions of USD)

	Actual					Current[9] Estimate
	2006	2007	2008	2009	2010	2011
Human Services[1]	467.9	495.3	515.3	499.0	465.5	466.4
Public Health	61.1	65.5	65.1	67.9	64.7	69.3
Public Property[2]	137.6	156.3	139.5	142.6	136.2	138.9
Streets[3]	54.8	58.3	58.4	51.0	55.8	51.5
Sinking Fund - Lease Debt[4]	77.0	84.3	85.1	86.1	79.9	89.6
Legal Services[5]	33.6	35.4	37.3	37.3	35.9	36.6
First Judicial District	24.4	24.8	25.6	23.6	23.7	22.2
Licenses & Inspections[6]	11.5	11.4	11.9	9.6	8.2	7.1
Supportive Housing [7]	28.6	31.3	33.9	32.3	31.7	30.2
Prisons	82.8	87.5	93.6	110.7	106.4	108.0
All Other[8]	86.4	101.5	123.0	114.1	103.4	131.1
Total	1,065.7	1,151.6	1,188.7	1,174.2	1,111.4	1,150.9

(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 2011.
(7) Includes homeless shelter and boarding home payments.
(8) Includes payment for Convention Center Subsidy and Vehicle leasing.
(9) As of March 31, 2011 QCMR

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, and the Fiscal Year 2011 budget includes a $38.6 million contribution.

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, and (iii) the City's Nineteenth Five-Year Plan contemplates that in each of the Fiscal Years 2011 through 2015, the City will make a grant to PGW equal to the annual payment received from PGW in such Fiscal Years. See also "Fiscal Year 2011 PGW Payment to City." The City's proposed 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.

Fiscal Year 2011 PGW Payment to City

PGW has agreed to make a payment of $16,300,000 to the City in the City's Fiscal Year 2011. The City and PGW have agreed that such payment will be made prior to June 30, 2011: (1) from interest and profits on certain reserves for outstanding bonds in excess of the applicable reserve requirement, to which the City is entitled to pursuant to the Revenue Bond Act of 1972; and (2) from the sale of surplus City-owned real property currently occupied by PGW which will become available due to the consolidation of certain PGW operations. The terms of any real estate sale must be approved by the City administration, the Gas Commission and City Council. PGW has agreed to make the balance of the payment (net of Sinking Fund Reserve earnings and profits) from its available funds if the property sale is not completed prior to June 15, 2011, or if the property sale proceeds are not sufficient to cover the full payment. The City has the right to obtain such payment from PGW in any lawful manner, including set-off against payments the City would have otherwise made to PGW. The obligation of PGW to make the payment to the City is subject and subordinate to the pledge and application of Gas Works Revenues and Project Revenues, as such terms are respectively defined in the ordinances adopted in 1998 and 1975, pursuant to which PGW's bonds are issued, secured and outstanding. See also "REVENUES FROM CITY-OWNED SYSTEMS."

City Payments to SEPTA

The City made operating subsidy payments to SEPTA in Fiscal Years 2008, 2009 and 2010 of $61.3 million, $62.9 million and $64.2 million, respectively. The Fiscal Year 2011 budget projects operating subsidy payments to SEPTA of $65.9 million. The Nineteenth Five-Year Plan provides that the City's contribution to SEPTA would increase to $72.9 million by Fiscal Year 2015. The proposed Twentieth Five-Year Plan would increase the City's contribution to SEPTA 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, the City Treasurer and the Deputy City Treasurer with ex-officio membership of a representative of each of the principal operating and capital funds, i.e., Water Fund, Aviation Fund, 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 will be repaid on June 30, 2011. The Twentieth Five-Year Plan projects Tax and Revenue Anticipation Notes in the amount of $250 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 May 1, 2011, the Constitutional debt limitation for tax-supported general obligation debt was approximately $1,574,704,000. 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 debt outstanding applicable to the debt limit was $1,474,619,000, leaving a legal debt margin of $100,085,000. The calculation of the legal debt margin is as follows:

Table 15
General Obligation Bonded Debt
May 1, 2011
(in thousands)

Authorized, issued and outstanding	$1,383,239
Authorized and unissued	459,304
Total	1,842,543
Less: Self-supporting debt	(355,826)
Less: Serial bonds maturing within a year	(12,098)
Total amount of authorized debt applicable to debt limit	1,474,619
Legal debt limit	1,574,704
Legal debt margin	$ 100,085

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 will be repaid on June 30, 2011. The Twentieth Five-Year Plan projects tax and revenue anticipation notes in the amount of $250 million to be issued in Fiscal Year 2012.

Long-Term Debt

The table below presents a synopsis of the bonded debt of the City and its component units as of April 30, 2011. 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 April 30, 2011, approximately 16% is scheduled to mature within five years and approximately 37% is scheduled to mature within ten years.

Table 16
Bonded Debt -- City of Philadelphia and Component Units
as of April 30, 2011
(Amounts in thousands)
(Unaudited)

Tax-supported bonds		
General Obligation		$1,383,340
PICA		533,945
Subtotal: Tax-supported bonds		1,917,285
Other Long-Term Debt-Related Obligations		
Philadelphia Municipal Authority		
Municipal Services Building	$ 24,801	
Criminal Justice Center	135,850	
Juvenile Justice Center	97,850	258,501
Philadelphia Authority for Industrial Development		
Pension Bonds	1,397,169	
Stadiums	331,480	
Library	9,110	
Cultural and Commercial Corridor	122,860	
One Parkway	45,115	1,905,734
Parking Authority		15,365
Redevelopment Authority		245,880
Subtotal: Tax-supported bonds and other Long-Term Debt-Related Obligations		4,342,765
Revenue bonds		
Water Fund		1,871,354
Aviation Fund		1,470,385
Gas Works		1,228,335
Subtotal: Revenue bonds		4,570,074
Grand total		$8,912,839

Source: Office of Director of Finance

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
2011	37.71	65.21	102.92	114.23	83.79	198.02	151.94	149.00	300.94
2012	41.76	67.44	109.20	75.71	132.46	208.17	117.47	199.89	317.37
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	140.26	224.18	135.93	201.12	337.05
2017	54.57	58.20	112.77	84.11	139.89	223.99	138.67	198.09	336.76
2018	57.21	55.35	112.56	89.56	139.07	228.63	146.77	194.42	341.18
2019	60.12	52.34	112.45	74.57	138.29	212.85	134.68	190.62	325.31
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	1,408.51	1,002.35	2,410.86	2,008.08	2,265.13	4,273.21	3,416.59	3,2667.48	6,684.07

[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 payable in Fiscal Year 2011 is $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.

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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 April 30, 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]	($8,037,219)	($5,514,777)	($22,492,947)	($7,495,073)

(1) On July 23, 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 April 30,, 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 Letters of Credit Agreements
for General Fund Supported Bonds
as of April 30, 2011

Variable Rate Bond Series	Amount Outstanding	Provider	Expiration Date
General Obligation Bonds, Series 2009B	$ 100,000,000	Wells Fargo Bank	8/12/2011
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B	289,675,000	JP Morgan/ Bank of New York	6/1/2011

The City is in the process of renewing or replacing the letters of credit listed above. With respect to the PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B, the City is replacing the current letters of credit and remarketing the bonds by the June 1, 2011 expiration date.

Recent and Upcoming Financings

The following is a list of financings that the City has entered into since the close of Fiscal Year 2010:

- The City anticipates issuing tax and revenue anticipation notes in the amount of $250 million in Fiscal Year 2012.
- In April 2011, the City issued $252,720,000 General Obligation Bonds, Series 2011 for the purpose of financing $139,059,234 capital projects and $119,733,727 refunding for savings.
- The City has entered into a $28,000,000 lease agreement with the PMA 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 refunding depending on market conditions.

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2011-2016 contemplates a total budget of $7,960,188,000 of which $2,133,504,000 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 2011-2016 on May 20, 2010.

Table 20
Fiscal Years 2011-2016
Capital Improvement Program
(Amounts in Thousands of USD)

City Funds – Tax Supported	2011	2012	2013	2014	2015	2016	2011-2016
Carried-forward Loans	220,108	0	0	0	0	0	220,108
Operating Revenue	21,929	14,029	10,329	9,529	6,029	6,029	67,874
New Loans	102,581	100,323	105,781	82,951	82,105	81,814	555,555
Pre-financed Loans	1,202	1,000	1,000	1,000	1,000	1,000	6,202
PICA Pre-financed Loans	32,602	0	0	0	0	0	32,602
Tax-supported Subtotal	378,422	115,352	117,110	93,480	89,134	88,843	882,341
City Funds – Self-Sustaining							
Carried-forward Loans	731,981	0	0	0	0	0	731,981
Operating	154,828	41,353	41,743	44,134	46,525	48,916	377,499
New Loans	436,094	439,916	514,533	666,160	861,507	898,653	3,816,863
Self-Sustaining Subtotal	1,322,903	481,269	556,276	710,294	908,032	947,569	4,926,343
Revolving Funds	18,000	0	0	0	0	0	18,000
Other Than City Funds							
Carried-Forward Other Government	12,043	0	0	0	0	0	12,043
Other Governments Off Budget	832	894	919	977	956	964	5,542
Other Governments	8,345	0	0	0	0	0	8,345
Carried-Forward State	63,316	0	0	0	0	0	63,316
State Off Budget	107,718	118,773	121,872	121,053	122,166	119,540	711,122
State	16,912	6,959	4,332	5,188	5,377	5,777	44,545
Carried-Forward Private	17,826	0	0	0	0	0	17,826
Private	74,370	26,020	25,020	25,020	25,020	25,020	200,470
Carried-Forward Federal	236,511	0	0	0	0	0	236,511
Federal Off Budget	31,723	43,271	53,129	62,400	84,096	97,664	372,283
Federal	164,447	65,994	59,138	63,816	55,828	52,278	461,501
Other Than City Funds Subtotal	734,043	261,911	264,410	278,454	293,443	301,243	2,133,504
TOTAL	2,453,368	858,532	937,796	1,082,228	1,290,609	1,337,655	7,960,188

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 and $32.7 million for Fiscal Year 2010. Estimates of settlements and judgments from the General Fund are $42 million, $34.5 million, $34.5 million, $34.5 million and $34.5 million for Fiscal Years 2011 through 2015, respectively (based on the Nineteenth 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 2010, payments for claims arising from labor settlements in the General Fund were $1.4 million of which $1.38 million were paid from the Indemnities account, and $13,000 from the Operating budgets of the affected departments. For Fiscal Year 2009, payments for claims arising from labor settlements in the General Fund were $1.74 million of which $1.7 million was paid from the Indemnities account, and $40,000 from the operating budgets of the affected departments. Actual claims paid out from the General Fund for settlements and judgments averaged $29.3 million per year over the five years from Fiscal Year 2006 through Fiscal Year 2010.

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 2003 which resulted from these claims and lawsuits was \$3.9 million, \$2.9 million for Fiscal Year 2004, \$2.4 million for Fiscal Year 2005 \$4.2 million for Fiscal Year 2006, \$2.5 million in Fiscal Year 2007, \$4.6 million in Fiscal Year 2008, \$5.0 million in Fiscal Year 2009 and \$4.8 million in Fiscal Year 2010. The Water Fund's budget for Fiscal Year 2011 contain 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 \$5.0 million in Fiscal Year 2011. 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 2008 which resulted from these claims and lawsuits was \$1.3 million and \$430,000 for Fiscal Year 2009. The aggregate loss for Fiscal Year 2010 was \$881,600. The Indemnities budgets for Aviation Fund claims for Fiscal Year 2010 and Fiscal Year 2011 contain an appropriation in the amount of \$2.5 million each, although the current estimate, based on the prior three fiscal years' expenditures, is only \$889,819 in Fiscal Year 2011. 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 March 1, 2011, the Office of the City Controller had 114 employees, including 68 auditors, 24 of whom were certified public accountants.

The City Controller post-audits and reports on the City's combined financial statements, federal assistance received by the City, the performance of City departments and the finances of the School District. The City Controller also conducts a pre-audit program of expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit by category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the Home Rule Charter and other pertinent legal and contractual requirements before any moneys are paid by the City Treasurer. The Pre-Audit Technical

Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to 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.

Clarence D. Armbrister, Chief of Staff, was appointed on January 7, 2008. Prior to his appointment, Mr. Armbrister was Executive Vice President and Chief Operating Officer of Temple University. Mr. Armbrister began his career at Temple in April 2003 when he was named Senior Vice President. He was elevated to the position of Executive Vice President and Chief Operating Officer in January 2007. Prior to joining Temple, Mr. Armbrister was a Director in the UBS Financial Services Municipal Securities Group in the City and had served as Managing Director of the School District of Philadelphia, Treasurer of the City of Philadelphia, and was a partner in the law firm of Saul Ewing LLP. Mr. Armbrister holds a J.D. from the University of Michigan Law School and a B.A. degree in political science and economics from the University of Pennsylvania.

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.

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 1% 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.

The Mayor presented the Twentieth Five-Year Plan (the "Twentieth Five-Year Plan") to City Council on March 3, 2011. City Council is in the process of reviewing the Fiscal Year 2012 Operating Budget and Twentieth Five-Year Plan. The proposed Fiscal Year 2012 Operating Budget conforms to the Twentieth Five-Year Plan.

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

[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.

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 March 31, 2011, the principal amount of PICA bonds outstanding was $533,945,000.

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 and the current estimate for Fiscal Year 2011 are set forth below.

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	$273.60	$107.00	$166.60
2002	$278.00	$107.30	$170.70
2003	$281.50	$79.20	$202.30
2004	$285.00	$78.90	$206.10
2005	$300.20	$85.90	$214.30
2006	$309.90	$87.10	$222.80
2007	$327.90	$86.00	$241.90
2008	$341.80	$86.40	$255.40
2009	$348.50	$86.40	$262.10
2010	$343.30	$68.90	$274.40
2011 (Current Estimate)[2]	$345.50	$66.50	$279.00

(1) Does not include additional one-time grants to the City from PICA reserves in certain years.

(2) As of March 31, 2011 QCMR

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 Reoffering Circular and persons considering a purchase of the Bonds should rely only on information contained in this Reoffering Circular 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.

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Table 22
Hospitals and Medical Centers

as of June 2010

Institution Name	Total Beds
Albert Einstein Medical Center	511
Aria Health System[1]	485
Belmont Center for Comprehensive Treatment	147
Chestnut Hill Hospital	119
Department of Veterans Affairs Medical Center-Philadelphia	142
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	774
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 expanding its research facilities in West Philadelphia. The $400 million Colket Research Building was completed in the Fall of 2009 and it has opened. CHOP is currently completing design on the $500 million Ambulatory Care Facility, which is expected to begin construction in late 2011 and be opened in late 2013. In addition to this major development, CHOP has purchased the JFK Building on the banks of the Schuylkill River just south of South Street. Administrative offices and research laboratories will be housed in this new space. CHOP is currently reviewing design concepts for the JFK Building.

University of Pennsylvania. A major new $302 million cancer research and treatment center, the Center for Advanced Medicine, opened in October 2008. The West Tower of the Center of Advanced Medicine was completed in 2010 at a cost of $370 million.

The Fox Chase Cancer Center. The Fox Chase Cancer Center (the "Center") is a non-profit institution that is endeavoring to expand its campus in the northeast section of the City. In 2009, Fox Chase opened the $100 million Robert Young Research Pavilion that is currently occupied by the women's cancer treatment center, a research center and will soon house the Cancer Genome Institute. The Fox Chase Cancer Center and the Institute for Individualized Health, together, have formed a partnership to create the 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 Institute. The Wistar Institute (the "Institute") was founded in 1892 and was the nation's first independent biomedical research facility. The Institute is a leading Philadelphia and national research institute, becoming 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, surrounded on all sides by University owned land. The Institute is embarking 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 research building on the site of the Institute's current vivarium, the replacement of the complex's infrastructure which will dramatically improve energy efficiency, and the creation of a new vivarium in existing space.

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[1]	% of Total
0-24	563,816	35.6	551,308	36.3	529,490	34.4
25-44	490,224	30.9	444,774	29.3	461,068	30.0
45-64	290,803	18.3	307,746	20.2	355,484	23.1
65-84	217,913	13.7	186,383	12.3	162,531	10.6
85 & up	22,801	1.4	27,339	1.8	30,653	2.0
Total	1,585,577	100.0	1,517,550	100.0	1,539,226	100.0

Pennsylvania						
Age	1990	% of Total	2000	% of Total	2007 – 2009[1]	% of Total
0-24	4,021,585	33.8	4,016,670	32.6	4,003,759	31.9
25-44	3,657,323	30.8	3,508,562	28.6	3,207,408	25.5
45-64	2,373,629	20.0	2,836,657	23.1	3,427,763	27.3
65-84	1,657,270	13.9	1,681,598	13.7	1,628,092	13.0
85 & up	171,836	1.4	237,567	1.9	297,534	2.4
Total	11,881,643	100.0	12,281,054	100.0	12,564,556	100.0

United States						
Age	1990	% of Total	2000	% of Total	2007 – 2009[1]	% of Total
0-24	90,342,198	36.3	99,437,266	35.3	104,507,545	34.3
25-44	80,754,835	32.5	85,040,251	30.2	83,150,108	27.3
45-64	46,371,009	18.6	61,952,636	22.0	77,943,353	25.6
65-84	28,161,666	11.3	30,752,166	11.0	33,370,213	11.0
85 & up	3,080,165	1.2	4,239,587	1.5	5,349,246	1.8
Total	248,709,873	100.0	281,421,906	100.0	304,320,465	100

[1] 2007-2009 American Community Survey 3 year estimates.
Source: U.S. Dept. of Commerce, Bureau of the Census.

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.

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.

Employment

The employment and unemployment rates and the total number of jobs within the City are reflected in Tables 26 and 27, respectively.

The employment changes within the City principally have been due to declines in the manufacturing sector and the relatively stronger performance of the service economy. The City's and region's economies are diversified, with strong representation in the health care, government, and education sectors but without the domination of any single employer or industry.

In March 2000, 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 5.5 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.

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	639.7
Employment	575.7	573.1	577.5	579.2	581.9	585.0	566.6	577.0	576.1
Unemployment	46.9	45.2	41.6	38.0	37.2	44.5	63.3	70.4	63.7
Unemployment Rate (%)	7.5	7.3	6.7	6.2	6.0	7.1	10.0	10.9	9.9
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	2,935.0
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	2,684.2
Unemployment	156.8	146.9	137.7	131.8	126.1	159.9	248.0	269.7	250.8
Unemployment Rate (%)	5.4	5.1	4.7	4.5	4.3	5.4	8.3	9.0	8.5
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	6,301.0
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	5,798
Unemployment	349.0	337.0	312.0	287.0	275.0	343.0	514.0	549.0	503
Unemployment Rate (%)	5.7	5.4	5.0	4.5	4.3	5.3	8.0	8.7	8.0
United States (000,000)									
Labor Force	146.5	147.4	149.3	151.4	153.1	154.3	154.1	153.9	153.0
Employment	137.7	139.3	141.7	144.4	146.0	145.4	139.9	139.1	138.9
Unemployment	8.8	8.1	7.6	7.0	7.1	8.9	14.3	14.8	14.1
Unemployment Rate (%)	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.6	9.2

(1) Philadelphia County
(2) The Philadelphia PMSA includes Philadelphia-Camden-Wilmington, PA, NJ, DE, MD Metro Stat Area.
(3) As of March 2011.
Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, 2011.

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.

Table 28
Philadelphia City
Non-Farm Payroll Employment[(1)]

(Amounts in Thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total Non-Farm	683.5	671.3	657.9	660.3	662.5	662.7	663.3	651.0	656.8
Natural Resources, Construction & Mining	12.9	12.3	11.4	12.0	12.4	11.9	12.1	10.0	10.0
Manufacturing	37.7	34.0	32.6	31.2	29.9	28.5	27.8	25.9	24.8
Trade, Transportation & Utilities	98.5	95.8	90.9	90.0	88.5	87.8	87.6	85.2	86.8
Information	17.0	15.9	13.6	13.2	12.8	12.6	12.5	12.6	12.3
Financial Activities	52.3	50.7	49.0	48.2	47.7	47.1	46.5	44.9	42.8
Professional & Business Services	82.9	80.9	80.3	82.4	84.2	85.8	85.3	80.1	81.3
Education & Health Services	181.0	185.3	184.1	186.8	192.2	197.1	201.6	204.8	207.5
Leisure & Hospitality	54.2	52.9	54.6	56.6	58.0	58.0	57.9	56.9	58.4
Other Services	29.9	29.0	28.5	28.5	28.2	28.0	27.8	26.6	26.5
Government	117.1	114.7	113.0	111.4	108.6	105.9	104.3	105.7	106.3

[(1)] Includes persons employed within the City, without regard to residency.
Source: Bureau of Labor Statistics, November 2010.

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 table presents 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

Income	Number of Households (000's) 1990	2000	2007 - 2009[1]	Percentage of Households 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 in 1985. The line places the airport less than 25 minutes from the Center City business district and connects directly with the commuter rail network and the Convention Center, which opened in June 1993. The opening of the commuter rail tunnel in 1984 provided a unified City transportation system linking the commuter rail system, the SEPTA bus, trolley, and subway lines, the high speed line to New Jersey, and the airport high speed line.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting 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 Interstate 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 international passengers. PHL is served by 30 different airlines and handles 621 daily departures to 124 cities, including 62 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 58% of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 482,000 retail customer accounts through 3,159 miles of mains, three water treatment plants, 15 pumping stations and provides fire protection through more than 25,000 fire hydrants.

The wastewater system services a total of 360 square miles of which 130 square miles are within the City and 230 square miles are in suburban areas. The total number of retail customer accounts is approximately 480,000 excluding approximately 46,000 stormwater only accounts. The wastewater and stormwater systems contain three water pollution control plants, a biosolids processing facility, 21 pumping stations, and approximately 3,663 miles of sewers. The wastewater treatment plants continue to meet and/or exceed their NPDES 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 City significantly reduced its waste disposal costs over the last decade. The current disposal contract, which began July 1, 2005, continues this trend. With three one-year City options, the contract can be extended through Fiscal Year 2012. Disposal rates escalate at a relatively low rate of approximately 3% per year over the contract term, and multiple vendors maximize operational flexibility and efficiencies.

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]
Total Housing Units			
Philadelphia County	674,899	661,958	661,575
Pennsylvania	4,938,140	5,249,750	5,518,558
Percent Owner-Occupied			
Philadelphia County	62.0%	59.3%	56.8%
Pennsylvania	70.6%	71.3%	71.5%
Median Value of Owner-Occupied Housing			
Philadelphia County	$49,400	$59,700	$128,900
Pennsylvania	$69,700	$97,000	$152,300
Number/Average Persons per Housing Unit			
Philadelphia County	2.56	2.65	2.60
Pennsylvania	2.72	2.62	2.46

[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 2009, despite a slowing national economy, the City aggressively launched several programs aimed at improving economic development. By reorienting its economic development priorities toward promoting transparency and accountability in government services to businesses and individuals, the City will strive to become the business location of choice. This new business climate, combined with recent cultural additions, neighborhood reinvestment and a renewed sense of civic pride, will further the City's position as a world-class city.

Philadelphia's Competitive Advantages

The City'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 green industries. The City is the fifth-largest city in the nation (2010 U.S. Census Data) with the third largest downtown population 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.

Accessibility

The City is in a key position to access regional and international markets, due to the transportation infrastructure centered here, including Philadelphia International Airport, AMTRAK's Northeast Corridor service, major interstate highway access, regional SEPTA service and the port. The capacity of the City's transportation infrastructure is demonstrated by its median commuting time, which is 19% lower than the national metropolitan average. Recent analysis has shown that employees also benefit: Commuters to suburban firms, nearly all of whom drive to work, spend over $6,200 per year in vehicle expenses. By contrast, 70% of downtown office workers use public transit to get to work, and the annual cost of a SEPTA regional rail pass is just $2,292. In addition, 37% of downtown residents walk to work, the highest percentage of any major American city. Another 1.6% of Philadelphia commuters use bicycles to get to work. This is the highest percentage of biking commuters in the U.S., which is nearly three times the national average (2008 American Community Survey, http://blog.bicyclecoalition.org/2009/).

Culture

As a major urban center with a rich historical legacy, the City is increasingly gaining national recognition for its cultural and recreational advantages, which include the many tourism assets concentrated within city limits. 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 opening of the newly completed National Museum of American Jewish History and the construction of the Barnes Foundation Museum, are increasingly drawing national attention. The development of new first-class sports facilities, as well as continued access and development along the City's Delaware and Schuylkill River waterfronts, adds to this array.

Affordability

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
2010 (First Quarter)[1]

Index	Philadelphia, PA	Washington-Arlington – Arlington, DC-VA	Boston, MA	New York (Manhattan), NY	National Average
Composite (100%)	126.5	137.9	131.1	218.0	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," and the indices for each place are then calculated based upon their relation to that average.
Source: Council for Community and Economic Research ACCRA Cost of Living Index.

Educational Attainment

The City captures a significant portion of the region's educational employment and enrollment because of its major colleges and universities. The City houses 40% of all students during their studies. The Philadelphia region currently retains a stronger share of its graduates than previously, 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%). Meanwhile, the City consistently ranks among the lowest educational attainment rates in the nation, with only 23.2% of its population having obtained a four-year college degree (American Community Survey data, 2009), a gain of 2.5 points over 2006. To continue this trend, the Nutter administration has made it a priority to leverage the City's relationships with local universities and industry partners aimed at encouraging recent college graduates to maintain permanent residence and employment within the city.

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 when compared with other major metropolitan markets. The strength of the market is driven by the continued expansion of the city's major healthcare and educational institutions, which are less likely to be impacted by the slowdown, and the growth of Comcast Corporation. Recent developments in the financial services market offer both retention risks and attraction opportunities for the City. Significant downsizing among law firms and other professional services businesses pose the greatest challenge to the office market.

The Center City office market has seen positive results in most recent years, with approximately 1 million square feet of net absorption in 2006, 992,000 square feet in 2007 and 876,000 square feet of positive net absorption in 2008. Unfortunately, the economic slowdown has begun to have an effect, dropping the Class A net absorption rate for 2010 to approximately negative 304,910 square feet. The CBD boasted a direct vacancy rate of under 9% for six quarters in a row as of the first quarter of 2009, but this rate rose to 10.5% by the end of 2009. The direct vacancy rate for 2010 was 14.2%, still well below the national average, which climbed to 16.4% in the fourth quarter of 2010. Despite these downturns, CBD shows signs of economic recovery and confidence is returning to the market. In 2010, the Comcast Corporation renewed and expanded their offices in 90,000 square feet of space outside their flagship building, Janney Montgomery Scott began construction on a data center on Market East and is currently negotiating a new lease for its corporate headquarters in Center City, and i-Many, a contract performance management company, relocated their offices from New Jersey to Center City. 2011 continues to present significant opportunities for the CBD as it takes further steps towards stabilization.

A positive sign of recovery is reflected in accelerating rental activity in the CBD, which in the first quarter of 2010 showed a 67% increase over the first quarter of 2009 activity. As a result of building owners making substantial capital investments and a high demand for 'trophy' locations, Class A asking rental rates in the CBD have risen from $25.85 in 2006 to an annual average of $27.73 per square foot in 2010. A concerted attraction and retention campaign involving the combined efforts of the City, PIDC, the Center City District, the Greater Philadelphia Chamber of Commerce, and the Commonwealth has helped to sustain these positive trends.

Amidst the national slowdown in real estate, the City's single-family property market remains consistent but is showing some signs of strain due to threats of increased foreclosures and a stagnant buyers market. However, the rental real estate market continues to be positioned favorably. Unburdened by a glut of speculative multifamily projects outstripping tenant demand, the City has maintained a low apartment vacancy rate and has fared well when compared to other regions.

Major Industry Sectors

When compared to the average sector concentration in Pennsylvania counties, the City has a higher concentration of employment in six sectors, as noted in the chart below.

Table 37
Philadelphia Industry Concentrations
Compared to Pennsylvania

Industry	Pennsylvania	Philadelphia County
Education and Health Services	0.60	1.66
Financial Activities	0.79	1.26
Other Services	0.97	1.03
Professional and Business Services	0.98	1.02
Leisure and Hospitality	0.95	1.05
Information	0.89	1.12
Trade, Transportation, and Utilities	1.42	0.70
Manufacturing	2.42	0.41
Construction	2.54	0.39
Unclassified	1.12	0.90
Natural Resources and Mining	156.61	0.01

Source: Bureau of Labor Statistics, 2009 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.

The City has maintained an above-average concentration of employment in Education and Health Services, Financial Activities, Other Services, Professional and Business Services, Leisure and Hospitality as well as Information Services. The employment base has undergone a gradual shift over the last decade, most notably marked by growth in leisure/hospitality and education/health services sector employment.

Knowledge Industry: Poised for Growth

The sector of the City's economy which has remained most insulated from the current recession has been Education and Health Services, capturing an 11.5% growth rate since 2003. 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.

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 621 daily departures to 124 cities, including 62 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 eleventh 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 terminal development, along with other terminal expansion, has 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 126. Demand for air travel, spurred by low-fare competition with the entrance of Southwest Airlines into PHL 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, 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 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 the 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 preferred alternative, as selected by the FAA, known as "Alternative A," 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 would also 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 would be approximately 13 calendar years, or between 2013 and 2025. The funding of this longer-term capital program will require the issuance of additional airport revenue bonds.

PHL's current Use and Lease Agreement with its signatory airlines will expire on June 30, 2011. PHL is finalizing a two year extension to the existing Use and Lease Agreement under the same terms and conditions, which will require City Council approval and include a set level of funding for a capital improvement program to begin implementation of projects related to the CEP.

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 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. During the first quarter of 2011, PIDC settled ten loans totaling $4 million.

PIDC and PAID Grant Programs: PIDC and PAID administer a number of federal, state and local grant programs, mostly targeted to non-profit organizations. 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. During the first quarter of 2011, sixteen grants totaling $48 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. There have not been any bond settlements during the first quarter of 2011.

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, and 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.

  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 quarter 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. There have not been any property sales during the first quarter of 2011.
- Developer Selection: PIDC also manages developer selection and sales of key real estate assets in the City utilizing conventional RFQ/RFP methodology. Currently, PIDC is managing two RFQ/RFP processes for sites located on the Avenue of the Arts (South Broad Street) that are likely to settle in the next year.

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 upgrading 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 5.5 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 was achieved in implementation of the Master Plan:

- Industrial Anchors: The Navy Yard continues to be a vital industrial and manufacturing center, with the Aker Philadelphia Shipyard as a major anchor. 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.

  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 800 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's new 350,000 SF bakery and distribution center at The Navy Yard became fully operational in 2010. This facility, along with an additional 200,000 square feet of speculative flex and industrial space, is being developed in the Navy Yard Commerce Center by Liberty Property Trust and Synterra Partners.

- Navy Yard Corporate Center: In 2003, PIDC selected a team led by Liberty Property Trust and Synterra Partners to develop 72 acres with 1.4 million square feet of Class A office space. Liberty/Synterra has developed three buildings, 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. 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 with the headquarter relocations by Vitetta Architects and Engineers, Unique Industries, and Barthco International. 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. In 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.

- 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. The Pennsylvania 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, the Pennsylvania 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.

In 2009, significant private investments in the Clean Energy Campus were announced. The first was the development of a seven-acre, 1.5 mega watt solar array to be developed by a partnership of Conergy and Exelon Power Generation. This facility is expected to be under construction in 2011. The second project is the development of a 350,000 square feet, $400 million thin film, solar panel manufacturing facility by Heliospehra USA. This facility is proposed for a start of construction during 2011.

- 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.

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 B

ANNUAL FINANCIAL REPORT OF THE CITY OF PHILADELPHIA
FOR THE YEAR ENDED JUNE 30, 2010

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City of Philadelphia
PENNSYLVANIA

Independence Hall

Comprehensive Annual Report
Fiscal Year Ended June 30, 2010

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City of Philadelphia
PENNSYLVANIA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Michael J. Kauffman
Accounting Director

Office of the Director of Finance • 1330 MSB • Philadelphia, PA 19102

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Statistical Section

Cover photo courtesy of B. Kirst, Greater Philadelphia Tourism Marketing Corp.

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

ROB DUBOW
Director of Finance

February 22, 2011

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

The Comprehensive Annual Financial Report of the City of Philadelphia for the fiscal year ended June 30, 2010 is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

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

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

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682 and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 129 square miles along the Delaware River, serves a population in excess of 1.5 million and is the hub of a five county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in southeast Pennsylvania. The City is governed largely under the Home Rule Charter, which was adopted by the Electors of the City of Philadelphia on April 17, 1951 and became effective on the first Monday of January, 1952. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania. The Charter provides for a strong mayoral form of government with the Mayor and the seventeen members of the City Council, ten (10) from districts and seven (7) from the City at large, elected every four years. Minority representation is assured by the requirement that no more than five (5) candidates may be elected for Council-at-large by any one party or political body. The Mayor is prohibited from serving more than two consecutive terms.

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

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services, as well as the activities of the previously mentioned public agencies and authorities. The City operates water and wastewater systems that service the citizens of Philadelphia and the City operates two airports, Philadelphia International Airport which handles in excess of 30 million passengers annually as well as cargo and Northeast Philadelphia Airport which handles private aircraft and some cargo.

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

Philadelphia is showing progress on several fronts, despite continued fiscal challenges that arise from the demographic and economic changes that have occurred over the last half century. After 50 years of losing residents to the suburbs, the City has experienced new investment in many of its neighborhoods spurred by the relative affordability of housing and the City's extensive array of cultural amenities. Still, significant challenges remain. While fewer people live and work here than in previous decades, social needs continue to grow just as the cost of providing services are rising considerably.

The City's tax base is under pressure as personal income levels remain relatively low in comparison to the region and poverty in the region has become increasingly concentrated in the City. These factors create an ongoing challenge to fund those public services required by a growing segment of our population with a revenue base that is unduly burdensome on the City and regional economy.

These challenges are only heightened in the current environment of a severe economic recession, which officially began in December 2007, and from which the nation and City are only beginning to emerge. The recession – the longest recession in the post WWII period – has been characterized by high unemployment, tight credit, decreased consumer spending and significant job loss. The erosion of the financial markets has in turn generated significant fiscal strain across the economy.

State and local governments have and continue to face large budget shortfalls primarily as a result of depressed tax collections and pension fund market losses. The City of Philadelphia had, at the close of fiscal year 2010, a negative fund balance of $114 million. This negative fund balance occurred despite the City having solved for a $1.7 billion shortfall over FY2010-FY2015 and a $1.04 billion shortfall over FY2009-FY2014.

In response to projected deficits, the City implemented significant expenditure reductions and efficiency savings, improved delinquent tax collections and temporarily suspended scheduled wage and business tax rate reductions. In addition, the City implemented workforce reductions through layoffs and by leaving positions vacant. Exempt employees earning $50,000 or above were subject to five furlough days each year for two years and some executive staff took up to 10% paycuts. The City also implemented temporary sales and property tax increases.

As a result of these efforts, by the end of the current fiscal year 2011, the city is projecting a modest surplus of $29.6 million.

While the recession officially ended in June 2009, unemployment remains high and many economists anticipate a slow and long recovery. This is particularly relevant to state and local governments, whose tax revenues generally lag economic conditions.

The table below shows how Philadelphia's local economy has trended in the past five years, characterized by population increases, increases in total compensation and declining unemployment rates up until the impact of the recession in the last two years.

Calendar Year	Population	Personal Income *(thousands of USD)*	Per Capita Personal Income *(USD)*	Unemployment Rate
2005	1,517,628	44,933,858	29,608	6.7%
2006	1,520,251	47,550,937	31,278	6.2%
2007	1,530,031	50,052,562	32,713	6.0%
2008	1,540,351	52,549,456	34,115	7.1%
2009	1,547,297	55,170,909	35,656	10.0%

Long Term Financial Planning

Long term financial planning for the City and for businesses and governments around the world has been made much more challenging with the sudden and dramatic rate of deterioration in the economy in the past two and a half years. As discussed above, the City has made significant changes to its budget and five-year plan to compensate for projected deficits and will continue to make those adjustments as necessary.

Some of the largest and fastest growing expenditures in the City's budget include employee health and pension benefits. Between fiscal year 2000 and fiscal year 2010 employee health benefits costs rose 119% and pension costs increased 109%, whereas total City revenues only increased 32%.

In order to address the challenges these long term structural costs present, the City is seeking changes to its health and pension benefits by reducing the cost to the City, implementing efficiency savings and seeking increased employee contributions and risk sharing. Some of these changes are already being made to the City-administered programs and those related to the Fraternal Order of Police (FOP) as a result of the December 18, 2009 Act 111 arbitration award. Additionally, the City was awarded similar pension changes in the October 12, 2010 Act 111 arbitration award with the International Association of Fire Fighters (IAFF). While the economic provisions of the award are being appealed by the City, the award's pension provisions are not under appeal by the City or the IAFF. The City is seeking similar changes with the remaining bargaining units whose contracts expired in July of 2009.

Despite the immediate economic challenges facing the City, some planned initiatives must take place if the City is to be positioned for economic recovery in the long run. Some of those initiatives include:

- **Greenworks Philadelphia.** The City is committed to becoming the greenest city in the U.S. by 2015. In order to achieve that goal the City has created a detailed work plan and begun implementation of Greenworks Philadelphia, which outlines those goals and initiatives the City will engage in to limit its environmental footprint and capitalize on its competitive advantages in the emerging green economy.

- **Healthy Philadelphia Initiative.** The City's Department of Public Health in conjunction with other City agencies, non profit organizations and academic institutions will implement a multi year plan for combating obesity by making healthy foods available to Philadelphians, decreasing the availability and consumption of non healthy foods and promoting physical activity in daily life.

- **PhillyGoes2College.** Improving educational outcomes is necessary in order to improve the overall well being of Philadelphia residents. As a way of increasing access to higher education the City has opened a new PhillyGoes2College office to assist residents to and through college as well as help them find scholarships to finance their education.

- **Investments in Technology.** Despite the significant budget cuts departments have endured over the course of the past two and a half years, the City is devoting resources to long-needed technology investments across government. These investments will help streamline operations and reduce costs in the long-term.

- **Jobs and Workforce Development.** Through Way to Work Philadelphia! The City and its partners leveraged federal stimulus dollars to provide wage subsidies for 14,000 part- and full-time jobs in Philadelphia - jobs for people who may otherwise have been unemployed. In addition, the City continues to work in partnership with economic development stakeholders to build work-readiness skills to youth ages 14-21, through paid summer job placements. In 2010 the program provided over 12,000 summer job opportunities.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This was the thirtieth consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

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

Respectfully submitted,

ROB DUBOW
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

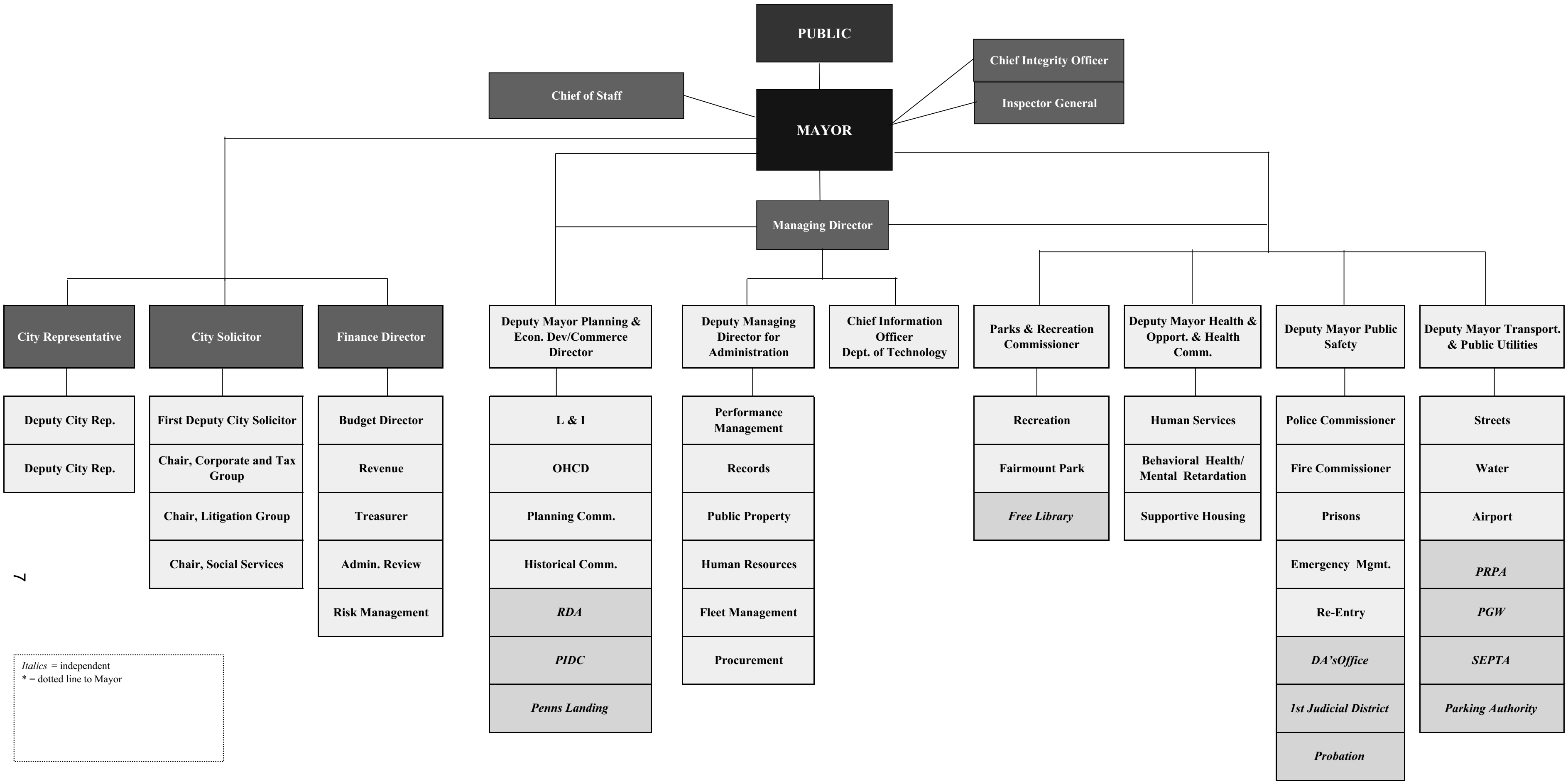
City of Philadelphia
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

President

Executive Director


PUBLIC
Chief of Staff
MAYOR
Chief Integrity Officer
Inspector General
Managing Director
City Representative
Deputy City Rep.
Deputy City Rep.
City Solicitor
First Deputy City Solicitor
Chair, Corporate and Tax Group
Chair, Litigation Group
Chair, Social Services
Finance Director
Budget Director
Revenue
Treasurer
Admin. Review
Risk Management
Deputy Mayor Planning & Econ. Dev/Commerce Director
L & I
OHCD
Planning Comm.
Historical Comm.
RDA
PIDC
Penns Landing
Deputy Managing Director for Administration
Performance Management
Records
Public Property
Human Resources
Fleet Management
Procurement
Chief Information Officer Dept. of Technology
Parks & Recreation Commissioner
Recreation
Fairmount Park
Free Library
Deputy Mayor Health & Opport. & Health Comm.
Human Services
Behavioral Health/ Mental Retardation
Supportive Housing
Deputy Mayor Public Safety
Police Commissioner
Fire Commissioner
Prisons
Emergency Mgmt.
Re-Entry
DA'sOffice
1st Judicial District
Probation
Deputy Mayor Transport. & Public Utilities
Streets
Water
Airport
PRPA
PGW
SEPTA
Parking Authority
Italics = independent
* = dotted line to Mayor

Elected Officials

Mayor	**Michael A. Nutter**
City Council	
President, 2nd District	**Anna Cibotti Verna**
1st District	**Frank DiCicco**
3rd District	**Jannie L. Blackwell**
4th District	**Curtis Jones, Jr.**
5th District	**Darrell L. Clarke**
6th District	**Joan L. Krajewski**
7th District	**Maria D. Quinones-Sanchez**
8th District	**Donna Reed Miller**
9th District	**Marian B. Tasco**
10th District	**Brian J. O'Neill**
At-Large	**Blondell Reynolds Brown**
At-Large	**W. Wilson Goode, Jr.**
At-Large	**William K. Greenlee**
At-Large	**Jack Kelly**
At-Large	**James F. Kenney**
At-Large	**Bill Green**
At-Large	**Frank Rizzo**
District Attorney	**Seth Williams**
City Controller	**Alan Butkovitz**
City Commissioners	
Chairwoman	**Margaret M. Tartaglione**
Commissioner	**Anthony Clark**
Commissioner	**Joseph Duda**
Register of Wills	**Ronald R. Donatucci**
Sheriff	**John Green**
First Judicial District of Pennsylvania	
President Judge, Court of Common Pleas	**Pamela P. Dembe**
President Judge, Municipal Court	**Marsha H. Neifield**
President Judge, Traffic Court	**Thomasine Tynes**

Appointed Officials

Managing Director	Camille Cates Barnett, Ph.D.
Director of Finance	Rob Dubow
City Solicitor	Shelley A. Smith
City Representative	Melanie Johnson
Chief of Staff	Clarence Armbrister
Deputy Mayor for Public Safety	Everett A. Gillison
Deputy Mayor for Health & Opportunity/Health Commissioner	Donald R. Schwarz, MD
Deputy Mayor for Planning & Economic Development/Commerce Director	Alan Greenberger
Chief Integrity Officer	Joan L. Markman
Inspector General	Amy L. Kurland
Chief Education Advisor to the Mayor	Lori A. Shorr, Ph.D.
Senior Advisor to the Mayor	Pauline Abernathy
Chief Information Officer	Allan Frank
Deputy Mayor for Economic Development	Alan Greenberger
City Treasurer	Rebecca Rhynhart
Revenue Commissioner	Keith Richardson
Procurement Commissioner	Hugh Ortman
Police Commissioner	Charles Ramsey
Prisons Commissioner	Louis Giorla
Streets Commissioner	Clarena Tolson
Fire Commissioner	Lloyd Ayers
Commissioner of Parks and Recreation	Michael DiBerardinis
Public Property Commissioner	Joan Schlotterbeck
Director of the Office of Behavioral Health	Arthur C. Evans, MD
Department of Human Services Commissioner	Anne Marie Ambrose
Licenses and Inspections Commissioner	Fran Burns
Water Commissioner	Bernard Brunwasser
Records Commissioner	Joan T. Decker
Human Resources Director	Albert L. D’Attilio
Executive Director of the Board of Pensions & Retirement	Francis X. Bielli
Executive Director of the Sinking Fund Commission	Carl P. Coin
Director of Aviation	Mark Gale
Director of the Office of Labor Relations	Joseph Tolan

CITY OF PHILADELPHIA

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

ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2010, which collectively comprise the City of Philadelphia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Philadelphia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the entities whose percentage of assets and revenues are disclosed in Note I-1C. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

As discussed in Note III.7.A.(6) to the financial statements, in 2010 the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, Accounting and Financial Reporting for Derivative Instruments.

The management's discussion and analysis on pages 13 through 25, and the major funds budgetary comparison schedules, the pension plans and other post employment benefits-schedule of funding progress, and the related notes to required supplementary information, on pages 122 through 126, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia's basic financial statements. The accompanying Introductory Section, Other Supplementary Information, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2010 financial information listed as Other Supplementary Information in the table of contents, has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010 taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Philadelphia's basic financial statements for the year ended June 30, 2009, which are not presented with the accompanying financial statements. In our report dated February 18, 2010, we expressed unqualified opinions on the respective 2009 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. In our opinion, the 2009 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations, on pages 151 through 155, are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009, taken as a whole. The Introductory Section and Statistical Section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Gerald V. Micciulla

February 22, 2011

GERALD V. MICCIULLA, CPA
Deputy City Controller

City of Philadelphia
PENNSYLVANIA

Management's Discussion & Analysis

This narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2010 has been prepared by the city's management. The information presented here should be read in conjunction with additional information contained in our letter of transmittal, which can be found beginning on page 1, and the city's financial statements immediately following this discussion and analysis.

Financial Highlights

- At the end of the current fiscal year, the City of Philadelphia's *net liabilities* were $197.7 million resulting from an excess of its liabilities over its assets. Its *unrestricted net assets* showed a deficit of $2,164.7 million. This deficiency will have to be funded from resources generated in future years.

- During the current fiscal year the city's total net assets decreased by $436.6 million. The governmental activities of the city experienced a decrease of $483.4 million, while the business type activities had an increase of $46.8 million.

- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of $541.9 million, a decrease of $117.5 million from last year. Primarily, this was due to Other Governmental funds which experienced a decrease in Fund Balance of $86.5 million. The *unreserved fund balance* of the governmental funds ended the fiscal year with a deficit of $44.7 million, an increase of $30.6 million from last year.

- The overall unreserved fund balance of the city's General fund ended the fiscal year with a deficit of $251.8 million, an increase from last year of $22.7 million. This is due to a decrease in expenditures of $360.4 million, a 5.1% decrease over the previous year.

- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a deficit fund balance of $114.0 million, as compared to a deficit of $137.2 million last year. This increase of $23.2 million was due to cost containment efforts which created an operating surplus of $0.6 million and the cancellations of prior year obligations further increased the fund balance.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

These two activities comprise the primary government of Philadelphia.

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

Fund financial statements. The fund financial statements provide detailed information about the city's most significant funds, not the city as a whole. Funds are groupings of activities that enable the city to maintain control over resources that have been segregated for particular purposes or objectives. All of the funds of the City of Philadelphia can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- ***Governmental funds.*** The governmental funds are used to account for the financial activity of the city's basic services, similar to those described for the governmental activities in the government-wide financial statements. However, unlike the government-wide statements which provide a long-term focus of the city, the fund financial statements focus on a short term view of the inflows and outflows of expendable resources, as well as on the balances of expendable resources available at the end of the fiscal year. The financial information presented for the governmental funds are useful in evaluating the city's short term financing requirements.

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

The city maintains twenty-two individual governmental funds. Financial information is presented separately for the general fund, grants revenue fund and health choices behavioral health fund, which are considered to be major funds. Data for the remaining nineteen are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

• ***Proprietary funds.*** The proprietary funds are used to account for the financial activity of the city's operations for which customers are charged a user fee; they provide both a long and short term view of financial information. The city maintains three enterprise funds which are a type of proprietary funds - the airport, water and waste water operations, and industrial land bank. These enterprise funds are the same as the business-type activities in the government-wide financial statements, but they provide more detail and additional information, such as cash flows.

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Net assets. As noted earlier, net assets are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities exceeded its assets by $197.7 million.

Capital assets (land, buildings, roads, bridges and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net assets, $772.5 million. Although these capital assets assist the city in providing services to its citizens, they are generally not available to fund the operations of future periods.

A portion of the city's net assets, $1,194.4 million, are subject to external restrictions as to how they may be used. The remaining component of net assets is unrestricted. Unrestricted net assets ended the fiscal year with a deficit of $2,164.6 million. The governmental activities reported negative *unrestricted net assets* of $2,421.9 million. Any deficits will have to be funded from future revenues. The business type activities reported an unrestricted net assets surplus of $257.3 million.

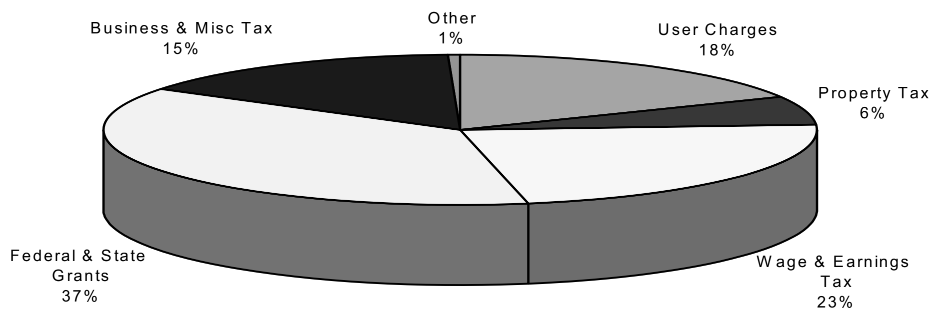
Following is a comparative summary of the city's assets, liabilities and net assets:

City of Philadelphia's Net Assets

(millions of USD)

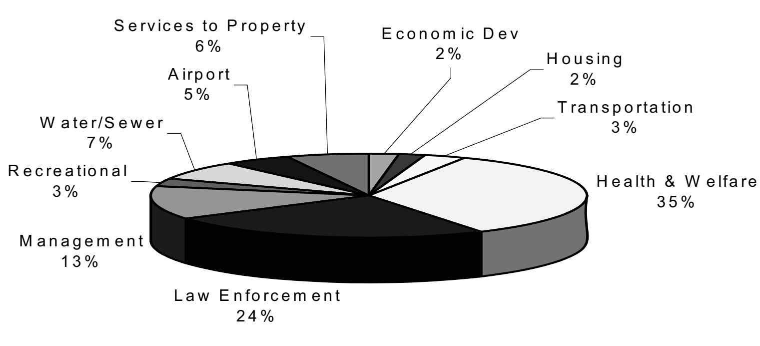
	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2010	2009	Change	2010	2009	Change	2010	2009	Change
Current and other assets	1,914.9	2,206.1	-13.20%	1,181.4	1,298.6	-9.03%	3,096.3	3,504.7	-11.65%
Capital assets	2,151.3	2,157.1	-0.27%	3,493.5	3,322.8	5.14%	5,644.8	5,479.9	3.01%
Total assets	**4,066.2**	**4,363.2**	-6.81%	**4,674.9**	**4,621.4**	1.16%	**8,741.1**	**8,984.6**	-2.71%
Long-term liabilities	4,891.1	4,816.4	1.55%	2,832.6	2,940.4	-3.67%	7,723.7	7,756.8	-0.43%
Other liabilities	951.2	839.5	13.31%	263.9	149.5	76.52%	1,215.1	989.0	22.86%
Total liabilities	**5,842.3**	**5,655.9**	3.30%	**3,096.5**	**3,089.9**	0.21%	**8,938.8**	**8,745.8**	2.21%
Net assets:									
Invested in capital assets,									
net of related debt	(59.3)	(5.8)	-922.41%	831.8	750.6	10.82%	772.5	744.8	3.72%
Restricted	705.1	833.8	-15.44%	489.3	511.1	-4.27%	1,194.4	1,344.9	-11.19%
Unrestricted	(2,421.9)	(2,120.6)	-14.21%	257.3	269.8	-4.63%	(2,164.6)	(1,850.8)	-16.95%
Total net assets	**(1,776.1)**	**(1,292.6)**	-37.41%	**1,578.4**	**1,531.5**	3.06%	**(197.7)**	**238.9**	-182.75%

Changes in net assets. The city's total revenues this year, $6,330.0 million, fell short of total costs of $6,730.2 million by $400.2 million. Approximately 29% of all revenue came from property and wage and earnings taxes. State, Federal and local grants account for another 37%, with the remainder of the revenue coming from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 65% are related to the health, welfare and safety of the general public.



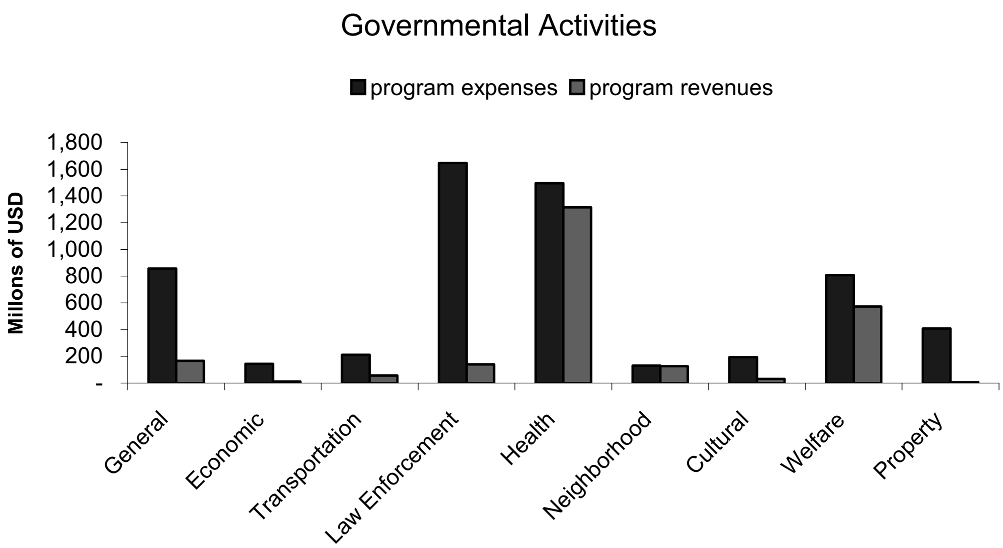
Overall, net assets for the city decreased by $436.6 million. Total revenues decreased by $234.5 million, total expenses decreased by $360.4 million over last year. This resulted in the Change in Net Assets being $125.9 million higher than in the previous year. Net assets were also decreased by $36.4 million largely due to implementation of GASB 53 (47.2 million) and increased for implementation of GASB 51 (10.8 million) not previously recognized. Tax receipts increased by $95.4 million largely attributable to increased real estate transfer tax collections. Grants & Contribution increased by $63.6 million.

Expense decreases included $243.9 million for Health Services, $43.6 million for General Welfare, $17.8 million for Housing & Neighborhood Development, and $39.7 for Interest on Long Term Debt.



Governmental Activities

The governmental activities of the City resulted in a $483.5 million decrease in net assets. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



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

(millions of USD)	Program Costs 2010	Program Costs 2009	% Change	Program Revenues 2010	Program Revenues 2009	% Change	Net Cost 2010	Net Cost 2009	% Change
General Welfare	807.6	851.2	-5.1%	572.8	617.1	-7.2%	234.8	234.1	0.3%
Judiciary & Law Enforcement	1,646.3	1,643.4	0.2%	139.6	127.8	9.2%	1,506.7	1,515.6	-0.6%
Public Health	1,494.5	1,738.4	-14.0%	1,314.1	1,530.0	-14.1%	180.4	208.4	-13.4%
General Governmental	858.2	898.7	-4.5%	166.1	269.4	-38.3%	692.1	629.3	10.0%
Services to Property	408.7	416.4	-1.8%	6.5	17.6	-63.1%	402.2	398.8	0.9%
Housing, Economic & Cultural	682.3	682.6	0.0%	224.3	244.5	-8.3%	458.0	438.1	4.5%
	5,897.6	**6,230.7**	-5.3%	**2,423.4**	**2,806.4**	-13.6%	**3,474.2**	**3,424.3**	1.5%

The cost of all governmental activities this year was $5,897.6 million; the amount that taxpayers paid for these programs through tax payments was $2,812.7 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,097.3 million while those who benefited from the programs paid $326.1 million through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of $196.9 million. After prior year adjustments of -$47.2 million, the difference of $1,339.8 million will have to be funded from future resources.

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

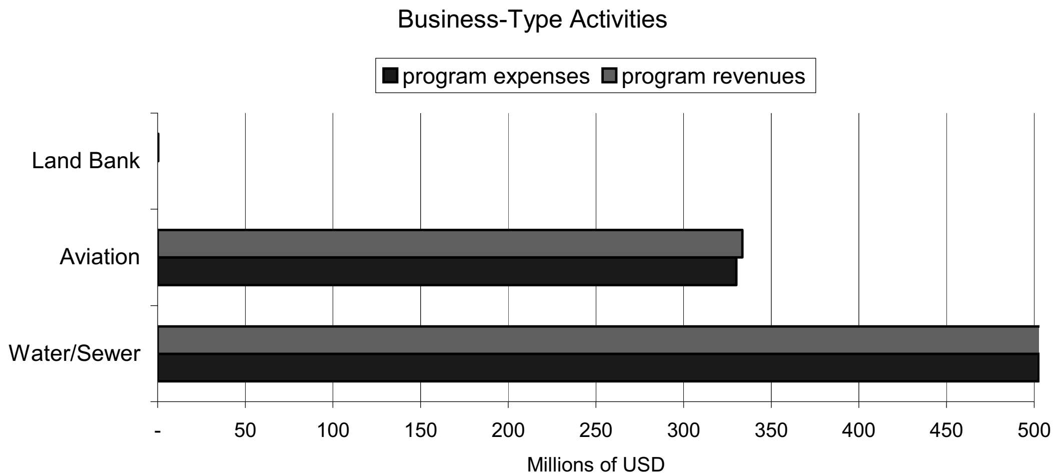
City of Philadelphia-Net Assets

(millions of USD)	Governmental Activities		Business-type Activities		Total		%
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**Change**
Revenues:							
Program revenues:							
Charges for services	326.1	333.4	792.6	751.9	1,118.7	1,085.3	3.1%
Operating grants and contributions	2,050.4	2,438.1	6.1	2.6	2,056.5	2,440.7	-15.7%
Capital grants and contributions	46.9	35.0	90.5	109.4	137.4	144.4	-4.8%
General revenues:							
Wage and earnings taxes	1,448.5	1,465.5	-	-	1,448.5	1,465.5	-1.2%
Property taxes	400.8	409.2	-	-	400.8	409.2	-2.1%
Other taxes	963.4	842.6	-	-	963.4	842.6	14.3%
Unrestricted grants and contributions	171.4	107.8	-	-	171.4	107.8	59.0%
Unrestricted Interest	25.5	46.1	7.7	22.9	33.3	69.0	-51.8%
Total revenues	**5,433.0**	**5,677.7**	**896.9**	**886.8**	**6,330.0**	**6,564.5**	-3.6%
Expenses:							
Economic development	145.0	116.0	-	-	145.0	116.0	25.0%
Transportation	212.1	209.6	-	-	212.1	209.6	1.2%
Judiciary & law enforcement	1,646.3	1,643.4	-	-	1,646.3	1,643.4	0.2%
Conservation of health	1,494.5	1,738.4	-	-	1,494.5	1,738.4	-14.0%
Housing & neighborhood development	131.3	149.1	-	-	131.3	149.1	-11.9%
Cultural & recreational	193.9	207.9	-	-	193.9	207.9	-6.7%
Improvement of the general welfare	807.6	851.2	-	-	807.6	851.2	-5.1%
Services to taxpayer property	408.7	416.4	-	-	408.7	416.4	-1.8%
General management	683.4	684.2	-	-	683.4	684.2	-0.1%
Interest on long term debt	174.9	214.6	-	-	174.9	214.6	-18.5%
Water & waste water	-	-	502.4	530.7	502.4	530.7	-5.3%
Airport	-	-	330.1	326.2	330.1	326.2	1.2%
Industrial land bank	-	-	0.1	3.0	0.1	3.0	-96.7%
Total expenses	**5,897.7**	**6,230.8**	**832.6**	**859.9**	**6,730.3**	**7,090.7**	-5.1%
Increase (decrease) in net assets before transfers & special items	(464.7)	(553.1)	64.3	26.9	(400.3)	(526.2)	
Transfers	28.3	4.2	(28.3)	(4.2)	-	-	
Increase (decrease) in Net Assets	**(436.3)**	**(548.9)**	**36.0**	**22.7**	**(400.3)**	**(526.2)**	
Net Assets - Beginning	(1,292.6)	(719.7)	1,531.5	1,502.1	238.9	782.4	-69.5%
Adjustment	(47.2)	(24.1)	10.8	6.8	(36.4)	(17.3)	
Net Assets - End	**(1,776.1)**	**(1,292.7)**	**1,578.3**	**1,531.6**	**(197.8)**	**238.9**	-182.8%

Business-type Activities

Business-type activities caused the city's net assets to increase by $46.8 million. This increase was comprised of an increase in net assets for water/wastewater of $39.3 million, an increase to aviation of $7.3 million and an increase for industrial & commercial development operations of $0.2 million. Some of the key reasons for these changes are:

- Increased airport rental concession income and an increase in passenger facility charges resulting from an increase in airline passenger traffic.
- Recording an intangible asset in the Aviation Fund
- Decreased employee benefits costs in the Water Fund, due to deferral of pension costs.

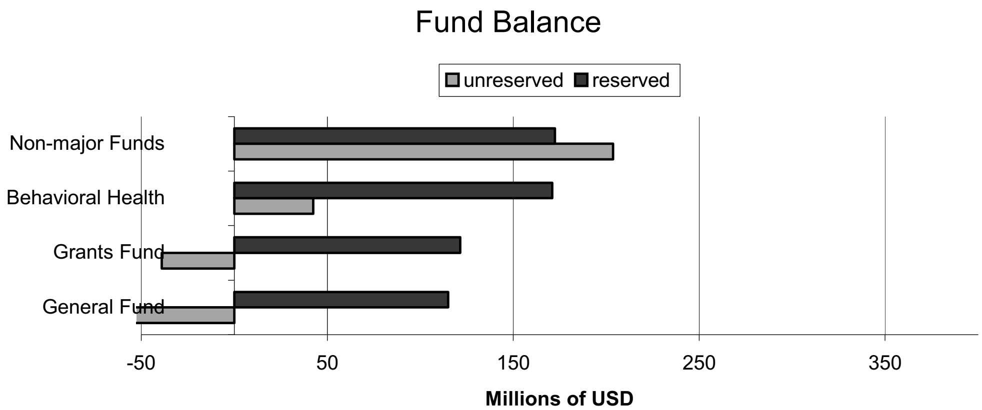


Financial Analysis of the Government's Funds

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

At the end of the fiscal year the city's governmental funds reported a *combined fund balance* of $541.9 million a decrease of $117.5 million over last year. Of the total fund balance, $586.5 million represents *reserved fund balance* which indicates that it is not available for new spending because it has already been committed to: contracts for goods and services ($141.1 million); revitalize neighborhoods ($73.1 million); pay debt service ($78.5 million); support programs funded by independent agencies ($44.2 million); fund a portion of the city's managed care programs ($171.0 million); fund a portion of new sports stadiums ($0.6 million); fund the 9-1-1 emergency phone system ($40.4 million); fund a portion of the central library renovation project ($2.3million), cultural and commercial corridor project ($30.7million); and trusts ($4.6 million). The difference between the combined fund balance and reserved fund balance is a deficit of $44.7 million which constitutes *unreserved fund balance,* this deficit must be funded by future budgets.

The general fund, the primary operating fund of the city, reported an *unreserved fund balance deficit* of $251.8 million at the end of the fiscal year. Ratios of the general fund's unreserved fund balance and total fund balance to its total expenditures can be useful indicators of the general fund's liquidity. These ratios for the year just ended were -7.0% and -3.81%, respectively.



Overall, the total fund balance (reserved and unreserved) of the general fund decreased by $54.6 million during the current fiscal year. This decrease was due to an excess of expenditures over revenues and other financing uses for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

- A decrease of $57 million in Transfers In from PICA to the city during the current year.

Expenditures:

- Expenditures for Economic Development increased by 26.8 million for the year.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $213.4 million of which $171.0 million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by $30.1 million.

The Grants Revenue fund has a total fund balance in the amount of $82.4 million which is comprised of a positive reserved fund balance of $121.4 million (earmarked for neighborhood revitalization and emergency telephone system programs) and a deficit unreserved fund balance of $39.0 million. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unreserved fund balance. The overall fund balance of the grants revenue fund experienced a decrease of $6.4 million during the current fiscal year due primarily to increases in health & housing and neighborhood development expenditures.

Proprietary funds. The city's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net assets* of the proprietary funds increased by $46.8 million during the current fiscal year. This overall increase is attributable to the water/wastewater system which had a decrease of $39.3 million, airport operations which experienced an increase of $7.3 million, while industrial & commercial development operations experienced an increase of $0.2 million.

The proprietary funds reported an *unrestricted nets assets* surplus of $257.3 million, comprised of $168.5 million for the water and waste water operations, $70.7 million for the airport and $18.1 million for the industrial & commercial development activities. These unrestricted net assets represent an overall decrease of $12.5 million over the previous year, comprised of a decrease of $5.7 million for the water and waste water operations, a decrease of $7.0 million for the airport and an increase of $0.2 million for the Land Bank. The change in the water unrestricted is the result of a decrease in interest earnings.

General Fund Budgetary Highlights

The following table shows the General Fund's year end fund balance for the five most recent years:

(millions of USD)

General Fund at June 30….	Fund Balance Available for Appropriation	Increase (Decrease)
2010	(114.0)	(23.2)
2009	(137.2)	(256.7)
2008	119.5	(178.4)
2007	297.9	43.4
2006	254.5	158.3

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

- $18.0 million for Division of Technology contracted services
- $ 6.8 million for Police Department payroll
- $11.2 million for Streets Department contracted services

The general fund's budgetary unreserved fund balance deficit of $114.0 million differs from the general fund's fund financial statement deficit of $251.8 million by $137.8 million due to business privilege tax receipts which are received prior to being earned but have no effect on budgeted cash receipts.

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to $5.6 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. Major capital asset events for which capital expenditures have been incurred during the current fiscal year include the following:

- Infrastructure improvements of $18.9 million for streets, highways and bridges and $124.1 million for the water and waste water systems.
- Central Library renovations in the amount of $10.1 million.
- City Hall exterior renovations in the amount of $5.4 million.
- Surveillance camera video system $9.5 million.
- Robin Hood Dell East improvements totaling $4.2 million.
- Airport terminal and airfield improvements in the amount of $163.3 million.

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation

(millions of USD)

	Governmental activities		Inc	Business-type activities		Inc	Total		Inc
	2010	2009	(Dec)	2010	2009	(Dec)	2010	2009	(Dec)
Land	757.0	754.0	3.0	107.0	94.4	12.6	864.0	848.4	15.6
Buildings	725.0	738.9	(13.9)	1,672.0	1,581.7	90.3	2,397.0	2,320.6	76.4
Improvements other than buildings	97.3	95.3	2.0	124.0	122.2	1.8	221.3	217.5	3.8
Machinery & equipment	97.0	205.3	(108.3)	25.0	28.6	(3.6)	122.0	233.9	(111.9)
Infrastructure	450.0	353.5	96.5	1,242.5	1,196.2	46.3	1,692.5	1,549.7	142.8
Construction in progress	25.0	10.1	14.9	323.0	299.7	23.3	348.0	309.8	38.2
Total	**2,151.3**	**2,157.1**	**(5.8)**	**3,493.5**	**3,322.8**	**170.7**	**5,644.8**	**5,479.9**	**164.9**

The city's governmental activities experienced an overall decrease in capital assets of $5.8 million (net of accumulated depreciation) during the current fiscal year. The decreases are a result of normal depreciation costs for the fiscal year.

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

Long-term debt. At year end the city had $7.7 billion in long term debt outstanding. Of this amount, $4.8 billion represents bonds outstanding (comprised of $2.0 billion of debt backed by the full faith and credit of the city, and $2.8 billion of debt secured solely by specific revenue sources) while $2.9 billion represents other long term obligations. The following schedule shows a summary of all long term debt outstanding.

City of Philadelphia's Long Term Debt Outstanding

	Governmental activities		Business-type activities		Total	
(millions of USD)	2010	2009	2010	2009	2010	2009
Bonds Outstanding:						
General obligation bonds	2,071.0	2,078.9	2.2	3.4	2,073.2	2,082.3
Revenue bonds	-	-	2,788.8	2,899.1	2,788.8	2,899.1
Total Bonds Outstanding	**2,071.0**	**2,078.9**	**2,791.0**	**2,902.5**	**4,862.0**	**4,981.4**
Other Long Term Obligations:						
Service agreements	2,200.1	2,232.4	-	-	2,200.1	2,232.4
Employee related obligations	540.0	466.3	34.2	31.7	574.2	498.0
Indemnities	47.7	37.6	4.7	4.4	52.4	42.0
Leases	31.1	-	-	-	31.1	-
Other	1.2	1.2	2.7	1.8	3.9	3.0
Total Other Long Term Obligations	**2,820.1**	**2,737.5**	**41.6**	**37.9**	**2,861.7**	**2,775.4**
Total Long Term Debt Outstanding	**4,891.1**	**4,816.4**	**2,832.6**	**2,940.4**	**7,723.7**	**7,756.8**

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

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid $275.0 million in Tax and Revenue Anticipation Notes by June 2010 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- In August 2009, the City issued general obligation refunding bonds Series 2009A and 2009B in the amount of $237.0 million and 100.0 million, respectively. The Series 2009A are fixed rate refunding bonds with interest rates ranging from 4.25% to 5.5% and mature in 2031. The Series 2009B are multi-modal refunding bonds and will bear interest at a weekly rate subject to conversion to a daily mode, term rate mode or fixed rate mode at the direction of the City. The bonds were issued for the purpose of refunding the 2007B general obligation bonds and for the payment of costs relating to the issuance of the 2009 general obligation bonds including the termination payment of a related swap.

Currently the city's bonds as rated by Moody's, Standard & Poor's and Fitch are as follows:

Bond Type	**Moody's Investor Service**	**Standard & Poor's Corporation**	**Fitch IBCA**
General Obligation Bonds	A1	BBB	A-
Water Revenue Bonds	A1	A	A+
Aviation Revenue Bonds	A2	A+	A

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax supported general obligation debt it may issue. The limitation is equal to 13% of the average assessed valuations of properties over the past ten years. As of *July 1, 2010* the legal debt limit was $1,523.4 million. There is $1,407.0 million of outstanding tax supported debt leaving a legal debt margin of $116.4 million.

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

Economic Factors and Next Year's Budgets and Rates

The following factors have been considered in preparing the City of Philadelphia's budget for the 2011 fiscal year:

- Philadelphia entered FY11 with a negative fund balance of $114.0 million despite having solved for a $1.7 billion shortfall in the five year plan over FY2010-FY2015.

- The City suspended its planned wage and business tax reductions between FY10 and FY14 due to projected revenue shortfalls over the five-year plan.

- Workforce reductions were implemented throughout FY10 through the use of layoffs and by not replacing vacant positions. Spending on supplies and equipment was curtailed in FY 10.

- Union contracts for three of the City's four major bargaining units are still outstanding, despite having expired in July 2009. Any awarded or negotiated wage or benefit increases will increase costs for the City.

- The country entered its most recent recession in December 2007. It is the longest recession in the post-WWII period.

- Economists expect a slow and long recovery from the current recession. Philadelphia's recovery, like that of other local governments, is expected to take longer than the nation due to high urban unemployment and lagging tax revenue collections.

Requests for information

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

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

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia **Exhibit I**

Statement of Net Assets

June 30, 2010

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	114,382	30	114,412	283,289
Equity in Pooled Cash and Investments	-	-	-	96,448
Equity in Treasurer's Account	576,794	192,851	769,645	-
Investments	114,623	-	114,623	131,117
Due from Component Units	8,479	-	8,479	-
Due from Primary Government	-	-	-	84,050
Amounts Held by Fiscal Agent	89,619	-	89,619	75,850
Notes Receivable - Net	-	-	-	37,516
Accounts Receivable - Net	317,503	149,960	467,463	284,353
Interest and Dividends Receivable	1,581	-	1,581	19,145
Due from Other Governments - Net	469,770	1,256	471,026	252,618
Inventories	16,431	27,396	43,827	150,858
Other Assets	3,283	-	3,283	306,704
Deferred Outflow - Derivative Instruments	46,700	60,821	107,521	71,622
Restricted Assets:				
Cash and Cash Equivalents	-	205,568	205,568	315,104
Other Assets	-	526,098	526,098	280,509
Net Pension Asset	155,804	17,371	173,175	-
Capital Assets:				
Land and Other Non-Depreciated Assets	782,163	428,599	1,210,762	1,033,079
Other Capital Assets (Net of Depreciation)	1,369,112	3,064,921	4,434,033	3,097,457
Total Capital Assets, Net	2,151,275	3,493,520	5,644,795	4,130,536
Total Assets	4,066,244	4,674,871	8,741,115	6,519,719
Liabilities				
Notes Payable	-	-	-	149,627
Vouchers Payable	131,017	29,948	160,965	59,770
Accounts Payable	193,198	94,385	287,583	183,091
Salaries and Wages Payable	87,046	6,707	93,753	66,876
Accrued Expenses	66,893	35,245	102,138	253,144
Due to Agency Funds	767	-	767	-
Due to Primary Government	-	-	-	38,648
Due to Component Units	56,411	-	56,411	-
Funds Held in Escrow	15,572	-	15,572	15,104
Due to Other Governments	1	-	1	26,975
Deferred Revenue	232,420	36,781	269,201	160,138
Overpayment of Taxes	108,247	-	108,247	9,358
Other Current Liabilities	-	-	-	70,767
Derivative Instrument Liability	59,558	60,821	120,379	111,227
Non-Current Liabilities:				
Due within one year	281,064	148,717	429,781	272,946
Due in more than one year	4,610,113	2,683,901	7,294,014	5,085,234
Total Liabilities	5,842,307	3,096,505	8,938,812	6,502,905
Net Assets				
Invested in Capital Assets, Net of Related Debt	(59,331)	831,787	772,456	130,013
Restricted For:				
Capital Projects	190,167	127,296	317,463	8,488
Debt Service	78,754	216,323	295,077	199,326
Behavioral Health	213,469	-	213,469	-
Intergovernmental Finance	7,932	-	7,932	-
Neighborhood Revitalization	73,065	-	73,065	-
Stadium Financing	623	-	623	-
Central Library Project	2,329	-	2,329	-
Cultural & Commercial Corridor Project	30,753	-	30,753	-
Grant Programs	63,817	-	63,817	39,266
Rate Stabilization	-	145,693	145,693	-
Libraries & Parks:				
Expendable	2,768	-	2,768	-
Non-Expendable	1,931	-	1,931	-
Educational Programs	-	-	-	10,989
Other	39,582	-	39,582	691,149
Unrestricted(Deficit)	(2,421,922)	257,267	(2,164,655)	(1,062,417)
Total Net Assets	(1,776,063)	1,578,366	(197,697)	16,814

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

City of Philadelphia **Exhibit II**
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
Economic Development	145,007	66	6,617	4,493	(133,831)		(133,831)	
Transportation:								
Streets & Highways	129,360	4,396	15,757	36,129	(73,078)		(73,078)	
Mass Transit	82,708	475	197	-	(82,036)		(82,036)	
Judiciary and Law Enforcement:								
Police	990,505	3,334	21,040	-	(966,131)		(966,131)	
Prisons	343,813	523	457	-	(342,833)		(342,833)	
Courts	312,008	53,398	60,834	-	(197,776)		(197,776)	
Conservation of Health:								
Emergency Medical Services	47,800	36,779	(845)	-	(11,866)		(11,866)	
Health Services	1,446,746	16,169	1,261,987	-	(168,590)		(168,590)	
Housing and Neighborhood Development	131,254	20,786	104,842	-	(5,626)		(5,626)	
Cultural and Recreational:								
Recreation	77,045	(81)	12,019	5,386	(59,721)		(59,721)	
Parks	37,859	915	9	340	(36,595)		(36,595)	
Libraries and Museums	79,017	867	10,575	550	(67,025)		(67,025)	
Improvements to General Welfare:								
Social Services	718,795	14,380	514,185	-	(190,230)		(190,230)	
Education	65,379	-	-	-	(65,379)		(65,379)	
Inspections and Demolitions	23,412	43,911	359	-	20,858		20,858	
Service to Property:								
Sanitation	142,738	1,969	3,463	-	(137,306)		(137,306)	
Fire	265,980	301	722	-	(264,957)		(264,957)	
General Management and Support	683,265	127,895	38,220	-	(517,150)		(517,150)	
Interest on Long Term Debt	174,901	9	-	-	(174,892)		(174,892)	
Total Governmental Activities	5,897,591	326,092	2,050,438	46,898	(3,474,163)		(3,474,163)	
Business Type Activities:								
Water and Sewer	502,504	552,350	3,048	-	-	52,894	52,894	
Aviation	330,073	239,963	3,091	90,494	-	3,475	3,475	
Industrial and Commercial Development	59	287	-	-	-	228	228	
Total Business Type Activities	832,636	792,600	6,139	90,494	-	56,597	56,597	
Total Primary Government	6,730,227	1,118,692	2,056,577	137,392	(3,474,163)	56,597	(3,417,566)	
Component Units:								
Gas Operations	924,470	919,768	21,913	-				17,211
Housing	73,183	1,072	81,563	-				9,452
Parking	205,874	212,985	-	-				7,111
Education	3,128,118	40,216	1,136,518	92				(1,951,292)
Health	758,324	-	758,049	-				(275)
Economic Development	204,578	45,041	419,353	196,267				456,083
Total Component Units	5,294,547	1,219,082	2,417,396	196,359				(1,461,710)
General Revenues:								
Taxes:								
Property Taxes					400,805	-	400,805	608,377
Wage & Earnings Taxes					1,448,463	-	1,448,463	-
Business Taxes					385,161	-	385,161	-
Other Taxes					578,273	-	578,273	176,178
Grants & Contributions Not Restricted to Specific Programs					171,400	-	171,400	1,145,046
Unrestricted Interest & Investment Earnings					25,540	7,715	33,255	9,824
Miscellaneous					-	-	-	2,452
Special Items					-	-	-	744
Transfers					28,315	(28,315)	-	28,884
Total General Revenues, Special Items and Transfers					3,037,957	(20,600)	3,017,357	1,971,505
Change in Net Assets					(436,206)	35,997	(400,209)	509,795
Net Assets - July 1, 2009					(1,292,646)	1,531,538	238,892	(448,063)
Adjustment					(47,211)	10,831	(36,380)	(44,918)
Net Assets Adjusted - July 1, 2009					(1,339,857)	1,542,369	202,512	(492,981)
Net Assets - June 30, 2010					(1,776,063)	1,578,366	(197,697)	16,814

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

City of Philadelphia **Exhibit III**
Balance Sheet
Governmental Funds
June 30, 2010

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	9,987	-	75	104,320	114,382
Equity in Treasurer's Account	12,694	201,462	156,176	206,462	576,794
Investments	-	-	-	114,617	114,617
Due from Other Funds	17,077	-	-	-	17,077
Due from Component Units	8,479	-	-	-	8,479
Amounts Held by Fiscal Agent	33,705	-	55,914	-	89,619
Taxes Receivable	575,121	-	-	7,405	582,526
Accounts Receivable	371,904	-	2,228	6,355	380,487
Due from Other Governmental Units	295,292	66,082	76,030	32,366	469,770
Allowance for Doubtful Accounts	(647,012)	-	-	(803)	(647,815)
Interest and Dividends Receivable	161	1,279	1	140	1,581
Other Assets	-	-	-	446	446
Total Assets	677,408	268,823	290,424	471,308	1,707,963
Liabilities and Fund Balances					
Liabilities:					
Vouchers Payable	97,938	2,122	18,429	12,528	131,017
Accounts Payable	91,425	6,235	58,211	37,326	193,197
Salaries and Wages Payable	83,838	-	2,777	431	87,046
Due to Other Funds	761	-	-	17,083	17,844
Due to Component Units	-	46,997	9,342	72	56,411
Funds Held in Escrow	10,047	-	37	5,488	15,572
Due to Other Governmental Units	1	-	-	-	1
Deferred Revenue	415,401	-	119,215	22,138	556,754
Overpayment of Taxes	108,247	-	-	-	108,247
Total Liabilities	807,658	55,354	208,011	95,066	1,166,089
Fund Balances:					
Reserved for:					
Encumbrances	87,892	-	-	53,202	141,094
Neighborhood Revitalization	-	-	73,065	-	73,065
Behavioral Health	-	170,995	-	-	170,995
Intergovernmental Financing	-	-	-	36,151	36,151
Intergovernmentally Financed Programs	-	-	7,932	-	7,932
Public Safety Emergency Phone System	-	-	40,426	-	40,426
Debt Service	-	-	-	78,542	78,542
Trust Purposes	-	-	-	4,617	4,617
Central Library Project	2,329	-	-	-	2,329
Stadium Financing	623	-	-	-	623
Cultural & Commercial Corridor Project	30,753	-	-	-	30,753
Unreserved, reported in:					
General Fund	(251,847)	-	-	-	(251,847)
Special Revenue Funds	-	42,474	(39,010)	48,126	51,590
Debt Service Funds	-	-	-	600	600
Capital Projects Funds	-	-	-	152,236	152,236
Permanent Funds	-	-	-	2,768	2,768
Total Fund Balances	(130,250)	213,469	82,413	376,242	541,874
Total Liabilities and Fund Balances	677,408	268,823	290,424	471,308	

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

a. Capital Assets used in governmental activities are not reported in the funds	2,151,275
b. Unearned Receivables are deferred in the funds	324,334
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,891,177)
d. Net Pension Asset is not reported in the funds	155,804
e. Derivatives are not reported in the funds	(12,858)
f. Other	(45,315)
Net Assets of Governmental Activities	(1,776,063)

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

City of Philadelphia **Exhibit IV**
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,316,271	-	-	496,002	2,812,273
Locally Generated Non-Tax Revenue	229,566	1,954	38,956	32,253	302,729
Revenue from Other Governments	785,904	825,185	590,471	121,859	2,323,419
Other Revenues	16,379	-	-	16,768	33,147
Total Revenues	3,348,120	827,139	629,427	666,882	5,471,568
Expenditures					
Current Operating:					
Economic Development	93,445	-	7,092	34,574	135,111
Transportation:					
Streets & Highways	61,961	-	556	28,612	91,129
Mass Transit	64,975	-	197	-	65,172
Judiciary and Law Enforcement:			-		
Police	869,488	-	13,242	-	882,730
Prisons	313,713	-	484	968	315,165
Courts	236,887	-	51,163	-	288,050
Conservation of Health:					
Emergency Medical Services	44,008	-	1,000	-	45,008
Health Services	151,186	797,002	386,949	101,360	1,436,497
Housing and Neighborhood Development	2,854	-	60,756	67,592	131,202
Cultural and Recreational:					
Recreation	50,714	-	7,721	-	58,435
Parks	20,441	-	55	6,451	26,947
Libraries and Museums	58,352	-	10,309	128	68,789
Improvements to General Welfare:					
Social Services	645,206	-	54,492	-	699,698
Education	65,008	-	371	-	65,379
Inspections and Demolitions	27,338	-	-	-	27,338
Service to Property:					
Sanitation	127,098	-	3,463	-	130,561
Fire	237,204	-	417	-	237,621
General Management and Support	511,953	-	14,223	88,791	614,967
Capital Outlay	-	-	-	148,852	148,852
Debt Service:					
Principal	-	-	-	89,709	89,709
Interest	-	-	-	96,740	96,740
Bond Issuance Cost	-	-	-	23,505	23,505
Total Expenditures	3,581,831	797,002	612,490	687,282	5,678,605
Excess (Deficiency) of Revenues Over (Under) Expenditures	(233,711)	30,137	16,937	(20,400)	(207,037)
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	206,960	206,960
Issuance of Refunding Debt	-	-	-	337,025	337,025
Bond Issuance Premium	-	-	-	24,253	24,253
Bond Issuance Discount	-	-	-	(1,003)	(1,003)
Bond Defeasance	-	-	-	(504,044)	(504,044)
Transfers In	316,359	-	-	241,697	558,056
Transfers Out	(137,340)	-	(23,389)	(369,012)	(529,741)
Total Other Financing Sources (Uses)	179,019	-	(23,389)	(64,124)	91,506
Net Change in Fund Balance	(54,692)	30,137	(6,452)	(84,524)	(115,531)
Fund Balance - July 1, 2009	(75,558)	183,332	88,865	462,735	659,374
Adjustment	-	-	-	(1,969)	(1,969)
Fund Balance Adjusted - July 1, 2009	(75,558)	183,332	88,865	460,766	657,405
Fund Balance - June 30, 2010	(130,250)	213,469	82,413	376,242	541,874

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds	(115,531)
Amounts reported for governmental activities in the statement of activities are different because:	
a. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (137,422) exceeded depreciation (136,565) in the current period	857
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(32,193)
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (67,132) exceeded repayments (177,478)	110,346
d. The increase in the Net Pension Obligation reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds	(254,207)
e. Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(145,477)
Change in Net Assets of governmental activities	(436,206)

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

City of Philadelphia **Exhibit VI**

Statement of Fund Net Assets

Proprietary Funds

June 30, 2010

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
			Other Non-Major	
Assets	Water and Sewer	Aviation	Industrial & Commercial Development	Total
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	69,795	118,364	4,692	192,851
Due from Other Governments	373	883	-	1,256
Accounts Receivable	225,170	14,870	1,975	242,015
Allowance for Doubtful Accounts	(90,980)	(1,075)	-	(92,055)
Inventories	12,913	3,085	11,398	27,396
Total Current Assets	217,301	136,127	18,065	371,493
Deferred Outflow - Derivative Instruments	29,227	31,594	-	60,821
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	290,282	235,816	-	526,098
Amounts Held by Fiscal Agent	-	30,806	-	30,806
Sinking Funds and Reserves	117,852	35,013	-	152,865
Grants for Capital Purposes	-	14,070	-	14,070
Receivables	898	6,929	-	7,827
Total Restricted Assets	409,032	322,634	-	731,666
Net Pension Asset	17,371	-	-	17,371
Capital Assets:				
Land	5,919	100,819	-	106,738
Infrastructure	1,983,922	586,508	-	2,570,430
Construction in Progress	204,591	117,270	-	321,861
Buildings and Equipment	1,497,507	2,013,978	-	3,511,485
Less: Accumulated Depreciation	(1,880,592)	(1,136,402)	-	(3,016,994)
Total Capital Assets, Net	1,811,347	1,682,173	-	3,493,520
Total Non-Current Assets	2,237,750	2,004,807	-	4,242,557
Total Assets	2,484,278	2,172,528	18,065	4,674,871
Liabilities				
Current Liabilities:				
Vouchers Payable	25,043	4,905	-	29,948
Accounts Payable	8,388	11,541	-	19,929
Salaries and Wages Payable	3,641	3,066	-	6,707
Construction Contracts Payable	33,113	41,343	-	74,456
Accrued Expenses	19,292	15,953	-	35,245
Deferred Revenue	8,016	28,765	-	36,781
Bonds Payable-Current	102,862	45,855	-	148,717
Total Current Liabilities	200,355	151,428	-	351,783
Derivative Instrument Liability	29,227	31,594	-	60,821
Non-Current Liabilities:				
Bonds Payable	1,555,568	1,186,845	-	2,742,413
Unamortized Discount and Loss	(81,322)	(18,768)	-	(100,090)
Other Non-Current Liabilities	25,256	16,322	-	41,578
Total Non-Current Liabilities	1,499,502	1,184,399	-	2,683,901
Total Liabilities	1,729,084	1,367,421	-	3,096,505
Net Assets				
Invested in Capital Assets, Net of Related Debt	225,589	606,198	-	831,787
Restricted For:				
Capital Projects	97,580	29,716	-	127,296
Debt Service	117,852	98,471	-	216,323
Rate Stabilization	145,693	-	-	145,693
Unrestricted	168,480	70,722	18,065	257,267
Total Net Assets	755,194	805,107	18,065	1,578,366

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

City of Philadelphia **Exhibit VII**

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
Operating Revenues:				
Charges for Goods and Services	546,361	74,670	-	621,031
Rentals and Concessions	-	161,375	-	161,375
Miscellaneous Operating Revenues	5,989	3,918	287	10,194
Total Operating Revenues	552,350	239,963	287	792,600
Operating Expenses:				
Personal Services	106,120	59,674	-	165,794
Purchase of Services	68,613	74,975	59	143,647
Materials and Supplies	35,429	6,235	-	41,664
Employee Benefits	71,634	34,031	-	105,665
Indemnities and Taxes	5,126	1,449	-	6,575
Depreciation	86,490	89,012	-	175,502
Total Operating Expenses	373,412	265,376	59	638,847
Operating Income (Loss)	178,938	(25,413)	228	153,753
Non-Operating Revenues (Expenses):				
Operating Grants	3,048	3,091	-	6,139
Passenger Facility Charges	-	61,195	-	61,195
Interest Income	6,015	1,694	6	7,715
Net Pension Obligation	(20,506)	(9,698)	-	(30,204)
Debt Service - Interest	(103,619)	(53,211)	-	(156,830)
Other Revenue (Expenses)	(4,967)	(1,788)	-	(6,755)
Total Non-Operating Revenues (Expenses)	(120,029)	1,283	6	(118,740)
Income (Loss) Before Contributions & Transfers	58,909	(24,130)	234	35,013
Transfers In/(Out)	(28,315)	-	-	(28,315)
Capital Contributions	-	29,299	-	29,299
Change in Net Assets	30,594	5,169	234	35,997
Net Assets - July 1, 2009	715,896	797,811	17,831	1,531,538
Adjustment	8,704	2,127	-	10,831
Net Assets Adjusted - July 1, 2009	724,600	799,938	17,831	1,542,369
Net Assets - June 30, 2010	755,194	805,107	18,065	1,578,366

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

City of Philadelphia **Exhibit VIII**
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	535,572	249,341	-	784,913
Payments to Suppliers	(89,110)	(77,075)	(59)	(166,244)
Payments to Employees	(175,309)	(89,346)	-	(264,655)
Internal Activity-Payments to Other Funds	-	(5,674)	-	(5,674)
Claims Paid	(4,915)	-	-	(4,915)
Other Receipts (Payments)	-	903	287	1,190
Net Cash Provided (Used)	266,238	78,149	228	344,615
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	3,048	3,091	-	6,139
Operating Subsidies and Transfers from Other Funds	(28,315)	-	-	(28,315)
Net Cash Provided (Used)	(25,267)	3,091	-	(22,176)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	13,431	-	-	13,431
Contributions Received	-	28,759	-	28,759
Acquisition and Construction of Capital Assets	(136,316)	(160,865)	-	(297,181)
Interest Paid on Debt Instruments	(96,799)	(68,317)	-	(165,116)
Principal Paid on Debt Instruments	(99,919)	(38,510)	-	(138,429)
Passenger Facility Charges	-	61,698	-	61,698
Net Cash Provided (Used)	(319,603)	(177,235)	-	(496,838)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	11,790	-	11,790
Interest and Dividends on Investments	4,560	2,955	5	7,520
Net Cash Provided (Used)	4,560	14,745	5	19,310
Net Increase (Decrease) in Cash and Cash Equivalents	(74,072)	(81,250)	233	(155,089)
Cash and Cash Equivalents, July 1 (including $377.7 mil for Water & Sewer and $364.1 mil for Aviation reported in restricted accounts)	434,179	466,236	4,459	904,874
Cash and Cash Equivalents, June 30 (including $290.3 mil for Water & Sewer and $266.6 mil for Aviation reported in restricted accounts)	360,107	384,986	4,692	749,785
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	178,938	(25,413)	228	153,753
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	86,490	89,012	-	175,502
Changes in Assets and Liabilities:				
Receivables, Net	(16,434)	(2,650)	-	(19,084)
Deferred Revenue	538	13,374	-	13,912
Inventories	(113)	(122)	-	(235)
Accounts and Other Payables	16,819	3,948	-	20,767
Net Cash Provided by Operating Activities	266,238	78,149	228	344,615

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

City of Philadelphia **Exhibit IX**

Statement of Net Assets

Fiduciary Funds

June 30, 2010

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	-	136,315
Equity in Treasurer's Account	3,845,732	48,302
Investments	-	8,780
Securities Lending Collective Investment Pool	440,491	-
Allowance for Unrealized Loss	(3,899)	-
Accounts Receivable	4,334	-
Due from Brokers for Securities Sold	869,400	-
Interest and Dividends Receivable	11,668	-
Due from Other Governmental Units	4,777	-
Due from Other Funds	-	767
Total Assets	5,172,503	194,164
Liabilities		
Vouchers Payable	36	1,227
Accounts Payable	3,867	-
Salaries and Wages Payable	158	-
Payroll Taxes Payable	-	3,147
Funds Held in Escrow	365	189,790
Due on Return of Securities Loaned	446,772	-
Due to Brokers for Securities Purchased	847,061	-
Accrued Expenses	1,734	-
Deferred Revenue	2,071	-
Other Liabilities	513	-
Total Liabilities	1,302,577	194,164
Net Assets Held in Trust for Pension Benefits	3,869,926	-

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

Statement of Changes in Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	335,655
Employees' Contributions	51,570
Total Contributions	387,225
Investment Income:	
Interest and Dividends	80,391
Net Gain in Fair Value of Investments	438,432
(Less) Investments Expenses	(18,509)
Securities Lending Revenue	2,927
Securities Lending Unrealized Loss	(3,899)
(Less) Securities Lending Expenses	(1,063)
Net Investment Gain	498,279
Miscellaneous Operating Revenues	712
Total Additions	886,216
Deductions	
Personal Services	3,815
Purchase of Services	1,952
Materials and Supplies	76
Employee Benefits	2,111
Pension Benefits	715,471
Refunds of Members' Contributions	4,520
Indemnities	-
Other Operating Expenses	120
Total Deductions	728,065
Change in Net Assets	158,151
Net Assets - July 1, 2009	3,711,775
Net Assets - June 30, 2010	3,869,926

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

City of Philadelphia **Exhibit XI**
Statement of Net Assets
Component Units
June 30, 2010

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Pennsylvania Convention Center Authority	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Assets										
Cash on Deposit and on Hand	13,744	82,199	67,297	761	11,411	31,363	59,180	7,816	9,518	283,289
Equity in Pooled Cash and Investments	-	-	-	96,448	-	-	-	-	-	96,448
Investments	-	-	90,800	-	40,129		-	188	-	131,117
Due from Primary Government	-	22,606	-	-	-	59,569	1,875	-	-	84,050
Amounts Held by Fiscal Agent	6	-	-	75,844	-	-	-	-	-	75,850
Notes Receivable	-	37,483	-	-	33	-	-	-	-	37,516
Taxes Receivable	-	-	-	144,857	-	-	-	-	-	144,857
Accounts Receivable-Net	105,496	1,072	944	3,881	5,809	543	1,107	1,817	18,827	139,496
Interest and Dividends Receivable	-	17,052	292	503	53	-	1,245	-	-	19,145
Due from Other Governments	-	164	-	104,311	2,327	-	122,000	-	23,816	252,618
Inventories	125,023	22,590	-	3,245	-	-	-	-	-	150,858
Other Assets	139,541	451	4,293	160,098	1,242	461	477	141	-	306,704
Deferred Outflow - Derivative Instruments	-	-	-	71,622	-	-	-	-	-	71,622
Restricted Assets:										
Cash and Cash Equivalents	-	10,462	-	287,678	-	-	-	-	16,964	315,104
Other Assets	175,534	29,281	-	-	49,281	-	-	-	26,413	280,509
Capital Assets:										
Land and Other Non-Depreciated Assets	36,548	-	15,980	451,993	60,152	-	458,715	4,850	4,841	1,033,079
Other Capital Assets (Net of Depreciation)	1,039,919	40	196,745	1,497,036	73,928	744	197,115	5,832	86,098	3,097,457
Total Capital Assets	1,076,467	40	212,725	1,949,029	134,080	744	655,830	10,682	90,939	4,130,536
Total Assets	1,635,811	223,400	376,351	2,898,277	244,365	92,680	841,714	20,644	186,477	6,519,719
Liabilities										
Notes Payable	-	21,670	23,407	-	104,550	-	-	-	-	149,627
Vouchers Payable	46,205	-	-	-	13,565	-	-	-	-	59,770
Accounts Payable	-	10,257	15,497	114,403	-	1,146	27,286	1,865	12,637	183,091
Salaries and Wages Payable	3,719	-	-	52,931	4,872	5,079	275	-	-	66,876
Accrued Expenses	161,458	11,670	832	-	1,607	77,055		522	-	253,144
Funds Held in Escrow	-	13,789	-	-	101	-	-	-	1,214	15,104
Due to Other Governments	-	-	8,989	3,127	2,699	-		-	12,160	26,975
Due to Primary Government	-	1,500	34,111	-	-	-	2,275	-	762	38,648
Deferred Revenue	14,427	53,365	2,733	26,306	2,503	9,400	3,015	6,444	41,945	160,138
Overpayment of Taxes	-	-	-	9,358	-	-	-	-	-	9,358
Other Current Liabilities	-	-	-	70,723	-	-	-	44	-	70,767
Derivative Instrument Liability	-	-	-	111,227	-	-	-	-	-	111,227
Non-Current Liabilities:										
Due within one year	46,045	1,455	7,435	216,397	1,614	-	-	-	-	272,946
Due in more than one year	1,120,338	34,816	189,783	3,544,730	20,936	-	122,000	2,392	50,239	5,085,234
Total Liabilities	1,392,192	148,522	282,787	4,149,202	152,447	92,680	154,851	11,267	118,957	6,502,905
Net Assets										
Invested in Capital Assets,										
Net of Related Debt	1,019	40	51,444	(24,418)	69,278	-	-	-	32,650	130,013
Restricted For:										
Capital Projects	-	-	6,233	-	2,255		-	-	-	8,488
Debt Service	112,820	9,695	-	76,811	-	-	-	-	-	199,326
Educational Programs	-	-	-	6,315	4,674	-	-	-	-	10,989
Grant Programs	-	-	-	-	-	-	-	-	39,266	39,266
Other	-	-	-	4,286	-	-	686,863	-	-	691,149
Unrestricted	129,780	65,143	35,887	(1,313,919)	15,711	-	-	9,377	(4,396)	(1,062,417)
Total Net Assets	243,619	74,878	93,564	(1,250,925)	91,918	-	686,863	9,377	67,520	16,814

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2009. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2009. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2010.

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

City of Philadelphia **Exhibit XII**
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Philadelphia Convention Center Authority	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations														
Gas Works	924,470	919,768	21,913	-	17,211									17,211
Housing														
Redevelopment Authority	73,183	1,072	81,563	-		9,452								9,452
Parking														
Parking Authority	205,874	212,985	-	-			7,111							7,111
Education														
School District	2,982,470	8,958	1,078,223	92				(1,895,197)						(1,895,197)
Community College	145,648	31,258	58,295	-					(56,095)					(56,095)
Total	3,128,118	40,216	1,136,518	92										
Health														
Community Behavioral Health	758,324	-	758,049							(275)				(275)
Economic Development														
Convention Center Authority	90,712	8,420	376,423	196,267							490,398			490,398
Delaware River Waterfront Corp.	10,152	6,661	3,129	-								(362)		(362)
Authority for Ind. Development	103,714	29,960	39,801	-									(33,953)	(33,953)
Total	204,578	45,041	419,353	196,267										
Total Component Units	5,294,547	1,219,082	2,417,396	196,359										(1,461,710)
General Revenues:														
Property Taxes					-	-	-	608,377	-	-	-	-	-	608,377
Other Taxes					-	-	-	176,178	-	-	-	-	-	176,178
Grants & Contributions Not Restricted to Specific Programs					-	-	-	1,083,371	61,675	-	-	-	-	1,145,046
Unrestricted Interest & Investment Earnings					-	1,481	3,218	2,261	2,209	275	238	40	102	9,824
Miscellaneous					-	-	-	-	2,452		-	-	-	2,452
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	(8)	-	-	-	-	752	744
Transfers					-	-	-	-	-	-	-	-	28,884	28,884
Total General Revenue ,Special items and Transfers					-	1,481	3,218	1,870,179	66,336	275	238	40	29,738	1,971,505
Change in Net Assets					17,211	10,933	10,329	(25,018)	10,241	-	490,636	(322)	(4,215)	509,795
Net Assets - July 1, 2009					226,408	66,921	83,235	(1,183,966)	81,678	-	196,227	9,699	71,735	(448,063)
Adjustment					-	(2,976)	-	(41,941)	(1)		-	-	-	(44,918)
Net Assets Adjusted - July 1, 2009					226,408	63,945	83,235	(1,225,907)	81,677	-	196,227	9,699	71,735	(492,981)
Net Assets - June 30, 2010					243,619	74,878	93,564	(1,250,925)	91,918	-	686,863	9,377	67,520	16,814

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2010. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2009. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2010.

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

Notes to the Financial Statements
FYE 06/30/2010

Table of Contents

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

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

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

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

A. BLENDED COMPONENT UNITS

Pennsylvania Intergovernmental Cooperation Authority (PICA) – 1500 Walnut St., Philadelphia, PA 19102
PICA was established by act of the Commonwealth of Pennsylvania to provide financial assistance to cities of the first class and is governed by a five member board appointed by the Commonwealth. Currently, the City of Philadelphia is the only city of the first class. The activities of PICA are reflected in two of the governmental fund types (Special Revenue and Debt Service).

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

B. DISCRETELY PRESENTED COMPONENT UNITS

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

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

Delaware River Waterfront Corp. (DRWC) – 121 N. Columbus Blvd., Philadelphia, PA 19106
The 16 member board, is headed by the Mayors' Deputy Director for Economic Development and Planning, and is comprised of appointed City officials and private sector experts in design, finance, and real estate development. The group will focus on the development of the seven-mile stretch of water front property between Allegheny and Oregon Avenues.

Pennsylvania Convention Center Authority (PCCA) – 1101 Arch St., Philadelphia, PA 19107
PCCA was established to develop, promote and operate a convention center facility in the Philadelphia metropolitan area. Under a Lease & Service agreement, the City is obligated to pay an annual service fee sufficient to cover the debt service on PCCA's outstanding bonded debt. A voting majority of PCCA's governing board is not appointed by the City; however, PCCA meets the criteria of fiscal dependency and the significance of the City's relationship with PCCA is such that exclusion from the City's financial report would be misleading. Beginning FY2011 PCCA will become a component unit of the Commonwealth of Pennsylvania and all information will be removed from the City's CAFR.

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

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

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

Community Behavioral Health (CBH) – 801 Market St., Philadelphia, PA 19107
CBH is a not-for-profit organization established by the City's Department of Public Health to provide for and administer all behavioral health services required by the Commonwealth of Pennsylvania. Its board is made up of City officials and City appointees. Any change in funding would present a financial burden to the City.

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

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

C. AUDIT RESPONSIBILITY

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

	Governmental Activities	Business-type Activities	Aggregate Discretely Presented Component Units	Major Funds	Aggregate Remaining Fund Information
Total Assets	8%	0%	56%	0%	92%
Total Revenues	7%	0%	49%	0%	67%

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. However, those expenditures may be accrued if they are to be liquidated with available resources.

Imposed non-exchange revenues such as real estate taxes are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as wage, business privilege, net profits and earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

Amounts reported as *program revenue* include: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program specific revenues. Accordingly general revenues include all taxes.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.
- The Health Choices Behavioral Health Fund accounts for resources received from the Commonwealth of Pennsylvania. These resources are restricted to providing managed behavioral health care to Philadelphia residents.
- The Grants Revenue Fund accounts for the resources received from various federal, state and private grantor agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

Additionally, the City reports on Permanent funds, which are used to account for resources legally held in trust for use by the park and library systems of the City. There are legal restrictions on the resources of the funds that hold that the principal remain intact and only the earnings are allowed to be used for the program.

The City reports *on the following fiduciary funds:*

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

The City reports the following major proprietary funds:

- The Water Fund accounts for the activities related to the operation of the City's water delivery and sewage systems.
- The Aviation Fund accounts for the activities of the City's airports.

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

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

B. COMPONENT UNITS

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

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

4. DEPOSITS AND INVESTMENTS

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

The City reports investments at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments which do not have an established market are reported at estimated fair value.

Statutes authorize the City to invest in obligations of the Treasury, agencies, and instruments of the United States, repurchase agreements, collateralized certificates of deposit, bank acceptance or mortgage obligations, certain corporate bonds, and money market funds. The Pension Trust Fund is also authorized to invest in corporate bonds rated AA or better by Moody's Bond Ratings, common stocks and real estate.

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

5. INVENTORIES

A. PRIMARY GOVERNMENT

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

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

B. COMPONENT UNITS

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

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

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

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

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

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

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

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

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

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

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

8. INSURANCE

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

9. RECEIVABLE AND PAYABLES

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

All trade and property receivables in the *governmental wide* financial statements are shown net of allowance for un-collectibles. The real estate tax receivable allowance is equal to 39.7% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes, levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. Current real estate rates are $8.264 on each $100 assessment; $4.959 for the SDP and $3.305 for the City. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED REVENUES

A. PRIMARY GOVERNMENT

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

B. COMPONENT UNITS

Deferred revenue of the **RDA** generally represents cash received in advance from various sources to fund appropriate program expenditures. These advances are subject to various terms, including the obligation to return any unexpended funds upon completion or termination of the related project. Recognition of grants as revenues is deferred until funds have been expended or awarded as grants or loans.

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

11. COMPENSATED ABSENCES

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

12. CLAIMS AND JUDGMENTS

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

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The operating funds of the City, consisting of the General Fund, nine Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, HealthChoices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Housing Trust, and Acute Care Hospital Assessment Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. Included with the Water Fund is the Water Residual Fund. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies; equipment; contributions, indemnities and taxes; debt service; payments to other funds; and advances and other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes (except for materials and supplies and equipment, which are appropriated together) must have council approval. Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are located in the City's *Supplemental Report of Revenues and Obligations*, a separately published report.

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

The budgetary comparison schedules presented differ from the modified accrual basis of accounting. These schedules differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures.

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the carrying amount (book balance) of deposits for the City and the bank balances were $303.4 million and $303.4 million respectively. All of the collateralized securities were held in the City's name except for $119.8 million which was collateralized but held in the pledging institutions name.

Investments

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

(amounts in thousands of USD)	Fair Value	% of Total
U.S. Government Securities	331,266	5.6%
U.S. Government Agency Securities	863,722	14.6%
Corporate Bonds	403,927	6.8%
Corporate Equity	2,971,209	50.2%
Commercial Paper	176,660	3.0%
Collateralized Mortgage Obligations	71,161	1.2%
Other Bonds and Investments	210,457	3.6%
Short Term Investment Pools	333,248	5.6%
Real Estate	8,677	0.1%
Financial Agreements	542,432	9.2%
Certificates of Deposit	10,000	0.2%
	5,922,759	

City excluding Pension Trust Funds

Interest Rate Risk: The City's investment portfolio is managed to accomplish preservation of principal, maintenance of liquidity and maximize the return on the investments. To limit its exposure to fair value losses from rising interest rates, the city's investment policy limits investments to maturities of no longer than 2 years, except in Sinking Fund Reserve Portfolios

(amounts in thousands of USD)	Fair Value		
Maturity :	Less than 1 year	1-3 years	More than 3 years
U.S. Government Securities	217,850	12,747	-
U. S. Government Agency Securities	557,482	133,706	-
Corporate Bonds	8,551	4,367	-
Corporate Equity	65,042	30,989	-
Commercial Paper	175,108	1,552	-
Repurchase Agreements	10,659	-	-
Other Asset Backed	106,071	33,518	-
Short Term Investment Pools	228,792	-	-
Financial Agreements	45,734	-	-
Certificates of Deposit	10,000	-	-
	1,425,289	216,879	-

Credit Risk: The City's policy to limit credit risks is to invest 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 Corp or Aaa by Moody's Investor Services. All US Government Securities meet the criteria. The City's investment in Commercial paper (3%) must be rated A1 by Standard & Poor's Corp. (S&P) and/or M1G1 by Moody's Investor's Services, Inc (Moody's) and the senior long-term debt of the issuer must not be rated lower than A by S&P and/or Moody's. Commercial Paper is also limited to 25% of the portfolio. All commercial paper investments meet the criteria. Of the corporate bonds held by the City, 88.0% had a Standard & Poor's rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools). Short Term Investment Pools are rated AAA by Standard & Poor's Corp and Aaa by Moody's Investor Services. The Short Term Investment Pools' Fair Value is the same as the value of the pool shares. 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.

Derivative Investment Instrument

As of June 30, 2010, **PAID's** basis swap was considered to be an investment derivative instrument.

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Swap	Investment Revenue	202	Investment	(9,100)	193,520

a. Philadelphia Authority for Industrial Development Basis Swap

Objective: **PAID** entered into a basis swap that became effective on July 1, 2004, that provides **PAID** with ten equal payments of $1.2 million with the first payment due on July 1, 2004. **PAID** executed the basis swap to create a benefit similar to entering into a synthetic refunding, using a swap based on a percentage of LIBOR, without having to issue bonds or eliminate future advance refunding opportunities. In July, 2006, a portion of the existing basis swap was restructured such that the variable rate received by **PAID** was converted from a percentage of one month LIBOR to a percentage of the five year LIBOR swap rate, on a forward starting basis. This provides for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio.

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

The transaction was amended to $105.0 million of the original notional amount with payments based on an amortization schedule. Under the amended portion of the swap, the variable payments received by **PAID** are computed as 62.89% of five year LIBOR + 20 basis points (replacing 67% of one month LIBOR + 20 basis points). The amended effective date was October 1, 2006, with variable payments made (as described above) through October 1, 2020. On December 1, 2009, **PAID** terminated that portion of the swap that was subject to the amendment and received a termination payment of $3,049,000.

As of June 30, 2010, the notional amount on the portion of the swap that was not amended was $193.5 million.

Fair Value: As of June 30, 2010, the swap had a negative fair value of ($9.1 million). This means that **PAID** would have to pay this amount to terminate the swap.

Risks: As of June 30, 2010, **PAID** is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The swap includes an additional termination event based on credit ratings. The swap may be terminated by **PAID** if the ratings of MLCS's guarantor (Merrill Lynch & Co.) falls below Baa3 or BBB- or the swap may be terminated by MLCS if the City's rating falls below Baa3 or BBB-. There is a 3-day cure period to these termination events.

The swap exposes **PAID** to basis risk. The swap exposes **PAID** to the risk that the relationship between one month LIBOR and the SIFMA index may change from the historic pattern that existed when the swap was entered into. If SIFMA averages higher than 67% of one month LIBOR plus 20 bps, the anticipated savings of the swap will be reduced and may not materialize. This risk would be magnified in a flat or inverted yield curve environment.

Municipal Pension Fund

Credit Risk: Currently, the Municipal Pension Fund owns approximately 67.4% of all investments and is invested primarily in equity securities (68.2%). The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the Municipal Pension Fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 44**%** had Standard & Poor ratings of AAA to A; 50% had ratings of BBB+ to B; and, 6% had ratings of CCC+ to CC. Moody's ratings for the same issues were: 54**%** had ratings of Aaa to A1; 38% had ratings of Baa1 to Ba1; and, 8% had ratings of Caa1 to Ca.

The investments are held by the managers in the Pension Fund's name. The investments are diversified with only the investment in the Lehman Aggregated Pooled Index Fund exceeding 5**%** of the total investment (7.3%). The fair value of the investment in the Lehman Aggregated Pooled Index Fund was $252.2 million at fiscal year end. The fund's exposure to foreign currency risk derives from its position in foreign currency-denominated equity securities and fixed income investments. The foreign currency investment in equity securities is 22.8% of the total investment in equities.

Municipal Pension Fund
Equity Securities subject to Foreign Currency Risk
(thousands of USD)

Currency	Fair Value	
Euro Currency	105,606	19.78%
Japanese Yen	76,186	14.27%
Pound Sterling	76,197	14.27%
Australian Dollar	27,259	5.11%
All others	248,625	46.57%
	533,873	

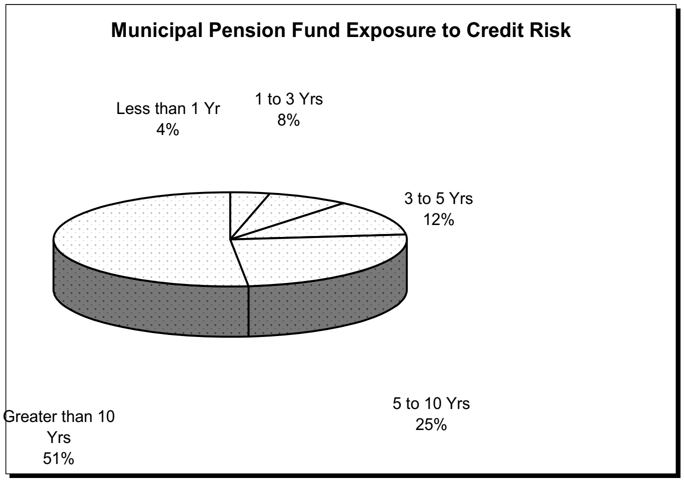
Fixed Income Securities and Other Investments subject to Foreign Currency Risk

	Currency	Fair Value (thousands of USD)	Maturities
Currency	Euro	10,518	
Currency	Japanese Yen	833	
Currency	All others	9,983	
Government Issues	Canadian Dollar	5,397	
Government Issues	All others	80,960	June 1, 2011
Limited Partnership Units	Euro	28,373	March 7, 2036
Real Estate Investment Trusts	Pounds Sterling	244	
Real Estate Investment Trusts	All others	1,199	
		137,507	

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

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

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



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the **PGWRR** owns approximately 6.44% of all investments and is primarily invested in equity securities (55.9%). The long-term goals of the fund are to manage the assets to produce investment results which meet the Fund's actuarially assumed rate of return and protect the assets from any erosion of inflation adjusted value. The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the **PGWRR** is charged with reviewing the portfolios for compliance with those objectives and guidelines. To protect against credit risk, the fund requires that all domestic bonds must be rated investment grade by at least two ratings agencies (Standard & Poor's, Moody's or Fitch). The portfolio managers' Average Credit Quality ranges from AAA to AA.

The **PGWRR's** fixed income investments are as follows:

(thousands of USD)	Maturity length				
Investment Type	less than 1 yr.	1-3 yrs	3-5 yrs	5-10 yrs	more than 10 yrs
Short-Term Investment Pools	6,932	-	-	-	-
U.S. Government Agency Securities	289	2,144	-	1,983	428
U.S. Government Securities	-	7,475	15,356	10,934	4,014
MTG Pass Thrus	-	2,872	1,919	2,069	630
Collateralized Mortgage Obligations	-	-	-	-	-
Municipal Securities	-	175	-	198	1,054
Asset Backed Securities	297	1,532	1,460	727	12,728
Corporate bonds	2,806	12,216	7,657	13,395	6,584
	10,324	26,413	26,392	29,307	25,438

Blended Component Units

A. PICA

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

At June 30, the carrying amount of **PICA's** deposits with financial institutions (including certificates of deposit and shares in US government money market funds) and other short term investments was $ 99.0 million. Statement balances were insured or collateralized as follows:

(thousands of USD)	
Insured	4,143
Uninsured and uncollateralized	94,923
	99,066

PICA's deposits include bank certificates of deposit with a remaining maturity of one year or less and shares in US government money market funds. **PICA** has $30,458,127 of other investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in **PICA**'s name.

B. PHILADELPHIA MUNICIPAL AUTHORITY

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

(thousands of USD)	Fair Value	Cost
Money Market Funds	78,162	78,162
U S Government Securities	415	415
Certificates of Deposit	100	100
	78,677	78,677

All investments were uninsured and collateralized with securities held by the pledging financial institution's trust department but not in the Authority's name at June 30.

The Authority does not have a formally adopted investment policy related to credit risk, but generally follows the practices of the City. As of June 30, the Authority's investment in U.S. government securities were rated AAA by S&P and the Authority's investments in money market funds and certificates of deposit were not rated. Depository cash accounts consisted of $415,719 on deposit with two local banks. Amounts are insured by the FDIC up to $250,000. Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

2. SECURITIES LENDING

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

- **The Pension Fund** lends US Government and US Government Agency securities, domestic and international equity securities and international fixed income securities and receives cash and securities issued or guaranteed by the federal government as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be at least 102% (in some cases 105%) of the underlying value of loaned securities. The Pension fund has no restriction on the amount of securities that can be lent. The Pension Fund's custodian bank indemnifies the Fund by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return securities or pay distributions thereon. The maturity of investments made with cash collateral generally did not match the maturity of securities loaned during the year or at year-end. The Pension Fund experienced $3.8 million in unrealized losses from securities transactions during the year and had no credit risk exposure at June 30.
- The **PGWRR** lends US Treasury, federal agency, and DTC-eligible corporate debt and equity securities and receives cash, US Treasury and federal agency securities and letters of credit as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be 102% of the total of the market value of loaned securities plus any accrued interest. The **PGWRR** placed no restrictions on the amount of securities that could be lent. The **PGWRR's** custodian bank does not indemnify the **PGWRR** in the event of a borrower default except in cases involving gross negligence or willful misconduct on the custodian's part. Maturity of investments made with cash collateral is generally matched with maturity of loans. The **PGWRR** experienced no losses and had no credit risk exposure at June 30.

3. AMOUNTS HELD BY FISCAL AGENT

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

A. GOVERNMENTAL FUNDS

General Fund - Consists of cash and investment balances related to the net proceeds of **PAID's** Sports Stadium Financing Lease Revenue Bonds Series A & B of 2007, **PAID**'s Central Library Project Financing Lease Revenue Bonds Series 2005 and **PAID**'s Cultural and Commercial Corridor Lease Revenue Bonds Series 2006.

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

B. PROPRIETARY FUNDS

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

4. INTERFUND RECEIVABLES AND PAYABLES

A. PRIMARY GOVERNMENT

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

(Amounts in Thousands of USD)

	Interfund Receivables Due to:				
		Non major Governmental			
	General	Special Revenue	Debt Service	Other Funds	Total
Interfund Payables Due From:					
General	-	-	-	761	761
Non major Special Revenue Funds	17,077	-	-	6	17,083
Non major Debt Service Funds	-	-	-	-	-
Total	17,077	-	-	767	17,844

B. COMPONENT UNITS

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

(Amounts in Thousands of USD)	*Receivables Due to:*							
	General	Airport	PCCA	CBH	RDA	FPC	Timing Difference	Total
Payables Due From:								
Behavioral Health	-	-	-	46,997	-	-	-	46,997
Grants Revenue	-	-	-	-	9,343	-	-	9,343
Non-major Funds	-	-	-	-	2,070	72	-	2,142
PGW	-	-	-	-	-	-	-	-
PPA	8,479	20,396	-	-	-	-	5,236	34,111
PCCA	2,275	-	-	-	-	-	-	2,275
PAID	762	-	-	-	-	-	-	762
Timing Difference	(3,037)	(20,396)	1,875	12,572	11,393	-	-	2,407
Total	8,479	-	1,875	59,569	22,806	72	5,236	98,037

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

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

(Amounts In Millions of USD)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	753	3	-	756
Fine Arts	1	-	-	1
Construction In Process	10	17	(2)	25
Total capital assets not being depreciated	764	20	(2)	782
Capital assets being depreciated:				
Buildings	1,767	44	-	1,811
Other Improvements	287	10	(1)	296
Equipment	472	22	(30)	464
Infrastructure	1,252	51	-	1,303
Transit	292	-	-	292
Total capital assets being depreciated	4,070	127	(31)	4,166
Less accumulated depreciation for:				
Buildings	(1,028)	(58)	-	(1,086)
Other Improvements	(191)	(8)	-	(199)
Equipment	(363)	(14)	10	(367)
Infrastructure	(899)	(43)	-	(942)
Transit	(196)	(7)	-	(203)
Total accumulated depreciation	(2,677)	(130)	10	(2,797)
Total capital assets being depreciated, net	1,393	(3)	(21)	1,369
Governmental activities capital assets, net	2,157	17	(23)	2,151

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	94	10	-	105
Intangible Assets	2	-	-	2
Construction In Process	300	317	(295)	322
Total capital assets not being depreciated	397	327	(295)	429
Capital assets being depreciated:				
Buildings	2,965	182	(12)	3,135
Other Improvements	248	13	-	261
Equipment	113	21	(19)	115
Intangible Assets	9	1	-	10
Infrastructure	2,460	108	(7)	2,561
Total capital assets being depreciated	5,795	325	(38)	6,082
Less accumulated depreciation for:				
Buildings	(1,379)	(92)	8	(1,463)
Other Improvements	(127)	(10)	-	(137)
Equipment	(85)	(7)	2	(90)
Intangible Assets	(2)	(1)	-	(3)
Infrastructure	(1,265)	(66)	7	(1,324)
Total accumulated depreciation	(2,858)	(175)	16	(3,017)
Total capital assets being depreciated, net	2,937	150	(22)	3,065
Business-type activities capital assets, net	3,334	477	(317)	3,494

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

(Amounts in Thousands of USD)

Governmental Activities:	
Economic Development	3,262
Transportation:	
Streets & Highways	35,182
Mass Transit	17,383
Judiciary and Law Enforcement:	
Police	8,190
Prisons	6,325
Courts	510
Conservation of Health:	
Health Services	2,424
Housing and Neighborhood Development	7
Cultural and Recreational:	
Recreation	10,836
Parks	9,554
Libraries and Museums	3,028
Improvements to General Welfare:	
Social Services	1,664
Inspections and Demolitions	108
Service to Property:	
Fire	6,156
General Management & Support	31,922
Total Governmental Activities	136,551
Business Type Activities:	
Water and Sewer	86,490
Aviation	89,339
Total Business Type Activities	175,829

B. DISCRETELY PRESENTED COMPONENT UNITS

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

(Amounts In Millions of USD)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	119	-	-	119
Art	8		-	8
Construction In Process	388	105	(167)	326
Total capital assets not being depreciated	515	105	(167)	453
Capital assets being depreciated:				
Buildings	1,392	15	102	1,509
Other Improvements	975	5	65	1,045
Equipment	267	32	(16)	283
Infrastructure	1	-	-	1
Total capital assets being depreciated	2,635	52	151	2,838
Less accumulated depreciation for:				
Buildings	(531)	(26)	-	(557)
Other Improvements	(551)	(49)	-	(600)
Equipment	(174)	(25)	15	(184)
Infrastructure	(1)	-	-	(1)
Total accumulated depreciation	(1,257)	(100)	15	(1,342)
Total capital assets being depreciated, net	1,378	(48)	166	1,496
Capital assets, net	1,893	57	(1)	1,949
Business-type Activities:				
Capital assets not being depreciated:				
Land	34	(1)	-	34
Fine Arts	5	-	-	5
Construction In Process	234	369	(71)	532
Total capital assets not being depreciated	273	369	(71)	571
Capital assets being depreciated:				
Buildings	901	21	(17)	905
Other Improvements	36	3	-	39
Equipment	372	31	(4)	399
Infrastructure	1,337	72	(1)	1,408
Total capital assets being depreciated	2,646	127	(22)	2,751
Less accumulated depreciation for:				
Buildings	(352)	(22)	2	(372)
Other Improvements	(31)	(2)	(2)	(35)
Equipment	(105)	(17)	3	(119)
Infrastructure	(585)	(32)	3	(614)
Total accumulated depreciation	(1,073)	(73)	6	(1,140)
Total capital assets being depreciated, net	1,573	54	(16)	1,611
Capital assets, net	1,846	423	(87)	2,182

6. NOTES PAYABLE

PGW, pursuant to the provisions of certain ordinances and Resolutions, may sell short-term notes in a principal amount which, together with the interest thereon, will not exceed $200 million outstanding at any one time. These notes are intended to provide additional working capital. They are supported by an irrevocable letter of credit and a subordinated security interest in the **PGW**'s revenues. There were no notes outstanding at year-end (August 31, 2009).

RDA has issued a series of Mortgage Notes Payable with an outstanding balance at year-end of $21.7 million related to various projects of the Authority. These notes have interest rates ranging from 0% to 8%. Aggregate minimum principal payments on these notes are as follows:

Fiscal Year	Amount
2011	$ 3,200,304
2012	2,000,000
2013	-
2014	-
2015	-
2016-2020	4,922,956
2021-2025	8,597,000
2026-2030	1,000,000
2031-2035	-
2036-2040	1,950,000
Total	$ 21,670,260

In February 2010, **CCP** borrowed $1.4 million under a loan agreement with the State Public School Building Authority. The loan has a fixed annual interest rate of 2.50% and will be repaid over a five-year period through 2015. The loan proceeds are being used to fund the completion of three capital projects at the college.

In prior years, **CCP** has entered into various loan agreements with the State Public School Building Authority and the Hospitals & Higher Education Facilities Authority for loans totaling approximately $104.6 million. The loans have interest rates ranging from 3.00% to 6.25%, mature through 2028 and will be used for various capital projects, the upgrading of network infrastructures and various deferred maintenance cost.

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

Period	Amount
2010 to 2011	$ 7,451,221
2011 to 2012	7,744,495
2012 to 2013	8,066,215
2013 to 2014	7,633,038
2014 to 2015	5,355,031
2016 to 2020	26,475,000
2021 to 2025	26,365,000
2026 to 2030	15,460,000
Total	$ 104,550,000

During fiscal year 2010, **PPA** borrowed $11.0 million. The loan will be repaid over a five year period and has a fixed interest rate of 4.377%. The monies will be used for the installation and costs of multi-space parking meters that are being placed in the Center City and University City Districts of the City of Philadelphia.

PPA, in prior years, borrowed a total of $17.9 million in the form of bank notes ranging in maturity from 12-16 years and in interest rates from 4.06 to 6.5%. The proceed of these notes were used to finance various capital projects, the acquisition of capital assets, building improvements and the development of a records department.

The total outstanding principle balance of the notes payable at March 31, 2010 was $23.4 million subject to the following repayment schedule:

Fiscal Year	Amount
2011	$ 6,130,496
2012	5,729,430
2013	5,093,237
2014	4,279,044
2015	878,403
2016-2020	1,296,360
Total	$ 23,406,970

7. DEBT PAYABLE

A. PRIMARY GOVERNMENT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania for bonded indebtedness (General Obligation Bonds) payable principally from property taxes. As of June 30, 2010 the statutory limit for the City is $1.5 billion, the General Obligation Debt net of deductions authorized by law is $1.4 billion, leaving a legal debt borrowing capacity of $116.4 million. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims are typically paid by the General Fund.

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

(Amounts In Millions of USD)

Governmental Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Term Bonds	809.9	207.0	(230.8)	786.1	39.2
Refunding Bonds	811.8	337.0	(329.5)	819.3	16.4
Serial Bonds	486.6	-	(33.5)	453.1	35.7
Less Deferred Amounts					
Unamortized Bond Premium	60.6	48.8	(4.8)	104.6	-
Unamortized Issuance Expenses	(36.3)	(7.1)	2.2	(41.2)	-
Unamortized Discount and Loss	(53.8)	(1.0)	3.9	(50.9)	-
Total Bonds Payable	2,078.8	584.7	(592.5)	2,071.0	91.3
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,443.8	55.5	(71.0)	1,428.3	80.2
Neighborhood Transformation	259.3	-	(6.5)	252.8	6.9
One Parkway	48.2	-	(1.5)	46.7	1.6
Sports Stadia	342.0	-	(4.9)	337.1	5.6
Library	9.6	-	(0.5)	9.1	0.5
Cultural Corridor Bonds	129.5	-	(3.4)	126.1	3.3
Arbitrage	1.2	-	-	1.2	-
Indemnity Claims	37.6	43.6	(33.5)	47.7	15.6
Worker's Compensation Claims	251.8	99.9	(51.9)	299.8	37.6
Termination Compensation Payable	193.4	20.1	(16.6)	196.9	16.6
OPEB Obligation	21.2	22.1	-	43.3	14.4
Leases	-	31.1	-	31.1	7.4
Governmental Activity Long-term Liabilities	4,816.4	857.0	(782.3)	4,891.1	281.0

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

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Governmental Funds:			
City	4.00 % to 7.125 %	1,270.0	Fiscal 2011 to 2039
PMA	2.00 % to 7.50 %	254.6	Fiscal 2011 to 2039
PICA	2.50 % to 5.00 %	533.9	Fiscal 2011 to 2023
		2,058.5	

- In May 2010, **PICA** issued Series 2010 Special Tax Revenue Refunding Bonds in the amount of $207.0 million. The serial bonds have interest rates ranging from 4.0% to 5.0% and mature in 2022. The proceeds from the sale of the bonds were used to (1) provide for the current refunding of **PICA's** Series 2008 A & B Special Tax Revenue Bonds, (2) pay the costs of terminating an interest rate swap transaction relating to the Series 2008 A & B bonds and (3) pay the costs of issuing the Series 2010 bonds. The cash flows required by the new bonds is $61,000. less than the cash flow required by the refunded bonds. The economic gain on the refunding (the adjusted present value of the decrease in cash out flows) is $1.6 million.

- In August 2009, the City issued General Obligation Refunding Bonds Series 2009A and 2009B in the amounts of $237.0 million and $100.0 million respectively. The Series 2009A bonds are fixed-rate refunding bonds with interest rates ranging from 4.25% to 5.5% and mature in 2031. The Series 2009B bonds are multi-modal refunding bonds and will bear interest at a weekly rate subject to conversion to a daily mode, term rate mode, or fixed rate mode at the direction of the City and upon satisfaction of certain conditions described in the Board Committee Resolution. The bonds were issued simultaneously for the purpose of refunding the City's outstanding series 2007B general obligation multi-modal refunding bonds and for the payment of the costs relating to the issuance of the 2009 bonds, including the termination payment of $15.5 million due with respect to a portion of a related swap. There was no gain or loss because the reacquisition price equaled the carrying amount of the old debt.

The City has General Obligation Bonds authorized and un-issued at year-end of $188.2 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts In Millions of USD)

	City Fund		Blended Component Units			
Fiscal	General Fund		PMA		PICA	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2011	36.5	65.2	15.6	19.3	39.2	27.3
2012	39.4	63.3	17.1	18.7	41.8	24.6
2013	46.6	61.2	18.0	18.4	43.7	22.6
2014	49.0	58.8	19.2	17.2	45.6	20.4
2015	51.7	56.1	20.1	16.3	47.7	18.1
2016-2020	276.9	240.0	82.6	35.2	226.7	54.5
2021-2025	288.7	167.3	13.3	24.8	89.2	8.3
2026-2030	279.1	90.9	18.0	20.1	-	-
2031-2035	156.7	30.6	24.6	13.4	-	-
2036-2040	45.4	6.8	26.1	4.4	-	-
Totals	1,270.0	840.2	254.6	187.8	533.9	175.8

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

(Amounts In Millions of USD)

	Lease & Service Agreements											
	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium		Central Library		Cultural Corridors	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	80.2	34.5	6.9	13.0	1.6	2.2	5.6	13.7	0.5	0.4	3.3	5.9
2012	80.4	39.3	7.2	12.7	1.6	2.1	5.9	13.4	0.5	0.3	3.4	5.8
2013	79.6	45.1	7.6	12.3	2.1	2.0	11.5	13.0	0.5	0.3	3.6	5.6
2014	75.6	50.5	8.0	11.9	2.1	1.9	12.0	12.4	0.5	0.3	3.8	5.4
2015	74.4	56.6	8.4	11.5	2.2	1.9	12.4	11.8	0.5	0.3	3.9	5.3
2016-2020	317.1	356.5	49.4	50.3	13.0	7.5	70.8	50.7	3.0	1.2	23.0	23.1
2021-2025	227.6	445.9	64.0	35.7	16.4	4.1	87.2	35.1	3.6	0.5	29.6	16.6
2026-2030	493.4	145.5	82.2	17.5	7.7	0.6	107.4	15.8	-	-	37.8	8.4
2031-2035	-	-	19.0	1.0	-	-	24.3	0.5	-	-	17.7	0.8
Totals	1,428.3	1,173.9	252.7	165.9	46.7	22.3	337.1	166.4	9.1	3.3	126.1	76.9

(2) Business Type Debt Payable

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activity					
Bonds Payable					
General Obligation Bonds	3.4	-	(1.2)	2.2	1.2
Revenue Bonds	2,986.3	409.9	(507.3)	2,888.9	147.5
Less Deferred Amounts					
Unamortized Discounts and Loss	(87.2)	(12.9)	-	(100.1)	-
Total Bonds Payable	2,902.5	397.0	(508.5)	2,791.0	148.7
Indemnity Claims	4.4	5.9	(5.6)	4.7	-
Worker's Compensation Claims	15.5	7.1	(3.5)	19.1	-
Termination Compensation Payable	16.2	1.8	(2.9)	15.1	-
Net Pension Obligation	-	1.6	-	1.6	-
Arbitrage	1.8	-	(0.7)	1.1	-
Business-type Activity Long-term Liabilities	2,940.4	413.4	(521.2)	2,832.6	148.7

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

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Enterprise Funds			
Water Fund	1.00 %	2.2	Fiscal 2011 to 2012
		2.2	

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

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

(Amounts In Millions of USD)

Fiscal Year	Water Fund Principal	Water Fund Interest
2011	1.2	-
2012	1.0	-
Totals	2.2	-

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

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Water Fund	0.23 % to 7.00 %	1,656.2	Fiscal 2011 to 2036
Aviation Fund	3.00 % to 5.75 %	1,232.7	Fiscal 2011 to 2037
Total Revenue Debt Payable		2,888.9	

- In April 2009, the City of Philadelphia Water Department received notice that the Pennsylvania State Infrastructure Investment Authority ("Pennvest") had approved funding for three water and sewer applications totaling $184.9 million. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

Date	Series	Maximun Loan Amount	Estimated Project Costs	Amt Requested thru 6/30/2010	Amt Rec'd Yes/No	Purpose
Oct. 2009	2009B	42,886,030	33,195,803	3,039,859	No	water plant improvements
Oct. 2009	2009C	57,268,193	50,423,484	13,430,973	Yes	water main replacements
Mar. 2010	2009D	84,759,263	82,462,284	8,474,575	No	sewer projects
	Totals:	184,913,486	166,081,571	24,945,407		

- In April 2010, the City issued Water & Wastewater Refunding Bonds Series 2010A in the amount of $396.5 million. The bonds are serial bonds with interest rates ranging from 2% through 5% and mature in 2019. The proceeds of the bonds were used to (1) refund the Series 2003 Water & Wastewater Revenue Bonds issued in the amount of $370.0 million, (2) fund a payment to terminate a 2003 swap, (3) fund the required deposit into the Debt Reserve Account of the sinking fund and (4) pay bond issuance costs. The cash flows required by the new bonds is $16.2 million more than the cash flow required by the refunded bonds. The economic loss on the refunding (the adjusted present value of these reduced cash flows) was $19.1 million. The early extinguishment of debt resulted in an accounting loss of approx. $2.1 million, representing the difference between the reacquisition price of $396.5 million and the amount of debt extinguished of $370.0 million (less $2.1 million unamortized discount). The resulting loss will be amortized over the life of the refunded bonds at a rate of $226,142 annually through June 2019.

- In July 2009, the outstanding balance of $83.7 million of Water & Wastewater Revenue Refunding Bonds, Variable Rate Series 2005B was remarketed under an irrevocable direct pay letter of credit (LOC) from Bank of America. The LOC replaced a bond insurance policy from Financial Security Assurance, Inc. (FSA) and a liquidity facility for the 2005B Bonds provided by DEPFA Bank. The LOC will constitute both a credit facility and liquidity facility and Bank of America, N.A. a creditor provider and liquidity provider for the 2005B Bonds. The bonds continue to have a weekly interest rate, maturing in 2018.

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

(Amounts In Millions of USD)

Fiscal	Water Fund		Aviation Fund	
Year	Principal	Interest	Principal	Interest
2011	101.6	78.1	45.8	63.3
2012	108.9	70.6	48.6	60.5
2013	117.3	65.4	51.5	57.5
2014	123.8	59.5	54.5	54.6
2015	130.2	53.4	57.7	51.4
2016-2020	404.6	194.4	283.7	208.3
2021-2025	204.0	131.9	326.8	133.2
2026-2030	244.8	84.1	257.1	57.2
2031-2035	194.5	26.8	85.1	18.1
2036-2040	26.5	1.0	21.9	1.6
Totals	1,656.2	765.2	1,232.7	705.7

(3) Defeased Debt

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

(Amounts In Millions of USD)

Governmental Funds:	
General Obligation Bonds	195.7
Enterprise Funds:	
Water Fund Revenue Bonds	170.9
	366.6

(4) Short -Term Borrowings

The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid $275.0 million in Tax Revenue Anticipation Notes by June 2010 plus interest. In accordance with statute, there are no temporary loans outstanding at year-end.

(Amounts In Millions of USD)

Tax Revenue Anticipation Notes:	
Balance July 1, 2009	-
Additions	275.0
Deletions	(275.0)
Balance June 30, 2010	-

(5) Arbitrage Liability

The City has several series of General Obligation and Revenue Bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. At June 30, 2010, the General Fund, Aviation Fund and the Water Fund had recorded liabilities of $1.2 million, $1.0 million and $.07 million respectively.

(6) Derivative Instruments

Beginning in FY 2010, the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivatives are as follows:

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental Activities					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	5,993	Debt	(10,600)	100,000
	Deferred Outflow	(12,465)	Debt	(27,100)	217,275
	Deferred Outflow	(4,154)	Debt	(9,000)	72,400
Investment Derivatives:					
Basis Caps	Investment Revenue	3,125	Investment	(2,191)	301,495
	Investment Revenue	1,208	Investment	(1,566)	119,750
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(3,014)	Debt	(31,594)	168,600
	Deferred Outflow	(1,662)	Debt	(14,133)	83,275
	Deferred Outflow	(8,185)	Debt	(15,094)	90,000

As of June 30, 2010, the City determined that the Basis Caps listed as investment derivatives do not meet the criteria for effectiveness as a hedging instrument. They are therefore reported within the investment revenue classification.

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2010, along with the credit rating of the associated counterparty.

(amounts in thousands)

Agency	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
City GO (a)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2009 Series B bonds	100,000	12/20/2007	8/1/2031	City pays 3.829%; receives SIFMA Municipal Swap Index	Aaa/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	217,275	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Aa1/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	72,400	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	A2/A
Airport (c)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series C bonds	168,600	6/15/2005	6/15/2025	Airport pays multiple fixed swap rates; receives SIFMA Municipal Swap Index	Aa1/AA-
Water (d)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series bonds	83,275	5/4/2005	8/1/2018	City pays 4.53%; receives bond rate/68.5% 1 Month LIBOR	A3/A
Water (e)	Pay Fixed Interest Rate Swap	Forward starting Swaps	90,000	8/1/2010	1/1/2037	City pays 4.52275%; receives SIFMA Municipal Swap Index	Aa2/AA

a. City of Philadelphia 2009B General Obligation Bond Swap

Objective: In December, 2007, the City entered into a swap to synthetically refund all or a portion of several series of outstanding bonds. The swap structure was used as a means to increase the City's savings when compared with fixed-rate bonds at the time of issuance. The intention of the swap was to create a synthetic fixed-rate structure. On July 23, 2009, the City terminated approximately $213.5 million of the swap, fixed out the bonds related to that portion and kept the remaining portion of the swap, as well as, the related bonds as variable rate bonds backed with a letter of credit. The City paid a swap termination payment of $15.5 million to RBC.

Terms: The swap, was originally executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of $ 313.5 million). The swap confirmation was amended and restated as of August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2010, the swap had a notional amount of $100 million and the associated variable rate bonds had a $100 million principal amount. The bonds mature in August, 2031.

Fair Value: As of June 30, 2010, the swap had a negative fair value of ($ 10.6 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2010, the City was not exposed to credit risk because the swap has a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the rating of RBC falls below Baa3 or BBB- or by RBC if the rating of the City falls below Baa3 or BBB-. There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corp. (formerly FSA), no termination event based on the City's ratings can occur as long as Assured is rated at least A3 and A-.

As of June 30, 2010, the rates were:

Terms	Rates		
Interest Rate Swap			
Fixed payment to RBC under swap	Fixed	3.82900	%
Variable payment from RBC under swap	SIFMA	(0.25000)	%
Net interest rate swap payments		3.57900	%
Variable Rate bond coupon payments	Weekly resets	0.28000	%
Synthetic interest rate on bonds		3.859	%

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	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2011	$ -	$ 280,000	$ 3,579,000	$ 3,859,000
2012	-	280,000	3,579,000	3,859,000
2013	-	280,000	3,579,000	3,859,000
2014	-	280,000	3,579,000	3,859,000
2015	-	280,000	3,579,000	3,859,000
2016 - 2020	-	1,400,000	17,895,000	19,295,000
2021 - 2025	-	1,400,000	17,895,000	19,295,000
2026 - 2030	63,885,000	1,183,252	15,124,496	16,307,748
2031 - 2032	36,115,000	152,684	1,951,629	2,104,313
Total:	100,000,000	5,535,936	70,761,125	76,297,061

b. Philadelphia Authority for Industrial Development (PAID) 2007B Swaps

Objective: In December, 2007, **PAID** entered into two swaps to synthetically refund **PAID**'s outstanding Series 2001B bonds. The swap structure was used as a means to increase **PAID's** savings when compared with fixed-rate bonds at the time of issuance. The intention of the swaps was to create a synthetic fixed-rate structure.

Terms: The total original notional amount of the two swaps was $289.7 million which matched the principal amount of the 2007B bonds issued ($289.7 million). One swap, with a notional amount of $217.3 million, was executed with JP Morgan Chase Bank. The other swap, with a notional amount of $72.4 million was executed with Merrill Lynch Capital Services, Inc. Both swaps commenced on October 25, 2007 and will terminate on October 1, 2030. Under the swaps, **PAID** pays a fixed rate of 3.9713% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule. As of June 30, 2010, the swaps together had a notional amount of $289.7 million which matched the principal amount of the associated variable rate bond deal. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2010, the swap with JP Morgan Chase Bank had a negative fair value of ($27.1 million) and the swap with Merrill Lynch Capital Services, Inc. has a negative fair value of ($9.0 million). This means that **PAID** would have to pay these amounts to terminate the swaps.
Risks: As of June 30, 2010, **PAID** was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swaps become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

The swaps include an additional termination event based on credit ratings. The swaps may be terminated by **PAID** if the rating of the respective counterparty on the swaps falls below Baa3 or BBB- or by the respective counterparties if the underlying rating on the associated bonds falls below Baa3 or BBB-. There are 30-day cure periods to these termination events. The City's swap payments are insured by FGIC.

As of June 30, 2010, the rates were:

Terms	Rates	
Fixed payment to Merrill Lynch under Swap	Fixed	3.97130 %
Variable payment from Merrill Lynch under Swap	SIFMA	(0.25000) %
Net interest rate swap payments		3.72130 %
Variable Rate bond coupon payments	Weekly resets	0.27000 %
Synthetic interest rate on bonds		3.9913 %

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 the 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	$ -	$ 782,123	$ 10,779,676	$ 11,561,799
2012	-	782,123	10,779,676	11,561,799
2013	-	782,123	10,779,676	11,561,799
2014	-	782,123	10,779,676	11,561,799
2015	-	782,123	10,779,676	11,561,799
2016 - 2020	70,750,000	3,544,520	48,852,668	52,397,188
2021 - 2025	87,190,000	2,504,304	34,515,802	37,020,106
2026 - 2030	107,425,000	1,222,533	16,849,674	18,072,207
2031	24,310,000	65,637	904,648	970,285
Total:	289,675,000	11,247,609	155,021,172	166,268,781

c. Philadelphia Airport 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 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:

Terms	Rates		
Interest Rate Swap			
Fixed payment to JPMorgan under swap	Fixed	5.64975	%
Variable payment from JPMorgan under swap	SIFMA	(0.25000)	%
Net interest rate swap payments		5.39975	%
Variable Rate bond coupon payments	Weekly resets	0.22	%
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
2016 - 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
Total:	168,600,000	3,416,600	83,858,095	87,274,695

d. City of Philadelphia, 2005 Water & Sewer Swap

Objective: In December, 2002, the City entered into a swaption that provided the City with an up-front payment of $4.0 million. As a synthetic refunding of all or a portion of its 1995 Bonds, this payment approximated the present value savings, as of December 2002, of a refunding on May 4, 2005. The swaption gave Citigroup (formerly of Salomon Brothers Holding Company, Inc), the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts.

Terms: Citigroup exercised its option to enter into a swap May 4, 2005, and the swap commenced on that date. Under the terms of the swap, the City pays a fixed rate of 4.53% and receives a variable payment computed as the actual bond rate or alternatively, 68.5% of one month LIBOR, in the event the average rate on the Bonds as a percentage of the average of one month LIBOR has exceeded 68.5% for a period of more than 180 days. Citigroup exercised its option during this fiscal year to pay 68.5% of one month LIBOR under the swap. The payments are based on an amortizing notional schedule (with an initial notional amount of $86.1 million), and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into.

As of June 30, 2010, the swap had a notional amount of $83.3 million and the associated variable-rate bond had an $83.3 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on August 1, 2018 and the related swap agreement terminates on August 1, 2018.

Fair value: As of June 30, 2010, the swap had a negative fair value of ($ 14.1 million). This means that the Water Department would have to pay this amount if the swap terminated.

Risk: As of June 30, 2010 the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. Since the City is now receiving 68.5% of one month LIBOR, the City is exposed to (i) basis risk, as reflected by the relationship between the variable-rate bond coupon payments and 68.5% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 68.5% of LIBOR received on the swap. The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the ratings of Citigroup or its Credit Support Provider fall below A3 and A-, or by Citigroup if the rating of the City's water and wastewater revenue bonds falls below A3 or A-.There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation (formerly FSA), no termination event based on the City's water and wastewater revenue bond ratings can occur as long as Assured is rated at least A or A2.

As of June 30, 2010, rates were as follows:

Terms	Rates	
Fixed payment to Citigroup under swap	Fixed	4.53000 %
Variable payment from Citigroup under swap	68.5% of one month LIBOR	(0.23868) %
Net interest rate swap payments		4.29132 %
Variable Rate bond coupon payments	Weekly resets	0.21 %
Synthetic interest rate on bonds		4.50132 %

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:

June 30	Principal	Interest	Swaps Net	Total Interest
2011	405,000	174,878	3,573,597	3,748,475
2012	425,000	174,027	3,556,217	3,730,244
2013	450,000	173,135	3,537,979	3,711,114
2014	14,820,000	172,190	3,518,668	3,690,858
2015	15,535,000	141,068	2,882,694	3,023,762
2016 - 2020	51,640,000	221,151	4,519,189	4,740,340
Total:	83,275,000	1,056,449	21,588,344	22,644,793

e. City of Philadelphia Forward-Starting Water & Wastewater Swap

Objective: In February, 2007, the City entered into two forward starting swaps to take advantage of the current low interest rate environment in advance of the issuance of water and wastewater revenue bonds expected to be issued by the City in 2008. The notional amount was evenly split between two counterparties, Merrill Lynch Capital Services, Inc. and Wachovia Bank, N.A. On June 30, 2010, the swap with Merrill Lynch was terminated. The City paid a termination payment of $15.2 million to Merrill Lynch. The swap with Wachovia was subsequently terminated on July 27, 2010.

Terms: The swap confirmation was amended in December 2007, to move the swap start date from February 2008 to February 2009, as the bond issuance had been delayed. In February 2009, the swap confirmation was amended again to move the swap start date from February 2009 to August 2010, as the bond issuance had been delayed. The termination date is January 2037. The swap was priced based on an amortizing notional schedule with a $90 million initial notional amount. Under the swap, the City would pay a fixed rate of 4.52275% and will receive a variable rate equal to the SIFMA Municipal Swap Index.

Fair value: As of June 30, 2010, the swap had a negative fair value of ($15.1 million). This means that the Water and Sewer Department would have to pay this amount to terminate the swap.

Risk: As of June 30, 2010, the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change, if SIFMA resets at a rate below the variable-rate bond coupon payments, the synthetic interest rate on the bonds will increase. The swap included additional termination events based on credit ratings. The swap may be terminated by the City if Wachovia fails to have a rating of at least Baa2 or higher or BBB or higher, or by Wachovia if the City fails to have a rating of at least Baa2 or higher or BBB or higher.

f. PICA Series 1993A, 1996 & 1999 Swaption

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

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

In May 2010, concurrent with the Authority's Series 2010 Refunding Bond issuance, the $10,720,000 (1993A) and $5,815,000 (1996) swap agreements were terminated. As such, the revenue from this premium, previously deferred, was recognized as income in the statement of activities. In connection with the termination of this agreement, PICA paid a termination fee to a counterparty of $39,678,000, which is included in investment expenses.

g. PICA Series of 2003 and 1999 Basis Cap Agreements

In June 203 and 2004, the Authority entered into basis cap transactions with the counterparty as follows:

2003 Basis Cap

Beginning July 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay to the counterparty a variable rate based on the greater of (a) the average of the BMA for the month divided by the one-month LIBOR, less 70% multiplied by the one-month LIBOR, times the notional amount times the day count reaction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the interest rate swap noted above.

1999 Basis Cap

Beginning July 15, 2009, the counterparty pays the Authority a fixed rate each month of .46% per year and the Authority will pay to the counterparty a variable rate based on the greater of (a) the average of BMA for the month divided by the one-month LIBOR, less 70%, multiplied the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the interest rate swap noted above.

Fair Value

Derivative instruments are summarized as follows:

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Caps	Investment Revenue	(4,334)	Investment	(3,758)	490,050

h. City of Philadelphia 2003 Water & Sewer Swap

Objective: In December 2002, the City entered into a swaption that provided the City's Water and Sewer Department with an up-front payment of $25.0 million. The original notional amount was $381.3 million. As a synthetic refunding of all or a portion of its 1993 Bonds, this payment approximated the present value savings, as of December 2002 of a refunding on March 18 2003, based upon interest rates in effect at the time. The swaption gave Citigroup (formerly Salomon Brothers Holding Company, Inc), the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts. On April 8, 2010, the City terminated the swap and refunded the underlying bonds to fixed rate. The City paid a swap termination payment of $48.8 million to Citigroup.

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued $1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of $1.4 billion is reflected in the City's financial statements in Other Long Term Obligations. The net proceeds of the bond sale of $1.3 billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that same amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments.

(8) Neighborhood Transformation Initiative Service Agreement

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

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

In March, 2005, **RDA** issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of $25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of $ 44.0 million, with interest rates ranging from 4.75 through 5% and mature through 2027. Revenue Bonds Series 2005C with an interest rate of 5% were issued for $81.3 million and mature through 2031. The fiscal year 2010 NTI Service Agreement liability of $252.7 million is reflected in the City's financial statements as another Long Term Obligation.

(9) Sports Stadium Financing Agreement

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

In October, 2007 **PAID** issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2010, the

Sports Stadium Financing Agreement liability of $337.1 million is reflected in the City's financial statements as Other Long Term Liabilities.

(10) Cultural and Commercial Corridors Program Financing Agreement

In December, 2006, **PAID** issued $135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds will be used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. In fiscal 2010 the liability of $126.2 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) Forward Purchase Agreements

On June 6, 2000, **PICA** entered into two debt service reserve forward delivery agreements, one of which began on August 1, 2003 and expired on June 15, 2010 whereby **PICA** received a premium of $4,450,000 on December 1, 2002 and one of which began on June 15, 2010 and expires on June 15, 2023, whereby **PICA** received a premium of $1,970,000 on June 6, 2000 for the debt service reserve fund in exchange for the future earnings from the debt service reserve fund investments. The premium amounts were deferred and are being recognized ratably as revenue over the term of the respective agreements.

(12) Other Long Term Debt

In July 2009, the City entered into a four-year Lease Purchase Agreement with PNC Equipment Finance, LLC, for $31.1 million, in connection with the purchase and installation of certain equipment and related software to upgrade the City's 800 MHz trunked radio communications system to an ASTRO 25 Internet Protocol based system. The total outstanding balance at June 2010 is $31.1 million.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The **SDP** has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total $2,994.4 million in principal, with interest rates from 1.5% to 6.765 % and have due dates from 2011 to 2040 The following schedule reflects the changes in long-term liabilities for the **SDP**:

(Amounts in Millions of USD)

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	2,825.2	598.7	(429.5)	2,994.4	84.0
Add: Bond Premium	79.0	35.4	(5.3)	109.1	7.9
Less: Bond Discounts	(11.4)	(0.1)	0.5	(11.0)	(0.6)
Total Bonds Payable	2,892.8	634.0	(434.3)	3,092.5	91.3
Termination Compensation Payable	295.6	24.0	(28.1)	291.5	27.3
Severance Payable	168.9	27.5	(11.7)	184.7	8.9
Other Liabilities	144.1	29.2	(35.9)	137.4	37.9
Lease Purchase Agreements	-	-	-	-	-
Deferred Reimbursement	56.0	-	(5.3)	50.7	50.7
Arbitrage Liability	4.3	-	(0.2)	4.1	0.1
Early Retirement Incentive	0.4	-	(0.2)	0.2	0.2
Total	3,562.1	714.7	(515.7)	3,761.1	216.4

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

(Amounts In Millions of USD)

Fiscal Year	Principal	Interest
2011	75.9	130.6
2012	89.0	125.5
2013	93.6	121.2
2014	95.8	117.2
2015	85.3	113.7
2016-2020	501.7	499.9
2021-2025	487.2	378.7
2026-2030	451.6	263.4
2031-2035	592.0	127.5
2036-2040	156.6	23.5
Totals	2,628.8	1,901.3

- On April 6, 2010, the School District issued Series A of 2010 and Series B of 2010 fixed rate general obligation bonds in the aggregate amount of $249.3 million for the Capital Improvement Program. Bond proceeds of $1.9 million were utilized for underwriting fees, and other bond issuance costs. The Series B bonds were designated as federally taxable Build America Bonds, in accord with The American Recovery and Reinvestment Act of 2009. The School District is entitled to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the Series B Bonds on each interest payment date. The eligibility of this federal subsidy begins during fiscal year 2011.
- On April 6, 2010, the School District issued Series C of 2010 fixed rate general obligation bonds (GOB) in the aggregate amount of $300.0 million to refund certain maturities of the outstanding Series A, B, C, and D of 2008, terminate the related Swap Agreements, and pay the associated swap termination payments. Bond proceeds of $1.9 million were utilized for underwriting fees, and other issuance costs.

  Securities for the issues were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded bonds. The net proceeds were used by the escrow agent to purchase State Local Government Securities (SLG) of $303.8 million which were used to retire the subseries A-3, B-4, C-1, C-2, and D-1 of 2008.
- On April 6, 2010, the School District issued Series D of 2010 fixed rate general obligation bonds (GOB) in the aggregate amount of $49.4 million to refund certain maturities of the outstanding Series of A of 1999. Bond proceeds of $0.3 million were utilized for underwriting fees, and other issuance costs.

  Securities for the issue were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded bonds. The net proceeds were used by the escrow agent to purchase State Local Government Securities (SLG) **of** $52.6 million which were used to retire the Series of A of 1999.

  For accounting purposes, these advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $52.0 million. This difference is being amortized through the operations in the District-wide statements until the year 2023.

  An analysis was completed to determine the cash flow difference between the old debt and new debt. This analysis indicates a cash flow of $10.1 million less over the life of the issue than the cash flow required to service the old debt. In addition, there was an economic loss (difference between the present value of the debt service payments on the old and new debt) of $9.7 million to the School District.

(2) Business Type Debt Payable

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

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
PCCA	2.567 % to 6.532 %	281.1	Fiscal 2011 to 2039
PPA	3.000 % to 5.250 %	193.0	Fiscal 2011 to 2029
PGW	3.850 % to 6.800 %	1,138.1	Fiscal 2012 to 2038
RDA	4.550 % to 4.750 %	18.4	Fiscal 2017 to 2028
Total Revenue Debt Payable		1,630.6	

- On June 3, 2009, the Mayor signed a bill into law authorizing the City to issue revenue bonds. The bill signed by the Mayor constituted the Ninth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1998 (the 1998 General Ordinance). This ordinance authorizes the City to issue revenue bonds for the following purposes: (a) to pay the cost of refunding or redeeming all or a portion of the outstanding Gas Works Revenue Bonds, Sixth Series (1998 Ordinance) and other Project Costs; (b) authorizing the City to obtain credit enhancement and liquidity for all or a portion of the Eighth Series Bonds, enter into or amend one or more Qualified Swap Agreements or to relate all or a portion of an existing Qualified Swap Agreement to all or a portion of a different series of outstanding Gas Works Revenue Bonds, and authorizing covenants and actions in order that the Eighth Series Bonds shall not be arbitrage bonds; and (c) making certain determinations and covenants relating to Gas Works Revenues and payment of interest and principal.

- On August 20, 2009, the Company issued $313,285,000 of Eighth Series Bonds for the purpose of refunding the outstanding Sixth Series Bonds previously issued under the 1998 Ordinance, paying the costs of terminating a portion of the Swap Agreement, and issuing the bonds and any required deposits to the Sinking Fund Reserve established under the 1998 General Ordinance. The Eighth Series Bonds consist of $58,285,000 of serial bonds with an interest rate that ranges from 4.0% to 5.25% and have maturity dates through 2017. The Eighth Series Bonds also consist of four serial bonds totaling $255,000,000 that have variable rates set through a weekly reset mode, are paid monthly, and are secured with a letter of credit which expires August 19, 2011. These bonds mature at various dates from 2017 to 2031. The loss on refunding the Sixth Series Bonds and issuing the Eighth Series Bonds of $55,344,000, including $26,311,000 related to the elimination of the deferred outflow of resources upon termination of the Sixth Series hedging relationship was deferred and will be amortized over the life of the Eighth Series Bonds.

Interest rates and maturities of the outstanding Revenue Bonds are detailed as follows (thousands of dollars):

Description	Interest rates	Maturity date (fiscal year)	Balance outstanding August 31, 2009	Balance outstanding August 31, 2008
Series 11C	6.80%	2012	$ 21,882	20,379
1st Series A	4.50% – 5.50%	2026	84,995	95,815
1st Series C	3.85% – 5.00%	2014	8,615	10,115
16th Series	4.00% – 5.50%	2015	16,915	25,905
2nd Series	4.63% – 5.38%	2012	8,370	10,905
3rd Series	4.25% – 5.50%	2012	8,515	11,105
4th Series	4.00% – 5.25%	2032	92,585	95,125
17th Series	4.00% – 5.38%	2026	140,225	148,875
5th Series	4.00% – 5.25%	2034	120,000	120,000
5th Series A-2	Variable	2035	30,000	30,000

Description	Interest rates	Maturity date (fiscal year)	Balance outstanding August 31, 2009	August 31, 2008
18th Series	5.00% – 5.25%	2021	50,470	52,580
6th Series	Variable	2031	—	311,615
19th Series	5.00%	2024	14,450	14,450
7th Series	4.00% – 5.00%	2038	196,955	200,000
7th Series Refunding	5.00%	2029	30,900	30,900
8th Series A	4.00% – 5.25%	2017	58,285	—
8th Series B	Variable	2031	105,000	—
8th Series C	Variable	2031	50,000	—
8th Series D	Variable	2031	50,000	—
8th Series E	Variable	2031	50,000	—
			$ 1,138,162	1,177,769

- In April 2010, **PCCA** issued $281.1 million in revenue bonds through Pennsylvania Economic Development Finance Authority ("PEDFA") for the Convention Center Project. The Series 2010A bonds were issued in the amount of $32.3 million and are tax-exempt serial bonds with interest rates ranging from 4.0% to 5.0%, maturing in 2015. The Series 2010B bonds are federally taxable Build America Bonds. Serial bonds were issued in the amount of $53.3 million and have interest rates ranging from 2.567% to 5.5019% and mature in 2023. Term bonds were issued in the amount of (1) $27.6 million with an interest rate of 6.412% and mature in 2030; (2) $167.9 million with an interest rate of 6.532% and mature in 2039. The proceeds of the bonds, together with other available funds will be used to finance the acquisition of the existing Pennsylvania Convention Center (PCC) in Pennsylvania, finance a portion of the costs of construction, installing and equipping the expansion of PCC, funding of the debt service reserve fund and payment of bonds issuance costs.

- In December 2009, **PPA** issued $131.1 million Series of 2009 Airport Parking Revenue Bonds with interest rates ranging from 3.00% to 5.25% for the purpose of refunding $135.1 million of outstanding Series 1999 Airport Revenue Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4.8 million. This difference is being charged to operations through 2030. **PPA** completed the refunding to reduce its total debt service payments over the next 20 years by $15.3 million and to obtain an economic gain (difference between present values of the old and new debt service payments) of $5.1 million.

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

(Amounts in Millions of USD)

Fiscal Year	Pennsylvania Convention Center Authority		Philadelphia Parking Authority ‡		Philadelphia Gas Works †		Philadelphia Redevelopment Authority	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	4.6	19.3	7.4	9.4	46.0	43.1	-	0.9
2012	9.7	16.5	8.0	9.1	46.6	40.9	-	0.9
2013	9.4	16.1	10.5	8.6	42.9	39.2	-	0.9
2014	9.2	15.9	11.0	8.1	45.1	37.5	-	0.9
2015	8.7	15.4	11.4	7.5	47.2	35.3	-	0.9
2016-2020	25.9	72.5	65.2	28.6	234.1	140.0	2.2	4.0
2021-2025	18.0	65.7	63.3	11.9	247.4	93.6	4.3	3.7
2026-2030	27.6	62.2	16.2	2.1	229.8	57.1	11.9	1.8
2031-2035	78.9	45.5	-	-	122.4	27.6	-	-
2036-2040	89.0	14.8	-	-	76.6	5.1	-	-
2041-2045	-	-	-	-	-	-	-	-
Totals	281.0	343.9	193.0	85.3	1,138.1	519.4	18.4	14.0

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2009
‡ - Parking Authority amounts are presented as of its fiscal year ended March 31, 2010

(3) Defeased Debt

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

(Amounts In Millions of USD)

Pennsylvania Convention Center Authority	356.9
Philadelphia Gas Works †	175.4
Community College of Philadelphia	29.5
School District of Philadelphia	1,108.7
Total	1,670.5

† - Gas Works amounts are presented as of August 31, 2009

- In April 2010, the Lease and Service Agreement ("LSA") between the City of Philadelphia (the City) and the Pennsylvania Convention Center Authority **(PCCA)** was terminated concurrent with the defeasance of the Series 2005 bonds. With the termination of LSA, the City, Commonwealth of Pennsylvania (Commonwealth) and **PCCA** entered into an Operating Agreement which requires the Commonwealth to fund **PCCA's** net operating deficits, reserve fund requirements and debt service related to the expansion project and defeasance of the **PCCA** bonds. The City is required to pay an annual $15.0 million service fee and to remit **PCCA's** portion of hotel tax receipts to the Commonwealth. In FY2010, the initial year of the Operating Agreement, the City was obligated to pay the lease and service fee through the end of the month in which the bonds were defeased (April 2010) and a pro-rated portion of the $15.0 million service fee. The Commonwealth was obligated to pay **PCCA's** net operating deficit and reserve requirements less hotel tax revenues for the remaining months of the fiscal year (May & June 2010), in addition to a one-time payment of the pro-rated portion of the debt service already paid by the City in that fiscal year.

- During FY 2009 **PGW** issued $313,285,000 of Eighth Series Bonds during FY 2009. The Eighth Series A fixed rate bonds were issued in the amount of $58,285,000 and the Eighth Series B, Eighth Series C, Eighth Series D and the Eighth Series E variable rates bonds were issued in the amounts of $105,000,000,

$50,000,000, $50,000,000 and $50,000,000, respectively. The proceeds of the sale were utilized to currently refund Sixth Series variable rate bonds in the amount of $311,615,000. The refunding of this existing debt resulted in an accounting loss of $29,033,000. This loss is being deferred and amortized as interest expense over the life of the new bond.

(4) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. Rebate-able arbitrage earnings occur when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceeds the bond yield paid to investors. As of June 30, 2010, the arbitrage rebate calculation for **SDP** indicated a liability for 98% of the total in 2011 (based on current market conditions which could change when actually due and payable) totaling $4.3 million.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

Objective and Terms – In January 2006, the City entered into a swap to create a synthetic fixed rate for the Sixth Series Bonds. The swap structure was used as a means to increase the City's savings, when compared with fixed-rate bonds at the time of issuance.

The swap was originally executed with the counterparty on January 26, 2006 and will mature on August 1, 2031. Under the swap, the City pays a fixed rate of 3.6745% and receives a variable rate computed as the lesser of (i) the actual bond rate and (ii) the SIFMA Municipal Swap Index until September 1, 2011 on which date the variable interest rate received will switch to 70.0% of one month LIBOR until maturity.

In August 2009, the City terminated approximately $54,800,000 of the notional amount of the swap, issued fixed rate refunding bonds related to that portion and kept the remaining portion of the swap to hedge variable rate refunding bonds backed with letters of credit. The Company paid a swap termination payment of $3,791,000 to the counterparty to partially terminate the swap.

The swap confirmation was amended and restated on August 12, 2009 to reflect the principal amount of the Eighth Series B Bonds, with all other terms remaining the same. Separate trade confirmations with the same terms as the original swap were executed with the counterparty for the Eighth Series C through E.

As of August 31, 2009, the swap had a notional amount of $255,000,000 and the associated variable rate debt had a $255,000,000 principal amount, broken down by series as follows:

- The Series B swap had a notional amount of $105,000,000 and the associated variable rate bonds had a $105,000,000 principal amount.
- The Series C swap had a notional amount of $50,000,000 and the associated variable rate bonds had a $50,000,000 principal amount.
- The Series D swap had a notional amount of $50,000,000 and the associated variable rate bonds had a $50,000,000 principal amount.
- The Series E swap had a notional amount of $50,000,000 and the associated variable rate bonds had a $50,000,000 principal amount.

The final maturity date is on August 1, 2031.

Fair value – As of August 31, 2009, the swaps had a combined negative fair value for all series of $27,555,000. The fair values of the interest rate swaps were estimated using the zero coupon method. That method calculates the future net settlement payments required by the swap, assuming current forward rates are implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps.

Risks - As of August 31, 2009, the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include an additional termination event based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A- (Moody's/S&P), unless the counterparty has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on the Company's bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by FSA, as long as FSA is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed.

The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase. In addition, after September 1, 2011, the City would be exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70.0% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month LIBOR received on the swap.

The impact of the interest rate swap on the financial statements for the year ended August 31, 2009 is as follows (thousands of dollars):

	Interest rate swap liability	Deferred outflow of resources
Balance August 31, 2008	$ 13,790	13,790
Change in fair value through August 20, 2009 (refunding of Sixth Series Bonds)	16,771	16,771
Termination of a portion of swap	(4,250)	(4,250)
Termination of hedge upon refunding Sixth Series Bonds	—	(26,311)
Change in fair value from initiation of hedge related to Eighth Series Bonds to year end	1,244	1,244
Balance August 31, 2009	$ 27,555	1,244

The interest rate swap liability is included in other liabilities and deferred credits, and the deferred outflow of resources is included in other assets and deferred debits on the balance sheet.

b. School District of Philadelphia Swap Agreements

The School District adopted, in Fiscal Year 2010, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows (amounts in thousands; debit (credit)):

	Change in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Cash flow hedges:					
Pay-fixed interest rate Swaps	Deferred outflow	$ (16,818)	Debt	$ (71,622)	$ 362,675
Investment derivatives:					
Pays-variable interest rate swaps	Investment revenue	$ 2,261	Investment	$ (39,605)	$ 500,000
				$ (111,227)	

As of June 30, 2010, the School District determined that the pay variable interest rate swaps listed as investment derivatives do not meet the criteria for effectiveness as a hedging instrument. It is therefore reported within the investment revenue classification.

Objective and Terms:

The following table displays the objective and terms of the School District's hedging derivative instruments outstanding at June 30, 2010, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating Moody's/S&P/Fitch
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series B-1 Bonds	$60,000	6/29/2004	9/1/2030	Pay 3.767%, receive 58.5% of LIBOR + .27%	Aa2/AA/AA-
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series B-2 Bonds	$54,200	6/29/2004	9/1/2030	Pay 3.767%, receive 58.5% of LIBOR + .27%	Aa2/AA/AA-
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series B-3 Bonds	$64,900	6/19/2004	9/1/2030	Pay 3.767%, receive 58.5% of LIBOR + .27%	Aa2/AA/AA-
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series A-1 Bonds	$95,000	6/29/2004	9/1/2030	Pay 3.815%, receive 58.5% of LIBOR + .27%	A2/A/A
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series A-2 Bonds	$78,475	6/29/2004	9/1/2030	Pay 3.761%, receive 58.5% of LIBOR + .27%	Aa3/A/A+
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series D-2 Bonds	$10,100	6/29/2004	9/1/2011	Pay 3.24%, receive 58.5% of LIBOR + .27%	A2/A/A+

Discussion of Risks:

Credit Risk - In compliance with the applicable requirements of the Local Government Unit Debt Act (53 Pa. Cons. Stat. §8281) (the "Debt Act"), amended in September of 2003, the School District adopted a written interest rate management plan pursuant to a resolution of the School Reform Commission, authorized on February 2, 2004, to monitor the credit rating of each counterparty and credit enhancer, if any, insuring qualified interest rate management agreement payments. The School District entered into the fixed-to-floating swaps with counterparties having at least one rating of "AA" or higher from Standard & Poor's or "Aa" or higher from Moody's at the time of execution.

As of June 30, 2010, the School District was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values of $71.6 million. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Interest rate risk - The School District is exposed to interest rate risk on its interest rate swaps. Should the LIBOR interest rates fall, the School District's net payment increases. As the fair values of the swaps become positive, the School District would be exposed to interest rate risk in the amount of the derivatives' fair value.

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

Termination risk - The School District can terminate a swap at any time at the fair market value; the counterparty to a swap may, as provided therein, only terminate the swap upon certain termination events under the terms thereof. If a fixed-to-floating swap is terminated, the related variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination, the swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's fair value.

Other Risks - The School District is not exposed to any rollover risk, market-access risk, or foreign currency risk.

Terminated Hedges

in addition to the interest rate swaps listed above, the School District had also previously entered into similar agreements related to its Series A-3, B-4, C-1, and D-1 2008 Bonds. On March 9, 2010, the School District executed four confirmations, each effective on April 6, 2010, providing for the termination of the Tax-Exempt Advance Refunding Agreements with (1) Morgan Stanley Capital Services Inc. ("Morgan Stanley") relating to the 2008 Bonds Sub-series C-1 in the current notional amount of $91,000,000 and (ii) Goldman Sachs Bank USA ("Goldman") relating to the 2008 Bonds Sub-series A-3 in the current notional amount of $80,000,000, the 2008 Bonds Sub-series B-4 in the current notional amount of $70,000,000 and the 2008 Bonds Sub-series D-1 in the current notional amount of $58,875,000 (collectively, the "Terminated 2008 Swap Agreements"). On April 6, 2010, the School District made termination payments to the counterparties of the Terminated 2008 Swap Agreements in the aggregate amount of $26,569,000. Such termination payments were funded with a portion of the proceeds of the School District's General Obligation Refunding Bonds, Series C of 2010, which were issued to refund the 2008 Bonds related to the Terminated 2008 Swap Agreements.

Swap payments and associated debt

Using rates as of June 30, 2010, debt service requirements on the School District's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

	Variable Rate Bonds		Interest Rate	
Year Ending June 30	Principle	Interest(1)	Swap, Net(2)	Total
2011	$ 8,055	$16,181	$12,447	$36,683
2012	2,260	16,014	12,304	30,578
2013	110	15,985	12,275	28,370
2014	115	15,980	12,275	28,370
2015	120	15,974	12,275	28,369
2016-2020	640	79,789	61,374	141,803
2021-2025	104,005	71,222	55,918	231,145
2026-2030	217,985	32,604	27,339	277,928
2031-2035	32,330	364	607	33,301
	365,620	264,113	206,814	836,547

(1) Based on assumed interest rate of 4.5% at year end June 30th.
(2) Variable rate receipts based on LIBOR rate plus basis point at year end June 30th.

c. School District of Philadelphia General Obligation and Refunding Bonds

General Obligation Bonds:

On April 6, 2010, the School District issued Series A of 2010 and Series B of 2010 fixed rate general obligation bonds in the aggregate amount of $249.3 million for the Capital Improvement Program. Bond proceeds of $1.9 million were utilized for underwriting fees, and other bond issuance costs. The Series B bonds were designated as federally taxable Build America Bonds, in accord with The American Recovery and Reinvestment Act of 2009. The School District is entitled to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the Series B Bonds on each interest payment date. The eligibility of this federal subsidy begins during fiscal year 2011.

Refunding Bonds:

(1) On April 6, 2010, the School District issued Series C of 2010 fixed rate general obligation bonds (GOB) in the aggregate amount of $300.0 million to refund certain maturities of the outstanding Series A, B, C, and D of 2008, terminate the related Swap Agreements, and pay the associated swap termination payments. Bond proceeds of $1.9 million were utilized for underwriting fees, and other issuance costs.

Securities for the issues were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded bonds. The net proceeds were used by the escrow agent to purchase State Local Government Securities (SLG) of $303.8 million which were used to retire the subseries A-3, B-4, C-1, C-2, and D-1 of 2008.

(2) On April 6, 2010, the School District issued Series D of 2010 fixed rate general obligation bonds (GOB) in the aggregate amount of $49.4 million to refund certain maturities of the outstanding Series of A of 1999. Bond proceeds of $0.3 million were utilized for underwriting fees, and other issuance costs.

Securities for the issue were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded bonds. The net proceeds were used by the escrow agent to purchase State Local Government Securities (SLG) of $52.6 million which were used to retire the Series of A of 1999.

(3) For accounting purposes, these advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $52.0 million. This difference is being amortized through the operations in the District-wide statements until the year 2023.

(4) An analysis was completed to determine the cash flow difference between the old debt and new debt. This analysis indicates a cash flow of $10.1 million less over the life of the issue than the cash flow required to service the old debt. In addition, there was an economic loss (difference between the present value of the debt service payments on the old and new debt) of $9.7 million to the School District.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

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

(Amounts In Thousands of USD)	Primary Government Governmental Funds	Primary Government Proprietary Funds	Component Units
Minimum Rentals	5,990	25,821	3,650
Additional Rentals	-	144,485	170
Sublease	10,998	-	411
Total Rental Income	16,988	170,306	4,231

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

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Primary Government Governmental Funds	Primary Government Proprietary Funds	Component Units
2011	4,082	15,680	5,134
2012	4,173	13,561	4,083
2013	4,266	13,365	2,946
2014	4,363	7,044	2,324
2015	4,462	7,016	1,888
2016-2020	23,897	29,769	5,557
2021-2025	26,844	16,151	2,599
2026-2030	30,245	11,922	1,634
2031-2035	34,172	6,640	871
2036-2040	-	-	944
2041-2045	-	-	944
2046-2050	-	-	808
2051-2055	-	-	808
2056-2060	-	-	808
2061-2065	-	-	808
2066-2070	-	-	808
2071-2075	-	-	808
2076-2080	-	-	808
2081-2085	-	-	772
2086-2090	-	-	571
Total	136,504	121,148	35,923

B. CITY AS LESSEE

1) OPERATING LEASES

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

(Amounts In Thousands of USD)

	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	134,411	21,718	13,861
Additional	-	-	73
Sublease	463	-	-
Total Rental Expense	134,874	21,718	13,934

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

(Amounts In Thousands of USD)

	Primary Government		Component Units
Fiscal Year Ending June 30	Governmental Funds	Proprietary Funds	
2011	31,170	775	13,354
2012	30,958	758	11,197
2013	29,143	481	8,954
2014	24,882	93	9,011
2015	24,101	47	5,376
2016-2020	93,456	-	7,973
2021-2025	32,131	-	-
2026-2030	17,895	-	-
2031-2035	17,449	-	-
2036-2040	-	-	-
2041-2045	-	-	-
Total	301,185	2,154	55,865

2) CAPITAL LEASES

Capital leases consist of leased real estate and equipment from various component units Future minimum rental commitments are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Component Units
2011	1,615
2012	1,301
2013	991
2014	900
2015	670
2016 -2020	2,813
2021 -2025	1,247
Future Minimum Rental Payments	9,537
Interest Portion of Payments	(1,932)
Obligation Under Capital Leases	7,606

9. DEFERRED COMPENSATION PLANS

A. PRIMARY GOVERNMENT

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

B. COMPONENT UNITS

PGW offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As of the Gas Works' fiscal year ended August 31, 1999 the Plan was amended to comply with subsection (g) of the code through the creation of a trust in which all assets and income of the Plan are to be held for the exclusive benefit of participants and their beneficiaries. As a result, the company no longer owns the assets of the Plan nor has a contractual liability to Plan participants.

10. FUND BALANCE RESERVATIONS

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

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

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

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

Reserved for Stadium Financing- An account used to segregate a portion of Fund Balance that represents amounts that were restricted for debt service for Stadium Financing.

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

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

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

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

(Amounts In Millions of USD)	General Fund	Health Choices Behavioral Health Fund	Grants Revenue Fund	Total
Reserved Fund Balance:				
Reserved for Encumbrances	87.9	-	-	87.9
Reserved for Neighborhood Revitalization	-	-	73.1	73.1
Reserved for Behavioral Health	-	171.0	-	171.0
Reserved for Intergov Financed Programs	-	-	7.9	7.9
Reserved for Emergency Phone System	-	-	40.4	40.4
Reserved for Central Library Project	2.3	-	-	2.3
Reserved for Stadium Financing	0.6			0.6
Reserved for CCC Project	30.8	-	-	30.8
Total Reserved Fund Balance	121.6	171.0	121.4	414.0

11. INTERFUND TRANSACTIONS

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

Transfers between fund types during the year were:

(Amounts in Thousands of USD)	*Transfers To:*				
	Governmental	**Non major Governmental**			
Transfers From:	**General**	**Special Revenue**	**Debt Service**	**Capital Improvement**	**Total**
General	-	298	134,734	1,039	136,071
Grants	13,262	-	954	9,173	23,389
Non major Special Revenue Funds	300,793	-	59,913	9,575	370,281
Water Fund	2,304	-	26,011	-	28,315
Total	316,359	298	221,612	19,787	558,056

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

(Amounts in Millions of USD)

Bonds Payable	2,071.0
Service Agreements	2,200.1
Employee Related Obligations	540.1
Indemnities	47.7
Arbitrage	1.2
Leases	31.1
Total Adjustment	4,891.2

13. PRIOR PERIOD ADJUSTMENTS

A. PRIMARY GOVERNMENT

- The Water Fund's Net Assets beginning balance was increased by $8.7 million representing the net effect of corrections made to Capital Assets accounts in the amount of $1.8 million and an increase of $6.9 million for the capitalization of the Water billing system to record Intangible Assets.

- The Aviation Fund's 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.

- **PICA's** July 1, 2009 net assets beginning balance was decreased by ($2.0) million. The restatement was the result of fees recognized as income in a prior year rather than being deferred. Fees received from debt service forward delivery agreements should be amortized over the term of the agreement and reported as investment income as they become recognized. In addition, the cumulative effect of adopting GASB 53 was an increase of $45.2 million to the July 1, 2009 deficit in net assets.

B. COMPONENT UNITS

- District-wide net assets beginning balances were decreased by $41,940,887. This adjustment involved Capital Assets and Derivative Instruments. For Capital Assets, this adjustment involved correction for an understatement of accumulated depreciation of Buildings and Improvements in the amount of $22,126 and $53,380, respectively. Also a reclassification was made between Buildings and Improvements in the amount of $2,212,600. In addition, the School District implemented Governmental Accounting Standard Board Statement No. 53 which required an adjustment of the beginning net asset balance of $41,865,381 to reflect deferred outflows under the investment derivative for variable interest rate swaps that did not meet hedging instrument effectiveness criteria at June 30, 2009.

- The RDA decreased its net assets beginning balance at June 30, 2008 by $2,976,772 as a result of closing inactive projects

14. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net assets reports $1,194.5 million of restricted net assets, of which $54.7 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Assets	Restricted by Enabling Legislation
Capital Projects	317,463	-
Debt Service	295,077	-
Behavioral Health	213,469	-
Intergovernmental Finance	7,932	-
Neighborhood Revitalization	73,065	-
Stadium Financing	623	-
Central Library Project	2,329	-
CCC Project	30,753	-
Grant Programs	63,817	15,242
Rate Stabilization	145,693	-
Libraries & Parks:		
Expendable	2,768	-
Non-Expendable	1,931	-
Education Programs	-	
Other	39,582	39,418
Total	1,194,502	54,660

15. FUND DEFICITS

- The General Fund has a Fund Balance Deficit at year end of $130.3 million
- The Community Development Fund, which is a Special Revenue fund, has a Fund Balance Deficit at year end of $4.0 million.

16. ADVANCE SERVICE CHARGE

The City's Water Fund Regulations provide for the assessment of an "Advance Service Charge" (ASC) at the time a property is initially connected to the system. The initial charge is calculated to be the equivalent of three (3) monthly service charges. This long-standing practice of assessing an initial charge equivalent to the average of three monthly service charges has been consistent whether the billing period was semi-annually (through 1979), quarterly (1979-1994) or monthly (1994-current). The Fund includes these charges in current revenues at the time they are received. Fund regulations also provide for a refund of any advance service charges upon payment of a $100 fee and permanent disconnection from the system.

During the current fiscal year 334 disconnection permits were issued resulting in a refund or final credit of approximately $329,500 and 960 new connection permits were issued resulting in additional advance service charges of approximately $338,200.

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. One blended component unit, **PICA**, and three discretely presented component units - the **SDP, PCCA**, and **CCP** - participate in state administered cost-sharing multiple employer plans. In addition, one discretely presented component unit - **RDA** – maintains its own single employer defined benefit plans.

A. SINGLE EMPLOYER PLANS

The two plans maintained by the City are the Municipal Pension Plan (City Plan) and the Gas Works Plan (PGW Plan). The plan maintained by the City's component unit is the Redevelopment Authority of the City of Philadelphia Retirement Plan (RDA Plan).

Financial statements for the City and PGW pension plans are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements.

Required Supplementary Information calculated in accordance with GASB Statement No. 25 is presented in audited financial statements of the respective pension plans. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

(1) City Plan

a. Plan Description

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

Retirement Benefits

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

Death Benefits

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

Disability Benefits

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

Membership

Membership in the plan as of July 1, 2009 was as follows:

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

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

b. <u>Funding Policy</u>

Employee contributions are required by City Ordinance. For Plan 67 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, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.
- Amortization in level dollar payments of the changes to the July 1, 1985 liability due to the following causes over the stated period:

☐ non active member's benefit modifications (10 years)
☐ experience gains and losses (15 years)
☐ changes in actuarial assumptions (20 years)
☐ active members' benefit modifications (20 years)

Under the City's current funding policy, the total required employer contribution for the current year amounted to $566.0 million or 40.0% of the covered payroll of $1,423.0 million. The City's actual contribution was $297.4 million. The City's contribution did not meet the Minimum Municipal Obligation (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 million and $90 million respectively, which must be repaid by 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 are as follows:

(Millions of USD)

Fiscal 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 ten-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 8.25%
- projected annual salary increases of 5% (including inflation)
- annual inflation of 2.75%
- no post-retirement benefit increases

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

c. Funding Status

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

(Millions of USD)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%

d. Net Pension Obligation

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

(Thousands of USD)

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%

e. 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 investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities.

The City of Philadelphia Municipal Pension Fund (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 Pension Fund is exposed to credit risk in the event of non performance by counterparties to financial instruments. The Pension Fund generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The Pension Fund 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 Pension Fund's involvement in the various types and used of derivative financial instruments and do not measure the Pension Fund'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 Pension Fund's derivative financial instruments at June 30, 2010.

Derivative Instruments

List of Derivatives Aggregated by Investment Type

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Credit Default Swaps Bought	Investment Revenue	$ 7,637.27	Swaps	$ 45,630.00	$ 507,000.00
Credit Default Swaps Written	Investment Revenue	1,461,516.94	Swaps	(280,318.98)	4,344,485.53
FX Forwards	Investment Revenue	2,911,239.94	Long Term Instruments	6,454,533.77	0.00
Index Futures Long	Investment Revenue	23,238,058.28	Futures	(3,080,040.90)	152,030.00
Pay Fixed Interest Rate Swaps	Investment Revenue	(423,746.11)	Swaps	(423,746.11)	5,407,000.00
Receive Fixed Interest Rate Swaps	Investment Revenue	14,315.48	Swaps	0.00	0.00
Rights	Investment Revenue	71,224.69	Common Stock	167,463.12	816,539.00
TBA Transactions Long	Investment Revenue	567,276.44	Long Term Instruments	50,564.32	8,700,000.00
Total Return Swaps Bond	Investment Revenue	69,728.42	Swaps	0.00	0.00
Warrents	Investment Revenue	17,296.33	Common Stock	12,614,381.98	12,287,869.00
Grand Totals		$ 27,934,547.68		$ 15,548,467.20	

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the Pension Fund. 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 is involved 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 Pension Fund 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 Pension Fund'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 Pension Fund'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 Pension Fund entered into interest rate swaps. Under the receive fixed interest rate type swap agreements, the Pension Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. The total received fixed interest rate Swaps were $14,315.48. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Pension Fund'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 Pension Fund's net payment on the swap increases. The pay fixed interest rate Swaps were ($423,746.11).

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

Asset ID	Asset Description	Fair Value	Notional
Pay Fixed Interest Rate Swaps			
OWP158397	OWP158397 IRS USD R V 03MLIBOR/ OWP158397 IRS USD P F .00000	$ (35,445.39)	$ 460,000.00
OWP158470	OWP158470 IRS USD R V 03MLIBOR/ OWP158470 IRS USD P F .00000	(48,464.78)	590,000.00
OWP158538	OWP158538 IRS USD R V 03MLIBOR/ OWP158538 IRS USD P F .00000	(90,705.24)	1,140,000.00
OWP158611	OWP158611 IRS USD R V 03MLIBOR/ OWP158611 IRS USD P F .00000	(92,038.52)	1,197,000.00
OWP159155	OWP159155 IRS USD R V 03MLIBOR/ OWP159155 IRS USD P F .00000	(37,576.84)	460,000.00
OWP159478	OWP159478 IRS USD R V 04MLIBOR/ OWP159478 IRS USD P F .00000	(119,515.34)	1,560,000.00
Total Pay Fixed Interest Rate Swaps:		$ (423,746.11)	5,407,000.00

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 Pension Fund 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 Pension Fund 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 Pension Fund 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 Pension Fund or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the Pension Fund is exposed to termination risk on its receive-fixed interest rate swap. The Pension Fund 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 $7,637.27 and the total credit default swaps written were $1.5 million.

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

In addition, the Pension Fund also was involved in other financial instruments such as rights that were worth $71,224.69 and warrants that were $17,296.33.

f. Summary of Significant Accounting Policies

Financial statements of the Plan are prepared using the accrual basis of accounting. Contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds paid are recognized when due and payable in accordance with the terms of the plan. Investments are valued as described in Footnote I.4.

(2) Gas Works Plan

a. Plan Description

PGW sponsors a public employee retirement system (PERS), a single-employer defined benefit plan to provide benefits for all its employees. The **PGW** Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after 5 years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

- 1.25% of the first $6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over $6,600, times years of credited service, with a maximum of 60% of the highest annual earnings during the last 10 years of credited service, applicable to all participants

OR

- 2% of total earnings received during the period of credited service plus 22.5% of the first $1,200 of such amount, applicable only to participants who were employees on or prior to March 24, 1967.

Final-average earnings is the employees' average pay, over the highest 5 years of the last 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. Employees with 30 years of service may retire without penalty for reduced age.

At September 1, 2009 the beginning of the Plan Year of the last actuarial valuation, the Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,232
Current Employees	1,653
Total Members	3,885

b. Funding Policy

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Covered employees are not required to contribute to the PGW Pension Plan. The Gas Works is required by statute to contribute the amounts necessary to finance the Plan.

The funding policy of the **PGW** Plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentage of employer contribution rates are based on the actuarial accrued liability as determined by using the Projected Unit Credit actuarial funding method. The actuarial asset value is equal to the value of fund assets. The unfunded actuarial accrued liability is being amortized using the open method. Contributions of $15.2 million (approximately 2.0% of covered payroll) were made to the PGW Plan during the year.

Historically, payments to beneficiaries of the **PGW** Plan are made by the Fund and not from the assets of the Plan. During the year, payments to beneficiaries exceeded the Fund's actuarially computed pension contribution and a withdrawal of $16.8 million from the pension assets was necessary to meet beneficiary payment obligations.

c. Funding Status

The funded status of the **PGW** plan as of September 1, 2009 the most recent actuarial valuation is as follows (amounts in thousands):

(Amounts In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded/ (Over Funded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
09/01/2009	$355,499	$519,773	$164,274	68.4%	$108,474	151.4%

The analysis of pension funding progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Amortization Method	Level percent open
Remaining Amortization Period	20 years

d. Annual Pension Cost

PGW's annual pension cost for the current year was $15,425,000 equal to its required contribution. The annual required contribution for the current year was determined based on an actuarial study or updates thereto, using the projected unit credit method. Significant actuarial assumptions used include an annual rate of return on investments of 8.25%, compounded annually, projected salary increases of 3.00% of the salary at the beginning of the next three years, then 4.25% of the salary at the beginning of the fourth and subsequent year, and retirements that are assumed to occur prior to age 62, at a rate of 10% at 55 to 61 and 100% at age 62. The assumptions did not include post retirement benefit increases.

The Annual Pension Cost and related percentage contributed for the three most recent fiscal years is as follows:

(Amounts in Millions of USD)

Fiscal Year Ended August 31	Annual Required Contribution	Percentage Contributed
2007	15.2	100%
2008	14.3	100%
2009	15.4	100%

e. Summary of Significant Accounting Policies

The financial statements of the Plan are prepared on the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Plan investments are reported at fair value based on quoted market price for those similar investments.

(3) Component Unit - Redevelopment Authority Plan

a. Plan Description

The **RDA** contributes to the Redevelopment Authority of the City of Philadelphia Retirement Plan (the Plan) which is a single-employer defined benefit pension plan. **RDA** does not issue separate financial statements for its pension plan.

Substantially all full time **RDA** employees are eligible to participate in the Plan after six months of service. Benefits vest after five years of service. **RDA** employees who retire at or after age 55 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their final monthly salary multiplied by the number of months of credited service up to 20 years plus 2% of final monthly compensation multiplied by months of credited service in excess of 20 years up to a maximum of 35 years. The Plan also provides death and disability benefits which are determined in a manner similar to the retirement benefits.

b. Funding Policy

The plan's funding policy provides for actuarially determined periodic employer contributions which account for benefits that increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the **RDA's** employee group as a whole has tended to remain level as a percentage of annual covered payroll. **RDA** employees are required to contribute 6% of their salary to the Plan. The **RDA** is required to contribute the remaining amounts necessary to fund the Plan as defined under Act 205 of the Commonwealth of Pennsylvania Code.

c. Annual Pension Cost

The contribution for the Plan for Fiscal 2010 of $1.8 million (approximately 46% of covered payroll, representing normal cost) was determined in accordance with actuarially determined requirements computed through the actuarial valuation performed as of January 1, of each respective year using the aggregate cost method. The **RDA** contributed $1,564,208 and the employees contributed $251,917 (approximately 7% of current covered payroll).

Significant actuarial assumptions include a 7.75% rate of return on investment assets, projected salary increases of 6% per year (4% for merit and promotion, 2% for inflation) and no post-retirement benefit increases.

The actuarial value of assets was determined based on contractual value, which approximated fair value. As of the latest actuarial valuations, performed as of January 1, 2010 the actuarial accrued liability was $50.3 million and the actuarial value of assets was $43.1 million. The Unfunded Actuarial Accrued Liability (UAAL) over the actuarial value of asset is $7.2 million. The UAAL is being amortized over the average lifetime of active plan participants. The portion of the UAAL arising from actuarial gains and losses is amortized over a 15-year period.

The Net Pension (Benefit) Obligation as of June 30, 2010 is as follows:

	Amounts in Thousands
Annual Required Contribution	1,508.2
Interest On Net Pension Obligation	49.0
Adjustment to Annual Required Contribution	718.2
Annual Pension Cost	2,275.5
Contributions Made	(1,564.2)
Increase In Net Pension Obligation	711.3
Net Pension Obligation - Beginning of Year	183.9
Net Pension Obligation - End of Year	895.2

The **RDA's** actuarially required contributions and percentage contributed for the last three years are summarized below:

(Amounts in Thousands of USD)

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2008	896.1	101%	(606.2)
2009	2,467.3	100%	183.9
2010	1,478.3	100%	895.2

d. Funding Status and Funding Progress

The funding status of the pension plan as of January 1, 2010, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal Cost Method	Unfunded Actuarial Accrued Liqbility (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
	(a)	(b)	(b - a)	(a / b)	(c)	(b - a) / c
01/01/2010	$43,112	$50,278	$7,166	85.75%	$3,532	202.89%
01/01/2009	$34,850	$50,256	$15,406	69.34%	$3,384	455.26%
01/01/2008	$48,014	$49,915	$1,901	96.19%	$3,364	56.51%

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liability. The information about the Plan's funded status and funded progress disclosed above has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funded progress of the Plan.

B. MULTIPLE EMPLOYERS PLANS

One of the City's blended component units and three of its discretely presented component units participate in two defined benefit plans (PSERS and SERS) and one, **CCP,** participates in two defined contribution plans (TIAA-CREF and Fidelity Investments) as described below.

The payroll for **CCP** employees covered by any of the four multiple employer plans was $60.4 million and the total payroll was $73.5 million. Contributions to the four plans by the **CCP** during the fiscal year totaled approximately $5.1 million representing 8.53% of covered payroll. **CCP** employees contributed approximately $4.4 million.

1) Public School Employee Retirement System (PSERS)

a) Plan Description

School Districts and Community Colleges in the Commonwealth of Pennsylvania participate in the State administered Public School Employees Retirement System (PSERS) which is a cost-sharing multiple-employer defined benefit plan. PSERS provides retirement and disability benefits, legislatively mandated ad hoc cost-of-living adjustments and health care insurance premium assistance to qualifying annuitants. Authority to establish and amend benefit provisions rests in the Public School Employees' Retirement Code (the Code).

PSERS issues a comprehensive annual financial report which includes financial statements and required supplementary information for the plan. A copy of the report can be obtained by writing to:

Public School Employees' Retirement System
PO Box 125
Harrisburg, PA 17108-0125

b) Funding Policy

Contribution policy is established by the Code and requires contributions from active members, employers and the Commonwealth. Most active members contribute at 5.25% of qualifying compensation. Members joining the PSERS on or after July 22, 1983 contribute at 6.25% (class TC) or 7.50% (class TD). The employer rate is actuarially determined. The rate for fiscal year 2010 was 4.78%, and is composed of a pension contribution rate of 4.00% for pension benefits and .78% for health insurance premium assistance. The **SDP's** contributions for the last three years are as follows:

(Amounts in Millions of USD)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	78.2	100%
2009	58.4	100%
2010	58.4	100%

2) State Employees Retirement System (SERS)

a) Plan Description

PICA and **PCCA** employees and certain **CCP** employees are eligible to participate in the Pennsylvania State Employees Retirement System (SERS) which is a cost sharing multiple employer plan. The SERS provides pension, death and disability benefits. Retirement benefits vest after 5 years of credited service. Employees, who retire at age 60 after 3 years of service or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. The general annual benefit is 2% to 2.5% of the member's highest three year average salary times years of service. The General Assembly has the authority to establish and amend benefits of the SERS. Ad hoc cost-of-living adjustments are provided at the discretion of the General Assembly.

b) Funding Policy

The SERS funding policy is set by the SERS Board. Active members are required to contribute periodically at statutory rates, generally 5 to 6.25% of gross pay. The amount is recorded in an individually identified account that accumulates interest at 4% per year as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

Employer contributions are an actuarially determined percentage of payroll such that they, along with employee contributions and an actuarially determined investment rate of return, are adequate to accumulate assets to pay benefits when due.

In May 2001, the **PCCA** initiated Act 2001-9 which created a new Class AA membership, changed the vesting requirements of all members from 10 to 5 years, increased the member contribution rate from 5% to 6.25% and increased the benefit formula to 2.5% of final average salary. New members are automatically enrolled as Class AA. However, election for current members at the time of enactment was voluntary. Contributions of the **PCCA** for the last three years were as follows:

(Amounts in Thousands of USD)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	172.7	100%
2009	191.9	100%
2010	163.5	100%

PICA has not been required to contribute over the past three years.

According to the retirement code, all obligations of the SERS will be assumed by the Commonwealth should the SERS terminate. During the year and as of year end, the SERS did not hold securities issued by the City or other related parties.

The SERS issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to:

State Employees' Retirement Board
Commonwealth of Pennsylvania
30 North Third Street
Harrisburg, PA 17108-1147

3) Teacher's Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments

a) Plan Description

Community College employees are also eligible to participate in the Teacher's Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). TIAA-CREF is a defined contribution plan and, as such, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time faculty and administrative employees are eligible to participate from the date of employment, and clerical employees have a one year waiting period. Part-time faculty may participate after earning four (4) seniority units, as defined in the Collective Bargaining Agreement. College policy and collective bargaining agreements require that both the employee and the college contribute amounts, as set forth below, based on the employees earnings.

The **CCP c**ontributions for each employee (and interest allocated to the employee's account), are fully vested. Death benefits in the amount of the full present value of accumulation are provided to the beneficiary of participants who die prior to retirement. There are a variety of payments available. The **CCP** has 1,170 employees participating in this plan.

b) Funding Policy

The employer's contribution requirement for full-time faculty and administrators and other staff is 10% of the base contract amount. For visiting lecturers, the rate is 5% of the base contract. For part-time faculty, the rate is 5% of all earnings. For all employees, the employee's contribution requirement is 5% of base salary.

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. **SDP** employees have an unlimited maximum accumulation and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 50% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

***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 $71.7 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 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. 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 (dollar amount in thousands)

City of Philadelphia OPEB

	(Amounts 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/(Decrease) in net OPEB Obligation	22,151
Net OPEB obligation - beginning of year	21,150
Net OPEB obligation - end of year	43,301

The City of Philadelphia's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2010 was as follows:

amounts in thousands USD

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Contributed		Net OPEB Obligation
6/30/2010	$	93,844	76%	$	43,301
6/30/2009	$	98,733	82%	$	21,150
6/30/2008	$	83,373	96%	$	3,668

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 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 immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 the 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 plan members to that point.

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 last year; a 5% Investment Rate of Return, a 4% Rate of Salary increases; and, a 5% Ultimate Rate of Medical Inflation.

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

From an accrual accounting perspective, the cost of post-employment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occurs, rather than in the future when it will be paid. In adopting the requirements of GASB Statement No. 45, during the year ended June, 2008, **SDP** recognizes the costs of post-employment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provide information useful in assessing potential demands of the **SDP'**s future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing in 2008.

Plan description: **SDP** provides up to $2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or 35 years of service regardless of age. Disabled employees' eligibility is determined by the insurance company providing the coverage. An un-audited copy of the life insurance benefit plan can be obtained by writing to the School District of Philadelphia, 440 North Broad Street, Philadelphia, PA. 19130; Attention: Benefits Management.

Funding Policy: **SDP** is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. The number of eligible participants enrolled to receive such benefits as of June 30, 2008, the effective date of the bi-annual OPEB valuation is below. There have been no significant changes in the number covered or the type of coverage since that date.

Active	Number of Employees	Average Age
Represented	16,308	45.5
Non-Represented	1,223	48.6
Retirees	8,918	76.2
Disabled	135	58.2
	26,584	56.0

Annual OPEB Cost and Net OPEB Obligation: The **SDP's** annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by the Entry Age Normal Cost Method. Under this method, a contribution is determined that consists of the normal cost and the unfunded actuarial liability payment. The normal cost for each employee is derived as a level contribution from entry age to assumed retirement age. The accumulation of normal costs for service already completed is the Actuarial Accrued Liability, which under GASB Statement No. 45 may be amortized over no more than 30 years. The following table shows the elements of **SDP's** annual OPEB cost for the year, the amount paid in behalf of the plan, and changes in **SDP's** net OPEB obligation to the plan for the year ended June 30, 2009.

	(USD)
Annual required contribution	659,317
Interest on net OPEB obligation	-
Annual OPEB cost/(expense)	659,317
Payments made	(659,317)
Increase/(Decrease) in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	-

The schedule of funding progress presents the results of Other Post-employment Benefits (OPEB) valuation as of July 1, 2008 for the fiscal year ending June 30, 2008. Looking forward, the schedule will eventually provide multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Actuarial Unfunded/ AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
06/30/2010	$0	$14,533,000	$14,533,000	0.0%	N/A	N/A
06/30/2008	$0	$13,862,000	$13,862,000	0.0%	N/A	N/A

Note: As of June 30, 2010, the plan is not funded and therefore there are no assets. Payroll is assumed to increase at an average rate of 4.00% per year. (N/A = not applicable – life insurance benefit is not based upon payroll)

SDP's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Paid		Net OPEB Obligation
6/30/2010	$	659,317	100%	$	-
6/30/2009	$	640,650	100%	$	-
6/30/2008	$	591,379	100%	$	-

Basis of Accounting: As defined by GASB #45, if the amount of expenditures recognized during the current year is not equal to the annual OPEB cost, the difference is added or subtracted to the net obligation. **SDP's** policy is to recognize an expense equal to what is contributed as long as it satisfies the requirement for GASB Statement #45.

Funded Status and Funding Progress: As of June 30, 2010, the most recent (initial) actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability of $14.5 million and the actuarial value of assets was $0, resulting in an unfunded actuarial liability (UAAL) of $14.5 million.

Active	$	3,411,000
Inactive		11,122,000.0
Total	$	14,533,000

Actuarial Methods and Assumptions: The actuarial assumptions used in the June 30, 2008 OPEB actuarial valuations are those specific to the OPEB valuations:

- Investment return (discount rate) not fully funded: 4.00%
- Mortality for healthy and disabled participants: The Uninsured Pensioner 1994 Mortality Table (UP94) projected for 10 years, with an age set back one year for males and females.
- Payroll increases: Payroll is assumed to increase at an average rate of 4.00% per year.
- No actuarial liability is included for non-vested participants who terminated prior to the valuation date.
- Withdrawal: During the first 5 years of service withdrawal rates were assumed ranging from 24.49% to 10.88%.
- After 5 years of service retirement rates ranged from 11.31% at age 55 through 100% at ages 70 and above.
- Disability incidents were as follows:

		Percentage	
Attained		Disability Incidence	
Age	Withdrawal	Male	Female
25	24.75%	0.016%	0.027%
30	18.01%	0.016%	0.027%
35	10.98%	0.067%	0.053%
40	7.91%	0.120%	0.087%
45	6.71%	0.120%	0.120%
50	4.03%	0.187%	0.167%
55	3.81%	0.287%	0.320%
60	6.40%	0.387%	0.320%
65	13.63%	0.067%	0.107%

- Accelerated death benefit: This benefit was assumed as an immaterial value.

Philadelphia Gas Works (PGW) OPEB

Plan description: **PGW** provides certain health care and life insurance benefits for approximately 1,936 retired employees and their dependents. **PGW** recognizes the cost of providing these benefits by charging the annual insurance premiums to expense.

***Funding Policy**:* **PGW** pays 100% of premiums for basic medical, hospitalization, and prescription drugs incurred by retirees and their dependents. The company also pays a portion of the premium for life insurance for each eligible retiree. **PGW** currently provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go basis. Total expenses incurred for health care amounted to $37.1 million, of which approximately 50.7% relates to retirees and their dependents. Total premiums for group life insurance amounted to $1.8 million of which approximately 76.0% relates to retirees.

Actuarial Valuation and Assumptions: **PGW** engaged an actuarial consulting firm to provide an actuarial valuation of its OPEB obligations as of August 31, 2009. The actuarial valuations involve estimates of the value reported amounts and the assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations, and new estimates are made about the future. The calculations were based on the types of benefits provided under the terms of the substantive plan at the time of the valuation.

PGW's annual other post employment benefit (OPEB) expense is calculated based on the projected unit cost method. Under this method of calculation the present value of benefits is allocated uniformly over the employee's expected working lifetime. The actuarial accrued liability is that portion of the present value of projected benefits, which has been accrued during the employees' working lifetime from hire to valuation date. The normal cost represents the amount charged for services earned during the current reporting period. The normal cost is calculated by dividing the present value of projected benefits for an employee by the total service.

The valuation was prepared utilizing certain assumptions, including the following:

- Economic Assumptions – the discount rate and healthcare cost trends rates

Healthcare costs trend rates

Year	Medical	Prescription	Dental
1	9.0%	9.0%	4.5%
2	8.0%	8.0%	4.5%
3	7.0%	7.0%	4.5%
4	6.0%	6.0%	4.5%
5	5.0%	5.0%	4.5%
6	4.5%	4.5%	4.5%
7	4.5%	4.5%	4.5%
8	4.5%	4.5%	4.5%
9	4.5%	4.5%	4.5%
10 & beyond	4.5%	4.5%	4.5%

- Benefit Assumption – the initial per capita dost rates for medical coverage, and the face amount of PGW paid life insurance.

- Demographic Assumptions – including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, election (participation rates), and coverage levels.

Annual OPEB Cost and Net OPEB Obligation: In FY2009 PGW paid retiree benefits in the amount of $20.1 million, which consisted of $18.8 million in healthcare expenses and $1.3 million in life insurance expenses. The difference between the ARC and the expenses paid resulted in an increase in the OPEB liability of $26.0 million. As of August 2009, the actuarial accrued liability for benefits was $635.8 million, all of which was unfunded and the ratio of the unfunded actuarial accrued liability to the covered payroll was 589.1%

The following table shows the calculation of **PGW's** OPEB liability for FY2009. This amount has been recorded in other liabilities and deferred credits and has been expensed in FY2009.

	(Amounts in Thousands)
Annual required contribution	46,795
Interest on net OPEB obligation	2,613
Adj to annual required contribution	(3,399)
Annual OPEB cost	46,009
Payments made	(20,057)
Increase/(Decrease) in net OPEB obligation	25,952
Net OPEB obligation - beginning of year	52,255
Net OPEB obligation - end of year	78,207

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2009 and the preceding years is as follows:

(Amounts in Thousands)

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Contributed		Net OPEB Obligation
6/30/2009	$	46,009	43.59%	$	78,207
6/30/2008		44,114	41.44%		52,255
6/30/2007		45,237	41.60%		26,421

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Redevelopment Authority (RDA) OPEB

Plan description: **RDA** self-administers its single-employer, retiree medical and life insurance defined benefits plan. The plan does not issue stand-alone financial statements, and the accounting for the plan is reported within the financial statements of RDA. Eligibility begins upon the earlier of age 50 and five years of credited service or the attainment of age 55. Retirees and spouses receive medical benefits for a minimum of five years. If the employee had over 20 years of service at the time of retirement, the benefit will continue for an additional five years but not beyond age 65. Retirees only are eligible for basic life insurance coverage for five years after their retirement.

Funding Policy: *Starting* in FY2008 **RDA's** financial statements reflect the accrual of expenses in accordance with GASB Statement #45. Formerly, **RDA** accounted for, and financed expenses on a pay-as-you-go basis. For the year ended June 30, 2010, $533,791 was actually paid on behalf of a total of 47 retirees.

Certain retirees are required to contribute nominal amounts towards health insurance. The remainder of the post-employment benefits cost is funded by **RDA** on a pay-as-you-go basis. A group of retirees who retired during the fiscal years 1969 through 1975 receive benefits of life and health insurance for which the retirees contribute approximately 96% of the total benefit cost. The remainder is funded on a pay-as-you-go basis, and the benefits are provided until the death of the retiree.

Annual OPEB Cost and Net OPEB Obligation: **RDAs'** OPEB expenses are calculated based on the annual required contribution of the employer (ARC). The ARC and related information was actuarially determined using the entry age normal cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of June 30, 2010, is included in the OPEB liability in **RDA's** Statement of Net Assets.

The following table shows the components of the **RDA's** annual OPEB cost for the year, the amount actually contributed to the plan, and changes in **RDA's** net OPEB obligation to the Retiree Health Plan:

RDA OPEB	(USD)
Normal Cost	413,287
UAAL Amortization	528,294
Adjustment to ARC	(9,609)
Total Annual OPEB Cost	931,972
Contributions Made (pay-as-you-go expds)	(533,791)
Increase in net OPEB obligation	398,181
Net OPEB obligation - beginning of year	638,415
Net OPEB obligation - end of year	1,036,596

RDA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the changes in RDA's net OPEB obligation to the Retiree Health Plan for fiscal year 2010 were as follows:

amounts in thousands USD

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Contributed		Net OPEB Obligation
6/30/2010	$	931,972	57%	$	1,036,596
6/30/2009	$	898,531	69%	$	629,265
6/30/2008	$	820,597	56%	$	363,179

Funded Status and Funding Progress: As of June 30, 2010, the actuarial accrued liability for benefits was $7.9 million, all of which was unfunded. Actuarial value of assets was $0, resulting in a UAAL of $7.9 million.

The projections of future benefit payments for an ongoing plan's ongoing obligation involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the obligation and the 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 benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.
Assumptions include a retirement rate of 100% at the age of 56, mortality rates RP-2000 Combined Mortality Table, and a payroll growth rate with projected salary increases of 6.00% per year. The healthcare claims costs were determined based on premium information supplied by the RDA, with pre 65 premiums being adjusted to reflect retiree-specific experience and a standard turnover assumption was based on GASB 45 paragraph 35b. .Healthcare costs are expected to increase at the following rates:

Year	Trend
2010	9.0%
2011	8.0%
2012	7.0%
2013	6.0%
2014+	5.0%

Based on the historical and expected returns of **RDA's** short-term investment portfolio, a discount rate of 5% was used. The amortization cost for the initial UAAL is a level dollar amount for a period of 30 years. The remaining amortization period at June 30, 2010, was 27 years.

4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

PICA, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, **PICA** was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, **PICA** is administered by a governing Board consisting of five voting members and two ex officio non voting members. The Governor 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 to the Board.

The Act provides that, upon **PICA's** approval of a request of the City to **PICA** for financial assistance, **PICA** shall have certain financial and oversight functions. First, **PICA** shall have the power to issue bonds and grant or lend the proceeds thereof to the City. Second, **PICA** also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City and to certify noncompliance by the City with its current five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth of Pennsylvania to cause certain Commonwealth payments due to the City to be withheld).

PICA bonds are payable from the proceeds of a **PICA** tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the **PICA** tax so that the total tax remains the same. PICA returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2010 this transfer amounted to $274.5 million.

5. RELATED PARTY TRANSACTIONS

The City is associated, through representation on the respective Board of Directors, with several local governmental organizations and certain quasi-governmental organizations created under the laws of the Commonwealth of Pennsylvania. These organizations are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate independent governmental entities. A list of such related party organizations and a description of significant transactions with the City, where applicable, is as follows:

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of $64.2 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled $119.6 million during the year) to the following organizations:

- Philadelphia Commercial Development Corporation

- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- Fund For Philadelphia Incorporated
- Philadelphia Housing Authority

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Worker's Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage.

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

At June 30, the amount of these liabilities was $371.3 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2009 resulted from the following:

(Amounts in Millions of USD)

	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 Compensation and Workers' Compensation coverages are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverages are funded by a pro rata charge to the various funds. Payments for the year were $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%. On an undiscounted basis, these liabilities total $443.4 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers' compensation total $292.1 million (discounted) and $329.6 million (undiscounted).

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

B. COMPONENT UNITS

The City's Component Units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The **SDP** is self-insured for most of its risks including casualty losses, public liability, unemployment and weekly indemnity. Workers' Compensation is covered by excess insurance over a $5.0 million self-insured retention. **SDP** does purchase certain other insurance. Most Component Units are principally insured through insurance carriers. Each entity has coverage considered by management to be sufficient to satisfy loss claims. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the combined amount of these liabilities was $157.0 million for the City's Component Units. This liability is the best estimate based on available information. Changes in the reported liability since June 30, 2009 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2009	153.8	52.7	(40.9)	165.6
Fiscal 2010	165.6	34.1	(42.7)	157.0

The **SDP** Weekly Indemnity, Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. The cost of Weekly Indemnity coverage is shared equally by **SDP** and covered employees. Unemployment Compensation coverage is funded by a pro rata charge to the various funds. Payments for the year were $11.9 million for Weekly Indemnity, $3.7 million for Unemployment Compensation claims and $30.1 million for Workers' Compensation claims. Amounts collected in excess of claims incurred for **SDP's** Weekly Indemnity Plan are included in **SDP's** General Fund as a Reservation of Fund Balance.

During the last three (3) fiscal years, no claim settlements have exceeded the level of insurance coverage for those components using third party carriers. None of the losses of any of the Component Units have been settled with the purchase of annuity contracts.

7. COMMITMENTS

COMPONENT UNITS

- The **SDP's** outstanding contractual commitments at year end for construction of new facilities, purchase of new equipment, and various alterations and improvements to facilities totaled $90.5 million.

- **SDP** is also an Intermediate Unit (IU) established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an IU for a fiscal year is partially financed by Commonwealth appropriation. In certain instances (transportation) **SDP** reimburses the Commonwealth for the funds advanced in the previous year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of students transported, route distances, and efficiency of vehicle utilization. **SDP** owes the Commonwealth $56.0 million. Of that amount, the Commonwealth has agreed to continue to defer amounts due from prior years totaling $45.3 million for reimbursement of advanced funds provided for special education transportation costs through fiscal year 2011. Of the $16.7 million incurred in 2008, $5.3 million was still outstanding at June 30th 2010 and has been deferred by the Commonwealth for reimbursement for fiscal year 2011.

8. CONTINGENCIES

A. PRIMARY GOVERNMENT

1) Claims and Litigation

Generally, claims against the City are payable out of the General Fund, except claims against the City Water Department, City Aviation Division, or Component Units which are paid out of their respective funds and only secondarily out of the General Fund which is then reimbursed for the expenditure. Unless specifically noted otherwise, all claims hereinafter discussed are payable out of the General Fund or the individual Enterprise Fund. The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act", established a $500,000 aggregate limitation on damages arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been upheld by the United States Supreme Court. There is no such limitation under federal law.

Various claims have been asserted against the City and in some cases lawsuits have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payment by the City. The aggregate estimate of loss deemed to be probable is approximately $371.3 million. Of this amount, $23.8 million is charged to current operations of the Enterprise Funds. The remaining $347.5 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City for which an additional loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimates of the loss which could result if unfavorable legal determinations were rendered against the City with respect to those lawsuits is approximately $91.8 million to the General Fund and $6.2 million to the Enterprise Funds.

Significant cases included in the current litigation against the City are as follows:

- *Lower Darby Creek Area Superfund Site* - In 2001, the U. S. Environmental Protection Agency (EPA) added the Lower Darby Creek Area (Site) to the National Priority List, EPA's list of the most serious uncontrolled or abandoned hazardous waste sites. The Site includes two former municipal landfills: the Folcroft Landfill and the Clearview Landfill. In 2002, EPA sent the City a letter alleging that the city is a Potentially Responsible Party (PRP) at the Clearview Landfill site. Designation as a PRP means the City may be jointly and severally liable with other PRPs for the site's clean-up costs. EPA has concluded that the City owns the Recreation Property and streets adjacent to the Clearview Landfill and alleges that there is a reasonable basis to believe that there may be or has been a release or threat of release of hazardous substances, pollutants or contaminants at or from the City's property. Additionally, EPA alleges that the City "arranged" for the disposal of hazardous substances at the Clearview Landfill. The City received and responded to two separate requests from EPA for additional information. EPA anticipates completing the Remedial Investigation for the Clearview Landfill by the end of 2010 and completing the Feasibility study in 2011. After completing the Feasibility Study, EPA will issue a Record of Decision. The city denies any liability for Clearview, Folcroft and Folcroft Annex. Insufficient information is available to the City at this time to assess whether the potential loss or exposure to the City in the event of an unfavorable outcome would exceed the reporting threshold.

- *McKenna et al v. City of Philadelphia* – Plaintiffs, three former police officers alleged retaliation in violation of Title VII of the Civil Rights Act of 1964. They secured a jury verdict in May 2008 in the aggregate amount of $10 million, which was reduced to $1.5 million by the district court, based primarily on a statutory damages cap. The district court denied both sides' post-judgment motions, and both sides are appealing. Plaintiffs also seek substantial attorneys' fees, as the prevailing parties.

- *Waterfront Renaissance Associates (WRA) v. City, et. Al., E.D. Pa. No.07 cv 1045* - WRA, proposed developer of a "Work Trade Center" project at 400-456 Christopher Columbus Boulevard, sued the City, City Council, City Planning Commission, Brian Abernathy (then legislative aid to Councilman DiCicco), and certain civic associations and their officers. In short, WRA alleged that the zoning overlay amendment to the Old City Residential Area Special District Controls, through a 65 foot maximum height restriction, effectively prevented or rendered impossible completion of its project.

  WRA further alleged a nearly 20 year history of support, encouragement, assistance, and other favorable representations for the project by the City, its officials and representatives, and others. WRA complained that it had spent nearly $20 million in reliance upon City's "supportive" actions for site-acquisitions and predevelopment, promotional, and other soft and hard costs.

  WRA sought declaratory and injunctive relief and damages in excess of $20 million. WRA claimed that the Ordinance facially violated its constitutional rights to procedural and substantive due process and equal protection of laws by depriving it of property through wholly arbitrary action and/or without reasonable notice and that the Court should enjoin and declare the Ordinance as unenforceable based on promissory estoppel, detrimental reliance, or unjust enrichment.

  City Defendants filed motions to dismiss. The Court dismissed all City defendants except the City. The Court also dismissed the procedural due process and as-applied substantive due process claims. The following claims against City survived: promissory estoppel, detrimental reliance; unjust enrichment; facial violation of equal protection; and facial violation of substantive due process.

In addition, Plaintiffs were granted leave (despite the City's opposition) to amend the Complaint. WRA added a count for violation of substantive due process seeking injunctive relief and alleging that the Ordinance delegates land use and planning powers to neighborhood associations allowing for ad hoc changes and concessions regarding high-rise development through a compulsory variance process, contrary to the master planning concept of Pennsylvania zoning law the Philadelphia zoning code. The Court denied the City's Motion to Dismiss Count XV of the Second Amended Complaint.

In the wake of that ruling, Plaintiffs have asked the Court to reopen fact discovery for seventy-five days so that Plaintiffs' can engage in further discovery related to the allegations of that claim. The City opposed that motion. The City also recently moved to dismiss WRA's constitutional claims on mootness grounds on the basis that a recent amendment to the City's zoning laws removed the height restriction from WRA's property. The Court received briefing and supplemental briefing on the mootness issue and will decide that issue. If the Court dismisses WRA's constitutional claims on mootness grounds, then WRA's motion to reopen discovery will likely be moot as well, at least as it applies to those claims.

WRA also has recently moved to supplement its Compliant to add new claims concerning the Central Delaware Riverfront Ordinance. The City opposed the motion contending the new claims are not an appropriate addition to the lawsuit. In the event the Court permits the new claims, WRA has asked for another six months of fact discovery followed by new dates for completion of expert discovery, filing of dispositive motions, and ultimately scheduling of trial if necessary.

The City intends to mount vigorous defenses to defeat the claims. The City's lawyers reasonably believe that the plaintiffs are not likely to succeed on their claims or in the damage amount sought against the City and that City defenses have merit.

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- *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 of the property. The City deposited in court in April 2006 estimated just compensation in the amount of $7,714,000. November Term, 2003, No. 2285 (C.C.P. Phila.). 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 in October 2009. BV #3421. The Board made an award of just compensation for the property of $13,500,500 (including attorney fees), subject to credit for the $7,714,000 already paid and distributed. In addition, the Board awarded delay damages from the date of taking (11/18/03) until July 31, 2009 in the amount of $3,298,200, and accruing thereafter until payment at the rate of 4.25% per year through 2009, and at rates not yet fixed for subsequent years. BV #3421.

  The City filed its 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 the 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 City's Aviation Fund.

- *G&T Conveyor Co., Inc. v. Ernest Bock & Sons, Inc et al v. City et al., CCP Phila. No. 091103117:* G&T has commenced and pursued a civil action for declaratory and monetary relief against Bock, and Liberty Mutual Insurance Company ("Liberty") and Fidelity and Deposit Company of Maryland (("Fidelity"), issuers of a payment bond on behalf of Bock. G&T sued Bock for, among other things, about $1.3 million in damages for work performed but unpaid by Bock; and for nearly $7 million in additional costs incurred as a result of construction delays G&T attributed to Bock.

  Bock had successfully bid to perform general contractor work on the Airport Terminal D&E expansion and modernization project for baggage system (Bid #6851; Contract #084002). G&T subcontracted with Bock to supply all necessary labor, supervision, material and equipment to furnish the baggage handling equipment. Bock's Purchase Order (subcontract) with G&T required that G&T perform and complete work in strict accordance with the Plans and Specifications, and eleven addenda and other terms and conditions prepared by DDI, and in Compliance with certain milestones and deadlines.

G&T alleged that, by early 2010, the project was over 660 days behind schedule and its attempts to address and resolve delay and other problems with Bock had failed. Bock answered the Compliant, denying responsibility, asserting affirmative defenses and counterclaiming against G&T for damages caused by G&T's alleged breach of its contract obligations. Bock also filed a "third party" compliant against City and others, particularly Chisom Electrical (reportedly a defunct entity).

Bock contended City was solely liable or liable with Bock to G&T on the "delay damages" claims made by G&T, pursuant to common law theories of indemnification and contribution. Bock also claimed City was liable to Bock for damages caused by City's material breaches of its contract with Bock.

City filed preliminary objections to the Third Party Complaint, challenging its propriety and sufficiency but the Court overruled the objections and ordered the filing of an Answer, City filed an Answer to Bock's third party complaint, asserting its defenses, counterclaims against Bock for indemnity and breach of contract and bonding companies for indemnity. City also has filed a compliant joining the designer of the project, Daroff Design Inc. and asserting claims for contractual and common law indemnification and/or contribution.

The parties have engaged in voluminous document discovery and exchanges and have commenced with depositions. Under Case Management Order, fact discovery is scheduled to close in July 2011 an trial date is set for November 2011. The City intends to mount vigorous defenses to defeat the claims. The City's lawyers reasonably believe that the third party plaintiffs will not likely succeed on their claims or for the amount of damages sought and that the City's defenses have merit.

- *Brett Mandel et al v. The City of Phila., CCP Phila. Co., No. 1101-03848*: A total of 18 taxpayers have brought suit against the City in the Court of Common Pleas for the First Judicial District, challenging the City's system for the assessment of real estate taxes for itself and the School District of Philadelphia under the Uniformity Clause of the Pennsylvania Constitution, the First Class County Assessment Law, 72 P.S. §§ 5341.1-5341.21, and the Equal Protection Clause of the United States Constitution.

  Plaintiffs' requested remedies include: (1) a declaration that the City's tax assessment system violates these provisions, and an order requiring the City to implement new assessment policies and procedures that will ensure uniformity; (2) a declaration that the City's 2011 and 2012 real estate tax increase is unconstitutional, and an order requiring the City to refund any revenues received pursuant to that increase; (3) an order prohibiting the City from enforcing any property tax liens and, relatedly, prohibiting the City from proceeding with any Sheriff's sales premised upon unpaid property taxes; and (4) an award of attorneys' fees.

  The City has not yet responded to the complaint, but expects to contest the case vigorously. Plaintiffs' first requested form of relief -- the order requiring the implementation of new assessment policies and procedures -- does not appear to be substantially different from the City's already existing plans for reforming assessment practices, but it is too early to tell whether a settlement will be possible.

  Regarding the other requested forms of relief, Plaintiffs' claims could cost the City well over $100 million if successful, but we have strong defenses to these assertions.

2) Guaranteed Debt

The City has guaranteed certain debt payments of two of its component units. As such, the City's General Fund has a potential financial obligation toward the extinguishment of this debt, either by replacing the various reserve funds, if used, or the actual payment of principal or interest. At June 30, principal balances outstanding were as follows:

(Amounts In Thousands of USD)

Philadelphia Authority for Industrial Development	3,360
Philadelphia Parking Authority	15,885
	19,245

3) Single Audit

The City receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements, and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City officials the only significant contingent liabilities related to matters of compliance are the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the fiscal year ended June 30, 2010, which amounted to $523.3 million for all open program years as of December 17, 2010. Of this amount, $483.4 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2010 due to timing differences in audit requirements, $28.0 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2009 and prior and $11.8 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

4) HUD Section 108 Loans

As of the end of the fiscal year, the Federal Department of Housing and Urban Development (HUD) had disbursed $199.6 million in loans to the Philadelphia Industrial Development Corporation (PIDC). The funds, which were used to establish a loan pool pursuant to a contract between the City and HUD, are being accounted for and administered by PIDC on behalf of the City. Pool funds are loaned to businesses for economic development purposes. Loan repayments and investment proceeds from un-loaned funds are used to repay HUD. Collateral for repayment of the funds includes future Community Development Block Grant entitlements due to the City from HUD. The total remaining principal to be repaid to HUD for all loans at the end of the year was $114.9 million.

B. COMPONENT UNITS

1) Claims and Litigation

- ***Special Education and Civil Rights Claims* –** There are three hundred seventy-four (374) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of $4.3 million.

  Of those, three-hundred fifty-seven (357) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, two hundred twelve (212) unfavorable outcomes are deemed probable and a hundred (100) are considered reasonably possible in the aggregate amounts of approximately $1.3 million and $0.4 million respectively.

  There are twelve (12) lawsuits pending against the School District asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the School District, unfavorable outcomes of ten (10) are deemed reasonably possible in the aggregate amounts of approximately $0.3 million.

  There are three (3) suits in federal court by parents of special education students for reimbursement for attorneys' fees and costs in administrative proceedings and appeals to court in which the parents were prevailing parties. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts of approximately $0.12 million and $0.06 million respectively.

- ***Other Matters* -** The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of $14.4 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of $1.1 million and $0.2 million, respectively, in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of $2.0 million and $3.3 million, respectively, arising from personal injury and property damage claims and lawsuits.

- ***Education Audits -*** The School District receives basic education subsidies from the Commonwealth based primarily on student enrollment. In July of 1995, the Pennsylvania Department of Education ("PDE") notified the School District that the results of an audit conducted by the Auditor General for the fiscal years ending in 1991, 1992 and 1993 indicated School District over-reporting of student enrollment in Fiscal Year 1991, the year established by the Commonwealth as the base for all subsidies through Fiscal Year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately $40.0 million through Fiscal Year 1999 and, subsequently, reduced by half to $20.0 million based on additional reviews and documentation. On May 13, 1999, the School District of Philadelphia appealed the entire finding to the Secretary of Education. The matter remains pending.

  As a result of a subsequent audit of school years 1994-95 through 1996-97, PDE claimed that an additional $20.0 million during the audit period was due from the School District for alleged over-reporting of enrollment. The District denied the claim and produced documentation. Both matters remain pending. Though discussions with state representatives regarding relief from this potential liability are ongoing, no final determination of forgiveness has been made to date. However, there still remains a reasonably possible loss in this category in the total amount of $40.0 million.

- ***Federal Audit*** - The School District was the subject of an audit by the National Science Foundation ("NSF") Office of Inspector General ("OIG") of two grant awards from NSF covering the period from July 1, 1999 through August 31, 2005. The NSF OIG auditors issued a final audit report in May 2008 questioning $3,346,652 in federal funds expended under the awards. On April 14, 2009, the NSF OIG issued its decision to allow $834,406 and disallow the remaining $2,512,246 which NSF would seek to recover. In the opinion of the General Counsel of the School District unfavorable outcomes are deemed reasonably possible for $757,296 of the total. NSF has not initiated any proceedings to recover funds from the School District.

  The U.S. Department of Education ("DOE") Office of Inspector General ("OIG") conducted an audit from May 2007 to May 2009 of significant federal grants which the School District received for fiscal year 2006. A final audit report was issued by the OIG in January 2010. The report questioned $138.8 million of costs which included $121.1 million considered inadequately supported with documentation and $17.7 million considered unallowable costs. The matter is not resolved at this time as the OIG is not an enforcement or decision making authority within DOE. There are several levels of resolution within DOE – the School District will be able to discuss the findings with the DOE program officials, and then request a hearing before an Administrative Law Judge. The final agency decision will be made by the Secretary of Education and that decision can then be appealed to federal court. Therefore, in the opinion of the General Counsel of the School District, no assurance can be given as to the final resolution of the audit, the amounts, if any, which may be required to be repaid by the School District or whether such repayments could have a material adverse effect on the financial condition of the School District.

- <u>The School District of Philadelphia 403(b) Plan and 457(b) Deferred Compensation Plan - </u>Pursuant to resolutions of the School Reform Commission, the School District implemented a new 403(b) Plan and a 457(b) Deferred Compensation Plan (collectively, the "Plans") in fiscal years 2005 and 2006. The School District obtained advice from outside legal counsel on the creation of the Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the School District would pay termination pay owed to a resigning or retiring employee in cash or, at the direction of the employee, would deposit such termination pay into the retiring or resigning employee's 403(b) account up to the annual contribution limit for section 403(b) accounts. For employees retiring after June 1, 2005, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans for employees who retire during or after the calendar year in which they attain age 55. Based on the advice of legal counsel, the School District has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld those taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plan are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan. No taxing authorities have challenged the tax treatment accorded these termination payments, and the School District has no reason to believe that any such challenge, if brought, would be successful. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. Furthermore, on June 30, 2008, the School District submitted an initial request for a Private Letter Ruling ("PLR") from the Internal Revenue Service to further confirm the School District's determination. The School District is seeking this PLR without prejudice to the School District's position that no such ruling is necessary under these circumstances. School District management believes that if it were finally determined that any liability for state or Federal taxes (including interest and penalties) relating to these plans existed at June 30, 2010, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2010.

9. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

1) In October 2010, the City issued Airport Revenue Bond Series 2010 in the amount of $624.7 million. The Series 2010 A bonds (Non-AMT) were issued as serial and term bonds. Insured serial bonds were issued in the amount of $16.5 million with interest rates ranging from 3% to 4.5% and mature in 2035 and uninsured serial bonds were issued in the amount of $113.0 million, with interest rates ranging from 2% to 5.250% and mature in 2030. Insured term bonds were issued in the amounts of $25 million, and $48 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Uninsured term bonds were issued in amounts of $37.8 million and 32.8 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Series 2010B (Non-AMT) for $24.4 million and 2010C (AMT) for $54.7 million were uninsured and issued as serial bonds and will mature in 2015 and 2018 respectively. The series 2010B and 2010C bonds have interest rates ranging from 2% to 5%. The insured 2010D (AMT) serial bonds were issued in the amount of $1.9 million with interest rates ranging from 4% to 4.5% and mature in 2024. The uninsured 2010D serial bonds were issued in the amount of $270.7 million with interest rates ranging from 2% to 5.25% and mature in 2028. The proceeds from the bonds together with other available funds will be used to (1) pay or reimburse for the costs of the 2010 Project, (2) provide for capitalized interest on the 2010A bonds during construction of the 2010 Project, (3) currently refund all of the City's outstanding Airport Revenue Refunding Bonds, Series 1997A; (4) currently refund a portion of the City's outstanding Airport Revenue Refunding Bonds, Series 1998A; (5) currently refund a portion of the City's outstanding Airport Revenue Bonds Series 1998B; (6) fund a deposit to the Parity Sinking Fund Reserve Account; and (7) 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 sometimes hereinafter referred to, collectively as the International Terminal Bonds.

2) In July 2010, the City issued $285.0 million of Tax and Revenue Anticipation Notes (TRAN) to supplement the receipts of the General Fund of the City for the purpose of paying general expenses of the City prior to the receipt of taxes and other revenues to be received in the current fiscal year. The proceeds will be invested until needed and repaid by June 30, 2011.

3) In July 2010, the City issued Water & Wastewater Revenue Bonds Series 2010 C in the amount of $185.0 million. Serial bonds were issued in the amount of $116.8 million with interest rates ranging from 3.0% to 5.0%, and have a maturity date of 2030. Term bonds were issued in the following amounts (1) $5.2 million with an interest rate of 4.750% and mature in 2035; (2) $24.6 million with an interest rate of 5.0% and mature in 2035; (3) $38.4 million with an interest rate of 5.0% and mature in 2040. The proceeds of the bonds together with other available funds of the water department will be used to fund capital improvements to the City's water & wastewater system, fund payments to terminate a portion of the 2007 swap agreement ($15 million), fund the required deposit into the Debt Reserve account of the Sinking Fund and pay various bond issuance costs.

4) In July 2010, the City of Philadelphia Water Department received approval for funding of "green infrastructure" projects from the Pennsylvania State Infrastructure Financing Authority ("Pennvest"). The maximum amount of the loan, as well as, the estimated project costs are $30.0 million. No project draws have been requested to date.

B. COMPONENT UNITS

1) In August 2010 **PGW** issued Gas Works Revenue Bonds (1998 Ordinance) Ninth Series Uninsured Serial bonds in the amount of $14.2 million with interest rates ranging from 2.0% to 5.0%, bonds mature starting in 2011 with the last on maturing in 2015. Insured serial bonds were issued in the amount of

$38.9 million, with interest rates ranging from 3.0% to 5.0% and mature in 2025. Uninsured term bonds were issued in the amounts of $27.1 million and $69.8 million, have interest rates of 5.0% and 5.25%, and mature in 2030 and 2040 respectively. The proceeds from the bonds will be used to fund Gas Works capital projects and various bond issuance costs.

2) In July 2010, the **SDP** issued $425.0 million in Tax and Revenue Anticipation Notes, Series A 2010-2011. The proceeds from the notes are for cash flow purposes and will be invested until needed and repaid by June 30, 2011.

3) On December 8, 2010 the School Reform Commission authorized the restructuring of certain portions of the School District's debt through a refunding and terminated $355.4 million of its remaining interest rate management agreements known as swaps to reduce its exposure to hedged debt and to provide debt service savings. The par amount of Series E of 2010 is $125,880,000 and advance refunded a portion of the School District's Series D of 2005 and the Series A of 2010 Bonds and currently refunded a portion of the Series 2002A, 2005B, 2008A-1, A-2 and A-4, and 2008B-1, B-2, B-3 and B-5 General Obligation Bonds. The Series E bonds converted $52.5 million of variable rate debt to a fixed rate mode and issued bonds to cover the costs of terminating the qualified interest rate management agreements of $63 million and the costs of issuance.

   Simultaneously with the issuance of the Series E Bonds, the School District issued the Series F and G General Obligation Refunding Bonds in the total aggregate amount of $300,000,000. The Series F Bonds of $150,000,000 are enhanced by a three-year letter of credit issued by Barclays Bank, plc and the Series G Bonds of $150,000,000 are enhanced by a three-year letter of credit issued by Wells Fargo Bank, National Association. The Series F and G Bonds are in the variable rate mode and will reset weekly.

   Both bond issues closed on January 3, 2011.

City of Philadelphia
PENNSYLVANIA

Required Supplementary Information

(Other than Management's Discussion and Analysis)

City of Philadelphia **Exhibit XIV**
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Tax Revenue	2,339,328	2,334,647	2,316,641	(18,006)
Locally Generated Non-Tax Revenue	275,972	247,290	229,359	(17,931)
Revenue from Other Governments	1,171,136	1,168,941	1,076,381	(92,560)
Revenue from Other Funds	28,134	33,003	31,945	(1,058)
Total Revenues	3,814,570	3,783,881	3,654,326	(129,555)
Expenditures and Encumbrances				
Personal Services	1,358,423	1,378,758	1,358,456	20,302
Pension Contributions	332,175	346,730	346,730	-
Other Employee Benefits	480,600	488,753	484,670	4,083
Sub-Total Employee Compensation	2,171,198	2,214,241	2,189,856	24,385
Purchase of Services	1,149,555	1,169,864	1,111,393	58,471
Materials and Supplies	65,603	66,174	59,894	6,280
Equipment	12,719	15,438	8,800	6,638
Contributions, Indemnities and Taxes	117,875	128,105	128,042	63
Debt Service	121,867	108,867	105,513	3,354
Payments to Other Funds	30,012	30,012	26,056	3,956
Advances, Subsidies, Miscellaneous	25,000	25,000	24,172	828
Total Expenditures and Encumbrances	3,693,829	3,757,701	3,653,726	103,975
Operating Surplus (Deficit) for the Year	120,741	26,180	600	(25,580)
Fund Balance Available for Appropriation, July 1, 2009	(59,979)	(137,187)	(137,188)	(1)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,500	24,500	22,154	(2,346)
Prior Period Adjustments	-	-	406	406
Adjusted Fund Balance, July 1, 2009	(35,479)	(112,687)	(114,628)	(1,941)
Fund Balance Available for Appropriation, June 30, 2010	85,262	(86,507)	(114,028)	(27,521)

* Refer to the notes to required supplementary information.

City of Philadelphia

Exhibit XV

Required Supplementary Information
Budgetary Comparison Schedule
HealthChoices Behavioral Health Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	10,000	4,959	1,954	(3,005)
Revenue from Other Governments	840,638	789,391	825,185	35,794
Total Revenues	850,638	794,350	827,139	32,789
Other Sources				
Increase in Unreimbursed Committments	-	-	2,698	2,698
Decrease in Financed Reserves	-	-	17,716	17,716
Total Revenues and Other Sources	850,638	794,350	847,553	53,203
Expenditures and Encumbrances				
Purchase of Services	897,959	897,959	805,031	92,928
Equipment	100	100	-	100
Payments to Other Funds	1,580	1,580	919	661
Total Expenditures and Encumbrances	899,639	899,639	805,950	93,689
Operating Surplus (Deficit) for the Year	(49,001)	(105,289)	41,603	146,892
Fund Balance Available for Appropriation, July 1, 2009	-	(5,379)	(5,379)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	6,250	6,250
Funding for Future Obligations	-	5,379	-	(5,379)
Other Adjustments	49,001	54,000	-	(54,000)
Adjusted Fund Balance, July 1, 2009	49,001	54,000	871	(53,129)
Fund Balance Available for Appropriation, June 30, 2010	-	(51,289)	42,474	93,763

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XVI**

Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	60,437	75,016	38,956	(36,060)
Revenue from Other Governments	1,327,486	748,867	533,277	(215,590)
Total Revenues	1,387,923	823,883	572,233	(251,650)
Other Sources				
Increase in Unreimbursed Committments	-	-	37,343	37,343
Decrease in Financed Reserves	-	-	4,154	4,154
Total Revenues and Other Sources	1,387,923	823,883	613,730	(210,153)
Expenditures and Encumbrances				
Personal Services	108,481	113,983	82,731	31,252
Pension Contributions	10,329	12,378	9,625	2,753
Other Employee Benefits	17,014	22,173	15,788	6,385
Sub-Total Employee Compensation	135,824	148,534	108,144	40,390
Purchase of Services	889,774	950,823	494,447	456,376
Materials and Supplies	17,534	22,760	14,717	8,043
Equipment	19,896	14,808	4,275	10,533
Contributions, Indemnities and Taxes	-	210	210	-
Payments to Other Funds	24,895	31,886	22,551	9,335
Advances, Subsidies, Miscellaneous	300,000	149,529	-	149,529
Total Expenditures and Encumbrances	1,387,923	1,318,550	644,344	674,206
Operating Surplus (Deficit) for the Year	-	(494,667)	(30,614)	464,053
Fund Balance Available for Appropriation, July 1, 2009	-	(36,712)	(36,712)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	43,177	43,177
Revenue Adjustments - Net	-	-	(14,861)	(14,861)
Other Adjustments	-	36,712	-	(36,712)
Adjusted Fund Balance, July 1, 2009	-	-	(8,396)	(8,396)
Fund Balance Available for Appropriation, June 30, 2010	-	(494,667)	(39,010)	455,657

* Refer to the notes to required supplementary information.

Pension Plans and Other Post Employment Benefits - Schedule of Funding Progress Amounts in millions of USD

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
City of Philadelphia Municipal Pension Plan						
07/01/2004	4,333.1	7,247.7	2,914.6	59.79%	1,266.0	230.22%
07/01/2005	4,159.5	7,851.5	3,692.0	52.98%	1,270.7	290.55%
07/01/2006	4,168.5	8,083.7	3,915.2	51.57%	1,319.4	296.74%
07/01/2007	4,421.7	8,197.2	3,775.5	53.94%	1,351.8	279.29%
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%
City of Philadelphia Other Post Employment Benefits						
07/01/2007	-	1,136.7	1,136.7	0.00%	1,351.8	84.09%
07/01/2008	-	1,156.0	1,156.0	0.00%	1,456.5	79.37%
07/01/2009	-	1,119.6	1,119.6	0.00%	1,461.7	76.60%
Philadelphia Gas Works Pension Plan						
09/01/2003	356.0	427.0	71.0	83.37%	101.2	70.16%
09/01/2004	366.8	436.3	69.5	84.07%	102.5	67.80%
09/01/2005	383.5	450.8	67.3	85.07%	102.5	65.66%
09/01/2006	411.9	474.3	62.4	86.84%	106.0	58.87%
09/01/2007	416.2	482.4	66.2	86.28%	103.0	64.27%
09/01/2008	430.4	495.2	64.8	86.92%	107.9	60.01%
09/01/2009	355.5	519.8	164.3	68.39%	108.5	151.43%

For the Fiscal Year Ended June 30, 2010 Amounts in thousands of USD

I. BASIS OF BUDGETING

The budgetary comparison schedules presented differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The major funds presented as Required Supplementary Information are subject to annual operating budgets adopted by City Council. These budgets appropriate funds by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies & equipment; contributions, indemnities & taxes; debt service; payments to other funds; and advances & other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes must have council approval.

Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are reported in the City's "Supplemental Report of Revenues & Obligations", a separately published report.

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

II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund
Revenues			
Budgetary Comparison Schedule	3,654,326	827,139	572,233
Transfers	(316,359)	-	-
Program Income	-	-	72,055
Adjustments applicable to Prior Years Activity	-	-	115
Change in Amount Held by Fiscal Agent	288	-	-
Change in BPT Adjustment	(452)	-	-
Other	10,317	-	(14,976)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,348,120	827,139	629,427
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,653,726	805,950	644,344
Transfers	(137,340)	-	(23,389)
Bond Issuance Costs	-	-	-
Expenditures applicable to Prior Years Budgets	51,808	(9,264)	9,193
Program Income	-	-	72,055
Other	10,316	-	-
Change in Amount Held by Fiscal Agent	62,817	-	-
Current Year Encumbrances	(59,496)	316	(89,713)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,581,831	797,002	612,490

City of Philadelphia
PENNSYLVANIA

Other Supplementary Information

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to specific purposes.

COUNTY LIQUID FUELS TAX - Established to account for funds made available by Public Law No. 149.

SPECIAL GASOLINE TAX - Established to account for funds made available by Public Law No. 588.

HOTEL ROOM RENTAL TAX - Established to account for the tax levied to promote tourism.

COMMUNITY DEVELOPMENT - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

CAR RENTAL TAX - Established to account for the tax levied to retire new municipal stadium debt.

HOUSING TRUST - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

ACUTE CARE HOSPITAL ASSESSMENT - Established in FY 2009 to account for the assessment of certain net operating revenues of certain acute care hospitals.

RIVERVIEW RESIDENTS - Established to maintain a commissary and provide other benefits for the residents.

PHILADELPHIA PRISONS - Established to operate a workshop and to provide benefits for the prison inmates.

ARBITRATION APPEALS - Established to account for certain court fees and provide funds for the arbitration board.

DEPARTMENTAL - Established to account for various activities of the Free Library and Fairmount Park.

MUNICIPAL AUTHORITY ADMINISTRATIVE - Established to account for all financial transactions of the Municipal Authority not accounted for in other funds.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ADMINISTRATIVE - Established to account for PICA revenues from taxes and deficit financing transactions.

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

Debt Service Funds are used for the purpose of accumulating resources for the payment of principal on general obligation term bonds and to function as a conduit for the debt service payments to fiscal agents.

CITY - Established to account for the debt service activities of the City not reflected in proprietary funds operations.

MUNICIPAL AUTHORITY - Established to account for the debt service activities related to the equipment and facilities financed through the Philadelphia Municipal Authority.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY DEBT SERVICE - Established to account for the debt service activities related to the deficit financing provided by PICA.

CAPITAL IMPROVEMENT FUNDS

Capital Improvement Funds are used to account for financial resources to be used for the acquisition or construction of the major capital facilities other than those financed by proprietary fund operations.

CITY - Established to account for capital additions and improvements to the City's facilities and infrastructure and financed through general obligation bond issues and grants from federal, state and local agencies.

MUNICIPAL AUTHORITY - Established to account for the acquisition of vehicles and the construction of major facilities for the city.

PERMANENT FUNDS

Permanent Funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the government's programs.

LIBRARIES & PARKS - Established to account for trust of the Free Library and Fairmount Park.

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

Schedule I

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets														
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	-	4,736	416	49,864	55,016
Equity in Treasurer's Account	2,167	19,431	6,006	-	4,737	17,998	11,315	39	3,800	-	247	-	-	65,740
Investments	-	-	-	-	-	-	-	-	-	-	858	100	-	958
Taxes Receivable	-	-	5,459	-	678	-	-	-	-	-	-	-	1,268	7,405
Accounts Receivable	-	-	-	2,381	-	-	-	-	-	-	-	3,969	-	6,350
Due from Other Governmental Units	-	-	-	13,230	-	-	-	-	-	-	-	-	-	13,230
Allowance for Doubtful Accounts	-	-	(704)	-	(99)	-	-	-	-	-	-	-	-	(803)
Interest and Dividends Receivable	-	-	-	-	3	11	-	-	-	-	-	-	12	26
Other Assets	-	-	-	-	-	-	-	-	-	-	415	-	31	446
Total Assets	2,167	19,431	10,761	15,611	5,319	18,009	11,315	39	3,800	-	6,256	4,485	51,175	148,368
Liabilities and Fund Balances														
Liabilities:														
Vouchers Payable	3	668	-	2,887	-	1,860	81	1	215	-	118	-	-	5,833
Accounts Payable	-	4,143	4,075	2,685	-	907	440	-	-	-	851	4,255	106	17,462
Salaries and Wages Payable	-	-	-	250	-	-	-	-	-	-	-	-	109	359
Due to Other Funds	-	-	-	9,790	-	-	-	-	6	-	-	-	7,287	17,083
Due to Component Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Funds Held in Escrow	-	-	-	-	-	-	-	-	448	-	765	-	-	1,213
Deferred Revenue	-	-	152	4,019	13	-	-	-	-	-	-	-	-	4,184
Total Liabilities	3	4,811	4,227	19,631	13	2,767	521	1	669	-	1,734	4,255	7,502	46,134
Fund Balances:														
Reserved for:														
Encumbrances	176	537	1,316	-	-	12,523	-	-	645	-	74	-	-	15,271
Intergovernmental Financing	-	-	-	-	-	-	-	-	-	-	-	-	36,151	36,151
Debt Service Principal & Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trust Purposes	-	-	-	-	-	-	-	-	2,486	-	200	-	-	2,686
Unreserved:														
Designated for Trust Purposes	-	-	-	-	-	-	-	38	-	-	4,248	-	-	4,286
Undesignated	1,988	14,083	5,218	(4,020)	5,306	2,719	10,794	-	-	-	-	230	7,522	43,840
Total Fund Balances	2,164	14,620	6,534	(4,020)	5,306	15,242	10,794	38	3,131	-	4,522	230	43,673	102,234
Total Liabilities and Fund Balances	2,167	19,431	10,761	15,611	5,319	18,009	11,315	39	3,800	-	6,256	4,485	51,175	148,368

City of Philadelphia **Schedule I**

Combining Balance Sheet

Non-Major Governmental Funds(Continued)

June 30, 2010

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Assets									
Cash on Deposit and on Hand	-	-	49,202	49,202	-	-	-	102	104,320
Equity in Treasurer's Account	1,502	-	-	1,502	139,220	-	139,220	-	206,462
Investments	-	11	30,394	30,405	-	78,566	78,566	4,688	114,617
Taxes Receivable	-	-	-	-	-	-	-	-	7,405
Accounts Receivable	-	-	-	-	-	4	4	1	6,355
Due from Other Governmental Units	-	-	-	-	19,136	-	19,136	-	32,366
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(803)
Interest and Dividends Receivable	-	-	3	3	111	-	111	-	140
Other Assets	-	-	-	-	-	-	-	-	446
Total Assets	1,502	11	79,599	81,112	158,467	78,570	237,037	4,791	471,308
Liabilities and Fund Balances									
Liabilities:									
Vouchers Payable	-	-	-	-	6,695	-	6,695	-	12,528
Accounts Payable	-	-	-	-	18,366	1,498	19,864	-	37,326
Salaries and Wages Payable	-	-	-	-	52	-	52	20	431
Due to Other Funds	-	-		-	-	-	-	-	17,083
Due to Component Units	-	-	-	-	-	-	-	72	72
Funds Held in Escrow	-	-	-	-	4,275	-	4,275	-	5,488
Deferred Revenue	-	-	1,970	1,970	15,984	-	15,984	-	22,138
Total Liabilities	-	-	1,970	1,970	45,372	1,498	46,870	92	95,066
Fund Balances:									
Reserved for:									
Encumbrances	-	-	-	-	37,931	-	37,931	-	53,202
Intergovernmental Financing	-	-	-	-	-	-	-	-	36,151
Debt Service Principal & Interest	1,502	11	77,029	78,542	-	-	-	-	78,542
Trust Purposes	-	-	-	-	-	-	-	1,931	4,617
Unreserved:									
Designated for Trust Purposes	-	-	-	-	-	-	-	2,768	7,054
Undesignated	-	-	600	600	75,164	77,072	152,236	-	196,676
Total Fund Balances	1,502	11	77,629	79,142	113,095	77,072	190,167	4,699	376,242
Total Liabilities and Fund Balances	1,502	11	79,599	81,112	158,467	78,570	237,037	4,791	471,308

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances **Schedule II**
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues														
Tax Revenue	-	-	40,513	-	4,674	-	108,154	-	-	-	-	-	342,661	496,002
Locally Generated Non-Tax Revenue	-	32	595	12,434	5	8,030	-	-	1,627	377	4,238	2,726	235	30,299
Revenue from Other Governments	4,724	23,861	-	44,835	-	-	-	-	-	-	-	-	-	73,420
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	4,724	23,893	41,108	57,269	4,679	8,030	108,154	-	1,627	377	4,238	2,726	342,896	599,721
Expenditures														
Current Operating:														
Economic Development	-	-	34,574	-	-	-	-	-	-	-	-	-	-	34,574
Transportation:														
Streets & Highways	4,314	24,298	-	-	-	-	-	-	-	-	-	-	-	28,612
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	968	-	-	-	-	968
Conservation of Health:														
Health Services	-	-	-	-	-	-	101,360	-	-	-	-	-	-	101,360
Housing and Neighborhood Development	-	-	-	56,246	-	11,346	-	-	-	-	-	-	-	67,592
Cultural and Recreational:														
Parks	-	-	-	-	-	-	-	-	-	-	4,280	-	-	4,280
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	128	-	-	128
Improvements to General Welfare:														
Service to Property:														
General Management and Support	-	-	-	-	5,000	-	-	60	618	377	391	39,322	864	46,632
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,314	24,298	34,574	56,246	5,000	11,346	101,360	60	1,586	377	4,799	39,322	864	284,146
Excess (Deficiency) of Revenues Over (Under) Expenditures	410	(405)	6,534	1,023	(321)	(3,316)	6,794	(60)	41	-	(561)	(36,596)	342,032	315,575
Other Financing Sources (Uses)														
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Defeasance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-	298	36,614	-	36,912
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	(368,964)	(368,964)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	298	36,614	(368,964)	(332,052)
Net Change in Fund Balances	410	(405)	6,534	1,023	(321)	(3,316)	6,794	(60)	41	-	(263)	18	(26,932)	(16,477)
Fund Balance - July 1, 2009	1,754	15,025	-	(5,043)	5,627	18,558	4,000	98	3,090	-	4,785	212	70,605	118,711
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2009	1,754	15,025	-	(5,043)	5,627	18,558	4,000	98	3,090	-	4,785	212	70,605	118,711
Fund Balance - June 30, 2010	2,164	14,620	6,534	(4,020)	5,306	15,242	10,794	38	3,131	-	4,522	230	43,673	102,234

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances **Schedule II**
Non-Major Governmental Funds(Continued)
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Revenues									
Tax Revenue	-	-	-	-	-	-	-	-	496,002
Locally Generated Non-Tax Revenue	129	-	1,263	1,392	-	66	66	496	32,253
Revenue from Other Governments	-	-	-	-	48,439	-	48,439	-	121,859
Other Revenues	-	-	4,450	4,450	12,318	-	12,318	-	16,768
Total Revenues	129	-	5,713	5,842	60,757	66	60,823	496	666,882
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	34,574
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	28,612
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	968
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	101,360
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	67,592
Cultural and Recreational:									
Parks	-	-	-	-	-	-	-	2,171	6,451
Libraries and Museums	-	-	-	-	-	-	-	-	128
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-	-	42,035	42,035	-	124	124	-	88,791
Capital Outlay	-	-	-	-	137,913	10,939	148,852	-	148,852
Debt Service:									
Principal	34,485	15,008	40,216	89,709	-	-	-	-	89,709
Interest	62,047	13,888	20,805	96,740	-	-	-	-	96,740
Bond Issuance Cost	22,517	-	988	23,505	-	-	-	-	23,505
Total Expenditures	119,049	28,896	104,044	251,989	137,913	11,063	148,976	2,171	687,282
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,920)	(28,896)	(98,331)	(246,147)	(77,156)	(10,997)	(88,153)	(1,675)	(20,400)
Other Financing Sources (Uses)									
Issuance of Debt	-	-	206,960	206,960	-	-	-	-	206,960
Issuance of Refunding Bonds	337,025	-	-	337,025	-	-	-	-	337,025
Bond Issuance Premium	-	-	24,253	24,253	-	-	-	-	24,253
Bond Issuance Discount	(1,003)	-	-	(1,003)	-	-	-	-	(1,003)
Bond Defeasance	(313,505)	-	(190,539)	(504,044)	-	-	-	-	(504,044)
Transfers In	96,191	28,896	59,912	184,999	19,786	-	19,786	-	241,697
Transfers Out	-	-	-	-	-	-	-	(48)	(369,012)
Total Other Financing Sources (Uses)	118,708	28,896	100,586	248,190	19,786	-	19,786	(48)	(64,124)
Net Change in Fund Balances	(212)	-	2,255	2,043	(57,370)	(10,997)	(68,367)	(1,723)	(84,524)
Fund Balance - July 1, 2009	1,714	11	77,343	79,068	170,465	88,069	258,534	6,422	462,735
Adjustment	-	-	(1,969)	(1,969)	-	-	-	-	(1,969)
Fund Balance Adjusted - July 1, 2009	1,714	11	75,374	77,099	170,465	88,069	258,534	6,422	460,766
Fund Balance - June 30, 2010	1,502	11	77,629	79,142	113,095	77,072	190,167	4,699	376,242

City of Philadelphia **Schedule III**

Combining Statement of Fiduciary Net Assets

Pension Trust Funds

June 30, 2010

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Equity in Treasurer's Account	373,825	3,471,907	3,845,732
Securities Lending Collective Investment Pool	-	440,491	440,491
Allowance for Unrealized Loss	-	(3,899)	(3,899)
Accounts Receivable	-	4,334	4,334
Due from Brokers for Securities Sold	2,445	866,955	869,400
Interest and Dividends Receivable	1,236	10,432	11,668
Due from Other Governmental Units	-	4,777	4,777
Total Assets	377,506	4,794,997	5,172,503
Liabilities			
Vouchers Payable	-	36	36
Accounts Payable	566	3,301	3,867
Salaries and Wages Payable	-	158	158
Funds Held in Escrow	-	365	365
Due on Return of Securities Loaned	6,281	440,491	446,772
Due to Brokers for Securities Purchased	2,335	844,726	847,061
Accrued Expenses	-	1,734	1,734
Deferred Revenue	-	2,071	2,071
Other Liabilities	-	513	513
Total Liabilities	9,182	1,293,395	1,302,577
Net Assets Held in Trust for Pension Benefits	368,324	3,501,602	3,869,926

City of Philadelphia **Schedule IV**

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	23,099	312,556	335,655
Employees' Contributions	-	51,570	51,570
Total Contributions	23,099	364,126	387,225
Investment Income:			
Interest and Dividends	9,853	70,538	80,391
Net Gain in Fair Value of Investments	37,189	401,243	438,432
(Less) Investments Expenses	(2,520)	(15,989)	(18,509)
Securities Lending Revenue	75	2,852	2,927
Securities Lending Unrealized Loss	-	(3,899)	(3,899)
(Less) Securities Lending Expenses	(30)	(1,033)	(1,063)
Net Investment Gain	44,567	453,712	498,279
Miscellaneous Operating Revenues	-	712	712
Total Additions	67,666	818,550	886,216
Deductions			
Personal Services	-	3,815	3,815
Purchase of Services	-	1,952	1,952
Materials and Supplies	-	76	76
Employee Benefits	-	2,111	2,111
Pension Benefits	35,349	680,122	715,471
Refunds of Members' Contributions	-	4,520	4,520
Other Operating Expenses	-	120	120
Total Deductions	35,349	692,716	728,065
Change in Net Assets	32,317	125,834	158,151
Net Assets - July 1, 2009	336,007	3,375,768	3,711,775
Net Assets - June 30, 2010	368,324	3,501,602	3,869,926

City of Philadelphia **Schedule V**

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2010

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	136,315	136,315
Equity in Treasurer's Account	34,032	14,270	-	48,302
Investments	-	-	8,780	8,780
Due from Other Funds	-	-	767	767
Total Assets	34,032	14,270	145,862	194,164
Liabilities				
Vouchers Payable	37	1,190	-	1,227
Payroll Taxes Payable	-	3,147	-	3,147
Funds Held in Escrow	33,995	9,933	145,862	189,790
Total Liabilities	34,032	14,270	145,862	194,164
Net Assets	-	-	-	-

City of Philadelphia

Schedule VI

Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Balance 7-1-2009	Additions	Deductions	Balance 6-30-2010
Escrow Fund				
Assets				
Equity in Treasurer's Account	7,200	383,448	356,616	34,032
Liabilities				
Funds Held in Escrow	7,056	383,448	356,509	33,995
Vouchers Payable	144	1,336	1,443	37
Total Liabilities	7,200	384,784	357,952	34,032
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	14,712	823,657	824,099	14,270
Liabilities				
Vouchers Payable	393	7,983	7,186	1,190
Payroll Taxes Payable	5,247	737,423	739,523	3,147
Funds Held in Escrow	9,072	86,233	85,372	9,933
Total Liabilities	14,712	831,639	832,081	14,270
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	130,990	156,285	150,960	136,315
Investments	12,254	6,168	9,642	8,780
Due from Other Funds	811	-	44	767
Total Assets	144,055	162,453	160,646	145,862
Liabilities				
Funds Held in Escrow	144,055	162,453	160,646	145,862
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	130,990	156,285	150,960	136,315
Equity in Treasurer's Account	21,912	1,207,105	1,180,715	48,302
Investments	12,254	6,168	9,642	8,780
Due from Other Funds	811	-	44	767
Total Assets	165,967	1,369,558	1,341,361	194,164
Liabilities				
Vouchers Payable	537	9,319	8,629	1,227
Payroll Taxes Payable	5,247	737,423	739,523	3,147
Funds Held in Escrow	160,183	632,134	602,527	189,790
Total Liabilities	165,967	1,378,876	1,350,679	194,164

City of Philadelphia **Schedule VII**

City Related Schedule of Bonded Debt Outstanding

June 30, 2010

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2010 Outstanding	Maturities	Interest Rates	FY 2011 Debt Service Requirements Interest	Principal
General Obligation Bonds:								
Term Bonds	97,493,541	07/27/2006	531,988	531,988	8/2030 to 8/2031	5.00	26,599	-
	7,222,518	07/27/2006	7,222,518	7,222,518	8/2030 to 8/2031	5.00	361,126	-
	11,024,437	07/27/2006	11,024,437	11,024,437	8/2030 to 8/2031	5.00	551,222	-
	10,131,057	07/27/2006	10,131,057	10,131,057	8/2030 to 8/2031	5.00	506,553	-
	113,608,890	01/06/2009	113,608,890	113,608,890	7/2013 to 7/2038	5.25 to 7.125	7,865,987	-
	30,926,110	01/06/2009	30,926,110	30,926,110	7/2013 to 7/2038	5.25 to 7.125	2,141,244	-
Total Term Bonds	270,406,553		173,445,000	173,445,000			11,452,731	-
Refunding Issues	178,240,000	12/01/1998	178,240,000	108,925,000	05/2011 to 05/2020	4.75 to 5.125	5,398,938	12,340,000
	188,910,000	12/20/2007	188,910,000	179,285,000	08/2010 to 08/2019	4.50 to 5.25	8,988,338	4,000,000
	195,170,000	5/01/2008	195,170,000	194,090,000	12/2010 to 12/2032	4.00 to 5.25	10,067,337	70,000
	237,025,000	8/13/2009	237,025,000	237,025,000	08/2019 to 08/2031	4.25 to 5.50	12,030,260	-
	100,000,000	8/13/2009	100,000,000	100,000,000	08/2027 to 08/2031	3.829	3,829,000	-
Total Refunding Bonds	899,345,000		899,345,000	819,325,000			40,313,873	16,410,000
Serial Bonds	20,000,000	NA	20,000,000	2,228,054	07/2010 to 06/2013	1.00	16,744	1,210,238
	50,781,553	01/01/2001	50,781,553	19,393,976	09/2010 to 09/2021	4.2 to 5.50	889,241	2,244,689
	99,400,449	01/01/2001	95,928,447	36,636,024	09/2010 to 09/2021	4.2 to 5.50	1,679,814	4,240,311
	[1]	07/27/2006	3,472,002	3,210,607	8/2010 to 8/2029	4.50 to 5.125	156,639	96,240
	12,165,000	12/02/2003	12,165,000	6,829,430	02/2011 to 02/2015	5 to 5.25	351,215	1,515,759
	84,972,482	12/02/2003	37,835,000	21,240,570	02/2011 to 02/2015	5 to 5.25	1,092,334	4,714,241
	[1]	07/27/2006	47,137,482	43,588,680	8/2010 to 8/2029	4.50 to 5.125	2,126,602	1,306,599
	71,950,563 [1]	07/27/2006	71,950,563	66,533,679	8/2010 to 8/2029	4.50 to 5.125	3,246,041	1,994,389
	66,119,953 [1]	07/27/2006	66,119,953	61,142,034	8/2010 to 8/2029	4.50 to 5.125	2,982,994	1,832,772
	16,086,110 [1]	01/06/2009	16,086,110	14,679,116	7/2010 to 7/2018	4.00 to 6.00	706,612	1,686,035
	4,378,890 [1]	01/06/2009	4,378,890	3,995,884	7/2010 to 7/2018	4.00 to 6.00	192,351	458,965
Total Serial Bonds	425,855,000		425,855,000	279,478,054			13,440,587	21,300,238
Total General Obligation Bonds	1,595,606,553		1,498,645,000	1,272,248,054			65,207,191	37,710,238
Revenue Bonds:								
Water and Sewer Revenue Bonds:								
Series 1993	1,157,585,000	08/01/1993	1,010,025,000	73,685,000	06/2011	7.00	5,157,950	73,685,000
Series 1995	221,630,000	04/15/1995	221,630,000	38,240,000	08/2010 to 08/2018	6.25	2,016,250	11,960,000
Series 1997 B	100,000,000 [2]	11/25/1997	100,000,000	75,800,000	08/2010 to 08/2027	Variable rates	168,499	2,800,000
Series 1998	135,185,000	12/25/1998	135,185,000	135,185,000	12/2011 to 12/2014	5.25	7,097,213	-
Series 1999 A	6,700,000	N.A.	6,700,000	710,940	07/2010 to 04/2019	2.73	18,503	72,162
Series 2001 A and B	285,920,000	11/15/2001	285,920,000	137,875,000	11/2011 to 11/2028	3.8 to 5.50	7,069,482	-
Series 2005 A	250,000,000	05/04/2005	250,000,000	235,000,000	07/2010 to 07/2035	3.30 to 5.25	11,682,438	4,610,000
Series 2005 B	86,105,000 [2]	05/04/2005	86,105,000	83,275,000	08/2010 to 08/2018	Variable rates	3,763,184	405,000
Series 2007 A	191,440,000	11/16/2006	191,440,000	179,845,000	8/2010 to 8/2027	4.00 to 5.00	8,553,000	4,665,000
Series 2007 B	153,595,000	11/16/2006	153,595,000	153,110,000	11/2010 to 11/2031	4.00 to 5.00	6,959,375	210,000
Series 2009 A	325,000,000	05/21/2009	140,000,000	140,000,000	01/2017 to 01/2033	4.00 to 5.75	7,294,037	-
Pennvest Series 2009	214,913,486	06/16/2010	13,430,973	13,430,973	07/2013 to 07/2033	1.193	153,555	-
Series 2010A	396,460,000	4/15/2010	396,460,000	390,045,000	06/2011 to 6/2019	2.00 to 5.00	18,159,385	3,245,000
Total Water Revenue Bonds	3,524,533,486		2,990,490,973	1,656,201,913			78,092,871	101,652,162

City of Philadelphia **Schedule VII**
City Related Schedule of Bonded Debt Outstanding
June 30, 2010

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2010 Outstanding	Maturities	Interest Rates	FY 2011 Debt Service Requirements Interest	Principal
Aviation Revenue Bonds:								
Series 1997 A	222,265,000	07/01/1997	222,265,000	26,130,000	06/2011 .to 06/2027	5.125 to 5.75	1,382,575	4,695,000
Series 1998 A	123,405,000	03/17/1998	123,405,000	65,540,000	06/2011 to 06/2018	5.375 to 5.5	3,546,588	6,770,000
Series 1998 B	443,700,000	07/01/1998	443,700,000	366,610,000	07/2010 to 07/2028	5.00 to 5.375	18,488,561	11,805,000
Series 2001 A	187,680,000	07/01/2001	187,680,000	159,555,000	07/2010 to 07/2028	5.125 to 5.50	8,385,982	5,000,000
Series 2001 B	40,120,000	07/01/2001	40,120,000	34,560,000	06/2011 to 06/2031	5.00 to 5.50	1,823,744	935,000
Series 2005 C	189,500,000 [2]	06/02/2005	189,500,000	168,600,000	06/2011 to 06/2025	Variable rates	9,525,476	6,000,000
Series 2005 A	124,985,000	08/04/2005	124,985,000	120,185,000	06/2011 to 06/2035	4.20 to 5.50	5,739,705	2,580,000
Series 2007 A	172,470,000	08/16/2007	172,470,000	172,470,000	06/2011 to 06/2037	5	8,623,500	3,155,000
Series 2007 B	82,915,000	08/16/2007	82,915,000	73,345,000	06/2011 to 06/2027	5	3,667,250	3,260,000
Series 2009 A	45,715,000	04/14/2009	45,715,000	45,705,000	06/2011 to 06/2029	3.00 to 5.375	2,094,316	1,655,000
Total Aviation Revenue Bonds	1,632,755,000		1,632,755,000	1,232,700,000			63,277,697	45,855,000
Total Revenue Bonds	5,157,288,486		4,623,245,973	2,888,901,913			141,370,568	147,507,162
Total All Bonds	6,752,895,039		6,121,890,973	4,161,149,967 [4]			206,577,759	185,217,400

NOTES:

[1] These General Obligation Authorizations were issued as both Term and Serial Bonds.

[2] Based on latest available estimated rates.

[3] A summary of all Bonds Outstanding is as follows:

	General Obligation Bonds	Revenue Bonds	Total
General Fund Types:			
General Fund	1,270,020,000	-	1,270,020,000
Proprietary Fund Types:			
Water Fund	2,228,054	1,656,201,913	1,658,429,967
Aviation Fund	-	1,232,700,000	1,232,700,000
Total Proprietary Funds	2,228,054	2,888,901,913	2,891,129,967
Total All Funds	1,272,248,054	2,888,901,913	4,161,149,967

City of Philadelphia

Schedule VIII

Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	528,141	513,029	516,378	3,349
Revenue from Other Governments	4,000	3,000	2,631	(369)
Revenue from Other Funds	81,469	58,696	27,734	(30,962)
Total Revenues	613,610	574,725	546,743	(27,982)
Expenditures and Encumbrances				
Personal Services	111,393	111,417	101,754	9,663
Pension Contributions	39,986	38,686	27,493	11,193
Other Employee Benefits	40,420	41,720	39,974	1,746
Sub-Total Employee Compensation	191,799	191,823	169,221	22,602
Purchase of Services	123,152	123,127	106,002	17,125
Materials and Supplies	53,025	53,038	41,991	11,047
Equipment	6,320	6,308	2,435	3,873
Contributions, Indemnities and Taxes	6,513	6,513	4,897	1,616
Debt Service	200,123	200,123	196,917	3,206
Payments to Other Funds	49,678	49,678	47,987	1,691
Total Expenditures and Encumbrances	630,610	630,610	569,450	61,160
Operating Surplus (Deficit) for the Year	(17,000)	(55,885)	(22,707)	33,178
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	17,000	17,000	22,707	5,707
Adjusted Fund Balance, July 1, 2009	17,000	17,000	22,707	5,707
Fund Balance Available for Appropriation, June 30, 2010	-	(38,885)	-	38,885

City of Philadelphia

Schedule IX

Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	-	1,900	253	(1,647)
Revenue from Other Funds	19,250	19,250	21,224	1,974
Total Revenues	19,250	21,150	21,477	327
Expenditures and Encumbrances				
Payments to Other Funds	19,250	19,250	18,772	478
Total Expenditures and Encumbrances	19,250	19,250	18,772	478
Operating Surplus (Deficit) for the Year	-	1,900	2,705	805
Fund Balance Available for Appropriation, July 1, 2009	1,231	18,184	18,184	-
Fund Balance Available for Appropriation, June 30, 2010	1,231	20,084	20,889	805

City of Philadelphia

Schedule X

Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	9	3	-	(3)
Revenue from Other Governments	5,049	4,715	4,724	9
Total Revenues	5,058	4,718	4,724	6
Expenditures and Encumbrances				
Personal Services	3,734	3,734	3,734	-
Purchase of Services	861	856	205	651
Materials and Supplies	260	265	264	1
Equipment	80	76	-	76
Payments to Other Funds	15	19	19	-
Total Expenditures and Encumbrances	4,950	4,950	4,222	728
Operating Surplus (Deficit) for the Year	108	(232)	502	734
Fund Balance Available for Appropriation, July 1, 2009	825	1,416	1,416	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	50	50	70	20
Adjusted Fund Balance, July 1, 2009	875	1,466	1,486	20
Fund Balance Available for Appropriation, June 30, 2010	983	1,234	1,988	754

City of Philadelphia

Schedule XI

Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	120	15	32	17
Revenue from Other Governments	24,761	23,701	23,861	160
Total Revenues	24,881	23,716	23,893	177
Expenditures and Encumbrances				
Personal Services	3,000	3,000	3,000	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	4,000	4,000	4,000	-
Purchase of Services	15,648	16,279	15,263	1,016
Materials and Supplies	3,595	3,554	3,543	11
Equipment	590	-	-	-
Contributions, Indemnities and Taxes	31	31	15	16
Total Expenditures and Encumbrances	23,864	23,864	22,821	1,043
Operating Surplus (Deficit) for the Year	1,017	(148)	1,072	1,220
Fund Balance Available for Appropriation, July 1, 2009	12,034	12,507	12,507	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	120	120	504	384
Adjusted Fund Balance, July 1, 2009	12,154	12,627	13,011	384
Fund Balance Available for Appropriation, June 30, 2010	13,171	12,479	14,083	1,604

City of Philadelphia **Schedule XII**

Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Taxes	39,500	40,900	40,512	(388)
Locally Generated Non-Tax Revenue	30	82	596	514
Total Revenues	39,530	40,982	41,108	126
Expenditures and Encumbrances				
Personal Services	80	80	80	-
Contributions, Indemnities and Taxes	39,450	39,450	35,810	3,640
Total Expenditures and Encumbrances	39,530	39,530	35,890	3,640
Operating Surplus (Deficit) for the Year	-	1,452	5,218	3,766
Fund Balance Available for Appropriation, July 1, 2009	-	-	-	-
Fund Balance Available for Appropriation, June 30, 2010	-	1,452	5,218	3,766

City of Philadelphia **Schedule XIII**

Budgetary Comparison Schedule

Aviation Operating Fund

For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(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	15,000	15,000	12,281	(2,719)
Adjusted Fund Balance, July 1, 2009	72,183	70,128	67,409	(2,719)
Fund Balance Available for Appropriation, June 30, 2010	60,438	(9,677)	73,622	83,299

City of Philadelphia **Schedule XIV**

Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	500	500	12,434	11,934
Revenue from Other Governments	127,470	107,470	39,517	(67,953)
Total Revenues	127,970	107,970	51,951	(56,019)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(16,301)	(16,301)
Total Revenues and Other Sources	127,970	107,970	35,650	(72,320)
Expenditures and Encumbrances				
Personal Services	7,416	7,416	5,205	2,211
Pension Contributions	2,880	2,901	1,204	1,697
Other Employee Benefits	2,002	1,981	1,349	632
Sub-Total Employee Compensation	12,298	12,298	7,758	4,540
Purchase of Services	95,032	94,950	50,139	44,811
Materials and Supplies	400	352	263	89
Equipment	210	340	241	99
Payments to Other Funds	30	30	26	4
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	127,970	127,970	58,427	69,543
Operating Surplus (Deficit) for the Year	-	(20,000)	(22,777)	(2,777)
Fund Balance Available for Appropriation, July 1, 2009	-	(5,043)	(5,043)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	23,800	23,800
Prior Period Adjustments	-	5,043	-	(5,043)
Adjusted Fund Balance, July 1, 2009	-	-	18,757	18,757
Fund Balance Available for Appropriation, June 30, 2010	-	(20,000)	(4,020)	15,980

City of Philadelphia **Schedule XV**

Budgetary Comparison Schedule

Car Rental Tax Fund

For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	4,500	4,700	4,674	(26)
Locally Generated Non-Tax Revenue	100	25	5	(20)
Total Revenues	4,600	4,725	4,679	(46)
Expenditures and Encumbrances				
Purchase of Services	5,000	5,000	5,000	-
Total Expenditures and Encumbrances	5,000	5,000	5,000	-
Operating Surplus (Deficit) for the Year	(400)	(275)	(321)	(46)
Fund Balance Available for Appropriation, July 1, 2009	5,342	5,627	5,627	-
Fund Balance Available for Appropriation, June 30, 2010	4,942	5,352	5,306	(46)

City of Philadelphia

Schedule XVI

Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	10,000	9,100	8,030	(1,070)
Revenue from Other Funds	1,500	-	-	-
Total Revenues	11,500	9,100	8,030	(1,070)
Expenditures and Encumbrances				
Personal Services	600	600	413	187
Purchase of Services	16,800	22,300	18,488	3,812
Total Expenditures and Encumbrances	17,400	22,900	18,901	3,999
Operating Surplus (Deficit) for the Year	(5,900)	(13,800)	(10,871)	2,929
Fund Balance Available for Appropriation, July 1, 2009	900	7,144	7,144	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	5,000	4,000	6,446	2,446
Adjusted Fund Balance, July 1, 2009	5,900	11,144	13,590	2,446
Fund Balance Available for Appropriation, June 30, 2010	-	(2,656)	2,719	5,375

City of Philadelphia **Schedule XVII**

Budgetary Comparison Schedule

General Capital Improvement Funds

For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	397,216	397,216	12,443	(384,773)
Revenue from Other Governments	337,014	345,414	58,013	(287,401)
Revenue from Other Funds	-	-	10,087	10,087
Total Revenues	734,230	742,630	80,543	(662,087)
Other Sources (Uses)				
Increase in Unreimbursed Committments	-	-	3,181	3,181
Total Revenues and Other Sources	734,230	742,630	83,724	(658,906)
Expenditures and Encumbrances				
Capital Outlay	734,230	742,630	125,138	617,492
Operating Surplus (Deficit) for the Year	-	-	(41,414)	(41,414)
Fund Balance Available for Appropriation, July 1, 2009	-	-	107,986	107,986
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	8,435	8,435
Revenue Adjustments - Net	-	-	157	157
Adjusted Fund Balance, July 1, 2009	-	-	116,578	116,578
Fund Balance Available for Appropriation, June 30, 2010	-	-	75,164	75,164

City of Philadelphia **Schedule XVIII**

Budgetary Comparison Schedule
Acute Care Hospital Assessment Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Tax Revenue	126,500	124,430	108,154	(16,276)
Total Revenues	126,500	124,430	108,154	(16,276)
Other Sources				
Increase in Unreimbursed Committments	-	-	10	10
Total Revenues and Other Sources	126,500	124,430	108,164	(16,266)
Expenditures and Encumbrances				
Personal Services	5,845	5,845	-	5,845
Pension Contributions	1,039	1,039	-	1,039
Other Employee Benefits	1,006	1,006	-	1,006
Sub-Total Employee Compensation	7,890	7,890	-	7,890
Purchase of Services	117,705	117,705	101,370	16,335
Materials and Supplies	900	240	-	240
Equipment	5	665	-	665
Total Expenditures and Encumbrances	126,500	126,500	101,370	25,130
Operating Surplus (Deficit) for the Year	-	(2,070)	6,794	8,864
Fund Balance Available for Appropriation, July 1, 2009	-	-	4,000	4,000
Adjusted Fund Balance, July 1, 2009	-	-	4,000	4,000
Fund Balance Available for Appropriation, June 30, 2010	-	(2,070)	10,794	12,864

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund *Amounts in thousands of USD*

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2010 Actual	Positive (Negative)	FY 2009 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	378,242	371,420	364,313	(7,107)	365,637	(1,324)
Prior Years	42,000	42,000	37,874	(4,126)	34,420	3,454
Total Real Property Tax	420,242	413,420	402,187	(11,233)	400,057	2,130
Wage and Earnings Taxes:						
Current	1,133,993	1,092,993	1,102,285	9,292	1,105,871	(3,586)
Prior Years	12,000	24,000	11,918	(12,082)	11,170	748
Total Wage and Earnings Taxes	1,145,993	1,116,993	1,114,203	(2,790)	1,117,041	(2,838)
Business Taxes:						
Business Privilege Taxes:						
Current	323,688	349,638	329,275	(20,363)	367,074	(37,799)
Prior Years	25,000	27,000	35,428	8,428	18,916	16,512
Total Business Privilege Tax	348,688	376,638	364,703	(11,935)	385,990	(21,287)
Net Profits Tax:						
Current	8,381	8,381	12,058	3,677	9,472	2,586
Prior Years	4,000	6,000	2,448	(3,552)	2,727	(279)
Total Net Profits Tax	12,381	14,381	14,506	125	12,199	2,307
Total Business Taxes	361,069	391,019	379,209	(11,810)	398,189	(18,980)
Other Taxes:						
Sales Tax	234,660	199,801	207,113	7,312	128,233	78,880
Amusement Tax	18,894	20,894	21,850	956	21,379	471
Real Property Transfer Tax	84,745	118,745	119,236	491	115,133	4,103
Parking Lot Tax	70,725	70,725	70,453	(272)	70,380	73
Miscellaneous Taxes	3,000	3,050	2,390	(660)	2,406	(16)
Total Other Taxes	412,024	413,215	421,042	7,827	337,531	83,511
Total Taxes	2,339,328	2,334,647	2,316,641	(18,006)	2,252,818	63,823
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	5,943	5,073	4,696	(377)	7,378	(2,682)
Licenses and Permits	49,564	39,917	43,346	3,429	39,286	4,060
Fines, Forfeits, Penalties, Confiscated Money and Property	22,672	20,997	17,727	(3,270)	17,665	62
Interest Income	13,375	12,776	8,264	(4,512)	15,815	(7,551)
Service Charges and Fees	133,328	126,017	113,972	(12,045)	100,118	13,854
Other	51,090	42,510	41,354	(1,156)	76,027	(34,673)
Total Locally Generated Non-Tax Revenue	275,972	247,290	229,359	(17,931)	256,289	(26,930)
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	202,801	192,170	140,347	(51,823)	128,655	11,692
Commonwealth of Pennsylvania:						
Grants and Other Payments	595,678	635,110	605,896	(29,214)	519,487	86,409
Other Governmental Units	372,657	341,661	330,138	(11,523)	345,294	(15,156)
Total Revenue from Other Governments	1,171,136	1,168,941	1,076,381	(92,560)	993,436	82,945
Revenue from Other Funds	28,134	33,003	31,945	(1,058)	135,338	(103,393)
Total Revenues	3,814,570	3,783,881	3,654,326	(129,555)	3,637,881	16,445

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2010 Actual	Positive (Negative)	FY 2009 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	16,049	16,139	13,464	2,675	14,696	(1,232)
Mayor's Office:						
Mayor's Office	4,359	5,022	4,263	759	9,435	(5,172)
Scholarships	200	200	193	7	200	(7)
Mural Arts Program	1,000	1,000	973	27	763	210
Labor Relations	485	539	523	16	535	(12)
MDO Office of Technology	21,744	42,733	38,521	4,212	36,397	2,124
Capital Program Office	-	-	-	-	3,020	(3,020)
Mayor's Office of Community Services	-	30	30	-	8	22
Transportation	500	500	482	18	411	71
Law	20,768	20,844	17,965	2,879	19,260	(1,295)
Board of Ethics	810	810	706	104	763	(57)
Youth Commission	100	100	85	15	51	34
Inspector General	1,310	1,310	1,146	164	-	1,146
City Planning Commission	2,728	2,904	2,904	-	3,054	(150)
Commission on Human Relations	2,084	2,084	1,983	101	2,076	(93)
Zoning Code Commisssion	500	500	468	32	382	86
Arts & Culture	3,935	3,949	3,943	6	-	3,943
Board of Revision of Taxes	7,816	7,816	7,463	353	8,789	(1,326)
Total General Government	84,388	106,480	95,112	11,368	99,840	(4,728)
Operation of Service Departments						
Housing	2,800	2,800	2,800	-	4,000	(1,200)
Managing Director	18,787	18,891	16,576	2,315	20,143	(3,567)
Police	522,478	541,956	541,606	350	544,120	(2,514)
Streets	117,124	139,031	134,903	4,128	140,411	(5,508)
Fire	188,656	190,698	190,051	647	191,222	(1,171)
Public Health	116,937	117,035	111,198	5,837	116,409	(5,211)
Office-Behavioral Health/Mental Retardation	14,272	14,272	14,239	33	14,260	(21)
Recreation	33,619	34,716	33,699	1,017	37,987	(4,288)
Fairmount Park Commission	12,590	13,337	13,251	86	14,876	(1,625)
Atwater Kent Museum	249	298	298	-	276	22
Camp William Penn	100	100	100	-	98	2
Public Property	177,712	167,629	164,793	2,836	169,732	(4,939)
Department of Human Services	590,878	592,522	562,731	29,791	600,655	(37,924)
Philadelphia Prisons	248,835	246,592	240,571	6,021	242,698	(2,127)
Office of Supportive Housing	38,474	38,478	38,387	91	39,437	(1,050)
Office of Fleet Management	52,254	52,839	47,331	5,508	54,601	(7,270)
Licenses and Inspections	24,103	24,975	23,069	1,906	26,783	(3,714)
Board of L & I Review	156	156	127	29	207	(80)
Board of Building Standards	72	72	61	11	91	(30)
Zoning Board of Adjustment	378	378	311	67	359	(48)
Records	5,335	5,361	5,195	166	6,873	(1,678)
Philadelphia Historical Commission	413	437	387	50	377	10
Art Museum	2,300	2,343	2,343	-	3,000	(657)
Philadelphia Free Library	32,968	33,239	32,752	487	37,533	(4,781)
Total Operations of Service Departments	2,201,490	2,238,155	2,176,779	61,376	2,266,148	(89,369)
Financial Management						
Office of Director of Finance	35,953	40,326	11,176	29,150	19,830	(8,654)
Department of Revenue	16,415	19,035	16,420	2,615	17,038	(618)
Sinking Fund Commission	215,531	202,531	185,464	17,067	186,963	(1,499)
Procurement	3,775	4,397	4,397	-	4,866	(469)
City Treasurer	751	751	648	103	632	16
Audit of City Operations	7,425	7,545	7,408	137	7,885	(477)
Total Financial Management	279,850	274,585	225,513	49,072	237,214	(11,701)

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund *Amounts in thousands of USD*

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2010 Actual	Positive (Negative)	FY 2009 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	789,250	811,848	831,698	(19,850)	973,223	(141,525)
PGW Rental Reimbursement	18,000	18,000	18,000	-	18,000	-
Community College of Philadelphia	26,468	26,468	26,468	-	26,468	-
Legal Services	35,941	35,941	35,941	-	37,339	(1,398)
Hero Award	25	43	43	-	35	8
Refunds	250	8	1	7	-	1
Indemnities	24,501	39	1	38	31	(30)
Office of Risk Management	2,312	2,175	2,891	(716)	-	2,891
Witness Fees	172	172	104	68	117	(13)
Contribution to School District	38,540	38,540	38,540	-	38,490	50
Total City-Wide Under Director of Finance	935,459	933,234	953,687	(20,453)	1,093,703	(140,016)
Promotion and Public Relations						
City Representative	1,137	1,137	906	231	4,648	(3,742)
Commerce	28,554	28,554	27,321	1,233	27,761	(440)
	29,691	29,691	28,227	1,464	32,409	(4,182)
Personnel						
Civic Service Commission	170	170	154	16	165	(11)
Personnel Director	4,568	4,573	4,052	521	4,523	(471)
Total Personnel	4,738	4,743	4,206	537	4,688	(482)
Administration of Justice						
Clerk of Quarter Sessions	4,915	4,915	4,510	405	4,968	(458)
Register of Wills	3,399	3,399	3,209	190	3,598	(389)
District Attorney	28,942	30,151	30,153	(2)	30,882	(729)
Sheriff	13,067	15,785	15,785	-	15,706	79
First Judicial District	97,754	105,746	105,746	-	114,971	(9,225)
Total Administration of Justice	148,077	159,996	159,403	593	170,125	(10,722)
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,342	1,599	1,599	-	1,444	155
Conduct of Elections						
City Commissioners	8,794	9,218	9,200	18	9,717	(517)
Total Obligations	3,693,829	3,757,701	3,653,726	103,975	3,915,288	(261,562)
Operating Surplus (Deficit) for the Year	120,741	26,180	600	(25,580)	(277,407)	278,007

City of Philadelphia **Schedule XX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Water Operating Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts Original	Budgeted Amounts Final	FY 2010 Actual	Final Budget to Actual Positive (Negative)	FY 2009 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	425,795	421,350	429,760	8,410	414,381	15,379
Sales and Charges - Prior Years	43,008	38,257	31,431	(6,826)	11,273	20,158
Fire Service Connections	1,920	925	1,593	668	1,370	223
Surcharges	4,942	5,013	4,576	(437)	4,484	92
Fines and Penalties	1,038	1,002	1,206	204	824	382
Miscellaneous Charges	1,376	946	1,645	699	976	669
Charges to Other Municipalities	31,551	31,551	37,357	5,806	28,982	8,375
Licenses and Permits	2,000	2,024	2,226	202	2,208	18
Interest Income	9,181	5,720	851	(4,869)	10,050	(9,199)
Fleet Management - Sale of Vehicles & Equipment	195	245	287	42	295	(8)
Contributions from Sinking Fund Reserve	2,782	2,718	2,648	(70)	7,059	(4,411)
Reimbursement of Expenditures	193	218	59	(159)	94	(35)
Repair Loan Program	2,644	2,340	2,116	(224)	2,120	(4)
Other	1,516	720	623	(97)	422	201
Total Locally Generated Non-Tax Revenue	528,141	513,029	516,378	3,349	484,538	31,840
Revenue from Other Governments						
State	2,000	1,000	726	(274)	401	325
Federal	2,000	2,000	1,905	(95)	273	1,632
Total Revenue from Other Governments	4,000	3,000	2,631	(369)	674	1,957
Revenue from Other Funds	81,469	58,696	27,734	(30,962)	58,263	(30,529)
Total Revenues	613,610	574,725	546,743	(27,982)	543,475	3,268
Obligations						
Mayor's Office of Information Services	1,730	2,649	1,907	742	2,372	(465)
Managing Director	-	-	-	-	-	-
Public Property	4,533	3,614	3,614	-	3,613	1
Police Department	-	-	-	-	-	-
Office of Fleet Management	8,543	8,543	7,211	1,332	7,189	22
Water Department	303,228	308,125	271,671	36,454	266,273	5,398
Office of the Director of Finance	-	-	-	-	108	(108)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	39,986	38,686	27,494	11,192	38,364	(10,870)
Other Employee Benefits	40,420	41,720	39,974	1,746	39,346	628
Contributions, Indemnities and Taxes	6,500	1,603	-	1,603	-	-
Department of Revenue	22,157	22,157	17,678	4,479	17,540	138
Sinking Fund Commission	200,123	200,123	196,717	3,406	184,253	12,464
Procurement Department	69	69	69	-	66	3
Law	3,321	3,321	3,115	206	3,071	44
Total Obligations	630,610	630,610	569,450	61,160	562,195	7,255
Operating Surplus (Deficit) for the Year	(17,000)	(55,885)	(22,707)	33,178	(18,720)	(3,987)

City of Philadelphia **Schedule XXI**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Aviation Operating Fund *Amounts in thousands of USD*

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2010 Actual	Positive (Negative)	FY 2009 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	32,000	20,000	27,442	7,442	26,422	1,020
Space Rentals	117,270	102,500	103,250	750	101,474	1,776
Landing Fees	65,700	53,000	50,218	(2,782)	49,708	510
Parking	36,000	26,000	23,733	(2,267)	31,240	(7,507)
Car Rentals	25,000	18,000	16,743	(1,257)	18,629	(1,886)
Interest Earnings	2,000	2,000	326	(1,674)	2,163	(1,837)
Sale of Utilities	5,000	4,000	3,850	(150)	4,505	(655)
Passenger Facility Charge	33,000	33,000	33,133	133	32,925	208
Overseas Terminal Facility Charges	-	-	10	10	11	(1)
International Terminal Charge	24,000	20,000	19,755	(245)	19,733	22
Other	15,030	15,240	6,557	(8,683)	4,472	2,085
Total Locally Generated Non-Tax Revenue	355,000	293,740	285,017	(8,723)	291,282	(6,265)
Revenue from Other Governments						
State	1,300	-	194	194	-	194
Federal	6,500	2,000	2,896	896	1,934	962
Total Revenue from Other Governments	7,800	2,000	3,090	1,090	1,934	1,156
Revenue from Other Funds	2,000	1,000	2,063	1,063	887	1,176
Total Revenue	364,800	296,740	290,170	(6,570)	294,103	(3,933)
Obligations						
Mayor's Office of Information Services	-	694	393	301	434	(41)
Police	13,543	13,553	13,029	524	13,069	(40)
Fire	6,203	6,203	5,109	1,094	5,478	(369)
Public Property	27,594	26,900	13,900	13,000	17,000	(3,100)
Office of Fleet Management	8,134	8,134	5,287	2,847	4,504	783
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	20,978	20,978	14,946	6,032	20,852	(5,906)
Other Employee Benefits	19,305	19,305	17,993	1,312	18,656	(663)
Purchase of Services	4,146	4,146	2,732	1,414	2,851	(119)
Contributions, Indemnities and Taxes	2,512	1,630	-	1,630	-	-
Sinking Fund Commission	107,650	107,650	95,343	12,307	99,676	(4,333)
Procurement	-	-	-	-	42	(42)
Commerce	164,576	165,448	113,665	51,783	118,196	(4,531)
Law	1,904	1,904	1,560	344	1,721	(161)
Total Obligations	376,545	376,545	283,957	92,588	302,479	(18,522)
Operating Surplus (Deficit) for the Year	(11,745)	(79,805)	6,213	86,018	(8,376)	14,589

Statistical Section

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue source, the wage and earnings tax. Property tax information is also presented.

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.

Demographic & Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These tables contain service and infrastructure information data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.

The City of Philadelphia implemented GASB Statement #34 in FY2002. Tables presenting government-wide information include information beginning in that year.

City of Philadelphia
Net Assets by Component
For the Fiscal Years 2003 Through 2010

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	286.4	175.0	241.3	248.6	161.4	206.4	(5.8)	(59.3)
Restricted	426.8	484.1	516.5	471.5	689.7	641.0	833.8	516.1
Unrestricted	(453.8)	(707.0)	(1,028.6)	(1,010.9)	(1,220.5)	(1,567.1)	(2,120.6)	(2,239.5)
Total Governmental Activities Net Assets	259.4	(47.9)	(270.8)	(290.8)	(369.4)	(719.7)	(1,292.6)	(1,782.7)
Business-Type Activities								
Invested in Capital Assets, Net of Related Debt	478.6	541.0	548.4	537.4	544.0	591.8	750.6	831.8
Restricted	642.1	504.0	472.0	551.9	635.1	644.1	511.2	489.3
Unrestricted	(12.7)	91.3	269.7	273.9	257.3	266.2	269.8	257.3
Total Business-Type Activities Net Assets	1,108.0	1,136.3	1,290.1	1,363.2	1,436.4	1,502.1	1,531.6	1,578.4
Primary Government								
Invested in Capital Assets, Net of Related Debt	765.0	716.0	789.7	786.0	705.4	798.2	744.8	772.5
Restricted	1,068.9	988.1	988.5	1,023.4	1,324.8	1,285.1	1,345.0	1,005.4
Unrestricted	(466.5)	(615.7)	(758.9)	(737.0)	(963.2)	(1,300.9)	(1,850.8)	(1,982.2)
Total Primary Government Net Assets	1,367.4	1,088.4	1,019.3	1,072.4	1,067.0	782.4	239.0	(204.3)

City of Philadelphia | Table 2
Changes in Net Assets
For the Fiscal Years 2003 Through 2010 | *Amounts in millions of USD*

(full accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental Activities:								
Economic Development	127.9	127.4	89.5	89.8	92.6	116.4	116.0	145.0
Transportation:								
Streets & Highways	99.8	109.9	119.0	116.0	116.6	117.7	119.1	129.4
Mass Transit	85.9	81.3	84.9	84.5	85.1	88.3	90.5	82.7
Judiciary and Law Enforcement:								
Police	755.2	793.8	817.1	836.0	921.4	1,002.9	985.6	990.5
Prisons	223.4	237.1	250.2	268.7	293.2	311.4	339.1	343.8
Courts	253.8	277.2	284.9	287.1	304.1	321.6	318.7	312.0
Conservation of Health:								
Emergency Medical Services	29.0	30.6	34.2	35.6	36.0	37.2	36.9	47.8
Health Services	1,196.5	1,174.6	1,275.0	1,411.9	1,442.6	1,572.6	1,701.5	1,446.7
Housing and Neighborhood Development	125.2	119.0	123.0	149.5	111.2	142.1	149.1	131.3
Cultural and Recreational								
Recreation	109.5	118.4	68.3	73.3	73.4	86.2	77.3	77.0
Parks	26.2	32.6	30.2	28.9	32.6	36.6	37.7	37.9
Libraries and Museums	63.0	67.5	80.7	68.6	90.3	87.0	92.8	79.0
Improvements to General Welfare:								
Social Services	641.5	691.2	697.6	702.0	765.5	794.1	756.3	718.8
Education	57.1	58.6	61.6	59.9	64.0	65.5	67.2	72.0
Inspections and Demolitions	44.3	81.3	79.0	55.3	64.3	47.3	27.8	23.4
Service to Property:								
Sanitation	114.8	121.0	126.0	128.8	134.4	138.0	137.8	142.7
Fire	190.2	215.4	229.6	236.1	285.3	284.8	278.6	266.0
General Management and Support	524.8	576.9	519.9	574.8	568.7	636.9	684.1	683.3
Interest on Long Term Debt	130.2	98.3	138.2	136.9	149.5	95.1	214.6	174.9
Total Governmental Activities Expenses	4,798.3	5,012.1	5,108.9	5,343.7	5,630.8	5,981.7	6,230.7	5,904.2
Business-Type Activities:								
Water and Sewer	412.9	416.9	442.3	455.4	476.2	504.3	530.8	502.5
Aviation	244.5	261.0	269.5	303.1	314.3	323.1	326.2	330.1
Industrial and Commercial Development	2.2	2.5	4.7	2.1	3.7	2.1	3.0	0.1
Total Business-Type Activities Expenses	659.6	680.4	716.5	760.6	794.2	829.5	860.0	832.7
Total Primary government Expenses	5,457.9	5,692.5	5,825.4	6,104.3	6,425.0	6,811.2	7,090.7	6,736.9
Program Revenues								
Governmental Activities:								
Charges for Services:								
Economic Development	0.2	6.9	0.1	-	-	-	0.3	0.1
Transportation:								
Streets & Highways	1.1	1.5	1.9	2.2	3.5	3.9	2.8	4.4
Mass Transit	0.6	0.5	0.5	0.6	0.6	0.5	0.4	0.5
Judiciary and Law Enforcement:								
Police	2.2	2.4	2.2	7.2	1.7	4.3	5.0	3.3
Prisons	0.4	0.5	0.4	0.4	0.3	0.3	0.4	0.5
Courts	50.9	52.5	48.4	51.5	51.5	52.7	51.8	53.4
Conservation of Health:								
Emergency Medical Services	20.1	20.7	23.1	25.0	27.7	27.6	37.5	36.8
Health Services	10.2	11.6	13.5	14.0	12.6	15.3	14.4	16.2
Housing and Neighborhood Development	18.9	12.0	10.0	22.3	45.2	25.2	31.3	20.8
Cultural and Recreational:								
Recreation	14.3	13.0	0.8	0.4	0.2	0.3	3.2	(0.1)
Parks	1.9	1.7	0.9	0.4	0.5	1.5	0.6	0.9
Libraries and Museums	0.3	0.4	0.5	0.9	0.9	0.8	1.3	0.9
Improvements to General Welfare:								
Social Services	8.8	6.9	7.6	7.4	7.3	6.4	7.6	14.4
Education	-	-	-	-	-	-	1.1	-
Inspections and Demolitions	0.5	0.8	0.7	0.7	44.4	44.9	40.3	43.9
Service to Property:								
Sanitation	1.8	2.0	2.1	1.8	-	3.1	2.9	2.0
Fire	0.1	0.1	0.5	0.4	0.7	0.2	0.7	0.3
General Management and Support	150.7	138.2	130.8	179.1	107.5	110.6	131.9	203.0
Operating Grants and Contributions	1,907.2	1,958.7	2,067.2	2,142.1	2,204.9	2,339.9	2,438.1	2,050.4
Capital Grants and Contributions	17.3	19.6	9.1	21.4	15.8	10.0	35.0	46.9
Total Governmental Activities Program Revenues	2,207.5	2,250.0	2,320.3	2,477.8	2,525.3	2,647.5	2,806.6	2,498.6

City of Philadelphia — Table 2

Changes in Net Assets

For the Fiscal Years 2003 Through 2010 — *Amounts in millions of USD*

(full accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
Business-Type Activities:								
Charges for Services:								
Water and Sewer	385.4	401.6	450.6	470.8	493.6	503.3	499.7	552.4
Aviation	230.5	251.9	278.4	295.0	309.2	303.2	251.7	240.0
Industrial and Commercial Development	1.2	1.2	1.1	1.2	1.5	1.5	0.5	0.3
Operating Grants and Contributions	8.9	4.8	2.0	2.5	2.8	5.4	2.6	6.1
Capital Grants and Contributions	17.8	21.0	20.7	25.3	22.4	36.6	109.4	90.5
Total Business-Type Activities Program Revenues	643.8	680.5	752.8	794.8	829.5	850.0	863.9	889.3
Total Primary Government Revenues	2,851.3	2,930.5	3,073.1	3,272.6	3,354.8	3,497.5	3,670.5	3,387.9
Net (Expense)/Revenue								
Governmental Activities	(2,590.8)	(2,762.1)	(2,788.6)	(2,865.9)	(3,105.5)	(3,334.2)	(3,424.1)	(3,405.6)
Business-Type Activities	(15.8)	0.1	36.3	34.2	35.3	20.5	3.9	56.6
Total Primary Government Net Expense	(2,606.6)	(2,762.0)	(2,752.3)	(2,831.7)	(3,070.2)	(3,313.7)	(3,420.2)	(3,349.0)
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes:								
Property Taxes	362.7	374.4	381.8	386.3	399.2	401.3	409.2	400.8
Wage & Earnings Taxes	1,301.9	1,345.9	1,373.0	1,424.9	1,498.5	1,524.5	1,465.5	1,448.5
Business Taxes	306.9	319.2	367.9	430.2	453.7	414.5	407.6	385.2
Other Taxes	294.7	342.1	406.4	457.7	460.3	457.0	435.0	503.2
Unrestricted Grants & Contributions	61.2	47.1	84.3	81.7	104.1	104.7	107.8	171.4
Interest & Investment Earnings	57.5	26.0	32.9	60.2	81.8	65.3	46.1	25.5
Special Items	(99.3)	-	-	-	-	-	-	-
Transfers	4.1	-	4.4	5.0	4.9	4.9	4.2	28.3
Total Governmental Activities	2,289.7	2,454.7	2,650.7	2,846.0	3,002.5	2,972.2	2,875.4	2,962.9
Business-Type Activities:								
Interest & Investment Earnings	33.5	6.6	15.8	43.8	45.7	48.7	22.9	7.7
Transfers	(4.1)	-	(4.4)	(4.9)	(4.9)	(4.9)	(4.2)	(28.3)
Total Business-Type Activities	29.4	6.6	11.4	38.9	40.8	43.8	18.7	(20.6)
Total Primary Government	2,319.1	2,461.3	2,662.1	2,884.9	3,043.3	3,016.0	2,894.1	2,942.3
Change in Net Assets								
Governmental Activities	(301.1)	(307.4)	(137.9)	(19.9)	(103.0)	(362.0)	(548.7)	(442.7)
Business-Type Activities	13.6	6.7	47.7	73.1	76.1	64.3	22.6	36.0
Total Primary Government	(287.5)	(300.7)	(90.2)	53.2	(26.9)	(297.7)	(526.1)	(406.7)

City of Philadelphia Table 3
Fund Balances
Governmental Funds
For the Fiscal Years 2003 Through 2010 *Amounts in millions of USD*

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	240.9	152.2	190.7	193.3	335.2	258.8	199.0	115.0
Unreserved	(7.9) [1]	(148.1)	(36.4)	111.2	152.7	(24.3)	(274.6)	(251.8)
Total General Fund	233.0	4.1	154.3	304.5	487.9	234.5	(75.6)	(136.8)
All Other Governmental Funds								
Reserved	455.7	378.0	487.5	585.1	557.5	515.2	535.7	464.9
Unreserved, reported in:								
Special Revenue Funds	64.8	98.9	100.8	(52.0)	30.0	52.5	(0.9)	51.6
Debt Service funds	1.7	1.6	1.7	1.7	1.5	1.6	1.4	0.6
Capital Projects Funds	(98.1)	80.9	(6.3)	(67.1)	103.0	21.0	196.1	152.2
Permanent Funds	3.1	3.2	3.4	3.7	4.3	3.9	2.7	2.8
Total All Other Governmental Funds	427.2	562.6	587.1	471.4	696.3	594.2	735.0	672.1

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occured.

City of Philadelphia **Table 4**

Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2003 Through 2010

Amounts in millions of USD

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Tax Revenue	2,253.8	2,379.0	2,535.2	2,708.5	2,805.1	2,781.8	2,705.2	2,812.3
Locally Generated Non-Tax Revenue	339.8	280.0	265.2	354.5	381.7	349.7	349.3	302.7
Revenue from Other Governments	2,049.5	1,922.3	2,242.0	2,223.2	2,376.6	2,468.4	2,564.9	2,323.4
Other Revenues	17.3	18.5	16.7	15.3	17.1	17.9	49.6	33.1
Total Revenues	4,660.4	4,599.8	5,059.1	5,301.5	5,580.5	5,617.8	5,669.0	5,471.5
Expenditures								
Current Operating:								
Economic Development	170.4	157.0	92.7	81.5	85.5	112.3	107.0	135.1
Transportation:								
Streets & Highways	78.1	75.9	77.7	78.8	89.2	89.7	89.9	91.1
Mass Transit	57.5	52.9	56.6	56.7	58.1	61.7	63.7	65.2
Judiciary and Law Enforcement:								
Police	727.3	752.0	770.9	798.0	860.2	951.9	933.9	882.7
Prisons	214.3	224.5	241.3	256.6	278.1	298.2	326.9	315.2
Courts	246.5	267.8	276.9	278.2	292.3	311.1	310.5	288.1
Conservation of Health:								
Emergency Medical Services	28.4	29.7	33.3	34.8	34.9	36.0	36.2	45.0
Health Services	1,192.7	1,170.3	1,271.1	1,407.7	1,436.8	1,567.6	1,695.0	1,436.5
Housing and Neighborhood Development	120.7	119.0	122.9	147.9	109.2	141.9	148.4	131.2
Cultural and Recreational:								
Recreation	94.0	65.7	58.3	59.8	62.2	74.3	65.1	58.4
Parks	24.2	23.8	23.7	23.4	26.3	28.9	31.8	26.9
Libraries and Museums	64.4	61.1	68.2	70.2	83.2	84.2	81.0	68.8
Improvements to General Welfare:								
Social Services	636.1	683.4	689.1	695.9	756.7	778.2	743.1	699.7
Education	57.1	58.6	61.5	59.9	64.0	65.5	67.2	65.4
Inspections and Demolitions	46.6	83.6	81.2	59.8	63.0	46.3	33.1	27.3
Service to Property:								
Sanitation	111.5	117.8	122.0	125.6	129.5	132.9	134.6	130.6
Fire	188.0	203.0	217.8	225.8	267.6	276.4	266.9	237.6
General Management and Support	450.9	472.4	477.1	537.5	563.7	618.4	693.8	615.0
Capital Outlay	162.2	126.0	103.1	97.9	92.3	105.8	126.9	148.9
Debt Service:								
Principal	106.8	105.7	95.8	86.2	91.5	94.1	87.6	89.7
Interest	112.3	101.6	101.0	99.9	103.4	100.0	105.7	96.7
Bond Issuance Cost	-	9.2	3.9	-	5.0	24.2	8.5	23.5
Total Expenditures	4,890.0	4,961.0	5,046.1	5,282.1	5,552.7	5,999.6	6,156.8	5,678.6
Excess of Revenues Over (Under) Expenditures	(229.6)	(361.2)	13.0	19.4	27.8	(381.8)	(487.8)	(207.1)
Other Financing Sources (Uses)								
Issuance of Debt	165.5	487.7	157.3	10.0	353.1	1,303.8	262.9	207.0
Issuance of Refunding Debt	-	-	-	-	-	-	354.9	337.0
Bond Issuance Premium	-	4.8	-	-	13.8	31.1	26.7	24.3
Proceeds from Lease & Service Agreements	-	10.9	-	-	-	-	(3.1)	(1.0)
Bond Defeasance	(165.4)	(233.1)	-	-	-	(1,313.7)	(326.9)	(504.0)
Transfers In	449.4	442.9	581.4	433.1	460.1	465.2	574.5	558.1
Transfers Out	(445.2)	(442.9)	(577.0)	(428.1)	(455.1)	(460.2)	(570.3)	(529.7)
Total Other Financing Sources (Uses)	4.3	270.3	161.7	15.0	371.9	26.2	318.7	91.7
Special Items								
Business Privilage Tax Adjustment	(99.3) [1]	-	-	-	-	-	-	-
Net Change in Fund Balances	(324.6)	(90.9)	174.7	34.4	399.7	(355.6)	(169.1)	(115.4)
Debt Service as a Percentage of Non-capital Expenditures	4.7%	4.3%	4.0%	3.6%	3.6%	3.3%	3.2%	3.4%

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. $99.3 million of these estimated tax payments were deferred in the general fund in FY2003 because the underlying events had not occured.

City of Philadelphia

Table 5

Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2001 through 2010

Amounts in millions of USD

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Additions:										
Contributions:										
Employee Contributions	49.3	50.1	52.5	50.5	49.3	48.9	49.2	51.7	54.0	51.6
Employer's:										
City of Philadelphia [1]	163.5	174.2	174.6	196.6	290.6	321.3	419.2	412.4	440.0	297.4
Quasi-Governmental Agencies	4.1	4.0	5.2	6.2	8.6	10.4	13.1	14.5	15.4	15.1
Total Employer's Contributions	167.6	178.2	179.8	202.8	299.2	331.7	432.3	426.9	455.4	312.5
Total Contributions	216.9	228.3	232.3	253.3	348.5	380.6	481.5	478.6	509.4	364.1
Interest & Dividends	133.8	109.3	74.4	68.4	74.6	65.1	80.3	97.1	75.6	70.5
Net Gain (Decline) in Fair Value of Investments	(422.8)	(359.6)	(3.9)	526.6	306.2	386.4	684.7	(322.0)	(945.6)	381.2
Net Securities Lending Revenue	2.0	2.2	1.0	0.8	0.9	0.7	1.1	7.4	5.7	1.9
Net Investment Income (Loss)	(287.0)	(248.1)	71.5	595.8	381.7	452.2	766.1	(217.5)	(864.3)	453.6
Miscellaneous Operating Revenue	0.6	0.7	2.4	1.3	0.4	2.1	2.1	1.1	1.0	0.7
Total Additions	(69.5)	(19.1)	306.2	850.4	730.6	834.9	1,249.7	262.2	(353.9)	818.4
Deductions:										
Pension Benefits	456.8	450.2	462.3	657.5	590.6	608.6	655.8	725.7	681.1	680.1
Refunds to Members	4.7	7.1	4.9	4.1	4.6	4.8	4.5	4.2	4.8	4.5
Administrative Costs	5.3	5.2	6.6	6.4	6.8	6.7	6.7	7.6	8.4	8.1
Total Deductions	466.8	462.5	473.8	668.0	602.0	620.1	667.0	737.5	694.3	692.7
Net Increase (Decrease)	(536.3)	(481.6)	(167.6)	182.4	128.6	214.8	582.7	(475.3)	(1,048.2)	125.7
Net Assets: Adjusted Opening	4,976.4	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9
Closing	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1024.22%	1046.98%	971.22%	1417.03%	1321.25%	1380.05%	1467.11%	1527.79%	1383.30%	1443.95%
Closing Net Assets	10.29%	11.37%	12.20%	16.55%	14.40%	14.10%	13.39%	16.40%	20.18%	19.42%
Coverage of Additions over Deductions	-14.89%	-4.13%	64.63%	127.31%	121.36%	134.64%	187.36%	35.55%	-50.97%	118.15%
Investment Earnings as % of Pension Benefits	-62.83%	-55.11%	15.47%	90.62%	64.63%	74.30%	116.82%	-29.97%	-126.90%	66.70%

[1] Includes $1,250 million from the sale of Pension Obligation Bonds

City of Philadelphia

Table 6

Wage and Earnings Tax Taxable Income
For the Calendar Years 2000 Through 2009

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1,2]	Taxable Income	% of Total	Direct Rate [1, 2]	Total Taxable Income	Total Direct Rate
2000	16,759.8	59.07%	4.58850%	11,611.4	40.93%	3.98920%	28,371.2	4.34323%
2001	17,478.3	59.25%	4.55100%	12,020.4	40.75%	3.95670%	29,498.7	4.30883%
2002	17,615.6	59.54%	4.51930%	11,969.4	40.46%	3.92950%	29,585.0	4.28068%
2003	18,073.7	58.86%	4.48130%	12,635.0	41.14%	3.89640%	30,708.7	4.24064%
2004	18,428.5	58.31%	4.46250%	13,175.0	41.69%	3.88010%	31,603.5	4.21971%
2005	19,177.8	58.14%	4.33100%	13,805.0	41.86%	3.81970%	32,982.8	4.11699%
2006	20,194.0	57.85%	4.30100%	14,715.3	42.15%	3.77160%	34,909.3	4.07784%
2007	20,942.9	57.03%	4.26000%	15,782.7	42.97%	3.75570%	36,725.6	4.04328%
2008	21,967.0	57.07%	4.09950%	16,522.2	42.93%	3.63170%	38,489.2	3.89869%
2009	21,777.4	57.33%	3.92980%	16,207.4	42.67%	3.49985%	37,984.9	3.74635%

Note:

The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

[1] For the years 2000 through 2003 the rate changed on July 1st. For those years the direct rate is an average of the two rates involved during the calendar year.

[2] In 2008 and 2009, the rate changed on January 1st and July 1st. The direct rate is an average of the two rates involved during that calendar year.

City of Philadelphia
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2001 through 2010

Table 7

Tax Classification	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Wage and Earnings Tax:										
[a] City Residents	4.5635%	4.5385%	4.5000%	4.4625%	4.3310% [b]	4.3010% [b]	4.2600% [b]	4.2190% [b]	3.9300% [b]	3.9296%
Non-City Residents	3.9672%	3.9462%	3.9127%	3.8801%	3.8197% [b]	3.7716% [b]	3.7557% [b]	3.7242% [b]	3.5000% [b]	3.4997%

Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer
All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax

Tax Classification	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
[d] **Real Property: (% on Assessed Valuation)**										
City	3.745%	3.745%	3.474%	3.474%	3.474%	3.474%	3.474%	3.305%	3.305%	3.305%
School District of Philadelphia	4.519%	4.519%	4.790%	4.790%	4.790%	4.790%	4.790%	4.959%	4.959%	4.959%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%
[e] Assessment Ratio	30.32%	30.33%	30.12%	30.02%	29.70%	29.69%	29.24%	29.22%	28.86%	28.46%
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.506%	2.506%	2.489%	2.481%	2.454%	2.454%	2.416%	2.415%	2.385%	2.352%

The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest
If you pay your bill on or before the last day of February, you receive a 1% discount.

Tax Classification	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate
Certain long term leases are also subject to this tax.

Tax Classification	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Business Privilege Taxes										
(% on Gross Receipts)	0.2525%	0.2400%	0.2400% [c]	0.2300% [c]	0.2100% [c]	0.1900% [c]	0.1665% [c]	0.1540% [c]	0.1415% [c]	0.1415%
[f] (% on Net Income)	6.5000%	6.5000%	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.4500% [c]	6.4500%

Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BPT Return

Tax Classification	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
[c] **Net Profits Tax:**										
[a] City Residents	4.5635%	4.5385%	4.5000%	4.4625%	4.4625%	4.3310%	4.3010%	4.2600%	3.9800%	3.9296%
Non-City Residents	3.9672%	3.9462%	3.9127%	3.8801%	3.8801%	3.8197%	3.7716%	3.7557%	3.5392%	3.4997%

Net Profits Tax is levied on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts.

City of Philadelphia

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 2001 through 2010

Table 7

Tax Classification	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.0%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged										
Parking Lot Tax	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%
Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City										
Hotel Room Rental Tax	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	7.2%	8.2%
Rate of Tourism & Marketing Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.2%	9.2%
Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other buildin located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.										
Vehicle Rental Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration										

[a] Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

[b] Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31. For FY 2010, from July 1 through December 31, 2009 the rates were 3.930 % and 3.500%.

[c] Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

[d] Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

[e] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[f] 60% of the Net Income portion of the Business Privilege Tax is allowed to be credited against the Net Profits Tax

City of Philadelphia

Table 8

Principal Wage and Earnings Tax Remitters [1]

Current Calendar Year and Nine Years Ago

Amounts in millions of USD

	2009			2000		
Remittance Range	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted
Greater then $10 million	13	$330.8	23.24%	11	$251.6	20.42%
Between $1 million & $10 million	150	383.5	26.95%	115	308.4	25.02%
Between $100,000 & $1 million	1,470	379.8	26.69%	1,312	347.2	28.18%
Between $10,000 & $100,000	8,292	244.5	17.18%	8,204	242.8	19.71%
Less then $10,000	36,522	84.5	5.94%	36,494	82.2	6.67%
Total	46,447	$1,423.0	100.00%	46,136	$1,232.2	100.00%

[1] Wage & Earnings information for individual remitters is confidential

City of Philadelphia | Table 9

Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2001 through 2010

Amounts in millions of USD

Calendar Year of Levy [1]	Assessed Value [3]	Less: Tax-Exempt Property [2, 3]	Total Taxable Assessed Value	Total Direct Tax Rate [4]	STEB Ratio [5]	Estimated Actual Taxable Value (STEB)	Sales Ratio [6]	Estimated Actual Taxable Value (Sales)
2001	13,254	3,513	9,741	3.745%	30.32%	32,127	25.46%	38,260
2002	13,762	3,603	10,159	3.745%	30.33%	33,495	25.18%	40,346
2003	14,326	3,705	10,621	3.474%	30.12%	35,262	22.58%	47,037
2004	14,813	3,867	10,946	3.474%	30.02%	36,462	24.21%	45,213
2005	15,072	4,040	11,032	3.474%	29.70%	37,145	23.73%	46,490
2006	15,803	4,372	11,431	3.474%	29.69%	38,501	17.42%	65,620
2007	16,243	4,628	11,615	3.474%	29.24%	39,723	17.94%	64,744
2008	16,974	4,799	12,175	3.305%	29.22%	41,667	16.44%	74,057
2009	17,352	5,146	12,206	3.305%	28.86%	42,294	24.64%	49,537
2010	17,615	5,339	12,276	3.305%	28.46%	43,134	NA	NA

[1] Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

[2] Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

[3] Source: Board of Revison of Taxes

[4] per $1,000.00 of assessed value

[5] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13

[6] This ratio is compiled by the Board of Revision of Taxes based on sales of property during the year.

Table 10

Amounts in millions of USD

	2010			2001		
Taxpayer	Assessment [1]	Rank	Percentage of Total Assessments	Assessment [1]	Rank	Percentage of Total Assessments
Franklin Mills Associates	57.6	1	0.47	48.1	4	0.49
Phila Liberty Pla E Lp	54.4	2	0.44	59.2	2	0.61
Nine Penn Center Associates	54.1	3	0.44	52.0	3	0.53
HUB Properties Trust	43.8	4	0.36	-		-
Bell Atlantic	40.6	5	0.33	42.7	6	0.44
PRU 1901 Market LLC	35.2	6	0.29	31.6	9	0.32
Maguire/Thomas	33.9	7	0.28	31.6	10	0.32
Commerce Square Partners	33.3	8	0.27	31.9	8	0.33
Phila Shipyard Development Corp	30.3	9	0.25	-		-
Philadelphia Market Street	28.8	10	0.23	32.0	7	0.33
C S F Partnership	-		-	59.5	1	0.61
LP Associates	-		-	44.8	5	0.46
	412.0		3.36	433.4		4.45
Total Taxable Assessments	12,276.0		100.00	9,741.0		100.00

[1] Source: Board of Revison of Taxes

City of Philadelphia | Table 11

Real Property Taxes Levied and Collected
For the Calendar Years 2001 through 2010

Amounts in millions of USD

Calendar Year of Levy [1]	Taxes Levied for the Year	Collected within the Year of the Levy		Collected in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount [2]	Percentage of Levy
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 property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

[2] Includes collections through June 30, 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.

Ratios of Outstanding Debt by Type
For the Fiscal Years 2001 through 2010

Amounts in millions of USD (except per capita)

	Governmental Activities								Business-Type Activities						
Fiscal Year	General Obligation Bonds	Pension Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	% of Personal Income [1]	Per Capita
2001	2,137.6	1,296.8	-	-	-	-	-	3,434.4	24.5	1,679.5	943.0	2,647.0	6,081.4	0.2	4,016.8
2002	2,009.5	1,386.6	142.6	55.8	346.8	-	-	3,941.3	19.2	1,722.2	1,123.0	2,864.4	6,805.7	0.2	4,498.2
2003	1,903.3	1,394.6	139.2	54.7	342.0	-	-	3,833.8	15.5	1,670.8	1,104.8	2,791.1	6,624.9	0.2	4,384.5
2004	2,047.1	1,416.4	146.5	53.5	341.9	-	-	4,005.4	11.6	1,614.7	1,073.1	2,699.4	6,704.8	0.2	4,440.3
2005	1,950.8	1,429.7	285.3	52.2	341.1	-	-	4,059.1	8.1	1,815.4	1,077.4	2,900.9	6,960.0	0.2	4,594.1
2006	1,863.8	1,439.2	279.8	50.9	339.6	10.1	-	3,983.4	7.0	1,747.3	1,168.8	2,923.1	6,906.5	0.2	4,549.7
2007	1,993.7	1,444.9	273.9	49.6	334.0	9.7	139.6	4,245.4	5.8	1,674.3	1,141.0	2,821.1	7,066.5	0.1	4,649.0
2008	1,899.1	1,446.6	267.8	47.7	328.8	9.3	136.6	4,135.9	4.6	1,590.0	1,282.2	2,876.8	7,012.7	0.1	4,583.5
2009	2,093.8	1,443.8	261.5	46.3	323.6	8.9	133.3	4,311.2	3.4	1,648.7	1,250.4	2,902.5	7,213.7	0.1	4,684.2
2010	2,085.1	1,428.3	254.8	44.9	319.6	8.5	129.9	4,271.1	2.2	1,574.9	1,213.9	2,791.0	7,062.1	0.1	4,565.0

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1] See Table 17 for Personal Income and Population Amounts

Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2001 through 2010

Amounts in millions of USD (except per capita)

Fiscal Year	General Obligation Bonds	Assessed Taxable Value of Property [1]	Assessed Ratio [2]	Actual Taxable Value of Property	% of Actual Taxable Value of Property	Per Capita [3]
2001	2,137.6	9,740.8	30.32%	32,126.6	6.65%	1,411.89
2002	2,009.5	10,158.6	30.33%	33,493.6	6.00%	1,340.56
2003	1,903.3	10,621.1	30.12%	35,262.6	5.40%	1,279.96
2004	2,047.1	10,945.9	30.02%	36,462.0	5.61%	1,387.86
2005	1,950.8	11,031.8	29.70%	37,144.1	5.25%	1,327.98
2006	1,863.8	11,430.6	29.69%	38,499.8	4.84%	1,276.58
2007	1,993.7	11,615.0	29.24%	39,723.0	5.02%	1,372.13
2008	1,899.1	12,175.2	29.22%	41,667.4	4.56%	1,309.72
2009	2,093.8	12,205.6	28.86%	42,292.4	4.95%	1,359.61
2010	2,085.1	12,276.3	28.46%	43,135.3	4.83%	1,347.83

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

[1] Source: Board of Revison of Taxes

[2] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[3] See Table 17 for Population Amounts

City of Philadelphia | Table 14

Direct and Overlapping Governmental Activities Debt

June 30, 2010

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	3,092.5	100.00%	3,092.5
[1] **City Direct Debt**			4,271.1
Total Direct and Overlapping Debt			7,363.6

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

[1] Refer to Table 12

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2010

[1] Assessed Value	11,284.4
[2] Debt Limit	1,523.4
[3] Debt Applicable to Limit:	
Tax Supported General Obligation Debt:	
Issued & Outstanding	1,267.9
Authorized but Unissued	139.1
Total	1,407.0
Less: Amount set aside for repayment of general obligation debt	-
Total Net Debt Applicable to Limit	1,407.0
Legal Debt Margin	116.4

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	1,247.4	1,253.2	1,261.3	1,280.3	1,304.8	1,335.6	1,374.7	1,418.0	1,469.4	1,523.4
Total Net Debt Applicable to Limit	1,152.7	1,163.6	1,202.2	1,159.1	1,205.5	1,185.8	1,293.4	1,329.3	1,352.3	1,407.0
Legal Debt Margin	94.7	89.6	59.1	121.2	99.3	149.8	81.3	88.7	117.1	116.4
Total Net Debt Applicable to the Limit as a Percent of Total Debt	92.41%	92.85%	95.31%	90.53%	92.39%	88.78%	94.09%	93.74%	92.03%	92.36%

[1] Average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.
[2] Thirteen and one-half percent (13.5%) of the average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.
[3] Refer to Purdon's Statutes 53 P.S. Section 15721

City of Philadelphia **Table 16**
Pledged-Revenue Coverage
For the Fiscal Years 2001 through 2010
Amounts in millions of USD

No.		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	380.6	390.8	454.2	421.6	463.5	504.0	536.2	597.8	527.5	566.7
2	Net Operating Expenses	242.6	242.9	250.2	262.0	277.7	284.2	303.2	334.7	342.6	334.0
3	Transfer To (From) Rate Stabilization Fund	(39.4)	(26.3)	16.8	(28.8)	(0.6)	21.6	26.0	(9.8)	(34.7)	(2.7)
4	Net Revenues	177.4	174.2	187.2	188.4	186.4	198.2	207.0	272.9	219.6	235.4
	Debt Service:										
5	Revenue Bonds Outstanding	147.8	145.2	156.1	157.0	155.4	165.2	172.7	173.8	183.0	195.7
6	General Obligation Bonds Outstanding	1.3	0.6	-	-	-	-	-	-	-	
7	Pennvest Loan	1.3	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
8	Total Debt Service	150.4	147.4	157.3	158.2	156.6	166.4	173.9	175.0	184.2	196.9
9	Net Revenue after Debt Service	27.0	26.8	29.9	30.2	29.8	31.8	33.1	97.9	35.4	38.5
10	Transfer to General Fund	4.1	4.1	4.1	-	4.4	5.0	5.0	5.0	4.2	2.3
11	Transfer to Capital Fund	15.9	16.1	16.0	16.4	16.7	16.9	16.9	16.9	17.1	17.3
12	Transfer to Residual Fund	7.0	6.6	9.8	13.8	8.7	9.9	11.2	76.0	14.1	18.9
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.57	1.20	1.20
	Coverage B (Line 4/(Line 8 + Line 11))	1.07	1.07	1.08	1.08	1.08	1.08	1.08	1.42	1.09	1.10
	Airport Revenue Bonds										
1	Fund Balance	-	-	-	-	-	-	10.2	42.6	61.4	55.1
2	Project Revenues	148.0	146.5	168.4	183.3	185.1	200.8	211.3	250.5	255.3	246.9
3	Passenger Facility Charges	-	16.8	31.2	32.8	32.9	32.6	32.9	32.9	32.9	33.1
4	Total Fund Balance and Revenue	148.0	163.3	199.6	216.1	218.0	233.4	254.4	326.0	349.6	335.1
5	Net Operating Expenses	59.6	56.3	67.0	71.9	71.3	77.2	87.1	99.8	99.5	102.9
6	Interdepartmental Charges	36.0	39.7	46.1	52.2	57.6	57.9	70.6	89.1	89.0	80.7
7	Total Expenses	95.6	96.0	113.1	124.1	128.9	135.1	157.7	188.9	188.5	183.6
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	88.4	107.0	132.6	144.2	146.7	156.2	167.3	226.2	250.1	232.2
9	All Bonds (Line 4-Line 7)	52.4	67.3	86.5	92.0	89.1	98.3	96.7	137.1	161.1	151.5
	Debt Service:										
10	Revenue Bonds	44.8	64.1	83.2	89.7	88.1	88.1	85.5	84.4	95.6	94.3
11	General Obligation Bonds	5.7	2.0	1.4	1.0	1.1	-	-	-	-	-
12	Total Debt Service	50.5	66.1	84.6	90.7	89.2	88.1	85.5	84.4	95.6	94.3
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	1.97	1.67	1.59	1.61	1.67	1.77	1.96	2.68	2.62	2.46
	Total Debt Service - Test "B" (Line 9/Line 12)	1.04	1.02	1.02	1.01	1.00	1.12	1.13	1.62	1.69	1.61

Note:

The rate covenant of the Aviation issues permit inclusion of Fund Balance at the beginning of the period with project revenues for the period to determine adequacy of coverage.

Coverage "A" requires that Net Revenues equal at least 120% of the Debt Service Requirements while Coverage "B" requires that Net Revenues equal at least 100% of the Debt Service Requirements plus Required Capital Account Transfers. Test "A" requires that Project Resources be equal to Net Operating Expenses plus 150% of Revenue Bond Debt Service for the year. Test "B" requires Project Resources be equal to Operating Expenses for the year plus all debt service requirements for the year except any General Obligation Debt Service not applicable to the project.

Amounts in the above statement have been extracted from reports submitted to the respective Fiscal Agents in accordance with the reporting requirements of the General Ordinance and Supplemental Ordinance relative to rate covenants. Water and Sewer Coverage is calculated on the modified accrual basis; Aviation Fund on the accrual basis. Prior to FY2008 Airport Revenues and Expenses were reduced by amounts applicable to the Outside Terminal Area and the Overseas Terminal as prescribed by the indenture.

City of Philadelphia — Table 17
Demographic and Economic Statistics
For the Calendar Years 2000 through 2009

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
2000	1,513,800	37,784,373	24,960	5.6%
2001	1,512,507	38,672,501	25,568	6.1%
2002	1,510,550	40,695,588	26,941	7.3%
2003	1,510,068	42,192,576	27,941	7.5%
2004	1,514,658	43,447,002	28,684	7.3%
2005	1,517,628	44,933,858	29,608	6.7%
2006	1,520,251	47,550,937	31,278	6.2%
2007	1,530,031	50,052,562	32,713	6.0%
2008	1,540,351	52,549,456	34,115	7.1%
2009	1,547,297	55,170,909 [4]	35,656	10.0%

[1] US Census Bureau

[2] US Department of Commerce, Bureau of Economic Analysis

[3] US Department of Labor, Bureau of Labor Statistics

[4] Estimated using the rate of growth for the previous year

City of Philadelphia

Table 18

Principal Employers

Current Calendar Year and Nine Years Ago

Listed Alphabetically

2010	2001
Albert Einstein Medical	Albert Einstein Medical
Children's Hospital of Philadelphia	City of Philadelphia
City of Philadelphia	First Union Services, Inc.
University of Pennsylvania Hospital	School District of Philadelphia
School District of Philadelphia	SEPTA
SEPTA	Temple University
Temple University	Tenet Healthsystem
Thomas Jefferson University Hospitals	Thomas Jefferson University Hospitals
United States Postal Service	United States Postal Service
University Of Pennsylvania	University Of Pennsylvania

City of Philadelphia

Table 19

Full Time Employees by Function

For the Fiscal Years 2004 through 2010

	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:							
Economic Development	9	6	6	6	6	23	25
Transportation:							
Streets & Highways	597	564	579	585	584	568	515
Mass Transit	1	1	1	1	1	8	7
Judiciary and Law Enforcement:							
Police	7,888	7,578	7,522	7,639	7,754	7,685	7,503
Prisons	2,002	2,227	2,228	2,183	2,153	2,309	2,268
Courts	3,471	3,450	3,403	3,361	3,386	3,310	3,215
Conservation of Health:							
Emergency Medical Services	300	289	255	249	237	256	329
Health Services	1,210	1,163	1,133	1,148	1,140	1,163	1,135
Housing and Neighborhood Development	110	105	97	111	108	99	96
Cultural and Recreational:							
Recreation	556	511	495	482	483	462	453
Parks	200	182	158	156	156	152	158
Libraries and Museums	774	726	812	816	808	723	687
Improvements to General Welfare:							
Social Services	2,220	2,196	2,140	2,164	2,232	2,107	2,079
Inspections and Demolitions	417	380	248	243	246	221	223
Service to Property:							
Sanitation	1,340	1,233	1,272	1,229	1,239	1,169	1,157
Fire	2,004	1,925	1,974	2,109	2,052	2,019	1,820
General Management and Support	2,369	2,253	2,347	2,331	2,414	2,393	2,276
Total Governmental Activities	25,468	24,789	24,670	24,813	24,999	24,667	23,946
Business Type Activities:							
Water and Sewer	2,342	2,326	2,239	2,229	2,291	2,256	2,196
Aviation	1,021	967	1,004	1,010	1,057	1,033	1,001
Total Business-Type Activities	3,363	3,293	3,243	3,239	3,348	3,289	3,197
Fiduciary Activities:							
Pension Trust	64	64	65	65	59	69	66
Total Primary Government	28,895	28,146	27,978	28,117	28,406	28,025	27,209

City of Philadelphia **Table 20**
Operating Indicators by Function
For the Fiscal Years 2003 through 2010

	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:								
Transportation:								
Streets & Highways								
Street Resurfacing (miles)	93	117	105	102	107	74	119	69
Potholes Repaired	24,182	23,179	20,862	18,203	12,721	12,326	11,976	23,049
Judiciary and Law Enforcement:								
Police								
Arrests	66,083	68,486	67,795	69,166	73,606	75,805	68,922	64,465
Calls to 911	3,269,276	3,290,786	3,270,114	3,321,896	3,398,985	3,164,454	3,084,261	3,064,973
Prisons								
Average Inmate Population	7,631	7,738	8,141	8,613	8,796	9,133	9,554	8,806
Inmate Beds (city owned)	7,382	8,283	8,405	8,605	8,443	9,005	9,137	9,137
Conservation of Health:								
Emergency Medical Services								
Medic Unit Runs	NA	NA	NA	209,654	216,606	215,305	217,505	222,882
First Responder Runs	NA	NA	NA	69,740	68,203	60,756	53,610	54,960
Health								
Patient Visits	320,833	317,184	337,770	324,014	323,121	334,139	349,078	350,695
Children Screened for Lead Poisoning	39,293	37,863	38,013	43,038	43,501	41,590	50,525	47,713
Cultural and Recreational:								
Parks								
Athletic Field Permits Issued	NA	NA	NA	2,878	2,227	1,389	1,420	1,388
Libraries								
Items borrowed	7,056,608	6,963,935	6,294,315	6,188,637	6,328,706	7,037,694	7,419,466	6,530,662
Visitors to all libraries	6,440,990	6,216,973	5,517,569	6,103,354	6,422,857	6,648,998	6,396,633	5,615,201
Visitors to library website	1,353,626	1,661,794	2,044,518	2,594,527	3,285,380	4,912,405	4,613,496	5,256,928
Improvements to General Welfare:								
Social Services								
Children Receiving Services	26,388	28,039	28,926	28,086	28,898	25,893	35,685	31,416
Children in Placement	9,190	9,037	8,548	7,999	8,070	7,739	7,993	8,792
Emergency Shelter Beds (average)	2,109	2,412	2,539	2,781	2,677	2,747	2,689	2,617
Transitional Housing Units (new placements)	458	489	597	448	543	435	476	487
Service to Property:								
Sanitation								
Refuse Collected (tons per day)	2,894	3,006	3,008	3,006	2,922	2,798	2,532	2,412
Recyclables Collected (tons per day)	175	169	157	155	179	197	288	381
Fire								
Fires Handled	NA	NA	NA	9,523	8,080	7,444	6,850	4,927
Fire Marshall Investigations	NA	NA	NA	2,734	3,153	3,097	3,031	2,726
Business Type Activities:								
Water and Sewer								
New Connections	110	106	137	207	125	295	281	704
Water Main Breaks	988	794	706	660	825	687	802	646
Avg. Daily Treated Water Delivered (x 1000 gallons)	183,700	175,600	174,100	175,800	169,400	167,000	163,660	242,900
Peak Daily Treated Water Delivered (x 1000 gallons)	208,600	201,700	210,000	207,400	179,100	170,500	167,090	272,200
Avg. Daily Water Sewage Treatment (x 1000 gallons)	478,130	476,110	478,670	430,170	463,080	411,830	417,330	468,200
[1] **Aviation**								
Passengers Handled (PIA)	24,232,804	26,190,976	31,074,454	31,341,459	31,885,333	32,287,035	30,819,348	30,469,899
Air Cargo Tons (PIA)	565,653	568,898	599,758	591,815	571,452	575,640	475,365	440,495
Aircraft Movements (PIA and NPA)	654,758	584,214	629,885	625,692	614,720	593,757	551,191	543,462

[1] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

 Table 21

	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:								
Transportation:								
Streets & Highways								
[1] Total Miles of Streets	2,400	2,400	2,400	2,400	2,575	2,575	2,575	2,575
Streetlights	101,224	101,836	102,000	102,219	102,840	102,949	103,982	104,219
Judiciary and Law Enforcement:								
Police								
Stations and Other Facilities	33	33	33	33	34	36	35	35
Prisons								
Major Correctional Facilities	5	6	6	6	6	6	6	6
Conservation of Health:								
Health Services								
Health Care Centers	9	9	9	9	9	9	9	9
Cultural and Recreational:								
Recreation								
Recreation Centers	164	164	165	165	171	171	171	171
[2] Athletic Venues	1,121	1,121	1,121	1,117	1,117	919	915	914
Neighborhood Parks and Squares	232	232	232	232	232	79	79	79
Parks								
Parks	62	62	62	62	63	63	63	63
Baseball/Softball Fields	106	106	106	106	109	77	79	79
Libraries								
Branch & Regional Libraries	55	54	53	54	54	54	54	54
Service to Property:								
Fire								
Stations and Other Facilities	63	63	63	64	64	64	63	63
Business Type Activities:								
Water and Sewer:								
Water System Piping (miles)	3,169	3,169	3,169	3,169	3,133	3,137	3,145	3,236
Fire Hydrants	27,846	27,987	26,080	26,080	25,195	25,181	25,208	25,234
Treated Water Storage Capacity (x 1000 gallons)	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,400
Sanitary Sewers (miles)	595	596	596	596	768	750	749	751
Stormwater Conduits (miles)	622	623	623	623	784	713	720	721
Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000
[3] **Aviation**								
Passenger Gates (PIA)	120	120	120	120	120	120	120	120
Terminal Buildings (square footage) (PIA)	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	3,144,000
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	42,460	42,460	43,500	43,500

[1] Street System-83% city streets, 2% park streets, 15% state highways

[2] Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools

[3] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES

The following are summaries of the Original Indenture, as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture (collectively, the "Indenture") and the Security Leases. These summaries should not be regarded as full statements of the legal documents themselves, or of the portions summarized.

For a complete statement of the provisions of the Indenture and the Security Leases, reference should be made to those documents in their entirety, copies of which are available at the office of the Trustee as set forth under "INTRODUCTORY STATEMENT – Security" in this Reoffering Circular.

THE INDENTURE

DEFINITIONS OF CERTAIN TERMS

Words and terms used in this summary of the Indenture are defined therein and shall have the same meaning herein as in the respective legal documents. Certain of these words and terms are defined below for convenience.

"Accreted Value" means with respect to each Capital Appreciation Bond, the value thereof on a particular date.

"Act" means the Act of August 23, 1967, P.L. 251, as amended, known as the Pennsylvania Economic Development Financing Law.

"Additional Debt" means any series of bonds, notes or other evidences of indebtedness issued under the Indenture, other than any Notes, authenticated and delivered pursuant to Section 3.02 of the Original Indenture.

"Additional Project" means (i) any and all capital improvement projects in connection with the repair, restoration, replacement or demolition of Veterans Stadium, in addition to the Rehabilitation; and (ii) any and all additional land acquisition, site work, demolition, design, construction, equipping of the Practice Facility Premises, the Eagles Premises, the Phillies Premises or any other parcel in connection with the stadia project, improvements and infrastructure in connection with the construction of the stadia or the Practice Facility, and any and all additions, improvements, amenities, repairs or replacements thereto and the funding of any reserves in connection therewith.

"Advance-Refunded Municipal Notes" means obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by Government Obligations held in trust for the payment thereof, which Advance-Refunded Municipal Notes are rated in the highest rating category by a Rating Agency that maintains a credit rating with respect to such Advance-Refunded Municipal Notes.

"Alternate Rate" means, on any Rate Determination Date, for any Mode, a rate per annum equal to (i) with respect to 2007 Bonds the interest on which is not includable in gross income of the beneficial owner of such 2007B Bond for federal income tax purposes, (a) the SIFMA Municipal Swap Index maintained by Municipal Market Data (as such term is defined in the 2000 ISDA U.S. Municipal Counterparty Definitions) (the "SIFMA Rate") most recently available as of the date of determination, or (b) if such index is no longer available, or if the SIFMA Rate is no longer published, the Kenny Index (as such term is defined in the 2000 ISDA U.S. Municipal Counterparty Definitions), or (c) if neither the SIFMA Rate nor the Kenny Index is published, the index determined by the Remarketing Agent to equal the prevailing rate for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Bond Market Association to determine the SIFMA Rate just prior to when the Bond Market Association stopped publishing the SIFMA Rate, and (ii) with respect to 2007 Bonds the interest on which is includable in gross income of the beneficial owner of such 2007B Bond for federal income tax purposes, One-Month LIBOR. If there is no

Remarketing Agent, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement, then, upon written notification from the Authority, the Director of Finance of the City shall appoint another Person to make the determinations required by clauses (a), (b) and (c) of this definition.

"Authority" means Philadelphia Authority for Industrial Development.

"Authority Board" means the governing body of the Authority.

"Authority Purchase Account" means the account of that name created in Section 3.09 of the Third Supplemental Indenture.

"Authorized Authority Officer" means the Chairman, Vice-Chairman, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer or any other officer of the Authority designated by resolution of the Authority.

"Authorized Representative" means the City Treasurer or a Deputy City Treasurer, or such other individual as the City Treasurer or the Director of Finance of the City shall designate in writing, acting in cooperation with an Authorized Authority Officer, for whom the City and the Authority have each furnished the Trustee with certificates of incumbency and specimen signatures.

"Automatic Termination Event" means an event of default set forth in the Reimbursement Agreement between the Authority and the Liquidity Provider, if any, which would result in the immediate termination of the Liquidity Facility prior to its stated expiration date without prior notice from the Liquidity Provider to the Tender Agent, other than a termination upon the substitution of an Alternate Liquidity Facility.

"Bond Counsel" means an attorney or a law firm appointed by the Authority having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations.

"Bond Fund" means the fund so designated which is established pursuant to Section 4.02 of the First Supplemental Indenture.

"Bonds" means all Additional Debt issued pursuant to the Indenture in the form of bonds, including, but not limited to the Series 2007 Bonds.

"Business Day" means any day other than: (i) a Saturday or Sunday; (ii) in the City, a legal holiday or a day on which banking institutions are authorized by law to close; or (iii) a day on which the Trustee or the Paying Agent is authorized or required by law or executive order to be closed.

"Capital Appreciation Bond" means any Debt obligation designated or identified as a Capital Appreciation Bond by the Supplemental Indenture pursuant to which it was issued.

"Capitalized Interest Account" means the account so designated which is established pursuant to Section 6.13 of the Original Indenture.

"Certified Resolution of the Authority" means a copy of one or more resolutions certified by the Secretary or an Assistant Secretary of the Authority, under its seal, to have been duly adopted by the Authority Board and to be in effect on the date of such certification.

"City" means the City of Philadelphia.

"Clearing Fund" means the fund so designated which is established pursuant to Section 2.12 of the First Supplemental Indenture and Section 2.21 of the Third Supplemental Indenture.

"Code" means the Internal Revenue Code of 1986, as amended, and with respect to a specific section thereof, such reference shall be deemed to include (i) the regulations prescribed under such section, (ii) any predecessor or successor provision of similar import hereafter-enacted, (iii) any corresponding provisions of any subsequent Internal Revenue Code, and (iv) the regulations prescribed under the provisions described in (ii) and (iii).

"Commonwealth" means the Commonwealth of Pennsylvania.

"Construction Fund" means the construction fund described in Section 5.01 of the Original Indenture.

"Cost" or "Costs," in connection with the Project or, where applicable, Additional Projects, means all expenses permitted under the Act which are reasonable and necessary for carrying out all work and undertakings with respect to the Project or Additional Projects, or which are incidental to the financing, refinancing, acquisition or construction of the Project and any Additional Projects, including, without limiting the generality of the foregoing:

(a) Amounts payable to contractors and costs incident to the award of contracts;

(b) Costs of labor, facilities and services furnished by the Authority, the City and their employees or others, materials and supplies purchased by the Authority, the City or others, and permits and licenses obtained by the Authority, the City or others;

(c) Engineering, architectural, legal, accounting and other professional and advisory fees;

(d) Premiums for contract bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;

(e) All expenses incurred in connection with the issuance of Debt, including, without limitation, compensation and expenses of the Trustee, including legal fees and expenses, fees and expenses of the Authority, expenses of the City for financial services rendered to it in connection with any Debt financing, legal and accounting expenses and fees, costs of printing and engraving, recording and filing fees, compensation of underwriters, rating agency fees, credit facility fees, surety bond costs, and costs of any other financial services incurred in connection with the Debt;

(f) Capitalized interest on the Debt;

(g) Costs, fees and expenses in connection with the acquisition of real and personal property or rights therein; and

(h) Cost of equipment purchased by the City or others and necessary or desirable for proper operation of the Project or any Additional Project.

In the case of projects for refunding or redeeming any Debt, "Cost" or "Costs" includes, without limiting the generality of the foregoing, the items listed in (c) and (e) above, advertising and other expenses related to the redemption of the Debt to be redeemed and the Redemption Price, if any, of such Debt (and the accrued interest payable on redemption to the extent not otherwise provided for). Whenever Costs are required to be itemized, such itemization shall, to the extent practicable, correspond with the items listed above. Whenever Costs are to be paid under the Indenture, such payment may be made by way of reimbursement to the Authority or others who have paid the same.

"Counterparty" means any counterparty under a swap agreement entered into by the Authority in connection with any Bonds issued under the Indenture and consisting of all documents entered into between the Authority and a Counterparty as part of such transaction.

"Credit Enhancement" has the same meaning as "Credit Facility" as set forth in the Secured Leases.

"Credit Facility" means any letter of credit, line of credit, surety bond, insurance commitment, insurance policy or similar agreement insuring or otherwise providing for the scheduled payment of the principal of and interest on the Bonds and any credit, loan or reimbursement agreement or other obligation of the Authority to the Credit Provider in connection therewith, and all documents collateral thereto, as may be substituted from time to time.

"Credit Provider" means the issuer of any particular Credit Facility, and its successors and assigns as such issuer.

"Credit Provider Failure" or "Liquidity Provider Failure" means, with respect to any Credit Provider at any particular time, the occurrence and continuance of one or more of the following events: (a) such Credit Provider shall have failed to pay or perform when due its obligations under the Credit Facility issued by it; (b) the Credit Facility issued by such Credit Provider or any material term or provision thereof shall cease to be in full force and effect (except in accordance with such Credit Facility), or such Credit Provider shall, or shall purport to, terminate (except in accordance with the terms of such Credit Facility), repudiate, declare voidable or void or otherwise contest the validity of, such Credit Facility or any term or provision thereof or any obligation or liability of such Credit Provider thereunder; (c) the commencement by such Credit Provider of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; or (d) the consent of such Credit Provider to any relief referred to in the previous clause (c) in an involuntary case or other proceeding commenced against it.

"Current Mode" means the Mode then prevailing.

"Debt" means the Notes and any Additional Debt authenticated and delivered under the Indenture.

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

(a) interest payable on the Debt under consideration during the period, with adjustment for capitalized interest and interest on the Debt to be redeemed during such period through any sinking fund account;

(b) amounts required to be paid into any mandatory sinking fund account during such period with respect to the Debt under consideration; and

(c) amounts needed to pay the principal and premium, if any, of the Debt under consideration maturing during such period and not to be redeemed prior to maturity through any sinking fund account.

"Daily Mode" means the Mode during which the 2007B Bonds bear interest at the Daily Rate.

"Daily Rate" means the per annum interest rate on any 2007B Bond in the Daily Mode determined pursuant to Section 2.08(a) of the Third Supplemental Indenture.

"DTC" means The Depository Trust Company, New York, New York, or any successor securities depository.

"Eagles" means Philadelphia Eagles Limited Partnership, a Delaware limited partnership.

"Eagles Ground Lease" means a Ground Lease Agreement dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the City leases to the Authority a parcel of land in connection with the development of a new football stadium for the Eagles.

"Eagles Leaseback" means a Lease-Back Lease Agreement dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the City leases back to the Authority the Eagles Premises.

"Eagles Leases" means the Eagles Ground Lease, the Eagles Prime Lease and the Eagles Leaseback.

"Eagles Premises" means the parcel of land leased to the Authority pursuant to the Eagles Ground Lease, as improved, including by a new football stadium.

"Eagles Prime Lease" means a Prime Lease dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the Authority leased back to the City the Eagles Premises.

"Eagles Sublease" means a Sublease and Development Agreement pursuant to which the Authority will lease all or a portion of the Eagles Premises to the Eagles.

"Event of Default" means any of the events described in Section 9.01 of the Original Indenture.

"Federal Tax Certificate" means the Tax Certificate as to Arbitrage and Instructions as to Compliance with the provisions of Section 103(a) of the Internal Revenue Code of 1986, as amended, executed by the Authority and the City in connection with the issuance of any tax-exempt Debt.

"Fifth Supplemental Indenture" means the Fifth Supplemental Trust Indenture dated as of May 1, 2011 between the Authority and the Trustee.

"Financial Consultant" means a firm of investment bankers, a financial consulting firm, a law firm or a firm of certified public accountants, satisfactory to the City, which is experienced in the calculation of amounts required to be rebated to the United States under Section 148(f) of the Code.

"Financial Guaranty" means Financial Guaranty Insurance Company, or any successor thereto or assignee thereof, and which shall constitute a Credit Provider.

"First Supplemental Indenture" means the First Supplemental Trust Indenture dated as of December 1, 2001 between the Authority and the Trustee.

"Fiscal Year" shall mean the period of twelve months beginning July 1 of each year or any other period of twelve (12) consecutive months selected by the City as its fiscal year.

"Fixed Rate" means the per annum interest rate on any 2007B Bond in the Fixed Rate Mode determined pursuant to Section 2.09(b) of the Third Supplemental Indenture.

"Fixed Rate Bond" means a 2007B Bond in the Fixed Rate Mode.

"Fixed Rate Mode" means the Mode during which the 2007B Bonds bear interest at the Fixed Rate.

"Fixed Rate Period" means for 2007B Bonds in the Fixed Rate Mode, the period from the Mode Change Date upon which the 2007B Bonds were converted to the Fixed Rate Mode to but not including the maturity date for the 2007B Bonds.

"Fourth Supplemental Indenture" means the Fourth Supplemental Trust Indenture dated as of May 1, 2008 between the Authority and the Trustee.

"FSA" shall mean Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof, and which shall constitute a Credit Facility Provider (as defined in the Security Leases) for purposes of the Security Leases.

"FSA Municipal Bond Insurance Policy" shall mean the insurance policies issued by FSA guaranteeing the scheduled payment of principal of and interest on the Series 2001 Bonds when due.

"Government Obligations" means obligations to the timely payment of which the full faith and credit of the United States of America is pledged.

"Holder" or "Owner" means the Registered Owner of any Debt.

"Indenture" means the Original Indenture, as amended or supplemented in accordance with the terms thereof at the time in question, including by the First Supplemental Indenture, the Second Supplemental Indenture (sometimes collectively referred to as the "Existing Indenture") and the Third Supplemental Indenture.

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

"Interest Accrual Period" means the period during which a 2007B Bond accrues interest payable on the next 2007B Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last 2007B Interest Payment Date to which interest has been paid (or, if no interest has been paid, from the date of original authentication and delivery of the 2007B Bonds) to, but not including, the 2007B Interest Payment Date on which interest is to be paid. If, at the time of authentication of any 2007B Bond, interest is in default or overdue on the 2007B Bonds, such 2007B Bond shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on Outstanding 2007B Bonds.

"Interest Payment Date", in respect of a particular series of Debt, means the payment date of an installment of interest on the Debt of such series.

"Interest Period" means, for the 2007B Bonds in a particular Mode, the period of time that the 2007B Bonds bear interest at the rate (per annum) which becomes effective at the beginning of such period, and shall include a Daily Rate Period, a Weekly Rate Period, and a Fixed Rate Period.

"Investment Securities" shall mean and include any of the following if and to the extent the same are at the time legal for investment of Authority funds:

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations (stripped securities are only permitted if they have been stripped by the federal agency that issued or guaranteed the Government Obligation);

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Federal National Mortgage Association, Government National Mortgage Association, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration, U.S. Maritime Administration, U.S. Housing and Urban Development, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Resolution Funding Corporation, Export-Import Bank of the United States, or Farm Credit System;

(d) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee and its affiliates), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or any successor federal deposit insurance corporation or entity;

(e) Repurchase agreements collateralized by securities described in subparagraphs (a), (b), or obligations described in (c) above which are backed by the full faith and credit of the United States Government with any registered broker/dealer subject to the Securities Investors' Protection Corporation or with any commercial bank (in either case, including the Trustee and its affiliates), provided that (1) a specific written repurchase agreement governs the transaction, (2) the securities are held free and clear of any lien by the Authority, the City, the Trustee (if the Trustee is not supplying the collateral) or an independent third party acting solely as agent for the Trustee (which shall be required if the Trustee is supplying the collateral), and such third party is (a) a Federal

Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has a combined capital, surplus and undivided profits of not less than $25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures described in 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq., in such securities is created for the benefit of the Trustee, (4) the repurchase agreement has a term of thirty days or less, or the Trustee or an independent third party acting solely as agent for the Trustee will value the collateral securities no less frequently than weekly, which securities shall be marked to market at current price plus accrued interest and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation, (5) the fair market value of the collateral securities is equal to at least 104% of the amount of the repurchase obligation, including principal and interest (if the securities used as collateral are Federal Home Loan Mortgage Corporation or Federal National Mortgage Association Securities, then the value of the collateral securities shall equal at least 105%), (6) the collateral was not acquired by the broker/dealer pursuant to a repurchase agreement or reverse repurchase agreement, and (7) a legal opinion of Counsel is delivered to the Trustee that the repurchase agreement complies with the Indenture, the guidelines under state law for legal investment of public funds and is a legal investment for the Authority;

(f) Reserved;

(g) Money market funds registered under the Federal Investment Company Act of 1944, whose shares are registered under the Federal Securities Act of 1933, and rated “AAAm-G” or “AAA-m” or “AA-m” by S&P and if rated by Moody’s rated “Aaa”, “Aa1” or “Aa2” including, without limitation, the JPMorgan Money Market Mutual Funds or any other qualifying mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates;

(h) Commercial paper rated “Prime-1” or better by Moody’s or “A-1” or better by S&P;

(i) Obligations rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies;

(j) Advance-Refunded Municipal Bonds;

(k) Tax-exempt obligations that are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies, or shares of investment companies that invest only in such obligations including, without limitation, the JPMorgan Money Market Mutual Funds or any other qualifying mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates;

(l) The Trustee’s “cash sweep account” or other short term investment fund of the Trustee or its subsidiaries, the assets of which consist of other Investment Securities defined above; and

(m) Repurchase agreements with maturities beyond 30 days and investment agreements, provided that they are approved by each bond insurer or other credit provider for the Debt.

“Land Acquisition and Related Costs” means, in connection with the construction of two new sports stadia for the Phillies and the Eagles, the acquisition of various parcels of land, the payment of certain relocation costs, and the performance of certain demolition and site work in connection therewith.

"Liquidity Facility" has the same meaning as the term Credit Facility as set forth herein and in the Security Leases, but which provides liquidity support for tenders of the 2007B Bonds as set forth in Section 3.08(b) of the Third Supplemental Indenture.

"Liquidity Facility Purchase Account" means the account by that name created in Section 3.09(b) of the Third Supplemental Indenture.

"Liquidity Provider" means the issuer of any particular Liquidity Facility and its successors and assigns, as issuer.

"Liquidity Provider Bonds" means any 2007B Bonds purchased by the Liquidity Provider with funds drawn on or advanced under the Liquidity Facility.

"Long-Term Mode" means a Term Rate Mode or a Fixed Rate Mode.

"Mandatory Purchase Date" means: (i) with respect to a Commercial Paper Rate Bond, the first Business Day following the last day of each Commercial Paper Rate Period with respect to such 2007B Bond, (ii) for 2007B Bonds in the Term Rate Mode, the first Business Day following the last day of each Term Rate Period, (iii) any Mode Change Date (except a change in Mode between the Daily Mode and the Weekly Mode), (iv) any Substitution Date, (v) the fifth Business Day prior to the Expiration Date (other than as a result of an Automatic Termination Event), (vi) the date specified by the Trustee following its receipt of a Notice of Termination, which date shall be a Business Day not less than 20 days after the Trustee's receipt of such Notice of Termination, but and in no event later than the fifth (5th) Business Day preceding the termination date (or the date no further purchases shall be made by the Liquidity Provider) specified in such Notice of Termination and (vii) for 2007B Bonds in the Daily Mode or Weekly Mode, any Business Day specified in a written notice by the Authority not less than 20 days after the Trustee's receipt of such notice. All such Mandatory Purchase Dates are subject to and shall conform with the provisions of Section 3.07 of the Third Supplemental Indenture.

"Maximum Rate" means the rate of interest of 10% per annum, and with respect to Liquidity Provider Bonds, the rate specified in the Liquidity Facility and in no event shall such rate(s) exceed the highest rate allowed by applicable law.

"Mode" means, as the context may require, the ARS Mode, the CP Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode or the Fixed Rate Mode.

"Mode Change Date" means: (i) with respect to the 2007B Bonds in a particular Mode, the day on which a New Mode for the 2007B Bonds begins; and (ii) the day upon which the 2007B Bonds in the Term Rate Mode change to a new Term Rate Period.

"Mode Change Notice" means the written notice from the Authority to the other Notice Parties of the Authority's intention to change the Mode with respect to the 2007B Bonds.

"Moody's" means Moody's Investors Service, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the City, by written notice to the Trustee.

"New Mode" means another Mode than the Current Mode.

"Notes" means the Authority's Lease Revenue Notes, 2001 Series A (Federally Taxable) issued to finance the Project.

"Note Redemption Account" means the account so designated which is established pursuant to Section 6.02 of the Original Indenture.

"Notice of Termination" has the meaning specified in the initial Liquidity Facility or, if an Alternate Liquidity facility shall be in effect, any notice to the Trustee from the provider of such Alternate Liquidity Facility of its intent to terminate such Alternate Liquidity Facility.

"Notice Parties" means the Trustee, the Tender Agent, the Remarketing Agent, if any, the Broker-Dealer, if any, the Paying Agent, the Auction Agent, the Credit Provider, the Liquidity Provider and the Authority.

"Obligations" means the Debt and Credit Agreement Obligations.

"One-Month LIBOR" shall mean the offered rate (rounded up to the next highest one one-thousandth of one percent (0.001%)) for deposits in U.S. dollars for a one-month period which appears on the Reuters Screen LIBOR01 Page at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

"Original Indenture" means the Trust indenture, dated as of April 1, 2001 between the Authority and the Trustee.

"Original Practice Facility Prime Lease" means a Prime Lease dated April 20, 2000, as it may be amended and supplemented, pursuant to which under certain conditions, the Authority will lease to the City the Practice Facility Premises, under and subject to a Lease and Development Agreement between the Authority and Philadelphia Eagles Development L.P.

"Outstanding", in connection with Debt means, as of the time in question, all Debt which has been authenticated and delivered under the Indenture, except:

(a) Debt cancelled or required to be cancelled, including pursuant to Section 2.08 of the Original Indenture;

(b) Debt for the discharge, cancellation, payment, redemption, retirement or purchase of which, moneys or Government Obligations the principal of and interest on which, when due, will provide sufficient moneys to fully pay such Debt, shall have been or shall concurrently be deposited with the Trustee in accordance with Article XIII of the Original Indenture or Section 14.02 of the Original Indenture; provided that, if such Debt is being redeemed prior to maturity, any required notice of redemption shall have been given or provision satisfactory to the Trustee shall have been made therefor, and that if such Debt is being purchased, there shall be a firm commitment for the purchase and sale thereof;

(c) Debt in substitution for which other Debt has been authenticated and delivered, including pursuant to Article II of the Original Indenture;

(d) For purposes of any consent or other action to be taken by the Holders of a specified percentage of Debt under the Indenture, Debt held by or for the account of the Authority or the City, or any Person controlling, controlled by or under common control with the Authority or the City; and

(e) Debt for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee in the Note Redemption Account.

"Paying Agent" means, with respect to the 2007 Bonds, any national banking association having trust powers, bank and trust company or trust company appointed as such by the Authority and accepting such appointment for the time being pursuant to Article VI. The initial Paying Agent is The Bank of New York Trust Company, N.A., a national banking association having a corporate trust office in Philadelphia, Pennsylvania.

"Payment Office" means the office of the Trustee for the payment of Additional Debt.

"Person" means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, any unincorporated organization, a governmental body, any other political subdivision, municipality or municipal authority or any other group or entity.

"Phillies" means The Phillies, a Pennsylvania limited partnership.

"Phillies Ground Lease" means a Ground Lease Agreement dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the City leases to the Authority various parcels of land in connection with the development of a new baseball park for the Phillies.

"Phillies Leaseback" means a Lease-Back Lease Agreement dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the City leases back to the Authority the Phillies Premises.

"Phillies Leases" means the Phillies Ground Lease, the Phillies Prime Lease and the Phillies Leaseback.

"Phillies Premises" means the various parcels of land leased to the Authority pursuant to the Phillies Ground Lease, as improved, including by a new baseball park.

"Phillies Prime Lease" means a Prime Lease dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the Authority leases back to the City the Phillies Premises.

"Phillies Sublease" means a Sublease and Development Agreement pursuant to which the Authority will lease all or a portion of the Phillies Premises to the Phillies.

"Practice Facility" means the newly-constructed Eagles practice facility located at the northwest corner of Broad Street and Pattison Avenue, Philadelphia.

"Practice Facility Lease Agreement" means a Practice Facility Lease Agreement entered into simultaneously with the Original Practice Facility Prime Lease pursuant to which, subject to certain conditions, the City leased back to the Authority the Practice Facility Premises.

"Practice Facility Premises" shall have the meaning ascribed to it in the Original Practice Facility Prime Lease.

"Practice Facility Prime Lease" means an Amended and Restated Prime Lease, as it may be amended and supplemented, pursuant to which, under certain conditions, the Authority will lease to the City the Practice Facility Premises, under and subject to a Lease and Development Agreement between the Authority and Philadelphia Eagles Development L.P.

"Project" means the financing or refinancing by the Authority of (a) the costs of the Rehabilitation; (b) under certain limited circumstances, the Authority's Commerce Bank Reimbursement Obligation; (c) the Land Acquisition and Related Costs; (d) the funding of reserves, if any; (e) capitalized interest; and (f) the payment of costs of issuance.

"Project Budget" means a statement of the estimated Costs of the Project or any Additional Projects, setting forth the Costs in such categories and reasonable detail as shall be satisfactory to the Authority.

"Proper Charge" means amounts permitted under the Act which include costs of issuance of Debt, including discount on Debt, attorneys' fees, printing costs, fees and expenses of the Authority and the Trustee, and the cost of any feasibility studies and similar expenses in connection with the Project or any Additional Projects.

"Purchase Date" means (i) for a 2007B Bond in the Daily Mode or the Weekly Mode, any Business Day selected by the Beneficial Owner of said 2007B Bond pursuant to the provisions of Section 3.01 of the Third Supplemental Indenture, and (ii) any Mandatory Purchase Date.

"Purchase Fund" means the fund of that name created in Section 3.09 of the Third Supplemental Indenture.

"Purchase Price" means an amount equal to the principal amount of any 2007B Bonds purchased on any Purchase Date, plus accrued interest to the Purchase Date (unless the Purchase Date is a 2007B Interest Payment Date, in which case the Purchase Price shall not include accrued interest, which shall be paid in the normal course).

"Rate Determination Date" means any date on which the interest rate on any sub series of 2007B Bonds shall be determined, which, (i) in the case of the CP Mode, shall be the first day of an Interest Period; (ii) in the case of the Daily Mode, shall be each Business Day commencing with the first day (which must be a Business Day) the 2007B Bonds become subject to the Daily Mode; (iii) in the case of the initial conversion to the Weekly Mode, shall be no later than the Business Day prior to the Mode Change Date, and thereafter, shall be each Wednesday or, if Wednesday is not a Business Day, then the Business Day next preceding such Wednesday; (iv) in the case of the Term Rate Mode, shall be a Business Day no earlier than fifteen (15) Business Days and no later than the Business Day next preceding the first day of an Interest Period, as determined by the Remarketing Agent; and (v) in the case of the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day prior to the Mode Change Date.

"Rate Period" means an ARS Rate Period (as defined in Exhibit D hereto), a Commercial Paper Rate Period, a Daily Rate Period, a Weekly Rate Period, a Term Rate Period or a Fixed Rate Period.

"Rating Agency" shall mean, as of any date, each nationally recognized rating service that shall have assigned and have in effect as of such date a rating with respect to any of the Debt.

"Rating Confirmation Notice" means a written notice from each of Moody's, S&P or Fitch confirming that its then-current rating, if any, on either the 2007A Bonds of the 2007B Bonds, as applicable, will not be lowered, suspended or withdrawn (other than a withdrawal of a short-term rating of the 2007B Bonds upon a change to a Long-Term Mode) as a result of the action proposed to be taken.

"Rebate Fund" means the fund so designated which is established pursuant to Section 6.10 of the Original Indenture.

"Record Date" means, with respect to the 2007A Bonds, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding each 2007 A Interest Payment Date; and, with respect to 2007B Bonds in (i) a Short-Term Mode, the last Business Day before a 2007B Interest Payment Date; and (ii) a Long-Term Mode, the fifteenth (15th) day (whether or not a Business Day) of the month next preceding each 2007B Interest Payment Date.

"Redemption Price" where used with respect to a Debt obligation which is not a Capital Appreciation Bond, means the principal amount of such obligation plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture, and with respect to any Capital Appreciation Bond, the Accreted Value of such bond on the redemption date plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

"Rehabilitation" means the rehabilitation of Veterans Stadium, including its major structural, mechanical, electrical and other systems, and the other improvements forming part of the Veterans Stadium Premises, as the same has been approved pursuant to an Ordinance of the City Council of the City (Bill No. 000706) duly signed by the Mayor on December 28, 2000, as it may be further amended hereafter by resolution of the City Council of the City. The term "Rehabilitation" shall also mean and include all amendments to, modifications of, and change orders affecting the rehabilitation work set forth in said Ordinance, as said Ordinance may be amended hereafter.

"Reimbursement Agreement" means a reimbursement agreement between the Authority and a Credit Provider or a Liquidity Provider related to a Credit Facility for the 2007B Bonds.

"Remarketing Agent" means any investment banking firm appointed by or which may be substituted in its place as provided in Section 7.01 of the Third Supplemental Indenture.

"Remarketing Agreement" means any Remarketing Agreement relating to the 2007B Bonds by and between the Authority and the Remarketing Agent or any similar agreement between the Authority and the Remarketing Agent, as it may be amended or supplemented from time to time in accordance with its terms.

"Remarketing Proceeds Account" means the account of that name within the Purchase Fund created in Section 3.09(a) of the Third Supplemental Indenture.

"S&P" means Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc., its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the City, by written notice to the Trustee.

"Second Supplemental Indenture" means the Second Supplemental Indenture, dated as of June 30, 2004, between the Authority and the Trustee.

"Security Leases" means the Veterans Stadium Sublease, the Eagles Prime Lease and the Phillies' Prime Lease, collectively with any other lease or sublease hereafter pledged to secure the Obligations.

"Series 2007 Bonds" means the 2007 Series A Bonds and the 2007 Series B Bonds.

"Short-Term Mode" means the Daily Mode or the Weekly Mode.

"Sinking Fund Installment Date" means October 1 of the years in which the Trustee is required to redeem Bonds of any series from the Bond Redemption Account or Accounts of the Bond Fund for such series established pursuant to the Indenture.

"Substitution Date" means the date upon which an Alternate Credit Facility or Alternate Liquidity Facility is scheduled to be substituted for the Credit Facility or Liquidity Facility then in effect; provided however that no such Substitution Date shall occur in connection with the delivery of an Alternate Credit Facility pursuant to Section 3.08(d)(v) of the Third Supplemental Indenture.

"Supplemental Indenture" shall mean any indenture amending or supplementing the Indenture which may be entered into in accordance with the provisions of the Indenture.

"Team Leases" means the lease agreements between the City and the Phillies, and the City and the Eagles relating to Veterans Stadium.

"Team Subleases" means the Phillies Sublease, together with the Eagles Sublease.

"Tender Agent" means the commercial bank, trust company or other entity which may from time to time be appointed to serve as Tender Agent. Until such time as an alternate Tender Agent is appointed, the Tender Agent shall be the Trustee.

"Tender Notice" means a notice delivered by Electronic Means or in writing that states (i) the principal amount of such Bond to be purchased pursuant to Section 3.01 of the Third Supplemental Indenture, (ii) the Purchase Date on which such 2007B Bond is to be purchased, (iii) applicable payment instructions with respect to the 2007B Bonds being tendered for purchase and (iv) an irrevocable demand for such purchase.

"Tender Notice Deadline" means (i) during the Daily Mode, 9:00 A.M. on any Business Day and (ii) during the Weekly Mode, 5:00 P.M. on the Business Day seven days prior to the applicable Purchase Date.

"Term Rate" means the per annum interest rate for the 2007B Bonds in the Term Rate Mode determined pursuant to Section 2.09(a) of the Third Supplemental Indenture.

"Term Rate Mode" means the Mode during which the 2007B Bonds bear interest at the Term Rate.

"Term Rate Period" means the period from (and including) the Mode Change Date or the date of initial issuance of the 2007B Bonds, as applicable, to (but excluding) the last day of the first period that the 2007B Bonds shall be in the Term Rate Mode as established by the Authority for the 2007B Bonds pursuant to Section 2.12(a)(i) of the Third Supplemental Indenture and, thereafter, the period from (and including) the beginning date of each successive Interest Period selected for the 2007 Bonds by the Authority pursuant to Section 2.09(a) while it is in the Term Rate Mode to (but excluding) the commencement date of the next succeeding Interest Period, including another Term Rate Period. Except as otherwise provided in this Third Supplemental Indenture, an Interest Period for the 2007B Bonds in the Term Rate Mode must be at least 180 days or any integral multiple of six (6) months in length.

"Third Supplemental Indenture" means the Third Supplemental Indenture, dated as of October 1, 2007, between the Authority and the Trustee.

"Trustee" with respect to the 2007 Bonds means The Bank of New York Trust Company, N.A. (successor to J.P. Morgan Trust Company, National Association), as trustee.

"2007 Bond Insurer" means Financial Guaranty.

"2007 Bond Insurance Policy" means the municipal bond new insurance policy issued by the 2007 Bond Insurer that guarantees the payment of principal of and interest on the 2007 Bonds. The 2007 Bond Insurance Policy constitutes a "Credit Facility."

"2007 Project" means a project undertaken by the Authority at the request of the City consisting of (a) the advance refunding of all or a portion of the 2001B Bonds; and (b) the payment of certain costs of issuance.

"2007A Bonds" means the Authority's Fixed Rate Lease Revenue Refunding Bonds, 2007 Series A.

"2007B Bonds" means the Authority's Variable Rate Lease Revenue Refunding Bonds, 2007 Series B.

"2007A Interest Payment Date" means each April 1 and October 1, commencing April 1, 2008, and date of maturity or earlier redemption of the 2007A Bonds.

"2007B Interest Payment Date" means each date on which interest on the 2007B Bonds is to be paid and is: (i) with respect to the 2007B Bonds in the Daily Mode or Weekly Mode, the first Business Day of each month;; (ii) (without duplication as to any Interest Payment Date listed above) any Mode Change Date, other than a change between a Daily Mode and a Weekly Mode, and each Maturity Date; and (iii) with respect to any Liquidity Provider Bonds, the day set forth in the Reimbursement Agreement.

"Variable Rate Mode" means the Short-Term Mode or the Term Rate Mode.

"Weekly Mode" means the Mode during which the 2007B Bonds bear interest at the Weekly Rate.

"Weekly Rate" means the per annum interest rate on the 2007B Bonds in the Weekly Mode determined pursuant to Section 2.08(b) of the Third Supplemental Indenture.

"Weekly Rate Period" means the period during which a 2007B Bond in the Weekly Mode shall bear a Weekly Rate, which shall be the period commencing on Thursday of each week to and including Wednesday of the following week, except the first Weekly Rate Period which shall be from the Mode Change Date to and including the Wednesday of the following week and the last Weekly Rate Period which shall be from and including the Thursday of the week prior to the Mode Change Date to and including the day next preceding the Mode Change Date or 2007B Maturity Date.

THE ORIGINAL INDENTURE

TRUST ESTATE

The Authority, in order to secure the payment of the principal of, and premium, if any, and interest on, all Debt issued and outstanding under the Indenture according to its tenor and effect and the performance and observance by the Authority of all the covenants expressed or implied therein and in said Debt assigns and pledges to the Trustee, its successors in the trust and its assigns forever, and grants to the Trustee, its successors in trust and its assigns forever, a presently existing and continuing security interest in, assignment and pledge of, and a continuing lien on, each and all of the following: (i) the Veterans Stadium Sublease and the rights, title and interest (but not the obligations) of the Authority under and pursuant to the Veterans Stadium Sublease, including the right to receive all payments, revenues and receipts thereunder (excepting only the rights reserved to the Authority under Section 4.3 and Articles VII, IX and XIX of the Veterans Stadium Sublease and amounts payable to the Trustee for its fees, expenses and indemnities); and (ii) the rights, title and interest of the Authority in and to all payments, revenues and receipts under Section 4.1(b) of the Eagles Prime Lease (excepting the right to certain amounts payable to the Authority for insurance premiums and any rebate liability, and the Trustee for its fees, expenses and indemnities, all whether under Sections 4.1(b) or 18.2 of the Eagles Prime Lease) and the rights and remedies associated with such payments; and (iii) the rights, title and interest of the Authority in and to all payments, revenues and receipts under Section 4.1(a) of the Phillies Prime Lease (excepting the right to certain amounts payable to the Authority for insurance premiums and any rebate liability, and the Trustee for its fees, expenses and indemnities, all whether under Section 4.1(a) or 18.2 of the Phillies Prime Lease) and the rights and remedies associated with such payments; and (iv) all funds and accounts established under the Indenture (other than the Rebate Fund and any other fund or account established hereafter and specifically excluded from the pledge), all instruments and obligations in which the moneys in such funds and accounts may from time to time be invested and all interest and other investment earnings thereon and proceeds thereof; provided that amounts on deposit in the Note Redemption Account shall be for the sole and exclusive benefit of the Holders of the Notes and provided further, that the Construction Fund shall not be pledged to secure any Debt other than the Notes unless otherwise expressly provided in a Supplemental Indenture (items (i) through (iv) are collectively referred to as the "Trust Estate"), in trust, for the equal and ratable benefit and security of all present and future Holders of the Debt issued and to be issued under the Indenture, without preference, priority or distinction as to lien or otherwise (except as otherwise specifically provided therein) of any one Debt obligation over any other Debt obligation upon the terms and subject to the conditions hereinafter set forth.

ISSUE OF ADDITIONAL DEBT

Issue of Additional Debt

The Authority may issue one or more series of Additional Debt, which shall be on parity with the Notes as to the Trust Estate except as expressly provided in the Original Indenture or in a Supplemental Indenture, in such form and denominations, bearing interest on such dates and at such rates, be payable at such times, and having such provisions for redemption, transfer and exchange from time to time as shall be provided in a Supplemental Indenture to pay the Cost of undertaking or completing the Project or an Additional Project and the Cost of refunding all or part of the Outstanding Debt under the Indenture; provided that no Additional Debt shall be issued to refinance the Commerce Bank Reimbursement Obligation unless the Practice Facility Lease Agreement is pledged as part of the Trust Estate. The Trustee shall authenticate and deliver such Additional Debt at the written request of the Authority, but only upon compliance with the requirements set forth in subsection (a) below and, to the extent applicable, with the further requirements of subsections (b), (c) and (d) below. In the event that any Additional Debt is issued in the form of commercial paper, it will be designated as a new series and will not constitute part of the Notes. The Authority also reserves the right to issue additional debt subordinate to the lien and pledge created in the Indenture as security for the Obligations on such terms as shall be provided in a Supplemental Indenture subject to the approval of the City pursuant to applicable law.

(a) General Requirements. In all cases, the following shall be delivered to the Trustee:

(i) executed counterparts of a Supplemental Indenture and, if necessary, an amendment to one or more of the Security Leases, and other such documents, including an additional lease or sublease between the Authority and the City, as are necessary or appropriate in order to provide, inter alia, for the issuance of the Additional Debt and the security therefor, the application of Additional Debt proceeds and other available moneys, and the payment of the principal or Redemption Price of and interest on the Additional Debt, together with appropriate Authority and City certificates to the effect that the foregoing documents have been duly and validly authorized, executed and delivered by the Authority and the City;

(ii) Certified Resolutions of the Authority and Ordinances of the City approving the issuance of the Additional Debt and the execution and delivery of all documents and the taking of all actions which are necessary or appropriate in connection with the issuance of the Additional Debt;

(iii) if necessary, certified Ordinances of the City approving any amendments to the Security Leases or approving any additional lease or sublease;

(iv) an opinion or opinions of Counsel, addressed to the Trustee, to the effect that: (A) the Additional Debt has been duly issued for a permitted purpose under Section 3.02 of the Original Indenture, (B) all consents or approvals required to be obtained from any Regulatory Body for the issuance of the Additional Debt have been obtained, (C) the issuance of the Additional Debt and execution and delivery of related documents will not constitute a breach or default on the part of the Authority or the City under, as applicable, any related party's articles of incorporation and by-laws, any applicable laws or regulations, court orders or rulings of Regulatory Bodies to which the Authority or the City is subject or any agreements to which the Authority or the City is a party or to which the Authority's properties are subject, (D) all documents delivered by the Authority and the City in connection with the issuance of the Additional Debt have been duly and validly authorized, executed and delivered and such execution and delivery and all other actions taken by the Authority in connection with the issuance of the Additional Debt have been duly authorized by all necessary corporate actions, and (E) all conditions precedent to the issuance of the Additional Debt pursuant to the Indenture have been satisfied;

(v) an opinion of Bond Counsel that the issuance of such Additional Debt will not adversely affect the exclusion from gross income of interest on the Debt Outstanding (to the extent any Debt Outstanding was issued on a tax-exempt basis); and

(vi) a certificate of either or both the Authorized Representative and the Authority dated as of the date of issuance that: (A) upon the issuance of the Additional Debt, no Event of Default under Section 9.01 of the Original Indenture has occurred and is continuing as of the date of such certificate; (B) the Authority has full power and authority to perform its duties and obligations under the Indenture and under the Debt; (C) the Authority is in compliance with the covenants set forth in the Indenture as of the date of such certificate; (D) the revenues to be received from the assets comprising the Trust Estate, together with moneys available under the Indenture, will be sufficient to timely and fully amortize the Outstanding Debt, subject to the terms and conditions of the Security Leases; (E) the aggregate amount of Obligations outstanding is not in excess of the total amounts authorized by the Security Leases and all applicable resolutions of the Authority; and (F) the Security Leases and the ordinances of City Council of the City approving the Security Leases and authorizing the Project are in full force and effect.

(b) Additional Requirements – Additional Projects. There shall be delivered to the Trustee in the case of Additional Debt issued to provide funds for the Cost of undertaking or completing an Additional Project, if necessary, an Ordinance of the City approving the Additional Project.

(c) Additional Requirements – Refunding Debt. The following shall be delivered to the Trustee in connection with the issuance of Additional Debt for the purpose of a refunding of some or all Obligations:

(i) executed counterparts of such documents as are necessary or appropriate for the purposes of the refunding, including, if appropriate, an escrow agreement or Supplemental Indenture providing for the deposit and application of funds for the refunding and irrevocable instructions from the Authority with respect to the redemption of refunded Debt;

(ii) a Certified Resolution of the Authority and an Ordinance of the City, if necessary, authorizing the refunding, including, without limitation thereto, the redemption of refunded Debt; and

(iii) an Authority certificate and City certificate setting forth in reasonable detail the Costs of the refunding and demonstrating the adequacy of available funds for the payment of such Costs and, unless all refunded Debt is to be redeemed or otherwise retired on the date of settlement for the Additional Debt, such certificates shall be accompanied by such schedules, verified as to mathematical accuracy by a Certified Public Accountant, as are necessary to demonstrate the adequacy of the proceeds of the Additional Debt and other available funds deposited for the refunding and the income thereon for the purpose of paying, when due, the principal or Redemption Price of and interest on the refunded Debt.

(d) Additional Requirements – Multipurpose Issue. In the case of Additional Debt issued for more than one of the purposes described in subsections (b) and (c) above, the requirements of each applicable subsection shall be met.

CONSTRUCTION OF ADDITIONAL PROJECTS

Additional Projects

If the City shall deem it necessary or advisable that an Additional Project or Additional Projects be undertaken, the City may request the Authority to provide moneys for all or part of the Costs thereof. Any such request shall be in writing, shall be signed by the Director of Finance of the City or his designee, shall set forth the amount requested and shall be accompanied, if necessary, by appropriate ordinance of the City Council authorizing the Additional Project and an increase, if necessary, of the rentals due under one or more of the Security Leases or the imposition of rentals payable by the City pursuant to an additional lease or sublease, to pay the debt service of and any other costs or expenses’ related to any obligation incurred by the Authority for the Additional Projects.

Additional Debt

Upon receipt of a request of the City, accompanied by required documents as provided in the Indenture, the Authority may, but shall have no obligation to, provide all or any part of the amounts requested by issuance and sale of Additional Debt, as provided in the Indenture.

Completion of Additional Projects

The Authority will cause the City to covenant to proceed with reasonably deliberate dispatch to complete any Additional Projects involving construction for which Additional Debt is issued, in accordance with the plans and specifications therefor.

CONSTRUCTION FUND

Establishment of Construction Fund

The Trustee shall establish and maintain a Construction Fund for the Rehabilitation and the Land Acquisition and Related Costs and any Additional Project undertaken by the Authority and financed by the issuance of Additional Debt, which shall be held separate and apart from all other funds and accounts established under the Indenture and from all other moneys of the Trustee. The Trustee may establish separate accounts within the Construction Fund for separate series of Debt or separate components of a project. No disbursements of funds held from time to time in the Construction Fund shall be made except as permitted in Article V of the Original Indenture. The Trustee shall invest the moneys on deposit in the Construction Fund pursuant to Section 7.02 of the Original Indenture and shall apply the income from such investments as provided therein.

Payments From Construction Fund

(a) The Trustee shall make payments from the Construction Fund to the City or its contractors, subcontractors, materialmen or workmen in connection with the Rehabilitation in accordance with the requirements of Section 9.4 of the Veterans Stadium Sublease. The Trustee shall make the applicable disbursements within three (3) Business Days of the submission of a requisition substantially in the form attached to the Original Indenture as Exhibit D-1 and made a part thereof. The Trustee shall make payments from the Construction Fund to the City, and such Persons as approved by the City, including the Authority, in connection with the Land Acquisition and Related Costs in accordance with the requirements of the Eagles Prime Lease and the Phillies Prime Lease as provided in a requisition substantially in the form attached to the Original Indenture as Exhibit D-2 and made a part thereof. The Trustee shall make the applicable disbursements within three (3) Business Days of the submission of such requisition.

The Trustee shall make payments from the Construction Fund in connection with the Rehabilitation upon the prior receipt of a requisition substantially in the form attached to the Original Indenture as Exhibit D-1 and made a part thereof, signed on behalf of the City by a Person designated for such purpose in certificates of the City filed with the Trustee.

The Trustee shall make payments from the Construction Fund in connection with the Land Acquisition and Related Costs upon the prior receipt of a requisition substantially in the form attached to the Original Indenture as Exhibit D-2 and made a part thereof, signed on behalf of the City by a Person designated for such purpose in certificates of the City filed with the Trustee, or by such other Person approved in writing by the City, including the Authority. Withdrawals for the purchase of land that constitutes part of the Land Acquisition and Related Costs shall not be required to be done through use of the form of requisition and may, instead, be effected by written request of either the City or the Authority delivered to the Trustee.

(b) The Trustee shall make payments from the Construction Fund to the Authority, the City or any other Person in connection with any Additional Project upon the prior receipt of a requisition substantially in the form attached to the Original Indenture as Exhibit D-3 and made a part thereof, signed on behalf of the City by a Person designated for such purpose in certificates of the City filed with the Trustee, or by such other Person approved in writing by the City, including the Authority. The Trustee shall make the applicable disbursements within three (3) Business Days of the submission of the requisition substantially in the form attached to the Original Indenture as Exhibit D-3 and made a part thereof.

(c) The Trustee agrees that it shall hold all documents, affidavits, certificates and opinions delivered to the Trustee pursuant to paragraphs (a) and (b) above for a period of at least two years after the date of completion of the Project or Additional Project. The Authority shall have the right to inspect such documents, affidavits, certificates and opinions at the Principal Corporate Trust Office of the Trustee at reasonable times and upon reasonable notice. The Trustee shall provide copies of such documents, affidavits, certificates and opinions to the Authority at its request and expense.

(d) Whenever disbursements are to be made to reimburse the City for advances or to discharge indebtedness of the City, the requisition shall relate to the underlying obligation for which the City is being reimbursed or for the payment of which the indebtedness was incurred.

Procedure Upon Completion of the Rehabilitation, the Land Acquisition and Related Costs, and any Additional Project

Within a reasonable time after substantial completion of the Rehabilitation, the Land Acquisition and Related Costs, or any Additional Project, the Authority shall cause the City or such other Person as designated in writing by the Authority or the City to the Trustee, to deliver to the Trustee a certificate of an Authorized Representative, stating the date of substantial completion and the sum, if any, to be reserved in the Construction Fund for the payment of any unpaid Costs of such project.

Upon delivery of such certificate to the Trustee, any amount remaining in the Construction Fund and not reserved for the payment of Costs of the Rehabilitation, the Land Acquisition and Related Costs or an Additional Project shall be deposited to a separate subaccount of the Sinking Fund Account or such other account as directed in a Supplemental Indenture and used for the payment of (a) such Debt as may be selected by an Authorized Representative or (b) the payment of fees and expenses relating to Debt.

Nature of the Rehabilitation

As and to the extent provided in the Veterans Stadium Sublease, the various components comprising the Rehabilitation are subject to modification and/or elimination.

Compliance with Laws, etc.

The Authority will comply with all present and future laws, acts, rules, regulations, orders and requirements lawfully made relating to any acquisition, construction or operation undertaken pursuant to the Indenture; provided that the Authority shall have the right to contest or appeal from such laws, regulations, rules, orders and requirements.

REVENUES OF THE AUTHORITY, AND THE APPLICATION THEREOF TO FUNDS AND ACCOUNTS

Trust Estate to be Paid Over to Trustee

The Authority, by execution and delivery of the Indenture, assigns, transfers and sets over all right, title and interest of the Authority in and to the Trust Estate and all rentals and other amounts payable thereunder to the Trustee, IN TRUST, to be held and applied pursuant to provisions of the Indenture for the benefit of the Holders of the Debt. Pursuant to the Indenture, the Authority pledges to the Trustee the aforesaid Trust Estate as security for the performance of any obligations under the Indenture. The pledge made by the Indenture shall be valid and binding from the time such pledge is made, and the covenants and agreements set forth in the Indenture to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of the Debt, all of which, regardless of their respective times of issue and maturity, shall be of equal rank, without preference, priority or distinction of any Obligation over any other Obligation, except as expressly provided therein or permitted by the Indenture. The Trust Estate shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act. Pursuant to the assignment of the Authority's rights under the Security Leases, those amounts payable thereunder which are pledged to the Trustee under the Indenture shall be paid directly to the Trustee by the City. Upon receipt of any amounts constituting the Trust Estate or other payments under the Indenture (except proceeds of Additional Debt) the Trustee shall deposit the same in the Sinking Fund Account, unless otherwise provided in the Original Indenture or in a Supplemental Indenture.

Creation and Application of the Note Redemption Account

There is created and established pursuant to the Original Indenture with the Trustee an account to be designed the "Note Redemption Account" which shall be held by the Trustee solely for the benefit of the Holders of the Notes.

Procedure When Funds Are Sufficient to Pay All Debt

If at any time the amounts held by the Trustee in the funds and accounts established under Article VI of the Original Indenture are sufficient to pay principal and interest on all Debt then Outstanding at maturity or by prior redemption, together with any amounts due the Trustee, the Trustee shall notify the Authority to that effect and thereafter the Trustee shall apply the amounts in the funds and accounts established under Article VI of the Original Indenture to the payment of such principal and interest and neither the City nor the Authority shall be required to pay over any further amounts unless and until it shall appear that there is a deficiency in the funds held by the Trustee under Article VI. If the Trustee has applied such funds to pay the full principal of and interest due on the Debt and any other incidental expenses incurred to make such payment, the Trustee shall transfer any remaining funds to the City.

Moneys to Be Held for All Holders With Certain Exceptions

Moneys and investments in the various funds and accounts established under the Indenture shall, until applied as provided with respect to the fund in question, be held in trust by the Trustee for the equal and ratable benefit and security of the Holders of all Outstanding Debt, except: (i) the Note Redemption Account shall be held for the benefit of the Holders of the Notes only, (ii) any bond redemption fund established for any series of Debt shall be held for the benefit of the Holders of Debt of that series only, (iii) the Rebate Fund shall be held for the purposes set forth in Section 6.10 of the Original Indenture, (iv) the Construction Fund shall not secure any Debt other than the Notes, except as otherwise expressly provided in a Supplemental Indenture and (v) any other fund or account established hereafter and not pledged shall be held for the purposes set forth in connection with its establishment.

Rebate Fund

The Trustee shall establish a fund designated the "Rebate Fund" with appropriate subaccounts for each series of tax-exempt Debt; provided that the Trustee shall only be required to establish the Rebate Fund on its books at such time that it is notified in writing by the City or the Financial Consultant at the request of the City that there is a Rebate Amount (as defined herein). Any provision of the Indenture to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien under the Indenture.

The Authority covenants to comply with the rebate requirements set forth in Section 148(f) of the Code.

The Authority shall cause the City, at its expense, to engage and furnish information to a Financial Consultant to calculate at the times required by Section 148(f) of the Code the rebate amount computed in the manner prescribed by Section 148(f) of the Code (the "Rebate Amount") with respect to any Debt the interest on which is excluded from gross income pursuant to Section 103(a) of the Code. The Trustee shall make its records available to the City and its Financial Consultant during regular business hours and upon reasonable prior written notice. The Authority shall cause the City to cause its Financial Consultant to timely notify the Trustee in writing of the amount of the Rebate Amount determined by such Financial Consultant. If the amount then on deposit in the Rebate Fund is in excess of the Rebate Amount as determined by the Financial Consultant, the Trustee shall forthwith pay that excess amount to the City. If the amount then on deposit in the Rebate Fund is less than such Rebate Amount, the Authority shall cause the City to, within five days after receipt of the Financial Consultant's determination thereof, pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to such Rebate Amount. If the City does not pay that required amount within five days after receipt of the Financial Consultant's determination of the Rebate Amount, the Trustee shall promptly transfer that amount from the Construction Fund to the Rebate Fund to the extent there are monies available in the Construction Fund. If the City shall fail to engage a Financial Consultant as required under the Indenture, the

Trustee may (but shall not be required to) engage a Financial Consultant at the City's expense for the purposes thereof, in which case (i) the Trustee shall notify, or cause the Financial Consultant to notify, the City in writing of any determination of the Financial Consultant with respect to the Rebate Amount, and (ii) the Authority shall cause the City to pay the Trustee any amounts necessary to make the required deposits to the Rebate Fund within five days after the Trustee's or the Financial Consultant's notification to the City, and to reimburse the Trustee for any fees and expenses incurred in engaging a Financial Consultant. The Trustee, acting on behalf of the Authority, shall pay to the United States from the monies then on deposit in the Rebate Fund the amount set forth in written directions from the City. Within 60 days after the payment in full of a particular issue of tax-exempt Debt, the Trustee shall pay to the United States from the monies then on deposit in the Rebate Fund the amount set forth in written directions from the City which shall equal 100% of the Rebate Amount earned from the date of the original delivery of such Debt to the date of such payment (less the Rebate Amount, if any, previously paid to the United States with respect to such Debt pursuant to Section 6.10 of the Original Indenture) and any monies remaining in the particular subaccount for such issue of Debt of the Rebate Fund following such payment shall be paid to the City. All computations of the Rebate Amount pursuant to Section 6.10 of the Original Indenture with respect to a particular issue shall treat the amount or amounts, if any, previously paid to the United States pursuant to Section 6.10 of the Original Indenture with respect to such issue as amounts on deposit in the Rebate Fund. A copy of all notices sent under the Indenture to the City by the Financial Consultant shall also be sent to the Trustee.

The Trustee shall keep all records of the computations received pursuant to Section 6.10 of the Original Indenture.

If all the gross proceeds (within the meaning of Section 148(f) of the Code) of a particular series of Debt, together with the gross proceeds of any other Debt treated as part of the same issue for purposes of Section 148(f) of the Code, are not subject to rebate because of an exception thereto, then the provisions of Section 6.10 of the Original Indenture shall not be applicable to the investment of original proceeds of such series in the Construction Fund and the City shall not be required to engage a Financial Consultant or otherwise comply with the foregoing provisions of Section 6.10 of the Original Indenture; provided that the City shall remain responsible to determine the Rebate Amount, if any, and to cause to be paid to the Trustee for deposit in the Rebate Fund and payment to the United States such amounts, if any, at such times as may be necessary to comply with the requirements of Section 148(f) of the Code with respect to the particular series of Debt.

Reports By Trustee

The Trustee shall furnish to the Authority, within 20 days after the end of each month, a report on the status of each of the funds and accounts within funds established under Article VI of the Original Indenture and the Construction Fund, showing at least the balance in each such fund and account as of the last day of the preceding month, the deposits to (including interest on investments) and the disbursements from each such fund and account and the dates of such deposits and disbursements. In addition, the Trustee shall respond to reasonable inquiries made from time to time by the Authority as to the balances on deposit in, and the deposits to and disbursements from, such funds and accounts.

Creation of Other Funds and Accounts

At the written direction of the Authority, the Trustee shall establish additional funds and accounts under the Indenture, some or all of which, at the written direction of the Authority, may not be subject to the pledge of the Indenture.

Creation and Application of a Capitalized Interest Account

There is created and established pursuant to the Original Indenture with the Trustee an account to be designated the "Capitalized Interest Account". There shall be deposited in the Capitalized Interest Account, on the date of first issuance of Notes and from the proceeds of the sale thereof, moneys in the amount of $8,000,000.

If there are no Notes Outstanding and certain other requirements set forth in the Original Indenture have been met, the Trustee shall transfer any balance then remaining in the Capitalized Interest Account to the 2001

Series A Bonds Subaccount and the 2001 Series B Bonds Subaccount of such Account established pursuant to the First Supplemental Indenture, as directed in writing by the Authority in connection with the issuance of the Series 2001 Bonds.

SECURITY FOR AND INVESTMENT OR DEPOSIT OF FUNDS

Deposits and Security Therefor

All moneys received by the Trustee under the Indenture for deposit in any fund or account established thereunder shall, except as hereinafter provided, be deposited in the commercial department of the Trustee or any of its affiliates, until or unless invested or deposited as provided in Section 7.02 of the Original Indenture. All deposits in the commercial department of the Trustee or any of its affiliates (whether original deposits under Section 7.01 of the Original Indenture or deposits or re-deposits in time accounts under Section 7.02 of the Original Indenture) shall, to the extent not insured by the Federal Deposit Insurance Corporation, be fully secured by a pledge of Government Obligations, or secured as required by Pennsylvania law for deposits of trust funds. If at any time the commercial department of the Trustee or any of its affiliates is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such moneys with any other depository which is authorized to receive them and the deposits of which are insured by the Federal Deposit Insurance Corporation. All deposits with any other depository in excess of the amount insured by the Federal Deposit Insurance Corporation (whether under Section 7.01 or Section 7.02 of the Original Indenture as aforesaid) shall, to the extent permitted by law, be secured by a pledge of Government Obligations.

Investment or Deposit of Funds

(a) The Trustee shall, as directed in writing by the Authority, invest moneys held in the funds and accounts established under the Indenture in any Investment Securities. All investments made pursuant to Section 7.02 of the Original Indenture shall mature or be subject to redemption by the holder at not less than the principal amount thereof or the cost of acquisition, whichever is lower, and all deposits in time accounts shall be subject to withdrawal without penalty, not later than the date when the amounts will foreseeably be needed for purposes of the Indenture. Other than amounts in the Note Redemption Account which shall be held uninvested or invested only in Government Obligations in accordance with Section 6.02 of the Original Indenture and other than amounts in the Capitalized Interest Account which shall be held uninvested in the absence of written investment directions from the Authority, in the absence of written investment directions from the Authority, the Trustee shall be deemed to have received direction from the Authority to continuously invest and reinvest moneys deposited in the various funds and accounts established under the Indenture in the JPMorgan Treasury Plus Institutional Class Money Market Mutual Fund, or its successor.

(b) The interest and other income received upon such investments and any interest paid by the Trustee or any other depository of any fund or account and any profit (or loss) resulting from the sale of securities shall initially be added (or charged) to the fund or account in question. Interest and other income received upon investment in funds or accounts and any profit resulting from the sale of securities therein during the construction of Additional Projects financed with the proceeds of Additional Debt shall be distributed or held in accordance with the terms of any Certified Resolution of the Authority or Supplemental Indenture; provided that if such Resolution or Indenture contains no terms governing the holding or distribution, such interest and other income received on and any profit resulting from the sale of the securities contained in the funds or accounts during the construction of such Additional Projects shall be credited to the Construction Fund.

(c) Upon request of the Authority, or on its own initiative whenever payment is to be made out of any fund or account, the Trustee shall sell such securities as may be requested or required to make the payment and restore the proceeds to the fund or account in which the securities were held. Neither the Trustee nor the Authority shall be accountable for any depreciation in the value of any such security or for any loss resulting from the sale thereof.

Valuation of Funds

In computing the assets of any fund or account, investments and accrued interest thereon shall be deemed a part thereof. Such investments shall be valued by the Trustee annually on June 30, at the current market value thereof, or at the redemption price thereof, if then redeemable at the option of the holder.

COVENANTS OF AUTHORITY

Payment of Principal or Redemption Price of and Interest on Debt

The Authority shall promptly pay or cause to be paid the principal or applicable Redemption Price of, and interest on every Debt obligation issued under the Indenture according to the terms thereof, but shall be required to make such payment only out of the Trust Estate. The Authority shall appoint one or more Paying Agents for such purpose, each such agent to be a bank and trust company or a trust company or a national banking association having trust powers. The Authority hereby appoints the Trustee to act as Paying Agent and designates the Payment Office of such agent as the place of payment, such appointment and designation to remain in effect until notice of change is filed with the Trustee.

The Authority shall require any Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee that such Paying Agent will (1) hold all sums held by it for the payment of the principal of, or interest on, Debt obligations in trust for the benefit of the Holders of such Debt until such sums shall be paid to such Holders or otherwise disposed of as provided in the Indenture; (2) give the Trustee notice of any default by the Authority (or any other obligor upon the Debt) in the making of any payment of principal or interest; and (3) at any time during the continuance of such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

Corporate Existence

The Authority shall maintain its corporate existence throughout the term of the Debt; and shall comply with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any legislative, executive, administrative or judicial body.

Compliance with Security Leases

The Authority covenants and agrees that (i) it shall comply with all applicable provisions of the Security Leases, as if contained in the Indenture; and (ii) it shall enforce against the City the obligations of the City under the Security Leases, including, without limitation, the obligation to pay the rental payments when due.

Assignment of Security Leases

The Authority agrees that, except for the assignment of the Veterans Stadium Sublease and certain rentals and rights under the Eagles Prime Lease and the Phillies Prime Lease to the Trustee pursuant to the Indenture, it will not assign or otherwise encumber such Security Leases or any payments due thereunder other than as contemplated therein; provided that the Authority shall have the right, with no additional consent of any bond insurer of the Debt, to enter into: (i) amendments to the legal descriptions of the real property contained in the Phillies Leases and the Eagles Leases; (ii) the Team Subleases, including amendments to the legal descriptions of the real property contained therein, and non-disturbance agreements substantially in the forms attached thereto; and (iii) a non-disturbance agreement in connection with the Veterans Stadium Sublease.

Enforcement, Execution and Amendment of Security Leases and Other Contracts - Notice of Default

The Authority shall enforce payment of service charges, rentals and other amounts payable under the Security Leases, and any other lease, agreement or other contract otherwise made subject to the lien and security interest created by the Indenture, and shall otherwise enforce all of its rights and privileges, and honor all of its obligations thereunder. The Authority and the Trustee acknowledge and agree that the Team Subleases are not subject to Section 8.05 of the Original Indenture. So long as no Event of Default under the Indenture shall have occurred and be continuing, the Authority may exercise all of its rights under the Security Leases which have been assigned to the Trustee, or any other such lease, sublease, agreement or contract, or supplement or amendment thereto, but the Authority shall not, without the prior written consent of the Trustee and any bond insurer of the Debt, amend any of the same; provided that the Trustee and any bond insurer of the Debt shall not have the right to consent to any amendments of the nature described in clauses (i) and (ii) of Section 8.04 of the Original Indenture; and provided further that the Trustee and any such bond insurer shall not have the right to consent to amendments of the Team Subleases. Nothing in the Indenture shall prevent the Authority from exercising any rights under the Security Leases which have not been assigned to the Trustee or any bond insurer of the Debt and nothing in the Indenture shall prevent any bond insurer of the Debt from exercising any rights under the Security Leases which have been assigned to it in accordance with their terms. The Authority shall file with the Trustee copies of the Security Leases and all other leases, agreements and contracts of the nature referred to in Section 8.05 of the Original Indenture (whether heretofore or hereafter executed), together with all amendments or supplements thereto, and shall give prompt written notice to the Trustee of any material default by any of the parties thereto.

Sale or Encumbrance of Veteran Stadium Premises, Eagles Premises, Phillies Premises Prohibited Exceptions

Except as permitted by the Veterans Stadium Leases, the Eagles Leases, the Phillies Leases, the Team Subleases, or any agreements with the Commonwealth entered into in connection with the implementation of the Commonwealths rights under the Capital Facilities Debt Enabling Act (Act of February 9, 1999, P.L. 1, No. 1) to acquire interests in the Eagles Premises or the Phillies Premises or as otherwise specifically permitted by the Indenture or in connection with the development of the new football stadium or baseball ballpark, the Authority shall not sell, lease, pledge or otherwise dispose of the Veteran Stadium Premises, the Eagles Premises, the Phillies Premises or any part thereof or of the revenues derived by the Authority therefrom or create any lien or encumbrance thereon. Upon the conditions stated, and upon receipt of any document required under the Veterans Stadium Leases, the Eagles Leases and the Phillies Leases, the Trustee shall execute such consents or releases to any sale, transfer or encumbrance permitted thereby as may be appropriate.

Payment of Taxes; Discharge of Liens

The Authority shall pay, or cause to be paid, all taxes, assessments, or other municipal or governmental charges lawfully imposed upon the Authority by virtue of its leasehold interest in the Veteran Stadium Premises, the Eagles Premises, and the Phillies Premises or any revenues therefrom and will not knowingly cause to be created any lien or charge thereon except the liens and charges of the Indenture and encumbrances permitted under Sections 8.04 and 8.09 of the Original Indenture or under the Veterans Stadium Leases, the Eagles Leases and the Phillies Leases.

Compliance with Code

(a) General. The Authority covenants with the Holders of tax-exempt Debt that, notwithstanding any other provisions of the Indenture or other instrument, it shall not take or cause to be taken any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the tax-exempt Debt under Section 103(a) of the Code.

(b) Arbitrage or Private Activity Bonds. The Authority covenants with the Holders of tax-exempt Debt that it will make no use of the proceeds of such Debt which would cause such series of Debt to be "private activity bonds" or "arbitrage bonds" (as defined respectively in Sections 141(a) and 148 of the Code and all applicable regulations issued or proposed with respect thereto). The Authority shall not take any action which would cause interest on tax-exempt Debt to be includable for federal income tax purposes in the gross income of the Holders of such tax-exempt Debt. The Trustee may, from time to time, rely on an opinion of Bond Counsel as to compliance with the requirements of Section 8.18 of the Original Indenture.

(c) Rebate. The Authority agrees that there will be paid from time to time all amounts required to be paid to the United States pursuant to Section 148 of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to a series of tax-exempt Debt from time to time.

(d) Compliance with Federal Tax Certificate. In furtherance of the foregoing tax covenants of Section 8.18 of the Original Indenture, the Authority covenants that it will comply with the provisions of its Federal Tax Certificates, which are incorporated in the Indenture as if fully set forth therein. These covenants shall survive payment in full or defeasance of any tax-exempt Debt issued under the Indenture.

EVENTS OF DEFAULT AND REMEDIES

Events of Default Defined

Each of the following shall be an "Event of Default" under the Indenture:

(a) If payment of the principal or Redemption Price of any Debt is not made when it becomes due and payable at maturity or upon call for redemption; or

(b) If payment of any installment of interest on any Debt is not made when it becomes due and payable; or

(c) Reserved; or

(d) If the Authority fails to comply with any provision of the Act and such failure continues for a period of thirty (30) days, or the Authority for any reason is rendered incapable of fulfilling its obligations under the Indenture or thereunder; or

(e) If the Authority defaults in the due and punctual performance of any other covenant in any Debt obligation or in the Indenture and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Authority and the City by the Trustee; or

(f) If any event of default under and as defined in any Security Lease shall have occurred and be continuing; or

(g) If the City shall (i) suffer or permit proceedings under any law relating to bankruptcy, insolvency or reorganization or the relief of debtors to be instituted against it, and such proceedings remain undismissed or pending or unstayed for a period of 45 days or (ii) file a petition, or otherwise institute, or consent to the institution against it of, proceedings to take advantage of any law relating to bankruptcy, insolvency or reorganization or the relief of debtors.

Acceleration and Annulment Thereof

(a) If any Event of Default under clause (a), (b) or (c) under Section 9.01 of the Original Indenture occurs, the Trustee shall, and if any other Event of Default occurs the Trustee may in its discretion, and upon request of the Holders of 100% in principal amount of the Debt then Outstanding shall, by notice in writing to the Authority, declare the principal of all Debt then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with premium, if any, and interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Debt to the contrary notwithstanding.

(b) If after the principal of the Debt has been so declared to be due and payable, all arrears of interest upon the Debt (and interest on overdue installments of interest at the rate provided in the Debt) are paid by the Authority, and the Authority also performs all other things in respect to which there may have been a default under the Indenture and the Authority pays the reasonable charges and expenses of the Trustee, the Holders, and any trustee appointed under the Act, including reasonable attorney's fees and expenses, then, and in every such case, the Holders of a majority in aggregate principal amount of the Debt then Outstanding, by written notice to the Authority and to the Trustee, may annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all Holders of Debt issued under the Indenture; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Enforcement by Trustee

If any Event of Default occurs and is continuing, the Trustee shall enforce each and every right granted to the Authority and pledged under the Indenture under the Veterans Stadium Sublease and with respect to those rents payable pursuant to the Eagles Prime Lease and the Phillies Prime Lease which have been assigned and pledged to the Trustee under the Indenture and any supplements or amendments thereto, and shall apply the Trust Estate to the payment of the principal of or interest on the Obligations.

Legal Proceedings by Trustee

If any Event of Default has occurred and is continuing, and has not been waived or cured, the Trustee, may, and upon the written request of the Holders of 25% in aggregate principal amount of the Debt then Outstanding and receipt of indemnity to its reasonable satisfaction shall, in its own name:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders, including the right to require the Authority to collect rentals and other charges, in respect of any agreement as to or pledge of the revenues or receipts of the Authority, and to require the Authority to carry out any other agreements with, or for the benefit of, the Holders and to perform its and their duties under the law;

(b) bring suit upon the Obligations, the Veterans Stadium Sublease, the Eagles Prime Lease or the Phillies Prime Lease (provided in the case of the Eagles Prime Lease and the Phillies Prime Lease, that such suit is limited to a cause of action related to those rents pledged and assigned under the Indenture and the rights and remedies related thereto assigned under the Indenture);

(c) by action or suit in equity require the Authority to account as if it were the Trustee of an express trust for the Holders;

(d) by action or suit in equity enjoin any acts or-things which may be unlawful or in violation of the rights of the Holders;

(e) exercise any or all other rights and remedies provided for by the Act or by any other law or in equity; and

(f) exercise all rights and remedies granted under the Veterans Stadium Sublease, the Eagles Prime Lease and the Phillies Prime Lease (provided that in the case of the Eagles Prime Lease and the Phillies Prime Lease, that such exercise of rights and remedies is limited to those rents pledged and assigned under the Indenture and the rights and remedies related thereto assigned under the Indenture).

Discontinuance of Proceedings by Trustee

If any proceeding taken by the Trustee on account of any default is discontinued or is determined adversely to the Trustee, then the Authority, the Trustee and the Holders shall be restored to their former positions and rights under the Indenture as though no such proceeding had been taken.

Holders May Direct Proceeding

The Holders of a majority in aggregate principal amount of the Debt then Outstanding under the Indenture shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided that the Trustee is given indemnity reasonably satisfactory to it, that such directions shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Limitations on Actions by Holders

No Holder shall have any right to pursue any remedy under the Indenture unless (a) the Trustee shall have been given written notice of an Event of Default, (b) the Holders of at least 25% in aggregate principal amount of the Debt then Outstanding shall have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity reasonably satisfactory to it against costs, expenses and liabilities, and (d) the Trustee shall have failed to comply with such request within a reasonable time; provided, however, that nothing in the Indenture shall affect or impair the right of any Holder of any Debt obligation to enforce payment of the principal of, premium, if any, or interest on its Debt, at and after the due date thereof, or the obligation of the Authority to pay such principal, premium, if any, and interest on each of the Debt obligations to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Indenture and in the Debt.

Trustee May Enforce Rights Without Possession of Debt Obligations

All rights under the Indenture and the Debt may be enforced by the Trustee without the possession of any Debt obligations or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the equal and ratable benefit of the Holders of the Debt.

Remedies Not Exclusive

No remedy conferred in the Indenture is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

Delays and Omissions Not To Impair Rights

No delay or omission in respect of exercising any right or power accruing upon any Event of Default shall impair such right or power or be a waiver of such Event of Default, and every remedy given by Article IX of the Indenture may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys In Event of Default

Following the occurrence and during the continuance of an Event of Default, all moneys then held by the Trustee or thereafter received by the Trustee under the Indenture (other than moneys on deposit and required to be on deposit in the Note Redemption Account, which shall be applied solely as otherwise provided in the Indenture) shall be applied as follows:

(a) Before any amounts paid pursuant to subsections (b), (c) and (d) of Section 9.12 of the Original Indenture, such moneys shall first be applied to the payment of the accrued costs and expenses of the Trustee, including reasonable fees and expenses of counsel and all costs and disbursements allowed by a court if there be any court action.

(b) Unless the principal of all Obligations shall have become or shall have been declared due, and payable, all such moneys shall be applied:

FIRST – To the payment to the Persons entitled thereto of all installments of interest then due on the Obligations, in order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

SECOND – To the payment to the Persons entitled thereto of the unpaid principal of any of the Obligations which shall have become due (other than Obligations called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in order of their due dates, with interest on such Obligations from the respective dates on which they became due and, if the amount available shall not be sufficient to pay in full the Obligations due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege.

(c) If the principal of all Obligations shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid on the Obligations, without preference or priority of principal over interest or of interest over principal, or installment of interest over any other installment of interest, or any one Obligation over any other Obligation, and interest, to the Persons entitled thereto without any discrimination or privilege.

(d) If the principal of all Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled in the case of Debt, under the provisions of Article IX of the Original Indenture, then subject to the provisions of subsection (c) of Section 9.12 of the Original Indenture (which shall be applicable in the event that the principal of all Obligations shall later become due or be declared due and payable), the money shall be applied in accordance with the provisions of subsection (b) of Section 9.12 of the Original Indenture.

Whenever moneys are to be applied pursuant to the provisions of Section 9.12 of the Original Indenture, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) on which such application is to be made and on such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Debt obligation until such Debt obligation shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of and interest on all Obligations has been paid under the provisions of Section 9.12 of the Original Indenture and all expenses and charges of the Trustee have been paid, any balance remaining in any of the funds shall be paid to the City.

Trustee's Right to Receiver; Compliance with Law

As provided by the Act, the Trustee shall be entitled as of right to the appointment of a receiver; and the Trustee, the Holders and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act.

Trustee and Holders Entitled to All Remedies under Act

It is the purpose of Article IX of the Original Indenture to provide such remedies to the Trustee and the Holders as may be lawfully granted under the provisions of the Act; but should any remedy granted in the Indenture be held unlawful, the Trustee and the Holders shall nevertheless be entitled to every other remedy provided by the Act. It is further intended that, insofar as lawfully possible, the provisions of Article IX of the Original Indenture shall apply to and be binding upon the trustee or receiver appointed under the Act.

THE TRUSTEE

Acceptance of Trust

The Trustee accepts and agrees to execute the trusts created by the Indenture, but only upon the additional terms set forth in Article X of the Original Indenture, to all of which the parties to the Indenture and the Holders agree.

Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Negligence

The Trustee may exercise any powers under the Indenture and perform any duties required of it through attorneys, agents, officers, or employees, and shall be entitled to advice of counsel concerning all questions under the Indenture and shall be free from all liability for any action taken or omitted to be taken in reliance on such advice; and the Trustee shall not be answerable for the default or misconduct of any attorney, agent or employee selected by it with reasonable care, except that the Trustee shall at all times be answerable and responsible for any liability to the Authority resulting from any theft or loss of, or unauthorized or wrongful issuance of Debt held by it after an exchange as set forth in the Indenture. The Trustee shall not be answerable for the exercise of any discretion or power under the Indenture nor for anything whatever in connection with the trust thereunder, except only its own willful misconduct or negligence, except as otherwise provided in Section 10.03 of the Original Indenture.

Compensation and Indemnity

The Authority shall pay to the Trustee reasonable compensation for all services rendered by it under the Indenture and all reasonable advances, counsel fees and expenses and other expenses, including the allocated costs and expenses of -in-house counsel and legal staff reasonably made or incurred by the Trustee under the Indenture, as set forth in a written agreement of the parties. In default of such payment by the Authority, the Trustee may deduct the same from any moneys coming into its hands (other than moneys (a) on deposit in or required to be deposited in the Note Redemption Account, the Reimbursement Account, Capitalized Interest Account, and any account established under the Purchase Fund or (b) disbursed under a bond insurance policy) and shall be entitled to a preference in payment over any of the Debt.

The Trustee may consult with its in-house counsel or such other counsel, with respect to questions arising under the Indenture, or with respect to the Debt, and shall have full and complete authorization for any action taken or suffered by it under the Indenture in good faith and in accordance with the opinion of such counsel. The Authority hereby agrees to indemnify and hold the Trustee, its directors, officers, employees and agents (the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Trustee is authorized to rely pursuant to the terms of the Indenture and the other documents pursuant to which Debt is issued under the Indenture. In addition to and not in limitation of the immediately preceding sentence, the Authority also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Trustee's performance under the Indenture and the other documents pursuant to which Debt is issued under the Indenture provided the Trustee has not acted with negligence or engaged in willful misconduct; provided, however, that the Trustee shall not (i) condition its obligation to perform any of the following duties, or (ii) seek indemnification from any Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Trustee's performance of any of the following duties: making a draw under a Liquidity Facility or Credit Facility, making payments to Bondholders and effecting a mandatory tender for purchase for or redemption or acceleration of Bonds. The provisions of Section 10.04 of the Original Indenture shall survive the termination of the Indenture, the Debt and the resignation or removal of the Trustee for any reason.

No Duty to Renew Insurance

The Trustee shall be under no duty to monitor the insuring of the Project or effect or to renew any insurance policy nor shall it incur any liability for the failure of the Authority to require or effect or renew insurance or to report or file claims of loss thereunder.

Notice of Default; Right to Investigate

The Trustee shall, within thirty (30) days after the occurrence of an Event of Default under clauses (a), (b) or (c) of Section 9.01 of the Original Indenture, and in the case of any other Event of Default within sixty (60) days after it has knowledge of such other Event of Default under the Indenture, give written notice by first class mail to the Owners of the Debt of all such Events of Default, unless such Events of Default have been remedied; provided that, except in the case of a default in payment of principal or sinking fund payments on the Debt or interest on the Debt, the Trustee may withhold such notice as long as it in good faith determines that such withholding is in the interest of the Holders. The Trustee shall not be deemed to have notice of any Event of Default under clauses (d) and (e) of Section 9.01 of the Original Indenture unless the Trustee shall have actual knowledge thereof or unless notified in writing of such Events of Default by the Holders of at least 25% in aggregate principal amount of the Debt then Outstanding. The Trustee may, however, at any time, require of the Authority full information as to the performance of any covenant under the Indenture; and if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the Authority, an investigation into the affairs of the Authority related to the Indenture and the properties covered thereby.

Obligation to Act on Defaults

If any Event of Default shall have occurred of which the Trustee has notice or is deemed to have notice under Section 10.06 of the Original Indenture, and be continuing, the Trustee shall exercise such of the rights and remedies vested in it by the Indenture and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided, that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity reasonably satisfactory to it; provided further, however, that the Trustee shall not require the furnishing of indemnity as a condition to the deposit and application of moneys in accordance with the Indenture (other than moneys in the Construction Fund). Nothing set forth in Section 10.07 of the Original Indenture shall be construed to require the Trustee to exercise any such rights and remedies where to do so would cause the Trustee to violate any law or any order of a court of competent jurisdiction.

Reliance on Request for Funding and Requisitions, etc.

The Trustee may act on any request for funding, requisition, resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper Persons or to have been prepared and furnished pursuant to any of the provisions of the Indenture; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

Trustee May Deal In and Own Debt

The Trustee and any of its affiliates may in good faith buy, sell, own, hold, and deal in any of the Debt and may join in any action which any Holders may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee and any of its affiliates may also engage in or be interested in any financial or other transaction with the Authority and/or the City, provided that if the Trustee determines that any such relation is in conflict with its duties under the Indenture, it shall eliminate the conflict or resign as Trustee.

Other Rights of the Trustee

The permissive rights of the Trustee to do things enumerated in the Indenture shall not be construed as a duty. The Trustee shall not be liable with respect to any action taken or omitted to be taken at the direction of the Owners of a majority in aggregate principal amount of the Debt Outstanding permitted to be given by them under the Indenture.

Resignation of Trustee

The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Secretary of the Authority and any bond insurer of the Debt not less than sixty (60) days before the date when such resignation is to take effect; provided notice of such resignation is mailed by first class mail, postage prepaid, to Holders not less than three weeks prior to the date when the resignation is to take effect and provided that such Trustee may not be discharged of its duties under the Indenture until a successor trustee is appointed and accepts such appointment. Such resignation shall take effect on the day specified therein unless a successor trustee is previously appointed and accepts such appointment, in which event the resignation shall take effect immediately on the appointment and acceptance of appointment of such successor.

If no appointment of a successor shall be made within sixty (60) days after notice is given by the Trustee in accordance with the provisions of Section 10.12 of the Original Indenture, the Trustee or any Holder at the expense of the Authority, may apply to any court of competent jurisdiction for the appointment of a successor. Thereupon, such court, after such notice as it may deem proper and may prescribe, may appoint a successor Trustee.

Removal of Trustee

The Trustee may be removed, upon sixty (60) days notice, by an instrument, executed by the Authority or the Holders of a majority in aggregate principal amount of the Debt then Outstanding; provided that the Authority shall not have any right to remove the Trustee if an Event of Default under the Indenture has occurred and is continuing; and provided further, that no such removal shall become effective until a successor trustee is appointed and accepts such appointment. Such removal shall take effect on the day specified therein unless a successor trustee is previously appointed and accepts such appointment, in which event the removal shall take effect immediately upon the appointment of and acceptance of appointment of such successor.

Appointment of Successor Trustee

If the Trustee or any successor trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, a vacancy shall forthwith exist in the office of the Trustee, and the Authority with the prior written consent of any bond insurer of the Debt shall appoint a successor and shall mail promptly notice of such appointment to the Owners of the Debt. If the Authority fails to make such appointment within thirty (30) days, the Holders of a majority in principal amount of the Debt then Outstanding may do so with the prior written consent of any bond insurer of the Debt.

Qualification of Successor

A successor trustee shall be a national bank with trust powers or a bank and trust company or a trust company having capital and surplus of at least $50,000,000.

Merger of Trustee

Any corporation or association into which any Trustee under the Indenture may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which any Trustee under the Indenture shall be a party or any corporation or association to which the Trustee shall sell or otherwise transfer all or substantially all of its corporate trust business, shall be the successor trustee under the Indenture, without the execution or filing of any paper or any further act on the part of the parties thereto, anything therein to the contrary notwithstanding, provided that such successor corporation or association continuing to act as Trustee shall meet the requirements of Section 10.15 of the Original Indenture, and if such corporation or association does not meet the aforesaid requirements, a successor Trustee shall be appointed pursuant to Article X of the Original Indenture.

AMENDMENTS AND SUPPLEMENTS

Amendments and Supplements Without Holders' Consent

The Indenture may be amended or supplemented in connection with the issuance of Additional Debt, or at any other time and from time to time, without the consent of the Holders, but with the prior written consent of any bond insurer of the Debt (except in the case of the issuance of Additional Debt), by a Supplemental Indenture authorized by a Certified Resolution of the Authority delivered to the Trustee, for one or more of the following purposes:

(a) to set forth any or all of the matters in connection with the issuance of Additional Debt required by Section 3.02 of the Original Indenture;

(b) to add additional covenants of the Authority or to surrender any right or power conferred in the Indenture upon the Authority;

(c) to cure any ambiguity, inconsistency, or omission or to cure, correct or supplement any provision of the Indenture in such manner as shall not be inconsistent with the Indenture and shall not impair the security thereof or materially adversely affect the Holders;

(d) to supplement the security for the Notes or any Additional Debt, replace or provide additional credit facilities, or change the form of the Notes or make such other changes in the provisions of the Indenture, as the Authority may deem necessary or desirable and which shall not, in the judgment of the Authority, materially adversely affect the interests of the Owners of the Outstanding Debt;

(e) to make any changes or amendments requested by any bond rating agency then rating or requested to rate the Debt, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Authority, materially adversely affect the interests of the Owners of the Outstanding Debt; or

(f) to preserve the exemption from federal income tax of interest on any tax-exempt Debt.

Pursuant to subsection (d) above, the execution of a Supplemental Indenture adding the Practice Facility Prime Lease or any other Security Leases to the Trust Estate and making certain corresponding changes in the Indenture shall be deemed an amendment pursuant to Section 12.01 of the Original Indenture, which does not require the consent of the Holders (but which does require the consent of any bond insurer of the Debt).

Amendments With Holders' Consent

The Indenture may be amended from time to time, except with respect to (1) the interest on and principal payable upon any Debt, (2) the dates of maturity or redemption provisions of any Debt, and (3) Article XII of the Original Indenture, by a Supplemental Indenture approved by the Holders of at least a majority in aggregate principal amount of the Debt then Outstanding and approved by any bond insurer of the Debt in writing; provided, that no amendment shall be made which adversely affects one or more but less than all series of Debt without the consent of the Holders of at least a majority in aggregate principal amount of the then Outstanding Debt of each series so affected, and no amendment shall be made which affects the rights of some but less than all the Outstanding Debt of any one series without the consent of the Holders of a majority in aggregate principal amount of the Debt so affected. Amendment with respect to items (1), (2), and (3) of Section 12.02 of the Original Indenture shall be effected only with the consent of the Holders of all Debt then Outstanding which are affected by such amendments.

DEFEASANCE

Defeasance

When interest on, and principal or Redemption Price (as the case may be) of, all Debt issued under the Indenture or secured thereby have been paid, or there shall have been deposited with the Trustee an amount of (i) cash in an amount sufficient to pay in full the principal of and interest on the Debt, and all other sums payable under the Indenture by the Authority, (ii) noncallable Government Obligations, the principal of and interest on which, when due, will provide sufficient moneys without reinvestment to pay in full the principal of and interest on the Debt, as well as all other sums payable under the Indenture by the Authority, or (iii) any combination of the foregoing, then the right, title and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on demand of the Authority, shall release the Trust Estate from the lien and security interest created by the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such Person as may be entitled to receive the same all balances remaining in any funds under the Indenture and the Trustee's right, title and interest to and under the Security Leases shall terminate.

The Trustee shall also receive evidence satisfactory to it that the cash and Government Obligations delivered will be sufficient to provide for the payment of the Debt as aforesaid. Neither the Government Obligations nor moneys deposited with the Trustee pursuant to Section 13.01 of the Original Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or Redemption Price of, and interest on, the Debt and the other sums payable under the Indenture by the Authority with respect to which such deposit has been made. The Trustee shall send, by registered or first-class mail, postage prepaid, to the Holders of all Debt at their registered addresses a notice stating that such moneys or obligations have been deposited and identifying the Debt for the payment of which such moneys or obligations are being held.

MISCELLANEOUS

Deposit of Funds for Payment of Debt

If the Authority deposits with the Trustee moneys or Government Obligations sufficient to pay the principal or Redemption Price of any Debt becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on such Debt shall cease to accrue on the due date and all liability of the Authority with respect to such Debt shall cease, except as provided in the Indenture. Thereafter the Holders of such Debt shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Debt, and the Trustee shall hold such funds in trust for such Holders. Moneys so deposited with the Trustee which remain unclaimed two years after the date payment thereof becomes due shall, upon the written request of the Authority, if the Authority is not at the time, to the knowledge of the Trustee, in default with respect to any covenant in the Indenture or the Debt, be paid to the Authority for and on account of the City; and the Holders of the Debt for which the deposit was made shall thereafter be limited to a claim against the Authority. In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to Section 14.02 of the Original Indenture all be held uninvested and without liability for interest thereon.

THE FIRST SUPPLEMENTAL INDENTURE

THE 2001 BONDS

Construction Fund Accounts for Series 2001 Bond Proceeds

The Trustee shall establish an account within the Construction Fund designated "2001 Series A Bonds Account" for deposit of a portion of the 2001 Series A Bond proceeds and an account within the Construction Fund designated "2001 Series B Bonds Account" for deposit of a portion of the 2001 Series B Bond proceeds and within each account a subaccount for the Rehabilitation, and a subaccount for the balance of the 2001 Project (other than the refunding of the Notes) which shall constitute an Additional Project for purposes of the Indenture. The closing statement delivered at the issuance of the Series 2001 Bonds shall state the amounts to be deposited by the Trustee in the subaccounts for the Rehabilitation and for the balance of the 2001 Project. The disbursement of the funds held from time to time in the Construction Fund shall be made in accordance with the provisions of Section 5.02 of the Original Indenture. Upon delivery of the completion certificate described in Section 5.03 of the Original Indenture with respect to the Project (as defined in the Original Indenture) or the 2001 Project, any amount remaining in the Construction Fund and not reserved for the payment of Costs of such Project shall be transferred to the Bond Fund for payment of principal or Redemption Price of, or interest on the Bonds as provided in Section 4.04 of the First Supplemental Indenture.

Capitalized Interest Account Subaccounts for Series 2001 Bonds

The Trustee shall establish a subaccount within the Capitalized Interest Account designated "2001 Series A Bonds Subaccount" for deposit of certain available moneys other than proceeds of the Series 2001 Bonds, if any, and a subaccount within the Capitalized Interest Account designated "2001 Series B Bonds Subaccount" for deposit of certain available moneys other than proceeds of the Series 2001 Bonds, if any. Amounts in each of these subaccounts shall be transferred by the Trustee, without further direction, on the Business Day prior to each Interest Payment Date for the Series 2001 Bonds to the appropriate Interest Account of the Bond Fund in the amounts set forth in Exhibit D attached to the First Supplemental Indenture and made a part thereof.

REVENUES, THEIR APPLICATION AND CERTAIN FUNDS

Receipts and Revenues of the Authority

Confirming the granting clauses of the Original Indenture and of the First Supplemental Indenture, the Authority assigns, transfers and sets over to the Trustee, as security, all the right, title and interest of the Authority in and to the Trust Estate, and the Authority directs payment to the Trustee of the payments under the Security Leases constituting a portion of the Trust Estate. In order to avoid any doubt, the Authority confirms that the Construction Fund is <u>not</u> being pledged as security for the Series 2001 Bonds and does not constitute part of the "Trust Estate" for purposes of the First Supplemental Indenture.

Creation of the Bond Fund

There is created and established pursuant to the First Supplemental Indenture with the Trustee a Bond Fund which shall be used to pay, in the following order of priority, (i) principal or Redemption Price of and interest on the Series 2001 Bonds and any additional Bonds, and (ii) payments due any Counterparty under a Swap relating to the Bonds. There are hereby created within the Bond Fund five accounts designated "Interest Account", "Principal Account", a "Bond Redemption Account", "Swap Receipts Account" and "Swap Payments Account."

Payments into the Bond Fund

The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) All revenues and any other moneys payable under the Security Leases and pledged under the First Supplemental Indenture and under the Original Indenture.

(b) Net income or gain received and collected from investments of money in the Bond Fund.

(c) All other receipts when and if required by the Security Leases or by the Indenture to be paid into the Bond Fund and any other amounts received by the Trustee constituting the Trust Estate or other payments under the Indenture (except proceeds of Additional Debt).

Application of Bond Fund

(a) The Trustee shall make available from amounts deposited under the First Supplemental Indenture, funds to the Authority's Paying Agent or Agents to pay the principal of Bonds as they mature or are subject to mandatory redemption, upon surrender thereof, and the interest on Bonds as it becomes payable. The Trustee shall establish separate accounts within the Bond Fund, including those accounts created pursuant to Section 4.02 of the First Supplemental Indenture, for separate series of Bonds of particular dates. Moneys in the Bond Fund shall be used solely for the payment of the principal or Redemption Price of and interest on the Bonds as the same shall become due and payable at maturity, upon redemption or otherwise. Funds for such payments of the principal or Redemption Price of and interest on the Bonds shall be derived from, and paid by the Trustee from, the following sources in the order of priority indicated:

(i) moneys transferred from the Capitalized Interest Account for payment of interest shall be deposited in the appropriate Interest Account and applied to the payment of interest next due on the Bonds;

(ii) amounts deposited into the Bond Fund pursuant to Section 2.11 of the First Supplemental Indenture and clause (b) of Section 4.04 of the of the First Supplemental Indenture; and

(iii) any other moneys furnished by the Authority or the City to the Trustee, including moneys received by the Trustee pursuant to the Security Leases.

(b) Moneys deposited pursuant to Section 5.03 of the Original Indenture and Section 2.14 of the First Supplemental Indenture into the Bond Fund, and any income or other gain from the investment thereof, shall be held in trust for, deposited into the Principal Account, the Interest Account or the Bond Redemption Account, as the Authority shall direct in writing, and applied by the Trustee to, the payment of the principal of and interest on the Bonds on the next due date.

Bond Redemption Accounts

The Trustee shall establish as a part of the Bond Fund, a 2001 Series B Bond Redemption Account and such other bond redemption accounts for series of additional Bonds as may be directed in the Certified Resolution of the Authority or Supplemental Indenture establishing such series and shall transfer funds into such bond redemption accounts from the Bond Fund as required to redeem Bonds on the dates specified in the First Supplemental Indenture or in the form of the Bond. The Trustee shall use the bond redemption account for each series to purchase or redeem the Bonds of such series. If at any time all the Bonds of any series shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the bond redemption account for such series and shall transfer any balance then in such account to the Bond Fund. Whenever Bonds are to be purchased out of any such redemption account, if the Authority, upon the direction of the City, shall notify the Trustee in writing that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to the Indenture. Purchases and redemptions out of such redemption accounts shall be made as follows:

(a) 2001 Series B Bond Redemption Account. The Trustee shall apply the amounts required to be transferred to the 2001 Series B Bond Redemption Account (less any moneys applied to the purchase of the 2001 Series B Bonds pursuant to the next sentence hereof) on the Sinking Fund Installment Date (i) in each of the years 2022 through 2025, inclusive to the redemption by lot, in the amounts and the manner and on the dates set forth in the 2001 Series B Bond form and Article III of the First Supplemental Indenture, of the 2001 Series B Bonds which mature on October 1, 2026 at a Redemption Price of 100% of the principal amount thereof and (ii) in each of the years 2027 through 2029, inclusive to the redemption by lot, in the amounts and the manner and on the dates set forth in the 2001 Series B Bond form and Article III of the First Supplemental Indenture, of the 2001 Series B Bonds which mature on October 1, 2030 at a Redemption Price of 100% of the principal amount thereof. Upon the written direction of the Authority, acting at the written direction of the City, not less than forty-five (45) days prior to a redemption date, the Trustee may apply moneys in said account to the purchase of 2001 Series B Bonds which mature on October 1, 2026 or 2030 at prices exclusive of accrued interest not higher than the principal amount thereof, in lieu of redemption as aforesaid, provided that firm purchase commitments can be made before notice of redemption would otherwise be required to be given. In the event of purchases at less than the principal amount thereof, the difference between the amount in said account representing the principal amount of the 2001 Series B Bonds purchased and the purchase price shall be transferred to the Bond Fund. Moneys and investments in the 2001 Series B Bond Redemption Account, until applied as provided herein, shall be held in trust solely for the benefit of the Holders of the 2001 Series B Bonds.

Accrued interest on purchased 2001 Series B Bonds shall be paid from the sources and in the order stated in Section 4.04 of the First Supplemental Indenture from the Bond Fund, provided that the Trustee, at the written direction of the Authority, shall pay such accrued interest from the moneys in the 2001 Series B Bond Redemption Account pending maturity of investments of the Bond Fund (and in such case upon the maturity of investments in the Bond Fund, the Trustee shall transfer to the 2001 Series B Bond Redemption Account from the Bond Fund the amount of accrued interest on purchased 2001 Series 8 Bonds so paid from such Bond Redemption Account).

(b) Purchase of 2001 Series B Bonds by the City. Pursuant to the Security Leases, the City may, not less than forty-five (45) days before any Sinking Fund Installment Date, deliver to the Trustee Bonds of the series and maturity, a portion of which is required to be redeemed by the Trustee on such Sinking Fund Installment Date, and, upon such delivery, the rentals required to effect such redemption otherwise due from the City shall be reduced by the aggregate principal amount of the Bonds so delivered. Upon any such delivery of 2001 Series B Bonds, the principal amount of the 2001 Series B Bonds required, by the provisions of the foregoing paragraph (1), to be redeemed by the Trustee on such Sinking Fund Installment Date shall also be reduced by the aggregate principal amount of the Bonds of such series so delivered.

(c) Bond Redemption on Accounts of Other Series. The Trustee shall apply the amounts deposited in bond redemption accounts for other series of Bonds as provided in the Supplemental indenture establishing such series.

MISCELLANEOUS

Confirmation of the Original Indenture

Except as amended and supplemented by the First Supplemental Indenture, the Original Indenture is ratified and confirmed in all respects and is applicable in all respects to the Series 2001 Bonds, the Owners thereof and the security therefor.

Amendment of the First Supplemental Indenture

The First Supplemental Indenture may be amended or supplemented from time to time in the manner and to the extent provided in Article XII of the Original Indenture.

Additional Provisions Concerning FSA

The following provisions shall apply to the Series 2001 Bonds so long as the principal and interest on the Series 2001 Bonds are guaranteed by FSA through the FSA Municipal Bond Insurance Policy; provided that such provisions shall not be applicable upon the failure of FSA to pay or perform under the FSA Municipal Bond Insurance Policy or if the FSA Municipal Bond Insurance Policy shall cease to be valid or effective; provided, FSA shall be entitled to exercise its rights as Holder through subrogation to the extent FSA has made a payment under the FSA Municipal Bond Insurance Policy. The rights granted to FSA under the Indenture or any other Related Document (as defined herein) to request, consent to or direct any action are rights granted to FSA in consideration of its issuance of the FSA Municipal Bond Insurance Policy. Any exercise by FSA of such rights is merely an exercise of FSA's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Holders nor does such action evidence any position of FSA, positive or negative, as to whether Holder consent is required in addition to consent of FSA.

(a) The Authority covenants to send a copy of all notices it sends or receives pursuant to the Veterans Stadium Leases, the Eagles Leases or the Phillies Leases to FSA at the address set forth in Section 5.04(n) of the First Supplemental Indenture.

(b) FSA shall be deemed to be the sole holder of the Series 2001 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the Series 2001 Bonds are entitled to take pursuant the Articles IX and X of the Original Indenture.

(c) The Series 2001 Bonds shall not be accelerated without the consent of FSA and in the event the Series 2001 Bonds are accelerated, FSA may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, FSA's obligations under the FSA Municipal Bond Insurance Policy with respect to such Series 2001 Bonds shall be fully discharged.

(d) No grace period for a covenant default by the Authority shall exceed 60 days without prior written consent of FSA.

(e) FSA shall be an express third party beneficiary of the Indenture.

(f) No modification or amendment to the Indenture may become effective except upon obtaining the prior written consent of FSA. Copies of any modification or amendment to the Indenture shall be sent by the Authority to S&P and Moody's at least 10 days prior to the effective date thereof.

(g) Other than as set forth in Sections 8.04 and 8.05 of the Original Indenture, no modification or amendment to the Security Leases, the Veterans Stadium Lease, the Eagles Ground Lease or the Phillies Ground Lease (each, together with the Indenture, a "Related Document") may become effective except upon obtaining the prior written consent of FSA as set forth below:

(i) The Authority shall not enter into any amendment to the Veterans Stadium Sublease, the Eagles Prime Lease, the Phillies Prime Lease, the Veterans Stadium Lease, the Eagles Ground Lease or the Phillies Ground Lease which does not materially adversely affect the security for the Series 2001 Bonds or FSA without, at the option of the Authority, either (1) receiving an opinion of Counsel to the Authority addressed and delivered to FSA that such amendment does not materially adversely affect the security for the Series 2001 Bonds or FSA or (2) obtaining the prior written consent of FSA, which consent shall be deemed to have been given if FSA does not respond in writing to the Authority within twenty (20) days of receiving notice of such amendment.

(ii) The Authority shall not enter into any amendment to the Veterans Stadium Sublease, the Eagles Prime Lease, the Phillies Prime Lease, the Veterans Stadium Lease, the Eagles Ground Lease or the Phillies Ground Lease, other than as described in (i) above, without obtaining the prior written consent of FSA, which consent shall be deemed to have been given if FSA does not respond in writing to the Authority within twenty (20) days of receiving notice of such amendment.

For purposes of the provisions set forth in both (i) and (ii) above: (a) notice in the form attached to the First Supplemental Indenture as Exhibit E shall be sent to the CEO, the Managing Director of Surveillance and the General Counsel of FSA, which shall include a copy of the proposed amendment; (b) notice in the form attached to the First Supplemental Indenture as Exhibit E shall be resent to CEO, Managing Director of Surveillance and General Counsel if written consent to such amendment is not received within ten (10) days of delivering the notice described in clause (a); and (c) all notices shall be sent by hand delivery with signed receipt request.

(h) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the custodian and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively or (5) securities eligible for "AAA" defeasance under the existing criteria of S&P or any combination thereof, shall be authorized to be used to effect defeasance of the Series 2001 Bonds unless FSA otherwise approves.

To accomplish defeasance the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to FSA ("Accountant") verifying the sufficiency of the escrow established to pay the Series 2001 Bonds in full on the maturity or redemption date ("Verification"), (ii) an escrow deposit agreement (which shall be acceptable in form and substance to FSA), (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2001

Bonds are no longer "Outstanding" under the Indenture and (iv) if there is a Trustee for the Series 2001 Bonds a certificate of discharge of the Trustee with respect to the Series 2001 Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority, the Trustee and FSA. FSA shall be provided by the Authority with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.

Series 2001 Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

(a) Amounts paid by FSA under the FSA Municipal Bond Insurance Policy shall not be deemed paid for purposes of the Indenture and shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to FSA have been paid in full or duly provided for.

(b) The Authority covenants and agrees to take such action (including, as applicable, filing of UCC financing statements) as is necessary from time to time to perfect or otherwise preserve the priority of the pledge of Trust Estate under applicable law.

(c) FSA shall, to the extent it makes any payment of principal of or interest on the Series 2001 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the FSA Municipal Bond Insurance Policy. The obligations to FSA shall survive discharge or termination of the Related Documents.

(d) The Authority shall pay or reimburse FSA any and all charges, fees, costs and expenses which FSA may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, (iv) the violation by the Authority or the City of any law, rule or regulation, or any judgment, order or decree applicable to it or (v) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than amounts resulting from the failure of FSA to honor its obligations under the FSA Municipal Bond Insurance Policy. FSA reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document. The liability of the Authority pursuant to this paragraph shall be limited to the Trust Estate pledged under the Indenture to secure the Series 2001 Bonds and the liability of the City shall be limited as provided in the Security Leases.

(e) FSA shall be entitled to pay principal or interest on the Series 2001 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the FSA Municipal Bond Insurance Policy) and any amounts due on the Series 2001 Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not FSA has received a Notice of Nonpayment (as such term is defined in the FSA Municipal Bond Insurance Policy) or a claim upon the FSA Municipal Bond Insurance Policy.

(f) Notwithstanding satisfaction of other conditions to the issuance of additional Bonds contained in the Indenture, no such issuance may occur should any Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event, of Default) have occurred and be continuing unless such default shall be cured upon such issuance, or unless otherwise permitted by FSA.

Closure of Notes Program

Upon the execution and delivery of the First Supplemental Indenture, the Authority shall not issue any Notes under the Indenture.

Amendments of Original Indenture

(a) The Sinking Fund Account established under the Original Indenture shall be closed and provisions relating thereto under the Original Indenture shall be of no effect. Any amounts directed to be deposited therein under the Original Indenture shall instead be deposited in the Bond Fund.

(b) The reference to the Capitalized Interest Account in the first sentence of Section 9.12 of the Original Indenture is deleted.

(c) Any references to the “Credit Agreement,” the “Credit Agreement Obligations” and the “Bank” in the Original Indenture are deleted.

No Personal Recourse

Notwithstanding any provision or obligation to the contrary set forth in the First Supplemental Indenture, no provision in the First Supplemental Indenture or in any instruments evidencing the Series 2001 Bonds, shall be construed so as to give rise to any personal liability of the Authority or its members, officers, employees, agents or representatives (collectively, the “Group”), or to give rise to a charge upon the general credit of the Authority or any member of the Group. Any pecuniary liability of the Authority or any member of the Group under the First Supplemental Indenture or thereunder, and under any constitutional provision, statute or theory of law, including contract or tort relating thereto, shall be limited exclusively to its interest in the Trust Estate, and the lien of any judgment with respect to any of the foregoing shall be restricted thereto. The Authority and the Group shall not be required to do any act whatsoever or exercise any diligence whatsoever to mitigate the damages to the Trustee or the Holders if an Event of Default shall occur under the Indenture. In furtherance of the above, and not by way of limitation, no recourse under or upon any obligation, covenant or agreement contained in the First Supplemental Indenture or in any Obligation thereby secured, or under any judgment obtained against the Authority or any member of the Group, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, under or independent of the First Supplemental Indenture, shall be had against any member of the Group as such, past, present or future, of the Authority for the payment for or to the Authority or any receiver thereof, or for or to the Owners of any Series 2001 Bonds issued under the First Supplemental Indenture or otherwise, of any sum that may be due and unpaid by the Authority upon any such Series 2001 Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member of the Group as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the Owners of the Series 2001 Bonds issued under the First Supplemental Indenture or otherwise, of any sum that may remain due and unpaid upon the Series 2001 Bonds and thereby secured, or any of them, is expressly waived and released as a condition of and consideration for the execution of the First Supplemental Indenture and the issuance of such Series 2001 Bonds.

The Authority and each member of the Group shall have no liability for any failure to fulfill, or breach by the City of, the City’s obligations under the Security Leases or otherwise.

The Series 2001 Bonds issued or secured under the First Supplemental Indenture shall be limited obligations of the Authority payable solely from those rentals due under the Security Leases which have been assigned as provided in the First Supplemental Indenture and as otherwise provided therein and in the Original Indenture.

THE SECOND SUPPLEMENTAL INDENTURE

Receipts and Revenues of the Authority

The definition of Trust Estate under the Original Indenture is amended to include payments received by the Authority from a Counterparty under any swap agreement entered into by the Authority in connection with Bonds issued under the Indenture.

Lien on Trust Estate

The granting paragraph of the Original Indenture is amended to grant a lien (subordinate to the lien granted on an equal and ratable basis to holders of Debt) for the benefit of the Counterparty for the payment and performance of the Authority's obligations under any swap agreement entered into by the Authority in connection with Bonds issued under the Indenture thereunder.

Creation of Bond Fund

Amending Section 4.02 of the First Supplemental Indenture, there is established and created under the Second Supplemental Indenture with the Trustee a Bond Fund which shall be used to pay, in the following order of priority, (i) principal or Redemption Price of and interest on the Series 2001 Bonds and any additional Bonds, and (ii) payments due any Counterparty under a Swap relating to the 2001 Bonds, but only for so long as the Counterparty under such Swap is not in default of its payment obligations thereunder. There is created pursuant to the Second Supplemental Indenture within the Bond Fund, an Interest Account, Principal Account, Bond Redemption Account, Swap Receipts Account and Swap Payments Account.

Payments Into Bond Fund

The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) All revenues and any other moneys payable under the Security Leases and pledged herein and under the Original Indenture.

(b) Net income or gain received and collected from investments of money in the Bond Fund.

(c) All Authority Swap Receipts which shall be deposited to the credit of the Swap Receipts Accounts in the Bond Fund.

(d) All other receipts when and if required by the Security Leases or by the Indenture to be paid into the Bond Fund and any other amounts received by the Trustee constituting the Trust Estate or other payment as under the Indenture (except proceeds of Additional Debt).

Application of Bond Fund

(a) The Trustee shall make available from amounts deposited under the Second Supplemental Indenture, first, funds to the Authority's Paying Agent or Agents to pay the principal of Bonds as they mature or are subject to mandatory redemption, upon surrender thereof, and the interest on Bonds as it becomes payable, and second, to pay to any Counterparty, as and when due, Authority Swap Payments. The Trustee shall establish separate accounts within the Bond Fund, including those accounts created pursuant to Section 4.02 of the Second Supplemental Indenture, for separate series of Bonds of particular dates. Moneys in the Bond Fund shall be used solely for the payment of the principal or Redemption Price of and interest on the Bonds as the same shall become due and payable at maturity, upon redemption or otherwise, and Authority Swap Payments. Funds for such payments of the principal or Redemption Price of and interest on the Bonds shall be derived from, and paid by the Trustee from, the following sources in the order of priority indicated:

(i) moneys transferred from the Capitalized Interest Account for payment of interest shall be deposited in the appropriate Interest Account and applied to the payment of interest next due on the Bonds;

(ii) amounts deposited into the Bond Fund pursuant to Section 2.11 and clause (b) of Section 4.04 of the Second Supplemental Indenture;

(iii) amounts deposited into the Swap Receipts Account of the Bond Fund for payment of interest on the Bonds; and

(iv) any other moneys received by the Trustee, including moneys received by the Trustee pursuant to the Security Leases.

(b) Following payment of the principal or Redemption Price of and interest on the Bonds as and when due, the Trustee shall deposit in the Swap Payment Account, from moneys received from the City under the Security Leases (other than the Veterans Stadium Sublease), a sum sufficient to pay any Authority Swap payment then due and owing, and shall apply such funds to payment of such Authority Swap Payment.

THE THIRD SUPPLEMENTAL INDENTURE AND THE FOURTH SUPPLEMENTAL INDENTURE

The Third Supplemental Indenture and the Fourth Supplemental Indenture are amended and restated in their entirety by the Fifth Supplemental Indenture, as summarized below.

THE FIFTH SUPPLEMENTAL INDENTURE

2007 BONDS

Calculation and Payment of Interest of the 2007B Bonds; Change in Mode; Maximum Rate

When a Short-Term Mode is in effect, interest shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed. When a Long-Term Mode is in effect, interest shall be calculated on the basis of a 360 day year comprised of twelve 30-day months. Interest on the 2007B Bonds in the ARS Mode will be computed on the basis of the actual number of days elapsed computed on the basis of a 365/366 day year if the 2007B Bonds are in an Auction Period of 180 days or less. If the 2007B Bonds in the ARS Mode are in an Auction Period which is greater than 180 days, interest will be computed on the basis of a 360 day year of twelve 30-day months. Payment of interest on each 2007B Bond shall be made on each 2007B Interest Payment Date for such 2007B Bond for unpaid interest accrued during the Interest Accrual Period to the Owner of record of such 2007B Bond on the applicable Record Date.

The 2007B Bonds (other than the 2007B-4 Bond) in any Mode, other than a Fixed Rate Mode, may be changed to any other Mode at the times and in the manner hereinafter provided. Subsequent to such change in Mode (other than a change to a Fixed Rate Mode), the 2007B Bonds may again be changed to a different Mode at the times and in the manner hereinafter provided. A Fixed Rate Mode shall be in effect until the Maturity Date, or acceleration or redemption thereof prior to the 2007B Maturity Date, and may not be changed to any other Mode.

No 2007B Bonds shall bear interest at an interest rate higher than the Maximum Rate.

In the absence of manifest error, the determination of interest rates (including any determination of rates in connection with a New Mode) and Interest Periods by the Remarketing Agent or the Auction Agent and the record of interest rates maintained by the Paying Agent shall be conclusive and binding upon the Authority, Remarketing Agent, the Broker-Dealer, the Auction Agent, the Paying Agent, the Trustee, the Tender Agent, the Owners and the Beneficial Owners, subject to the provisions of the Indenture.

Determination of Interest Rates During the Daily Mode and the Weekly Mode

The interest rate for the 2007B Bonds in the Daily Mode or Weekly Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the 2007B Bonds in the Daily Rate Period or Weekly Rate Period, as applicable, at a price equal to the principal amount thereof, plus interest, if any, accrued through the Rate Determination Date during the then current Interest Accrual Period.

(a) During the Daily Mode, the Remarketing Agent shall establish the Daily Rate by 10:00 A.M. on each Rate Determination Date. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Rate Determination Date. The

Remarketing Agent shall make the Daily Rate available no less frequently than 10:00 A.M. of each day by Electronic Means to any Beneficial Owner or Notice Party requesting such rate.

(b) During the Weekly Mode, the Remarketing Agent shall establish the Weekly Rate by 4:00 P.M. on each Rate Determination Date. The Weekly Rate shall be in effect during the applicable Weekly Rate Period. The Remarketing Agent shall make the Weekly Rate available no later than 5:00 P.M. on the Business Day following the Rate Determination Date by Electronic Means to any Beneficial Owner or Notice Party requesting such rate.

Alternate Rates

The following provisions shall apply in the event (i) the Remarketing Agent fails or is unable to determine the interest rate or Interest Period for the 2007B Bonds other than when the 2007B Bonds are in the ARS Mode, (ii) the method by which the Remarketing Agent determines the interest rate or Interest Period with respect to the 2007B Bonds (or the selection by the Authority of the Interest Periods for 2007B Bonds in the Term Rate Mode) shall be held to be unenforceable by a court of law of competent jurisdiction or (iii) if the Remarketing Agent suspends its remarketing effort in accordance with the Remarketing Agreement. These provisions shall continue to apply until such time as the Remarketing Agent (or the Authority if applicable) again makes such determinations. In the case of clause (ii) above, the Remarketing Agent (or the Authority, if applicable) shall again make such determination at such time as there is delivered to the Remarketing Agent and the Authority an opinion of Bond Counsel to the effect that there are no longer any legal prohibitions against such determinations. The following shall be the methods by which the interest rates and, in the case of the CP and Term Rate Modes, the Interest Periods, shall be determined for the 2007B Bonds as to which any of the events described in clauses (i), (ii) or (iii) shall be applicable. Such methods shall be applicable from and after the date any of the events described in clauses (i), (ii) or (iii) first become applicable to the 2007B Bonds until such time as the events described in clauses (i), (ii) or (iii) are no longer applicable to the 2007B Bonds. These provisions shall not apply if the Authority fails to select an Interest Period for the 2007B Bonds in the Term Rate Mode for a reason other than as described in clause (ii) above.

If the 2007B Bonds are in the Daily Mode or the Weekly Mode, the 2007B Bonds shall bear interest during each subsequent Interest Period at the Alternate Rate in effect on the first day of such Interest Period.

Changes in Mode

Subject to the provisions of the Fifth Supplemental Indenture, the Authority may effect a change in Mode with respect to the 2007B Bonds (other than the 2007B-4 Bond) by following the procedures set forth in this Section. If a change in Mode will make the 2007B Bonds subject to Rule 15c2-12 promulgated under the Securities Act of 1934, as amended, it shall be a condition to such change in Mode that the Authority shall have executed a continuing disclosure undertaking satisfying the requirements of such Rule and shall cooperate with the Remarketing Agent, if any, the Broker-Dealer, if any, and any Underwriter (as defined in such Rule) in satisfying the requirements of such Rule.

Changes to Modes Other Than to Fixed Rate Mode. The 2007B Bonds (other than 2007B Bonds in the Fixed Rate Mode and the 2007B-4 Bond) may be changed from one Mode to another Mode as follows:

(a) Mode Change Notice; Notice to Owners. No later than a Business Day which is at least thirty (30) days (or such shorter time as may be agreed to by the Authority, the Trustee, the Tender Agent, the Remarketing Agent, the Auction Agent and the Broker-Dealer) preceding the proposed Mode Change Date, the Authority, at the direction of the City, shall give written notice to the Notice Parties of its intention to effect a change in the Mode from the Mode then prevailing (for purposes of this Section, the "Current Mode") to another Mode (for purposes of this Section, the "New Mode") specified in such written notice. In the case of a change to a Term Rate Mode or from one Term Rate Mode to another Term Rate Mode, such notice to the Notice Parties shall also include a statement as to whether there will be a Liquidity Facility and/or Credit Enhancement in effect with respect to the 2007B Bonds following such change and the identity of any provider of such Liquidity Facility and/or Credit Enhancement. Notice of the proposed change in Mode shall be given by the Tender Agent to the Banks and the Owners of the 2007B Bonds not less than the fifteenth (15^{th}) day next preceding the Mode Change Date provided that no notice need be given for a Mode Change Date occurring on the first Business Day following the last day of a

Commercial Paper Rate Period or Term Rate Mode or on a Substitution Date. Notice of early substitution of a Liquidity Facility and/or Credit Enhancement for 2007B Bonds in the Term Rate Mode shall be given no less than five (5) days prior to the expiration date of such Liquidity Facility and/or Credit Enhancement. Each notice of a proposed change in Mode shall state: (i) the New Mode and the Mode Change Date, and (A) in the case of a change in Mode to an ARS Mode, the length of the initial Auction Period and (B) in the case of a change in Mode to the Term Rate Mode, the length of the initial Interest Period, in each case as determined by the Authority at the direction of the City; (ii) that the 2007B Bonds will be subject to mandatory purchase on the Mode Change Date (regardless of whether all of the conditions to the change in the Mode are satisfied) and the Purchase Price of the 2007B Bonds; and (iii) if the Book-Entry System is no longer in effect, information with respect to required delivery of 2007B Bond certificates and payment of Purchase Price.

(b) Determination of Interest Rates. The New Mode shall commence on the Mode Change Date and the interest rate(s) shall be determined by the Remarketing Agent in the manner provided in the Fifth Supplemental Indenture, as applicable. Such determination shall be conclusive and binding upon the Authority, the Trustee, the Paying Agent, the Auction Agent and the Owners of the 2007B Bonds to which such rate will be applicable. Not later than 5:00 P.M., New York City time, on the date of determination of the interest rate for the Initial Period, the Broker-Dealer shall notify the Trustee, the Authority and the Auction Agent of that rate by Electronic Means.

(c) Conditions Precedent. In the case of a change from the Daily Mode or Weekly Mode, the Mode Change Date shall be any Business Day; provided that in the case of a change from the Daily Mode or Weekly Mode to an ARS Mode, the Mode Change Date shall be a regularly scheduled 2007B Interest Payment Date for the Daily Mode or Weekly Mode. The Mode Change Date must be a date on which the Bonds are subject to optional redemption pursuant to the Fifth Supplemental Indenture. The following items shall have been delivered to the Trustee, the Paying Agent, the Remarketing Agent, if any, and the Broker-Dealer, if any, on or prior to the Mode Change Date: (1) if there is to be a Liquidity Facility or an Alternate Liquidity Facility or a Credit Enhancement or an Alternate Credit Enhancement delivered in connection with such change, the items described under Credit Enhancement and Liquidity Facility below; and (2) a Rating Confirmation Notice, or if the Mode Change Date is a Mandatory Purchase Date, a notice from the Rating Agencies of the rating(s) to be assigned the 2007B Bonds on such Mode Change Date. No 2007B Bonds may be converted to the Auction Period Rate when the 2007 Bonds are not held by a depository pursuant to a Book-Entry System. There shall be not less than $10,000,000 in aggregate principal amount of the 2007B Bonds bearing interest at an Auction Period Rate unless otherwise consented to by the Broker-Dealers.

A Change in Mode to the ARS Mode or the Term Rate Mode shall be conditioned upon receipt of a firm underwriting commitment or contract of purchase from an investment bank or other purchaser reasonably acceptable to the Credit Provider.

Change to Fixed Rate Mode. At the option of the Authority, the 2007B Bonds bearing interest at an Auction Period Rate, a Daily Rate, Weekly Rate, Commercial Paper Rates or Term Rates (in an amount which is a 2007B Authorized Denomination for the new Rate Period) may be changed to the Fixed Rate Mode, as provided in this Section. On any Business Day which is at least thirty (30) days (or such shorter time as may be agreed to by the Authority, the Trustee and the Remarketing Agent, the Auction Agent and the Broker-Dealer, but in any event not less than the fifteenth (15^{th}) day next preceding the Mode Change Date) before the proposed Mode Change Date, the Authority shall give written notice to the Notice Parties stating that the Mode will be changed to the Fixed Rate Mode and setting forth the proposed Mode Change Date. Such notice shall also state whether or not there shall be Credit Enhancement with respect to the 2007B Bonds following such change and, if so, the identity of the Credit Provider. In addition, such notice shall state whether some or all of the 2007B Bonds to be converted shall be converted to Serial 2007B Bonds and, if so, the applicable Serial Maturity Dates and Serial Payments, all as determined pursuant to subsection (v) of this subsection (b). Any such change in Mode shall be made as follows:

(a) Mode Change Date. The Mode Change Date shall be any Business Day in the case of a change from the Daily Mode or Weekly Mode.

(b) Notice to Owners. Not less than the fifteenth (15^{th}) day next preceding the Mode Change Date, the Paying Agent shall mail, in the name of the Authority, a notice of such proposed change to the Owners of the 2007B Bonds stating that the Mode will be changed to the Fixed Rate Mode and the proposed Mode Change Date. If the conversion is from a Mode other than an ARS Mode, such notice shall also state that such Owner is required to tender such Owner's 2007B Bonds for purchase on such proposed Mode Change Date regardless of whether all of the conditions to the change to the Fixed Rate Mode are satisfied.

(c) General Provisions Applying to Change to Fixed Rate Mode. The change to the Fixed Rate Mode shall not occur unless the following items shall have been delivered to the Authority, the Trustee, the Credit Provider, if any, the Remarketing Agent, if any, and the Broker-Dealer, if any, on or prior to the Mode Change Date: (1) a Favorable Opinion of Bond Counsel dated the Mode Change Date and addressed to the Authority and the Trustee, (2) if there is to be Credit Enhancement delivered in connection with such change, the items required by the Fifth Supplemental Indenture in connection with the delivery of a Credit Enhancement, (3) notice from the Rating Agencies of the rating(s) to be assigned the 2007B Bonds on such Mode Change Date, and (4) a Change in Mode to the Fixed Rate Mode shall be conditioned upon receipt of a firm underwriting commitment or contract of purchase from an investment bank or other purchaser reasonably acceptable to the Credit Provider.

(d) Determination of Interest Rate. The Fixed Rate (or rates in the case of Serial 2007B Bonds) for the 2007B Bonds to be converted to the Fixed Rate Mode shall be established by the Remarketing Agent on the Rate Determination Date applicable thereto pursuant to the Fifth Supplemental Indenture. Such Rate shall remain in effect until the 2007B Maturity Date. Such determination shall be conclusive and binding upon the Authority, the Trustee, the Paying Agent, the Credit Provider, if any, and the Owners of the 2007B Bonds to which such rate will be applicable. Not later than 5:00 P.M., New York City time, on the date of determination of the Fixed Rate(s), the Remarketing Agent shall notify the Trustee, the Paying Agent, the Credit Provider and the Authority of such rate(s) by telephone.

(e) Serialization and Sinking Fund; Price. Upon conversion of the 2007B Bonds to the Fixed Rate Mode, the 2007B Bonds shall be remarketed at par, shall mature on the same maturity date(s) and be subject to the same mandatory sinking fund redemption, if any, and optional redemption provisions as set forth in the Existing Indenture and this Fifth Supplemental Indenture for any prior Mode; provided, however, that if the Authority shall deliver to the Trustee a Favorable Opinion of Bond Counsel, the Authority may elect to (A) have some of the 2007B Bonds be Serial 2007B Bonds and some subject to sinking fund redemption even if such 2007B Bonds were not Serial 2007B Bonds or subject to mandatory sinking fund redemption prior to such change, (B) change the optional redemption dates and/or premiums (if any) set forth in Article V hereof, and/or (C) sell some or all of the 2007B Bonds at a premium or a discount to par.

Failure to Satisfy Conditions Precedent to a Mode Change. In the event the conditions concerning a change in Mode described above have not been satisfied by the applicable Mode Change Date, then the New Mode shall not take effect and any mandatory purchase shall be made on such date if notice has been sent to the Owners stating that such 2007B Bonds would be subject to mandatory purchase on such date. If the failed change in Mode was from the Daily Mode, the 2007B Bonds shall remain in the Daily Mode, and if the failed change in Mode was from the Weekly Mode, the 2007 Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the Fifth Supplemental Indenture on and as of the failed Mode Change Date.

Rescission of Election. Notwithstanding anything herein to the contrary, the Authority may rescind any election by it to change a Mode as described above prior to the Mode Change Date by giving written notice thereof to the Notice Parties prior to such Mode Change Date; provided that in the case of a conversion to an ARS Mode such rescission must occur prior to the setting of the Auction Period Rate by the Broker-Dealer. If the Tender Agent receives notice of such rescission prior to the time the Tender Agent has given notice to the Holders of the 2007B Bonds, then such notice of change in Mode shall be of no force and effect. If the Tender Agent receives notice from the Authority of rescission of a Mode change after the Tender Agent has given notice thereof to the Holders of the 2007B Bonds, then if the proposed Mode Change Date would have been a Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase Date except if the conversion is from the ARS Mode. If the proposed change in Mode was from the CP Mode, the 2007B Bonds shall remain in the CP Mode with interest rates and Interest Periods to be established by the Remarketing Agent on the proposed Mode Change Date in accordance with Section 2.07 hereof. If the proposed change in Mode was from the Daily Mode, the 2007B Bonds shall remain in the Daily Mode, and if the proposed change in Mode was from the Weekly Mode, the 2007B Bonds shall remain in the

Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of Section 2.08 hereof on and as of the proposed Mode Change Date.

PURCHASE OF 2007B BONDS; PAYMENT OF 2007B BONDS

Optional Tenders of 2007B Bonds in the Daily Mode or the Weekly Mode

Subject to certain provisions of the Fifth Supplemental Indenture concerning Book-Entry Tenders, the Beneficial Owners of 2007B Bonds in a Daily Mode or a Weekly Mode may elect to have their 2007B Bonds (or portions of those 2007B Bonds in amounts equal to a 2007B Authorized Denominations) purchased on any Business Day at a price equal to the Purchase Price, upon delivery of a Tender Notice to the Tender Agent by the Tender Notice Deadline. Promptly, but during the Daily Mode by no later than 11:15 A.M., upon receipt of a Tender Notice, the Tender Agent shall notify the Remarketing Agent and provide the Remarketing Agent with a copy of such Tender Notice.

Mandatory Purchase on Mandatory Purchase Date

The 2007B Bonds shall be subject to mandatory purchase on each Mandatory Purchase Date. Subject to the next sentence, the Tender Agent shall give notice of such mandatory purchase by mail to the Owners of the 2007B Bonds subject to mandatory purchase no less than 15 Business Days nor more than 20 Business Days prior to the Mandatory Purchase Date. Any notice shall state the Mandatory Purchase Date, the Purchase Price, and that interest on 2007B Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any 2007 Bond shall not affect the validity of the mandatory purchase of any other 2007 Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Owner or Beneficial Owner.

Remarketing of 2007B Bonds; Notices

The Remarketing Agent shall use its best efforts to offer for sale at an interest rate and price (equal to the principal amount thereof plus accrued interest to the Purchase Date) on the Purchase Date in accordance with the Fifth Supplemental Indenture: (a) all 2007B Bonds or portions thereof as to which notice of tender has been given; and (b) all 2007B Bonds required to be purchased on a Mandatory Purchase Date described in clauses (i), (ii), (iii) or (iv) of the definition thereof; and (c) any Liquidity Provider Bonds (i) purchased on a Purchase Date described in clause (a) or (b) of this paragraph, or (ii) with respect to which the Liquidity Provider has provided written notice to the Trustee, the Tender Agent and the Remarketing Agent that it has reinstated the Available Amount, or (iii) with respect to which an Alternate Liquidity Facility and Alternate Credit Enhancement is in effect (if such funds were secured by a Credit Enhancement prior to becoming Liquidity Provider Bonds which Credit Enhancement is no longer in effect), or (iv) which are being marketed as Fixed Rate Bonds. The Remarketing Agent will not remarket 2007B Bonds to the Authority or the City. In connection with the remarketing of any 2007B Bonds with respect to which notice of redemption or notice of mandatory purchase has been given, the Remarketing Agent will notify each Person to which such 2007B Bonds are remarketed of such notice of redemption or notice of mandatory purchase. Anything in the Existing Indenture or the Fifth Supplemental Indenture to the contrary notwithstanding, if there shall have occurred and be continuing either a Credit Provider Failure with respect to the 2007B Bonds or a Liquidity Provider Failure, the Remarketing Agent shall not remarket and deliver any 2007B Bonds. All other provisions of the Existing Indenture or the Fifth Supplemental Indenture, including without limitation, those relating to the setting of interest rates and Interest Periods and mandatory and optional purchases, shall remain in full force and effect during the continuance of such Event of Default.

Notice of Remarketing. On each date on which a 2007B Bond is to be purchased: (a) the Remarketing Agent shall notify by Electronic Means the Tender Agent by 11:30 A.M. of the principal amount of tendered 2007B Bonds it has remarketed; (b) the Remarketing Agent shall cause the proceeds of the remarketing by such Remarketing Agent of tendered 2007B Bonds against delivery thereof to be paid to the Tender Agent in immediately available funds not later than 11:30 A.M., on the Purchase Date for such 2007B Bonds; (c) the Tender Agent shall notify the Trustee by no later than 11:45 A.M. of the amount by which the Purchase Price of the tendered 2007B Bonds exceeds the amount of remarketing proceeds actually received by the Tender Agent pursuant to clause (b); (d) to the extent the Tender Agent has received the remarketing proceeds described in clause (b) above, the

Remarketing Agent shall notify the Tender Agent by Electronic Means not later than 12:00 P.M. of such information as may be necessary to register and deliver 2007B Bonds remarketed with respect thereto; and (e) if the 2007B Bonds are no longer in the Book-Entry System, the Tender Agent shall authenticate new 2007B Bonds for the respective purchasers thereof, which shall be available for pick-up by the Remarketing Agent not later than 2:30 P.M.

Draw on Liquidity Facility. On each date on which a 2007B Bond is to be purchased, the Trustee (if the beneficiary of the Liquidity Facility) or the Tender Agent (if the beneficiary of the Liquidity Facility) shall draw on the existing Liquidity Facility (or if no Liquidity Facility is in effect, request funds from the Authority) by 12:00 P.M. in an amount equal to the difference between (i) the Purchase Price of all tendered 2007B Bonds required to be purchased (other than Liquidity Provider Bonds and Authority Bonds) and (ii) the amount of remarketing proceeds delivered to the Tender Agent resulting from a partial remarketing. If the Trustee is the beneficiary of the Liquidity facility and does not receive notice from the Tender Agent by 11:30 A.M. as described above, the Trustee will draw on the existing Liquidity Facility the full amount of the Purchase Price for all tendered 2007B Bonds.

Source of Funds for Purchase of 2007B Bonds

By 2:30 P.M. on the date on which a 2007B Bond is to be purchased, and except as set forth in Section 3.06(b)(ii) of the Fifth Supplemental Indenture, the Tender Agent shall purchase tendered 2007B Bonds from the tendering Owners at the applicable Purchase Price by wire transfer in immediately available funds. Funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated and none of the Tender Agent, the Trustee nor the Remarketing Agent shall be obligated to provide funds from any other source: (a) immediately available funds on deposit in the Remarketing Proceeds Account; (b) immediately available funds on deposit in the Liquidity Facility Purchase Account resulting from a drawing on the Liquidity Facility then in effect; and (c) moneys of the Authority on deposit in the Authority Purchase Account.

If no Liquidity Facility is in effect, then the Authority shall be obligated to deposit amounts into the Authority Purchase Account sufficient to pay the Purchase Price to the extent that amounts on deposit in the Remarketing Proceeds Account are insufficient therefor. If a Liquidity Facility is in effect, then the Authority shall be obligated to deposit amounts into the Authority Purchase Account sufficient to pay the Purchase Price to the extent that amounts on deposit in the Remarketing Proceeds Account and the Liquidity Facility Purchase Account are insufficient therefor promptly upon receipt of notice provided in Section 3.03(d) of the Fifth Supplemental Indenture but not later than 2:30 P.M.

Delivery of 2007B Bonds

On each date on which a 2007B Bond is to be purchased, such 2007B Bond, if in the Book-Entry System shall be delivered as follows: (a) 2007B Bonds sold by the Remarketing Agent and purchased by the Tender Agent with moneys described in Section 3.04(a) of the Fifth Supplemental Indenture shall be delivered by the Remarketing Agent to the purchasers of such 2007B Bonds by 2:30 P.M.; and (b) 2007B Bonds purchased by the Tender Agent with moneys described in Section 3.04(b) of the Fifth Supplemental Indenture shall be registered immediately in the name of the Liquidity Provider or its nominee (which may be DTC) on or before 2:30 P.M.; and (c) 2007B Bonds purchased by the Authority with moneys described in Section 3.04(c) of the Fifth Supplemental Indenture shall be registered, immediately in the name of the Authority or its nominee on or before 2:30 P.M. 2007B Bonds so owned by the Authority shall continue to be Outstanding under the terms of the Existing Indenture and this Fifth Supplemental Indenture and be subject to all of the terms and conditions of the Existing Indenture and this Fifth Supplemental Indenture and shall be subject to remarketing by the Remarketing Agent.

Credit Enhancement and Liquidity Facility

The Authority, at the direction of the City, may provide an Alternate Credit Enhancement or Alternate Liquidity Facility, in either case, (x) for 2007B Bonds in Daily or Weekly Mode on any Business Day and (y) for 2007B Bonds in any other Mode on a date on which such 2007B Bonds are subject to optional redemption pursuant to the Fifth Supplemental Indenture, but in no event later than the fifth (5th) Business Day prior to the Expiration Date of the Credit Enhancement or Liquidity Facility then in effect. The Authority shall give the Notice Parties written notice of the proposed substitution of an Alternate Credit Enhancement or Alternate Liquidity Facility no less than two (2) Business Days prior to the date on which the Trustee is required to provide notice of the proposed substitution to the Owners of such 2007B Bonds. The Trustee shall give notice of such Substitution Date in the same manner as notice of redemption is required to be provided pursuant to the Fifth Supplemental Indenture. On or before such Substitution Date, there shall be delivered to the Trustee or the Tender Agent, as applicable: (a) the Alternate Credit Enhancement or the Alternate Liquidity Facility in substitution for the Credit Enhancement or Liquidity Facility then in effect; provided, however, that upon any failure to remarket 2007B Bonds subject to mandatory tender in connection with the delivery of such Alternate Credit Enhancement or Liquidity Facility, funds to pay the Purchase Price shall only be drawn from the then-existing Liquidity Facility and the Trustee shall not surrender the then existing Liquidity Facility to the provider thereof until it has received the proceeds of such draw; (b) a Favorable Opinion of Bond Counsel; (c) a written Opinion of Counsel for the provider of the Alternate Credit Enhancement or Alternate Liquidity Facility, as applicable, to the effect that such Alternate Credit Enhancement or Alternate Liquidity Facility is a valid, legal and binding obligation of the provider thereof; (d) either (i) Liquidity Facility covering the Purchase Price of 2007B Bonds to be purchased on the Substitution Date, or (ii) a firm underwriting commitment or contract of purchase from an investment bank or other purchaser reasonably acceptable to the Credit Provider; (e) with respect to Alternate Credit Enhancement relating to the 2007A Bonds or the 2007B Bonds in the Fixed Rate Mode, the Term Rate Mode, the ARS Mode or the CP Mode, a Rating Confirmation Notice; and (f) unless waived by such entity, written evidence satisfactory to the Credit Provider and the Liquidity Provider of the provision for purchase from the existing Liquidity Provider of all Liquidity Provider Bonds, at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts due to the Credit Provider and the Liquidity Provider under the Reimbursement Agreement(s) on or before the effective date of such Alternate Credit Enhancement or Alternate Liquidity Facility.

Upon the satisfaction of the conditions described in the preceding sentence, the Trustee shall accept such Alternate Credit Enhancement or Alternate Liquidity Facility on the close of business on the Substitution Date and shall surrender the Credit Enhancement or Liquidity Facility then in effect to the provider thereof on the Substitution Date. If any condition to the substitution is not satisfied, the substitution shall not occur, but the affected 2007B Bonds shall remain subject to mandatory purchase on the proposed Substitution Date.

Purchase Fund

The Fifth Supplemental Indenture establishes and maintains with the Tender Agent, as agent for the Trustee, a separate fund designated the "Purchase Fund." The Tender Agent shall further establish within the Purchase Fund to be designated the "Liquidity Facility Purchase Account," the "Remarketing Proceeds Account" and the "Authority Purchase Account," respectively and within such account, separate subaccounts in respect to the 2007B-1 Bonds, the 2007B-2 Bonds and the 2007B-3 Bonds.

<u>Remarketing Proceeds Account</u>. Upon receipt of the proceeds of a remarketing of a 2007B Bond on the date such 2007B Bond is to be purchased, the Tender Agent shall deposit such proceeds in the subaccount for such 2007B Bond in the Remarketing Proceeds Account for application to the Purchase Price of such 2007B Bond. Notwithstanding the foregoing, upon the receipt of the proceeds of a remarketing of Liquidity Provider Bonds, the Tender Agent shall immediately pay such proceeds to the Liquidity Provider to the extent of any amount owing to the Liquidity Provider, as certified to the Tender Agent by the Liquidity Provider.

<u>Liquidity Facility Purchase Account</u>. Upon receipt from the Trustee of the immediately available funds transferred to the Tender Agent pursuant to Section 3.08(b) of the Fifth Supplemental Indenture, the Tender Agent shall deposit such money in the appropriate subaccount of the Liquidity Facility Purchase Account for application to the Purchase Price of the related 2007B Bonds to the extent that the moneys on deposit in such subaccount the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to the Purchase Price for any 2007B Bonds shall be immediately returned to the Liquidity Provider.

<u>Authority Purchase Account</u>. Upon receipt of Funds from the Authority pursuant to Section 3.04(c) of the Fifth Supplemental Indenture, the Tender Agent shall deposit such Funds in the appropriate subaccount of the Authority Purchase Account for application to the Purchase Price of the related 2007B Bonds. Any amounts deposited in the Authority Purchase Account and not needed with respect to the Purchase Price for any 2007B Bonds shall be immediately refunded to the Authority.

No Investment of Liquidity Facility Purchase Account and Remarketing Proceeds Account. Amounts held in the Liquidity Facility Purchase Account and the Remarketing Proceeds Account by the Paying Agent shall be held uninvested without liability for interest and separate and apart from all other funds and accounts.

Insufficient Funds for Tenders

If moneys sufficient to pay the Purchase Price of all Tendered 2007B Bonds to be purchased on any Purchase Date are not available (i) no purchase shall be consummated on such Purchase Date; (ii) all Tendered 2007B Bonds shall be returned to the Owners thereof; and (iii) all remarketing proceeds shall be returned to the Remarketing Agent for return to the Persons providing such moneys.

All 2007B Bonds that are tendered and not remarketed shall bear interest at the Alternate Rate plus 3% during the period of time from and including the applicable Purchase Date to (but not including) the date that all such Tendered 2007B Bonds are successfully remarketed (the "Delayed Remarketing Period"). The first Rate Determination Date for purposes of determining the Alternate Rate shall be the Purchase Date.

The Authority may direct the conversion of the Tendered 2007 Bonds to a different Mode during the Delayed Remarketing Period in accordance with certain provisions of the Fifth Supplemental Indenture concerning a Change in Mode.

The Remarketing Agent shall continue to use its best efforts to remarket the Tendered 2007B Bonds. Once the Remarketing Agent has advised the Trustee and the Tender Agent in writing that it has a good faith belief that it is able to remarket all of the Tendered 2007B Bonds, the Trustee will give notice by mail to the Holders of such Tendered 2007B Bonds not later than five Business Days prior to the Purchase Date, which notice will state (i) the Mode applicable to such Tendered 2007B Bonds from and after the Purchase Date as determined by the Authority and communicated in writing to the Trustee and the Tender Agent; (ii) that such Tendered 2007B Bonds will be subject to mandatory tender for purchase on the Purchase Date; (iii) the procedures for such mandatory tender; (iv) the Purchase Price of such Tendered 2007B Bonds; and (v) the consequences of a failed remarketing.

During the Delayed Remarketing Period, the Trustee may, upon the written direction of the Authority, apply amounts on deposit in the 2007 Bond Redemption Account to the redemption of such Tendered 2007B Bonds, as a whole or in part on any Business Day during the Delayed Remarketing Period, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium. Notwithstanding anything in this Fifth Supplemental Indenture to the contrary, the Trustee shall give five (5) Business Days notice of such redemption to the Holders of the 2007B Bonds to be redeemed.

During the Delayed Remarketing Period, interest on such Tendered 2007B Bonds shall be paid to the Holders thereof (i) the first Business Day of each calendar month occurring during the Delayed Remarketing Period and (ii) on the last day of the Delayed Remarketing Period.

REVENUES, THEIR APPLICATION AND CERTAIN FUNDS

Receipts and Revenues of the Authority

Confirming the granting clauses of the Existing Indenture and hereof, the Authority hereby assigns, transfers and sets over to the Trustee, as security, all the right, title and interest of the Authority in and to the Trust Estate, and the Authority directs payment to the Trustee of the payments under the Security Leases constituting a portion of the Trust Estate. In order to avoid any doubt, the Authority confirms that the Construction Fund is not being pledged as security for the 2007 Bonds or the Swap Agreement and does not constitute part of the "Trust Estate" for purposes of the Fifth Supplemental Indenture.

Bond Redemption Account

The Trustee has established as a part of the Bond Fund, a 2007 Bond Redemption Account and will transfer funds into such 2007 Bond Redemption Account from the Bond Fund as required to redeem 2007 Bonds on the dates specified under the Indenture or in the 2007 Bonds. The Trustee uses the 2007 Bond Redemption Account for each series to purchase or redeem the 2007 Bonds of such series. If at any time all of the 2007 Bonds of a series are purchased, redeemed or paid, the Trustee will make no further transfers to the to the 2007 Bond redemption Account for such series and will transfer any balance then in such account to the Bond Fun d. Whenever 2007 Bonds are to be purchased out of any such 2007 Bond Redemption Account, if the Authority, upon the direction of the City, notifies the Trustee in writing that the Authority wishes to arrange for such purchase, the Trustee will comply with the Authority's arrangements provided they conform to the Indenture.

2007 Bond Redemption Account. The Trustee shall apply the amounts required to be transferred to the 2007 Bond Redemption Account (less any moneys applied to the purchase of the 2007B Bonds pursuant to the next sentence hereof) on the Sinking Fund Installment Date for the 2007B Bonds in each of the years 2015 through 2030, inclusive to the redemption by lot, in the amounts and the manner and on the dates set forth in the 2007B Bonds and Article V of the Fifth Supplemental Indenture, of the 2007B Bonds at a Redemption Price of 100% of the principal amount thereof. Upon the written direction of the Authority, acting at the written direction of the City, not less than forty-five (45) days prior to a redemption date, the Trustee may apply moneys in said account to the purchase of 2007B Bonds at prices exclusive of accrued interest not higher than the principal amount thereof, in lieu of redemption as aforesaid, provided that firm purchase commitments can be made before notice of redemption would otherwise be required to be given. In the event of purchases at less than the principal amount thereof, the difference between the amount in said account representing the principal amount of the 2007B Bonds purchased and the purchase price shall be transferred to the Bond Fund. Moneys and investments in the 2007 Bond Redemption Account, until applied as provided herein, shall be held in trust solely for the benefit of the Holders of the 2007B Bonds.

Accrued interest on purchased 2007B Bonds shall be paid from the Bond Fund, provided that the Trustee, at the written direction of the Authority, shall pay such accrued interest from the moneys in the 2007 Bond Redemption Account pending maturity of investments of the Bond Fund (and in such case upon the maturity of investments in the Bond Fund, the Trustee shall transfer to the 2007 Bond Redemption Account from the Bond Fund the amount of accrued interest on purchased 2007B Bonds so paid from such Bond Redemption Account).

Purchase of 2007 Bonds by the City. Pursuant to the Security Leases, the City may, not less than 45 days before any Sinking Fund Installment Date, deliver to the Trustee 2007 Bonds of the series and maturity, a portion of which is required to be redeemed by the Trustee on such Sinking Fund Installment Date, and, upon such delivery, the rentals required to effect such redemption otherwise due from the City shall be reduced by the aggregate principal amount of the Bonds so delivered. Upon any such delivery of 2007 Bonds, the principal amount of the 2007 Bonds required, by the provisions of the foregoing paragraph, to be redeemed by the Trustee on such Sinking Fund Installment Date shall also be reduced by the aggregate principal amount of the Bonds of such series so delivered.

2001B Bond Redemption Fund

The Trustee has established with a 2001B Bond Redemption Fund under and pursuant to the Indenture. Moneys deposited in the 2001B Bond Redemption Fund pursuant to the Indenture are invested and applied in the manner and at the times set forth in one or more escrow deposit agreements for the payment of the 2001B Bonds between the Authority and the Trustee, as escrow agent.

Paying Agent

The Authority shall appoint the Paying Agent for the purpose of acting as paying agent for the 2007 Bonds as provided by this Fifth Supplemental Indenture. The Paying Agent shall be a national banking association with trust powers, a bank and trust company or a trust company. The Paying Agent shall act as paying agent for the 2007 Bonds as provided in this Fifth Supplemental Indenture. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it hereunder by its written instrument of acceptance addressed to the Authority and the Trustee and delivered to such Persons, under which the Paying Agent shall agree to: (a) hold all sums delivered to it by the Trustee for the payment of principal or Redemption Price of, premium, if any, on and interest on the 2007 Bonds in trust for the benefit of the respective Owners until such sums shall be paid to such Owners or otherwise disposed of as provided in the Fifth Supplemental Indenture; and (b) keep such books and records as shall be consistent with prudent corporate trust industry practice and make such books and records available for inspection by the Trustee and the Authority at all reasonable times upon prior written request.

Remarketing Agent

The Remarketing Agent shall be appointed pursuant to a Remarketing Agreement to remarket 2007 Bonds pursuant to the Existing Indenture and this Fifth Supplemental Indenture and perform the other duties of the Remarketing Agent described hereunder, and to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Notice Parties at all reasonable times. The Remarketing Agent shall act as such under the Remarketing Agreement.

Tender Agent

The Tender Agent shall be a national banking association with trust powers, a bank and trust company or a trust company. The Authority shall appoint any successor Tender Agent for the 2007 Bonds, subject to the conditions of the Fifth Supplemental Indenture. If the Tender Agent is not also the Trustee, the Tender Agent shall designate its Payment Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Authority, the Trustee, the Remarketing Agent, the Credit Provider and the Liquidity Provider in which the Tender Agent will agree, particularly: (a) to hold all 2007 Bonds tendered to it for purchase, as agent and bailee of, and in trust for the benefit of, the respective owners thereof until moneys representing the purchase price of such 2007 Bonds shall have been delivered to or for the account of or to the order of such owners; (b) to hold all moneys (without investment thereof or right of lien thereon, and without liability for interest) delivered to it hereunder for the purchase of 2007 Bonds pursuant to Section 3.03 of the Fifth Supplemental Indenture as agent and bailee of, and in trust for the benefit of, the Person which shall have so delivered such moneys until the 2007 Bonds purchased with such moneys shall have been delivered to or for the account of such Person and thereafter to hold such moneys (without investment thereof or right of lien thereon and without liability for interest) as agent and bailee of, and in trust for the benefit of, the Person which shall be entitled thereto on the Purchase Date; (c) to hold 2007 Bonds for the account of the Liquidity Provider and for the account of the Authority; and (d) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority and the Trustee at all reasonable times.

The Tender Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 30 days notice to the Authority, the Trustee, the Liquidity Provider, the Credit Provider and the Remarketing Agent. In the event that the Authority shall fail to appoint a successor Tender Agent, upon the resignation or removal of the Tender Agent, the Trustee shall either appoint a Tender Agent or itself act as Tender Agent until the appointment and acceptance of a successor Tender Agent. The Tender Agent may be removed at any time by an instrument signed by the Authority, filed with the Trustee, the Remarketing Agent, the Credit Provider and the Liquidity Provider, if any. In the event of the resignation or removal of the Tender Agent, the Tender Agent shall deliver any 2007 Bonds and moneys held by it in such capacity to its successor, or, if there is no successor, to the Trustee.

MISCELLANEOUS

Confirmation of the Existing Indenture

Except as amended and supplemented by the Fifth Supplemental Indenture, the Existing Indenture is ratified and confirmed in all respects and is applicable in all respects to the 2007 Bonds, the Owners thereof and the security therefor.

Amendment of the Fifth Supplemental Indenture

The Fifth Supplemental Indenture may be amended or supplemented from time to time in the manner and to the extent provided in Article XII of the Original Indenture.

No Personal Recourse

Notwithstanding any provision or obligation to the contrary herein set forth, no provision in this Fifth Supplemental Indenture or in any instruments evidencing the 2007 Bonds, shall be construed so as to give rise to any personal liability of the Authority or its members, officers, employees, agents or representatives (collectively, the "Group"), or to give rise to a charge upon the general credit of the Authority or any member of the Group. Any pecuniary liability of the Authority or any member of the Group hereunder or thereunder, and under any constitutional provision, statute or theory of law, including contract or tort relating hereto or thereto, shall be limited exclusively to its interest in the Trust Estate, and the lien of any judgment with respect to any of the foregoing shall be restricted thereto. The Authority and the Group shall not be required to do any act whatsoever or exercise any diligence whatsoever to mitigate the damages to the Trustee or the Owners if an Event of Default shall occur under the Indenture. In furtherance of the above, and not by way of limitation, no recourse under or upon any obligation, covenant or agreement contained in this Fifth Supplemental Indenture or in any Obligation hereby secured, or under any judgment obtained against the Authority or any member of the Group, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, under or independent of this Fifth Supplemental Indenture, shall be had against any member of the Group as such, past, present or future, of the Authority for the payment for or to the Authority or any receiver thereof, or for or to the Owners of any 2007 Bonds issued hereunder or otherwise, of any sum that may be due and unpaid by the Authority upon any such 2007 Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member of the Group as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the Owners of the 2007 Bonds issued hereunder or otherwise, of any sum that may remain due and unpaid upon the 2007 Bonds and hereby secured, or any of them, is hereby expressly waived and released as a condition of and consideration for the execution of this Fifth Supplemental Indenture and the issuance of such 2007 Bonds.

The Authority and each member of the Group shall have no liability for any failure to fulfill, or breach by the City of, the City's obligations under the Security Leases or otherwise.

The 2007 Bonds issued or secured hereunder shall be limited obligations of the Authority payable solely from those rentals due under the Security Leases which have been assigned as provided herein, the Trust Estate and as otherwise provided herein and in the Original Indenture.

PRIME LEASE
(EAGLES STADIUM LAND & IMPROVEMENTS)

The following description of certain provisions of the Prime Lease (EAGLES STADIUM LAND & IMPROVEMENTS) (the "Prime Lease") set forth below is only an outline of some of the provisions thereof and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Prime Lease in its entirety, copies of which are on file at the corporate trust office of the Trustee in Philadelphia, Pennsylvania, for the complete statements of the provisions thereof.

DEFINITION OF TERMS

Wherever used in the Prime Lease, the following terms shall have the following meanings:

"Act" shall mean Economic Development Financing Law, Act No. 102 of the General Assembly of the Commonwealth of Pennsylvania approved August 23, 1967 (P.L. 251), as amended and supplemented.

"Act of Bankruptcy" shall mean that (i) a party shall have commenced a voluntary case under any bankruptcy law, applied for or consented to the appointment of, or taking of possession by, a receiver, trustee, assignee, custodian or liquidator of all or a substantial part of its assets; (ii) a party shall have failed, or admitted in writing its inability generally, to pay its debts as such debts become due; (iii) a party shall have made a general assignment for the benefit of creditors; (iv) a party shall have been adjudicated a bankrupt, or shall have filed a petition or an answer seeking an arrangement with creditors; (v) a party shall have taken advantage of any insolvency law, or shall have submitted an answer admitting the material allegations of a petition in bankruptcy or insolvency proceeding; (vi) an order, judgment or decree for relief shall have been entered in an involuntary case against a party, without the application, approval or consent of such party, by any court of competent jurisdiction appointing a receiver, trustee, assignee, custodian or liquidator, for the party or for a substantial part of any of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days; or (vii) an involuntary petition in bankruptcy shall have continued undismissed for sixty (60) days after the filing thereof.

"Additional Land" shall mean, collectively, the land which has a use functionally related and accessory to the Eagles Stadium Premises and shall mean, for the purposes of the Prime Lease, collectively, the land known as the "Acme Site", as more particularly described on Exhibit "C" of the Prime Lease and the land known as the "Naval Hospital Parking Lot," as more particularly described on Exhibit "D" of the Prime Lease.

"Additional Rent" shall mean all sums payable by the City under the Prime Lease other than (and in addition to) the Rent (defined below).

"Affiliate" or "Affiliates" shall mean as to any Person, any other Person controlled by, controlling of, or under common-control with such Person.

"Applicable Laws" shall mean the constitution and laws of the United States of America, the constitution and laws of the Commonwealth of Pennsylvania and all rules and regulations promulgated pursuant thereto, and shall include but not be limited to the Home Rule Charter of the City of Philadelphia and the City of Philadelphia Code.

"Authority" shall mean the Philadelphia Authority for Industrial Development, a body politic and corporate existing under the laws of the Commonwealth.

"Authority Contractual Commitments" shall mean obligations of the Authority as set forth in the Eagles Lease including reimbursement of operating and maintenance expenses with respect to the Eagles Stadium Premises in accordance with the schedule set forth as Exhibit "F" attached thereto and reimbursement of excess tax payments on account of real estate taxes, amusement taxes and use and occupancy taxes which are payable by the Eagles in excess of the base amounts to be set forth in the Eagles Lease.

"Bonds" shall mean those bonds, notes or other forms of indebtedness issued for the purpose of financing or refinancing a portion of the Eagles Stadium Premises, Additional Land, demolition, site preparation, improvements and infrastructure in connection therewith and a portion of any and all other costs incurred in connection with the sports stadia, in an aggregate principal amount not to exceed One Hundred One Million Five Hundred Thousand Dollars ($101,500,000) net of original issue discount, plus amounts necessary for any reserves, capitalized interest, costs of issuance, amounts necessary to effect any refunding and such amount as may be finally determined to be owed to any condemnees as Just Compensation (as defined in the Pennsylvania Eminent Domain Code), at any one time outstanding; provided that in no event shall the term of each series of Bonds exceed thirty (30) years from the date of issuance of such series of Bonds, provided further that in the case of any series of refunding bonds the term of such Bonds shall not exceed thirty (30) years from the date of issue of the Bonds to be refunded.

"City" shall mean the City of Philadelphia, a City of the First Class of the Commonwealth acting through its Commerce Department and Department of Public Property.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Credit Facility" shall mean any letter of credit, liquidity facility, standby bond purchase agreement, line of credit, surety bond, insurance commitment, insurance policy or similar agreement with respect to the Bonds and any credit, loan or reimbursement agreement or other obligation of the Authority to the Credit Facility Provider in connection therewith, and all documents collateral thereto, as may be substituted from time to time.

"Credit Facility Provider" shall mean the provider of any Credit Facility as may be substituted from time to time.

"Eagles" shall mean the Philadelphia Eagles Limited Partnership or its successor as holder of the franchise or controlled affiliate, which is the holder of the franchise for the City issued by the National Football League and is the owner of the professional football team known as the Philadelphia Eagles.

"Eagles Lease" shall mean the Sublease and Development Agreement entered into between the Authority, as landlord, and the Eagles, as tenant, pursuant to which the Authority anticipates that it will lease and that the Eagles will take and hire the Eagles Stadium Land and to construct thereon certain structures and improvements including, but not limited to, a new stadium and the Improvements.

"Eagles Lease-Back Lease" shall mean that certain lease by and between the City, as landlord, and the Authority, as tenant, dated of the same date as the Prime Lease with respect to the Eagles Stadium Premises.

"Eagles Stadium" shall mean the football stadium to be constructed on the Eagles Stadium Land as contemplated by the Eagles Lease.

"Eagles Stadium Land" shall mean the 43 acres of land more particularly described and depicted in Exhibit "A" to the Prime Lease and any and all appurtenances, easements, rights, licenses, hereditaments and privileges as may in any way belong to or appertain thereto or inure to the benefit thereof.

"Eagles Stadium Premises" shall mean the Eagles Stadium Land and the Improvements, together with all improvements and appurtenances now existing or in the future constructed thereon.

"Fiscal Year" shall mean July 1 through and including June 30 of the following calendar year.

"Force Majeure Event" shall mean any event (except for the payment of money) which is beyond the reasonable control of, and is not caused by the fault or negligence of, the party asserting the Force Majeure, which wholly or partially prevents the performance of any of the duties, responsibilities or obligations of the party asserting the Force Majeure and the term "Force Majeure" shall include, but not be limited to, an act of God, an act of the public enemy, lightning, fire, explosion or other serious casualty; unusually severe weather (such as hurricane, earthquake, tornado, landslide or flood); war (whether declared or not); or condemnation or other taking by the action of any governmental body on behalf of any public, quasi-governmental or private entity.

"Ground Lease" shall mean that certain Ground Lease dated April 1, 2001 between the City, as landlord, and the Authority, as tenant, pursuant to which the City has agreed to lease and the Authority agreed to take and hire the Eagles Stadium Land (as such term is hereafter defined).

"Improvements" shall mean the structures and improvements to be constructed on the Eagles Stadium Land, including but not limited to a new stadium and related improvements and amenities.

"Indenture" shall mean one or more instruments executed and delivered by and between the Authority and the Trustee (defined below) governing the issuance and administration of the Bonds for the benefit of the holders thereof.

"Person" shall mean an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, estate, unincorporated association, joint venture or any other entity, the United States, a state, or political subdivision thereof, or any agency, department or court thereof.

"Prime Lease" shall mean the Prime Lease between the Authority and the Eagles dated April 1, 2001.

"Team" shall mean the Eagles together with any successor as holder of the franchise or controlled affiliate.

"Transaction Documents" shall mean the Ground Lease, the Prime Lease, the Eagles Lease-Back Lease, the Eagles Lease, the Indenture, the Bonds, the Credit Facility, any bond purchase contract and documents collateral thereto, and any other financing documents and other related documents.

"Trustee" shall mean the bank or other institutional lending entity acting as trustee under the Indenture governing the Bonds.

DEMISE OF EAGLES STADIUM PREMISES

Demise of Eagles Stadium Premises

On the Commencement Date, in consideration of the Rent and Additional Rent thereafter reserved and the terms, covenants, conditions and agreements set forth in the Prime Lease, the Authority demises and lets unto City, and City hires and leases from the Authority, the Eagles Stadium Premises and any other improvements and appurtenances then existing or in the future constructed oh the Eagles Stadium Premises, for the Prime Lease Term, upon and subject to the conditions, terms, agreements and covenants set forth therein. At all times during the Prime Lease Term, ownership of and title to the Eagles Stadium Land shall be and remain in the City, subject to the Authority's leasehold under the Ground Lease, the City's leasehold under the Prime Lease, and the other leaseholds contemplated thereby; and ownership and title to the Eagles Stadium Premises (excluding the Eagles Stadium Land) and all other improvements and appurtenances on the Eagles Stadium Premises, whether then existing or thereafter constructed, shall be and remain in the Authority, subject to the interests of the Eagles and its Affiliates to be granted and established in the Eagles Lease.

Condition of Eagles Stadium Premises

The City acknowledges and agrees to accept the Eagles Stadium Premises, subsurface conditions, and the present uses and non-uses thereof without recourse to Authority, in its and their "AS IS," "WHERE IS" condition, as the same may be modified, altered, improved, constructed or reconfigured from time to time. The City expressly acknowledged that the Authority has made no promises to alter, remodel, improve, repair, decorate or clean the same or any part thereof and makes no representation or warranty, express or implied, in fact or arising by operation of law, of, as to, or concerning, the Eagles Stadium Premises or the sidewalks and structures adjoining the same, subsurface conditions, and the present uses and non-uses thereof, including without limitation, health, safety, or environmental matters, accessibility for disabled persons, the compliance of the same with any Applicable Laws, the nature, condition or usability thereof, the use or uses to which the same or any part thereof may be put, or any other matter or thing affecting or relating thereto. The provisions of Section 2.2 of the Prime Lease have been fully negotiated at arm's-length between the parties hereto and are intended to be a complete exclusion and negation of any warranties or promises by the Authority, express or implied, with respect to the Eagles Stadium Premises. The provisions of Section 2.2 of the Prime Lease shall survive the expiration or earlier termination of the Prime Lease.

Inability to Deliver

If, subject to Force Majeure Events or any other event or occurrence which is beyond the Authority's control, the Authority does not deliver the Eagles Stadium Premises to City on or before July 1, 2001, the Prime Lease shall not terminate and the Authority shall not be liable or responsible for any damages of any kind for failure to deliver possession, but City and Authority shall promptly meet for purposes of determining a mutually acceptable extension for delivery of the Eagles Stadium Premises. In any case, failure of the Authority to deliver the Eagles Stadium Premises shall not in any way affect the City's obligation to pay Rent thereunder.

Title

The City acknowledges and agrees that the Prime Lease and the City's leasehold estate thereunder, are and shall be under and subject to the Ground Lease and matters of record and any condition which a current accurate survey of the Eagles Stadium Land would disclose. The Authority covenants and agrees that it shall not further encumber the fee title to the Eagles Stadium Land (other than by entering into the Eagles Lease-Back Lease and the

Eagles Lease), by operation of law or otherwise, during the Prime Lease Term without the prior written consent of the Director of Commerce of the City, which consent shall not be unreasonably withheld, conditioned or delayed.

PRIME LEASE TERM

Prime Lease Term

The term of the Prime Lease (the "Prime Lease Term") shall commence upon the earlier to occur of the date on which (a) the Eagles Stadium Land is acquired by the City, or (b) the Bonds are issued ("Commencement Date"), and shall expire on the later of: (A) the date which is thirty (30) days after the expiration or earlier termination of the term to be set forth in the Eagles Lease, as it may be renewed or extended; or (B) the date which is thirty (30) days after the last of the Bonds are no longer outstanding under the Indenture and there shall have been a defeasance of the lien of the Indenture and the Authority's obligations under the Indenture have been duly terminated pursuant to its terms and there is no outstanding obligation under any Credit Facility, or (C) such later date as may be necessary for the Authority, acting diligently, to comply with any covenant, condition, term or provision of the Indenture or to be set forth in Eagles Lease, or to exercise any of the remedies provided to the Authority herein for the benefit of the Trustee under the Indenture.

RENT

Rent

In consideration of the Authority's entering into the Ground Lease, the Prime Lease and the Eagles Lease-Back Lease Agreement, including but not limited to its obligation with respect to any financing or refinancing of the obligations undertaken by the Authority under the Prime Lease or under the Eagles Lease, such as the sale of the Bonds, the City thereby agrees to pay as rent ("Rent") to the Authority, or the Trustee or the Credit Facility Provider on behalf of the Authority, as thereafter described, the following amounts (all of which together shall constitute Rent) in the following order of payment priority:

An amount necessary to meet the Authority Contractual Commitments, constituting the operating and maintenance expenses with respect to the Eagles Stadium Premises in the amounts set forth on Exhibit F of the Prime Lease.

When the Authority issues its Bonds, then:

(1) for deposit in accordance with the Indenture, at least one business day prior to each date that principal of and premium, if any, and interest on the Bonds, or any portion thereof, shall be due and payable, whether by maturity, redemption or otherwise (other than by acceleration under the Indenture), an amount which, together with other moneys under the Indenture available therefor is sufficient to make the Authority's required payments of principal of, premium, if any, and interest on the Bonds then becoming due, whether by maturity, redemption or otherwise (other than by acceleration under the Indenture) until the principal of, or redemption premium, if any, and interest on the Bonds shall have been paid in full or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture; and

(2) for deposit in accordance with the Indenture or Credit Facility, in the manner provided therein, the amounts required to satisfy the timely payment (other than by acceleration) of any reimbursement obligation (including interest thereon) and any fees, expenses, charges and indemnification pursuant to the Credit Facility and related documentation; and

(3) payments required pursuant to any swap agreements; and

(4) additionally, from time to time, certain amounts due in connection with the issuance of Bonds in connection with the Eagles Stadium Premises on behalf of the Authority; and

(5) additionally, from time to time, the City shall be required to make payments necessary to make up any deficiency in the funds established under the Indenture (other than as a result of acceleration under the Indenture or Credit Facility), including an amount which is sufficient to make any payment required to be made by the Authority to the United States Treasury, as provided in the Indenture, as determined and specified in writing by the City, other than as stated in (1) above, and to make payments to reimburse the Authority for any premiums paid for insurance policies purchased by the Authority, to the extent that the City has funds appropriated for such purposes in such Fiscal Year.

(6) all Rent payable under subparagraphs (1) through (5) above shall be paid in immediately available funds and held, invested, disbursed and applied as provided in the Indenture or any Credit Facility; provided, however, that, on or before forty-five (45) days prior to any Sinking Fund Installment Date, the City may deliver to the Trustee, Bonds of a maturity, a portion of which is required to be redeemed by the Trustee on such Sinking Fund Installment Date, and the Rent required to effect such redemption otherwise due from the City shall be reduced by the aggregate principal amount of the Bonds so delivered; up to the full amount of such Sinking Fund Installment.

(7) The Authority directs the City to pay the Rent due under Section 4.1(b) of the Prime Lease (other than fees, expenses and indemnities owing to the Credit Facility Provider) to the Trustee to which, under the terms of the Prime Lease and of the Indenture, the Prime Lease (as provided in the Indenture) and the Rent due under Section 4.1(b) of the Prime Lease (other than fees, expenses and indemnities owing to the Credit Facility Provider) are assigned. That portion of the Rent due under Section 4.1(b) of the Prime Lease representing fees, expenses and indemnities owing to the Credit Facility Provider shall be paid by the City directly to the Credit Facility Provider.

(8) Except for Rent due during the period with respect to which the Notes are Outstanding (each as defined in the Indenture), which Rent shall be determined from time to time, the Rent due under Section 4.1(b) of the Prime Lease shall be determined on an annual basis by the City Treasurer for each fiscal year of the City based upon the principal amount of Outstanding Bonds issued under the Indenture.

An amount necessary to fulfill the Authority Contractual Commitments (other than those set forth Section 4.1(a) of the Prime Lease), including reimbursement of excess tax payments on account of real estate taxes, amusement taxes and use and occupancy taxes which are payable by the Eagles in excess of the base amounts to be set forth in the Eagles Lease, the PILOT Agreement, or the Use and Occupancy Tax Settlement Agreement (the PILOT Agreement and the Use and Occupancy Tax Settlement Agreement being defined in and attached to the Eagles Lease).

If the monies available to the Authority to meet its requirements under the Indenture or under the Bonds are insufficient to pay the Authority's obligations thereunder, then the City upon demand shall pay to the Authority or its assigns under and pursuant to Section 4.3 of the Prime Lease, such additional sum or sums, in each Fiscal Year as are required for such purposes, subject to the provisions of Section 4.2(a) of the Prime Lease. Notwithstanding, any provision to the contrary, there shall be no acceleration of the Rent payments under the Prime Lease.

Notwithstanding any other provision of the Prime Lease, the City's obligation to pay the Rent as set forth in Section 4.1(b) of the Prime Lease shall terminate upon the date ("Partial Rent Termination Date") upon which neither the Bonds nor any obligations under the Credit Facility are outstanding, and there shall have been a defeasance of the lien of the Indenture. During the remainder of the Prime Lease Term following such date. Rent shall mean the sum of One Dollar ($1.00) per year plus the Authority Contractual Commitments as set forth in Article 4 of the Prime Lease.

The City may make payments in advance at any time, on account of Rent payable under Section 4.1(b) of the Prime Lease, in one or more prepayment installments, which amounts shall be credited against the Rent at the time next due, unless otherwise directed by the City. All such prepayments shall be deposited in accordance with the Indenture.

Notwithstanding anything in the Prime Lease to the contrary, the Rent under Section 4.1(b) of the Prime Lease may also secure indebtedness issued pursuant to the Indenture in addition to the Bonds.

Additional debt issued for the purposes for which the Bonds may be issued, may be issued only through an amendment to the Prime Lease, to the extent that such additional debt exceeds the authorized amount set forth in the definition of "Bonds" therein (the foregoing shall not be construed as a limitation of any approval of the City Council of the City that may be required with respect to any such amendment).

Manner of Rent and Additional Rent Payment by City; Appropriations; Failure to Pay Rent and Additional Rent

The Rent and Additional Rent shall be payable only out of the current revenues of the City and the City agrees to provide for payment of the Rent and Additional Rent and include the same in the City's annual operating budget for each Fiscal Year of the City. If the current revenues of the City are insufficient to pay the Rent and Additional Rent in any Fiscal Year as the same becomes due and payable, the City shall include amounts not so paid in the City's operating budget for the ensuing Fiscal Year and shall produce sufficient current revenues to pay in the ensuing Fiscal Year such balance due for the preceding Fiscal Year in addition to the amount of Rent and Additional Rent due for the ensuing Fiscal Year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required to make all Rent and Additional Rent payments due and payable under the Prime Lease and all payments due under the Prime Lease in each of the City's Fiscal Years.

The failure of the City to make any payment of Rent and Additional Rent or any other amounts due pursuant to the Prime Lease on the date specified for payment shall constitute a default under the Prime Lease.

Anything in the Prime Lease to the contrary notwithstanding, no payments under the Prime Lease shall be characterized as debt or deemed to be debt of the City under Article IX of the Constitution of the Commonwealth of Pennsylvania. The City's obligation to make payments of Rent and Additional Rent to the Authority under the Prime Lease is payable from the current general revenues of the City, but shall not constitute a pledge of or a grant of a security interest in the general tax revenues of the City.

Assignment by Authority

The Authority, immediately following the execution and delivery of the Prime Lease, may (i) assign, transfer and set over all right, title and interest of the Authority in and to the right to receive the Rent under Section 4.1(a) of the Prime Lease to a trustee or the Trustee and (ii) assign, transfer and set over all right, title and interest of the Authority in and to the right to receive the Rent under Section 4.1(b) of the Prime Lease to the Trustee and the rights and remedies related thereto, in trust, and with respect to (ii), to be held and applied pursuant to provisions of the indenture for the benefit of the Holders (as defined in the Indenture) and the Credit Facility Provider and/or to the Credit Facility Provider. The City: (a) consents to such assignment and accepts notice thereof with the same legal effect as though such acceptance were embodied in a separate instrument, separately executed after execution of such assignment; (b) agrees to pay directly to the trustee or Trustee, all Rent payable and assigned under Section 4.1(a) of the Prime Lease; and (c) agrees to pay directly to the Trustee all Rent under Section 4.1(b) of the Prime Lease (other than Rent payable under Section 4.1(b) of the Prime Lease in respect of the fees, expenses and indemnities owing to the Credit Facility Provider and such other amounts due under Section 18.2 of the Prime Lease), and directly to the Credit Facility Provider all Rent payable with respect to fees, expenses and indemnities owing to the Credit Facility Provider under the Credit Facility, in each case, without any defense, set-offs or counterclaim; and (d) agrees that the trustee. Trustee and the Credit Facility Provider may exercise all rights and remedies granted to the Authority under the Prime Lease with respect to such Rent (which are assigned to the trustee. Trustee and the Credit Facility Provider, respectively).

Assignment by the City

Prior to providing for the payment in full of outstanding Bonds or the earlier redemption thereof, the defeasance of the lien of the Indenture, and the payment in full of any outstanding obligation under any Credit Facility, without the prior written consent of the Authority, the Trustee and the Credit Facility Provider, the City may not by operation of law or otherwise assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise dispose of the Prime Lease or any interest therein.

No Suspension or Abatement of Rent and Additional Rent

The City shall pay the Rent as required under Section 4.1 of the Prime Lease and Additional Rent without suspension or abatement of any nature. So long as (i) the Bonds remain outstanding, (ii) the lien of the Indenture has not been defeased, (iii) there exists any outstanding obligation under any Credit Facility, or (iv) the Authority shall have any obligation to the Eagles under the Eagles Lease, the obligation of the City to pay the Rent and Additional Rent payable under the Prime Lease strictly in accordance with the terms of the Prime Lease shall be an absolute and unconditional, obligation of the City and shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, and regardless of any rights of setoff, recoupment or counterclaim that the City might otherwise have against the Authority, the Eagles, the Credit Facility Provider or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise or take place after the date of the Prime Lease, including without limiting the generality of the foregoing those items set forth under Section 4.5(a)(i) through (xv) of the Prime Lease.

Except to the extent provided in and subject to Section 4.5 of the Prime Lease and in Article 15 of the Prime Lease, nothing contained in the Prime Lease shall be construed to prevent or restrict the City from asserting any rights which it may have under the Prime Lease or any provision of law against the Authority or the Trustee.

Notwithstanding any provision in the Prime Lease concerning the termination of the prime Lease or the leasehold created therein, the City and Authority agree that, as long as (i) the Bonds are outstanding, (ii) the lien of the Indenture has not been defeased, (iii) there exists any obligation under any Credit Facility, or (iv) the Authority shall have any obligation to the Eagles under the Eagles Lease, in pursuing their remedies under Article 15 of the Prime Lease they shall not terminate the Prime Lease or the leasehold created thereby or cease payment of the Rent and Additional Rent.

Approval by the City

The terms and conditions of the Indenture, the Credit Facility, the identity of the Credit Facility Provider, the form of the Bonds and the collateral security therefor, if any, shall be subject to the prior written approval of the City, acting through its Director of Finance, which may be granted or withheld in its sole discretion.

OWNERSHIP OF INTERESTS

City Leasehold Interest

On the last day of the Prime Lease Term, or upon any earlier termination of the Prime Lease, the City's leasehold interest shall revert to the Authority without the necessity of any further action by either Authority or the City; provided, however, that, upon the Authority's request, the City shall execute and deliver to the Authority (in recordable form where necessary or appropriate) all documents necessary to evidence such reversion.

REAL ESTATE TAXES

Real Estate Taxes

Unless otherwise provided in Article 18 of the Prime Lease, the City shall not be liable or responsible during the Prime Lease Term for the payment of any real estate taxes or any payment or other charge in lieu of real estate taxes, if and to the extent any such taxes, payments or charges are permitted by Applicable Laws to be assessed with respect to the Eagles Stadium Premises. Nothing in the Prime Lease shall be construed to alter, amend or in any way affect the liability of the Eagles under the Eagles Lease or Applicable Law for the payment of any taxes or payments or other charges in lieu thereof accruing or payable with respect to the Eagles Stadium Premises, or the use and enjoyment thereof by the Eagles, the City or by any other user thereof.

USE OF EAGLES STADIUM PREMISES

City Compliance with Applicable Laws

In the exercise of its rights under the Prime Lease, the City shall, at all times during the Prime Lease Term, comply with all Applicable Laws now or hereafter enacted or promulgated, and whether or not such Applicable Laws can be said to be within the present contemplation of the parties; provided that, except as provided in Article 18 of the Prime Lease, City shall have no obligation to perform construction or alterations, or maintenance, repairs, or replacements, whether ordinary or extraordinary, operating, routine, or capital in nature, in, on, or about any portion of the Eagles Stadium Premises or the Improvements and the other improvements, fixtures and appurtenances erected thereon.

MAINTENANCE, REPAIR AND ALTERATIONS

City Liability for Operations and Maintenance of Eagles Stadium Premises

Except as otherwise provided in Article 18 of the Prime Lease, the Authority acknowledges and agrees that in no circumstance whatsoever will the City have any liability to pay any sums toward or for any of the operating and maintenance costs of the Eagles Stadium Premises or the Improvements, or any other improvements, fixtures or appurtenances forming any part of the Eagles Stadium Premises (provided that nothing in Section 8.1 of the Prime Lease is intended to relieve the City from its obligations pursuant to the Prime Lease for payments of Rent and Additional Rent).

No Obligation of City

Except as otherwise provided in Article 18 of the Prime Lease and as may be provided in the Eagles Lease, it is expressly understood and agreed by the Authority that the City shall not be required, and shall not be responsible or liable in any way whatsoever, to maintain, alter, repair, build, rebuild or replace all or any portion of the Eagles Stadium Premises (whether such work be interior or exterior, structural or nonstructural, ordinary or extraordinary, foreseen or unforeseen, capital or routine); provided, however, that nothing in Section 8.2 of the Prime Lease shall in any way alter or diminish the City's obligation to pay Rent and Additional Rent.

No Liability of City

Except as otherwise provided in Article 18 of the Prime Lease, the City shall not in any event be liable or responsible by virtue of the Prime Lease for any injury or damage to any property or to any Person happening on, or in or about the Eagles Stadium Premises, nor for any injury or damage to the Eagles Stadium Premises, nor to any property, whether belonging to Authority or any other Person, caused by any fire, breakage, leakage, defect or bad condition in any part of the Eagles Stadium Premises, or from water, rain or snow that may leak into, issue or flow from any part of the Eagles Stadium Premises from the drains, pipes, or plumbing work of the same, or from any place or quarter, or due to the use, misuse or abuse of all or any of the openings or installations of any kind whatsoever which may thereafter be erected or constructed in or on the Eagles Stadium Premises, or from any kind of injury which may arise from any other cause whatsoever on the Eagles Stadium Premises.

ASSIGNMENT AND SUBLETTING

No Assignment by City

In addition to and without limiting in any way the provisions of Section 4.4 of the Prime Lease, the City shall not, by operation of law or otherwise, sublet, assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise dispose of the Prime Lease, or any interest in, to or under the Prime Lease for the Eagles Stadium Premises (or any part thereof) without prior written approval of the Authority.

Authority Consent to Assignment

The Authority has the absolute right to withhold its consent without giving any reason whatsoever to any assignment, transfer, mortgage, pledge, hypothecation, encumbrance or other disposition of the Prime Lease or City's interest in the Prime Lease. In no event shall the Prime Lease be assigned or assignable by operation of law, attachment, assignment for the benefit of creditors or otherwise, or by voluntary or involuntary bankruptcy proceedings (it being understood and agreed that any such assignment shall be null and void, of no force or effect and inoperative), and in no event shall the Prime Lease or any rights or privileges thereunder be an asset of City under any bankruptcy, insolvency or reorganization proceedings.

City to Remain Obligated

Notwithstanding anything contained in the Prime Lease to the contrary, any assignment, subletting, use, occupancy or transfer under the Prime Lease (whether with or without the consent of the Authority) shall not operate to relieve the City from any covenant or obligation under the Prime Lease, or be deemed to be a consent to or relieve the City or any assignee, subtenant or sublicensee permitted pursuant to the Prime Lease from obtaining the Authority's prior written consent to any subsequent assignment, transfer, lien, charge, subletting, use or occupancy (which may be withheld by the Authority in its sole discretion), and City shall continue to remain primarily, jointly and severally liable and obligated for any and all covenants and obligations under the Prime Lease, including, but not limited to the obligations to pay Rent and Additional Rent pursuant to the terms of the Prime Lease.

Permitted Subletting

Notwithstanding the foregoing prohibition on assigning set forth above, the City shall have the right to let or sublet the Eagles Stadium Premises to Authority for further sub-lease to Eagles pursuant to the Eagles Lease.

CASUALTY

Terms of Eagles Lease Controls

In the event of casualty to some or all of the Eagles Stadium Premises, the terms and conditions to be set forth in the Eagles Lease regarding casualty shall control the parties' respective rights following such casualty; provided, however, that notwithstanding any damage or destruction to some or ail of the Eagles Stadium Premises, the City's obligation to pay Rent and Additional Rent under the Prime Lease and to fulfill its obligations under Article 18 of the Prime Lease shall not be suspended, abated, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, and the City shall continue to pay Rent and Additional Rent and to fulfill its obligations under Article 18 of the Prime Lease as if no such damage or destruction had occurred. The foregoing to the contrary notwithstanding, in the event that any claims of the Eagles pursuant to the terms to be set forth in the Eagles Lease, and any claims of any fee or leasehold mortgagee have been satisfied, then any remaining casualty insurance proceeds shall be promptly paid to the City provided that sufficient proceeds are made available to the Authority to provide for a cleared and safe site.

SURRENDER OF EAGLES STADIUM PREMISES

Surrender of Eagles Stadium Premises

Upon the expiration or earlier termination of the Prime Lease, the City shall peaceably and quietly surrender, vacate, and deliver up possession of the Eagles Stadium Premises to the Authority, and the City's and Authority's rights and obligations regarding the Eagles Stadium Premises, including but not limited to the Improvements, shall be governed in accordance with the terms to be set forth in the Eagles Lease regarding surrender of the Eagles Stadium Premises.

LEASEHOLD MORTGAGES

Leasehold Mortgages

At no time during the Prime Lease Term shall City engage in any financing or other transaction creating any mortgage upon, indenture, trust agreement, or other security interest in, the Eagles Stadium Premises, the Prime Lease or City's interest in any of the foregoing, or any portion thereof (collectively, a "Leasehold Mortgage". Any placement or attempted or purported placement of a Leasehold Mortgage upon the Eagles Stadium Premises or any portion thereof without the Authority's prior written approval shall be null and void, inoperative, of no force or effect and shall constitute an Event of Default under the Prime Lease on the date of its execution or filing of record, or attempted or purported execution, or filing of record, regardless of whether or when it is foreclosed or otherwise enforced. City expressly consents and agrees, however, that Authority may assign, transfer, and pledge the Prime Lease or the Rent as otherwise provided in Article 4 of the Prime Lease. Nothing contained in the Prime Lease is intended to prevent the Eagles from granting leasehold mortgages and security interests upon their interest in the Eagles Lease in accordance with the terms of the Eagles Lease.

CONDEMNATION

Notice of Taking

The City and the Authority each agree to give the other written notice of any taking as a result of, or in lieu of, condemnation or the exercise of the power of eminent domain by any sovereign, municipality or any other public or private authority ("Taking") of all or any part of the Eagles Stadium Premises or any interest therein promptly after such party receives notice thereof.

Total Taking of Eagles Stadium Premises

If the whole of the Eagles Stadium Premises or the leasehold estate created under the Prime Lease shall be acquired or condemned as a result of a Taking ("Total Taking"), then notwithstanding such Total Taking, the Prime Lease Term shall not terminate and the Prime Lease, including but not limited to all Rent and Additional Rent then accrued and accruing thereafter, shall continue in full force and effect until the expiration or earlier termination of the Prime Lease Term.

Partial Taking

In the event of a Taking of a portion of the Eagles Stadium Premises which is not a Total Taking as provided in Section 14.2 of the Prime Lease (a "Partial Taking"), then and in that event, the Prime Lease shall remain in full force and effect as to the portion of the Eagles Stadium Premises remaining immediately after such Partial Taking. Any Partial Taking to the contrary notwithstanding, the Rent and Additional Rent accruing under the Prime Lease after a Partial Taking shall not be apportioned, prorated or otherwise abated.

City Rent Obligation Continues

Notwithstanding any Total Taking or Partial Taking of the Eagles Stadium Premises or the leasehold estate created under the Prime Lease, whether temporary or permanent, the City's obligation to pay Rent and Additional Rent under the Prime Lease shall not be suspended, abated, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, and the City shall continue to pay Rent and Additional Rent under the Prime Lease as if no such Total Taking or Partial Taking had occurred.

Award

In the event of any Taking, whether a Total Taking or Partial Taking, and whether temporary or permanent, the parties expressly agree that their rights to make claims against the condemning sovereign, municipality, or other authority, and against each other, shall be governed by the terms to be set forth in the Eagles Lease regarding condemnation and award. The foregoing to the contrary notwithstanding, in the event that any claims of the Eagles pursuant to the terms to be set forth in the Eagles Lease, and any claims of any fee or leasehold mortgagee have been satisfied, and provided that the City is not in default of the payment obligations under Section 4.1(b) of the Prime Lease, then any remaining condemnation award, or sums in lieu thereof relating to the Improvements, shall be promptly paid to the City provided that sufficient proceeds are made available to the Authority to provide for a cleared and safe site.

DEFAULTS AND REMEDIES

Defaults

Each of the following shall constitute an "Event of Default" by the City under the Prime Lease:

(a) Any failure by the City to pay Rent or any other amount, charge, fee or sum required to be paid by the City under the Prime Lease when due;

(b) Any Act of Bankruptcy by the City;

(c) Any failure by the City to observe or perform any of the terms, covenants, agreements, provisions, conditions or limitations contained in the Prime Lease.

Remedies

Upon the occurrence of an Event of Default by City and at any time thereafter, the Authority shall have, in addition to all other rights available to the Authority at law or in equity, the following rights and remedies:

(a) To institute any and all proceedings permitted by law or equity including, but not limited to, an action to enjoin a violation of the Prime Lease by the City or to compel-specific performance of the Prime Lease by the City;

(b) To seek arid obtain, and the City thereby consents to the entry of, a temporary restraining order, together with such other temporary, preliminary and permanent injunctive or other equitable relief, from any court of competent jurisdiction capable of issuing or granting such relief, to compel the City to comply with or refrain or cease from breaching or violating the terms, covenants and conditions of the Prime Lease, and, with respect thereto, the City thereby waives any requirement that the Authority post a bond or other security in connection with such injunctive or other equitable relief; and

(c) To require that the City immediately pay all of the Authority's costs, charges and expenses, including, without limitation, court and other costs, expert fees, receiver and trustee's fees, consultant fees, all costs and expenses in connection with litigation, service and attorneys' fees, incurred in enforcing the City's obligations and the Authority's rights and remedies under the Prime Lease or incurred by the Authority in any litigation, negotiation or transaction in which the City causes the Authority, without the Authority's fault, to become involved or concerned.

Any provision of the Prime Lease to the contrary notwithstanding, under no circumstances shall the Authority's remedies include the right to cause an acceleration of all or any part of the Rent or a termination of the Prime Lease.

No Waiver

No failure or delay by the Authority to insist upon the strict performance of any term, covenant, agreement, provision, condition or limitation of the Prime Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance by the Authority of full or partial Rent or any other payment due under the Prime Lease during the continuance of any such breach (with or without knowledge of the breach), shall constitute or be construed to constitute a waiver of any such breach or of such term, covenant, agreement, provision, condition or limitation. No term, covenant, agreement, provision, condition or limitation of the Prime Lease to be kept, observed, or performed by City, and no breach thereof, shall be waived, altered or modified except by a written instrument executed by the Authority. Any waiver of any breach shall be limited to the breach so waived, and shall not affect or alter the Prime Lease; each and every term, covenant, agreement, provision and limitation of the Prime Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Authority's Rights Not Exclusive

No right or remedy therein conferred upon or reserved to the Authority is intended to be exclusive of any other right or remedy therein or by law or in equity provided, but each shall be cumulative and in addition to every other right or remedy given therein or then or thereafter existing at law or in equity or by statute.

AFFIRMATIVE ACTION AND COVENANTS AGAINST DISCRIMINATION

Nondiscrimination

In its performance of the Prime Lease, Authority and the City shall not discriminate or permit discrimination against any Person because of race, color, religion, national origin, age, sexual preference, sexual orientation or sex. Any such discrimination shall constitute an Event of Default under the Prime Lease and the City or the Authority shall have the right to exercise any of its rights and remedies thereunder.

Organization Membership

In accordance with Chapter 17-400 of The Philadelphia Code, the Authority agrees that its payment or reimbursement of membership fees or other expenses associated with participation by its employees in an exclusionary private organization, insofar as participation confers an employment advantage or constitutes or results in discrimination with regard to hiring, or tenure of employment, including but not limited to promotions, terms, privileges or conditions of employment, or on the basis of race, color, sex, sexual orientation, religion, national origin or ancestry, constitutes a substantial breach of the Prime Lease entitling the City to all rights and remedies provided in the Prime Lease or otherwise available in law or equity, subject to the provisions of Section 4.5 of the Prime Lease.

The Authority agrees to include and require to be included the immediately preceding paragraph, with appropriate adjustment for 4he identity of the parties, in all contracts and subcontracts which are entered into for work to be performed on behalf of Authority pursuant to the Prime Lease, if any.

The Authority further agrees to cooperate with the Commission on Human Relations of the City (the "Commission") in any manner that the Commission deems reasonable and necessary for the Commission to carry out its responsibilities under Chapter 17-400 of The Philadelphia Code. Failure to so cooperate shall constitute a substantial breach of the Prime Lease entitling the City to all rights and remedies provided in the Prime Lease or otherwise available in law or equity.

Nondiscrimination Clause

During the term of the Prime Lease, the City agrees, as to itself and as to each occupant of the Eagles Stadium Premises controlling, controlled by or under common control with the City (each, a "Contractor") to not take or to allow certain actions and to take certain actions, all as more fully set forth in the Prime Lease.

CERTAIN COVENANTS

Payment of Authority Fees

Notwithstanding anything to the contrary contained in the Transaction Documents, the City agreed to pay promptly when due to the Authority, or on the Authority's behalf, to the extent the same are not paid out of the proceeds of the Bonds issued by the Authority as contemplated by the Prime Lease, all fees, costs and expenses reasonably incurred by the Authority, including but not limited to reasonable attorneys fees and expenses, whenever incurred, in connection with the negotiation, execution and delivery of any of the Transaction Documents, the administration of the Eagles Stadium Premises and the Transaction Documents and the performance of any Authority duties or obligations under any of the Transaction Documents.

Bonds and Certain Tax Matters

The City agrees, in the event that Authority issues from time to time any Bonds in connection with the Eagles Stadium Premises:

(a) to pay promptly on Authority's behalf reasonable compensation to the Trustee and the Credit Facility Provider for their services under the Indenture and the Credit Facility, respectively, relating to the Bonds and the Credit Facility, and said Trustee's and Credit Facility Provider's reasonable expenses and disbursements, including reasonable attorney fees and expenses, incurred in connection with issuance of the Bonds and the execution, delivery and performance of obligations under the Indenture and the Credit Facility, and, further, to satisfy any indemnification obligations of the Authority to the Trustee and the Credit Facility Provider against any liabilities either may incur in the exercise and performance of their respective powers and duties and rights and remedies under the Indenture or the Credit Facility, except (i) in the case of the Trustee, those liabilities caused by the Trustee's own negligence or willful misconduct, and (ii) in the case of the Credit Facility Provider, those liabilities caused by the Credit Facility Provider's own gross negligence or willful misconduct;

(b) to the extent that any Bonds are issued on a tax-exempt basis, to execute an appropriate tax certificate as to arbitrage and instructions as to compliance with provisions of Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") (the "Federal Tax Certificate"), if and to the extent applicable, and to comply with all provisions of the Federal Tax Certificate applicable to it and take no action which would cause the interest on the Bonds to be includable in the gross income of Holders of the Bonds under the Code; and

(c) to the extent that any Bonds are issued on a tax-exempt basis, to perform and satisfy, through the City Treasurer, the record keeping obligations of the Authority under the Federal Tax Certificate and to perform all monitoring, oversight, calculations and reporting required of the Authority under the Federal Tax Certificate to make any and all elections permitted to be made by Authority pursuant to the Code, and to comply with all requirements relating to rebate and make any required rebate payments to the United States Treasury.

Continuing Disclosure Obligations

In connection with Authority's issuance of the Bonds, the. Authority and the City, if required to do so, shall enter into a Continuing Disclosure Agreement or Agreements pursuant to which the Authority and City will be obligated to provide certain information and make certain filings pursuant to the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The City thereby shall assume ail responsibility for collecting the necessary information for dissemination and filing pursuant to such Continuing Disclosure Agreement or Agreements. The individual responsible for performing these duties is the City Treasurer.

City Covenants

The City covenants to perform its obligations under the Transaction Documents, including but not limited to the obligations imposed on the City pursuant to the Indenture, even though the City is not a party thereto, fully, faithfully and in a timely fashion. In connection with the issuance of any Bonds by the Authority, the City will provide to the Authority and the Trustee, written directions, instructions and certifications consistent in form and substance with those required to be given by the Authority to the Trustee under certain sections of the Indenture.

The City covenants to do all of the actions which the Authority covenants under the terms of the Eagles Lease to cause or require the City to do, in each case, fully, faithfully and in a timely fashion.

Staffing Assistance

As requested by the Authority, the City will designate certain employees who will consult with the Authority regarding the Authority's performance under the Transaction Documents and, as requested by the Authority, perform any Authority responsibilities and prepare any documents required of the Authority under the Transaction Documents. In addition, the City expressly undertakes to perform the obligations of the Authority to provide to any Credit Facility Provider, any notices of default, and all financial and litigation information regarding the City,, and information regarding the Eagles Stadium Premises as may be required under, and otherwise to comply with the Authority's affirmative and negative covenants in any Credit Facility. The City Treasurer shall perform these duties.

Rights Against the Eagles and Other Third Parties

Provided the City is current in the performance of all of its obligations to the Authority under the Prime Lease, the City shall have the right, with the consent of the Authority, to pursue all remedies which the Authority may have against the Eagles or any third party under the Eagles Lease or against any party to any other Transaction Document or any third party thereunder.

Litigation

In the event of any litigation arising out of or relating to the Transaction Documents, the performance of the Authority's obligations thereunder, or by reason of the Authority's being a party thereto, including but not limited to claims by the Team, any contractor, architect or engineer (whether or not working on the Eagles Stadium Premises, if the claim relates to the Eagles Stadium Premises or the participation of the Authority or the City therein), the Trustee, Holders of the Bonds or any third party, the Authority shall, within four (4) business days of receipt, deliver all process served upon it directly to the City Solicitor. All such process will be directed to the attention of the City Solicitor. The City Solicitor will either enter its appearance on behalf of the Authority in a timely fashion or retain counsel which will enter its appearance on behalf of the Authority in a timely fashion. The City shall defend the Authority in all such actions at the City's sole cost and expense and the City shall have the right to control the defense of such proceeding but shall keep the Authority advised as to all material developments in such proceeding. All information with respect to litigation will be sent to the Authority to the attention of Philip M. Brandt, Esquire at Philadelphia Industrial Development Corporation ("PIDC"). The City Solicitor shall be permitted to arrange for defense of the Authority by any applicable insurer pursuant to any insurance policy maintained by any third party under which the Authority is an additional named insured or loss payee.

Indemnification

To the extent (i) that a party to any Transaction Document fails to provide reasonable and timely indemnification against Claims or Losses (as defined below), (ii) permitted by Applicable Laws and subject to the section of the Prime Lease entitled "No Waiver of Immunity" and (iii) that Claims or Losses are not covered under an insurance policy maintained by a third party for the benefit of the Authority pursuant to the terms of any Transaction Document, the City agrees to indemnify, defend and hold harmless the Authority and PIDC, and each of their directors, members, officials, officers, employees, agents and representatives (each an "Indemnified Party" and collectively, the "Indemnified Parties"), from and against any and all suits, claims or causes of action (collectively "Claims"), and all liabilities, losses, obligations, damages, penalties, costs, charges, expenses, judgments and amounts paid in settlement (including without limitation, reasonable attorneys' fees) of every kind (collectively "Losses"), which may be imposed upon, incurred by or asserted against any Indemnified Party arising out of or relating to or arising in connection with the Authority's entering into the Prime Lease or any of the Transaction Documents, the performance of any of the Authority's obligations thereunder, any acts or omissions with respect to the Authority's interest under the Prime Lease or any of the Transaction Documents, or any other acts or omissions relating to the Authority's involvement in the Eagles Stadium Premises; except in each case to the extent that the Claims and Losses are attributable to the gross negligence or willful misconduct of any such Indemnified Party. In consideration of this undertaking by the City, the Authority thereby agrees to cooperate with the City to enforce the Authority's rights under any insurance policies maintained by any third party under which the Authority is an additional named insured or loss payee, and to enforce any indemnification rights to which the Authority may be entitled under any of the Transaction Documents (including but not limited to any rights against the Team), and the

City and the Authority agree to pursue all such third party insurance policies and indemnitors diligently with respect to all Claims or Losses which may be property asserted in good faith against them. The City shall be subrogated to the rights of the Authority under such insurance policies and indemnification rights; provided, however, it is expressly agreed that the City shall not have, and expressly waives, any right of subrogation under any insurance policies maintained by the Authority or PIDC. To the extent that either (i) any party to any Transaction Document, other than the City, provides reasonable and timely indemnification against any Claims or Losses, or (ii) Claims are covered by an insurer under an insurance policy maintained by a third party for the benefit of the Authority without reservation of rights and Losses under such Claims are paid by such insurer on a basis such that the Authority does not incur any liability, then in each case, the City's obligations under Section 18.8 of the Prime Lease with respect to such specific Claims and Losses will be discharged. The City acknowledges that the Authority shall not be obligated to exhaust any remedies against any third party as a condition to its right to receive indemnification under the Prime Lease. This indemnification is intended to be in addition to any indemnification by the City in favor of the Authority provided elsewhere in the Transaction Documents.

To the extent (i) that any party to any Transaction Document other than the City or Authority fails to provide reasonable and timely indemnification against Claims or Losses under the Eagles Lease, (ii) permitted by Applicable Laws and subject to the applicable Section herein, and (iii) that Claims or Losses are not covered under an insurance policy maintained by or for the benefit of the City, the Authority thereby agrees to indemnify, defend and hold harmless the City and its officers, officials, employees and agents from and against any and all Losses which may be imposed upon, incurred by or asserted against the City and its officers, officials, employees and agents arising put of or relating to (!) the performance or breach of the obligations or representations of the Authority under the Prime Lease or any of the Transaction Documents, or (ii) any other acts or omissions of the Authority or any of its directors, members, officers, officials, employees, agents and attorneys providing services related to the Eagles Stadium Premises, in each case insofar as such Claims or Losses a rise directly or indirectly from the willful misconduct, fraud or gross negligence of the Authority or any Indemnified Party, as defined above. The liability of the Authority, PIDC and any other indemnified party under the Prime Lease is limited solely to the Authority's interest in the Eagles Stadium Premises, and the lien of any judgment shall be restricted thereto.

The Authority's taking of any action, or the failure to take any action, which it is permitted to take under the terms of the 'Prime Lease or any of the Transaction Documents shall under no circumstances be deemed to constitute willful misconduct, fraud or gross negligence, and furthermore, the taking of any action by the Authority, which action is directed in writing by the City, Trustee or Credit Facility Provider pursuant to the Transaction Documents shall not under any circumstances be deemed to constitute willful misconduct, fraud or gross negligence.

The parties agree that neither shall be obligated under Section 18.8 of the Prime Lease unless the indemnifying party has been given prompt and timely notice of matters contemplated by Section 18.8 of the Prime Lease; provided, however, the failure to so notify the indemnifying party will not relieve the indemnifying party from any obligation under Section 18.8 of the Prime Lease except to the extent such failure has materially injured the ability of the indemnifying party to defend such matter successfully or to minimize the economic exposure resulting therefrom.

No Waiver of Immunity

Nothing herein shall be construed to waive or amend any defense or immunity which the City or the Authority, or their officials, members, officers, agents, employees or representatives may have under Title 42, Chapter 85 of the Pennsylvania Consolidated Statutes Annotated, as amended, or other Applicable Law. The parties expressly acknowledge that Section 18.9 of the Prime Lease is intended to preclude any third party from having any rights whatsoever under the Prime Lease against either party and is not intended in any way to constitute a defense against, or otherwise limit, the obligations of the City under the Prime Lease to pay the costs, expenses, Claims and Losses of the Authority as provided therein.

Nondisturbance Agreement

Concurrently with the execution and delivery of the Eagles Lease, at the request of the Eagles or its leasehold mortgagee, the City and the Authority shall enter into a non-disturbance agreement thereby the City and the Authority agree not to disturb the rights of the Eagles under the Eagles Lease in substantially the same form and upon substantially the same terms as are set forth in Exhibit E of the Prime Lease.

Survival

The rights and obligations of the parties under Article 18 shall survive termination of the Prime Lease and the defeasance of the Indenture.

MISCELLANEOUS

Quiet Enjoyment

The City, upon paying the Rent and other charges provided for in the Prime Lease and upon observing and keeping all agreements, covenants and conditions of the Prime Lease on City's part to be kept, shall have and enjoy quiet possession of the Eagles Stadium Premises without hindrance or molestation by or from the Authority, subject, however, to the exceptions, reservations, terms and conditions of the Prime Lease.

No Third Party Rights

Except as provided (i) in Article 18 of the Prime Lease as to Indemnified Parties, (ii) in Article 4 of the Prime Lease as to the Trustee and the Credit Facility Provider, (iii) in Section 19.15 of the Prime Lease as to the Trustee, the Credit Facility Provider and the Eagles (iv) in Section 18.10 of the Prime Lease as to the Eagles and its leasehold mortgagee, and (v) in Section 18.2 of the Prime Lease as to the Trustee and the Credit Facility Provider, nothing in the Prime Lease shall be construed to constitute, create or confer rights, remedies or claims in or upon any Person not a party thereto (as third party beneficiary or otherwise), or to create obligations or responsibilities of the parties thereto to such Persons, or to permit any Person, other than the parties hereto and their respective successors and assigns, to rely upon the covenants, conditions and agreements contained therein.

Survival

Any and all agreements set forth in the Prime Lease which, by its or their nature, would reasonably be expected to be performed after the termination of the Prime Lease shall survive and be enforceable after such termination. Any and all liabilities, actual or contingent, which shall have arisen in connection with the Prime Lease, shall survive any termination of the Prime Lease. Any express statement of survival contained in any Section of the Prime Lease shall not be construed to affect the survival of any other Section of the Prime Lease.

Expiration of Authority

In the event that during the Prime Lease Term, the existence of the Authority is not renewed or extended pursuant to applicable Law and a successor to the Authority is not established, all rights and obligations of the Authority under the Prime Lease shall automatically vest in the City without any further action by the parties hereto.

Severability

If any term or covenant of the Prime Lease or the application thereof to any Person or circumstances shall, to any extent, be held invalid or unenforceable, the remaining terms and covenants of the Prime Lease, or the application of such term or covenant to Persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and covenant of the Prime Lease shall be valid and enforceable to the fullest extent permitted by law.

Effect of Drafting on Construction

The fact that the Prime Lease may have been initially drafted by the attorney for one of the parties hereto has no significance as to construction of ambiguous terms against either party, inasmuch as the Prime Lease is the product of arms-length negotiations between the parties, and no provision of the Prime Lease shall be construed against a party solely because that party or that party's counsel dratted such provision.

Amendments

The parties to the Prime Lease, from time to time may enter into any amendments thereto (which thereafter shall form a part thereof) without the consent of any other parties such as shall not adversely affect the rights of or the security of the Holders (as defined in the Indenture), only for the following purposes:

(a) To cure any ambiguity, defect or omission therein or in any amendment thereto or to supplement any provision thereof, provided such cure shall not materially adversely affect the Eagles, the Holders or the Credit Facility Provider; or

(b) To reflect a change in Applicable Law which shall not impair the security hereof or materially adversely affect the rights of the Holders, the Eagles or the Credit Facility Provider; or

(c) To provide for additional Rent thereunder to the extent necessary in connection with the issuance of additional debt; or

(d) To add to the covenants and agreements of the City therein contained, or to surrender any right or power herein reserved to or conferred upon the City which shall not impair the security hereof nor materially adversely affect the rights of the Eagles, the Holders or the Credit Facility Provider.

The Trustee, the Credit Facility Provider and the Eagles shall be provided notice of any amendments with respect to (a), (b), (c) and (d) of Section 19.15 of the Prime Lease. All other amendments must be approved by the Eagles, the Trustee (if the Trustee's approval is required in accordance with the Indenture) and the Credit Facility Provider (if the Credit Facility Provider's approval is required in accordance with the terms of the Credit Facility), and, if the Indenture must be amended with Holders' consent, the Holders, in the same manner and to the same extent as is set forth in the applicable Article of the Indenture.

Notwithstanding the foregoing, the Authority shall not amend the Prime Lease: (a) other than as provided in the Indenture; and (b) without the consent of Dexia Credit Local, acting through its New York Agency ("Dexia"); provided, however, that Dexia shall be deemed to have consented to any modification, amendment or supplement of, or waiver with respect to, the Prime Lease if (i) Dexia shall have failed to respond to a written request of the Authority for Dexia's consent thereto within ten (10) days after receipt by Dexia of such request, and (ii) such request shall have indicated thereon that Dexia shall be deemed to have consented thereto unless Dexia responds to such request within ten (10) days after receipt by-Dexia of such request; and provided further, however, that Dexia's right to consent to amendments to the Prime Lease shall terminate upon (i) surrender of the Credit Facility issued by Dexia for cancellation, and (ii) payment in full by the Authority of all of its obligations to Dexia under that certain Letter of Credit and Reimbursement Agreement, dated as of April 1, 2001 between the Authority and Dexia.

No Modification

The Prime Lease is intended by the parties as a final expression of their agreement and as a complete and exclusive statement of the terms thereof, all negotiations, considerations and representations between the parties having been incorporated herein. No course of prior dealings between the parties or their officers, employees, agents or Affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of the Prime Lease. No prior agreement, course of dealing or custom between the parties or their Affiliates shall be relevant or admissible to determine the meaning of any of the terms of the Prime Lease. No representations, understandings, or agreements have been made or relied upon in the making of the Prime Lease other than those specifically set forth herein. The Prime Lease can be modified only by a writing signed by the party against whom the modification is enforceable subject to Section 19.15 of the Prime Lease.

No Personal Liability

Notwithstanding any provision or obligation to the contrary set forth in the Prime Lease, no provision of the Prime Lease or any related document shall be construed so as to give rise to a pecuniary liability of the Authority or any of its members, officers, agents or employees or to give rise to a charge upon the general credit of the Authority or such members, officers, agents or employees; any pecuniary liability under the Prime Lease of the Authority under any theory of law, including contract or tort, shall be limited exclusively, to its interest in the Eagles Stadium Premises and the lien of any judgment shall be restricted thereto.

No member, director, officer, official, employee or agent of any party to the Prime Lease shall be personally liable for any costs or obligations of such party. All Persons, corporations, or other, entities extending credit to, contracting with or having any claim against any party, may look only to the funds or property of such party legally available for the purpose for payment of any such suit, contract or claim to the extent such party is liable therefor, or for the payment of any costs that may become due or payable to them from any party, respectively, and not from any member, director, officer, official, agent or employee of any party.

EXHIBIT "F" TO PRIME LEASE (EAGLES STADIUM LAND & IMPROVEMENTS)

EAGLES OPERATING AND EXPENSE REIMBURSEMENT

Year	Payment
2000	-
2001	-
2002	-
2003	6,820,000
2004	6,820,000
2005	6,820,000
2006	6,820,000
2007	6,820,000
2008	7,840,000
2009	7,840,000
2010	7,840,000
2011	7,840,000
2012	7,840,000
2013	9,010,000
2014	9,010,000
2015	9,010,000
2016	9,010,000
2017	9,010,000
2018	10,370,000
2019	10,370,000
2020	10,370,000
2021	10,370,000
2022	10,370,000
2023	11,920,000
2024	11,920,000
2025	11,920,000
2026	11,920,000
2027	11,920,000
2028	-
2029	-
2030	-
2031	-
2032	-

PRIME LEASE

(PHILLIES BALLPARK LAND & IMPROVEMENTS)

The following description of certain provisions of the Prime Lease (PHILLIES BALLPARK LAND & IMPROVEMENTS) (the “Prime Lease”) set forth below is only an outline of some of the provisions thereof and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Prime Lease in its entirety, copies of which are on file at the corporate trust office of the Trustee in Philadelphia, Pennsylvania, for the complete statements of the provisions thereof.

DEFINITION OF TERMS

Wherever used in the Prime Lease, the following terms shall have the following meanings:

“Act” shall mean Economic Development Financing Law, Act No. 102 of the General Assembly of the Commonwealth of Pennsylvania approved August 23, 1967 (P.L. 251), as amended and supplemented.

“Act of Bankruptcy” shall mean that (i) a party shall have commenced a voluntary case under any bankruptcy law, applied for or consented to the appointment of, or taking of possession by, a receiver, trustee, assignee, custodian or liquidator of all or a substantial part of its assets; (ii) a party shall have failed, or admitted in writing its inability generally, to pay its debts as such debts become due; (iii) a party shall have made a general assignment for the benefit of creditors; (iv) a party shall have been adjudicated a bankrupt, or shall have filed a petition or an answer seeking an arrangement with creditors; (v) a party shall have taken advantage of any insolvency law, or shall have submitted an answer admitting the material allegations of a petition in bankruptcy or insolvency proceeding; (vi) an order, judgment or decree for relief shall have been entered in an involuntary case against a party, without the application, approval or consent of such party, by any court of competent jurisdiction appointing a receiver, trustee, assignee, custodian or liquidator, for the party or for a substantial part of any of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days; or (vii) an involuntary petition in bankruptcy shall have continued undismissed for sixty (60) days after the filing thereof.

“Additional Land” shall mean, collectively, the land which has a use functionally related and accessory to the Phillies Ballpark Premises and shall mean, for the purposes of the Prime Lease, collectively, the land known as the “North Lot”, as more particularly described on Exhibit “C” of the Prime Lease and the land known as the “Veterans Stadium”, as more particularly described on Exhibit “D” of the Prime Lease.

“Additional Rent” shall mean all sums payable by the City under the Prime Lease, other than (and in addition to) the Rent (as defined below).

“Affiliate” or “Affiliates” shall mean as to any Person, any other Person controlled by, controlling of, or under common control with such Person.

“Applicable Laws” shall mean the constitution and laws of the United States of America, the constitution and laws of the Commonwealth of Pennsylvania and all rules and regulations promulgated pursuant thereto, and shall include but not be limited to the Home Rule Charter of the City of Philadelphia and the City of Philadelphia Code.

“Authority” shall mean the Philadelphia Authority for Industrial Development, a body politic and corporate existing under the laws of the Commonwealth.

“Authority Contractual Commitments” shall mean obligations of the Authority as set forth in the Phillies Lease for reimbursement of excess tax payments on account of real estate taxes, amusement taxes and use and occupancy taxes which are payable by the Phillies in excess of the base amounts to be set forth in the Phillies Lease.

"Bonds" shall mean those bonds, notes or other forms of indebtedness issued for the purpose of financing or refinancing a portion of the Phillies Ballpark Premises, Additional Land, demolition, site preparation, improvements and infrastructure in connection therewith and a portion of any and all other costs incurred in connection with the sports stadia in an aggregate principal amount not to exceed Two Hundred Two Million Five Hundred Thousand Dollars ($202,500,000) net of original issue discount, plus amounts necessary for any reserves, capitalized interest, costs of issuance, amounts necessary to effect any refunding and such amount as may be finally determined to be owed to any condemnees as Just Compensation (as defined in the Pennsylvania Eminent Domain Code), at any one time outstanding; provided that in no event shall the term of each series of Bonds exceed thirty (30) years from the date of issuance of such series of Bonds, provided further that in the case of any series of refunding bonds the term of such Bonds shall not exceed thirty (30) years from the date of issue of the Bonds to be refunded.

"City" shall mean, the City of Philadelphia, a City of the First Class of the Commonwealth, acting through its Commerce Department and Department of Public Property.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Credit Facility" shall mean any letter of credit, liquidity facility, standby bond purchase agreement, line of credit, surety bond, insurance commitment, insurance policy or similar agreement with respect to the Bonds and any credit, loan or reimbursement agreement or other obligation of the Authority to the Credit Facility Provider in connection therewith, and all documents collateral thereto, as may be substituted from time to time.

"Credit Facility Provider" shall mean the provider of any Credit Facility as may be substituted from time to time.

"Fiscal Year shall mean July 1 through and including June 30 of the following calendar year.

"Force Majeure Event" shall mean any event (except for the payment of money) which is beyond the reasonable control of, and is not caused by the fault or negligence of, the party asserting the Force Majeure, which wholly or partially prevents the performance of any of the duties, responsibilities or obligations of the party asserting the Force Majeure and the term "Force Majeure" shall include, but not be limited to, an act of God, an act of the public enemy, lightning, fire, explosion or other serious casualty; unusually severe weather (such as hurricane, earthquake, tornado, landslide or flood); war (whether declared or not); or condemnation or other taking by the action of any governmental body on behalf of any public, quasi-governmental or private entity.

"Ground Lease" shall mean Ground Lease dated April 1, 2001, as amended by the First Amendment to Ground Lease dated July 12, 2001 and a Second Amendment to Ground Lease dated November 28, 2001, between the City, as landlord, and the Authority, as tenant, pursuant to which the City has agreed to lease and the Authority has agreed to take and hire the Phillies Ballpark Land (as such term is hereinafter defined).

"Improvements" shall mean those certain structures and improvements, including but not limited to a new stadium and related improvements and amenities on the Phillies Ballpark Land.

"Indenture" shall mean one or more instruments executed and delivered by and between the Authority and the Trustee (defined below) governing the issuance and administration of the Bonds for the benefit of the holders thereof.

"Person" shall mean an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, estate, unincorporated association, joint venture or any other entity, the United States, a state, or political subdivision thereof, or any agency, department or court thereof.

"Phillies" shall mean The Phillies, a Pennsylvania limited partnership or its successor with respect to the franchise, herein referred, or controlled affiliate, which is the holder of the franchise for a geographic area which includes the City issued by the National League and is the owner of the Major League Baseball team known as The Phillies.

“Phillies Lease” shall mean that certain Sublease and Development Agreement entered into between the Authority, as landlord, and the Phillies, as tenant, pursuant to which the Authority intends to lease and the Phillies intend to take and hire the Phillies Ballpark Land and to construct thereon certain structures, including, but not limited to a new stadium and Improvements.

“Phillies Lease-Back Lease” shall mean that certain lease by and between the City, as landlord, and the Authority, as tenant, dated April 1, 2001, as amended by the First Amendment to Lease-Back Lease dated July 12, 2001 and a Second Amendment to Lease-Back Lease dated November 28, 2001, with respect to the Phillies Ballpark Premises.

“Phillies Ballpark” shall mean the baseball Ballpark to be constructed on the Phillies Ballpark Land as contemplated by the Phillies Lease.

“Phillies Ballpark Land” shall mean the 26 acres of land described on Exhibit A to the Prime Lease and any and all appurtenances, easements, rights, licenses, hereditaments and privileges as may in any way belong to or appertain thereto or inure to the benefit thereof.

“Phillies Ballpark Premises” shall mean the Phillies Ballpark Land and the Improvements, together with all improvements and appurtenances now existing or in the future constructed thereon.

“Prime Lease” shall mean the Prime Lease between the Authority and the City dated April 1, 2001, as amended by the First Amendment to Prime Lease dated July 12, 2001 and a Second Amendment to Prime Lease dated November 28, 2001.

“Team” shall mean the Phillies together with any successor or holder of said franchise or controlled affiliate.

“Transaction Documents” shall mean the Ground Lease, the Prime Lease, the Phillies Lease-Back Lease, the Phillies Lease, the Indenture, the Bonds, the Credit Facility, any bond purchase contract and documents collateral thereto, and any other financing documents and other related documents.

“Trustee” shall mean the bank or other institutional lending entity acting as trustee under the Indenture governing the Bonds.

DEMISE OF PHILLIES BALLPARK PREMISES

Demise of Phillies Ballpark Premises

On the Commencement Date in consideration of the Rent and Additional Rent thereinafter reserved and the terms, covenants, conditions and agreements set forth in the Prime Lease, the Authority demises and lets unto City, and City hires and leases from the Authority, the Phillies Ballpark Premises and any other improvements and appurtenances then existing or in the future constructed on the Phillies Ballpark Premises, for the Prime Lease Term, upon and subject to the conditions, terms, agreements and covenants set forth therein. At all times during the Prime Lease Term, ownership of and title to the Phillies Ballpark Land shall be and remain in the City, subject to the Authority’s leasehold under the Ground Lease, the City’s leasehold under the Prime Lease, and the other leaseholds contemplated thereby; and ownership and title to the Phillies Ballpark Premises (excluding Phillies Ballpark Land) and all other improvements and appurtenances on the Phillies Ballpark Premises, whether then existing or thereafter constructed, shall be and remain in the Authority, subject to the interests of the Phillies and its Affiliates to be granted and established in the Phillies Lease.

Condition of Phillies Ballpark Premises

The City acknowledges and agrees to accept the Phillies Ballpark Premises, subsurface conditions, and the present uses and non-uses thereof without recourse to Authority, in its and their “AS IS,” “WHERE IS” condition, as the same may be modified, altered, improved, constructed or reconfigured from time to time. The City expressly acknowledges that the Authority has made no promises to alter, remodel, improve, repair, decorate or clean the same or any part thereof and makes no representation or warranty, express or implied, in fact or arising by operation of law, of, as to, or concerning, the Phillies Ballpark Premises or the sidewalks and structures adjoining the same, subsurface conditions, and the present uses and non-uses thereof, including without limitation, health, safety, or environmental matters, accessibility for disabled persons, the compliance of the same with any Applicable Laws, the nature, condition or usability thereof, the use or uses to which the same or any part thereof may be put, or any other matter or thing affecting or relating thereto. The provisions of Section 2.2 of the Prime Lease have been fully negotiated at arm's-length between the parties hereto and are intended to be a complete exclusion and negation of any warranties or promises by the Authority, express or implied, with respect to the Phillies Ballpark Premises. The provisions of Section 2.2 of the Prime Lease shall survive the expiration or earlier termination of the Prime Lease.

Inability to Deliver

If, subject to Force Majeure Events or any other event or occurrence which is beyond the Authority's control, the Authority does not deliver the Phillies Ballpark Premises to City on or before July 1, 2001, the Prime Lease shall not terminate and the Authority shall not be liable or responsible for any damages of any kind for failure to deliver possession, but City and Authority shall promptly meet for purposes of determining a mutually acceptable extension for delivery of the Phillies Ballpark Premises. In any case, failure of the Authority to deliver the Phillies Ballpark Premises shall not in any way affect the City's obligation to pay Rent thereunder.

Title

The City acknowledges and agrees that the Prime Lease and the City's leasehold estate thereunder, are and shall be under and subject to the Ground Lease and matters of record and any condition which a current accurate survey of the Phillies Ballpark Land would disclose. The Authority covenants and agrees that it shall not further encumber the fee title to the Phillies Ballpark Land (other than by entering into the Phillies Lease-Back Lease and the Phillies Lease), by operation of law or otherwise, during the Prime Lease Term without the prior written consent of the Director of Commerce of the City, which consent shall not be unreasonably withheld, conditioned or delayed.

PRIME LEASE TERM

Prime Lease Term

The term of the Prime Lease (the "Prime Lease Term") shall commence upon the earlier to occur of the date on which (a) the Phillies Ballpark Land is acquired by the City, or (b) the Bonds are issued ("Commencement Date"), and shall expire on the later of: (A) the date which is thirty (30) days after the expiration or earlier termination of the term to be set forth in the Phillies Lease, as it may be renewed or extended; or (B) the date which is thirty (30) days after the last of the Bonds are no longer outstanding under the Indenture and there shall have been a defeasance of the lien of the Indenture and the Authority's obligations under the Indenture have been duly terminated pursuant to its terms and there is no outstanding obligation under any Credit Facility, or (C) such later date as may be necessary for the Authority, acting diligently, to comply with any covenant, condition, term or provision of the Indenture or to be set forth in Phillies Lease, or to exercise any of the remedies provided to the Authority herein for the benefit of the Trustee under the Indenture.

RENT

Rent

In consideration of the Authority's entering into the Ground Lease, the Prime Lease and the Phillies Lease-Back Lease Agreement, including but not limited to its obligation with respect to any financing or refinancing of the obligations undertaken by the Authority under the Prime Lease or under the Phillies Lease, such as the sale of the Bonds, the City hereby agrees to pay as rent ("Rent") to the Authority, or the Trustee or the Credit Facility Provider on behalf of the Authority, as hereinafter described, the following amounts (all of which together shall constitute Rent) in the following order of payment priority:

When the Authority issues its Bonds, then:

(1) for deposit in accordance with the Indenture, at least one business day prior to each date that principal of and premium, if any, and interest on the Bonds, or any portion thereof, shall be due and payable, whether by maturity, redemption or otherwise (other than by acceleration under the Indenture), an amount which, together with other moneys under the Indenture available therefor is sufficient to make the Authority's required payments of principal of, premium, if any, and interest on the Bonds then becoming due, whether by maturity, redemption or otherwise (other than by acceleration under the Indenture) until the principal of, or redemption premium, if any, and interest on the Bonds shall have been paid in full or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture; and

(2) for deposit in accordance with the Indenture or Credit Facility, in the manner provided therein, the amounts required to satisfy the timely payment (other than by acceleration) of any reimbursement obligation (including interest thereon) and any fees, expenses, charges and indemnification pursuant to the Credit Facility and related documentation; and

(3) payments required pursuant to any swap agreements; and

(4) additionally, from time to time, certain amounts due in connection with the issuance of Bonds in connection with the Phillies Ballpark Premises on behalf of the Authority; and

(5) additionally, from time to time, the City shall be required to make payments necessary to make up any deficiency in the funds established under the Indenture (other than as a result of acceleration under the Indenture or the Credit Facility), including an amount which is sufficient to make any payment required to be made by the Authority to the United States Treasury, as provided in the Indenture, as determined and specified in writing by the City, other than as stated in (1) above, and to make payments to reimburse the Authority for any premiums paid for insurance policies purchased by the Authority, to the extent that the City has funds appropriated for such purposes in such Fiscal Year.

(6) all Rent payable under subparagraphs (1) through (5) above shall be paid in immediately available funds and held, invested, disbursed and applied as provided in the Indenture or any Credit Facility; provided, however, that, on or before forty-five (45) days prior to any Sinking Fund Installment Date, the City may deliver to the Trustee, Bonds of a maturity, a portion of which is required to be redeemed by the Trustee on such Sinking Fund Installment Date, and the Rent required to effect such redemption otherwise due from the City shall be reduced by the aggregate principal amount of the Bonds so delivered; up to the full amount of such Sinking Fund Installment.

(7) The Authority directs the City to pay the Rent due under Section 4.1(a) of the Prime Lease (other than fees, expenses and indemnities owing the Credit Facility Provider) to the Trustee to which, under the terms of the Prime Lease and of the Indenture, the Prime Lease (as provided in the Indenture) and the Rent due under Section 4.1(a) of the Prime Lease (other than fees, expenses and indemnities owing to the Credit Facility Provider) are assigned. That portion of the Rent due under Section 4.1(a) of the Prime Lease representing fees, expenses and indemnities owing to the Credit Facility Provider shall be paid by the City directly to the Credit Facility Provider.

(8) Except for Rent due during the period with respect to which the Notes are Outstanding (as defined in the Indenture), which Rent shall be determined from time to time, the Rent due under Section 4.1(a) of the Prime Lease shall be determined on an annual basis by the City Treasurer for each fiscal year of the City based upon the principal amount of Outstanding Bonds issued under the Indenture.

An amount necessary to fulfill the Authority Contractual Commitments including reimbursement of excess tax payments on account of real estate taxes, amusement taxes and use and occupancy taxes which are payable by the Phillies in excess of the base amounts to be set forth in the Phillies Lease, the PILOT Agreement or the Use and Occupancy Tax Settlement Agreement (the PILOT Agreement and the Use and Occupancy Tax Settlement Agreement being defined in and attached to the Phillies Lease).

If the monies available to the Authority to meet its requirements under the Indenture or under the Bonds are insufficient to pay the Authority's obligations thereunder, then the City upon demand shall pay to the Authority or its assigns under and pursuant to Section 4.3 of the Prime Lease such additional sum or sums, in each Fiscal Year as are required for such purposes subject to the provisions of Section 4.2(a) of the Prime Lease. Notwithstanding any provision to the contrary, there shall be no acceleration of the Rent payments under the Prime Lease.

Notwithstanding any other provision of the Prime Lease, the City's obligation to pay the Rent as set forth in Section 4.1(a) of the Prime Lease shall terminate upon the date ("Partial Rent Termination Date") upon which neither the Bonds nor any obligations under the Credit Facility are outstanding, and there shall have been a defeasance of the lien of the Indenture. During the remainder of the Prime Lease Term following such date. Rent shall mean the sum of One Dollar ($1.00) per year plus the Authority Contractual Commitments as set forth in the Prime Lease.

The City may make payments in advance at any time, on account of Rent payable pursuant to Section 4.1(a) of the Prime Lease, in one or more prepayment installments, which amounts shall be credited against the Rent at the time next due, unless otherwise directed by the City. Alt such prepayments shall be deposited in accordance with the Indenture and the Credit Facility.

Notwithstanding anything in the Prime Lease to the contrary, the Rent under Section 4.1(a) of the Prime Lease due and payable may also secure indebtedness issued pursuant to the Indenture in addition to the Bonds.

Additional debt issued for the purposes for which the Bonds may be issued, may be issued only through an amendment to the Prime Lease, to the extent that such additional debt exceeds the authorized amount set forth in the definition of "Bonds" therein (the foregoing shall not be construed as a limitation of any approval of the City Council of the City that may be required with respect to any such amendment).

Manner of Rent and Additional Rent Payment by City: Appropriations: Failure to Pay Rent and Additional Rent.

The Rent and Additional Rent shall be payable only out of the current revenues of the City and the City agrees to provide for payment of the Rent and Additional Rent and include the same in the City's annual operating budget for each Fiscal Year of the City. If the current revenues of the City are insufficient to pay the Rent and Additional Rent in any Fiscal Year as the same becomes due and payable, the City shall include amounts not so paid in the City's operating budget for the ensuing Fiscal Year and shall produce sufficient current revenues to pay in the ensuing Fiscal Year such balance due for the preceding Fiscal Year In addition to the amount of Rent and Additional Rent due for the ensuing Fiscal Year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required to make all Rent and Additional Rent payments due and payable under the Prime Lease and all payments due under Article 18 of the Prime Lease in each of the City's Fiscal Years.

The failure of the City to make any payment of Rent and Additional Rent or any other amounts due pursuant to Article 18 of the Prime Lease on the date specified for payment shall constitute a default under the Prime Lease.

Anything in the Prime Lease to the contrary notwithstanding, no payments under the Prime Lease shall be characterized as debt or deemed to be debt of the City under Article IX of the Constitution of the Commonwealth of Pennsylvania. The City's obligation to make payments of Rent and Additional Rent to the Authority under the Prime Lease is payable from the current general revenues of the City, but shall not constitute a pledge of or a grant of a security interest in the general tax revenues of the City.

Assignment by Authority

The Authority, immediately following the execution and delivery of the Prime Lease, may assign, transfer and set over all right, title and interest of the Authority in and to the right to receive the Rent under Section 4.1(a) of the Prime Lease to the Trustee and the rights and remedies related thereto, in trust, to be held, and applied pursuant to provisions of the Indenture, for the benefit of the Holders (as defined in the Indenture) and the Credit Facility Provider and/or to the Credit Facility Provider. The City: (a) consents to such assignment and accepts notice thereof with the same legal effect as though such acceptance were embodied in a separate instrument, separately executed after execution of such assignment; (b) agrees to pay directly to the Trustee, all Rent payable under Section 4.1(a) of the Prime Lease (other than Rent payable in respect of the fees, expenses and indemnities owing to the Credit Facility Provider and such amounts due under Section 18.2 of the Prime Lease) and directly to the Credit Facility Provider all Rent payable under Section 4.1(a) of the Prime Lease in respect of fees, expenses and indemnities owing to the Credit Facility Provider under the Credit Facility, in each case, without any defense, set-offs or counterclaim; and (c) agrees that the Trustee and the Credit Facility Provider may exercise all rights and remedies granted to the Authority under the Prime Lease with respect to such Rent (which are assigned to the Trustee and the Credit Facility Provider, respectively).

Assignment by the City

Prior to providing for the payment in lull of outstanding Bonds or the earlier redemption thereof, the defeasance of the lien of the Indenture, and the payment in full of any outstanding obligation under any Credit Facility, without the prior written consent of the Authority, the Trustee and the Credit Facility Provider, the City may not by operation of law or otherwise assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise dispose of the Prime Lease or any interest therein.

No Suspension or Abatement of Rent and Additional Rent

The City shall pay the Rent as required under Section 4.1 of the Prime Lease and Additional Rent without suspension or abatement of any nature. So long as (i) the Bonds remain outstanding, (ii) the lien of the Indenture has not been defeased, (iii) there exists any outstanding obligation under any Credit Facility, or (iv) the Authority shall have any obligation to the Phillies under the Phillies Lease, the obligation of the City to pay the Rent and Additional Rent payable under the Prime Lease strictly in accordance with the terms of the Prime Lease shall be an absolute and unconditional obligation of the City and shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, and regardless of any rights of setoff, recoupment or counterclaim that the City might otherwise have against the Authority, the Phillies, the Credit Facility Provider or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise or take place after the date of the Prime Lease, including without limiting the generality of the foregoing those items set forth under Section 4.5(a)(i) through (xv) of the Prime Lease.

Except to the extent provided in and subject to Section 4.5 and in Article 15 of the Prime Lease, nothing contained in the Prime Lease shall be construed to prevent or restrict the City from asserting any rights which it may have under the Prime Lease or any provision of law against the Authority or the Trustee.

Notwithstanding any provision in the Prime Lease concerning the termination of the Prime Lease or the leasehold created therein, the City and Authority agree that, as long as (i) the Bonds are outstanding, (ii) the lien of the Indenture has not been defeased, (iii) there exists any obligation under any Credit Facility, or (iv) the Authority shall have any obligation to the Phillies under the Phillies Lease, in pursuing their remedies under Article 15 of the Prime Lease they shall not terminate the Prime Lease or the leasehold created thereby or cease payment of the Rent and Additional Rent.

Approval by the City

The terms and conditions of the Indenture, the Credit Facility, the identity of the Credit Facility Provider, the form of the Bonds and the collateral security therefor, if any, shall be subject to the prior written approval of the City, acting through its Director of Finance, which may be granted or withheld in its sole discretion.

OWNERSHIP OF INTERESTS

City Leasehold Interest

On the last day of the Prime Lease Term, or upon any earlier termination of the Prime Lease, the City's leasehold interest shall revert to the Authority without the necessity of any further action by either Authority or the City; provided, however, that, upon the Authority's request, the City shall execute and deliver to the Authority (in recordable form where necessary or appropriate) all documents necessary to evidence such reversion.

REAL ESTATE TAXES

Real Estate Taxes

Unless otherwise provided in Article 18 of the Prime Lease, the City shall not be liable or responsible during the Prime Lease Term for the payment of any real estate taxes or any payment or other charge in lieu of real estate taxes, if and to the extent any such taxes, payments or charges are permitted by Applicable Laws to be assessed with respect to the Phillies Ballpark Premises. Nothing in the Prime Lease shall be construed to alter, amend or in any way affect the liability of the Phillies under the Phillies Lease or Applicable Law for the payment of any taxes or payments or other charges in lieu thereof accruing or payable with respect to the Phillies Ballpark Premises, or the use and enjoyment thereof by the Phillies, the City or by any other user thereof.

USE OF PHILLIES BALLPARK PREMISES

City Compliance with Applicable Laws

In the exercise of its rights under the Prime Lease, the City shall, at all times during the Prime Lease Term, comply with all Applicable Laws now or hereafter enacted or promulgated, and whether or not such Applicable Laws can be said to be within the present contemplation of the parties; provided that, except as provided in Article 18 of the Prime Lease, City shall have no obligation to perform construction or alterations, or maintenance, repairs, or replacements, whether ordinary or extraordinary, operating, routine, or capital in nature, in, on, or about any portion of the Phillies Ballpark Premises or the Improvements and the other improvements, fixtures and appurtenances erected thereon.

MAINTENANCE, REPAIR AND ALTERATIONS

City Liability for Operations and Maintenance of Phillies Ballpark Premises

Except as otherwise provided in Article 18 of the Prime Lease, the Authority acknowledges and agrees that in no circumstance whatsoever will the City have any liability to pay any sums toward or for any of the operating and maintenance costs of the Phillies Ballpark Premises or the Improvements, or any other improvements, fixtures or appurtenances forming any part of the Phillies Ballpark Premises (provided that nothing in Section 8.1 of the Prime Lease is intended to relieve the City from its obligations pursuant to the Prime Lease for payments of Rent and Additional Rent).

No Obligation of City

Except as otherwise provided in Article 18 of the Prime Lease and as may be provided in the Phillies Lease, it is-expressly understood and agreed by the Authority that the City shall not be required, and shall not be responsible or liable In any way whatsoever, to maintain, alter, repair, build, rebuild or replace all or any portion of the Phillies Ballpark Premises (whether such work be interior or exterior, structural or nonstructural, ordinary or extraordinary, foreseen or unforeseen, capital or routine); provided, however, that nothing in Section 8.2 of the Prime Lease shall in any way alter or diminish the City's obligation to pay Rent and Additional Rent.

No Liability of City

Except as otherwise provided in Article 18 of the Prime Lease, the City shall not in any event be liable or responsible by virtue of the Prime Lease for any injury or damage to any property or to any Person happening on, or in or about the Phillies Ballpark Premises, nor for any injury or damage to the Phillies Ballpark Premises, nor to any property, whether belonging to Authority or any other Person, caused by any fire, breakage, leakage, defect or bad condition in any part of the Phillies Ballpark Premises, or from water, rain or snow that may leak into, issue or flow from any part of the Phillies Ballpark Premises from the drains, pipes, or plumbing work of the same, or from any place or quarter, or due to the use, misuse or abuse of all or any of the openings or installations of any kind whatsoever which may thereafter be erected or constructed in or on the Phillies Ballpark Premises, or from any kind of injury which may arise from any other cause whatsoever on the Phillies Ballpark Premises.

ASSIGNMENT AND SUBLETTING

No Assignment by City

In addition to and without limiting in any way the provisions of Section 4.4 of the Prime Lease, the City shall not, by operation of law or otherwise, sublet, assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise dispose of the Prime Lease, or any interest in, to or under the Prime Lease for the Phillies Ballpark Premises (or any part thereof) without prior written approval of the Authority.

Authority Consent to Assignment

The Authority has the absolute right to withhold its consent without giving any reason whatsoever to any assignment, transfer, mortgage, pledge, hypothecation, encumbrance or other disposition of the Prime Lease or City's interest in the Prime Lease. In no event shall the Prime Lease be assigned or assignable by operation of law, attachment, assignment for the benefit of creditors or otherwise, or by voluntary or involuntary bankruptcy proceedings (it being understood and agreed that any such assignment shall be null and void, of no force or effect and inoperative), and in no event shall the Prime Lease or any rights or privileges thereunder be an asset of City under any bankruptcy, insolvency or reorganization proceedings.

City to Remain Obligated

Notwithstanding anything contained in the Prime Lease to the contrary, any assignment, subletting, use, occupancy or transfer under the Prime Lease (whether with or without the consent of the Authority) shall not operate to relieve the City from any covenant or obligation under the Prime Lease, or be deemed to be a consent to or relieve the City or any assignee, subtenant or sublicensee permitted pursuant to the Prime Lease from obtaining the Authority's prior written consent to any subsequent assignment, transfer, lien, charge, subletting, use or occupancy (which may be withheld by the Authority in its sole discretion), and City shall continue to remain primarily, jointly and severally liable and obligated for any and all covenants and obligations under the Prime Lease, including but not limited to the obligations to pay Rent and Additional Rent pursuant to the terms of the Prime Lease.

Permitted Subletting

Notwithstanding the foregoing prohibition on assigning set forth above, the City shall have the right to let or sublet the Phillies Ballpark Premises to Authority for further sub-lease to Phillies pursuant to the Phillies Lease.

CASUALTY

Terms of Phillies Lease Controls

In the event of casualty to some or all of the Phillies Ballpark Premises, the terms and conditions to be set forth in the Phillies Lease regarding casualty shall control the parties' respective rights following such casualty; provided, however, that notwithstanding any damage or destruction to some or all of the Phillies Ballpark Premises, the City's obligation to pay Rent and Additional Rent under the Prime Lease and to fulfill its obligations under

Article 18 of the Prime Lease shall not be suspended, abated, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, and the City shall continue to pay Rent and Additional Rent and to fulfill its obligations under Article 18 of the Prime Lease as if no such damage or destruction had occurred. The foregoing to the contrary notwithstanding, in the event that any claims of the Phillies pursuant to the terms to be set forth in the Phillies Lease, and any claims of any fee or leasehold mortgagee have been satisfied, then any remaining casualty insurance proceeds shall be promptly paid to the City provided that sufficient proceeds are made available to the Authority to provide for a cleared and safe site.

SURRENDER OF PHILLIES BALLPARK PREMISES

Surrender of Phillies Ballpark Premises

Upon the expiration or earlier termination of the Prime Lease, the City shall peaceably and quietly surrender, vacate, and deliver up possession of the Phillies Ballpark Premises to the Authority, and the City's and Authority's rights and obligations regarding the Phillies Ballpark Premises, including but not limited to the Improvements, shall be governed in accordance with the terms to be set forth in the Phillies Lease regarding surrender of the Phillies Ballpark Premises.

LEASEHOLD MORTGAGES

Leasehold Mortgages

At no time during the Prime Lease Term shall City engage in any financing or other transaction creating any mortgage upon, indenture, trust agreement, or other security interest in, the Phillies Ballpark Premises, the Prime Lease or City's interest in any of the foregoing, or any portion thereof (collectively, a "Leasehold Mortgage"), Any placement or attempted or purported placement of a Leasehold Mortgage' upon the Phillies Ballpark Premises or any portion thereof without the Authority's prior written approval shall be null and void, inoperative, of no force or effect and shall constitute an Event of Default under the Prime Lease on the date of its execution or filing of record, or attempted or purported execution, or filing of record, regardless of whether or when it is foreclosed or otherwise enforced. City expressly consents and agrees, however, that Authority may assign, transfer, and pledge the Prime Lease or the Rent as otherwise expressly provided in Article 4 of the Prime Lease. Nothing contained in the Prime Lease is intended -to prevent the Phillies from granting leasehold mortgages and security interests upon their interest in the Phillies Lease in accordance with the terms of the Phillies Lease.

CONDEMNATION

Notice of Taking

The City and the Authority each agree to give the other written notice of any taking as a result of, or in lieu of, condemnation or the exercise of the power of eminent domain by any sovereign, municipality or any other public or private authority ("Taking") of all or any part of the Phillies Ballpark Premises or any interest therein promptly after such party receives notice thereof.

Total Taking of Phillies Ballpark Premises

If the whole of the Phillies Ballpark Premises or the leasehold estate created under the Prime Lease shall be acquired or condemned as a result of a Taking ("Total Taking"), then notwithstanding such Total Taking, the Prime Lease Term shall not terminate and the Prime Lease, including but not limited to all Rent and Additional Rent then accrued and accruing thereafter, shall continue in full force and effect until the expiration or earlier termination of the Prime Lease Term.

Partial Taking

In the event of a Taking of a portion of the Phillies Ballpark Premises which is not a Total Taking as provided in Section 14.2 of the Prime Lease (a "Partial Taking"), then and in that event, the Prime Lease shall remain in full force and effect as to the portion of the Phillies Ballpark Premises remaining immediately after such Partial Taking. Any Partial Taking to the contrary notwithstanding, the Rent and Additional Rent accruing under the Prime Lease after a Partial Taking shall not be apportioned, prorated or otherwise abated.

City Rent Obligation Continues

Notwithstanding any Total Taking or Partial Taking of the Phillies Ballpark Premises or the leasehold estate created under the Prime Lease, whether temporary or permanent, the City's obligation to pay Rent and Additional Rent under the Prime Lease shall not be suspended, abated, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, and the City shall continue to pay Rent and Additional Rent under the Prime Lease as if no such Total Taking or Partial Taking had occurred.

Award

In the event of any Taking, whether a Total Taking or Partial Taking, and whether temporary or permanent, the parties expressly agree that their rights to make claims against the condemning sovereign, municipality, or other authority, and against each other, shall be governed by the terms to be set forth in the Phillies Lease regarding condemnation and award. The foregoing to the contrary notwithstanding, in the event that any claims of the Phillies pursuant to the terms to be set forth in the Phillies Lease, and any claims of any fee or leasehold mortgagee have been satisfied, and provided that the City is not in default of the payment obligations under Section 4.1(a) of the Prime Lease, then any remaining condemnation award, or sums in lieu thereof relating to the Improvements, shall be promptly paid to the City provided that sufficient proceeds are made available to the Authority to provide for a cleared and safe site.

DEFAULTS AND REMEDIES

Defaults

Each of the following shall constitute an "Event of Default" by the City under the Prime Lease:

(a) Any failure by the City to pay Rent or any other amount, charge, fee or sum required to be paid by the City under the Prime Lease when due;

(b) Any Act of Bankruptcy by the City;

(c) Any failure by the City to observe or perform any of the terms, covenants, agreements, provisions, conditions or limitations contained in the Prime Lease.

Remedies

Upon the occurrence of an Event of Default by City and at any time thereafter, the Authority shall have, in addition to all other rights available to the Authority at law or in equity, the following rights and remedies:

(a) To institute any and all proceedings permitted by law or equity including, but not limited to, an action to enjoin a violation of the Prime Lease by the City or to compel specific performance of the Prime Lease by the City;

(b) To seek and obtain, and the City thereby consents to the entry of, a temporary restraining order, together with such other temporary, preliminary and permanent injunctive or other equitable relief, from any court of competent jurisdiction capable of issuing or granting such relief, to compel the City to comply with or refrain or cease from breaching or violating the terms, covenants and conditions of the Prime Lease, and, with respect thereto, the City thereby waives any requirement that the Authority post a bond or other security in connection with such injunctive or other equitable relief; and

(c) To require that the City immediately pay all of the Authority's costs, charges and expenses, including, without limitation, court and other costs, expert fees, receiver and trustee's fees, consultant fees, all costs and expenses in connection with litigation, service and attorneys' fees, incurred in enforcing the City's obligations and the Authority's rights and remedies under the Prime Lease or incurred by the Authority in any litigation, negotiation or transaction in which the City causes the Authority, without the Authority's fault, to become involved or concerned.

Any provision of the Prime Lease to the contrary notwithstanding, under no circumstances shall the Authority's remedies include the right to cause an acceleration of all or any part of the Rent or a termination of the Prime Lease.

No Waiver

No failure or delay by the Authority to insist upon the strict performance of any term, covenant, agreement, provision, condition or limitation of the Prime Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance by the Authority of full or partial Rent or any other payment due under the Prime Lease during the continuance of any such breach (with or without knowledge of the breach), shall constitute or be construed to constitute a waiver of any such breach or of such term, covenant, agreement, provision, condition or limitation. No term, covenant, agreement, provision, condition or limitation of the Prime Lease to be kept, observed, or performed by City, and no breach thereof, shall be waived, altered or modified except by a written instrument executed by the Authority. Any waiver of any breach shall be limited to the breach so waived, and shall not affect or alter the Prime Lease; each and every term, covenant, agreement, provision, condition and limitation of the Prime Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Authority's Rights Not Exclusive

No right or remedy therein conferred upon or reserved to the Authority is intended to be exclusive of any other right or remedy therein or by law or in equity provided, but each shall be cumulative and in addition to every other right or remedy given therein or then or thereafter existing at law or in equity or by statute.

AFFIRMATIVE ACTION AND COVENANTS AGAINST DISCRIMINATION

Nondiscrimination

In its performance of the Prime Lease, the Authority and the City shall not discriminate or permit discrimination against any Person because of race, color, religion, national origin, age, sexual preference, sexual orientation or sex. Any such discrimination shall constitute an Event of Default under the Prime Lease and the City or the Authority shall have the right to exercise any of its rights and remedies thereunder.

Organization Membership

In accordance with Chapter 17-400 of The Philadelphia Code, the Authority agrees that its payment or reimbursement of membership fees or other expenses associated with participation by its employees in an exclusionary private organization, insofar as participation-confers an employment advantage or constitutes or results in discrimination with regard to hiring, or tenure of employment, including but not limited to promotions, terms, privileges or conditions of employment, or on the basis of race, color, sex, sexual orientation, religion, national origin or ancestry, constitutes a substantial breach of the Prime Lease entitling the City to all rights and remedies provided in the Prime Lease or otherwise available in law or equity, subject to the provisions of Section 4.5 of the Prime Lease.

The Authority agrees to include and require to be included the immediately preceding paragraph, with appropriate adjustment for the identity of the parties, in all contracts and subcontracts which are entered into for work to be performed on behalf of Authority pursuant to the Prime Lease, if any.

The Authority further agrees to cooperate with the Commission on Human Relations of the City (the "Commission") in any manner that the Commission deems reasonable and necessary for the Commission to carry out its responsibilities under Chapter 17-400 of The Philadelphia Code. Failure to so cooperate shall constitute a substantial breach of the Prime Lease entitling the City to all rights and remedies provided in the Prime Lease or otherwise available in law or equity.

Nondiscrimination Clause

During the term of the Prime Lease, the City agrees, as to itself and as to each occupant of the Phillies Ballpark Premises controlling, controlled by or under common 'control with the City (each, a "Contractor") to not take or allow certain actions and to take certain actions, all as more fully set forth in the Prime Lease.

CERTAIN COVENANTS

Payment of Authority Fees

Notwithstanding anything to the contrary contained in the Transaction Documents, the City agrees to pay promptly when due to the Authority, or on the Authority's behalf, to the extent the same are not paid out of the proceeds of the Bonds issued by the Authority as contemplated by the Prime Lease, all fees, costs and expenses reasonably incurred by the Authority, including but not limited to reasonable attorneys' fees and expenses, whenever incurred, in connection with the negotiation, execution and delivery of any of the Transaction Documents, the administration of the Phillies Ballpark Premises and the Transaction Documents and the performance of any Authority duties or obligations under any of the Transaction Documents.

Bonds and Certain Tax Matters

The City agrees, in the event that Authority issues from time to time any Bonds in connection with the Phillies Ballpark Premises:

(a) to pay promptly on Authority's behalf reasonable compensation to the Trustee and the Credit Facility Provider for their services under the Indenture and the Credit Facility, respectively, relating to the Bonds and the Credit Facility, and said Trustee's and Credit Facility Provider's reasonable expenses and disbursements, including reasonable attorney fees and expenses, incurred in connection with issuance of the Bonds and the execution, delivery and performance of obligations under the Indenture and the Credit Facility, and, further, to satisfy any indemnification obligations of the Authority to the Trustee and the Credit Facility Provider against any liabilities either may incur in the exercise and performance of their respective powers and duties and rights and remedies under the Indenture or the Credit Facility, except (i) in the case of the Trustee, those liabilities caused by the Trustee's own negligence or willful misconduct, and (ii) in the case of the Credit Facility Provider, those liabilities caused by the Credit Facility Provider's own gross negligence or willful misconduct;

(b) to the extent that any Bonds are issued on a tax-exempt basis, to execute an appropriate tax certificate as to arbitrage and instructions as to compliance with provisions of Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") (the "Federal Tax Certificate"), if and to the extent applicable, and to comply with all provisions of the Federal Tax Certificate applicable to it and take no action which would cause the interest on the Bonds to be includable in the gross income of Holders of the Bonds under the Code; and

(c) to the extent that any Bonds are issued on a tax-exempt basis, to perform and satisfy, through the City Treasurer, the record keeping obligations of the Authority under the Federal Tax Certificate and to perform all monitoring, oversight, calculations and reporting required of the Authority under the Federal Tax Certificate to make any and all elections permitted to be made by Authority pursuant to the Code, and to comply with all requirements relating to rebate and make any required rebate payments to the United States Treasury.

Continuing Disclosure Obligations

In connection with Authority's issuance of the Bonds, the Authority and the City, if required to do so, shall enter into a Continuing Disclosure Agreement or Agreements pursuant to which the Authority and City will be obligated to provide certain information and make certain filings pursuant to the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The City assumes all responsibility for collecting the necessary information for dissemination and filing pursuant to such Continuing Disclosure Agreement or Agreements. The individual responsible for performing these duties is the City Treasurer.

City Covenants

The City covenants to perform its obligations under the Transaction Documents, including but not limited to the obligations imposed on the City pursuant to the Indenture, even though the City is not a party thereto, fully, faithfully and in a timely fashion. In connection with the issuance of any Bonds by the Authority, the City will provide to the Authority and the Trustee, written directions, instructions and certifications consistent in form and substance with those required to be given by the Authority to the Trustee under certain sections of the Indenture.

The City covenants to do all of the actions which the Authority covenants under the terms of the Phillies Lease to cause or require the City to do, in each case, fully, faithfully and in a timely fashion.

Staffing Assistance

As requested by the Authority, the City will designate certain employees who will consult with the Authority regarding the Authority's performance under the Transaction Documents and, as requested by the Authority, perform any Authority responsibilities and prepare any documents required of the Authority under the Transaction Documents. In addition, the City expressly undertakes to perform the obligations of the Authority to provide to any Credit Facility Provider, any notices of default, and all financial and litigation information regarding the City, and information regarding the Phillies Ballpark Premises as may be required under, and otherwise to comply with the Authority's affirmative and negative covenants in any Credit Facility. The City Treasurer shall perform these duties.

Rights Against the Phillies and Other Third Parties

Provided the City is current in the performance of all of its obligations to the Authority under the Prime Lease, the City shall have the right, with the consent of the Authority, to pursue all remedies which the Authority may have against the Phillies or any third party under the Phillies Lease or against any party to any other Transaction Document or any third party thereunder.

Litigation

In the event of any litigation arising out of or relating to the Transaction Documents, the performance of the Authority's obligations thereunder, or by reason of the Authority's being a party thereto, including but not limited to claims by the Team, any contractor, architect or engineer (whether or not working on the Phillies Ballpark Premises, if the claim relates to the Phillies Ballpark Premises or the participation of the Authority or the City therein), the Trustee, Holders of the Bonds or any third party, the Authority shall, within four (4) business days of receipt, deliver all process served upon it directly to the City Solicitor. All such process will be directed to the attention of the City Solicitor. The City Solicitor will either enter its appearance on behalf of the Authority in a timely fashion or retain counsel which will enter its appearance on behalf of the Authority in a timely fashion. The City shall defend the Authority in all such actions at the City's sole cost and expense and the City shall have the right to control the defense of such proceeding but shall keep the Authority advised as to all material developments in such proceeding. All information with respect to litigation will be sent to the Authority to the attention of Philip M. Brandt, Esquire at Philadelphia Industrial Development Corporation ("PIDC"). The City Solicitor shall be permitted to arrange for defense of the Authority by any applicable insurer pursuant to any insurance policy maintained by any third party under which the Authority is an additional named insured or loss payee.

Indemnification

To the extent (i) that a party to any Transaction Document fails to provide reasonable and timely indemnification against Claims or Losses (as defined below), (it) permitted by Applicable Laws and subject to the section of the Prime Lease entitled “No Waiver of Immunity” and (iii) that Claims or Losses are not covered under an insurance policy maintained by a third party for the benefit of the Authority pursuant to the terms of any Transaction Document, the City agrees to indemnify, defend and hold harmless the Authority and PIDC, and each of their directors, members, officials, officers, employees, agents and representatives (each an “Indemnified Party” and collectively, the “Indemnified Parties”), from and against any and all suits, claims or causes of action (collectively “Claims”), and all liabilities, losses, obligations, damages, penalties, costs, charges, expenses, judgments and amounts paid in settlement (including without limitation, reasonable attorneys’ fees) of every kind (collectively “Losses”), which may be imposed upon, incurred by or asserted against any Indemnified Party arising out of or relating to or arising in connection with the Authority’s entering into the Prime Lease or any of the Transaction Documents, the performance of any of the Authority’s obligations thereunder, any acts or omissions with respect to the Authority’s interest under the Prime Lease or any of the Transaction Documents, or any other acts or omissions relating to the Authority’s involvement in the Phillies Ballpark Premises; except in each case to the extent that the Claims and Losses are attributable to the gross negligence or willful misconduct of any such Indemnified Party. In consideration of this undertaking by the City, the Authority thereby agrees to cooperate with the City to enforce the Authority’s rights under any insurance policies maintained by any third party under which the Authority is an additional named insured or loss payee, and to enforce any indemnification rights to which the Authority may be entitled under any of the Transaction Documents (including but not limited to any rights against the Team), and the City and the Authority agree to pursue all such third party insurance policies and indemnitors diligently with respect to all Claims or Losses which may be properly asserted in good faith against them. The City shall be subrogated to the rights of the Authority under such insurance policies and indemnification rights; provided, however, it is expressly agreed that the City shall not have, and expressly waives, any right of subrogation under any insurance policies maintained by the Authority or PIDC. To the extent that either (i) any party to any Transaction Document, other than the City, provides reasonable and timely indemnification against any Claims or Losses, or (ii) Claims are covered by an insurer under an insurance policy maintained by a third party for the benefit of the Authority without reservation of rights and Losses under such Claims are paid by such insurer on a basis such that the Authority does not incur any liability, then in each case, the City’s obligations under Section 18.8 of the Prime Lease with respect to such specific Claims and Losses will be discharged. The City acknowledges that the Authority shall not be obligated to exhaust any remedies against any third party as a condition to its right to receive indemnification under the Prime Lease. This indemnification is intended to be in addition to any indemnification by the City in favor of the Authority provided elsewhere in the Transaction Documents.

To the extent (i) that any party to any Transaction Document other than the City or Authority fails to provide reasonable and timely indemnification against Claims or Losses under the Phillies Lease, (ii) permitted by Applicable Laws and subject to the applicable section in the Prime Lease, and (iii) that Claims or Losses are not covered under an insurance policy maintained by or for the benefit of the City, the Authority agreed to indemnify, defend and hold harmless the City and its officers, officials, employees and agents from and against any and all Losses which may be imposed upon, incurred by or asserted against the City and its officers, officials, employees and agents arising out of or relating to (i) the performance or breach of the obligations or representations of the Authority under the Prime Lease or any of the Transaction Documents, or (ii) any other acts or omissions of the Authority or any of its directors, members, officers, officials, employees, agents and attorneys providing services related to the Phillies Ballpark Premises, in each case insofar as such Claims or Losses arise directly or indirectly from the willful misconduct, fraud or gross negligence of the Authority or any Indemnified Party, as defined above. The liability of the Authority, PIDC and any other indemnified party under the Prime Lease is limited solely to the Authority’s interest in the Phillies Ballpark Premises, and the’ lien of any judgment shall be restricted thereto.

The Authority’s taking of any action, or the failure, to take any action, which it is permitted to take under the terms of the Prime Lease or any of the Transaction Documents shall under no circumstances be deemed to constitute willful misconduct, fraud or gross negligence, and furthermore, the taking of any action by the Authority, which action is directed in writing by the City. Trustee or Credit Facility Provider pursuant to the Transaction Documents shall not under any circumstances be deemed to constitute willful misconduct, fraud or gross negligence.

The parties agree that neither shall be obligated under Section 18.8 of the Prime Lease unless the indemnifying party has been given prompt and timely notice of matters contemplated by Section 18.8 of the Prime Lease; provided, however, the failure to so notify the indemnifying party will not relieve the indemnifying party from any obligation under Section 18.8 of the Prime Lease except to the extent such failure has materially injured the ability of the indemnifying party to defend such matter successfully or to minimize the economic exposure resulting therefrom.

No Waiver of Immunity

Nothing herein shall be construed to waive or amend any defense or immunity which the City or the Authority, or their officials, members, officers, agents, employees or representatives may have under Title 42, Chapter 85 of the Pennsylvania Consolidated Statutes Annotated, as amended, or other Applicable Law. The parties expressly acknowledge that Section 18.9 of the Prime Lease is intended to preclude any third party from having any rights whatsoever under the Prime Lease against either party and is not intended in any way to constitute a defense against, or otherwise limit, the obligations of the City under the Prime Lease to pay the costs, expenses, Claims and Losses of the Authority as provided therein.

Nondisturbance Agreement

Concurrently with the execution and delivery of the Phillies Lease, at the request of the Phillies or its leasehold mortgagee, the City and the Authority shall enter into a non-disturbance agreement whereby the City and the Authority agree not to disturb the rights of the Phillies under the Phillies Lease in substantially the same form and upon substantially the same terms as are set forth in Exhibit E of the Prime Lease.

Survival

The rights and obligations of the parties under Article 18 of the Prime Lease shall survive termination of the Prime Lease and the defeasance of the Indenture.

MISCELLANEOUS

Quiet Enjoyment

The City, upon paying the Rent and other charges provided for in the Prime Lease and upon observing and keeping all agreements, covenants and conditions of the Prime Lease on City's part to be kept, shall have and enjoy quiet possession of the Phillies Ballpark Premises without hindrance or molestation by or from the Authority, subject, however, to the exceptions, reservations, terms and conditions of the Prime Lease.

No Third Party Rights

Except as provided (i) in Article 18 of the Prime Lease as to Indemnified Parties, (ii) in Article 4 of the Prime Lease as to the Trustee and the Credit Facility Provider, (iii) in Section 19.15 of the Prime Lease as to the Trustee, the Credit Facility Provider and the Phillies, (iv) in Section 18.10 of the Prime Lease as to the Phillies and its leasehold mortgagee, and (v) in Section 18.2 of the Prime Lease as to the Trustee and the Credit Facility Provider, nothing in the Prime Lease shall be construed to constitute, create or confer rights, remedies or claims in or upon any Person not a party thereto (as third party beneficiary or otherwise), or to create obligations or responsibilities of the parties thereto to such Persons, or to permit any Person, other than the parties thereto and their respective successors and assigns, to rely upon the covenants, conditions and agreements contained therein.

Survival

Any and all agreements set forth in the Prime Lease which, by its or their nature, would reasonably be expected to be performed after the termination of the Prime Lease shall survive and be enforceable after such termination. Any and all liabilities, actual or contingent, which shall have arisen in connection with the Prime

Lease, shall survive any termination of the Prime Lease. Any express statement of survival contained in any Section of the Prime Lease shall not be construed to affect the survival of any other Section of the Prime Lease.

Expiration of Authority

In the event that during the Prime Lease Term, the existence of the Authority is not renewed or extended pursuant to applicable Law and a successor to the Authority is not established, alt rights and obligations of the Authority under the Prime Lease shall automatically vest in the City without any further action by the parties hereto.

Severability

If any term or covenant of the Prime Lease or the application thereof to any Person or circumstances shall, to any extent, be held invalid or unenforceable, the remaining terms and covenants of the Prime Lease, or the application of such term or covenant to Persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and covenant of the Prime Lease shall be valid and enforceable to the fullest extent permitted by law.

Effect of Drafting on Construction

The fact that the Prime Lease document may have been initially drafted by the attorney for one of the parties hereto has no significance as to construction of ambiguous terms against either party, inasmuch as the Prime Lease is the product of arms-length negotiations between the parties, and no provision of the Prime Lease shall be construed against a party solely because that party or that party's counsel drafted such provision.

Amendments

The parties to the Prime Lease, from time to time may enter into any amendments thereto (which thereafter shall form a part thereof) without the consent of any other parties such as shall not adversely affect the rights of or the security of the Holders (as defined in the Indenture), only for the following purposes:

(a) To cure any ambiguity, defect or omission therein or in any amendment thereto or to supplement any provision thereof, provided such cure shall not materially adversely affect the Phillies, the Holders or the Credit Facility Provider; or

(b) To reflect a change in Applicable Law which shall not impair the security hereof or materially adversely affect the rights of the Holders, the Phillies or the Credit Facility Provider; or

(c) To provide for additional Rent thereunder to the extent necessary in connection with the issuance of additional debt; or

(d) To add to the covenants and agreements of the City therein contained, or to surrender any right or power therein reserved to or conferred upon the City which shall not impair the security hereof nor materially adversely affect the rights of the Phillies, the Holders or the Credit Facility Provider.

The Trustee, the Credit Facility Provider and the Phillies shall be provided notice of any amendments with respect to (a), (b), (c) and (d) of Section 19.15 of the Prime Lease. All other amendments must be approved by the Phillies, the Trustee (if the Trustee's approval is required in accordance with the Indenture) and the Credit Facility Provider (if the Credit Facility Provider's approval is required in accordance with the terms of the Credit Facility), and, if the Indenture must be amended with Holders' consent, the Holders, in the same manner and to tile same extent as is set forth in the applicable Article of the Indenture.

Notwithstanding the foregoing, the Authority shall not amend the Prime Lease: (a) other than as provided in the Indenture; and (b) without the consent of Dexia Credit Local, acting through its New York Agency ("Dexia"); provided, however, that Dexia shall be deemed to have consented to any modification, amendment or supplement of, or waiver with respect to, the Prime Lease if (i) Dexia shall have failed to respond to a written request of the

Authority for Dexia's consent thereto within ten (10) days after receipt by Dexia of such request, and (ii) such request shall have indicated thereon that Dexia shall be deemed to have consented thereto unless Dexia responds to such request within ten (10) days after receipt by Dexia of such request; and provided further, however, that Dexia's right to consent to amendments to the Prime Lease shall terminate upon (i) surrender of the Credit Facility issued by Dexia for cancellation, and (ii) payment in full by the Authority of all of its obligations to Dexia under that certain Letter of Credit and Reimbursement Agreement, dated as of April 1, 2001 between the Authority and Dexia.

No Modification

The Prime Lease is intended by the parties as a final expression of their agreement and as a complete and exclusive statement of the terms thereof, all negotiations, considerations and representations between the parties having been incorporated herein. No course of prior dealings between the parties or their officers, employees, agents or Affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of the Prime Lease. No prior agreement, course of dealing or custom between the parties or their Affiliates shall be relevant or admissible to determine the meaning of any of the terms of the Prime Lease. No representations, understandings, or agreements have been made or relied upon in the making of the Prime Lease other than- those specifically set forth herein. The Prime Lease can be modified only by a writing signed by the party against whom the modification is enforceable subject to Section 19.15 of the Prime Lease.

No Personal Liability

Notwithstanding any provision or obligation to the contrary set forth in the Prime Lease, no provision of the Prime Lease or any related document shall be construed so as to give rise to a pecuniary liability of the Authority or any of its members, officers, agents or employees or to give rise to a charge upon the general credit of the Authority or such members, officers, agents or employees; any pecuniary liability under the Prime Lease of the Authority under any theory of law, including contract or tort, shall be limited exclusively to its interest in the Phillies Ballpark Premises and the lien of any judgment shall be restricted thereto.

No member, director, officer, official, employee or agent of any party to the Prime Lease shall be personally liable for any costs or obligations of such party. All Persons, corporations, or other entities extending credit to, contracting with or having any claim against any party, may look only to the funds or property of such party legally available for the purpose for payment of any such suit, contract or claim to the extent such party is liable therefor, or for the payment of any costs that may become due or payable to them from any party, respectively, and not from any member, director, officer, official, agent or employee of any party.

APPENDIX D

APPROVING OPINION OF CO-BOND COUNSEL
DATED OCTOBER 25, 2007

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LAW OFFICES
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ONE LIBERTY PLACE
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PHILADELPHIA, PENNSYLVANIA 19103
(215) 625-0555
FAX: (215) 625-9292

October 25, 2007

Philadelphia Authority for Industrial Development
2600 Centre Square West
1500 Market Street
Philadelphia, Pennsylvania 19102

The Bank of New York
One Wall Street, 18th Floor
New York, New York 10286
Attention: Public Finance Division

JPMorgan Securities Inc.,
as representative for the Underwriters
One Liberty Place
1650 Market Street, 47th Floor
Philadelphia, Pennsylvania 19103

JPMorgan Chase Bank, N.A.,
270 Park Avenue, 20th Floor
Mail Code: NY1-K934
New York, New York 10017

The Bank of New York Trust Company, N.A.,
as Trustee
1600 Market Street, Suite 1500
Philadelphia, Pennsylvania 19103
Attention: Global Corporate Trust

Financial Guaranty Insurance Company
125 Park Avenue
New York, New York 10017

Re: $339,995,000 Philadelphia Authority for Industrial Development
Lease Revenue Refunding Bonds, Series of 2007

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance and sale by the Philadelphia Authority for Industrial Development (the "Authority") of its $339,995,000 Lease Revenue Refunding Bonds consisting of $50,320,000 Fixed Rate Lease Revenue Refunding Bonds, 2007 Series A (the "2007 Series A Bonds") and $289,675,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B (the "2007 Series B Bonds" and, together with the 2007 Series A Bonds, the "Bonds"). The Bonds are authorized to be issued under and pursuant to, the Pennsylvania Economic Development Financing Law (the Act of August 23, 1967, P.L. 251, as amended, 73 P.S. § 371 *et seq.*) (the "Act"), a bond resolution of the Authority adopted September 11, 2007 (the "Resolution"), and are secured by a Trust Indenture dated as of April 1, 2001 (the "Original Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented by a First Supplemental Trust Indenture dated as of December 1, 2001 (the "First Supplemental Trust Indenture"), a Second Supplemental Trust Indenture dated as of June 30, 2004 (the "Second Supplemental Trust Indenture"), and a Third Supplemental Trust Indenture dated as of October 1, 2007 (the "Third Supplemental Trust Indenture" and, together with the Original

Indenture, the First Supplemental Trust Indenture and the Second Supplemental Trust Indenture, the "Indenture"). The Bonds are issued for the purposes set forth in the Third Supplemental Trust Indenture. Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Indenture.

Scheduled payments of the principal of and interest on, the Bonds, are guaranteed under a bond insurance policy issued concurrently with the delivery of the Bonds by Financial Guaranty Insurance Company.

As Co-Bond Counsel for the Authority, we have examined such instruments, opinions, ordinances, resolutions, records, certificates, agreements and other documents as we have deemed necessary to express this opinion, including but not limited to the resolutions of the Authority, ordinances of the City, approvals of the 2007 Project by the Department of Community and Economic Development of the Commonwealth of Pennsylvania, and certificates of the Authority and the City as to material factual matters, including matters relating to compliance with the Internal Revenue Code of 1986 (the "Code"). In rendering our opinion, we have not undertaken to verify the factual matters set forth in such certificates by independent investigation and have assumed that the representations made by the Authority and the City in such certificates and in the Indenture and other financing documents are true and correct as of the date hereof.

Based on the foregoing, it is our opinion that:

1. The Authority is a public instrumentality of the Commonwealth of Pennsylvania and a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania and has the power and authority within all applicable constitutional and legal limitations to execute and deliver the Indenture and to issue and sell the Bonds.

2. Each of the Indenture and the Security Leases has been duly authorized, executed and delivered by the Authority, and, assuming due execution and delivery by the other party thereto, constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

3. The Trust Estate has been duly and validly assigned to the Trustee under the Indenture.

4. The issuance and sale of the Bonds have been duly authorized by the Authority and the terms of the Bonds comply with the requirements of the Indenture and the Act.

5. The Bonds have been duly authorized, executed and delivered by the Authority and authenticated by the Trustee in accordance with the Indenture, and constitute valid and binding limited obligations of the Authority, enforceable against the Authority in accordance with their terms, and are entitled to all of the benefits and security of the Indenture.

6. Interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the Authority and the City and continuing compliance by the Authority and the City with the requirements of the Code. Interest on the Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on Bonds held by a corporation (other than an S corporation, regulated investment company, real estate investment trust, or real estate mortgage investment conduit) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Interest on Bonds held by foreign corporations may be subject to the branch profits tax imposed by the Code.

Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, certain S corporations and taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Bonds. No opinion is expressed as to these matters.

Original issue premium on a Bond issued at an issue price that exceeds its principal amount is amortizable periodically over the term of a Bond through reductions in the holder's tax basis for the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss.

7. Under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date of initial delivery of the Bonds, the Bonds are exempt from personal property taxes in Pennsylvania and interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

In providing this opinion, we advise you as follows:

(a) The enforceability of the documents mentioned herein may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles affecting the enforcement of creditors' rights and remedies, and by the exercise of judicial discretion in accordance with general principles of equity.

(b) The Bonds are limited obligations of the Authority payable solely from the Trust Estate as provided under the Indenture, and neither the full faith and credit nor the taxing power of the City of Philadelphia, the Commonwealth of Pennsylvania or any political subdivision thereof is pledged to the payment of principal of, premium, if any, and interest on the Bonds. The Authority has no taxing power.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. We express no opinion with respect to, and assume no responsibility for, the accuracy or completeness of the Official Statement prepared in respect of the Bonds, and make no representations that we have independently verified the contents thereof. We express no opinion concerning the existence or ownership of, or legal or equitable title to, any property or any interest in property, or the priority of, or the perfection of, the interest of any entity in any property or any interest in property.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur or review any legal matters incident to the purposes to which the proceeds thereof are to be applied, after the date hereof.

Very truly yours,

Ballard Spahr Andrews & Ingersoll, LLP
Andre C. Dasent, P.C.

APPENDIX E

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

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[LETTERHEAD OF BALLARD SPAHR LLP AND ANDRE C. DASENT, P.C.]

May 24, 2011

Re: $117,275,000 Philadelphia Authority for Industrial Development Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-1

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the Philadelphia Authority for Industrial Development (the "Authority") in connection with the delivery of an Alternate Credit Enhancement and Alternate Liquidity Facility by the Authority for its $117,275,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-1 (the "Bonds").

The Bonds were issued, together with the Authority's $72,400,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-2, the Authority's $44,605,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-3 and the Authority's $55,395,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-4 (collectively, and together with the Bonds, the "2007 Series B Bonds") under and are secured by a Trust Indenture dated as of April 1, 2001 (the "Original Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented by a First Supplemental Trust Indenture dated as of December 1, 2001 (the "First Supplemental Indenture"), a Second Supplemental Trust Indenture dated as of June 30, 2004 (the "Second Supplemental Indenture"), a Third Supplemental Trust Indenture dated as of October 1, 2007 (the "Third Supplemental Indenture") and a Fourth Supplemental Trust Indenture dated as of May 1, 2008 (the "Fourth Supplemental Indenture"), all between the Authority and the Trustee.

In connection with, among other matters, (i) the designation of the 2007 Series B Bonds into four subseries and (ii) the replacement of credit enhancement and liquidity support for the Bonds, as described below, the Original Indenture has been further amended and supplemented by a Fifth Supplemental Trust Indenture dated as of May 1, 2011 (the "Fifth Supplemental Indenture" and, together with the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture, the "Indenture") between the Authority and the Trustee. The Fifth Supplemental Indenture amends and restates the Third Supplemental Indenture and the Fourth Supplemental Indenture in their entirety. Capitalized terms used but not defined herein have the meanings ascribed to them in the Indenture.

Pursuant to the Indenture, the Authority, at the direction of the City, has obtained and is delivering to the Trustee, an irrevocable, direct pay letter of credit (the "Letter of Credit"), constituting an Alternate Credit Enhancement and Alternate Liquidity Facility for the Bonds. The Letter of Credit has been issued by JPMorgan Chase Bank, National Association (the "Bank") under a Reimbursement Agreement dated as of May 1, 2011 (the "Reimbursement Agreement") between the Authority and the Bank, and approved by the City. The Authority approved the delivery of the Letter of Credit and all required documents, including the Fifth Supplemental Indenture, by a board resolution adopted on April 19, 2011.

In our capacity as Co-Bond Counsel, we have reviewed such instruments, opinions, ordinances, resolutions, records, certificates, agreements and other documents as we have deemed necessary to express this opinion, including but not limited to the resolutions of the Authority, ordinances of the City, certificates of the Authority and the City as to material factual matters and copies of the Indenture, the Letter of Credit and the Reimbursement Agreement. In rendering our opinion, we have not undertaken to verify the factual matters set forth in such certificates by independent investigation and have assumed that the representations made by the Authority and the City in such certificates and in the Indenture and the other financing documents are true and correct as of the date hereof.

We have not updated and we are not re-issuing our original approving opinion dated October 25, 2007 relating to the 2007 Series B Bonds.

Based on the foregoing, it is our opinion that the delivery by the Authority of the Letter of Credit, constituting an Alternate Credit Enhancement and the Alternate Liquidity Facility for the Bonds, is authorized and permitted by the Indenture, and will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bonds.

We express no opinion as to any matter not set forth in the immediately preceding paragraph. We express no opinion with respect to, and assume no responsibility for, the accuracy or completeness of the Reoffering Circular prepared to reoffer the Bonds, and make no representations that we have independently verified the contents thereof.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur or review any legal matters incident to the purposes to which the proceeds of the Bonds are to be applied, after the date hereof.

Very truly yours,

[LETTERHEAD OF BALLARD SPAHR LLP AND ANDRE C. DASENT, P.C.]

May 24, 2011

Re: $72,400,000 Philadelphia Authority for Industrial Development
<u>Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-2</u>

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the Philadelphia Authority for Industrial Development (the "Authority") in connection with the delivery of an Alternate Credit Enhancement and Alternate Liquidity Facility by the Authority for its $72,400,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-2 (the "Bonds").

The Bonds were issued, together with the Authority's $117,275,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-1, the Authority's $44,605,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-3 and the Authority's $55,395,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-4 (collectively, and together with the Bonds, the "2007 Series B Bonds") under and are secured by a Trust Indenture dated as of April 1, 2001 (the "Original Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented by a First Supplemental Trust Indenture dated as of December 1, 2001 (the "First Supplemental Indenture"), a Second Supplemental Trust Indenture dated as of June 30, 2004 (the "Second Supplemental Indenture"), a Third Supplemental Trust Indenture dated as of October 1, 2007 (the "Third Supplemental Indenture") and a Fourth Supplemental Trust Indenture dated as of May 1, 2008 (the "Fourth Supplemental Indenture"), all between the Authority and the Trustee.

In connection with, among other matters, (i) the designation of the 2007 Series B Bonds into four subseries and (ii) the replacement of credit enhancement and liquidity support for the Bonds, as described below, the Original Indenture has been further amended and supplemented by a Fifth Supplemental Trust Indenture dated as of May 1, 2011 (the "Fifth Supplemental Indenture" and, together with the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture, the "Indenture") between the Authority and the Trustee. The Fifth Supplemental Indenture amends and restates the Third Supplemental Indenture and the Fourth Supplemental Indenture in their entirety. Capitalized terms used but not defined herein have the meanings ascribed to them in the Indenture.

Pursuant to the Indenture, the Authority, at the direction of the City, has obtained and is delivering to the Trustee, an irrevocable, direct pay letter of credit (the "Letter of Credit"), constituting an Alternate Credit Enhancement and Alternate Liquidity Facility for the Bonds. The Letter of Credit has been issued by Bank of America, N.A. (the "Bank") under a Reimbursement Agreement dated as of May 1, 2011 (the "Reimbursement Agreement") between the Authority and the Bank, and approved by the City. The Authority approved the delivery of the Letter of Credit and all required documents, including the Fifth Supplemental Indenture, by a board resolution adopted on April 19, 2011.

In our capacity as Co-Bond Counsel, we have reviewed such instruments, opinions, ordinances, resolutions, records, certificates, agreements and other documents as we have deemed necessary to express this opinion, including but not limited to the resolutions of the Authority, ordinances of the City, certificates of the Authority and the City as to material factual matters and copies of the Indenture, the

Letter of Credit and the Reimbursement Agreement. In rendering our opinion, we have not undertaken to verify the factual matters set forth in such certificates by independent investigation and have assumed that the representations made by the Authority and the City in such certificates and in the Indenture and the other financing documents are true and correct as of the date hereof.

We have not updated and we are not re-issuing our original approving opinion dated October 25, 2007 relating to the 2007 Series B Bonds.

Based on the foregoing, it is our opinion that the delivery by the Authority of the Letter of Credit, constituting an Alternate Credit Enhancement and the Alternate Liquidity Facility for the Bonds, is authorized and permitted by the Indenture, and will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bonds.

We express no opinion as to any matter not set forth in the immediately preceding paragraph. We express no opinion with respect to, and assume no responsibility for, the accuracy or completeness of the Reoffering Circular prepared to reoffer the Bonds, and make no representations that we have independently verified the contents thereof.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur or review any legal matters incident to the purposes to which the proceeds of the Bonds are to be applied, after the date hereof.

Very truly yours,

[LETTERHEAD OF BALLARD SPAHR LLP AND ANDRE C. DASENT, P.C.]

May 24, 2011

Re: $44,605,000 Philadelphia Authority for Industrial Development Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-3

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the Philadelphia Authority for Industrial Development (the "Authority") in connection with the delivery of an Alternate Credit Enhancement and Alternate Liquidity Facility by the Authority for its $44,605,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-3 (the "Bonds").

The Bonds were issued, together with the Authority's $117,275,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-1, the Authority's $72,400,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-2 and the Authority's $55,395,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-4 (collectively, and together with the Bonds, the "2007 Series B Bonds") under and are secured by a Trust Indenture dated as of April 1, 2001 (the "Original Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented by a First Supplemental Trust Indenture dated as of December 1, 2001 (the "First Supplemental Indenture"), a Second Supplemental Trust Indenture dated as of June 30, 2004 (the "Second Supplemental Indenture"), a Third Supplemental Trust Indenture dated as of October 1, 2007 (the "Third Supplemental Indenture") and a Fourth Supplemental Trust Indenture dated as of May 1, 2008 (the "Fourth Supplemental Indenture"), all between the Authority and the Trustee.

In connection with, among other matters, (i) the designation of the 2007 Series B Bonds into four subseries and (ii) the replacement of credit enhancement and liquidity support for the Bonds, as described below, the Original Indenture has been further amended and supplemented by a Fifth Supplemental Trust Indenture dated as of May 1, 2011 (the "Fifth Supplemental Indenture" and, together with the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture, the "Indenture") between the Authority and the Trustee. The Fifth Supplemental Indenture amends and restates the Third Supplemental Indenture and the Fourth Supplemental Indenture in their entirety. Capitalized terms used but not defined herein have the meanings ascribed to them in the Indenture.

Pursuant to the Indenture, the Authority, at the direction of the City, has obtained and is delivering to the Trustee, an irrevocable, direct pay letter of credit (the "Letter of Credit"), constituting an Alternate Credit Enhancement and Alternate Liquidity Facility for the Bonds. The Letter of Credit has been issued by PNC Bank, National Association (the "Bank") under a Reimbursement Agreement dated as of May 1, 2011 (the "Reimbursement Agreement") between the Authority and the Bank, and approved by the City. The Authority approved the delivery of the Letter of Credit and all required documents, including the Fifth Supplemental Indenture, by a board resolution adopted on April 19, 2011.

In our capacity as Co-Bond Counsel, we have reviewed such instruments, opinions, ordinances, resolutions, records, certificates, agreements and other documents as we have deemed necessary to express this opinion, including but not limited to the resolutions of the Authority, ordinances of the City, certificates of the Authority and the City as to material factual matters and copies of the Indenture, the

Letter of Credit and the Reimbursement Agreement. In rendering our opinion, we have not undertaken to verify the factual matters set forth in such certificates by independent investigation and have assumed that the representations made by the Authority and the City in such certificates and in the Indenture and the other financing documents are true and correct as of the date hereof.

We have not updated and we are not re-issuing our original approving opinion dated October 25, 2007 relating to the 2007 Series B Bonds.

Based on the foregoing, it is our opinion that the delivery by the Authority of the Letter of Credit, constituting an Alternate Credit Enhancement and the Alternate Liquidity Facility for the Bonds, is authorized and permitted by the Indenture, and will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bonds.

We express no opinion as to any matter not set forth in the immediately preceding paragraph. We express no opinion with respect to, and assume no responsibility for, the accuracy or completeness of the Reoffering Circular prepared to reoffer the Bonds, and make no representations that we have independently verified the contents thereof.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur or review any legal matters incident to the purposes to which the proceeds of the Bonds are to be applied, after the date hereof.

Very truly yours,

APPENDIX F

CERTAIN INFORMATION RELATING TO JPMORGAN CHASE BANK, NATIONAL ASSOCIATION AND SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

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JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

JPMorgan Chase Bank, National Association (the "Bank") is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of March 31, 2011, JPMorgan Chase Bank, National Association, had total assets of $1,723.5 billion, total net loans of $537.6 billion, total deposits of $1,093.0 billion, and total stockholder's equity of $123.8 billion. These figures are extracted from the Bank's unaudited Consolidated Reports of Condition and Income (the "Call Report") as of March 31, 2011, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation. The Call Report, including any update to the above quarterly figures, can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2010, of JPMorgan Chase & Co., the 2010 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the "SEC") by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Reoffering Circular is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC's website at www.sec.gov.

The information contained in this Appendix relates to and has been obtained from the Bank. The delivery of this Reoffering Circular shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

THE REIMBURSEMENT AGREEMENT

The following is a summary of certain provisions of the Reimbursement Agreement entered into by the Authority and JPMorgan Chase Bank, National Association (the "Series 2007B-1 Reimbursement Agreement") pursuant to which the Letter of Credit for the Series 2007B-1 Bonds (the "Series 2007B-1 Letter of Credit") will be issued. This summary should not be regarded as a full description of the documents themselves or of the portions summarized. Reference is made to the 2007B-1 Reimbursement Agreement, a copy of which is on file at the principal corporate trust office of the Trustee for a complete statement of the provisions thereof. Any replacement reimbursement agreement pursuant to which an Alternate Credit Enhancement or Alternate Liquidity Facility is issued may have terms substantially different from those of the 2007B-1 Reimbursement Agreement. Capitalized terms used in this summary and not defined herein or in the Indenture shall have the meanings ascribed thereto in the 2007B-1 Reimbursement Agreement.

The Authority and the Bank will enter into a Reimbursement Agreement, which provides for the issuance by the Bank of the Series 2007B-1 Letter of Credit and for the reimbursement of the Bank by the Authority for draws upon the Letter of Credit. The 2007B-1 Reimbursement Agreement also sets forth various covenants and obligations of the Authority. Set forth below is a summary of certain provisions of the 2007B-1 Reimbursement Agreement, which is not comprehensive and reference is made to the 2007B-1 Reimbursement Agreement itself for a complete recital of its terms.

A draw under the Letter of Credit creates a reimbursement obligation on the part of the Authority in favor of the Bank. The Authority's reimbursement obligations requires reimbursement of the Bank for the draw on the same Business Day, but a draw pursuant to a Liquidity Advance (a C Drawing or D Drawing) not paid on the same Business Day while no Event of Default is occurring, shall constitute a Term Loan and shall be secured by Pledged 2007B-1 Bonds in an amount due and equal to the unreimbursed portion of the amount drawn.

Under the terms of the 2007B-1 Reimbursement Agreement, the Authority covenants, while the 2007B-1 Reimbursement Agreement is in effect and any Obligations remain outstanding, that it will, among other things, reimburse the Bank for draws under the Letter of Credit; furnish the Bank with certain financial information; provide various notices including notice of an Event of Default or any material litigation, legal proceeding or legislation; perform all obligations required by it, and enforce all obligations of the City owed to it under the Security Leases; obtain an Alternate Facility to replace the 2007B-1 Reimbursement Agreement if the Stated Expiration Date of the Letter of Credit is not extended or an Event of Default has occurred; use best effort to cause a Mode Change to occur or to effect a current refunding of the 2007B-1 Bonds if an Alternate Facility is not obtained; comply with all laws, ordinances, orders, rules and regulations of all Governmental Authorities (including, without limitation, ERISA and all environmental laws); select or cause to be selected for redemption any and all Pledged 2007B-1 Bonds prior to any 2007B-1 Bonds that are not Pledged 2007B-1 Bonds.

The occurrence of any of the following events shall be an Event of Default under the 2007B-1 Reimbursement Agreement:

(a) default in the payment of (i) any fee required to be paid when and as due as provided in the 2007B-1 Reimbursement Agreement, or (ii) any other Obligation required to be paid or reimbursed under the 2007B-1 Reimbursement Agreement to the Bank when and as due as provided therein and such default in payment shall continue for four (4) calendar days;

(b) any representation or warranty made by the Authority in the 2007B-1 Reimbursement Agreement or in any other Related Document or in any certificate, agreement, instrument or statement contemplated by or made or delivered pursuant to or in connection herewith or therewith, shall prove to have been false or misleading in any material respect when made or when effective or when reaffirmed, as the case may be;

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

(d) default in the due observance or performance of certain covenants set forth in the 2007B-1 Reimbursement Agreement;

(e) default in the due observance or performance of any term, covenant or agreement set forth in the 2007B-1 Reimbursement Agreement (other than as described in subsections (a), (d) and (h)(i) hereof) for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the Authority by the Bank; provided, that if such default is not the payment of money and cannot reasonably be cured within thirty (30) days, it shall not constitute an Event of Default if the Authority commences to cure such default within said thirty (30) days and diligently pursues same to completion within ninety (90) days of the occurrence of such default;

(f) (i) the 2007B-1 Reimbursement Agreement, the Indenture, the Bond Authorizing Resolution, the Security Leases or the 2007B-1 Bonds or any provision thereof, in each case, relating to the obligation of the Authority to make payments on the 2007B-1 Bonds (including Pledged 2007B-1 Bonds) or any Parity Debt or the security therefor shall, at any time for any reason, cease to be valid and binding on the Authority or shall be declared null and void or its validity or enforceability shall be contested by the Authority, in a judicial proceeding or any official action, or any material provision of the Act shall be declared null and void by any appellate court of the State; or (ii) (A) the Authority or the State, as applicable, repudiates or otherwise denies, in writing, in a judicial or administrative proceeding that it has any further liability or obligation hereunder or with respect to the 2007B-1 Bonds, (B) the Authority or the State, as applicable, shall have taken or permitted to be taken any action, or the State has duly enacted any statute, which would materially adversely affect the enforceability of the 2007B-1 Bonds or (C) the Authority or the State, as applicable, contests, in a judicial or administrative proceeding, the validity or enforceability of any material provision of the 2007B-1 Reimbursement Agreement, the 2007B-1 Bonds or any other Related Document relating to or otherwise affecting the Authority's obligation to pay the principal of or interest on any 2007B-1 Bonds;

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

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

(i) (i) any amendment to the Constitution of the State or any amendment to the Act or any other statute is enacted which materially adversely affects the enforceability of the 2007B-1 Reimbursement Agreement against the Authority, or (ii) the Authority takes or permits to be taken any action which materially adversely affects the ability of the Authority to repay its Obligations hereunder or limits or restricts the sources to which the Bank may look for the payment of such Obligations;

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

(k) one or more judgments for the payment of money and not fully covered by insurance (including self-insurance to the extent evidenced by reserves in the form of liquid assets) involving the Security Leases or the Facilities, or attachments against the Security Leases, the operation or result of which, individually or in the aggregate, equal or exceed $1,000,000, which judgment or judgments shall not have been appealed or shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days;

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

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

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

(a) by written, electronic or telephonic notice (promptly confirmed in writing) give notice of such Event of Default, whereupon the Trustee shall immediately declare all 2007B-1 Bonds (including without limitation any Pledged 2007B-1 Bonds) then outstanding subject to mandatory purchase in accordance with the Indenture; and

(b) exercise all or any of its rights and remedies as it may otherwise have under applicable law and under the 2007B-1 Reimbursement Agreement and the Indenture or otherwise by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or other jurisdiction, either for specific performance of any covenant or agreement contained in the Indenture or the 2007B-1 Reimbursement Agreement, or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy.

APPENDIX G

CERTAIN INFORMATION RELATING TO BANK OF AMERICA, N.A. AND SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

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CERTAIN INFORMATION RELATING TO BANK OF AMERICA, N.A.

Bank of America, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the "Corporation") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of March 31, 2011, the Bank had consolidated assets of $1.451 trillion, consolidated deposits of $1.047 trillion and stockholder's equity of $174 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2010, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

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, United States, 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 the Corporation and the Bank 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 referenced documents and financial statements referenced therein.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the 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:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communication

PAYMENTS OF PRINCIPAL AND INTEREST ON THE 2007B-2 BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE 2007B-2 BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE 2007B-2 BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE 2007B-2 BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery of this information shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date of the most recent filings referenced herein, or that the information contained or referred to in this Appendix G is correct as of any time subsequent to the referenced date.

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

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

General

The Bank has agreed to issue, in favor of the Trustee on behalf of the owners of the 2007B-2 Bonds, and pursuant to the Reimbursement Agreement, dated as of May 1, 2011 (the "Reimbursement Agreement"), between the Authority and the Bank, a Letter of Credit in support of the 2007B-2 Bonds (the "Letter of Credit").

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

The Letter of Credit and the 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 Reoffering Circular, the Letter of Credit or the Reimbursement Agreement, and reference is made thereto for a full understanding of their import.

The Letter of Credit

The Letter of Credit will be issued in an amount equal to $73,530,631 (the "Stated Amount"), of which, up to $72,400,000 is available for the payment of the unpaid principal of the 2007B-2 Bonds, and up to $1,130,361 is available for the payment of unpaid interest accrued on the 2007B-2 Bonds. The Letter of Credit will permit the Trustee to draw an amount sufficient to pay (i) the maturing principal of the 2007B-2 Bonds, and (ii) the interest coming due on the 2007B-2 Bonds up to 57 days' interest at a maximum rate of 10% per annum calculated on the basis of a 365- or 366-day year, all as described and subject to certain limitations and other terms as described in the Letter of Credit. The Letter of Credit is an irrevocable direct pay obligation of the Bank to pay to the Trustee, upon timely demand and in accordance with the terms thereof, the Stated Amount of the Letter of Credit, as said Stated Amount may be reduced and reinstated as provided therein.

The Letter of Credit will be effective upon issuance of the 2007B-2 Bonds. The Letter of Credit will terminate on the earliest to occur of the close of business on: (i) May 24, 2013, as extended from time to time, (ii) the Business Day immediately following the date on which all of the 2007B-2 Bonds have been converted to bear interest at a rate other than the Daily Rate or the Weekly Rate, (iii) the date upon which the Bank receives notice from the Trustee that there are no 2007B-2 Bonds outstanding, (iv) the earlier of (a) the twentieth Business Day following the date the Trustee receives written notice from the Bank of the occurrence of an Event of Default under the Reimbursement Agreement, and (b) the date on which the drawing under the Letter of Credit is honored following receipt by the Trustee of a written notice from the Bank specifying the occurrence of an Event of Default under the Reimbursement Agreement and (v) the earlier of (a) the date which is three (3) days following the date of a notice from the Bank specifying the occurrence of an Event of Default under the Indenture permitting the Bank to cause an acceleration of the 2007B-2 Bonds and directing the Trustee to accelerate the 2007B-2 Bonds and (b) the date on which the drawing under the Letter of Credit is honored for acceleration of the 2007B-2 Bonds. The Letter of Credit may only be drawn on by the Trustee or by a transferee that has succeeded to the duties of the Trustee and to whom the Letter of Credit has been properly transferred in accordance with its terms.

Events of Default

The occurrence of any of the following events is an "Event of Default" under the Reimbursement Agreement:

(a) failure of the Authority to (i) repay a Credit Advance, in full, on the date of the related Draw, or (ii) make timely payments of principal and interest, when due, on the Liquidity Provider Bonds;

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

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

(d) any default or event of default shall have occurred under any of the other Related Documents (as defined respectively therein), other than any such default or event of default premised on any occurrence described in subsection (i) below;

(e) default in the due observance or performance of the covenants set forth in certain sections of the Reimbursement Agreement;

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

(g) (i) the Reimbursement Agreement, the Fee Letter, the Indenture, the Bond Authorizing Resolution, the Eagles Leases, the Phillies Leases or the 2007B Bonds or any provision thereof, in each case, relating to the obligation of the Authority to make payments on the 2007B-2 Bonds (including Liquidity Provider Bonds) or any Parity Debt or the Trust Estate shall, at any time for any reason, cease to be valid and binding on the Authority or shall be declared null and void or its validity or enforceability shall be contested by the Authority or any Governmental Authority having jurisdiction over the Authority, in a judicial proceeding or any official action, or any material provision of the Act shall be declared null and void by any appellate court of the Commonwealth; or (ii) (A) the Authority or any Governmental Authority having jurisdiction over the Authority, as applicable, repudiates or otherwise denies, in writing, in a judicial or administrative proceeding that the Authority has any further liability or obligation under the Reimbursement Agreement or with respect to the 2007B Bonds or the Trust Estate, (B) the Authority or any Governmental Authority having jurisdiction over the Authority, as applicable, shall have taken or permitted to be taken any action, or the Commonwealth has duly enacted any statute, which would materially adversely affect the enforceability of the 2007B Bonds or the Trust Estate or (C) the Authority or any Governmental Authority having jurisdiction over the Authority, as applicable, contests, in a judicial or administrative proceeding, the validity or enforceability of any material provision of the Reimbursement Agreement, the Fee Letter, the 2007B Bonds or any other Related Document relating to or otherwise affecting the Authority's obligation to pay the principal of or interest on any 2007B Bonds or the Trust Estate;

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

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

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

(k) an event of default shall occur and be continuing under the Eagles Leases or the Phillies Leases, which, in the reasonable judgment of the Bank, adversely affects the Trust Estate or (i) the ability of the Authority to perform its obligations under the Reimbursement Agreement or under the Indenture, or (ii) the ability of the City to perform its obligations under the Related Documents to which it is a party insofar as such obligations would adversely affect the ability of the Authority to pay its Obligations under the Reimbursement Agreement and under the Fee Letter;

(l) one or more judgments for the payment of money and not fully covered by insurance (including self-insurance to the extent evidenced by reserves in the form of liquid assets) involving the Eagles Leases or the Phillies Leases or the facilities that are the subject matter of such Leases, or attachments against the Eagles Leases or the Phillies Leases, the operation or result of which, individually or in the aggregate, equal or exceed $1,000,000, which judgment or judgments shall not have been appealed or shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days;

(m) the long-term ratings assigned by any of the Rating Agencies to any unenhanced general obligation bonds of the City shall be (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below Investment Grade; or

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

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

Remedies

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

(a) by written, electronic or telephonic notice (promptly confirmed in writing) give notice of such Event of Default, whereupon the Trustee shall immediately declare all 2007B-2 Bonds (including without limitation any Liquidity Provider Bonds) then outstanding subject to mandatory purchase in accordance with the Fifth Supplemental Indenture;

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

(c) except as otherwise provided in paragraph (a) above with respect to the 2007B-2 Bonds, the Bank may declare all amounts payable under the Reimbursement Agreement and under the Fee Letter to be, whereupon the same shall become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are waived by the Authority; provided that, in the case of any Event of Default specified in paragraph (h) above under "Events of Default," all amounts payable under the Reimbursement Agreement (other than the 2007B-2 Bonds) and under the Fee Letter shall be immediately due and payable without the giving of any notice to the Authority or the taking of any other action by any Person.

From and after the occurrence of an Event of Default until cured, all Obligations shall bear interest at the Default Rate.

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APPENDIX H

CERTAIN INFORMATION RELATING TO PNC BANK, NATIONAL ASSOCIATION AND SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

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CERTAIN INFORMATION RELATING TO PNC BANK, NATIONAL ASSOCIATION

This summary incorporates by reference certain Call Reports of PNC Bank, National Association ("PNC Bank"), filed with the Office of the Comptroller of the Currency ("OCC"), and certain reports of its parent, The PNC Financial Services Group, Inc. ("PNC Financial"), filed with the Securities and Exchange Commission ("SEC"), as set forth below under the heading "Incorporation of Certain Documents by Reference." You should read those reports and the information set forth below under the headings "PNC Bank and PNC Financial" and "Supervision and Regulation." You should also understand that, except to the limited extent described herein, this summary does not describe the business or analyze the condition, financial or otherwise, of PNC Bank or otherwise describe any risks associated with PNC Bank or the Letter of Credit. You must rely on your own knowledge, investigation and examination of PNC Bank and PNC Bank's creditworthiness. Neither PNC Bank nor PNC Financial makes any representation regarding the Bonds or the advisability of investing in the Bonds, nor do they make any representation regarding, nor has PNC Bank or PNC Financial participated in the preparation of, any document of which this summary is a part other than the information supplied by PNC Bank or PNC Financial and presented in this summary headed "PNC Bank, National Association."

PNC Bank and PNC Financial

PNC Bank is a national banking association with its headquarters in Pittsburgh, Pennsylvania and its main office in Wilmington, Delaware. PNC Bank is a wholly-owned indirect subsidiary of PNC Financial. PNC Bank's origins as a national bank date to 1865. PNC Bank and its subsidiaries offer a wide range of commercial banking, retail banking, and trust and wealth management services to their customers. PNC Bank's business is subject to examination and regulation by federal banking authorities. Its primary federal bank regulator is the OCC and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC").

PNC Financial, the parent company of PNC Bank, is one of the largest diversified financial services companies in the United States and is headquartered in Pittsburgh, Pennsylvania. PNC Financial was incorporated under the laws of the Commonwealth of Pennsylvania in 1983 with the consolidation of Pittsburgh National Corporation and Provident National Corporation. Since 1983, PNC Financial has diversified its geographic presence, business mix and product capabilities through internal growth, strategic bank and non-bank acquisitions and equity investments, and the formation of various non-banking subsidiaries.

PNC Financial has businesses engaged in retail banking, corporate and institutional banking, asset management, and residential mortgage banking. PNC Financial provides many of its products and services nationally and others in PNC Financial's primary geographic markets located in Pennsylvania, Ohio, New Jersey, Michigan, Maryland, Illinois, Indiana, Kentucky, Florida, Virginia, Missouri, Delaware, Washington, D.C., and Wisconsin. PNC Financial also provides certain products and services internationally.

PNC Financial
in billions

	March 31, 2011	December 31, 2010
Total assets	$259.4	$264.3
Total deposits	$182.0	$183.4
Shareholders' equity	$31.1	$30.2

PNC Bank
in billions

	March 31, 2011	December 31, 2010
Total assets	$251.2	$256.6
Total loans (net of unearned income) and loans held for sale	$152.6	$154.2
Total deposits	$188.4	$191.9
Total equity capital	$34.7	$33.8

THE LETTER OF CREDIT IS SOLELY AN OBLIGATION OF PNC BANK AND IS NEITHER AN OBLIGATION OF NOR GUARANTEED BY PNC FINANCIAL OR ANY OF ITS OTHER AFFILIATES.

Supervision and Regulation

PNC Financial, the parent company of PNC Bank, is a bank and financial holding company and is subject to numerous governmental regulations involving both its business and organization. To a substantial extent, the purpose of the regulation and supervision of financial services institutions and their holding companies is not to protect shareholders and non-customer creditors, but rather to protect customers and the financial markets in general.

Applicable laws and regulations restrict permissible activities and investments and require compliance with protections for loan, deposit, brokerage, fiduciary, mutual fund and other customers, among other things. They also restrict PNC Financial's ability to repurchase stock or to receive dividends from subsidiaries that operate in the banking and securities businesses and impose capital adequacy requirements. The consequences of noncompliance can include substantial monetary and nonmonetary sanctions. In addition, PNC Financial and PNC Bank are subject to comprehensive examination and supervision by banking and other regulatory bodies. Examination reports and ratings (which often are not publicly available) and other aspects of this supervisory framework could materially impact the conduct, growth, and profitability of the company's operations.

There have been numerous legislative and regulatory developments as well as dramatic changes in the competitive landscape of the financial services industry over the last several years. Beginning in late 2008, efforts by the Federal government, including the US Congress, the US Department of the Treasury, the Federal Reserve, the FDIC, and the Securities and Exchange Commission, to stabilize and restore confidence in the financial services industry have impacted and will likely continue to impact PNC Financial and its stakeholders. These efforts, which will continue to evolve, include the Emergency Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), in particular, and other legislative, administrative and regulatory initiatives, including the new rules set forth in Regulation E related to overdraft charges. Dodd-Frank is extensive, complicated and comprehensive legislation that impacts practically all aspects of a banking organization. Dodd Frank will negatively impact revenue and increase both the direct and indirect costs of doing business for PNC Financial and PNC Bank. It includes provisions that could increase regulatory fees and deposit insurance assessments and impose heightened capital and prudential standards, while at the same time impacting the nature and costs of PNC Financial's businesses, including consumer lending, private equity investment, derivatives transactions, interchange fees on debit card transactions, and asset securitizations. Until such time as the regulatory agencies issue final regulations implementing all of the numerous provisions of Dodd-Frank, a process that will extend at least over the next year and might last several years, PNC Financial will not be able to fully assess the impact the legislation will have on its businesses.

Included in these recent legislative and regulatory developments are evolving regulatory capital standards for financial institutions. Dodd-Frank requires the Federal Reserve Board to establish capital requirements that would, among other things, eliminate the Tier 1 treatment of trust preferred securities following a phase-in period expected to begin in 2013. Evolving standards also include the so-called "Basel III" initiatives that are part of the Basel II effort by international banking supervisors to update the original international bank capital accord ("Basel I"), which has been in effect since 1988. The recent Basel III capital initiative, which has the support of US banking regulators, includes heightened capital requirements for major banking institutions in terms of both higher quality capital and higher regulatory capital ratios. Basel III capital standards will require implementing regulations by the banking regulators. These regulations will become effective under a phase-in period beginning January 1, 2013, and will become fully effective January 1, 2019.

Dodd-Frank also establishes, as an independent agency organized as a bureau within the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the Bureau of Consumer Financial Protection (the "CFPB"). Starting July 21, 2011, the CFPB will have the authority to prescribe rules governing the provision of consumer financial products and services, and it is expected that the CFPB will issue new regulations, and amend existing regulations, regarding consumer protection practices. Also on that date, the authority of the OCC to examine PNC Bank for compliance with consumer protection laws, and to enforce such laws, will transfer to the CFPB. Additionally, new provisions concerning the applicability of state consumer protection laws will become effective on July 21, 2011. Questions may arise as to whether certain state consumer financial laws that may have previously been preempted are no longer preempted after this date. Depending on how such questions are resolved, we may experience an increase in state-level regulation of our retail banking business and additional compliance obligations, revenue impacts, and costs.

Dodd-Frank and its implementation, as well as other statutory and regulatory initiatives that will be ongoing, will introduce numerous regulatory changes over the next several years. Additional legislation, changes in rules promulgated by the Federal Reserve, the OCC, the FDIC, the CFPB, the SEC, other federal and state regulatory authorities and self regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules may directly affect the method of operation and profitability of PNC Financial's businesses. The profitability of its businesses could also be affected by rules and regulations that impact the business and financial communities in general, including changes to the laws governing taxation, antitrust regulation and electronic commerce.

You will find additional information discussing the impact of financial regulatory reform initiatives, including Dodd-Frank and regulations promulgated to implement it, on the regulatory environment for the financial services industry and a general discussion of some of the elements of the regulatory framework affecting PNC Financial and its subsidiaries as well as a discussion of certain business and regulatory risks that affect PNC Financial in the following sections of PNC Financial's 2010 Annual Report on Form 10-K: the Supervision And Regulation section included in Item 1 -- Business; Item 1A – Risk Factors; and Note 21 Regulatory Matters, Note 22 Legal Proceedings and Note 23 Commitments and Guarantees of the Notes To Consolidated Financial Statements included in Item 8 of that Report, and in Note 16 Legal Proceedings and Note 17 Commitments and Guarantees of the Notes To Consolidated Financial Statements included in PNC Financial's first quarter 2011 quarterly report on Form 10-Q.

Incorporation of Certain Documents by Reference

PNC Bank submits certain unaudited reports called "Consolidated Reports of Condition and Income" ("Call Reports") to the OCC, its primary federal bank regulator, quarterly. Each Call Report consists of a balance sheet, income statement, changes in bank equity capital and other supporting schedules as of the end of or for the period to which the report relates. The Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. Because of the special supervisory, regulatory and economic policy needs served by the Call Reports, those regulatory instructions do not in all cases follow accounting principles generally accepted in the United States, including the opinions and statements of the Accounting Principles Board or the Financial Accounting Standards Board ("U.S. GAAP"). While the Call Reports are supervisory and regulatory documents, not primarily financial accounting documents, and do not provide a complete range of financial disclosure about PNC Bank, the reports nevertheless provide important information concerning the financial condition and results of operations of PNC Bank.

The publicly available portions of the Call Reports are on file with, and publicly available on written request to, the FDIC, Public Information Center, 801 17th Street, NW, Room 100, Washington, D.C. 20434, or by calling the FDIC Public Information Center at 877-275-3342 or 202-416-6940. The Call Reports are also available by accessing the FDIC's website at http://www.fdic.gov.

PNC Financial, the parent company of PNC Bank, is subject to the informational requirements of the Securities Exchange Act of 1934 ("Exchange Act"). In accordance with the Exchange Act, PNC Financial files annual, quarterly and current reports, proxy statements, and other information with the SEC. PNC Financial's SEC File Number is 001-09718. You may read and copy this information at the SEC's Public Reference Room, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1 800-SEC-0330. You can also obtain copies of this information by mail from the public reference section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates.

The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers, like PNC Financial, who file electronically with the SEC. The address of that website is http://www.sec.gov. You can also inspect reports, proxy statements and other information about PNC Financial at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

We have included the web addresses of the FDIC and the SEC as inactive textual references only. Except as specifically incorporated by reference into this summary, information on those websites is not part hereof.

The publicly-available portions of PNC Bank's Call Reports for the years ended December 31, 2010, 2009, and 2008 and for the quarter ended March 31, 2011, and of any amendments or supplements thereto, as filed by PNC Bank with the OCC, are incorporated herein by reference. The publicly-available portions of each other PNC Bank Call Report, and of any amendments or supplements thereto or to any of the PNC Bank Call Reports listed above, filed with the OCC after December 31, 2010 and prior to the expiration of the Letter of Credit are also incorporated herein by reference and will be deemed a part hereof from the date of filing of each such document. Subsequently filed reports, and amendments or supplements to reports, will automatically update and supersede prior information.

In addition to the Call Reports referred to above, PNC Bank incorporates herein by reference the following documents: PNC Financial's Annual Report on Form 10-K for the year ended December 31, 2010; PNC Financial's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011; PNC Financial's Current Reports on Form 8-K (by date filed) dated February 15, 2011, March 1, 2011, March 7, 2011, April 14, 2011, and April 29, 2011; and any amendments or supplements to those reports.

Each other annual, quarterly and current report, and any amendments or supplements thereto or to any of the PNC Financial reports listed above, filed by PNC Financial with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act after December 31, 2010 and prior to the expiration of the Letter of Credit is incorporated herein by reference and will be deemed a part hereof from the date of filing of each such document. Subsequently filed reports, and amendments or supplements to reports, will automatically update and supersede prior information. The information incorporated by reference herein does not include any report, document or portion thereof that PNC Financial furnishes to, but does not file with, the SEC unless otherwise specifically provided above.

Neither the delivery of this document nor the sale of any Bonds will imply that the information herein or in any document incorporated by reference is correct as of any time after its date. Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes hereof to the extent that a statement contained therein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part hereof.

Any of the above documents incorporated herein by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into such documents) are available upon request by holders of the Bonds or by prospective investors in the Bonds without charge: (1) in the case of PNC Bank documents, by written request addressed to Ronald Lewis, Manager of Regulatory Reporting, at The PNC Financial Services Group, Inc., One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707; or (2) in the case of PNC Financial documents, (a) for copies without exhibits, by contacting Shareholder Services at 800-982-7652 or via the online contact form at wwww.computershare.com/contactus, and (b) for exhibits, by contacting Shareholder Relations at 800-843-2206 or via e mail at investor.relations@pnc.com. The interactive data file ("XBRL") exhibit is only available electronically.

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

Certain provisions of the Letter of Credit and the Reimbursement Agreement are summarized below, and such summary is qualified in its entirety by reference to the Letter of Credit and the Reimbursement Agreement. For purposes of the information set forth under this caption entitled "Summary of Certain Provisions of the Reimbursement Agreement," PNC Bank, National Association is referred to as the "Bank."

General

The Bank has agreed to issue, in favor of the Trustee on behalf of the owners of the 2007B-3 Bonds, and pursuant to the Reimbursement Agreement, dated as of May 1, 2011 (the "Reimbursement Agreement"), between the Authority and the Bank, a Letter of Credit in support of the 2007B-3 Bonds (the "Letter of Credit").

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

The Letter of Credit and the 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 Reoffering Circular, the Letter of Credit or the Reimbursement Agreement, and reference is made thereto for a full understanding of their import.

The Letter of Credit

The Letter of Credit will be issued in an amount equal to $45,301,572 (the "Stated Amount"), of which, up to $44,605,000 is available for the payment of the unpaid principal of the 2007B-3 Bonds, and up to $696,572 is available for the payment of unpaid interest accrued on the 2007B-3 Bonds. The Letter of Credit will permit the Trustee to draw an amount sufficient to pay (i) the maturing principal of the 2007B-3 Bonds, and (ii) the interest coming due on the 2007B-3 Bonds up to 57 days' interest at a maximum rate of 10% per annum calculated on the basis of a 365- or 366-day year, all as described and subject to certain limitations and other terms as described in the Letter of Credit. The Letter of Credit is an irrevocable direct pay obligation of the Bank to pay to the Trustee, upon timely demand and in accordance with the terms thereof, the Stated Amount of the Letter of Credit, as said Stated Amount may be reduced and reinstated as provided therein.

The Letter of Credit will be effective upon issuance of the 2007B-3 Bonds. The Letter of Credit will terminate upon the earliest of (i) 5:00 P.M. (Pittsburgh, Pennsylvania time) on May 23, 2014, as extended from time to time, (ii) the date the Bank honors the final drawing available to be made under the Letter of Credit, (iii) the Business Day following the date of the receipt by the Bank of a certificate signed by the Trustee stating: (A) The conditions precedent for the acceptance of an Alternate Credit Enhancement and/or Alternate Liquidity Facility have been satisfied, (B) the Trustee has accepted the Alternate Credit Enhancement and/or Alternate Liquidity Facility, and (C) on the effective date of the Alternate Credit Enhancement and/or Alternate Liquidity Facility, and after all draws have been honored, and after receipt by PNC Bank, National Association of the certificate, the Letter of Credit shall terminate; (iv) receipt by the Bank of a certificate signed by an Authorized Officer stating that no 2007B-3 Bonds remain Outstanding; or (v) the date on which the drawing under the Letter of Credit is honored following receipt by the Trustee of a written notice from the Bank specifying the occurrence of an Event of Default under the Reimbursement Agreement. The Letter of Credit may only be drawn on by the

Trustee or by a transferee that has succeeded to the duties of the Trustee and to whom the Letter of Credit has been properly transferred in accordance with its terms.

Events of Default

The occurrence of any of the following events is an "Event of Default" under the Reimbursement Agreement:

(a) failure of the Authority to (i) repay a Credit Advance, in full, on the date of the related Draw, or (ii) make timely payments of principal and interest, when due, on the Liquidity Provider Bonds;

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

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

(d) any default or event of default shall have occurred under any of the other Related Documents (as defined respectively therein), other than any such default or event of default premised on any occurrence described in subsection (i) below;

(e) default in the due observance or performance of the covenants set forth in certain sections of the Reimbursement Agreement;

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

(g) (i) the Reimbursement Agreement, the Fee Letter, the Indenture, the Bond Authorizing Resolution, the Eagles Leases, the Phillies Leases or the 2007B Bonds or any provision thereof, in each case, relating to the obligation of the Authority to make payments on the 2007B-3 Bonds (including Liquidity Provider Bonds) or any Parity Debt or the Trust Estate shall, at any time for any reason, cease to be valid and binding on the Authority or shall be declared null and void or its validity or enforceability shall be contested by the Authority or any Governmental Authority having jurisdiction over the Authority, in a judicial proceeding or any official action, or any material provision of the Act shall be declared null and void by any appellate court of the Commonwealth; or (ii) (A) the Authority or any Governmental Authority having jurisdiction over the Authority, as applicable, repudiates or otherwise denies, in writing, in a judicial or administrative proceeding that the Authority has any further liability or obligation under the Reimbursement Agreement or with respect to the 2007B Bonds or the Trust Estate, (B) the Authority or any Governmental Authority having jurisdiction over the Authority, as applicable, shall have taken or permitted to be taken any action, or the Commonwealth has duly enacted any statute, which would materially adversely affect the enforceability of the 2007B Bonds or the Trust Estate or (C) the Authority or any Governmental Authority having jurisdiction over the Authority, as applicable, contests, in a judicial or administrative proceeding, the validity or enforceability of any material provision of the Reimbursement Agreement, the Fee Letter, the 2007B Bonds or any other Related Document relating to or otherwise affecting the Authority's obligation to pay the principal of or interest on any 2007B Bonds or the Trust Estate;

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

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

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

(k) an event of default shall occur and be continuing under the Eagles Leases or the Phillies Leases, which, in the reasonable judgment of the Bank, adversely affects the Trust Estate or (i) the ability of the Authority to perform its obligations under the Reimbursement Agreement or under the Indenture, or (ii) the ability of the City to perform its obligations under the Related Documents to which it is a party insofar as such obligations would adversely affect the ability of the Authority to pay its Obligations under the Reimbursement Agreement and under the Fee Letter;

(l) one or more judgments for the payment of money and not fully covered by insurance (including self-insurance to the extent evidenced by reserves in the form of liquid assets) involving the Eagles Leases or the Phillies Leases or the facilities that are the subject matter of such Leases, or attachments against the Eagles Leases or the Phillies Leases, the operation or result of which, individually or in the aggregate, equal or exceed $1,000,000, which judgment or judgments shall not have been appealed or shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days;

(m) the long-term ratings assigned by any of the Rating Agencies to any unenhanced general obligation bonds of the City shall be (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below Investment Grade; or

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

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

Remedies

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

(a) by written, electronic or telephonic notice (promptly confirmed in writing) give notice of such Event of Default, whereupon the Trustee shall immediately declare all 2007B-3 Bonds (including without limitation any Liquidity Provider Bonds) then outstanding subject to mandatory purchase in accordance with the Fifth Supplemental Indenture;

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

(c) except as otherwise provided in paragraph (a) above with respect to the 2007B-3 Bonds, the Bank may declare all amounts payable under the Reimbursement Agreement and under the Fee Letter to be, whereupon the same shall become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are waived by the Authority; provided that, in the case of any Event of Default specified in paragraph (h) above under "Events of Default," all amounts payable under the Reimbursement Agreement (other than the 2007B-3 Bonds) and under the Fee Letter shall be immediately due and payable without the giving of any notice to the Authority or the taking of any other action by any Person.

From and after the occurrence of an Event of Default until cured, all Obligations shall bear interest at the Default Rate.

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PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT • MULTI-MODAL LEASE REVENUE REFUNDING BONDS, 2007 SERIES B

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