AMENDED AND RESTATED INDENTURE OF TRUST

between

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

and

MERIDIAN BANK, as Trustee

Dated as of December 1, 1994



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AMENDED AND RESTATED INDENTURE OF TRUST

THIS AMENDED AND RESTATED INDENTURE OF TRUST, dated as of December 1, 1994, between the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania under and by virtue of the Constitution and laws of the Commonwealth of Pennsylvania, and MERIDIAN BANK, a bank and trust company organized and existing under the laws of the Commonwealth of Pennsylvania, as trustee (the "Trustee"),

WITNESSETH:

WHEREAS, the Authority is authorized and empowered under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L.9, No. 6, as amended) (as such act may be amended from time to time, the "Act"), to issue its bonds in accordance with the Act for various purposes, including, without limitation, providing financial assistance to a city of the first class to finance a deficit other than a cash flow deficit, to finance capital projects and to otherwise assist such a city and to refund bonds previously issued by the Authority; and

WHEREAS, the Authority and CoreStates Bank, N.A., as trustee (the "Initial Trustee"), entered into an Indenture of Trust, dated as of June 1, 1992 (the "Original Indenture"), to provide for the issuance and securing of Bonds (as defined in the Original Indenture); and

WHEREAS, pursuant to the Original Indenture and at the request of the City of Philadelphia, Pennsylvania (the "City"), the Authority issued and sold \$474,555,000 of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") for the purpose of financing certain deficits of the City, financing certain capital projects of the City, providing financial assistance to the City to enhance productivity in the operation of the City government, and for certain other purposes permitted under the Act; and

WHEREAS, the City adopted an ordinance (Bill No. 1437) on June 12, 1991 (the "PICA Tax Ordinance"), which enacted exclusively for the purposes of the Authority a 1.5% tax on salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the

City pursuant to Section 601(a)(3) of the Act (the "Income Tax"); and

WHEREAS, pursuant to the Act, the Authority and the City entered into an Intergovernmental Cooperation Agreement, dated as of January 8, 1992 (as the same may be amended, supplemented or otherwise modified and in effect from time to time, the "Intergovernmental Cooperation Agreement"), pursuant to which the Authority made a grant of certain proceeds of the 1992 Bonds to the City and in which the City made various covenants; and

WHEREAS, Section 604(a) of the Act requires the Department of Revenue of the Commonwealth (the "Department") to administer, enforce and collect the Income Tax and Section 604(c) of the Act authorizes the Department to appoint as its agents, the tax officers, clerks, collectors and other assistants, including revenue and legal departments of the City, to collect and enforce any tax imposed under the authority of Section 601 of the Act, including the Income Tax; and

WHEREAS, acting pursuant to authority granted by Section 604(c) of the Act, the Department appointed the Revenue Department and the Law Department of the City as its agent to collect and enforce the Income Tax; and

WHEREAS, the Department and the City entered into a Pennsylvania Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement dated as of June 1, 1992 (as the same may be amended, supplemented or otherwise modified and in effect from time to time, the "Tax Collection Agency Agreement"), which agreement sets forth the manner in which the Revenue Department and the Law Department of the City shall collect Income Tax on behalf of the Department and in which amounts collected shall be transferred to a Commonwealth account designated by the Department; and

WHEREAS, the Act requires the Department to remit the Income Tax, along with interest and penalties, net of allowed collection costs and any refunds and credits, to the State Treasurer and requires the State Treasurer to hold and invest such funds and then to disburse such funds, at least weekly, to or upon the order of the Authority; and

WHEREAS, pursuant to the Act, the State Treasurer is to remit the Income Tax received from the Department and amounts earned from the investment thereof to or upon the order of the Authority to the Trustee so long as any Bonds are Outstanding; and

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WHEREAS, the Authority, by letter to the State Treasurer, designated the Trustee as the Trustee for the funds required or permitted to be established pursuant to Chapter 3 of the Act for the security and payment of the 1992 Bonds and all other Series of Bonds issued hereunder and the State Treasurer has acknowledged and agreed to the terms of such letter (such letter agreement constituting the *PICA Tax Disbursement Agreement*); and

WHEREAS, the Authority and the Initial Trustee entered into a First Supplemental Indenture of Trust dated as of June 22, 1992 amending certain provisions of the Original Indenture (the Original Indenture as so amended is referred to herein as the "Amended Indenture"); and

WHEREAS, Meridian Bank succeeded the Initial Trustee as trustee under the Amended Indenture; and

WHEREAS, the Authority and the Trustee entered into a Second Supplemental Indenture of Trust dated as of July 15, 1993 (the "Second Supplemental Indenture") amending and supplementing the Amended Indenture (the Amended Indenture as so amended and supplemented is referred to herein as the "Second Amended Indenture"); and

WHEREAS, pursuant to the Second Amended Indenture and at the request of the City, the Authority issued \$643,430,000 of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds") for the purpose of providing grants to the City to pay costs of certain capital projects included in the City's Fiscal Year 1994 Capital Budget, paying the costs of certain capital improvements to the City's criminal justice and correctional facilities and paying the costs of refunding certain of the City's general obligation bonds; and

WHEREAS, the Authority and the Trustee entered into a Third Supplemental Indenture of Trust dated as of August 15, 1993 (the "Third Supplemental Indenture") amending and supplementing the Second Amended Indenture (the Second Amended Indenture as so amended and supplemented is referred to herein as the "Third Amended Indenture"); and

WHEREAS, pursuant to the Third Amended Indenture, the Authority issued \$178,675,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") for the purpose of refunding the entire \$136,670,000 aggregate principal amount of 1992 Bonds maturing on June 15 of the years 2006, 2012 and 2022; and

WHEREAS, the City has requested the Authority to issue Additional Bonds to provide grants to the City to pay costs of certain capital projects included in the City's Fiscal Year 1995 Capital Budget (the "1994 Project"); and

WHEREAS, by Resolution adopted on December 1, 1994, the Authority determined to issue and sell \$122,020,000 of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") for the purpose of financing the 1994 Project; and

WHEREAS, the Authority has determined that it is desirable to amend and restate the Third Amended Indenture to incorporate in one document all of the provisions thereof (including changes in the schedules of capital projects to be funded with proceeds of the 1992 Bonds and the 1993 Bonds effected through substitution requests) and additional provisions in connection with the issuance of the 1994 Bonds; and

WHEREAS, all things necessary to make the Bonds (as hereinafter defined), when authenticated by the Trustee and issued as provided in this Amended and Restated Indenture of Trust, the valid, binding and legal limited obligations of the Authority according to the import thereof, and to constitute this Amended and Restated Indenture of Trust a valid assignment and pledge of the amounts pledged to the payment of the principal of, premium, if any, and interest on the Bonds, and to constitute this Amended and Restated Indenture of Trust a valid and binding trust indenture for the security of all Bonds issued hereunder have been done and performed, and the creation, execution and delivery of this Amended and Restated Indenture of Trust and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized; and

WHEREAS, the Trustee has the power to enter into this Amended and Restated Indenture of Trust and to execute the trusts hereby created and has accepted the trusts so created and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS AMENDED AND RESTATED INDENTURE OF TRUST WITNESSETH:

GRANTING CLAUSES

That the Authority, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Holders thereof, and of the sum of one dollar, in lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good

and valuable consideration, the receipt of which is hereby acknowledged, in order to secure (i) the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and (ii) the performance and observance by the Authority of all the covenants expressed herein and in the Bonds and (iii) the payment of all amounts due and owing to any Credit Facility Issuer, does hereby assign, pledge and grant a security interest in the following to the Trustee, and its successors in trust and its assigns forever, for the securing of the performance of the obligations of the Authority hereinafter set forth:

GRANTING CLAUSE FIRST

All right, title and interest of the Authority in and to the Pledged Revenues (as hereinafter defined).

GRANTING CLAUSE SECOND

All right, title and interest of the Authority in and to all moneys and securities from time to time held by the Trustee under the terms of this Amended and Restated Indenture of Trust except for the moneys and securities held in the Rebate Fund in trust for the United States of America.

GRANTING CLAUSE THIRD

Any and all other property rights and interests of every kind or nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected hereto, as and for additional security herewith, by the Authority or any other person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in said trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Holders of the Bonds, from time to time, issued under and secured by this Amended and Restated Indenture of Trust without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds, except in the case of funds held hereunder for the benefit of particular Holders of Bonds, to the

extent provided herein, and for the benefit of the Credit Facility Issuer to the extent provided herein;

PROVIDED, HOWEVER, that if the Authority, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the Bonds due or to become due thereon (upon redemption or otherwise), at the times and in the manner set forth in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made on the Bonds as required under Article IV hereof, or shall provide, as permitted hereby, for the payment thereof by depositing such amounts at such time and in such manner as required under Article VII hereof, and shall well and truly cause to be kept, performed and observed all of its covenants pursuant to the terms of this Amended and Restated Indenture of Trust, shall pay or provide for the payment of all amounts due and owing to any Credit Facility Issuer and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then this Amended and Restated Indenture of Trust and the rights hereby granted shall cease, determine and be void, except to the extent specifically provided in Article VII hereof; otherwise this Amended and Restated Indenture of Trust shall remain in full force and effect.

THIS AMENDED AND RESTATED INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property, rights and interests, including, without limitation, the Trust Estate and any other amounts hereby assigned and pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as herein expressed, and the Authority has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Holders of the Bonds, from time to time, as follows:

ARTICLE I

DEFINITIONS

The words and phrases defined in this Article I shall have the meanings specified, unless the context clearly requires otherwise.

The following terms shall have the definitions set forth in the recitals hereof:

Act Amended Indenture Authority City Department Income Tax Intergovernmental Cooperation Agreement 1992 Bonds 1993 Bonds 1993A Bonds 1994 Bonds Original Indenture PICA Tax Disbursement Agreement PICA Tax Ordinance Second Amended Indenture Second Supplemental Indenture State Treasurer Tax Collection Agency Agreement Third Amended Indenture Third Supplemental Indenture

The following terms shall have the definitions indicated:

"Additional Bonds" means bonds or notes authorized to be issued under this Indenture pursuant to Section 2.11 hereof.

"Authority Representative" means the person or persons at the time designated to act on behalf of the Authority by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Authority by its duly authorized agent. Such certificate may designate an alternate or alternates.

"Board" means the governing board of the Authority.

"Bond" or "Bonds" means all bonds authorized to be issued pursuant to the authorizing resolutions previously adopted by the Authority and executed and delivered under and pursuant to such authorizing resolutions and this Indenture or the Original Indenture, as the same was amended and supplemented from time to time, including any bonds issued in substitution therefor, and any Additional Bonds issued pursuant to this Indenture.

"Bond Counsel" means any firm of nationally recognized bond counsel acceptable to the Authority.

"Bondholder" or "Holder" means the registered owner of any Bond.

"Bond Insurance Policy" means, with respect to the 1992 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1992 Insured Bonds that guarantees payment of principal of and interest on the 1992 Insured Bonds and means, with respect to the 1993 Bonds, each municipal bond new issue insurance policy or financial guaranty insurance policy issued by each Bond Insurer for the 1993 Insured Bonds that quarantees payment of principal of and interest on the 1993 Insured Bonds and means, with respect to the 1993A Bonds, the financial guaranty insurance policy issued by the Bond Insurer for the 1993A Insured Bonds that guarantees payment of principal of and interest on the 1993A Insured Bonds and means, with respect to the 1994 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1994 Bonds that quarantees payment of principal of and interest on the 1994 Bonds, and with respect to any other Series shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"Bond Insurer" means, with respect to the 1992 Insured Bonds, the 1993 Insured Serial Bonds and the 1994 Bonds, Financial Guaranty Insurance Company, a New York stock insurance company ("FGIC"), or any successor thereto and means, with respect to the 1993 Insured Term Bonds and the 1993A Insured Bonds, Municipal Bond Investors Assurance Corporation, a New York stock insurance company ("MBIA"), or any successor thereto, and with respect to any other Series shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"Bond Redemption Fund" means the separate fund of such name created by Section 5.02 hereof.

"Bond Register" means the list of the names and addresses of Bondholders and the principal amounts and numbers of the Bonds held by them maintained by the Registrar on behalf of the Authority.

"Bond Year" for any Series of Bonds means each one-year period (or shorter period from the date of issue) that ends at the close of business on the date in the calendar year that is elected by the Authority as permitted under the Code.

"Business Day" means a day other than a Saturday, Sunday or holiday on which the Trustee or any applicable Credit Facility Issuer are authorized or required to be closed under applicable state or federal law.

"Capital Projects Fund" means the separate fund of such name created by Section 5.02 hereof.

"City Account" means the account of such name created under the Act and the Disbursement Agreement.

"City Obligations" means any direct obligations of the City, including tax and revenue anticipation notes of the City, or any obligations guaranteed by the City, the investment in which shall have been approved by the Authority in accordance with Section 311(b) of the Act.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor legislation, and the regulations and published rulings promulgated thereunder or applicable thereto.

"Commonwealth" means the Commonwealth of Pennsylvania.

"Credit Facility" means any letter of credit, bond insurance policy other than a Bond Insurance Policy or other credit facility meeting the requirements of, and delivered to the Trustee in accordance with, this Indenture.

"Credit Facility Issuer" means each issuer of a Credit Facility then in effect, and its successors. References herein to the Credit Facility Issuer shall be read to mean the issuer of the Credit Facility applicable to a particular Series or each issuer of a Credit Facility as the context requires.

"Debt Service Fund" means the separate fund of such name created by Section 5.02 hereof.

"Debt Service Requirement" means for a specified period the principal of (whether at maturity or pursuant to mandatory redemption) and interest (other than capitalized interest) on Outstanding Bonds payable during the period. If any Series bears interest at a variable interest rate, the interest thereon shall be deemed to be an amount calculated using an interest rate equal to the maximum interest rate permitted for such Series under the authorizing Supplemental Indenture. If the repayment obligation of the Authority under a Credit Facility with respect to a particular Series is secured on a parity with the Bonds and provides for a different rate of interest or amortization period than such Series, the principal and interest during a period for such Series for purposes of computing the Debt Service Requirement shall be based upon the maximum interest rate and the amortization provisions of the Credit Facility if they result in a higher Debt Service Requirement. If an interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by Section 304(10) of the Act is in effect with respect to a Series of Bonds and the unguaranteed debt of the obligated counterparty is rated in one of the two highest rating categories by S&P and Moody's and no default exists under

such agreement, the principal and interest payable during a period for such Series of Bonds for purposes of computing the Debt Service Requirement for such period shall be determined by reference to the net amount payable by the Authority under or after giving effect to such agreement.

"Debt Service Reserve Fund" means the separate fund of such name created by Section 5.02 hereof.

"Debt Service Reserve Requirement" means an amount equal to the lesser of 10% of the proceeds of the applicable Series of Bonds or the Maximum Annual Debt Service Requirement thereon.

"Deficit Fund" means the separate fund of such name created by Section 5.02 hereof.

"Depositary" means CoreStates Bank, N.A., a national banking association organized and existing under the laws of the United States, as Depositary under the Disbursement Agreement, and its successors and assigns.

"Disbursement Agreement" means the City Account Deposit and Disbursement Agreement dated as of December 6, 1991 between the Authority and CoreStates Bank, N.A. and acknowledged and agreed to by the City, as the same may be amended, modified or supplemented and in effect from time to time, and including any successor agreement serving substantially the same purpose.

"Encumbered Funds Account" means the account of such name created pursuant to the Encumbered Funds Account Deposit and Disbursement Agreement dated as of June 1, 1992 between CoreStates Bank, N.A. and the Authority and acknowledged and agreed to by the City, as amended by agreement dated as of July 15, 1993, as amended and restated by agreement dated as of December 1, 1994, and as such agreement may be further amended, supplemented or otherwise modified and in effect from time to time, and including any successor agreement serving substantially the same purpose.

"Event of Default" means any event specified as such in Section 8.01 hereof.

"Fiscal Agent" means, with respect to FGIC, State Street Bank and Trust Company, N.A., or its successor as FGIC's fiscal agent and means, with respect to MBIA, State Street Bank and Trust Company, N.A., or its successor as MBIA's fiscal agent.

"Fitch" means Fitch Investors Service, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and if such corporation shall for any

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reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of Fitch are specified in this Indenture, such categories shall be irrespective of gradations within a category.

"Government Obligations" means any of the following which are noncallable and which at the time of investment are legal investments under the Act for the moneys proposed to be invested therein:

- (a) direct general obligations of, or obligations the payment of principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America ("Direct Obligations");
- direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and quaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); guaranteed participation certificates and quaranteed pool certificates of the Small Business Administration; debt obligations and letter of creditbacked issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration: or
- (c) obligations issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (the "FIRRE Act"), (i) the principal of which obligations is payable when due from payments of the maturing principal of non-interest bearing direct obligations of the United States of America which are issued by the Secretary of the Treasury and deposited in the Funding Corporation Principal Fund established pursuant to the FIRRE Act, and (ii) the interest on which obligations, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to the FIRRE Act.

"Indenture" means this Amended and Restated Indenture of Trust, as amended or supplemented from time to time in accordance with the terms hereof.

"Interest Payment Date" means, with respect to the 1992 Bonds, December 15, 1992 and each June 15 and December 15 thereafter so long as any 1992 Bonds remain Outstanding and, with respect to the 1993 Bonds and the 1993A Bonds, December 15, 1993 and each June 15 and December 15 thereafter so long as any 1993 Bonds or 1993A Bonds, respectively, remain Outstanding and, with respect to the 1994 Bonds, June 15, 1995 and each June 15 and December 15 thereafter so long as any 1994 Bonds remain Outstanding and, with respect to any other Series, shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"Investment Earnings" shall have the meaning specified in Section 6.01 hereof.

"Investment Securities" means any of the following obligations or securities to the extent legal for investment of Authority funds:

(a) Government Obligations;

- (b) federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States (which may include the Trustee and the Registrar) having a combined capital and surplus of not less than \$50,000,000, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P;
- (c) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3,000,000, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;
- (d) (i) direct obligations of, or (ii) obligations the principal of and interest on which are unconditionally guaranteed by, any state of the United States of America, the District of Columbia or the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, other than the City, whose

unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;

- (e) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;
- (f) repurchase agreements collateralized by Government Obligations with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or long-term unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P, provided: (i) a master repurchase agreement or specific written repurchase agreement governs the transaction; (ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent (the "Agent") for the Trustee, and such third party is (1) a Federal Reserve Bank; (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; or (3) a bank approved in writing for such purpose by each Bond Insurer, 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; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 et seq. or 31 C.F.R. §350.0 et seq. in such securities is created for the benefit of the Trustee; (iv) the repurchase agreement has a term of ten years or less, or, so long as any 1992 Insured Bonds, 1993 Insured Bonds, 1993A Insured Bonds or 1994 Bonds are Outstanding, such shorter term as the respective Bond Insurer may require, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, or, so long as any 1992 Insured Bonds, 1993 Insured Bonds, 1993A Insured Bonds or 1994 Bonds are Outstanding, such higher collateral requirement as the respective Bond Insurer may require;
- (g) money market mutual fund shares issued by a fund having assets not less than \$100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the types specified in clauses (a) or (e) of this definition and is rated "AAAm" or "AAAm-G" by S&P; and

(h) guaranteed investment contracts with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P and which guaranteed investment contracts are either insured by a municipal bond insurance company rated in the highest rating category by Moody's and S&P or fully collateralized at all times with securities of the type described in clause (a) of this definition which have a fair market value at all times equal to the value of the guaranteed investment contract provided that (i) a written agreement governs the transaction; (ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (1) a Federal Reserve Bank or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 et seq. or 31 C.F.R. §350.0 et seq. in such securities is created for the benefit of the Trustee; (iv) interest is paid at least semiannually during the entire term of the agreement; (v) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date); (vi) the Trustee receives an opinion of counsel for the issuer of such agreement that such agreement is an enforceable obligation of the issuer, and (vii) so long as any 1992 Insured Bonds, 1993 Insured Bonds, 1993A Insured Bonds or 1994 Bonds are Outstanding, the respective Bond Insurer approves such use in writing.

"Letter of Representations" shall have the meaning specified in Section 2.12(b) hereof.

"Maximum Annual Debt Service Requirement" means the maximum Debt Service Requirement in any subsequent fiscal year of the Authority on Bonds expected to be Outstanding at the time of such calculation.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason 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. Whenever rating categories of Moody's are specified in this Indenture, such categories shall be irrespective of gradations.

- "1992 Insured Bonds" means the 1992 Bonds scheduled to mature on June 15 in the years 1996 through 2000 and 2002.
- "1992 Term Bonds" means the 1992 Bonds scheduled to mature on June 15, 2002, 2006, 2012 and 2022.
- *1993 Insured Bonds means the 1993 Insured Serial Bonds and the 1993 Insured Term Bonds.
- "1993 Insured Serial Bonds" means the 1993 Bonds scheduled to mature on June 15 in the years 1995 through 2009.
- "1993 Insured Term Bonds" means the 1993 Term Bonds scheduled to mature on June 15 in the years 2015 and 2016 and bearing interest at the rate of 5.60% and the 1993 Term Bonds scheduled to mature on June 15, 2023 and bearing interest at the rate of 5-5/8%.
- "1993 Term Bonds" means the 1993 Bonds scheduled to mature on June 15 in the years 2015, 2016 and 2023.
- "1993A Insured Bonds" means the 1993A Insured Serial Bonds and the 1993A Insured Term Bonds.
- "1993A Insured Serial Bonds" means the 1993A Bonds scheduled to mature on June 15 in the years 1994 through 2008.
- *1993A Insured Term Bonds* means the 1993A Term Bonds scheduled to mature on June 15, 2013 in the aggregate principal amount of \$12,000,000 and originally priced to yield interest at the rate of 5.47% and the 1993A Term Bonds scheduled to mature on June 15, 2022.
- "1993A Term Bonds" means the 1993A Bonds scheduled to mature on June 15 in the years 2013 and 2022.
- "1993A Uninsured Term Bonds" means those 1993A Term Bonds scheduled to mature on June 15, 2013 as to which no Bond Insurance Policy has been issued.
- "1994 Term Bonds" means the 1994 Bonds scheduled to mature on June 15 in the years 2014 and 2021.
- "Outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered under this Indenture or the Original Indenture, as the same was amended and supplemented from time to time, except:
- (a) Bonds cancelled after purchase in the open market or because of payment or redemption prior to maturity;

- (b) Bonds for the payment or redemption of which funds shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee, and provided that all such deposits shall have been made in accordance with Article VII hereof; and
- (c) Bonds in lieu of which others have been authenticated and delivered under Section 2.07 or Section 2.08 hereof.

Bonds paid with the proceeds of any Credit Facility shall be Outstanding until the Credit Facility Issuer has been reimbursed for the amount of the payment or has presented the Bonds for cancellation.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization, a regulatory body, any political subdivision, municipality or municipal authority or any other group or entity.

"PICA Taxes" means the Income Tax and any other taxes which may be enacted hereafter by the City pursuant to the Act for the exclusive purposes of the Authority and which are pledged by the Authority to secure the Bonds in a Supplemental Indenture.

"Pledged Revenues" means all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes and all moneys and securities held by the Trustee hereunder, together with any earnings thereon, except moneys and securities, together with any earnings thereon, held in the Rebate Fund.

"Rebate Amount" shall have the meaning set forth in the Tax Compliance Agreement.

"Rebate Fund" means the separate fund of such name created by Section 5.02 hereof.

"Record Date" means, with respect to the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds, the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date or any redemption date and, with respect to any other Series, the date specified as the

Record Date therefor in the Supplemental Indenture authorizing such Series.

"Registrar" means the Registrar appointed in accordance with Section 9.12 hereof. "Principal Office" of the Registrar means the office thereof designated in writing to the Authority and the Trustee.

"Revenue Fund" means the separate fund of such name created by Section 5.02 hereof.

"S&P" means Standard & Poor's Ratings Group, a Division of McGraw Hill Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall for any reason 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. Whenever rating categories of S&P are specified in this Indenture, such categories shall be irrespective of gradations within a category.

"Series" or "Series of Bonds" means all of the Bonds designated as being of the same series at the time of issuance thereof in one transaction and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to this Indenture or the Original Indenture, as the same was amended from time to time.

"Settlement Fund" means the separate fund of such name created by Section 5.02 hereof.

"Special Payment Date" means with respect to Outstanding Bonds the date set for the payment of interest or principal that was not paid when due on any Interest Payment Date or on any date that principal is due, which date shall be fixed by the Trustee whenever moneys become available for the payment of such interest or principal.

"Special Record Date" means the date (whether or not a Business Day) which is the fifteenth day prior to any Special Payment Date.

"Supplemental Indenture" means any indenture of the Authority amending or supplementing this Indenture for any purpose, in accordance with the terms hereof.

"Tax Compliance Agreement" means each respective agreement executed by the Authority and the City regarding compliance with provisions of the Code to assure that interest on a Series of

Bonds which is intended to be excluded from gross income for federal income tax purposes is so excludable.

"Trustee" means Meridian Bank, a bank and trust company organized and existing under the laws of the Commonwealth of Pennsylvania, as the Trustee under this Indenture, its successors in trust under Section 9.05 or Section 9.08 hereof and its assigns. "Principal Office" of the Trustee means the principal corporate trust office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by this Indenture is located at the address specified in Section 11.07 hereof.

"Trust Estate" means the property and rights conveyed to the Trustee pursuant to the Granting Clauses of this Indenture.

"Yield Reduction Amount" means an amount with respect to a Series of Bonds which may be paid to the United States in accordance with Treasury Regulations Section 1.148-5(c).

Words importing singular number shall include the plural number, and vice versa, words importing persons shall include firms and corporations and the masculine shall include the feminine, and vice versa, wherever the context requires.

ARTICLE II

THE BONDS

Section 2.01. <u>Authorization of Bonds</u>. The 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds are authorized to be issued in the respective aggregate principal amounts of \$474,555,000, \$643,430,000, \$178,675,000 and \$122,020,000. Additional Bonds are authorized to be issued pursuant to Section 2.11 hereof in such aggregate principal amounts as shall be provided in the Supplemental Indentures authorizing such Additional Bonds.

Section 2.02. <u>Description of Bonds</u>.

- (a) The 1992 Bonds (i) shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992", (ii) shall be issued as fully registered bonds, and (iii) shall be in denominations of \$5,000 and integral multiples thereof.
- (b) The 1992 Bonds shall be substantially in the form of Exhibit A hereto with appropriate insertions, omissions

and variations, including, without limitation, provisions for optional and mandatory redemption, as permitted or required by this Indenture.

- (c) The 1992 Bonds shall be initially dated June 1, 1992. The principal of and interest on the 1992 Bonds shall be payable on the dates and the 1992 Bonds shall be subject to redemption in the manner and subject to the conditions stated herein and in the 1992 Bonds.
- (d) The 1992 Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in <u>Schedule 1</u> hereto, such interest to be payable on each June 15 and December 15, commencing December 15, 1992, until maturity or such later date as payment of the principal amount thereof shall have been made or provided for.
- (e) The 1993 Bonds (i) shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993", (ii) shall be issued as fully registered bonds, and (iii) shall be in denominations of \$5,000 principal amount and integral multiples thereof.
- (f) The 1993 Bonds shall be substantially in the form of Exhibit B hereto, with appropriate insertions, omissions and variations, including, without limitation, provisions for optional and mandatory redemption, as permitted or required by this Indenture, and appropriate statements of insurance.
- (g) The 1993 Bonds shall be dated July 15, 1993. The principal of and interest on the 1993 Bonds shall be payable on the dates and the 1993 Bonds shall be subject to redemption in the manner and subject to the conditions stated herein and in the 1993 Bonds.
- (h) The 1993 Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in <u>Schedule 2</u> hereto, such interest to be payable on each June 15 and December 15, commencing December 15, 1993, until maturity or such later date as payment of the principal amount thereof shall have been made or provided for.
- (i) The 1993A Bonds (i) shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A", (ii) shall be issued as fully registered bonds, and (iii) shall be in denominations of \$5,000 principal amount and integral multiples thereof.

- (j) The 1993A Bonds shall be substantially in the form of Exhibit C hereto, with appropriate insertions, omissions and variations, including, without limitation, provisions for optional and mandatory redemption, as permitted or required by this Indenture, and a statement of insurance, if applicable.
- (k) The 1993A Bonds shall be dated August 15, 1993. The principal of and interest on the 1993A Bonds shall be payable on the dates and the 1993A Bonds shall be subject to redemption in the manner and subject to the conditions stated herein and in the 1993A Bonds.
- (1) The 1993A Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in <u>Schedule 3</u> hereto, such interest to be payable on each June 15 and December 15, commencing December 15, 1993, until maturity or such later date as payment of the principal amount thereof shall have been made or provided for.
- (m) The 1994 Bonds (i) shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994", (ii) shall be issued as fully registered bonds, and (iii) shall be in denominations of \$5,000 principal amount and integral multiples thereof.
- (n) The 1994 Bonds shall be substantially in the form of Exhibit D hereto, with appropriate insertions, omissions and variations, including, without limitation, provisions for optional and mandatory redemption, as permitted or required by this Indenture, and a statement of insurance, if applicable.
- (o) The 1994 Bonds shall be dated December 1, 1994. The principal of and interest on the 1994 Bonds shall be payable on the dates and the 1994 Bonds shall be subject to redemption in the manner and subject to the conditions stated herein and in the 1994 Bonds.
- (p) The 1994 Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in <u>Schedule 4</u> hereto, such interest to be payable on each June 15 and December 15, commencing June 15, 1995, until maturity or such later date as payment of the principal amount thereof shall have been made or provided for.
- (q) The designation, form, denominations, date, redemption provisions, payment provisions, maturity dates, amounts and interest rates of any other Series shall be as specified in the Supplemental Indenture authorizing such Series.

Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or, unless authenticated prior to the first Interest Payment Date, in which case it shall bear interest from its dated date or such later date as is specified in the Supplemental Indenture providing for its issuance; provided, however, that if at the time of authentication of any Bond interest on such Bond is in default, such Bond shall bear interest from the date to which such interest has been paid or, if no interest has been paid, from its dated date. Interest shall be computed on the basis of a year of 360 days consisting of twelve 30-day months or, in the case of any Bonds bearing interest at a variable interest rate, on the basis of a year of 365 days or 366 days, as appropriate.

Section 2.03. Place, Manner and Source of Payment of The principal of, premium, if any, and interest on Bonds issued hereunder shall be payable in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. Principal of and premium, if any, on Bonds shall be payable at the Principal Office of the Trustee, upon presentation and surrender of the Bonds as the same shall become due and payable. Interest on the Bonds will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name a Bond is registered on the Bond Register at the close of business on the Record Date, and at the address appearing on such Bond Register or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a Bondholder of \$1,000,000 or more in aggregate principal amount of Bonds or respective Series of Bonds, as specified in the particular Bond, by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner thereof as of the Record Date, and shall be payable to the person who is the registered owner thereof (or of one or more predecessor bonds) at the close of business on the Special Record Date preceding the Special Payment Date set by the Trustee whenever moneys become available for payment of such interest. Notice of the Special Payment Date shall be given by the Trustee to registered owners as of the Special Record Date not less than ten (10) days prior to the Special Payment Date. All Bonds shall provide that principal or redemption price and interest in respect thereof shall be payable only out of Pledged Revenues and proceeds of any applicable Credit Facility then in effect.

Section 2.04. Execution: Limited Obligation. The Bonds shall be executed on behalf of the Authority by the Chairperson or Vice Chairperson of the Authority, and shall have affixed, impressed or reproduced thereon the official seal of the Authority which shall be attested by the Secretary or Assistant Secretary of the Authority. Each of the foregoing officers of the Authority may execute the Bonds or cause the Bonds to be executed with a facsimile signature in lieu of a manual signature, provided the signature of the Chairperson or Vice Chairperson of the Authority or the Secretary or Assistant Secretary of the Authority shall, if required by applicable laws, be manually subscribed.

In case any officer of the Authority whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the authentication and delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until authentication and delivery; and any Bond may be signed on behalf of the Authority by such persons as, at the time of execution of such Bond, shall be the proper officers of the Authority, even though at the date of such Bond or of the execution and delivery of this Indenture any such person was not such officer.

The Bonds are limited obligations of the Authority and are payable solely from the sources referred to herein. Neither the credit nor the taxing power of the Commonwealth or of any political subdivision thereof, including the City, is pledged for the payment of the principal of, redemption premium, if any, or interest on the Bonds. The Bonds are not and shall not be deemed to be a debt or liability of the Commonwealth or of any political subdivision thereof, including the City, and neither the Commonwealth nor any political subdivision thereof, including the City, is or shall be liable for the payment of such principal, redemption premium, if any, or interest.

Notwithstanding any provision of the Act or any other law to the contrary, or any implication that may be drawn therefrom, neither the Commonwealth nor any other government agencies, except the Authority, but including the City, shall have any legal or moral obligation for the payment of any expenses or obligations of the Authority, including, but not limited to, principal and interest on the Bonds, the funding or refunding of any reserves and any operating or administrative expenses whatsoever, other than for the advance of funds for initial operating expenses of the Authority as provided in the Act, which advance is to be repaid by the Authority as set forth in the Act. Obligees of the Authority, including holders of Bonds, shall have no recourse, either legal or moral, to the Commonwealth or to any

government agency, including the City, for the payment of principal of or interest on the Bonds.

Section 2.05. <u>Authentication</u>. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a certificate of authentication on such Bond substantially in the form set forth in the form of such Bond attached as an exhibit hereto or set forth in the Supplemental Indenture authorizing such Bond shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized signatory of the Trustee, but it shall not be necessary that the same signatory execute the certificate of authentication on all of the Bonds. The date of each Bond shall be the date of authentication thereof.

Section 2.06. <u>Delivery of the 1992 Bonds, 1993 Bonds</u>, 1993A Bonds and 1994 Bonds and Disposition of Proceeds Thereof.

- (a) Upon the execution and delivery of the Original Indenture, the Authority was to execute and deliver to the Trustee and the Trustee was to authenticate the 1992 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 1992 Bonds. Proceeds from the sale of the 1992 Bonds were to be received by the Trustee and deposited in the Settlement Fund and to then be disbursed and transferred from the Settlement Fund as follows:
- (1) To the account in the Debt Service Fund for the 1992 Bonds the accrued interest on the 1992 Bonds and \$20,000,000 of capitalized interest.
- (2) To the account in the Debt Service Reserve Fund for the 1992 Bonds an amount equal to the initial Debt Service Reserve Requirement for the 1992 Bonds.
- (3) To or upon the order of the Authority the amount specified by the Authority at or after the closing for the issuance of the 1992 Bonds as the costs of issuance of the 1992 Bonds (including, without limitation, fees and expenses of bond counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 1992 Bonds, fees payable to any Credit Facility Issuer, printing costs payable by the Authority and rating agency fees).

- (4) To or upon the order of the Authority \$650,000 to enable the Authority to repay the Commonwealth the \$150,000 advanced to the Authority for operating expenses and to provide for, or reimburse to the City amounts previously deducted by the Authority from proceeds of the Income Tax in respect of, the Authority's initial Operating Expenses.
- (5) To the account in the Capital Projects Fund for the 1992 Bonds \$120,000,000 for the capital projects listed on Schedule 5.
- (6) To the City the sum of \$153,500,000 in respect of the City's General Fund deficit for the fiscal year ended June 30, 1991.
- (7) To the City the sum of \$20,000,000 as additional financial assistance to enhance productivity in the operation of City government, which amount is to be deposited by the City in the Productivity Bank Account of the City's Grants Revenue Fund.
- (8) To the Deficit Fund the sum of \$102,700,000.

Any amount of proceeds of the 1992 Bonds remaining in the Settlement Fund after the foregoing disbursements and transfers was to be disbursed or transferred by the Trustee to the Debt Service Fund.

The provisions of the Original Indenture regarding the execution, authentication and delivery of the 1992 Bonds and the deposit and disbursement of the proceeds from the sale of the 1992 Bonds have been complied with and are hereby reaffirmed.

The capital projects for which proceeds in the account in the Capital Projects Fund derived from the 1992 Bonds may be disbursed are those listed on <u>Schedule 5</u> attached hereto, subject to revision as provided in Section 5.04(a) hereof.

(b) Upon the execution and delivery of the Second Supplemental Indenture and the satisfaction of the requirements of Section 2.11(f) of the Original Indenture, the Authority was to execute and deliver to the Trustee and the Trustee was to authenticate the 1993 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 1993 Bonds. Proceeds from the sale of the 1993 Bonds were to be received by the Trustee and deposited in the Settlement Fund and to then be disbursed and transferred from the Settlement Fund as follows:

- (1) To the account in the Debt Service Fund for the 1993 Bonds the accrued interest on the 1993 Bonds.
- (2) To the account in the Debt Service Reserve Fund for the 1993 Bonds an amount equal to the initial Debt Service Reserve Requirement for the 1993 Bonds.
- (3) To or upon the order of the Authority the amount specified by the Authority at or after the closing for the issuance of the 1993 Bonds as the costs of issuance of the 1993 Bonds (including, without limitation, fees and expenses of bond counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 1993 Bonds, fees payable to any Credit Facility Issuer or Bond Insurer, printing costs payable by the Authority and rating agency fees).
- (4) To the account in the Capital Projects Fund for the 1993 Bonds \$174,000,000 for the capital projects listed on <u>Schedule 6</u> attached hereto.
- (5) To First Fidelity Bank, N.A., Pennsylvania, as fiscal agent and escrow agent for the City, to enable the City to refund its general obligation bonds specified in <u>Schedule 8</u> attached hereto.

Any amount of proceeds of the 1993 Bonds remaining in the Settlement Fund after the foregoing disbursements and transfers was to be disbursed or transferred by the Trustee to the Debt Service Fund.

Accrued interest deposited in the account in the Debt Service Fund in respect of the 1993 Bonds was to be applied to pay interest on the 1993 Bonds on December 15, 1993.

The provisions of the Second Supplemental Indenture regarding the execution, authentication and delivery of the 1993 Bonds and the deposit and disbursement of the proceeds from the sale of the 1993 Bonds have been complied with and are hereby reaffirmed.

The capital projects for which proceeds in the account in the Capital Projects Fund derived from the 1993 Bonds may be disbursed are those listed on <u>Schedule 6</u> attached hereto, subject to revision as provided in Section 5.04(a) hereof.

(c) Upon the execution and delivery of the Third Supplemental Indenture and the satisfaction of the requirements of Section 2.11(f) of the Original Indenture, the Authority was to execute and deliver to the Trustee and the Trustee was to

authenticate the 1993A Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 1993A Bonds. Proceeds from the sale of the 1993A Bonds were to be received by the Trustee and deposited in the Settlement Fund and to then be disbursed and transferred from the Settlement Fund as follows:

- (1) To the account in the Debt Service Fund for the 1993A Bonds the accrued interest on the 1993A Bonds.
- (2) To the account in the Debt Service Reserve Fund for the 1993A Bonds an amount equal to the initial Debt Service Reserve Requirement for the 1993A Bonds.
- (3) To or upon the order of the Authority the amount specified by the Authority at or after the closing for the issuance of the 1993A Bonds as the costs of issuance of the 1993A Bonds (including, without limitation, fees and expenses of bond counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 1993A Bonds, fees payable to any Credit Facility Issuer or Bond Insurer, printing costs payable by the Authority and rating agency fees).
- (4) To the Escrow Fund under and as defined in the Escrow Deposit Agreement dated as of August 15, 1993 between the Authority and Meridian Bank the sum of \$150,407,158.16 to provide for the payment of interest on and the redemption price of the 1992 Bonds scheduled to mature on June 15 in the years 2006, 2012 and 2022.

Any amount of proceeds of the 1993A Bonds remaining in the Settlement Fund after the foregoing disbursements and transfers was to be disbursed or transferred by the Trustee to the Debt Service Fund.

Accrued interest deposited in the account in the Debt Service Fund in respect of the 1993A Bonds was to be applied to pay interest on the 1993A Bonds on December 15, 1993.

The provisions of the Third Supplemental Indenture regarding the execution, authentication and delivery of the 1993A Bonds and the deposit and disbursement of the proceeds from the sale of the 1993A Bonds have been complied with and are hereby reaffirmed.

(d) Upon the execution and delivery of this Indenture and the satisfaction of the requirements of Section 2.11(f) of this Indenture, treating the 1994 Bonds as if they

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were Additional Bonds, the Authority shall execute and deliver to the Trustee and the Trustee shall authenticate the 1994 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 1994 Bonds. Proceeds from the sale of the 1994 Bonds shall be received by the Trustee and deposited in the Settlement Fund and shall then be disbursed and transferred from the Settlement Fund as follows:

- (1) To the account in the Debt Service Fund for the 1994 Bonds the accrued interest on the 1994 Bonds.
- (2) To the account in the Debt Service Reserve Fund for the 1994 Bonds an amount equal to the initial Debt Service Reserve Requirement for the 1994 Bonds.
- (3) To or upon the order of the Authority the amount specified by the Authority at or after the closing for the issuance of the 1994 Bonds as the costs of issuance of the 1994 Bonds (including, without limitation, fees and expenses of bond counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 1994 Bonds, fees payable to any Credit Facility Issuer or Bond Insurer, printing costs payable by the Authority and rating agency fees).
- (4) To the account in the Capital Projects Fund for the 1994 Bonds \$106,773,000 for the capital projects listed on <u>Schedule 7</u> attached hereto.

Any amount remaining in the Settlement Fund after the foregoing disbursements and transfers shall be disbursed or transferred by the Trustee to the Debt Service Fund.

The capital projects for which proceeds in the account in the Capital Projects Fund derived from the 1994 Bonds may be disbursed are those listed on <u>Schedule 7</u> attached hereto, subject to revision as provided in Section 5.04(a) hereof.

Accrued interest deposited in the account in the Debt Service Fund in respect of the 1994 Bonds shall be applied to pay interest on the 1994 Bonds on June 15, 1995.

Section 2.07. <u>Mutilated</u>, <u>Lost</u>, <u>Stolen or Destroyed Bonds</u>. Upon receipt by the Authority and the Trustee of evidence satisfactory to both of them that any Outstanding Bond has been mutilated, destroyed, lost or stolen, and of indemnity satisfactory to both of them, the Authority shall execute, and the Trustee shall authenticate and deliver, a new Bond of like tenor and denomination in exchange and in substitution for, and

upon surrender and cancellation of, the mutilated Bond, or in lieu of and in substitution for the Bond so destroyed, lost or stolen.

Any Bondholder requesting a new Bond authenticated and delivered under the provisions of this Section, shall pay the expenses, including printing costs, indemnity bond fees and charges, and counsel fees, which may be incurred by the Authority and the Trustee in connection therewith. In case any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Trustee, in its discretion, may, instead of issuing a new Bond, direct the payment thereof and shall thereupon pay the same.

Any Bond issued under the provisions of this Section 2.07 in exchange or substitution for any Bond alleged to be destroyed, lost or stolen, shall constitute an original additional contractual obligation on the part of the Authority, whether or not the Bond so alleged to be destroyed, lost or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with the Bond being replaced.

Section 2.08. Registration and Exchange of Bonds; Persons Treated as Bondholders. The Registrar shall maintain and keep on behalf of the Authority, at its Principal Office, books for the registration and registration of transfer of Bonds, which books shall, at all reasonable times, be open for inspection by the Authority and the Trustee; and, upon presentation for such purpose of any Bond entitled to registration or registration of transfer at the Principal Office of the Registrar, the Registrar shall register or register the transfer of such Bond in such books, under such reasonable regulations as the Registrar may prescribe. The Registrar shall make all necessary provisions to permit the exchange or registration of transfer of Bonds at its Principal Office.

The transfer of any Bond shall be registered in the registration books of the Registrar at the written request of the Bondholder thereof or his attorney duly authorized in writing, upon surrender and cancellation thereof at the Principal Office of the Registrar, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Bondholder or his duly authorized attorney. Upon the registration of transfer of any such Bond or Bonds, the Authority shall issue in the name of the transferee, in authorized denominations, a new fully registered Bond or Bonds in the same aggregate principal amount and of like tenor as the surrendered Bond or Bonds.

The Authority, the Trustee and the Registrar may deem and treat the Bondholder of any Bond as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Bonds, upon surrender thereof at the Principal Office of the Registrar, may, at the option of the Bondholder thereof, be exchanged for an equal aggregate principal amount of any authorized denominations of Bonds of the same series and maturity and having the same interest rate as the surrendered Bonds.

In all cases in which the privilege of exchanging Bonds or registering the transfer of Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. For every such exchange or registration of transfer of Bonds, whether temporary or definitive, the Authority, the Registrar or the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, which sum or sums shall be paid by the person requesting such exchange or registration of transfer as a condition precedent to the exercise of the privilege of making such exchange or registration of transfer.

The Registrar shall not be required to transfer or exchange any Bond during the period from a Record Date through the next Interest Payment Date, inclusive, nor to transfer or exchange any Bond selected for redemption in whole or in part.

Section 2.09. <u>Destruction of Bonds</u>. Whenever any Outstanding Bond shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment of the principal amount and interest represented thereby, or for replacement pursuant to Sections 2.07 and 2.08 hereof, such Bond shall be promptly cancelled and destroyed by the Trustee, and counterparts of a certificate of destruction shall be furnished by the Trustee to the Authority and the Registrar.

Section 2.10. <u>Temporary Bonds</u>. Until Bonds in definitive form are ready for delivery, the Authority may execute and, upon the request of the Authority, the Trustee shall authenticate and deliver to the purchasers thereof, subject to the provisions, limitations and conditions set forth above, one or more Bonds in

temporary form, whether printed, typewritten, lithographed or otherwise produced, substantially in the form of the definitive Bonds, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit of this Indenture. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Authority shall, without unreasonable delay, prepare, execute and deliver to the Trustee, and the Trustee shall authenticate and deliver to the Holder or Holders thereof, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Trustee without making any charge therefor to the Holders of such Bonds in temporary form.

Additional Bonds. The Authority may issue Section 2.11. Additional Bonds from time to time, subject to the provisions of the Act, for any purpose permitted under the Act, including refunding part or all of the Outstanding Bonds of any Series. Such Additional Bonds shall be issued pursuant to a Supplemental Indenture and shall have such rights, preferences and other terms as shall be specified in such Supplemental Indenture, provided that such Additional Bonds shall not have a security interest in Pledged Revenues which is prior to the security interest of the Outstanding Bonds issued under this Indenture. The Supplemental Indenture authorizing Additional Bonds may contain provisions regarding the disbursement of proceeds of such Additional Bonds, including provisions for the establishment of additional funds under this Indenture. Notwithstanding the foregoing, no Additional Bonds shall be issued if an Event of Default has occurred and is continuing.

Prior to the delivery by the Trustee of any Additional Bonds there shall be delivered to the Trustee:

- (a) Copies, duly certified by the Secretary of the Authority, of the resolutions adopted by the Authority authorizing the issuance of the Additional Bonds and the execution and delivery of the Supplemental Indenture related to the Additional Bonds, any agreement pursuant to which the proceeds of such Additional Bonds are to be made available to the City, any Tax Compliance Agreement related to such Additional Bonds, any supplement or amendment to the Intergovernmental Cooperation Agreement or any separate intergovernmental cooperation agreement executed in connection with the issuance of such Additional Bonds and any supplement or amendment to the PICA Tax Disbursement Agreement or any similar agreement executed in connection with the issuance of such Additional Bonds.
- (b) Original executed counterparts of each of the agreements referred to in the preceding paragraph.

- (c) A request and authorization to the Trustee on behalf of the Authority signed by its Chairperson or other authorized officer of the Authority to authenticate and deliver the Additional Bonds to the purchasers therein identified upon payment to the Trustee, but for the account of the Authority, of a sum specified in such request and authorization plus accrued interest, if any, thereon to the date of delivery.
- (d) Copies, duly certified by the Chief Clerk of the Council of the City, of the resolution of the City Council of the City approving the request, executed by the Mayor of the City, for the Authority to issue such Additional Bonds, if required by the Act, and of the ordinance of the City approving any agreement pursuant to which proceeds of the Additional Bonds are to be made available to the City and the ordinance of the City, if any, enacting any additional PICA Taxes.
- (e) In the case of the issuance of Additional Bonds for refunding Outstanding Bonds which are to be redeemed prior to maturity, evidence satisfactory to the Trustee that notice of redemption of such Bonds has been properly provided pursuant to this Indenture or irrevocable instructions for the provision of such notice have been given by the Authority.
- (f) Except for Additional Bonds issued to refund Outstanding Bonds where the Maximum Annual Debt Service Requirement for the Additional Bonds and the total principal and interest payable on the Additional Bonds for the term thereof do not exceed the comparable amounts for the Bonds being refunded or Additional Bonds which have a security interest in the Pledged Revenues which is subordinate to the security interest granted to secure the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds, a certificate executed by the Authority, including a verification of the calculations by an independent certified public accountant, showing that (1) the PICA Taxes collected with respect to any 12 consecutive months during the 15 month period preceding the date of issuance of such Additional Bonds, after giving retroactive effect during each month of such 12 month period to any PICA Taxes which were not in effect (including for this purpose any increase in the rate of an existing tax) during each such month but which have been imposed prior to the issuance of the Additional Bonds, equaled at least 175% of the Maximum Annual Debt Service Requirement on Bonds to be Outstanding after the issuance of the Additional Bonds and (2) the PICA Taxes projected to be collected during the 12 months following issuance of the Additional Bonds, which projection may be based on the PICA Taxes projected for such period in the City's most recent Financial Plan (as defined in the Intergovernmental Cooperation Agreement) approved by the Authority, equal at least 175% of the Debt Service Requirement during such 12 month period on Bonds to

be Outstanding after the issuance of the Additional Bonds. In making the foregoing calculations, PICA Taxes other than the Income Tax shall not be included in the calculation unless each Bond Insurer then insuring Outstanding Bonds has consented to the inclusion of such other PICA Taxes in writing.

Section 2.12. Book Entry System for the Bonds.

- (a) Unless otherwise provided in the Supplemental Indenture authorizing a Series of Bonds, each Series of Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of each maturity of such Series, which Bonds shall be registered in the name of Philadep & Co., as nominee of Philadelphia Depository Trust Company ("PHILADEP"). Except as provided in paragraph (g) below, all of the Bonds of each such Series shall be registered in the books kept by the Trustee in the name of Philadep & Co., as nominee of PHILADEP; provided that if PHILADEP shall request that the Bonds of any such Series be registered in the name of a different nominee, the Trustee shall exchange all or any portion of the Bonds of such Series for an equal aggregate principal amount of Bonds of such Series registered in the name of such nominee or nominees of PHILADEP. No person other than PHILADEP or its nominee shall be entitled to receive from the Authority or the Trustee either a Bond of any such Series or any other evidence of ownership of such Bonds, or any right to receive any payment in respect thereof unless PHILADEP or its nominee shall transfer record ownership of all or any portion of the Bonds of any such Series on the books kept by the Trustee, in connection with discontinuing the book entry system as provided in paragraph (g) below or otherwise.
 - (b) So long as the Bonds of a Series or any portion thereof are registered in the name of PHILADEP or any nominee thereof, all payments of the principal of or premium or interest on the Bonds of such Series shall be made to PHILADEP or its nominee in accordance with the Letter of Representations relating to such Series from the Authority to PHILADEP (each a "Letter of Representations") on the dates provided for such payments under this Indenture. Each such payment to PHILADEP or its nominee shall be valid and effective to fully discharge all liability of the Authority or the Trustee with respect to the principal of and premium and interest on the Bonds of such Series to the extent of the sum or sums so paid.
 - (c) The Authority and the Trustee may treat PHILADEP (or its nominee) as the sole and exclusive owner of the Bonds of each Series registered in its name for the purposes of payment of the principal of or premium or interest on the Bonds of such Series, selecting the Bonds of such Series or portions thereof the such Series of series or portions thereof the series of the Bonds of such Series or portions thereof the series of the serie

be redeemed, giving any notice permitted or required to be given to Holders of Bonds of such Series under this Indenture, registering the transfer of Bonds of such Series, obtaining any consent or other action to be taken by Holders of Bonds of such Series and for all other purposes whatsoever; and neither the Authority nor the Trustee shall be affected by any notice to the contrary. Neither the Authority nor the Trustee shall have any responsibility or obligation to any participant in PHILADEP, any person claiming a beneficial ownership interest in the Bonds of any Series registered in the name of PHILADEP (or its nominee) under or through PHILADEP or any such participant, or any other person which is not shown on the Bond Register as being a Bondholder, with respect to (1) the Bonds of such Series; (2) the accuracy of any records maintained by PHILADEP or any such participant; (3) the payment by PHILADEP or any such participant of any amount in respect of the principal of or premium or interest on the Bonds of such Series; (4) any notice which is permitted or required to be given to Holders of the Bonds of such Series under this Indenture; (5) the selection by PHILADEP or any such participant of any person to receive payment in the event of a partial redemption of the Bonds of such Series; or (6) any consent given or other action taken by PHILADEP as Holder of the Bonds of such Series.

- (d) So long as the Bonds of a Series or any portion thereof are registered in the name of PHILADEP or any nominee thereof, all notices required or permitted to be given to the Holders of the Bonds of such Series under this Indenture shall be given to PHILADEP as provided in the Letter of Representations.
- (e) In connection with any notice or other communication to be provided to Bondholders pursuant to this Indenture by the Trustee with respect to any consent or other action to be taken by Holders of the Bonds of any Series to be registered in the name of PHILADEP (or its nominee), PHILADEP shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action, provided that the Trustee may establish a special record date for such consent or other action. The Trustee shall give PHILADEP notice of such special record date not less than 15 calendar days in advance of such special record date to the extent possible.
- (f) At or prior to settlement for the Bonds of any Series to be registered in the name of PHILADEP (or its nominee), the Authority and the Trustee shall execute or signify their approval of the respective Letter of Representations. Any successor Trustee shall, in its written acceptance of its duties under this Indenture, agree to take any actions necessary from

time to time to comply with the requirements of each such Letter of Representations.

The book entry system for registration of the ownership of the Bonds of a Series through PHILADEP shall be discontinued at any time that (1) PHILADEP determines to resign as securities depository for the Bonds of such Series and gives notice of such determination to the Authority and the Trustee or (2) the Authority determines that continuation of the system of book entry transfers through PHILADEP is not in the best interests of the Authority or the Holders of Bonds of such Series and gives notice of such determination to the Trustee and In either of such events the Authority may appoint a PHILADEP. successor securities depository; but if the Authority does not appoint a successor, the Bonds of such Series shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by PHILADEP, but without any liability on the part of the Authority or the Trustee for the accuracy of such designation. successor securities depository is appointed, this Section 2.12 shall be amended as necessary to reflect such succession and to incorporate provisions required by the successor.

ARTICLE III

REDEMPTION AND PURCHASE OF BONDS BEFORE MATURITY

Section 3.01. General Provisions for Redemption. Bonds issued hereunder shall be subject to redemption at such time, times and from time to time, in such order, at such redemption prices, upon such notice, unless waived, and upon such terms and conditions as may be expressed in the particular Bonds, or, as the case may be, in this Indenture or in the pertinent Supplemental Indenture. Whenever Bonds to be redeemed are required to be selected by lot, the Trustee shall be authorized to draw by lot the numbers of the Bonds to be redeemed in any manner deemed reasonable by the Trustee. In the case of a Bond of a denomination greater than the minimum authorized denomination, the Trustee shall treat each such Bond as representing such number of separate Bonds as is obtained by dividing the actual principal amount of such Bond by the minimum authorized denomination.

Section 3.02. Notice of Redemption. When the Authority shall determine to redeem Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Bonds to be redeemed, or whenever the Trustee shall be required to redeem Bonds from moneys in the Bond Redemption Fund, without action on the part of the Authority, the Trustee, at the

Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall specify (i) the complete official name of the Bonds, with series designation; (ii) if less than all then Outstanding Bonds are to be redeemed, the numbers, including CUSIP numbers if applicable, of the Bonds to be redeemed which may, if appropriate, be expressed in designated blocks of numbers, (iii) the date of issue of each Bond being redeemed as originally issued, (iv) the rate of interest borne by each Bond being redeemed, (v) the maturity date of each Bond being redeemed and (vi) any other descriptive information considered appropriate by the Authority to accurately identify the Bonds to be redeemed. Such notice shall also state the redemption price and the date fixed for redemption, that on such date the Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notices required to be given by this Section 3.02 shall state that no representation is made as to correctness or accuracy of the CUSIP numbers listed in such notice or stated on the Bonds.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days, unless otherwise provided with respect to any Series in the Supplemental Indenture authorizing such Series, prior to the redemption date, addressed to the Holders of Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Bonds.

When notice of redemption is mailed to the Bondholders, the Trustee shall mail a similar notice to <u>The Bond Buyer</u>, S&P, Moody's, Fitch and Kenny Information Service's Called Bond

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Service so long as they maintain investment information services, but failure to mail any such notice referred to in this paragraph or defect in such mailed notice or in the mailing thereof shall not affect the validity of the redemption notice.

Not more than 60 days following the applicable redemption date, a further notice shall be mailed as provided above to the Bondholders of any Bonds called for redemption and not then presented for payment containing substantially the same information set forth above.

Section 3.03. Payment of Redemption Price. Whenever Bonds are to be redeemed, all redemption costs, including the amounts necessary to pay all costs of required mailing, any other costs incidental to the redemption and to pay the principal, premium, if any, and all interest accrued and to accrue to the date fixed for redemption, shall be set aside and held in separate trust by the Trustee exclusively for such purposes. Notice having been given in the manner hereinbefore provided, or written waivers of notice having been filed with the Trustee prior to the date set for redemption, the Bonds so called for redemption shall become due and payable on the redemption date so designated and interest on such Bonds shall cease to accrue from the redemption date whether or not such Bonds shall be presented for payment. The principal amount of all Bonds so called for redemption, together with the accrued and unpaid interest thereon to the date of redemption, shall be paid (upon presentation and surrender thereof) by the Trustee out of the funds set aside and held in special trust as described in this Section 3.03.

Section 3.04. Redemption of the Bonds.

- (a) The 1992 Bonds, 1993 Bonds, 1993A Bonds and 1994 Bonds maturing, respectively, on and after June 15, 2003, June 15, 2004, June 15, 2004 and June 15, 2006 are redeemable by the Authority, on or after June 15, 2002, June 15, 2003, June 15, 2003 and June 15, 2005, respectively, in whole at any time, or in part at any time and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount, plus accrued interest to the redemption date.
- (b) The 1992 Term Bonds, 1993 Term Bonds, 1993A Term Bonds and 1994 Term Bonds are subject to mandatory redemption in the amounts and on the dates set forth in Section 5.06 hereof.

(c) Each other Series may be subject to optional redemption and mandatory redemption as specified in the Supplemental Indenture authorizing such Series.

ARTICLE IV

GENERAL COVENANTS

Section 4.01. Payment of Principal, Premium, if any, and Interest. The Authority covenants that it will promptly pay or cause to be paid the principal of, premium, if any, and interest on every Bond at the place, on the dates and in the manner provided herein and in said Bonds, according to the true intent and meaning thereof, but solely from the Pledged Revenues. The principal of, premium, if any, and interest on the Bonds are payable solely from the Pledged Revenues, which amounts are hereby specifically pledged to the payment thereof in the manner and to the extent herein specified, and nothing in the Bonds or in this Indenture shall be construed as pledging any other funds or assets of the Authority.

Section 4.02. Authority Covenants. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond and in all of its proceedings pertaining hereto. The Authority represents and warrants that it is duly authorized under the Constitution and laws of the Commonwealth, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Indenture and to pledge the Trust Estate in the manner and to the extent herein set forth, that all actions on its part for the issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken, and that the Bonds in the hands of the Holders thereof are and will be valid and enforceable limited obligations of the Authority according to the terms thereof and hereof. Authority shall not enter into any interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by Section 304(10) of the Act if entering into such agreement would materially adversely affect any rating of the Bonds by Moody's or S&P.

Section 4.03. Maintenance of Rights and Powers:
Compliance With Laws. The Authority shall do and perform or cause to be done or performed all acts and things required to be done or performed by it under the Act, shall use its best efforts to maintain, preserve and renew all the rights and powers provided to it by the Act and shall comply with all valid acts, rules, regulations, orders and directions of any legislative,

executive, administrative or judicial body applicable to this Indenture.

Section 4.04 <u>Prohibition on Pledge of Revenues</u>. Except for the pledge of Pledged Revenues for the benefit of the Holders of Bonds and all Credit Facility Issuers permitted hereunder and any pledge of Pledged Revenues for subordinate debt which has the priority in payment specified in Section 5.05 hereof, the Pledged Revenues shall be free and clear of any pledge, lien, charge, encumbrance or interest therein and the Authority shall not pledge or otherwise grant or permit any lien, charge, encumbrance or interest in the Pledged Revenues. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the assignment and pledge of, and security interest in, the Trust Estate under this Indenture and all the rights of the Bondholders and all Credit Facility Issuers under this Indenture against all claims and demands of all Persons whomsoever.

Section 4.05. Notice to Trustee of Certain Events. The Authority agrees to notify the Trustee promptly after the Authority learns of any default (i) by the City in the performance of its obligations under the PICA Tax Ordinance, the Tax Compliance Agreement or the Tax Collection Agency Agreement, (ii) by the State Treasurer under the Act or the PICA Tax Disbursement Agreement or (iii) by the Department under the Act or the Tax Collection Agency Agreement. The Authority agrees to notify the Trustee promptly of the Authority's certification to the Secretary of the Budget of the Commonwealth that the City is not in compliance with an approved financial plan pursuant to the provisions of Section 210(e) of the Act.

Section 4.06. <u>Instruments of Further Assurance</u>. The Authority shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the amounts pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds. The Authority, except as herein provided, shall not sell, convey, mortgage, encumber or otherwise dispose of any part of the Trust Estate.

Section 4.07. Recording and Filing. The Authority shall cause all financing statements related to this Indenture and all supplements thereto, as well as such other security agreements, financing statements and all supplements thereto and other instruments as may be required from time to time to be kept, to be recorded and to be filed in such manner and in such places as may from time to time be required by law in order to preserve and

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protect fully the security of Bondholders and the rights of the Trustee hereunder, and to take or cause to be taken any and all other action necessary to perfect the security interest created by this Indenture.

Section 4.08. <u>Books and Records</u>. The Authority shall maintain accurate books and records with respect to the Pledged Revenues. All books and records in the Authority's possession or under its control relating to the Pledged Revenues shall at all reasonable times be open to inspection by the Trustee or such accountants or other agents as the Trustee may designate from time to time.

Section 4.09. <u>Bond Register</u>. The Registrar will keep the Bond Register on file at its Principal Office. Neither the Trustee nor the Authority shall be under any responsibility with regard to the accuracy of the Bond Register. At reasonable times and under reasonable regulations established by the Registrar, the Bond Register may be inspected and copied by the Authority, the Trustee or Bondholders of fifteen percent (15%) or more in principal amount of Bonds then Outstanding (or a designated representative thereof), such possession or ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Registrar.

Section 4.10. <u>Tax Covenants</u>. The Authority hereby covenants with the Holders from time to time of the Bonds and the Authority shall cause the City to covenant with the Authority that they shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on any Series of Bonds which, when such Bonds were issued, was intended to be excluded from the gross income of the recipients thereof for purposes of federal income taxation shall be and remain so excludable and that they will refrain from doing or performing any act or thing that will cause such interest not to be so excludable.

The Authority hereby covenants with the Holders from time to time of the Bonds and the Authority shall cause the City to covenant with the Authority and the Trustee that they will not make any investment or other use of the proceeds (as that term is defined in Section 148 of the Code and all applicable regulations promulgated thereunder) of the Bonds which would cause the Bonds the interest on which, when such Bonds were issued, was intended to be excluded from gross income for federal income tax purposes to be "arbitrage bonds" (as that term is defined in Section 148 of the Code and all applicable regulations promulgated thereunder), and that they will comply with the requirements of such Code section and regulations throughout the term of all such Bonds.

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The Authority hereby covenants with the holders from time to time of the Bonds that it will comply with the requirement for rebate to the United States as described herein and with other requirements in the Tax Compliance Agreement and that it will take all action within its power to cause the City to comply with its obligations under the Tax Compliance Agreement.

Section 4.11. Financial Statements. The Authority shall deliver to the Trustee and to Moody's, S&P, Fitch and any Credit Facility Issuer within 120 days after the end of each fiscal year, on the basis of an audit conducted by independent certified public accountants, financial statements of the Authority at the end of such fiscal year together with notes and exhibits thereto (which shall include exhibits showing (i) all Bonds of the Authority then Outstanding, (ii) a summary of total annual debt service requirements and (iii) a statement of debt service coverage), which financial statements shall be audited by a firm of independent certified public accountants in accordance with generally accepted auditing standards. The Trustee is authorized to deliver copies of such financial statements to Bondholders and to any other Person who requests such financial statements.

Section 4.12. <u>Information to Bond Insurers</u>. The Authority shall provide each Bond Insurer with the following information:

- (a) within 120 days after the end of the Authority's fiscal year, the budget for the new year, the annual audited financial statements for the fiscal year most recently ended, a statement of the amount on deposit in the Debt Service Reserve Fund as of the last valuation, and, if not presented in the audited financial statements, a statement of the Pledged Revenues available for payment of Bonds in such fiscal year most recently ended;
- (b) the official statement or other disclosure, if any, prepared in connection with the issuance of additional debt, whether or not it is on a parity with the 1992 Bonds, the 1993 Bonds, the 1993A Bonds or the 1994 Bonds, within 30 days after the sale thereof;
- (c) notice of any draw upon, or deficiency due to market fluctuation in the amount, if any, on deposit in, the Debt Service Reserve Fund;
- (d) notice of the redemption, other than mandatory sinking fund redemption, of any of the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

- (e) written notice of the resignation or removal of the Trustee or Bond Registrar and the appointment of any successor thereto; and
- (f) such additional information as the Bond Insurer may reasonably request from time to time.

ARTICLE V

REVENUES AND FUNDS

Section 5.01. Source of Payment of Bonds. The Bonds herein authorized and all payments by the Authority hereunder are not general obligations of the Authority, but are limited obligations payable by the Authority solely from the Pledged Revenues. Payments of PICA Taxes collected by or on behalf of the Department and held by the State Treasurer when remitted to the Trustee shall be deposited in the Revenue Fund.

Section 5.02. <u>Creation of Funds and Accounts</u>. There are hereby created by the Authority and ordered established with the Trustee the following trust funds:

- (a) Deficit Fund;
- (b) Capital Projects Fund;
- (c) Revenue Fund;
- (d) Debt Service Fund;
- (e) Debt Service Reserve Fund;
- (f) Bond Redemption Fund;
- (g) Rebate Fund; and
- (h) Settlement Fund.

The Trustee shall establish such accounts and subaccounts within each of these funds as it or the Authority considers advisable to identify the source or nature of the amounts in such funds. The Trustee shall establish accounts in each of the above-mentioned funds to identify the Series providing the source of money in such account or in respect of which money in such account is available to pay debt service. Moneys in accounts in respect of a particular Series shall only be available to pay debt service or the redemption price of Bonds of such Series, except as may otherwise be provided herein or in the Supplemental Indenture

adopted at or prior to the time of issuance of such Series. All references herein to the transfer from certain funds to other funds shall be read to refer to transfers from the several accounts of the respective funds to the corresponding accounts of the other funds relating to the same Series, whether or not expressly stated herein.

The moneys and investments from time to time in the funds shall be trust funds under the terms hereof and shall not be subject to lien (other than the lien of this Indenture) or attachment by any creditor of the Authority. Such moneys and investments (other than those held in the Rebate Fund) shall be held by the Trustee, until disbursed as authorized by this Article V, in trust for the benefit of each Credit Facility Issuer and the Holders from time to time of the Bonds issued and Outstanding under this Indenture and shall be subject to a lien and charge for the further security of such Holders and each Credit Facility Issuer, provided, however, that whenever Bonds shall be selected for redemption out of moneys on deposit in the Bond Redemption Fund, moneys on deposit therein up to the amount necessary to pay principal, redemption premium, if any, and interest accrued to the date fixed for redemption of such Bonds shall be held by the Trustee in trust for payment to the respective Holders of the particular Bonds so selected for redemption or for reimbursement to the Credit Facility Issuer on account of the payment of such Bonds.

Section 5.03. Deficit Fund.

- (a) At the time of issuance of each Series of Bonds, there shall be deposited in the Deficit Fund such amount as shall be specified herein or in the Supplemental Indenture authorizing the issuance of such Series of Bonds.
- (b) Proceeds of 1992 Bonds deposited in the Deficit Fund shall be disbursed by the Trustee to the City upon requisition signed by the Authority in the form attached hereto as <u>Exhibit E</u> for payment to the City in the following amounts at the following times:
- (i) within 10 days following delivery by the City to the Authority of the City's financial statements for a fiscal year, certified by the Director of Finance, 90% of the City's General Fund deficit (determined before the transfer of the Authority grant of 1992 Bond proceeds for such fiscal year) shown on such financial statements for such fiscal year; and
- (ii) within 10 days following delivery by the City to the Authority of the City's financial statements for a fiscal year, audited by the City Controller, the balance of the

City's General Fund deficit (determined before the transfer of the Authority grant of 1992 Bond proceeds for such fiscal year) shown on such financial statements for such fiscal year; provided, however, that the aggregate amount paid to the City in respect of the City's General Fund deficit for its 1992 fiscal year shall not exceed the amount of 1992 Bond proceeds which were allocated to the City's General Fund deficit for such fiscal year at the time the 1992 Bond proceeds were initially deposited with the Trustee.

- (c) If, after making the payments required by Section 5.03(b) hereof for a particular fiscal year, there shall remain on deposit in the Deficit Fund 1992 Bond proceeds allocable to the City's General Fund deficit for such fiscal year, the Trustee, at the direction of the Authority, shall:
- (i) apply such amount to such other use as the City shall request and the Authority shall approve and direct in writing, such request and direction to be accompanied by an opinion of Bond Counsel to the effect that such use is permitted by the Act and will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes; or
- (ii) transfer such amount (or such portion thereof as the Authority shall direct) to the Debt Service Fund for payment of principal next becoming due on the 1992 Bonds.
- (d) Notwithstanding the foregoing, the Authority may direct the Trustee by requisition to disburse 1992 Bond proceeds in the Deficit Fund to the City on earlier dates than those set forth in Section 5.03(b) hereof; provided that the final disbursement of the balance of the deficit for a City fiscal year shall be made no later than the date specified in Section 5.03(b)(ii) hereof; and provided further that the aggregate amount disbursed to the City for the City's General Fund deficit for each fiscal year shall not exceed the amount of such deficit (determined before the transfer of the Authority grant of 1992 Bond proceeds for such fiscal year) shown on the City's financial statements for such fiscal year as audited by the City Controller.
- (e) Disbursements from the Deficit Fund of proceeds of other Series of Bonds shall be made at such times and in such amounts as the Supplemental Indenture authorizing such Series of Bonds shall provide.
- (f) Notwithstanding any other provision of this Indenture, the Trustee shall not transfer any amounts from the Deficit Fund to the City if any provision of Section 202 of the

Act is held invalid by a court of competent jurisdiction and the Trustee has received notice thereof unless the Trustee receives a copy of an order from the Supreme Court of Pennsylvania indicating that such transfer can be made.

(g) Notwithstanding any other provision of this Indenture, to the extent that amounts in the Debt Service Fund are insufficient to make any payment of principal or interest due on the Bonds after all available amounts in the Debt Service Reserve Fund and the Capital Projects Fund have been used, the Trustee shall transfer amounts from the Deficit Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency.

Section 5,04. Capital Projects Fund.

- (a) At the time of issuance of each Series of Bonds, there shall be deposited in the Capital Projects Fund such amount as shall be specified herein or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the account in the Capital Projects Fund derived from proceeds of a Series of Bonds shall be disbursed only for costs of the capital projects identified herein or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. projects for which proceeds in the accounts in the Capital Projects Fund derived from the 1992 Bonds, the 1993 Bonds and the 1994 Bonds may be disbursed are, respectively, those listed on Schedules 5, 6 and 7 attached hereto. The capital projects identified in Schedules 5, 6 and 7 hereto or in any schedule to a Supplemental Indenture may be revised upon delivery by the Authority, with the consent of the City, to the Trustee of a revised Schedule 5, 6 or 7 or revised schedule to a Supplemental Indenture accompanied by an opinion of Bond Counsel that such revision is permitted under the Act and will not adversely affect the excludability of interest on any Bonds from gross income for federal income tax purposes. Such revision of Schedule 5, 6 or 7 or any such schedule to a Supplemental Indenture shall not require the execution of a Supplemental Indenture and shall not be considered an amendment requiring the consent of any Bond Insurer or the Bondholders.
- (b) The Trustee shall transfer amounts in the applicable account in the Capital Projects Fund to the Encumbered Funds Account upon the receipt of a requisition signed by the Authority accompanied by a notice from the City in substantially the form attached hereto as Exhibit F to the effect that the City is prepared to award a contract for or commence work on an approved capital project or projects, which notice shall identify in reasonable detail (i) the capital project or projects, (ii) the amount of the contract to be awarded or the cost of the work

to be encumbered, and (iii) the proposed date of award of such contract or the proposed date of commencement of the work. Notwithstanding the provisions of this Section 5.04, the Trustee shall not transfer any amounts from the Capital Projects Fund to the Encumbered Funds Account at any time when a suspension of payments from the Commonwealth to the City is in effect as a result of the Authority's certifying to the Commonwealth's Secretary of the Budget the City's noncompliance with an approved financial plan pursuant to the provisions of the Act and the Trustee has notice of such suspension. Also, notwithstanding the provisions of this Section 5.04, the Trustee shall not transfer any amounts from the Capital Projects Fund to the Encumbered Funds Account if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction and the Trustee has received notice thereof unless the Trustee receives a copy of an order of the Supreme Court of Pennsylvania indicating that such transfer can be made. Upon completion, termination or abandonment of any capital project with respect to which moneys shall have been disbursed to the Encumbered Funds Account, any unspent moneys deposited therein for such capital project shall, to the extent not approved by the Authority for application to other capital projects being funded from the Encumbered Funds Account, be deposited, at the direction of the Authority, in the applicable account of the Capital Projects Fund and applied in the manner provided in this Section 5.04.

- (c) Amounts remaining in any account in the Capital Projects Fund after completion, termination or abandonment of the capital project or projects to be financed with the proceeds of the related Series of Bonds shall be transferred at the direction of the Authority to the Debt Service Fund for the payment of principal next becoming due on the applicable Series of Bonds or to the Bond Redemption Fund for redemption of Bonds of such Series at the earliest practicable date that Bonds of such Series can be redeemed without a premium unless the Trustee is directed by the Authority at the request of the City to apply such excess for a purpose permitted under the Act and the Trustee receives an opinion of Bond Counsel that such use is permitted under the Act and will not adversely affect the excludability of interest on any Bonds from gross income for federal income tax purposes.
- (d) The Trustee shall retain all notices and requisitions provided under this Section 5.04 for a period of six (6) years following the discharge of this Indenture as provided in Article VII hereof.
- (e) Notwithstanding any other provision of this Indenture, to the extent that amounts in the Debt Service Fund are insufficient to make any payment of principal or interest don't the Bonds after all available amounts in the Debt Service

Reserve Fund have been used, the Trustee shall transfer amounts from the Capital Projects Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency.

Section 5.05. <u>Revenue Fund</u>. All payments of PICA Taxes made to the Trustee by the State Treasurer shall be received by the Trustee, deposited in the Revenue Fund and disbursed as hereinafter provided.

Promptly after deposit of PICA Taxes or other moneys to the Revenue Fund as provided herein, the Trustee shall transfer any money in the Revenue Fund into the following funds in the following order and priority:

- to the Debt Service Fund the amount necessary to cause the aggregate amount deposited therein in each month to equal the sum of (i) the aggregate for all Series of Bonds of 1/6 (such fraction to be increased or decreased, as appropriate, for a Series to account for any initial or final interest period shorter or longer than six months) of the amount of interest that will be due and payable on each Series of Bonds on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds of 1/12 (such fraction to be increased, as appropriate, for a Series to account for any initial or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds (whether upon maturity or mandatory redemption) on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iii) any deficiency in deposits required to be made in prior months under the preceding clauses (i) and (ii) which has not been eliminated and (iv) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds;
- (b) to the Debt Service Reserve Fund the amount necessary to eliminate deficiencies in the accounts therein (a deficiency being the amount by which the Debt Service Reserve Requirement applicable to a particular account exceeds the amount in such account);
- (c) to any Person entitled to payment pursuant to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement an amount equal to the net amount then required to be paid to such person by the Authority pursuant to such an agreement;
- (d) as directed in a certificate of the Authority delivered to the Trustee, to the trustees or other depositories

in respect of subordinated debt, if any, payable from Pledged Revenues the amount necessary to cause the aggregate amount paid in respect of such subordinated debt from all sources to equal the amount then required to be paid in respect of each issue of subordinated debt;

- (e) to the Authority the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made to equal the operating expenses of the Authority for such fiscal year as set forth in a certificate of the Authority (which certificate may be revised from time to time) delivered to the Trustee with respect to such fiscal year, to the extent that the amounts transferred from the Debt Service Reserve Fund pursuant to Section 5.07(c) hereof are not sufficient for such purpose provided that for the period from June 16, 1992 to December 31, 1992 the amount transferred pursuant to this paragraph shall not exceed \$600,000; and
- (f) to the Rebate Fund the amounts required pursuant to Section 5.11 hereof, to the extent that the transfers from the earnings in the Debt Service Reserve Fund pursuant to Section 5.07(b) are insufficient for such purpose.

Notwithstanding the order of priority set forth in this Section 5.05 to the contrary, to the extent the Trustee is required to make payment of the Rebate Amount and Yield Reduction Amount, if any, to the United States of America pursuant to Section 5.14 hereof and there are insufficient amounts in the Rebate Fund on the date which is thirty days prior to the due date of such payment, the Trustee shall thereafter transfer moneys from the Revenue Fund to the Rebate Fund prior to making any other transfers of moneys to any other funds until the amount in the Rebate Fund equals the required Rebate Amount and Yield Reduction Amount.

Any moneys remaining in the Revenue Fund after all transfers required by paragraphs (a), (b), (c), (d), (e) and (f) have been made shall be transferred by the Trustee to the Depositary for deposit to the City Account.

Section 5.06. <u>Debt Service Fund</u>.

(a) On the date of settlement for each Series, there shall be deposited in the Debt Service Fund an amount equal to the accrued interest, if any, on such Series to the date of settlement therefor and any capitalized interest in respect of such Series.

Amounts received by the Trustee pursuant to an interest rate exchange agreement or other agreement permitted by Section 3.04(10) of the Act in respect of a Series of Bonds shall be credited to the accounts in respect of such Series of Bonds.

The Trustee shall use the moneys in the Debt Service Fund, both the initially deposited moneys and moneys subsequently deposited in the Debt Service Fund as provided herein, to pay the principal and mandatory sinking fund installments of and interest on the Bonds as it becomes due and payable and to pay any amount owed to the Credit Facility Issuer in respect of payments made for principal and interest on Bonds.

Accrued and capitalized interest deposited in respect of the 1992 Bonds shall be applied to pay interest on the 1992 Bonds on December 15, 1992 and June 15, 1993.

(b) The Trustee shall establish as a part of the Debt Service Fund a 1992 Bonds Sinking Fund Account (the "1992 Bonds Sinking Fund Account") for the retirement of 1992 Term Bonds. Moneys deposited in the 1992 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 1992 Term Bonds and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund to the 1992 Bonds Sinking Fund Account on June 15 of the years set forth below in the amount required to retire 1992 Term Bonds in the following amounts through mandatory redemption, in direct order of maturities and within a maturity as chosen by the Trustee by lot at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1992 Term Bonds Maturing June 15, 2002

1992 Term Bonds Maturing June 15, 2006**

			
Year		Year	
(June 15)	<u>Amount</u>	(June 15)	Amount
2001	\$48,250,000	2003	\$3,430,000
2002*	51,145,000	2004	3,655,000
2002	31,143,000	2005	3,900,000
		2005	4,155,000
		2006-	4,155,000
1992	Term Bonds	1992 7	erm Bonds
Maturing	June 15, 2012**	Maturing June 15, 2022**	
Year	·	Year	
(June 15)	Amount	(June 15)	Amount
2007	· \$4,430,000	2013	\$6,575,000
2008	4,730,000	2014	7,025,000
2009	5,055 , 000	2015	7,500,000
2010	5,400,000	2016	8,010,000
2011	5,765,000	2017	8,555,000
2012	6,155,000	2018	9,135,000
		2019	9,760,000
		2020	10,420,000
•	•	2021	11,130,000
		•	
		2022*	11,885,000

^{*} Maturity

Prior to May 1 of each year in which 1992 Term Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1992 Bonds Sinking Fund Account of as many 1992 Term Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 3.02 hereof, so long as any 1992 Term Bonds shall remain Outstanding, the Trustee shall draw by lot, for redemption on June 15 of such year a principal amount of 1992 Term Bonds as shall represent the difference between the principal amount of such 1992 Term Bonds

^{**} No longer Outstanding by virtue of refunding

fixed for redemption on such date as described above and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection by lot of the particular 1992 Term Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the Bondholders of such 1992 Term Bonds so drawn for redemption in the manner provided in Article III hereof, and, upon presentation by the Bondholders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 1992 Bonds Sinking Fund Account and shall pay accrued interest due from moneys available therefor in the Debt Service Fund.

If at any time all the 1992 Term Bonds shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 1992 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund. Whenever 1992 Term Bonds are to be purchased out of the 1992 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to this Indenture.

- (c) (i) If, on the third day preceding any Interest Payment Date for the 1992 Insured Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 1992 Insured Bonds due on such date, the Trustee shall immediately notify the Bond Insurer for the 1992 Insured Bonds and its Fiscal Agent of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to such Bond Insurer and to its Fiscal Agent the registration books for the 1992 Insured Bonds maintained by the Trustee. In addition:
- (A) The Trustee shall provide the Bond Insurer for the 1992 Bonds with a list of the Bondholders entitled to receive principal or interest payments from such Bond Insurer under the terms of the Bond Insurance Policy for the 1992 Insured Bonds and shall make arrangements for such Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to Bondholders of 1992 Insured Bonds entitled to receive full or partial interest payments from such Bond Insurer and (2) to pay principal of the 1992 Insured Bonds surrendered to such Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from such Bond Insurer; and
- (B) The Trustee shall, at the time it makes the registration books available to the Bond Insurer for the 1992 Insured Bonds pursuant to (A) above, notify Bondholders entitle: to receive the payment of principal of or interest on the 1992

Insured Bonds from such Bond Insurer (1) as to the fact of such entitlement, (2) that such Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy for the 1992 Insured Bonds, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment of principal from such Bond Insurer, such Bondholder must tender his 1992 Insured Bond with the instrument of transfer in the form provided on the 1992 Insured Bond executed in the name of such Bond Insurer, and (4) that, except as provided in paragraph (ii) below, in the event that such Bondholder is entitled to receive partial payment of principal from such Bond Insurer, such Bondholder must tender his 1992 Insured Bond for payment first to the Trustee, which shall note on such 1992 Insured Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of such Bond Insurer, to the Bond Insurer's Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy for the 1992 Insured Bonds.

(ii) In the event that the Trustee has notice that any payment of principal of or interest on a 1992 Insured Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer for the 1992 Insured Bonds, notify all Bondholders of such 1992 Insured Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer for the 1992 Insured Bonds to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer for the 1992 Insured Bonds its records evidencing the payments of principal of and interest on the 1992 Insured Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.

(iii)The Bond Insurer for the 1992 Insured Bonds shall, to the extent it makes payment of principal of or interest on the 1992 Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from such Bond Insurer of proof of the payment of interest thereon to the Bondholders of such 1992 Insured Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books for the 1992 Insured Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of such 1992 Insured Bonds. Notwithstanding anything in this Indenture or the 1992 Insured

Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to such Bond Insurer to the extent that such Bond Insurer is a subrogee with respect thereto.

- (d) Accrued interest deposited in respect of the 1993 Bonds shall be applied to pay interest on the 1993 Bonds on December 15, 1993.
- (e) The Trustee shall establish as a part of the Debt Service Fund a 1993 Bonds Sinking Fund Account (the "1993 Bonds Sinking Fund Account") for the retirement of certain of the 1993 Term Bonds. Moneys deposited in the 1993 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 1993 Term Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund to the 1993 Bonds Sinking Fund Account on June 15 of the years set forth below in the amount required to retire 1993 Term Bonds specified below in the following amounts through mandatory redemption, in direct order of maturities and within a maturity as chosen by the Trustee by lot at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1993 Insured Term Bonds Maturing June 15, 2015 (5.60% coupon) 1993 Uninsured Term Bonds

Maturing June 15, 2015

(5.75% coupon)

Year (June 15)	Amount	Year (June 15)	Amount
2010	\$15,145,000	2010	\$9,060,000
2011	12,860,000	2011	9,060,000
2012	14,075,000	2012	9,065,000
2013	15,375,000	2013	9,065,000
2014	16,735,000	2014	9,065,000
2015*	18,175,000	2015*	9,065,000

^{*} Maturity

1993 Insured Term Bonds Maturing June 15, 2023 (5 5/8% coupon)

1993 Uninsured Term Bonds Maturing June 15, 2023 (5 7/8% coupon)

Year (June 15) Amount	Year <u>(June 15)</u>	Amount
2016	\$13,755,000	2016	\$5,000,000
2017	25,360,000	2017	5,000,000
2018	17,955,000	2018	5,000,000
2019	10,535,000	2019	5,000,000
2020	11,420,000	2020	5,000,000
2021	12,355,000	2021	5,000,000
2022	13,345,000	2022	5,000,000
2023*	14,390,000	2023*	5,000,000

Prior to May 1 of each year in which 1993 Term Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1993 Bonds Sinking Fund Account of as many 1993 Term Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 3.02 hereof, so long as any 1993 Term Bonds specified above shall remain Outstanding, the Trustee shall draw by lot, for redemption on June 15 of such year a principal amount of 1993 Term Bonds as shall represent the difference between the principal amount of such 1993 Term Bonds fixed for redemption on such date as described above and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection by lot of the particular 1993 Term Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the Bondholders of such 1993 Term Bonds so drawn for redemption in the manner provided in Article III hereof, and, upon presentation by the Bondholders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 1993 Bonds Sinking Fund Account and shall pay

^{*} Maturity

accrued interest due from moneys available therefor in the Debt Service Fund.

If at any time all the 1993 Term Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 1993 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund. Whenever 1993 Term Bonds are to be purchased out of the 1993 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to this Indenture.

- (f) (i) If, on the third day preceding any Interest Payment Date for the 1993 Insured Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 1993 Insured Bonds due on such date, the Trustee shall immediately notify the appropriate Bond Insurer for such 1993 Insured Bonds and its Fiscal Agent of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the appropriate Bond Insurer for such 1993 Insured Bonds and to its Fiscal Agent the registration books for such 1993 Insured Bonds maintained by the Trustee. In addition:
- (A) The Trustee shall provide the appropriate Bond Insurer with a list of the Bondholders entitled to receive principal or interest payments from such Bond Insurer under the terms of the applicable Bond Insurance Policy for the 1993 Insured Bonds and shall make arrangements for such Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to Bondholders of 1993 Insured Bonds entitled to receive full or partial interest payments from such Bond Insurer and (2) to pay principal of the 1993 Insured Bonds surrendered to such Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from such Bond Insurer; and
- (B) The Trustee shall, at the time it makes the registration books available to the appropriate Bond Insurer for the 1993 Insured Bonds pursuant to A) above, notify Bondholders entitled to receive the payment of principal of or interest on the 1993 Insured Bonds from such Bond Insurer (1) as to the fact of such entitlement, (2) that such Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy for such 1993 Insured Bonds, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment of principal from the appropriate Bond Insurer, such Bondholder must tender his 1993 Insured Bond with the instrument of transfer in the form provided on the 1993 Insured Bond executed in the name of the appropriate Bond Insurer, and (4) that, except as provided in paragraph (ii) below, in the event that such

Bondholder is entitled to receive partial payment of principal from the appropriate Bond Insurer, such Bondholder must tender his 1993 Insured Bond for payment first to the Trustee, which shall note on such 1993 Insured Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the appropriate Bond Insurer, to such Bond Insurer's Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy for such 1993 Insured Bonds.

- (ii) In the event that the Trustee has notice that any payment of principal of or interest on a 1993 Insured Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer for such 1993 Insured Bonds, notify all Bondholders of such 1993 Insured Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer for such 1993 Insured Bonds to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer for such 1993 Insured Bonds its records evidencing the payments of principal of and interest on the 1993 Insured Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.
- Each Bond Insurer for 1993 Insured Bonds (iii) shall, to the extent it makes payment of principal of or interest on 1993 Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Bondholders of 1993 Insured Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books for the 1993 Insured Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of 1993 Insured Bonds. Notwithstanding anything in this Indenture or the 1993 Insured Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to each Bond Insurer for the 1993 Insured Bonds to the extent that such Bond Insurer is a subrogee with respect thereto.
- (g) Accrued interest deposited in respect of the 1993A Bonds shall be applied to pay interest on the 1993A Bonds on December 15, 1993.

(h) The Trustee shall establish as a part of the Debt Service Fund a 1993A Bonds Sinking Fund Account (the "1993A Bonds Sinking Fund Account") for the retirement of certain of the 1993 Term Bonds. Moneys deposited in the 1993A Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 1993A Term Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund to the 1993A Bonds Sinking Fund Account on June 15 of the years set forth below in the amount required to retire 1993A Term Bonds specified below in the following amounts through mandatory redemption, in direct order of maturities and within a maturity (treating the 1993A Insured Term Bonds and the 1993A Uninsured Term Bonds maturing June 15, 2013 as separate maturities for this purpose) as chosen by the Trustee by lot at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1993A Insured Term Bonds Maturing June 15, 2013	1993A Uninsured Term Bonds Maturing June 15, 2013	
Year	Year	
(June 15) Amount	(June 15)	Amount
2009 \$2,160,000	2009	\$4,665,000
2010 2,280,000	2010	4,885,000
2011 2,400,000	2011	5,125,000
2012 2,520,000	2012	5,380,000
2013* 2,640,000	2013*	5,655,000

^{*} Maturity

1993A Insured Term Bonds Maturing June 15, 2022

Year (June 15)	Amount
2014	\$ 8,710,000
2015	9,145,000
2016	9,600,000
2017	10,080,000
2018	10,585,000
2019	11,120,000
2020	11,670,000
2021	12,255,000
2022*	12,865,000

Prior to May 1 of each year in which 1993A Term Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1993A Bonds Sinking Fund Account of as many 1993A Term Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 3.02 hereof, so long as any 1993A Term Bonds specified above shall remain Outstanding, the Trustee shall draw by lot, for redemption on June 15 of such year a principal amount of 1993A Term Bonds as shall represent the difference between the principal amount of such 1993A Term Bonds fixed for redemption on such date as described above and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection by lot of the particular 1993A Term Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the Bondholders of such 1993A Term Bonds so drawn for redemption in the manner provided in Article III hereof, and, upon presentation by the Bondholders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 1993A Bonds Sinking Fund Account and shall pay

^{*} Maturity

accrued interest due from moneys available therefor in the Debt Service Fund.

If at any time all the 1993A Term Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 1993A Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund. Whenever 1993A Term Bonds are to be purchased out of the 1993A Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to this Indenture.

- (i) (i) If, on the third day preceding any Interest Payment Date for the 1993A Insured Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 1993A Insured Bonds due on such date, the Trustee shall immediately notify the Bond Insurer for the 1993A Insured Bonds and its Fiscal Agent of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to such Bond Insurer and to its Fiscal Agent the registration books for the 1993A Insured Bonds maintained by the Trustee. In addition:
- (A) The Trustee shall provide the Bond Insurer for the 1993A Insured Bonds with a list of the Bondholders entitled to receive principal or interest payments from such Bond Insurer under the terms of the Bond Insurance Policy for the 1993A Insured Bonds and shall make arrangements for such Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to Bondholders of 1993A Insured Bonds entitled to receive full or partial interest payments from such Bond Insurer and (2) to pay principal of the 1993A Insured Bonds surrendered to such Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from such Bond Insurer; and
- The Trustee shall, at the time it makes the (B) registration books available to the Bond Insurer for the 1993A Insured Bonds pursuant to (A) above, notify Bondholders entitled to receive the payment of principal of or interest on the 1993A Insured Bonds from such Bond Insurer (1) as to the fact of such entitlement, (2) that such Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy for the 1993A Insured Bonds, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment of principal from such Bond Insurer, such Bondholder must tender his 1993A Insured Bond with the instrument of transfer in the form provided on the 1993A Insured Bond executed in the name of such Bond Insurer, and (4) that, except as provided in paragraph (ii) below, in the event that such Bondholder is entitled to receive partial payment of principal from such Bond Insurer, such Bondholder must tender

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his 1993A Insured Bond for payment first to the Trustee, which shall note on such 1993A Insured Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Bond Insurer, to the Bond Insurer's Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy for the 1993A Insured Bonds.

- (ii) In the event that the Trustee has notice that any payment of principal of or interest on a 1993A Insured Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, non-appealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer for the 1993A Insured Bonds, notify all Bondholders of such 1993A Insured Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer for the 1993A Insured Bonds to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer for the 1993A Insured Bonds its records evidencing the payments of principal of and interest on the 1993A Insured Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.
- (iii) The Bond Insurer for the 1993A Insured Bonds shall, to the extent it makes payment of principal of or interest on the 1993A Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from such Bond Insurer of proof of the payment of interest thereon to the Bondholders of such 1993A Insured Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books for the 1993A Insured Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of such 1993A Insured Bonds. Notwithstanding anything in this Indenture or the 1993A Insured Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to such Bond Insurer to the extent that such Bond Insurer is a subrogee with respect thereto.
- (j) Accrued interest deposited in respect of the 1994 Bonds shall be applied to pay interest on the 1994 Bonds on June 15, 1995.
- (k) The Trustee shall establish as a part of the Debt Service Fund a 1994 Bonds Sinking Fund Account (the "1994 Bonds Sinking Fund Account") for the retirement of certain of the 1994

Term Bonds. Moneys deposited in the 1994 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 1994 Term Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund to the 1994 Bonds Sinking Fund Account on June 15 of the years set forth below in the amount required to retire 1994 Term Bonds specified below in the following amounts through mandatory redemption, in direct order of maturities and within a maturity as chosen by the Trustee by lot at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1994 Term Bonds Maturing June 15, 2014		1994 Term Bonds <u>Maturing June 15, 2021</u>	
Year (June 15)	Amount	Year (June 15)	Amount
2010	\$4,485,000	2015	\$6,290,000
2011	4,795,000	2016	6,710,000
2012	5,135,000	2017	7,165,000
2013	5,490,000	2018	7,650,000
2014* 5,875,000	5,875,000	2019 .	8,165,000
		2020	8,715,000
	·	2021*	9,305,000

Prior to May 1 of each year in which 1994 Term Bonds · are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1994 Bonds Sinking Fund Account of as many 1994 Term Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 3.02 hereof, so long as any 1994 Term Bonds specified above shall remain Outstanding, the Trustee shall draw by lot, for redemption on June 15 of such year a principal amount of 1994 Term Bonds as shall represent the difference between the principal amount of such 1994 Term Bonds fixed for redemption : such date as described above and the principal amount thereof

^{*} Maturity

which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection by lot of the particular 1994 Term Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the Bondholders of such 1994 Term Bonds so drawn for redemption in the manner provided in Article III hereof, and, upon presentation by the Bondholders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 1994 Bonds Sinking Fund Account and shall pay accrued interest due from moneys available therefor in the Debt Service Fund.

If at any time all the 1994 Term Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 1994 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund. Whenever 1994 Term Bonds are to be purchased out of the 1994 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to this Indenture.

- (1) (i) If, on the third day preceding any Interest Payment Date for the 1994 Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 1994 Bonds due on such date, the Trustee shall immediately notify the Bond Insurer for the 1994 Bonds and its Fiscal Agent of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to such Bond Insurer and to its Fiscal Agent the registration books for the 1994 Bonds maintained by the Trustee. In addition:
- (A) The Trustee shall provide the Bond Insurer for the 1994 Bonds with a list of the Bondholders entitled to receive principal or interest payments from such Bond Insurer under the terms of the Bond Insurance Policy for the 1994 Bonds and shall make arrangements for such Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to Bondholders of 1994 Bonds entitled to receive full or partial interest payments from such Bond Insurer and (2) to pay principal of the 1994 Bonds surrendered to such Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from such Bond Insurer; and
- (B) The Trustee shall, at the time it makes the registration books available to the Bond Insurer for the 1994 Bonds pursuant to (A) above, notify Bondholders entitled to receive the payment of principal of or interest on the 1994 Bonds from such Bond Insurer (1) as to the fact of such entitlement, (2) that such Bond Insurer will remit to them all or

part of the interest payments coming due subject to the terms of the Bond Insurance Policy for the 1994 Bonds, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment of principal from such Bond Insurer, such Bondholder must tender his 1994 Bond with the instrument of transfer in the form provided on the 1994 Bond executed in the name of such Bond Insurer, and (4) that, except as provided in paragraph (ii) below, in the event that such Bondholder is entitled to receive partial payment of principal from such Bond Insurer, such Bondholder must tender his 1994 Bond for payment first to the Trustee, which shall note on such 1994 Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of such Bond Insurer, to the Bond Insurer's Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy for the 1994 Bonds.

In the event that the Trustee has notice that (ii) any payment of principal of or interest on a 1994 Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, non-appealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer for the 1994 Bonds, notify all Bondholders of such 1994 Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer for the 1994 Bonds to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer for the 1994 Bonds its records evidencing the payments of principal of and interest on the 1994 Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.

(iii) The Bond Insurer for the 1994 Bonds shall, to the extent it makes payment of principal of or interest on the 1994 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from such Bond Insurer of proof of the payment of interest thereon to the Bondholders of such 1994 Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books for the 1994 Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of such 1994 Bonds. Notwithstanding anything in this Indenture or the 1994 Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to such Bond Insurer to the extent that such Bond Insurer is a subrogee with respect thereto.

(m) The Trustee shall establish such other sinking fund account for each Series of Additional Bonds as may be directed in the Supplemental Indenture establishing such Series.

Section 5.07. Debt Service Reserve Fund. At the time of issuance of each Series of Bonds, there shall be deposited into the Debt Service Reserve Fund in a separate account in respect of such Series and which shall secure only such Series an amount equal to the initial Debt Service Reserve Requirement for such Series of Bonds. In lieu of such deposit, at the time of issuance of a Series, subject to the written approval of the Bond Insurer (which approval shall be granted if, but only if, the proposed Credit Facility meets the then current credit requirements of the Bond Insurer with respect to such facilities), there may be provided a Credit Facility in such amount issued by a Credit Facility Issuer whose credit facilities are such that bonds secured by such credit facilities are rated in one of the three highest rating categories by Moody's and S&P. To the extent that additional amounts are required to be deposited in the Debt Service Reserve Fund, such moneys shall come from sources other than the proceeds of the Bonds. extent that there is an excess amount in any account in the Debt Service Reserve Fund as of the date any valuation is required to be made as hereinafter provided or as a result of a reduction described above, unless otherwise provided in the Supplemental Indenture authorizing the issuance of such Series, the excess (other than any Investment Earnings) shall be transferred, at the written direction of the Authority, either to the Debt Service Fund or to the Bond Redemption Fund for redemption of Bonds of such Series at the earliest possible date that Bonds of such Series can be redeemed without a premium.

- All Investment Earnings derived from funds on deposit in the Debt Service Reserve Fund shall be retained or transferred, as applicable, in the following order and priority:
- (a) the Trustee shall retain in the Debt Service Reserve Fund the amount necessary to eliminate deficiencies in any of the accounts therein;
- (b) the Trustee shall transfer to the Rebate Fund in respect of each Bond Year such amount as is certified by the Authority to the Trustee pursuant to the applicable Tax Compliance Agreement as the Rebate Amount and Yield Reduction Amount, if any, for such Bond Year with respect to the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds and such additional amount for each other Series of Bonds as may be specified in the Supplemental Indenture authorizing the Series;
- (c) the Trustee shall transfer to the Authority the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made (together with transfers made pursuant to

Section 5.05) to equal the total operating expenses of the Authority for such fiscal year as set forth in the certificate of the Authority (which certificate may be revised from time to time) filed with the Trustee in respect of such fiscal year; and

(d) the Trustee shall transfer any remaining amount to the Revenue Fund.

If there are insufficient moneys to pay the Debt Service Requirement on any Series of Bonds on any Interest Payment Date or maturity date of such Series of Bonds, the Trustee shall transfer from the related account in the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund.

In the event of any application of funds in the Debt Service Reserve Fund in accordance with the preceding paragraph causes the amount in any account in the Debt Service Reserve Fund to be less than the applicable Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority.

The Investment Securities in the account in the Debt Service Reserve Fund in respect of a Series shall be valued by the Trustee at the end of each Bond Year for such Series and six months after the end of such Bond Year. If the value of such Investment Securities plus any moneys in such account in the Debt Service Reserve Fund (other than Investment Earnings which have not yet been transferred as provided herein) falls below the Debt Service Reserve Requirement with respect to such account, the Trustee shall promptly notify the Authority. Such deficiency shall be eliminated as provided above and if necessary by the transfer from the Revenue Fund specified in Section 5.05 hereof. If such valuation shows that there is an excess amount in such account in the Debt Service Reserve Fund, the Trustee shall promptly notify the Authority and shall apply such excess as provided in the first paragraph of this Section 5.07.

In connection with a redemption or final maturity of all of the Bonds of a Series, the moneys in the associated account in the Debt Service Reserve Fund shall be transferred to the Bond Redemption Fund or to the Debt Service Fund, respectively, to be used for purposes of such redemption or payment at final maturity, unless moneys for such redemption or payment are otherwise provided, in which event the moneys remaining in the Debt Service Reserve Fund shall be transferred as directed by the Authority. Also, in connection with the maturity of 1992 Bonds on June 15, 2002, moneys in the account in the Debt Service Reserve Fund in respect of the 1992 Bonds shall be transferred to the Debt Service Fund to be used for purposes of payment of such maturity to the extent that the moneys in such account exceed the Debt Service Reserve Requirement for the 1992 Bonds that will apply immediately following such maturity.

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Section 5.08. <u>Bond Redemption Fund</u>. The Trustee shall deposit in the Bond Redemption Fund amounts received from any source for redemption of Bonds other than mandatory sinking fund payments.

Moneys deposited into the Bond Redemption Fund shall be used to redeem Bonds or, at the request of the Authority in writing, to purchase Bonds in the open market at a price not in excess of the principal amount thereof plus accrued interest thereon (or, in the case of zero coupon bonds, original issue price plus accrued original issue discount). Upon such deposit, to the extent such moneys are to be used to redeem Bonds, the Trustee shall promptly select and call Bonds for redemption.

Section 5.09. Rebate Fund. Amounts shall be deposited in the Rebate Fund as hereinafter specified in order to comply with rebate requirements of Section 148 of the Code. Notwithstanding any other provision of this Indenture, the Rebate Fund shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder, any Credit Facility Issuer or any other Person. Rules and definitions concerning the requirements of this fund are contained in the Tax Compliance Agreement. The provisions of Sections 5.10 through 5.14 hereof regarding the Rebate Fund may be amended upon receipt by the Trustee and the Authority of an opinion of Bond Counsel that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any moneys released from the Rebate Fund as a result of any such amendment shall be applied by the Trustee as required or permitted (in which case such application shall be at the written direction of the Authority) by such opinion of Bond Counsel.

Section 5.10. <u>Determinations</u>. <u>Notices and Records of Rebate Amount and Yield Reduction Amount</u>.

(a) The Authority, with the cooperation of the Trustee in providing information concerning accounts, investments and earnings thereon, shall determine the Rebate Amount and Yield Reduction Amount, if any, in respect of each Series of Bonds or cause the same to be determined in the manner provided in Section 148 of the Code. Determinations of the Rebate Amount and Yield Reduction Amount, if any, shall be made at the end of each Bond Year and upon the retirement of the last Bond of a particular Series of Bonds as required by the Code. As of any computation date, the computation of the Rebate Amount and Yield Reduction Amount, if any, takes into account amounts previously paid to the United States of America by the Trustee on behalf of the Authority pursuant to Section 5.14 hereof. The Trustee, at the request of the Authority, shall provide the Authority information concerning accounts, investments and earnings thereon.

- (b) Within 30 days after the end of each Bond Year and the retirement of the last bond of a particular Series of Bonds, the Authority shall furnish or cause to be furnished to the Trustee, a written notice specifying the Rebate Amount and Yield Reduction Amount, if any, as at the end of such Bond Year or such retirement. In connection with each such determination of the Rebate Amount and Yield Reduction Amount, if any, the Trustee shall report to the Authority (i) the amount, if any, theretofore paid to the United States of America by the Trustee on behalf of the Authority pursuant to Section 5.14 hereof, (ii) the amount in the Rebate Fund as at the end of the Bond Year or the retirement of the last bond of a particular Series of Bonds, (iii) the balance to be added to or removed from the Rebate Fund pursuant to Sections 5.11 and 5.12 hereof.
- (c) The notice specifying the Rebate Amount and Yield Reduction Amount, if any, for a particular Series shall be retained by the Trustee until a date which is six (6) years after the retirement of the last Bond of such Series. The Trustee shall make such notice available for review by the Authority and the City upon reasonable notice.

Section 5.11. Deposit into Rebate Fund. Within 60 days after the end of each Bond Year in respect of each Series of Bonds or the retirement of the last bond of a particular Series, the Trustee, following receipt of notification from the Authority pursuant to Section 5.10(b), shall transfer amounts first from the Investment Earnings on the Debt Service Reserve Fund pursuant to Section 5.07(b) and then from the Revenue Fund pursuant to Section 5.05(e) to the Rebate Fund as may be necessary so that the amount in the Rebate Fund shall be equal to the Rebate Amount and Yield Reduction Amount, if any, as of the computation date.

Section 5.12. Excess Moneys in the Rebate Fund. In the event that as of the first day of any Bond Year in respect of each Series of Bonds, the amount on deposit in the Rebate Fund exceeds the Rebate Amount and Yield Reduction Amount, if any, (as reported in the notice furnished by the Authority pursuant to Section 5.10(b) with respect to such date), the Trustee, upon the receipt of written instructions from the Authority specifying the amount of the excess, shall transfer such excess amount into the Revenue Fund. If any amount shall remain in the Rebate Fund after the Trustee has made the final payment to the United States of America pursuant to Section 5.14 hereof in respect of each Series of Bonds, such amount shall be transferred to the Revenue Fund.

Section 5.13. <u>Investment of Rebate Fund</u>.

(a) Any moneys held as part of the Rebate Fund shall be invested or reinvested by the Trustee, as provided in Article VI hereof.

- (b) Any investment of funds in the Rebate Fund shall mature or be redeemable by the Trustee at such times as may be necessary to provide funds when, at the time of the investment, it is anticipated the same will be needed to make payments from the Rebate Fund. The Trustee at any time as directed by the Authority, to the extent required for payments from the Rebate Fund, may sell any of such investments, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Rebate Fund. Interest and other income received or losses on moneys or securities in the Rebate Fund shall be credited or charged to the Rebate Fund and shall become a part thereof, to be disbursed as provided for herein.
- (c) Any and all moneys held as part of the Rebate Fund shall be considered proceeds of the Bonds for all purposes (except as otherwise specifically provided herein).

Section 5.14. <u>Payment of Rebate Amount and Yield Reduction Amount to the United States</u>.

- (a) The Rebate Amount and Yield Reduction Amount, if any, for each Series of Bonds shall be paid to the United States of America by the Trustee on behalf of the Authority in installments in amounts and at times directed in writing by the Authority in accordance with this Indenture. The first installment shall be made not later than sixty (60) days after the end of the fifth Bond Year; each subsequent installment shall be made not later than five (5) years after the preceding installment was due. Each installment shall be in an amount, as calculated by or on behalf of the Authority, that ensures that the Yield Reduction Amount and at least 90% of the Rebate Amount (exclusive of Yield Reduction Amounts) as of the end of the immediately preceding Bond Year will have been paid to the United States of America. Not later than sixty (60) days after the retirement of the last Bond, the Trustee shall pay to the United States of America an amount, as calculated by or on behalf of the Authority which equals 100% of the Rebate Amount and Yield Reduction Amount determined as of the date of retirement of the last Bond.
- (b) Each payment of an installment of the amount required to be paid to the United States of America pursuant to this Section 5.14 shall be paid at the Internal Revenue Service Center, Philadelphia, Pa. Each payment shall be accompanied by a Form 8038-T prepared by or on behalf of the Authority filed with respect to the Series of Bonds.
- (c) The duty of the Trustee to make payments to the United States of America pursuant to this Section 5.14 shall be expressly limited to funds available in the Rebate Fund at the times such payments are required to be made (including all investment earnings on funds theretofore deposited by the Trustee

in the Rebate Fund) and any other funds actually provided to the Trustee by the Authority for such payments. The Trustee shall not be under any duty to pay any amounts in excess of the amount available in the Rebate Fund or actually provided to it by the Authority. The Trustee shall be entitled to rely on the directions and calculations provided by or on behalf of the Authority, without further inquiry, and shall have no obligation to confirm the accuracy of any Rebate Amount or Yield Reduction Amount or the timing of any such payment.

Section 5.15 <u>Discontinuance of Funds</u>. After all Bonds and other sums required to discharge this Indenture shall have been paid or provision for their payment shall have been made as provided herein, all amounts required to be deposited in the Rebate Fund have been deposited and all sums owing to the Credit Facility Issuer shall have been paid and the Credit Facility surrendered to the Credit Facility Issuer, any balance remaining in the funds established hereunder (other than the Rebate Fund) shall be used to pay the Authority any amount owing in respect of operating expenses as set forth in the certificate of the Authority for such fiscal year and the balance shall be paid to the Depositary for deposit in the City Account.

ARTICLE VI

INVESTMENT OF MONEYS

Section 6.01. <u>Investment of Funds</u>. Moneys in the funds established hereunder shall, to the extent permitted by law and at the written direction of the Authority and subject to any limitations imposed by the agreement pursuant to which the Credit Facility is issued, be invested and reinvested in Investment Securities or City Obligations, except that moneys in the Debt Service Fund, the Revenue Fund and the Rebate Fund shall only be invested in Government Obligations with maturities which will assure the availability of money at the time when needed and moneys in the account in the Debt Service Reserve Fund in respect of the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds shall only be invested as set forth below.

Subject to the further provisions of this Article VI, such investments shall be made by the Trustee as directed and designated by the Authority in a certificate of, or telephonic advice promptly confirmed by a certificate of, an Authority Representative. As and when any amounts thus invested may be needed for disbursements from the funds established hereunder, the Trustee shall cause a sufficient amount of such investments to be sold or otherwise converted into cash to the credit of such fund as directed by an Authority Representative in writing. The Authority shall have the right to designate the investments to be made and to be sold and to otherwise direct the Trustee in the sale or conversion to cash of the investments made with the moneys in the funds established hereunder.

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Notwithstanding anything herein to the contrary, capitalized interest deposited in the Debt Service Fund pursuant to subsection 2.06(a) hereof shall be invested only in Government Obligations described in clause (a) of such defined term.

Notwithstanding anything herein to the contrary, moneys in the accounts in the Debt Service Reserve Fund in respect of the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds shall only be invested in Investment Securities with a maturity of not more than five years; provided, however, that if moneys are invested in a guaranteed investment contract or a repurchase agreement which allows the full principal of and interest on the investment to be withdrawn at par on any principal or interest payment date for the 1992 Bonds, the 1993 Bonds, the 1993A Bonds or the 1994 Bonds, respectively, such guaranteed investment contract or repurchase agreement may have a maturity longer than five years but not longer than ten years. Accounts in the Debt Service Reserve Fund in respect of any other Series of Bonds shall be invested as specified in the Supplemental Indenture authorizing such Series.

The interest and income received from such investments, losses suffered by reason of such investments, and any interest paid by the Trustee or any other depository of any fund established hereunder, and any net profit or losses resulting from the sale of securities (collectively "Investment Earnings") shall be added or charged to the Revenue Fund when earned or realized; subject, however, to the provisions of Article VII hereof in the case of defeasance and provided that (i) Investment Earnings from investment of amounts in the Debt Service Reserve Fund shall be transferred as provided in Section 5.07 hereof; (ii) Investment Earnings from investment of amounts in the Rebate Fund shall remain in the Rebate Fund and become a part thereof, to be disbursed as provided in Article V and (iii) Investment Earnings from investment of amounts in the Capital Projects Fund shall remain in the Capital Projects Fund so long as costs of capital projects are to be paid therefrom.

Section 6.02. <u>Valuation of Funds</u>. In computing the assets of any fund, investments and interest earned thereon, unless otherwise provided herein, shall be deemed a part thereof. Such investments, except for investments in the Debt Service Reserve Fund other than any guaranteed investment contract, shall be valued at the amortized cost thereof plus accrued interest, or at the redemption price thereof, if then redeemable at the option of the holder. Investments in the Debt Service Reserve Fund other than any guaranteed investment contract shall be valued at the fair market value thereof.

Section 6.03. <u>Information as to Status of Funds</u>. The Trustee shall provide the Authority and the City with monthly statements of each fund. The Trustee shall provide the Authority and the City with such additional information as they may

reasonably request regarding the status of each fund held by the Trustee.

ARTICLE VII

DISCHARGE OF INDENTURE

If the Authority shall pay or cause to be paid, or there shall otherwise be paid or provision be made for payment, to the Holders of the Bonds the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, and all fees, expenses and other amounts due to the Trustee, each Registrar and each Credit Facility Issuer, then these presents and the Trust Estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge this Indenture, and execute and deliver to the Authority such instruments in writing as shall be requisite to release this Indenture, and reconvey, release, assign and deliver unto the Authority any and all of the Trust Estate and all right, title and interest in and to any and all rights conveyed, assigned or pledged to the Trustee or otherwise subject to this Indenture, except amounts held in or payable to the Rebate Fund for payment to the United States of America and amounts held by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds. Notwithstanding the foregoing, Bonds paid with the proceeds of any Credit Facility shall be Outstanding until the Credit Facility Issuer has been reimbursed for the amount of the payment.

Any Bond shall be deemed to be paid within the meaning of this Article VII and for all purposes of this Indenture when payment of the principal of, the redemption premium, if any, and the interest on such Bond to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein) either (i) shall have been made or caused to be made in accordance with the terms hereof or (ii) shall have been provided for by irrevocably depositing with the Trustee (1) moneys sufficient to make such payment and/or (2) Government Obligations (only clause (a)), Refcorp interest strips, CATS, TIGRS, STRPS or defeased municipal bonds rated AAA by S&P or Aaa by Moody's, in each case non-callable and maturing as to principal and interest in such amount and at such time as will insure the availability of sufficient moneys to make such payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

Notwithstanding the foregoing paragraph, no deposit under clause (ii) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until: notice of redemption of such Bonds shall have been previously given in accordance with Section 3.02 of this Indenture or, in the event that such Bonds are not to be redeemed within the next succeeding sixty (60) days, until the Authority shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Holders of the Bonds, in accordance with Section 3.02 hereof, that the deposit required by clause (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Article VII and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the redemption premium, if any, on such Bonds plus interest thereon to the due date thereof; or (b) the maturity of such Bonds.

In the event of a refunding in advance of the payment or mandatory sinking fund redemption date of the 1992 Bonds, the 1993 Bonds, the 1993A Bonds or the 1994 Bonds, the Authority shall cause to be delivered to the applicable Bond Insurer a verification report of an independent nationally recognized certified public accountant.

The provisions of this Indenture relating to the registration of transfer and exchange of Bonds shall remain in full force and effect with respect to all Bonds until the maturity date of the Bonds or the last date fixed for redemption of all Bonds prior to maturity, notwithstanding that all or any portion of the Bonds are deemed to be paid within the meaning of this Article VII.

Anything in Article X hereof to the contrary notwithstanding, if moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to this Article VII for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Article VII shall be made without the consent of the Bondholders affected thereby.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01. Events of Default. Each of the following events is hereby declared to constitute an "Event of Default":

(a) Default in the due and punctual payment of interest on any Bond after such payment has become due and payable; or

- (b) Default in the due and punctual payment of the principal or mandatory sinking fund installment of any Bond, whether at the stated maturity thereof or upon proceedings for redemption thereof; or
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority contained in this Indenture, any Supplemental Indenture or in the Bonds; or
- (d) Failure by the City to perform any of its covenants or agreements contained in the PICA Tax Ordinance or any other ordinance of the City enacting PICA Taxes; or
- (e) Failure by the State Treasurer or the Department in the performance of any of their duties under the Act or covenants or agreements contained in the PICA Tax Disbursement Agreement or the Tax Collection Agency Agreement;

provided, however, that a default under (c) or (e) shall not constitute an Event of Default hereunder unless the Authority, the State Treasurer or the Department, as applicable, shall have had thirty (30) days after receipt of notice of such default from the Trustee or from the Bondholders of not less than twenty-five percent (25%) in aggregate principal amount of all Outstanding Bonds to correct said default or cause said default to be corrected and shall not have corrected said default or caused said default to be corrected within such period; provided that, if said default is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority, the State Treasurer or the Department, as applicable, within the applicable period and diligently pursued until the default is corrected, subject to each Bond Insurer's approval of the grace period for the taking of such corrective action; provided, further, that the period to cure any of such defaults shall be only seven (7) days in the case of a default in the payment of money and shall be such shorter period as may be specified in the notice of such default in the case of any default which would have a material adverse effect on the tax exempt status of the 1992 Bonds, the 1993 Bonds, the 1993A Bonds or the 1994 Bonds if not cured sooner than the period specified in the notice. In determining whether a payment default has occurred or whether payment on the Bonds has been made, no effect shall be given to payments made under the Bond Insurance Policy.

The Trustee shall give each Bond Insurer notice of any default under (a) or (b) above immediately and notice of any other default known to the Trustee within thirty (30) days of the Trustee's knowledge thereof.

Remedies: Rights of Bondholders. Section 8.02. occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity, including, without limitation, enforcement of the rights of the Trustee and the Bondholders under the PICA Tax Ordinance or the Tax Compliance Agreement, the remedies provided in Section 305 of the Act and the rights of enforcement provided in Section 310 of the Act, to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, the performance by the Authority of its obligations hereunder and the performance by the Department and by the State Treasurer of their obligations under the Act; provided, however, that there shall be no right to accelerate the time for payment of the Bonds. Without limiting the generality of the foregoing, if at any time the Trustee shall not receive the Pledged Revenues for transfer to the Debt Service Fund at the times and on the dates required by the Act and this Indenture, the Trustee shall promptly enforce the pledge of, security interest in and lien and charge on the Pledged Revenues against all government agencies (as defined in the Act) in possession of any of such Pledged Revenues at any time and shall send notice to the Department and the State Treasurer requesting that they take appropriate corrective actions.

If an Event of Default shall have occurred and be continuing and if directed in writing by the Bondholders of twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and upon being indemnified as provided in Section 9.01 hereof, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section 8.02 hereof, as directed, provided such direction shall not be otherwise than in accordance with law and the provisions of this Indenture and the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would prejudice Bondholders not parties to such direction.

No remedy conferred upon or reserved to the Trustee (or to the Bondholders) by the terms of this Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

No waiver of any Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Section 8.03. Right of Bondholders to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture. The Trustee shall not be required to follow any direction from the Bondholders in the absence of indemnification of the Trustee, in accordance with Section 9.01, in form and substance satisfactory to the Trustee.

Section 8.04. Application of Moneys. All moneys received by the Trustee pursuant to any right or remedy given or action taken under the provisions of this Article VIII shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of all expenses, fees (including, without limitation, reasonable counsel fees), liabilities and advances incurred or made by the Trustee under the terms of this Indenture, be deposited in the Debt Service Fund and applied as follows:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, including any amounts owed to any Credit Facility Issuer in respect of payments made for interest on the Bonds, 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 and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are otherwise held pursuant to the provisions of this Indenture, but including any amounts owed to any Credit Facility Issuer in respect of payments made for principal of the Bonds), with interest on such Bonds from the respective dates upon which they became due, in order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds 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; and

THIRD - To deposit in the Revenue Fund for use as provided in Section 5.05 hereof.

Whenever moneys are to be applied pursuant to the provisions of this Section 8.04, 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 application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be the earliest practicable date it deems suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date 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 to all Holders of Outstanding Bonds, and shall not be required to make payment to any Holder of a Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 8.05. Remedies Vested in the Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by Trustee shall be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Bondholders, and any recovery of judgment shall be for the equal and ratable benefit of the Bondholders of the Outstanding Bonds.

Section 8.06. Rights and Remedies of Bondholders. Bondholder shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless an Event of Default has occurred of which the Trustee has been notified as provided in subsection 9.01(h) hereof, or of which by said subsection it is deemed to have notice, unless the Bondholders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in their own name or names, nor unless also they have offered to the Trustee indemnity as provided in subsection 9.01(k), nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding; and such notification, request and offer of indemnity are hereby declared in every case to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any othe: remedy hereunder; it being understood and intended that no one more of the Bondholders shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this

Indenture by its, his, her or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Bondholders of all Outstanding Bonds. However, nothing contained in this Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest on any Bond upon and after the maturity thereof, or the obligation of the Authority to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to and for the equal benefit of all Bondholders at the time and place, from the source and in the manner expressed in the Bonds.

Section 8.07. <u>Termination of Proceedings</u>. In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 8.08. <u>Waivers of Events of Default</u>. The Trustee may at its discretion waive any Event of Default hereunder and its consequences, and shall do so upon the written request of the Bondholders of (1) not less than sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of all Outstanding Bonds in respect of which default in the payment of principal or interest, or both, exists or (2) not less than a majority in aggregate principal amount of all Outstanding Bonds in the case of any other Event of Default; provided, however, that there shall not be waived any Event of Default in the payment of the principal of or interest on any Outstanding Bonds unless, prior to such waiver or rescission, all arrears of principal and interest, and all expenses of the Trustee in connection with such Event of Default shall have been paid or provided for and, in the case of any Bonds to which a Credit Facility applies, any amount drawn under the Credit Facility shall have been reinstated (if applicable) or the Credit Facility Issuer shall have been reimbursed. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee, the Credit Facility Issuer and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon. The foregoing notwithstanding, so long as a Credit Facility applies to the affected Bonds and the Credit Facility Issuer has not wrongfully

failed to honor a drawing thereunder, the consent of the Credit Facility Issuer must be obtained prior to any such waiver with respect to such Bonds. Also, notwithstanding the foregoing, the consent of the Bond Insurer of the Series of Bonds as to which such Event of Default exists, which consent may not unreasonably be withheld, must be obtained prior to any such waiver becoming effective.

Section 8.09. Rights of Bond Insurer. For all purposes of this Article VIII, except for the giving of notice of default to Bondholders, each Bond Insurer shall be deemed to be the sole holder of the 1992 Insured Bonds, the 1993 Insured Bonds, the 1993A Insured Bonds or the 1994 Bonds insured by it for so long as it has not failed to comply with its payment obligations under the applicable Bond Insurance Policy.

ARTICLE IX

TRUSTEE; REGISTRAR

Section 9.01. Acceptance of Trusts. Meridian Bank is hereby appointed Trustee. The Trustee hereby accepts the trusts imposed upon it by this Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

- (a) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants shall be read into this Indenture against the Trustee. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in the exercise of such rights and powers as a prudent man would exercise under the circumstances in the conduct of his own affairs.
- (b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys or agents, and shall not be answerable for the conduct of the same if such persons are selected in accordance with the standard specified above. The Trustee shall be entitled to advice of counsel concerning its duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Authority) approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or

inaction in good faith in reliance upon such opinion or advice received in writing.

- The Trustee shall not be responsible for any (c) recital, statement or representation herein or in the Bonds (except with respect to the certificate of the Trustee endorsed on the Bonds), or for the validity of the execution by the Authority of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for reviewing any financial statements, reports, audits or annual reports and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants or agreements on the part of the City, the Department or the State Treasurer; but the Trustee may require of the Authority full information and advice as to the performance of the aforesaid covenants and agreements. Notwithstanding the foregoing, if there is a deficit in the amount deposited in the Debt Service Fund in excess of one month's required deposit, the Trustee shall make inquiry to determine whether there has been an Event of Default under Section 8.01(d) or (e) hereof. Trustee shall not be liable or responsible because of the failure of the Authority to perform any act required of it by this Indenture or because of the loss of any moneys arising through the insolvency or the act or default or omission of any depositary other than itself in which such moneys shall have been deposited under this Indenture. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance with the provisions of this Indenture or for any loss resulting from any such investment or the sale or disposition of any such investment in accordance with the provisions of this Indenture. The Trustee shall not be liable in connection with the performance of its duties under this Indenture except for its own negligence, willful misconduct or bad faith. The immunities and exemptions from liability of the Trustee shall extend to its directors, officers, employees, agents and servants and persons under the Trustee's control or supervision.
- (d) The Trustee shall not be accountable for the use of the proceeds of any Bonds disbursed in accordance with Section 2.06, 5.03 and 5.04 hereof or be accountable for any Bonds once authenticated and delivered in accordance herewith.
- (e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and believed by the Trustee to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Holder of any Bond shall

be conclusive and binding upon all future Holders of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as a Bondholder or to take any action at his request unless his Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Trustee.

- As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by the Authority Representative as sufficient evidence of the facts therein contained and, prior to the occurrence of an Event of Default of which the Trustee has been notified as provided in subsection 9.01(h) hereof, or of which by subsection 9.01(h) it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an Authority Representative to the effect that a resolution in the form therein set forth has been adopted by the Authority as conclusive evidence that such resolution has been duly adopted and is in full force and effect.
- (g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its own negligence, willful misconduct or bad faith.
- The Trustee shall not be required to take notice (h) or be deemed to have notice of any Event of Default hereunder except failure by the Authority to cause to be made any of the payments to the Trustee required to be made by Article IV hereof, an Event of Default under subsections 8.01(a) or (b), or an Event of Default under subsections 8.01 (c), (d) or (e) as to which the Authority has notified the Trustee or failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such Event of Default by the Authority, by Holders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds or by a Bond Insurer, and all notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the Principal Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.
- (i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

- (j) Notwithstanding anything elsewhere in this Indenture with respect to the authentication of any Bonds, the withdrawal of any cash, the release of any property or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, deemed desirable by the Trustee for the purpose of establishing the right of the Authority to the authentication of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.
- (k) Before taking any action referred to in Section 8.02 hereof, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence, willful misconduct or bad faith in connection with any such action. Except as provided in the preceding sentence, the Trustee may not require indemnity prior to making payment on the Bonds when due or making a drawing under any Credit Facility or obtaining payment pursuant to any Credit Facility in accordance with the terms hereof.
- (1) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received strictly in accordance with the provisions of the Act and this Indenture and shall not be commingled with any other funds of the Trustee.
- (m) All books and records in the Trustee's possession or under its control relating to the Bonds shall at all reasonable times be open to inspection by the Authority and the City and such agents as either of them may designate from time to time and by such other Persons as may be entitled under the Act to examine such books and records.
- Section 9.02. Compensation, Expenses and Advances. The Trustee shall be entitled to reasonable compensation for its services rendered hereunder (not limited by any provision of law in regard to the compensation of the trustee of an express trust and to reimbursement for its actual out-of-pocket expenses (including counsel fees) reasonably incurred in connection therewith except as a result of its own negligence, willful misconduct or bad faith. The obligation of the Authority to pay or reimburse the Trustee for expenses, fees, disbursements and advances shall survive the satisfaction and discharge of this Indenture and the resignation, removal and succession of the Trustee. If the Authority shall fail to perform any of the covenants or agreements contained in this Indenture, other than the covenants or agreements in respect of the payment of the principal of and interest on the Bonds, the Trustee may, in its

discretion and without notice to the Bondholders, but with notice to the Authority, at any time and from time to time, make advances to effect performance of the same on behalf of the Authority, but the Trustee shall be under no obligation to do so; and any and all such advances may bear interest at a rate per annum not exceeding the base rate then in effect for 90-day commercial loans by the Trustee in the city in which is located the Principal Office of the Trustee to borrowers of the highest credit standing; but no such advance shall operate to relieve the Authority from any default hereunder. The Authority shall pay the Trustee all such fees, expenses and reimbursement.

Section 9.03. Notices by Trustee.

- (a) If an Event of Default occurs of which the Trustee is by subsection 9.01(h) hereof required to take notice or if notice of an Event of Default be given as therein provided, then the Trustee shall as soon as practicable give written notice thereof to all Holders of Outstanding Bonds, the Authority, the City and any Credit Facility Issuer.
- (b) The Trustee shall give notice to the Authority and the City whenever it is required hereby to give notice to either of them and, additionally, shall furnish to the Authority and the City copies of any other notice given by it pursuant to any provision hereof. The Trustee shall send copies of all notices which it gives or receives under this Indenture to any Credit Facility Issuer.
- (c) The Trustee shall send copies of any notices given pursuant to Sections 9.03(a) or (b) to S&P, Moody's, Fitch and any Credit Facility Issuer.

Section 9.04. <u>Intervention by Trustee</u>. The Authority shall notify the Trustee and each Bond Insurer then insuring Outstanding Bonds promptly of any judicial proceeding to which the Authority is a party. In any judicial proceeding to which the Authority is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Bondholders, the Trustee may intervene on behalf of Bondholders and shall do so, upon receipt of indemnity satisfactory to it, if requested in writing by the Holders of at least twenty-five percent (25%) of the aggregate principal amount of Outstanding Bonds or by a Bond Insurer then insuring Outstanding Bonds.

Section 9.05. <u>Successor Trustee</u>. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become successor Trustee hereunder and vested with all of the title to the Trust

Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided such successor corporation or association meets the requirements of Section 9.08 hereof.

Section 9.06. Resignation by the Trustee. The Trustee may resign and be discharged of the trusts created by this Indenture by executing an instrument in writing resigning such trust and specifying the date when such resignation shall take effect, and filing the same with the Authority and the Commonwealth not less than thirty (30) days before the date specified in such instrument when such resignation shall take effect, and by giving notice of such resignation, not less than three weeks prior to such resignation date, to all Bondholders. Such resignation shall take effect on the day specified in such instrument and notice, unless previously a successor Trustee shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor Trustee; provided that such resignation shall not take effect until the appointment of a temporary or successor Trustee by the Bondholders, by the Authority or by a court of competent jurisdiction and the acceptance of such appointment by such successor. The Trustee shall be reimbursed for all reasonable costs incurred by it if it is necessary for the Trustee to apply to any court for the appointment of a successor.

Section 9.07. Removal of Trustee. The Trustee may be removed at any time by (a) an instrument or concurrent instruments in writing delivered to the Trustee, the Commonwealth, the Authority and the City and signed by the Holders of a majority in aggregate principal amount of Outstanding Bonds or (b) provided no Event of Default exists, by the Authority in its discretion by an instrument in writing delivered to the Trustee, the Commonwealth and the Bondholders; provided that such removal shall not become effective until a successor has been appointed and has accepted the duties of Trustee.

Section 9.08. Appointment of Successor Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court or any regulatory authority, a successor may be appointed by the Authority, by an instrument executed, attested and sealed by an Authority Representative. Notwithstanding anything herein to the contrary, if any Credit Facility is in effect and such Credit Facility Issuer has not wrongfully failed to honor a drawing under the

Credit Facility or otherwise defaulted thereunder, no successor Trustee shall be appointed unless approved by such Credit Facility Issuer. If no successor Trustee shall have been so appointed and have accepted appointment within thirty (30) days after the giving of the notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a temporary Trustee. Such temporary Trustee so appointed by a court of competent jurisdiction shall immediately and without further act be superseded by the Trustee appointed by the Authority. After any appointment by the Authority, it shall cause notice of such appointment to be given to the Commonwealth and the City and to be given to all Bondholders. Every such Trustee appointed pursuant to the provisions of this Section 9.08 shall be a trust company or bank with trust powers in good standing with a place of business in the Commonwealth having a reported capital and surplus of not less than \$50,000,000 if there be such an institution willing, qualified and able to accept the trust upon customary terms.

Section 9.09. Acceptance by Successor Trustee. successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority and the Commonwealth an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Authority, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. The predecessor Trustee shall take all steps necessary to be taken on the Trustee's part to cause any Credit Facility outstanding to be transferred to the successor Trustee. Should any instrument in writing from the Authority be required by any successor Trustee to more fully and certainly vest in such successor Trustee the Trust Estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. If applicable, the successor Trustee shall cause any Credit Facility to be transferred to it pursuant to the terms The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office where the Indenture shall have been filed or recorded.

Section 9.10. <u>Several Capacities</u>. Anything in this Indenture to the contrary notwithstanding, the same entity may serve hereunder as the Trustee and Registrar, to the extent permitted by law.

Section 9.11. Dealings in Bonds and With the Authority and the City. The Trustee and the Registrar, in their individual capacities, may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder, and may join in any action which any Bondholder may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee and the Registrar, in their individual capacities, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority, and may act as depository, trustee, or agent for any committee or body of Bondholders secured hereby as freely as if it did not act in any capacity hereunder.

Section 9.12. <u>Registrar</u>. The Trustee is hereby appointed as the initial Registrar for the Bonds. The Authority may appoint one or more additional Registrars. The Authority shall appoint any successor Registrar for the Bonds subject to the conditions set forth in Section 9.13 hereof. Each Registrar other than the Trustee shall designate to the Authority and the Trustee its Principal Office and signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to the Authority and the Trustee under which such Registrar will agree, particularly, to keep the Bond Register and such other 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 Authority shall cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued whereby Bonds executed by the Authority and authenticated by the Trustee shall be made available for exchange, registration and registration of transfer at the Principal Office of the Registrar.

Section 9.13. Qualifications of Registrar: Resignation: Removal. Each Registrar shall be a corporation or national association duly organized under the laws of the United States of America or any state or territory thereof, having a reported capital and surplus of not less than \$50,000,000 and authorized by law to perform all the duties imposed upon it by this Indenture. The Registrar may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty 50) days' notice to the Authority, the Trustee and the Commonwealth. The Registrar may be removed at any time by an instrument, signed by the Authority, filed with the Registrar and the Trustee.

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In the event of the resignation or removal of the Registrar, the Registrar shall deliver any Bonds held by it in such capacity to its successor or, if there be no successor, to the Trustee.

In the event that the Authority shall fail to appoint a Registrar hereunder, or in the event that the Registrar shall resign or be removed, or be dissolved, or if the property or affairs or the Registrar shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Trustee may petition any court of competent jurisdiction for the appointment of a Registrar and shall be reimbursed by the Authority for all costs and expenses incurred in connection therewith.

ARTICLE X

SUPPLEMENTAL INDENTURES

Section 10.01. <u>Supplemental Indentures Not Requiring Consent of Bondholders</u>. The Authority and the Trustee may, without consent of or notice to any of the Bondholders, enter into a Supplemental Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in this Indenture:
- (b) To grant to or confer upon the Bondholders or the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;
- (c) To subject to this Indenture additional revenues or collateral;
- (d) To modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;
- (e) To provide for the adoption of a book-entry registration of any Series of Bonds;
- (f) To evidence the appointment of a separate or co-Trustee or the succession of a new Trustee hereunder;

- (g) To authorize the issuance and establish the terms of Additional Bonds and to effect an interest rate swap agreement, an interest rate cap or floor agreement or other similar agreement;
- (h) To make any other change in this Indenture, including changes in connection with the Authority's issuance of subordinated debt, which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders;
- (i) To secure or maintain the rating for the Bonds from S&P and/or Moody's and/or Fitch;
- (j) To cure any defects in this Indenture which would, if not cured, cause the interest on Bonds which at the time of issuance was intended to be excluded from gross income for federal income tax purposes not to be so excluded;
- (k) To make any change permitted under Section 5.09; or
- (1) To make any other change in this Indenture which is approved by the Credit Facility Issuer if at the time of such change a Credit Facility is in effect and there has been no failure by the Credit Facility Issuer to make any payment under the Credit Facility or, if a new Credit Facility is being obtained, which is requested by the new Credit Facility Issuer and is to be effective only at the time the new Credit Facility becomes effective, except a change specified in Section 10.02 hereof as requiring the consent of the Holders of all Outstanding Bonds or a change which would affect the rights of the Authority unless the Authority approves of such change.

In exercising its discretion under this Section 10.01, the Trustee shall not unreasonably withhold its consent to any Supplemental Indenture for any of the foregoing purposes. The Trustee shall have the right to require an opinion of counsel that such Supplemental Indenture is authorized and permitted under this Indenture.

Section 10.02. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of Supplemental Indentures permitted by Section 10.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Bondholders of not less than a majority in aggregate principal amount of the Outstanding Bonds which would be adversely affected thereby shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such other Supplemental Indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in

any Supplemental Indenture; provided, however, that nothing in this Section 10.02 or in Section 10.01 hereof shall permit, or be construed as permitting, without the consent of the Holders of all Bonds Outstanding which would be adversely affected thereby, (a) an extension of the maturity of the principal of or the interest on any Bond issued hereunder, (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or a change in the terms of redemption of the Bonds, (c) a privilege or priority of any Bond or Bonds over any Outstanding Bond or Bonds, (d) a reduction in the aggregate principal amount of the Bonds required for consent to Supplemental Indentures, (e) the creation of any lien ranking prior to or on a parity with the lien of this Indenture on the Trust Estate or any part thereof, except as hereinbefore expressly permitted, (f) the deprivation of the Bondholder of any Outstanding Bond of the lien hereby created on the Trust Estate or (g) an adverse affect on the interest of the Bondholders in any Credit Facility; and further provided that no amendment shall be permitted by this Section without the consent of the Credit Facility Issuer so long as the Credit Facility Issuer has not wrongfully failed to honor a drawing under the Credit Facility or otherwise defaulted thereunder.

If at any time the Authority shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section 10.02, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given to all Holders of Outstanding Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Bondholders. If, within sixty (60) days or such longer period as shall be prescribed by the Authority following such notices, the Holders of not less than a majority in aggregate principal amount of affected Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Bondholder shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. the execution of any such Supplemental Indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Notwithstanding any other provisions of this Indenture, including the provisions of this Section 10.02, upon receipt of consent of the Holders of the applicable percentage of principal amount of Outstanding 1992 Bonds and 1993 Bonds and compliance with the other requirements of this Indenture for amendments with Bondholder consent, but without the need for consent of any

Holders of 1993A Bonds or 1994 Bonds, (1) the term "Debt Service Reserve Requirement* may be amended to mean, with respect to all Bonds, an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds Outstanding under this Indenture and (ii) the maximum amount permitted by the Internal Revenue Code of 1986, as amended, (2) the provisions of this Indenture regarding the Debt Service Reserve Fund may be amended to eliminate the need for separate accounts in respect of each series of Bonds, and (3) any surplus funds in the Debt Service Reserve Fund upon the effectiveness of the foregoing amendments shall be applied by the Trustee as directed in writing by the Authority, provided that, if such direction is other than to deposit such surplus funds in the Debt Service Fund or the Bond Redemption Fund, the Authority shall provide the Trustee with an opinion of nationally recognized bond counsel that the proposed application is permitted under the Act and will not adversely affect the exclusion of interest on any Bonds from gross income for purposes of federal income taxation.

Section 10.03. <u>Consent of City</u>. Notwithstanding any other provision in this Article X, no amendment or supplement to Section 5.05 of this Indenture which affects the payments to the City Account shall be effective unless the prior written consent of the City to such amendment or supplement is obtained. Copies of all amendments or supplements to this Indenture shall be filed with the City prior to the execution and delivery thereof.

Section 10.04. Consent of Bond Insurer. Notwithstanding any other provision in this Article X, no amendment or supplement shall be effective unless the prior written consent of each Bond Insurer to such amendment or supplement is obtained, provided that a Bond Insurer may not unreasonably withhold its consent to an amendment or supplement pursuant to Section 10.01(j). The Authority shall provide each Bond Insurer with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

Section 10.05. Notice to Rating Agencies. At least fifteen (15) days prior to the execution of any amendment or supplement to the Indenture, the Authority shall provide notice thereof to S&P, Moody's and Fitch. The Authority shall send copies of all amendments and supplements to the Indenture to S&P, Moody's, Fitch and any Credit Facility Issuer.

ARTICLE XI

MISCELLANEOUS

Section 11.01. <u>Consents of Bondholders</u>. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of counterparts and may be

executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the written appointment of any such agent or of the ownership of Bonds shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument if made in the following manner:

- (a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.
- (b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same shall be proved by the Bond Register.

Section 11.02. <u>Limitation of Rights</u>. With the exception of any rights herein expressly conferred, nothing expressed or implied in this Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the Credit Facility Issuer, and the Holders of the Bonds, any legal or equitable right, remedy or claim under or with respect to this Indenture or any covenants, conditions and provisions herein contained, this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Credit Facility Issuer and the Holders of the Bonds as herein provided. Notwithstanding the foregoing, the City shall have the right to enforce the provisions of Section 10.03 hereof and Section 5.05 hereof relating to transfers to the City after application in accordance with the terms of such section, which provisions are hereby declared to be for the benefit of the City.

Section 11.03. <u>Severability</u>. If any provision of this Indenture shall be held or deemed to be illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not affect any other provision or provisions hereof, and this Indenture shall be construed as if such illegal, invalid, or unenforceable provision had never been contained herein.

Section 11.04. No Personal Liability of Authority Officials. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 11.05. Bonds Owned by the Authority. determining whether Bondholders of the requisite aggregate principal amount of the Bonds have concurred in any direction, consent or waiver under this Indenture, Bonds which are owned by the Authority (unless the Authority owns all Bonds which are then Outstanding) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only Bonds which the Trustee's records establish conclusively as so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Authority. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 11.06. <u>Successors and Assigns</u>. All the covenants, promises and agreements in this Indenture contained by or on behalf of the Authority, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether or not so expressed.

Section 11.07. <u>Notices</u>. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram, addressed as follows:

If to the Authority:

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street 14th Floor Philadelphia, PA 19102

Attention: Executive Director

If to the Trustee or Registrar:

Meridian Bank 35 North Sixth Street Reading, PA 19601 Attention: Corporate Trust Administration

If to the City:

City of Philadelphia Municipal Services Building 1401 J.F. Kennedy Boulevard Philadelphia, PA 19102

Attention: Director of Finance

If to Moody's:

Moody's Investors Service 99 Church Street New York, NY 10007

If to S&P:

Standard & Poor's Ratings Group 25 Broadway New York, NY 10004

If to Fitch:

Fitch Investors Service, Inc. One State Street Plaza New York, NY 10004

If to the State Treasurer:

The Honorable Treasurer of the Commonwealth of Pennsylvania Office of the State Treasurer 129 Finance Building Harrisburg, PA 17120

If to the Department:

Secretary of Revenue Pennsylvania Department of Revenue Dept. 281100 Harrisburg, PA 17128

If to the Bond Insurer (as applicable):

Financial Guaranty Insurance Company 115 Broadway New York, NY 10006

Attention: Managing Counsel

Municipal Bond Investors Assurance Corporation 113 King Street Armonk, NY 10504

Attention: General Counsel

If to the Fiscal Agent for FGIC:

State Street Bank and Trust Company, N.A. 61 Broadway
New York, NY 10006

Attention: Corporate Trust Department

If to the Fiscal Agent for MBIA:

State Street Bank and Trust Company, N.A. 61 Broadway
New York, NY 10006

Attention: Corporate Trust Department

The above parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.08. Payments Due on Saturdays, Sundays and Holidays. In any case where the Interest Payment Date or date of maturity of principal of the Bonds or the date fixed for redemption or purchase upon tender of any Bonds shall not be a Business Day, then payment of principal, premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date or date of maturity of principal or the date fixed for redemption, and no interest shall accrue for the period after such Interest Payment Date, date of maturity of principal or redemption date.

Section 11.09. <u>Credit Facility Issuer's Rights</u>. Any Credit Facility Issuer is hereby explicitly recognized as a third party beneficiary of this Indenture and shall be entitled to enforce the obligations of the Trustee and the Authority hereunder. In the event any Credit Facility shall have terminated without being replaced by another Credit Facility and such Credit Facility shall have been cancelled and surrendered to the related Credit Facility Issuer, then no further action with respect to such Credit Facility or notice to or consent of such Credit Facility Issuer shall be required under the terms of this

Indenture and such Credit Facility Issuer shall cease to be a third party beneficiary of this Indenture.

Section 11.10. <u>Bond Insurers' Rights</u>. Each Bond Insurer is hereby explicitly recognized as a third party beneficiary of this Indenture and shall be entitled to enforce the obligations of the Trustee and the Authority hereunder. When the 1992 Insured Bonds, the 1993 Insured Bonds, the 1993A Insured Bonds or the 1994 Bonds are no longer Outstanding, no further notice to or consent or approval of the respective Bond Insurer shall be required under the terms of this Indenture and such Bond Insurer shall cease to be a third party beneficiary of this Indenture. In addition, no consent or approval of a Bond Insurer shall be required under the terms of this Indenture unless a Bond Insurance Policy issued by such Bond Insurer is in full force and effect and such Bond Insurer is not in default of its payment obligations under its Bond Insurance Policy.

Section 11.11. <u>Counterparts</u>. This Indenture may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.12. <u>Governing Law</u>. This Indenture shall be governed by and construed in accordance with the laws of the Commonwealth.

Section 11.13. <u>Rules of Interpretation</u>. Unless expressly indicated otherwise, references to Sections or Articles are to be construed as references to Sections or Articles of this Indenture as originally executed. Use of the words "herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to this Indenture and not solely to the particular portion in which any such word is used.

Section 11.14. <u>Captions</u>. The captions and headings in this Indenture are for reference purposes only and shall not control or affect the meaning or interpretation of any provisions of this Indenture.

IN WITNESS WHEREOF, the Authority has caused these presents to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials; and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be executed in its name and

with its corporate seal hereunto affixed and attested by its respective duly authorized signers, as of the date first above written.

[SEAL]

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Attest:

By: Charassets. Illie

By:

Pitle: (Vice) Chairperson

TICL

[SEAL]

MERIDIAN BANK, as Trustee

Attest:

...

itle: | PRESIDENT

By:

Title:

LYNN S. ANDERSON VICE PRESIDENT

EXHIBIT A

(Form of Fully Registered Bond)

No. R

\$

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Bonds (City of Philadelphia Funding Program)

Series of 1992

Interest Rate Maturity
__Date__

Dated Date

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6) (the "Act"), for value received, hereby promises to pay (but only out of Pledged Revenues (as hereinafter defined) to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Revenues) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from June 1, 1992, on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing December 15, 1992, until payment of the principal sum or provision therefor shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the Principal Office of ________, or its successor, as Trustee (the "Trustee"). Interest on this Bond

will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Authority (the "Bond Register") maintained by CoreStates Bank, N.A. or its successor as Registrar and at the address appearing thereon on the last day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a Bondholder of \$1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on the fifteenth (15th) day prior to the date set for the payment of such defaulted interest (the "Special Payment Date"). Such Special Payment Date shall be fixed by the Trustee in accordance with Section 2.03 of the Indenture (as hereinafter defined). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Interest on the Series 1992 Bonds (as hereinafter defined) shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months and the actual number of days elapsed.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REPERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THIS BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, EXCEPT THE AUTHORITY, BUT INCLUDING THE CITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF ANY EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE SERIES 1992 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER, OTHER THAN FOR THE ADVANCE OF FUNDS FOR INITIAL OPERATING EXPENSES OF THE AUTHORITY AS PROVIDED IN THE ACT, WHICH ADVANCE IS TO BE REPAID BY THE AUTHORITY AS SET

FORTH IN THE ACT. OBLIGEES OF THE AUTHORITY, INCLUDING HOLDERS OF BONDS, SHALL HAVE NO RECOURSE, EITHER LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, INCLUDING THE CITY, FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 1992 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office of the Registrar. No transfer shall be valid as against the Authority or the Trustee unless made by the registered owner in person or by his duly authorized attorney or legal representative and similarly noted upon the Bond Register and hereon. Upon any such transfer or exchange, the Authority shall issue and, after due authentication by the Trustee, shall deliver to or upon the order of the registered owner, a new registered Bond or Bonds, in authorized denominations aggregating the principal amount hereof, maturing on the same date, bearing interest at the same rate, bearing the same series designation as this Bond and registered in such names as shall be requested.

The Authority, the Trustee and the Registrar may treat the person in whose name this Bond is registered as the absolute owner of this Bond for all purposes whether or not this Bond shall be overdue, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All payments of the principal, interest or redemption price made to the registered owner hereof in the manner set forth herein and in the Indenture shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, whether or not notation of the same be made hereon, and any consent, waiver or action taken by such registered owner pursuant to the provisions of the Indenture shall be conclusive and binding upon such registered owner, his heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any Bond issued in exchange therefor.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL, FOR ALL PURPOSES, HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the Commonwealth of Pennsylvania to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Bond, exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing this Bond nor any such officer, agent or employee shall be liable personally on this Bond or under the Indenture or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond, all such liability of such members, officers, agents and employees being released as a condition of and as consideration for the execution of the Indenture and the issuance of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this Bond to be executed with the facsimile signature of its Chairperson and a facsimile of its official seal to be imprinted hereon and attested with the facsimile signature of its Secretary or Assistant Secretary.

[SEAL]	PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
Attest:	By:
	Chairperson
Secretary	

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 1992 Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on this Bond is the complete text of the opinion of Wolf, Block, Schorr and Solis-Cohen and Drinker Biddle & Reath, both of Philadelphia, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1992 Bonds.

552265 2772 20	• *		
	, Trustee		
	By: Authorized Signature		
Date of Authentication:			

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of \$474,555,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "Series 1992 Bonds"), all of like date and tenor. The Series 1992 Bonds are issued to make grants to the City of Philadelphia, Pennsylvania (the "City") to finance certain deficits of the City, to finance certain capital projects of the City and to provide funds to enable the City to enhance productivity in the operation of City government and for other purposes permitted by the Act and thereby to accomplish the public purposes set forth in the Act.

The Series 1992 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted June 4, 1992 (the "Resolution") and under an Indenture of Trust dated as of June 1, 1992 (the "Indenture"), executed and delivered by the Authority to the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i) all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues").

Initial capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Optional Redemption

The Series 1992 Bonds maturing on and after June 15, 2003 are redeemable by the Authority, on or after June 15, 2002, in whole at any time or in part at any time, and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 1992 Bonds maturing on June 15, 2002, 2006, 2012 and 2022 are subject to mandatory sinking fund redemption prior to maturity on June 15 of the years and in the amounts set forth below in direct order of maturity and within a maturity as chosen by the Trustee by lot at 100% of the principal amount

thereof plus accrued interest, or to redemption through purchase as hereinafter provided:

2002 Maturity		2006 Maturity	
Year (June 15)	Amount	Year (June 15)	Amount
2001	\$48,250,000	2003 2004 2005	\$3,430,000 3,655,000 3,900,000
2012 Maturity		2022 Maturity	
Year (June 15)	Amount	Year (June 15)	Amount
2007 2008 2009 2010 2011	\$4,430,000 4,730,000 5,055,000 5,400,000 5,765,000	2013 2014 2015 2016 2017 2018 2019 2020 2021	\$6,575,000 7,025,000 7,500,000 8,010,000 8,555,000 9,135,000 9,760,000 10,420,000 11,130,000

Prior to May 1 of each year in which Series 1992 Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1992 Bonds Sinking Fund Account of as many Series 1992 Bonds then subject to mandatory sinking fund redemption on the next June 15 as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund).

Notice of Redemotion

When the Authority shall determine to redeem Series 1992 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 1992 Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series 1992 Bonds from moneys in the Bond Redemption Fund, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall, among other things, state the redemption price and the date fixed for

redemption, that on such date the Series 1992 Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series 1992 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 1992 Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the redemption date, addressed to the Holders of Series 1992 Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Series 1992 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 1992 Bonds.

Reference is made to the Act, the Resolution, the Indenture and the PICA Tax Ordinance, executed or certified counterparts of which are on file at the principal corporate trust office of the Trustee, for statements of the purposes for which the Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Bonds (including the Income Tax) and the nature, extent and manner of enforcement of such security, certain covenants of the Authority and the City made for the benefit of Bondholders, the terms and conditions under which the Indenture may be amended or modified, the rights and duties of the Authority and the Trustee, and the extent of the rights of the registered owners of the Bonds issued under the Indenture.

STATEMENT OF INSURANCE*

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 which are scheduled to mature on June 15 in each of the years 1996 through 2000 and 2002 (the "Insured Bonds"), such policy being on file at the principal office of the Trustee, as paying agent (the "Paying Agent"):

Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholders of the Insured Bonds that portion of the principal of and interest on the Insured Bonds which is then due for payment and which the issuer of the Insured Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to the principal, the stated maturity date thereof, or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which the payment of principal of the Insured Bonds is due by reason of call for redemption (other than mandatory sinking fund redemption), acceleration or other advancement of maturity, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Paying Agent to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Paying Agent, Financial Guaranty on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with Citibank, N.A., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein, the term "Bondholder" means the person other than the Issuer or the City, as such term is defined in the bond documents, who at the time of nonpayment of an Insured Bond is entitled under the terms of such Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY

^{*} To be printed only on 1992 Insured Bonds

(FORM OF ASSIGNMENT)

ASSIGNMENT

•	andersidued hereby seris,	assigns
	whose taxpayer	
identification number is	the within Bond and a	all
rights thereunder, and hereby	irrevocably constitutes and	đ
appoints	attorney to transfer said	Bond on
the books of the Registrar, withe premises.	rith full power of substitut	ion in
Dated:		
Signature Guaranteed:		
		•

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B

(Form of Fully Registered 1993 Bond)

No. R

\$

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Bonds (City of Philadelphia Funding Program)

Series of 1993

Interest Rate Maturity Date

Dated Date

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6) (the "Act"), for value received, hereby promises to pay (but only out of Pledged Revenues (as hereinafter defined)) to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Revenues) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from August 1, 1993, on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing December 15, 1993, until payment of the principal sum or provision therefor shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the Principal Office of Meridian Bank, or its successor, as Trustee (the "Trustee"). Interest on this Bond will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Authority (the "Bond").

Register") maintained by Meridian Bank or its successor as Registrar and at the address appearing thereon on the last day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a Bondholder of \$1,000,000 or more in aggregate principal amount of Series 1993 Bonds (as hereinafter defined), by wire transfer to an account in a bank located in the United States designated by such Bondholder. such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on the fifteenth (15th) day prior to the date set for the payment of such defaulted interest (the "Special Payment Date"). Such Special Payment Date shall be fixed by the Trustee in accordance with Section 2.03 of the Indenture (as hereinafter defined). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Interest on the Series 1993 Bonds shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THIS BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, EXCEPT THE AUTHORITY, BUT INCLUDING THE CITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF ANY EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE SERIES 1993 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WEATSOEVER. OBLIGEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 1993 BONDS, SHALL HAVE NO RECOURSE, EITHER LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, INCLUDING THE CITY, FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 1993 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office of the Registrar. No transfer shall be valid as against the

Authority or the Trustee unless made by the registered owner in person or by his duly authorized attorney or legal representative and similarly noted upon the Bond Register and hereon. Upon any such transfer or exchange, the Authority shall issue and, after due authentication by the Trustee, shall deliver to or upon the order of the registered owner, a new registered Bond or Bonds, in authorized denominations aggregating the principal amount hereof, maturing on the same date, bearing interest at the same rate, bearing the same series designation as this Bond and registered in such names as shall be requested.

The Authority, the Trustee and the Registrar may treat the person in whose name this Bond is registered as the absolute owner of this Bond for all purposes whether or not this Bond shall be overdue, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All payments of the principal, interest or redemption price made to the registered owner hereof in the manner set forth herein and in the Indenture shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, whether or not notation of the same be made hereon, and any consent, waiver or action taken by such registered owner pursuant to the provisions of the Indenture shall be conclusive and binding upon such registered owner, his heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any Bond issued in exchange therefor.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL, FOR ALL PURPOSES, HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the Commonwealth of Pennsylvania to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Bond, exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing this Bond nor any such officer, agent or employee shall be liable personally on this Bond or under the Indenture or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond, all such liability of such members, officers, agents and employees being released as a condition of and as consideration for the execution of the Indenture and the issuance of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this Bond to be executed with the facsimile signature of its Chairperson and a facsimile of its official seal to be imprinted hereon and attested with the facsimile signature of its Secretary or Assistant Secretary.

[SEAL]	PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY	
Attest:	By: Chairperson	
Secretary	·	

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 1993 Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on this Bond is the complete text of the opinion of Dilworth, Paxon, Kalish & Kauffman and Wolf, Block, Schorr and Solis-Cohen, both of Philadelphia, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1993 Bonds.

	Meridian Bank, Trustee
	By: Authorized Signature
Date of Authentication:	

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of \$643,430,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "Series 1993 Bonds"). [This Bond is one of the Series 1993 Bonds issued as serial bonds, all of like date and tenor, except as to maturity date and interest rate. This Bond is one of the Series 1993 Bonds term bonds maturing on June 15, ____, all of like date and tenor. This Bond is [not] one of the term bonds insured by a financial guaranty insurance policy.] The Series 1993 Bonds are issued to make grants to the City of Philadelphia, Pennsylvania (the "City") to finance certain capital projects of the City and to provide funds to enable the City to refund certain of its general obligation bonds and for other purposes permitted by the Act and thereby to accomplish the public purposes set forth in the Act.

The Series 1993 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on July 23, 1993 (the "Resolution") and under an Indenture of Trust dated as of June 1, 1992, as amended and supplemented by a First Supplemental Indenture of Trust dated as of June 22, 1992 and by a Second Supplemental Indenture of Trust dated as of July 15, 1993 (collectively, the "Indenture"), between the Authority and the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i) all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues").

Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Optional Redemption

The Series 1993 maturing on and after June 15, 2004 are redeemable by the Authority, on or after June 15, 2003, in whole at any time or in part at any time, and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount, plus accrued interest to the redemption date.

Insert provisions regarding serial bonds as insured and uninsured term bonds, as appropriate.

Mandatory Sinking Fund Redemption

The Series 1993 Bonds maturing on June 15, 2015, consisting of \$ which are insured and \$ which are uninsured, and June 15, 2023, consisting of \$ which are insured and \$ which are uninsured, are subject to mandatory sinking fund redemption prior to maturity on June 15 of the years and in the amounts set forth below in direct order of maturity and within a maturity as chosen by the Trustee by lot at 100% of the principal amount thereof plus accrued interest, or to redemption through purchase as hereinafter provided:

Ma	aturity	M	aturity
Year	3	Year	•
(June 15)	<u>Amount</u>	<u>(June 15)</u>	<u>Amount</u>

Prior to May 1 of each year in which Series 1993 Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1993 Bonds Sinking Fund Account of as many Series 1993 Bonds then subject to mandatory sinking fund redemption on the next June 15 as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund).

Notice of Redemption

When the Authority shall determine to redeem Series 1993 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 1993 Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series 1993 Bonds from moneys in the Bond Redemption Fund, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall, among other things, state the redemption price and the date fixed for redemption, that on such date the Series 1993 Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series 1993 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 1993 Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such

redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the redemption date, addressed to the Holders of Series 1993 Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Series 1993 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 1993 Bonds.

Reference is made to the Act, the Resolution, the Indenture and the PICA Tax Ordinance, executed or certified counterparts of which are on file at the principal corporate trust office of the Trustee, for statements of the purposes for which the Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Bonds (including the Income Tax) and the nature, extent and manner of enforcement of such security, certain covenants of the Authority and the City made for the benefit of Bondholders, the terms and conditions under which the Indenture may be amended or modified, the rights and duties of the Authority and the Trustee, and the extent of the rights of the registered owners of the Bonds issued under the Indenture.

STATEMENT OF INSURANCE

[To come]

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns
and transfers unto whose taxpayer
identification number is the within Bond and all
rights thereunder, and hereby irrevocably constitutes and
appoints attorney to transfer said Bond on
appoints attorney to transfer said Bond on the books of the Registrar, with full power of substitution in the premises.
Dated:
Signature Guaranteed:
NOTICE: The signature to this Assignment must correspond with
the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change

OSB:238501.9

whatever.

EXHIBIT C

(Form of Fully Registered 1993A Bond)

No. R-

\$

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program)

Series of 1993A

Interest Rate Maturity
__Date__

Dated Date

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6) (the "Act"), for value received, hereby promises to pay (but only out of Pledged Revenues (as hereinafter defined)) to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Revenues) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from August 15, 1993, on June 15 and December 15 in each year (each, an *Interest Payment Date"), commencing December 15, 1993, until payment of the principal sum or provision therefor shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the Principal Office of Meridian Bank, or its successor, as Trustee (the "Trustee"). Interest on this Bond will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Authority (the "Bond").

Register") maintained by Meridian Bank or its successor as Registrar and at the address appearing thereon on the last day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a Bondholder of \$1,000,000 or more in aggregate principal amount of Series 1993A Bonds (as hereinafter defined), by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on the fifteenth (15th) day prior to the date set for the payment of such defaulted interest (the "Special Payment Date"). Such Special Payment Date shall be fixed by the Trustee in accordance with Section 2.03 of the Indenture (as hereinafter defined). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Interest on the Series 1993A Bonds shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THIS BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, EXCEPT THE AUTHORITY, BUT INCLUDING THE CITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF ANY EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE SERIES 1993A BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 1993A BONDS, SHALL HAVE NO RECOURSE, EITHER LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, INCLUDING THE CITY, FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 1993A BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office of the Registrar. No transfer shall be valid as against the

Authority or the Trustee unless made by the registered owner in person or by his duly authorized attorney or legal representative and similarly noted upon the Bond Register and hereon. Upon any such transfer or exchange, the Authority shall issue and, after due authentication by the Trustee, shall deliver to or upon the order of the registered owner, a new registered Bond or Bonds, in authorized denominations aggregating the principal amount hereof, maturing on the same date, bearing interest at the same rate, bearing the same series designation as this Bond and registered in such names as shall be requested.

The Authority, the Trustee and the Registrar may treat the person in whose name this Bond is registered as the absolute owner of this Bond for all purposes whether or not this Bond shall be overdue, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All payments of the principal, interest or redemption price made to the registered owner hereof in the manner set forth herein and in the Indenture shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, whether or not notation of the same be made hereon, and any consent, waiver or action taken by such registered owner pursuant to the provisions of the Indenture shall be conclusive and binding upon such registered owner, his heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any Bond issued in exchange therefor.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL, FOR ALL PURPOSES, HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the Commonwealth of Pennsylvania to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Bond, exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing this Bond nor any such officer, agent or employee shall be liable personally on this Bond or under the Indenture or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond, all such liability of such members, officers, agents and employees being released as a condition of and as consideration for the execution of the Indenture and the issuance of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this Bond to be executed with the facsimile signature of its Chairperson or Vice Chairperson and a facsimile of its official seal to be imprinted hereon and attested with the facsimile signature of its Secretary or Assistant Secretary.

(SEAL)		PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY	
Attest:		By: (Vice) Chairperson	
(Aggigtant)	Secretary	•	

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 1993A Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on this Bond is the complete text of the opinion of Dilworth, Paxson, Kalish & Kauffman and Wolf, Block, Schorr and Solis-Cohen, both of Philadelphia, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1993A Bonds.

	Meridian Bank, Trustee
	By: Authorized Signature
Date of Authentication:	

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of \$178,675,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "Series 1993A Bonds"). [This Bond is one of the Series 1993A Bonds issued as serial bonds, all of like date and tenor, except as to maturity date and interest rate.] [This Bond is one of the Series 1993A Bonds issued as term bonds maturing on June 15, _____, all of like date and tenor.] This Bond is [not] one of the Series 1993A Bonds insured by a financial guaranty insurance policy. The Series 1993A Bonds are issued to refund certain of the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992.

The Series 1993A Bonds are issued under and pursuant to the Act and resolutions of the Authority duly adopted on August 19, 1993 and September 8, 1993 (the "Resolutions") and under an Indenture of Trust dated as of June 1, 1992, as amended and supplemented by a First Supplemental Indenture of Trust dated as of June 22, 1992, a Second Supplemental Indenture of Trust dated as of July 15, 1993 and a Third Supplemental Indenture of Trust dated as of August 15, 1993 (collectively, the "Indenture"), between the Authority and the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i) all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues").

Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Optional Redemption

The Series 1993A Bonds maturing on and after June 15, 2004 are redeemable by the Authority, on or after June 15, 2003, in whole or in part at any time, and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 1993A Bonds maturing on June 15, 2013 and June 15, 2022 are subject to mandatory sinking fund redemption prior to maturity on June 15 of the years and in the amounts set forth

below in direct order of maturity and within a maturity (treating the 1993A Insured Term Bonds and the 1993A Uninsured Term Bonds maturing June 15, 2013 as separate maturities for this purpose) as chosen by the Trustee by lot at 100% of the principal amount thereof plus accrued interest, or to redemption through purchase as hereinafter provided:

1993A Insured Term Bonds Maturing June 15, 2013

1993A Uninsured Term Bonds Maturing June 15, 2013

Year (June 15) Amount	Year (June	15) Amount
2009	\$2,160,000	2009	\$4,665,000
2010	2,280,000	2010	4,885,000
2011	2,400,000	2011	5,125,000
2012	2,520,000	2012	5,380,000
2013*	2,640,000	2013	5,655,000

1993A Insured Term Bonds Maturing June 15, 2022

Year (June 15)	Amount
2014	\$ 8,710,000
2015	9,145,000
2016	9,600,000
2017	10,080,000
2018	10,585,000
2019	11,120,000
2020	11,670,000
2021	12,255,000
2022*	12,865,000

Prior to May 1 of each year in which Series 1993A Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1993A Bonds Sinking Fund Account of as many Series 1993A Bonds then subject to mandatory sinking fund redemption on the next June 15 as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund).

^{*} Maturity

Notice of Redemption

When the Authority shall determine to redeem Series 1993A Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 1993A Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series 1993A Bonds from moneys in the Bond Redemption Fund, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall, among other things, state the redemption price and the date fixed for redemption, that on such date the Series 1993A Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series 1993A Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 1993A Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such redemption, without the requirement of written notice. notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the redemption date, addressed to the Holders of Series 1993A Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Series 1993A Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 1993A Bonds.

Reference is made to the Act, the Resolutions, the Indenture and the PICA Tax Ordinance, executed or certified counterparts of which are on file at the principal corporate trust office of the Trustee, for statements of the purposes for which the Series 1993A Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series 1993A Bonds (including the Income Tax) and the nature, extent and manner of enforcement of such security, certain covenants of the Authority and the City made for the benefit of Bondholders, the terms and conditions under which the Indenture may be amended or modified, the rights and duties of the Authority and the Trustee, and the extent of the rights of the registered owners of the Bonds issued under the Indenture.

STATEMENT OF INSURANCE

[To come]

(FORM OF ASSIGNMENT)

ASSIGNMENT

	undersigned hereby sells, assigns
and transfers unto	, whose taxpayer
identification number is	, the within Bond and all
rights thereunder, and hereby	irrevocably constitutes and
appoints	attorney to transfer said Bond on
the books of the Registrar, which the premises.	attorney to transfer said Bond on ith full power of substitution in
Dated:	
Signature Guaranteed:	

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT D

(Form of Fully Registered 1994 Bond)

No. R

\$

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Bonds (City of Philadelphia Funding Program)

Series of 1994

Interest Rate Maturity
__Date__

Dated Date

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended, (the "Act"), for value received, hereby promises to pay (but only out of Pledged Revenues (as hereinafter defined)) to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Revenues) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from December 1, 1994, on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing June 15, 1995, until payment of the principal sum or provision therefor shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the Principal Office of Meridian Bank, or its successor, as Trustee (the "Trustee"). Interest on this Bond will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Authority (the "Bond Register") maintained by Meridian Bank or its successor as

Registrar and at the address appearing thereon on the last day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a Bondholder of \$1,000,000 or more in aggregate principal amount of Series 1994 Bonds (as hereinafter defined), by wire transfer to an account in a bank located in the United States designated by such Bondholder. such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on the fifteenth (15th) day prior to the date set for the payment of such defaulted interest (the "Special Payment Date"). Such Special Payment Date shall be fixed by the Trustee in accordance with Section 2.03 of the Indenture (as hereinafter defined). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Interest on the Series 1994 Bonds shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THIS BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, EXCEPT THE AUTHORITY, BUT INCLUDING THE CITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF ANY EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE SERIES 1994 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 1994 BONDS, SHALL HAVE NO RECOURSE, EITHER LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, INCLUDING THE CITY, FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 1994 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office of the Registrar. No transfer shall be valid as against the Authority or the Trustee unless made by the registered owner in

person or by his duly authorized attorney or legal representative and similarly noted upon the Bond Register and hereon. Upon any such transfer or exchange, the Authority shall issue and, after due authentication by the Trustee, shall deliver to or upon the order of the registered owner, a new registered Bond or Bonds, in authorized denominations aggregating the principal amount hereof, maturing on the same date, bearing interest at the same rate, bearing the same series designation as this Bond and registered in such names as shall be requested.

The Authority, the Trustee and the Registrar may treat the person in whose name this Bond is registered as the absolute owner of this Bond for all purposes whether or not this Bond shall be overdue, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All payments of the principal, interest or redemption price made to the registered owner hereof in the manner set forth herein and in the Indenture shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, whether or not notation of the same be made hereon, and any consent, waiver or action taken by such registered owner pursuant to the provisions of the Indenture shall be conclusive and binding upon such registered owner, his heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any Bond issued in exchange therefor.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL, FOR ALL PURPOSES, HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the Commonwealth of Pennsylvania to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Bond, exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing this Bond nor any such officer, agent or employee shall be liable personally on this Bond or under the Indenture or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond, all such liability of such members, officers, agents and employees being released as a condition of and as consideration for the execution of the Indenture and the issuance of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this Bond to be executed with the manual or facsimile signature of its Chairperson and its official seal to be affixed hereto or a facsimile of said seal to be imprinted hereon and attested with the manual or facsimile signature of its Secretary or Assistant Secretary.

[SEAL]	PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY		
Attest:	By:Chairperson		
Secretary	- -		

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 1994 Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on this Bond is the complete text of the opinion of Ronald A. White, P.C. and Wolf, Block, Schorr and Solis-Cohen, both of Philadelphia, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1994 Bonds.

	Meridian Bank, Trustee
	By:Authorized Signature
Date of Authentication:	

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of \$122,020,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "Series 1994 Bonds"). [This Bond is one of the series 1994 Bonds issued as serial bonds, all of like date and tenor, except as to maturity date and interest rate.] [This Bond is one of the Series 1994 Bonds issued as term bonds maturing on June 15, ____, all of like date and tenor.]** The Series 1994 Bonds are issued to make grants to the City of Philadelphia, Pennsylvania (the "City") to finance certain capital projects of the City and for other purposes permitted by the Act and thereby to accomplish the public purposes set forth in the Act.

The Series 1994 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on December 1, 1994 (the "Resolution") and under an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Indenture"), between the Authority and the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i) all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues").

Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Optional Redemption

The Series 1994 Bonds maturing on and after June 15, 2006 are redeemable by the Authority, on or after June 15, 2005, in whole at any time or in part at any time and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 1994 Bonds maturing on June 15, 2014 and June 15, 2021 are subject to mandatory sinking fund redemption prior to maturity on June 15 of the years and in the amounts set forth

^{**} Insert provision regarding serial bonds or provision regarding term bonds, as appropriate.

below in direct order of maturity and within a maturity as chosen by the Trustee by lot at 100% of the principal amount thereof plus accrued interest, or to redemption through purchase as hereinafter provided:

2014 Maturity		2021 Maturity	
Year (June 15)	Amount	Year (June 15)	<u>Amount</u>
2010 2011 2012 2013 2014*	\$4,485,000 4,795,000 5,135,000 5,490,000 5,875,000	2015 2016 2017 2018 2019 2020 2021*	\$6,290,000 6,710,000 7,165,000 7,650,000 8,165,000 8,715,000 9,305,000

^{*} Maturity

Prior to May 1 of each year in which Series 1994 Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1994 Bonds Sinking Fund Account of as many Series 1994 Bonds then subject to mandatory sinking fund redemption on the next June 15 as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund).

Notice of Redemption

When the Authority shall determine to redeem Series 1994 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 1994 Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series 1994 Bonds from moneys in the Bond Redemption Fund, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall, among other things, state the redemption price and the date fixed for redemption, that on such date the Series 1994 Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series 1994 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 1994 Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such

redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date, addressed to the Holders of Series 1994 Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Series 1994 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 1994 Bonds.

Reference is made to the Act, the Resolution, the Indenture and the PICA Tax Ordinance, executed or certified counterparts of which are on file at the principal corporate trust office of the Trustee, for statements of the purposes for which the Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Bonds (including the Income Tax) and the nature, extent and manner of enforcement of such security, certain covenants of the Authority and the City made for the benefit of Bondholders, the terms and conditions under which the Indenture may be amended or modified, the rights and duties of the Authority and the Trustee, and the extent of the rights of the registered owners of the Bonds issued under the Indenture.

STATEMENT OF INSURANCE

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "Series 1994 Bonds"), such policy being on file at the principal office of the Trustee, as paying agent (the "Paying Agent"):

Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholders of the Series 1994 Bonds that portion of the principal of and interest on the Series 1994 Bonds which is then due for payment and which the issuer of the Series 1994 Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to the principal, the stated maturity date thereof, or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which the payment of principal of the Series 1994 Bonds is due by reason of call for redemption (other than mandatory sinking fund redemption), acceleration or other advancement of maturity, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Paying Agent to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Paying Agent, Financial Guaranty on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein, the term "Bondholder" means the person other than the Issuer or the City, as such term is defined in the bond documents, who at the time of nonpayment of a Series 1994 Bond is entitled under the terms of such Series 1994 Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY



(FORM OF ASSIGNMENT)

ASSIGNMENT

and transfers unto	ersigned hereby sells, assigns, whose taxpayer, the within Bond and all evocably constitutes and orney to transfer said Bond on
the books of the Registrar, with the premises.	full power of substitution in
Dated:	
Signature Guaranteed:	

NOTICE: The signature on this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT R

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

DEFICIT FUND

REQUISITION

[Name of	Trust	:ee]	
Trustee	under	[Inser	t
designat	ion of	Inden	turel
Philadel	phia,	Pennsy	lvania

Requisition No.____

Ladies and Gentlemen:

You are hereby directed to make disbursement of moneys from the Deficit Fund of the Pennsylvania Intergovernmental Cooperation Authority ("Authority") created under the Indenture above referred to as follows:

Amount:	\$_	
Payee:	City of Name of Account	

Purpose:

Payment of _____ % [final balance] of the City of Philadelphia's General Fund deficit for the Fiscal Year ended June 30, 199 pursuant to Section 5.03(b)(i) [5.03(b)(ii)] of the Indenture, as shown on the City's certified [audited] financial statements for such Fiscal Year.

Date of Requisition:

The above date is no later than ____ days following receipt by the Authority of the City's certified [audited] financial statements for the Fiscal Year ended June 30, 199_.

AUTHORITY CERTIFICATION

The undersigned officer of the Pennsylvania Intergovernmental Cooperation Authority hereby certifies that, based upon the financial statements of the City of Philadelphia described above, the amount to be paid pursuant to this Requisition does not exceed the amount permitted to be paid pursuant to Section 5.03(b)(i) [5.03(b)(ii)] of the Indenture.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

By:	
	Name/Title

EXHIBIT F

PENNSYLVANIA INTERGOVERNMENTAL COCFERATION AUTHORITY

CAPITAL PROJECTS FUND

REQUISITION

Meridian Bank	Requisition No
Trustee under Amended and Restated	_
Indenture of Trust dated as of	
December 1, 1994	
Philadelphia, Pennsylvania	

Ladies and Gentlemen:

You are hereby directed to make disbursement of moneys from the Capital Projects Fund of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") created under the above-referenced Amended and Restated Indenture of Trust (the "Indenture") as follows:

Amount:	\$
Payee:	ENCUMBERED FUNDS ACCOUNT, established pursuant to agreement dated as of June 1, 1992, as amended by agreement dated as of July 15, 1993 and as amended and restated by agreement dated as of December 1, 1994 between the Authority and CoreStates Bank, N.A. Account No.:

To enable the City of Philadelphia (the "City") to encumber funds for the Capital Project described in the Notice of the City dated ______, attached hereto and made a part hereof.

Date of Requisition:

Purpose:

AUTHORITY CERTIFICATION

The undersigned officer of the Pennsylvania Intergovernmental Cooperation Authority hereby certifies that, based upon the Notice of the City attached hereto and made a part hereof, (i) the Capital Project for which the City is encumbering funds is listed on Schedule __ to the Indenture and (ii) the disbursement directed by this requisition is permitted pursuant to Section 5.04(b) of the Indenture.

	SYLVANIA INTERGOVERNMENTAL PERATION AUTHORITY
By:	Name/Title

CITY OF PHILADELPHIA NOTICE REQUESTING TRANSFER FROM CAPITAL PROJECTS FUNDS TO ENCUMBERED FUNDS ACCOUNT

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street Philadelphia, PA 19102

Ladies and Gentlemen:

The City of Philadelphia hereby gives notice, pursuant to Section 5.04(b) of the Amended and Restated Indenture of Trust dated as of December 1,1994 (the "Indenture") between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and Meridian Bank, as trustee (the "Trustee"), that the City is ready to encumber funds for the Capital Project of the City set forth below, and therefore requests that the Authority requisition the amount set forth below from the Capital Projects Fund established under the Indenture for deposit in the [insert name of account within the Encumbered Funds Account] of the Encumbered Funds Account established pursuant to an agreement dated as of June 1, 1992, as amended by agreement dated as of July 15, 1993, as amended and restated by an agreement dated as of December 1, 1994, between the Authority and CoreStates Bank, N.A.

1. Capital Project:

[describe project here or on Schedule to be attached]

2. Amount to be Requisitioned:

[cost of contract or cost of
work]

WOIN

3. Nature of contract to be awarded or work to be performed:

[describe here or on Schedule to be attached]

4. Proposed date of contract award or date of commencement of work:

CITY CERTIFICATION

It is hereby certified (i) that the Capital Project of the City is a capital project listed on Schedule __ to the Indenture and (ii) that the information set forth in items 1 through 4 above is true, correct and complete as of the date of this notice.

CITY OF PHILADELPHIA

•	By:	
Approved:	•	Director of Finance or Authorized Designee
Mayor		
President of City Council		
City Controller		

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS \$474,555,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 1992

\$238,490,000 Serial Bonds

Due (June 15)	Amount	Interest <u>Rate</u>	Price or Yield
1995	\$33,725,000	9.000%	5.25%
1996	36,765,000	5.200	5.25
1997	38,670,000	5.400	5.50
1998	40,765,000	5.600	5.70
1999	43,045,000	5.750	5.85
2000	45,520,000	6.000	100

\$99,395,000 6% Term Bonds Due June 15, 2002 at 6-1/8% \$15,140,000 6-5/8% Term Bonds Due June 15, 2006 at 6.68% * \$31,535,000 6.80% Term Bonds Due June 15, 2012 at 99.70% * \$89,995,000 6.80% Term Bonds Due June 15, 2022 at 99% *

^{*} No longer Outstanding by virtue of refunding

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

\$643,430,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 1993

\$327,570,000 Serial Bonds

Due (June 15)	Amount	Interest Rate	Price or <u>Yield</u>
			
1995	\$ 4,225,000	3.300%	3.400%
1996	8,605,000	3.750	3.850
1997	9,785,000	4.000	4.100
1998	10,085,000	4.200	4.300
1999	10,530,000	4.400	4.500
2000	11,005,000	4.550	4.650
2001	11,455,000	4.700	4.800
2002	12,095,000	4.800	4.900
2003	25,440,000	4.900	5.000
2004	23,860,000	5.050	5.150
2005	36,615,000	5.150	5.250
2006	47,920,000	5.250	5.350
2007	50,460,000	5.350	5.450
2008	36,075,000	5.450	5.550
2009	29,415,000	5.500	5.600

\$92,365,000 5.60% Term Bonds Due June 15, 2015 at 97.895% \$54,380,000 5.75% Term Bonds Due June 15, 2015 at 5.95% \$10,000,000 5.60% Term Bonds Due June 15, 2016 at 97.848% \$119,115,000 5-5/8% Term Bonds Due June 15, 2023 at 97.245% \$40,000,000 5-7/8% Term Bonds Due June 15, 2023 at 6.00%

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS \$178,675,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 1993A

\$44,935,000 Serial Bonds

Due (June 15)	<u>Amount</u>	Interest Rate	Price or <u>Yield</u>
1994	\$3,325,000	2.80%	100%
1995	1,380,000	3.40	100
1996	1,425,000	3.80	100
1997	645,000	4.00	100
	•		
1998	665,000	4.05	4.15
1999	695,000	4.20	4.30
2000	735,000	4.35	4.45
2001	750,000	4.50	4.60
2002	775,000	4.60	• 4.70
2003	5,095,000	4.75	4.85
2004	5,335,000	4.85	4.95
2005	5,595,000	4.95	5.05
2006	5,870,000	5.05	5.13
2007	6,165,000	5.15	5.23
2008	6,480,000	5.25	5.33

\$12,000,000 5.00% Term Bond Due June 15, 2013 at 5.47% \$25,710,000 5.00% Term Bond Due June 15, 2013 at 5.62% \$96,030,000 5.00% Term Bond Due June 15, 2022 at 5.55%

^{*} Payment of principal of and interest on these 1993A Bonds is not insured. Payment of principal of and interest on all other Bonds is insured by a financial guaranty insurance policy issued by Municipal Bond Investors Assurance Corporation.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS \$122,020,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 1994

\$42,240,000 Serial Bonds

Due	Amount	Interest	Price or
(June 15)	Amount	<u>Rate</u>	Yield_
1995	\$1,840,000	5.00%	4.20%
1996	1,935,000	5.20	5.20
1997	2,035,000	5.40	5.40
1998	2,145,000	5.60	5.65
1999	2,265,000	5.70	5.80
2000	2,395,000	5.90	5.95
2001	2,535,000	6.00	6.05
2002	2,685,000	6.10	6.15
2003	2,850,000	6.20	6.25
2004	3,025,000	7.00	6.35
2005	3,240,000	7.00	6.45
2006	3,465,000	6.50	6.55
2007	3,690,000	6.60	6.65
2008	3,935,000	6.70	6.75
2009	4,200,000	6.80	6.85

\$25,780,000 7.00% Term Bonds Due June 15, 2014 at 99.474% \$54,000,000 6.75% Term Bonds Due June 15, 2021 at 95.500%

Schedule 5

Qualified	Amount
	(\$ Millions)
58a Penn's Landing Sea Wall	0.250
72a Computer Aided Dispatch-Fire Department	0.400
72b Fire Station Rehabilitation-Overhead Doors	0.280
72c Fire Administration Building-3rd Spring Garden	0.050 .
72d Fire Station Rehab. Engine 50	0.256
72e Fire Station Rehabengine 69	0.446
72f Fire Station RehabEngine 37	0.279
72g Fire Station RehabEngine 44	0.289
73 Library Facility-Structural Renovations	0.200
75a Rehab. Branch Libraries-Various	0.307
75b Cecil B. Moore Library-Renovations	0.175
75c Katharine Drexel Library	0.040
75d Lehigh Ave. Branch Library	0.138
75e Northeast Regional Library	0.190
75g Richmond Branch Library	0.025
75h Roxborough Branch Library	0.100
75i Walnut West Branch Library	0.200
76a Health Center Rehabilitation-HVAC Renovations	0.910
76b Health Center 1 Laboratory	0.205
76c Viewing & Autopsy Areas	0.185
76d Laboratory & Body Storage Improvements	0.200
76e Philadelphia Nursing Home	1.100
80a Riverview Home-7979 State Rd.	0.400
80b Riverview Home Bathroom Renovations	0.200
81a Youth Study Center-Fire Alarm	0.175
83 Critical Roof Renovations	0.088
88a Police Station Rehabilitation-Cell Tollets	0.180
88b Police Stations Rehab, Female Locker Rooms	0.978
88c Police Station -6th District	0.055
88d Police Station-9th District	0.040
88e Police Academy-Propane Tank	0.033
88f Police Support Buildings	0.010
88g Police Assist Alarm System	0.075
88h Police Adminstration Bldg.	0.205
89a House of Correction	0.750
89b Prisons-Asbestos Removal	0.500
90 Capital Program Administration	1.967
91 City Hall-Structural Renovations	7.500
92 Underground Fuel Storage .	3.000
93 Asbestos Abatement Program	2.177
94 PCB Filled Transformers	0.200

Qualified	Amount
	(\$ Millions)
97 Citywide Radio System	1.500
99c Police/Fire Station 24 & Wolf	7.500
99e Radio Alarm System	0.020
130 Concourse Improvements	1.000
148 Veterans Stadium	11.040
149 Betsy Ross House	0.150
150 Atwater Kent Museum	0.300
151 Robin Hood Dell East	0.200
153 Capital Program Administration	1.736
154 Improvements to Existing Buildings	3.328
155a 12th and Cambia St. Roof Renovations	0.150
155c 39th and Olive StPool Improvements	0.100
155g Barrett Playground	0.150
155h Belfield Recreation Center	0.453
155j Chalfont & Deerpath Playground	0.150
155k Clemente Playground	0.200
155I Cruz Recreation Center	0.130
155m Finley Playground	0.150
155n Fishtown Recreation Center	0.080
155q Francis Myers Recreation Center	0.200
155r Francisville Playground	0.125
155s Frank Glavin Playground	0.150
155t Franklin Playground	0.184
155u Guerin Recreation Center	0.125
155v Happy Hollow Recreation Center	0.125
155w Heitzman Recreation Center	0.100
155x Herron Playground	0.207
155y Jacobs Playground	0.150
155z Jardel Recreation Center	0.123
156a Junod Playground	0.250
156b Kendrick Recreation Center	0.095
156d King Recreation Center	0.175
156e Lanler Playground	0.100
156f Lee Recreation	0.095
156g Lonnie Young Playground	0.762
156h Mantua Recreation Center	0.120
156I Marian Recreation Center .	0.150
156j Max Myers Playground	0.100
156k Mcalpin Playground	0.064
156I Mc Veigh Recreation	0.250
156m Mitchell Playground	0.218

Qualified •	Amount
156n Morris Estate Recreation Center	0.279
156o Murphy Recreational Center	0.200
156p Olney Recreation Center	0.060
156q Palmer Recreation Center	0.411
156r Penrose Playground	0.150
156s Picariello Playground	0.575
156t Piccoll Playground	0.130
156u Rambler Playground	0.137
156v Rizzo ice Rink	0.200
156w Roosevelt Playground	0.250
156x Samuel Recreation Center	0.175
156y Sherwood Recreation Center	0.075
156z Stokely Playground	0.075
157b Vare Recreation Center	0.100
157c Vogt Recreation Center	0.080
157d Watertower Recreation Center	0.234
157e Whittier Playground	0.060
165 Capital Program Administration	1.020
166 Parkland Facilities	0.250
166a Park Facilities	2.000
167 Recreation Path Improvements	0.688
171 Belmont Mansion	0.400
172 Bridge Improvements	0.063
173 Tree Removal	0.200
174 River Drives Improvements	0.500
175 Public Restrooms	0.280
176 Electrical Improvements	0.200
177 Flood, Drainage Improvements	0.200
177a Flood Improvements-Schuylkill	0.300
177b Flood Drainage-Wissahickon	0.160
180 Historic Park Buildings	0.500
181 Historic Park Squares	0.099
182 Athletic & Play Improvements	0.200
183 Maintenance Buildings Improvements	0.157
184 Security Improvements	0.300
184a Plaisted Hall	0.851
184b Memorial Hall	0.198
184c Picnic Areas	0.100
184d Hunting Park Pool Improvements	0.150
184e JFK Plaza-Paver Replacement	0.100
184f Pennypack Park	0.150
184g Andorra Nature Center	0.075
184h Kemble Park	0.100
184I Hunting Park	0.700

Qualified	Amount
	(\$ Millions)
184k Pennypack Park	0.100
185a Philadelphia Zoo	0.600
185b Philadelphia Zoo	0.398
186 Art Museum	0.850
187 Brige Reconstruction-Design	0.140
188 Bridge Reconstruction Program	0.959
189 Federal Highway Program	0.211
190 Federal Highway Program	4.320
191 Reconstruction of Streets	7.000
192 Streets Department	1.000
194 Ramps for the Handicap	0.200
195 Transit First Policy Projects	0.200
197a Street Lighting	3.000
197b North Philadelphia Station	0.100
197d Street Openings	0.100
199a Underground Tank Replacement	0.200
199b Northwest Sanitation Facility	0.150
199c Northeast Transfer Station	0.250
199d Automotive Shop Equipment	0.150
199e Heavy Duty Vehicle Lifts	0.250
Sub-Total-Qualified	90.273

Capital Financing Approved Section 301(e)(2)

(S	Millions)
	•
58 - Penn's Landing Walnut Street Plaza, etc.	3.400
58B-Penn's Landing Dredging	0.150
58C- Penn's Landing Utility Relocation	0.200
65B-Ridgeway Library	3.000
98 - Energy Cost Reduction Program	1.000
100 - 9th Street - Bridge/Systems	11.411
101 - 9th Street Engineering	0.146
102 - Temple University Rail Statlon	1.370
103 - Bridge Improvement - FRA funded	0.350
104 - FRA Bridges 1991	0.156
105 - Bridge Improvement Program - FFY1988	0.390
106- Overbrook Rail Maintenance Facility	0.567
107 - RR Facilities Improv FFY1988 - Discretionary	0.389
108 - RR Facilities Improv FFY1988 - Formula	0.157
109 - FRA Mandated Speed Control Installation	0.431
110 - University City Rail Station	0.693
111 - 30th Street Station - Signs	0.019
112 - 30th Street Station - Upper Platforms	0.001
113 - Broad Street Subway - Susquehanna/Dauphin	0.374
114 - Frankford El Relocation - 2nd St. Elevators	0.142
115 - Columbia Station - Handicapped Accessibility	0.002
116-North Philadelphia Amtrak Station	0.060
118 - FRA/EPA mandated car modifications	0.170
119-Amtrak - Septa centralized traffic controlls	0.167
120 - Wayne Junction Substation Modernization	0.021
122 - Regional Rallroad Signal Modern Engineering	0.017
123 - RRD Engineering and Development Program	0.012
124 - Commuter Operating Facilities Modernization	0.022
129 - Regional RR - Cresheim Valley Bridge	0.100
131 - Chestnut Street Transitway	0.029
133 - Erie Avenue Subway Station	0.012
147B - Tourist Shuttle	1.000
193-Convention Center Area Street Improvements	2.375
196- Stadium Complex Roadway	2.355
197C - Delaware Avenue Access Road - Packer	0.400
Sub-Total-Qualified	31.088

Schedule 6

Qualified	Amount
	(S millions)
59 Convention Hall - Fire Alarm System	0.156
79 Engineering Assessment of Fire Department	0.050
80 Fire Station Rehabilitation - Critical Renovations - Various	0.500
81 Fire Station Rehabilitation - Overhead Door and Window Replacement	0.420
84 Fire Administration Building - 240 Spring Garden Street	0.280
86 Replacement of Computer Systems	0.500
87 Rehabilitation of Branch Libraries - Various	1.350
88 Central Library Improvements - Logan Square	0.200
95 Health Center Rehabilitation - HVAC Renovations - Various	0.395
96 Medical Examiner's Building - Renovations - 321 University Ave.	0.300
97 Philadelphia Nursing Home - Girard and Corinthian Aves.	0.400
98 Critical Renovations - Stenton Family and Woodstock Shelters	0.190
104 Riverview Renovations - 7979 State Rd.	0.600
107 Youth Study Center - 2020 Pennsylvania Ave.	0.871
109 Facility Improvements - ADA Compliance - Citywide	3.000
112 Police Facilities - Rehabilitation - Various	2.000
113 Police Station Renovations to Accommodate Female Officers	0.750
114 Police Station Rehab Suicide Prevention Cells and Emergency Generators	0.440
116 Prisons - Critical Renovations and Asbestos Abatement	2.550
116a Prison Expansion Pase II - Additional 1,000 Beds/Youth Study Center	53.578
120 Capital Program Administration, Design and Engineering	2.914
121 City Hall - Electrical, Mechanical and Structural Renovations	8.690
121a Municipal Services Building - Rehabilitation	11.828
122 Underground Fuel Storage Tanks - EPA Compliance Program	4.400
123 Underground Non-Fuel Storage Tanks - EPA Compliance Program	1.000
124 Citywide Radio System - 800 mhz	0.268
127 City Hall - Elevator Telephones	0.060
131 Conservation of Art	0.100
149 Broad Street Subway - Emergency Renovations	0.50
172 Veterans Stadium - Critical Renovations	7.50
173 Fort Mifflin - Renovations - Old Fort Mifflin Rd.	0.15
175 Betsy Ross House - Renovations - 239 Arch St.	0.25
177 Capital Program Administration, Design and Engineering	2.38
178 Improvements to Existing Facilities - Site Renovations	5.87
179 Improvements to Existing Facilities - Building Renovations	6.00
180 Improvements to Existing Facilities - HVAC - Renovations	0.35
181 Improvements to Existing Facilities - Fire/Safety/Security Systems	0.50
182 Improvements to Existing Facilities - Swimming Pools - Renovations	0.65
183 Improvements to Existing Facilities - Court Reconstruction	0.36
184 Improvements to Existing Facilities - Outdoor Lighting and Electrical Renovations	2.33
185 Improvements to Existing Facilities - Play Area Renovations	2.40
186 Improvements to Existing Facilities - Roof Replacements	0.87
187 RIRA State Grant - Various	0.17

Qualified	Amount
	(\$ millions)
188 Francis Myers Recreation Center - 58th St. and Kingsessing Ave.	0.135
189 Lee Recreation Center - 4400 Haverford Ave.	0.135
190 Lonnie Young Recreation Center - Chelten Ave. and Ardleigh St.	0.135
192 Replacement Maintenance Facility - 25th and Sedgley Sts.	0.175
193 Capital Program Administration, Design and Engineering - Fairmoun	t Park Comm. 0.799
194 Park Facilities - Structural Renovations	2.400
195 Parkland and Park Facilities - Critical Renovations	1.500
196 Tree Planting and Removal - Various	. 0.500
197 Public Restroom, Plumbing and Drinking Fountain Rehabilitation - Va	arious 0.478
198 Flood, Drainage and Trail Improvements - Various	0.133
199 Flood, Drainage and Trail Improvements - Wissahickon	0.200
200 Flood, Drainage and Trail Improvements - Pennypack	0.200
201 Paving - Various	0.200
202 Electrical Improvements - Various	0.250
203 RIRA Grant Gunding for Park Projects	0.150
204 ISTEA Grant Funding - Manayunk Canal Recreational Path Improve	ements 0.200
205 Plaisted Hall - Facility Replacement - Kelly Drive	1.517
206 Belmont Mansion	0.200
207 Benjamin Franklin Parkway - Improvements	0.400
208 Memorial Hall - Renovations	0.200
210 Bluebell Park - Roadway and Picnic Area Renovations	0.150
211 Washington Square - Walkway Renovations	0.500
215 Philadelphia Zoo - Utility Replacement	0.100
216 Philadelphia Zoo - Trunk Line Replacement	0.070
217 Philadelphia Zoo - Heating System Replacement - Giraffe House	0.080
218 Philadelphia Zoo - Boiler Replacement	0.070
219 Philadelphia Zoo - Underground Tank Removal	0.100
220 Philadelphia Zoo - Handicapped Access	0.097
225 Art Museum - Critical Renovations	0.500
226 Federal Aid Highway Program and Transportation Projects - Design	n and Engineering 0.170
227 Bridge Reconstruction Program - Design and Engineering	0.073
227a Facilities Improvements - Design and Engineering	0.150
228 Federal Aid Highway Program - Improvements to Existing Streets	0.870
229 Bridge Reconstruction Program	1.833
230 Reconstruction and Resurfacing of Streets	15.000
231 Traffic Signals, Controls and Directional Devices	0.700
232 Ramps for the Disabled	0.400
232a Street Reconstruction and Resurfacing - Handicapped Access	8.750
233 Street Lighting Replacement	3.278
234 Street Name Signs	0.200
236 Island Construction, Rehabilitation and Removal	0.075
237 Transit First Policy Projects	0.200
238 Reconstruction of Track Streets	0.250

Qualified	Amount
	(\$ millions)
239 Delaware Avenue - Reconstruction - Reed St. to Richmond St.	0.008
242 Logan Circle Pedestrian Access Improvements	0.114
246 Traffic Engineering Shop - Renovation	0.069
258 Sanitation Facilities - Critical Structural, Mechanical, and Electrical Renovations	0.500
259 Underground Tank Replacement Project	0.300
260 Automotive Equipment - Various	0.150
261 Fairmount Park - Leaf Recycling Center - Ford Rd. and Chamounix Dr.	0.050
Subtotal Qualified 301(e)(1)	172.800

Qualified Qualified	Amount
	(\$ millions)
57 Penn's Landing - South Street Bridge	0.750
58 Penn's Landing - Lighting and Walkway Renovations	0.100
62 Industrial Sites - Acquisition and Development - Enterprise Zones	0.475
65 GSA Project Site Development - Extension of Townsend Road	0.750
66 Food Distribution Center - Improvements	0.200
69 Avenue of the Arts - Recital Hall - Acquisition and Construction	7.000
70 Avenue of the Arts - Ridgeway Library Rec Center Replacement	0.500
71 Convention Center Area Renewal	4.000
132 Tourist Shuttle - Entertainment Loop	0.053
133 Riverfront Shuttle Transit	0.042
135 City Hall Station - Renovation	1.000
136 Regional Rail Division - Lease-Purchases	0.696
137 City Transit Division - Lease-Purchases	1.40
138 Lease Purchase of Transity Vehicles and Facilities - Act 26	0.84
140 North Philadelphia Amtrak Station - Platform Renovations	0.04
141 Commuter Rail Facilities - Catenary Replacement - Chestnut Hill West Line	0.01
142 Regional Railroad Bridge Improvement Program	0.30
143 Railroad Facilities Improvement Progrma - Discretionary Grant	0.51
144 Overbrook Rail Maintenance Facility	0.60
145 Amtrak - SEPTA Centralized Traffic Control	0.28
146 FRA Mandated Speed Control Installation	0.08
147 30th Street Station - Handicapped Accessibility and Other Circulation Improv.	0.53
148 Overbrook Station - Restoration	0.02
150 Manayunk Viaduct and Bridge - Rehabilitation	0.10
151 Chestnut Street Transitway - Reconstruction and Extension	0.07
152 Wayne Junction Substation Modernization - Phase III	0.02
153 Transit Vehicle and Equipment Procurement - Act 26	0.33
154 Transit Facilities Modernization - Act 26	0.55
155 Regional Rail Station Accessibility	0.05
156 Light Rail Vehicle Purchase	0.0
157 Light Rail Vehicle Infrastructure	0.10
174 Afro-American Museum - Interior Renovations	0.25
176 Atwater Kent Museum - Renovations - 15 S. 7th St.	0.0
240 Convention Center Area - Street Widenings and Reconstruction	0.6
241 Avenue of the Arts - Streetscaping Improvements - South Broad Street	1.20
243 26th Street Gateway Improvements	0.1
Subtotal Qualified 301(e)(2)	23.6
Total Qualified	196.4

Qualified	Emargancy Projects	Amount
Line No.		(\$ Millions)
1	Fire and Life Safety Improvements	1.500
2	Perimeter Heating System	0.150
3	Asbestos Abatement	0.250
4	Handicapped Access	0.230
5	Rodin Museum	0.250
68	Penn's Landing Sea Wall	0.200
70	Penn's Landing Riverwalk Improvements	0.075
106	Capital Program Administration	0.736
107	Park Facilities Structural Renovations	0.790
108	Flood Drainage and Trail Improvements	1.350
109	Fairmount Waterworks Rehabilitation	0.200
110	West Park Improvements	0.150
111	Tree Planting and Removal	0.500
115	Recreation Path Improvements Kelly and West Drives	0.100
118	Loudon Mansion	0.235
120	Hunting Park - Improvements	0.100
121	Flood, Drainage, and Trail Improvements	0.150
123	Memorial Hall - Renovations	0.100
124	Athletic and Play Area Improvements	0.150
125	Paving - Various Sites	0.100
136	Fire Station Rehabilitation Critical Renovations	1.455
138	Underground Automotive Fuel and Non-Fuel Tanks	1.400
139	Fuel Control Systems	2.000
142	Rehabilitation Branch Libraries	0.750
143	Central Library Improvements - Logan Square	0.450
144	Replacement of Computer System	0.300
148	Health Centers - Rehabilitation - Various Locations	0.775
149	Medical Examiner's Building - Renovations	0.050
151	Health Support Facilities Renovations	0.400
152	Health Facilities - ADA Compliance	0.075
153	Critical Renovations Stenton and Woodstock Shelters	0.250
156	Riverview Renovations	0 .180
157	Youth Study Center	0. 160
158	Facility Improvements ADA Compliance	1.500
160	Local Match for Transportation Enhancement Grants	0.800
164	Police Facilities Rehabilitation	4.000
165	Police Station - Emergency Generators	0.200
167	Industrial Correctional Facilities	1.440
168	Detention Center Renovations	0.790
169	New House of Corrections	5.000
171	Training Academy Building Renovations	0.120
177	Capital Program Administration and Design	2.494
178	City Hall Renovations	10.000

179	Asbestcs Abatement - City-Wide	0.750
180	Germantown Hall	0.175
196	Market Street East	0.173
200	Amtrak - SEPTA Centralized Control	0.300
201	FRA Mandated Speed Control	0.040
206	Manayunk Viaduct and Bridge Rehabilitation	0.200
207	SEPTA Consolidated Control Center	
208	Reading Trunk Line-Systems Improvements	0.047
209	Station Accessibility Program	0.047
210	Regional Rail Division Bridge Improvement Program	0.057
211	Light Rail Vehicle Purchase	0.117
212	Light Rail Vehicle Infrastructure	0.100
213	Broad St. Subway Emergency Renovations	0.266
214	Regional Rail Division	0.500 0.283
215	City Transit Division	0.263 0.641
216	Lease - Purchase of Vehicle and Facilities	•
217	Vehicle and Equipment Procurement	1.157 0.334
218	Lease - Purchase of Vehicles and Facilities	0.354 0.550
219	Vehicle and Equipment Procurement	1.261
220	Rail and Transit Facilities	
221	Lease - Purchase of Vehicle and Facilities	0.110
222	Rail and Transit Facilities Modernization	0.550
245	Veterans Stadium	0.110
246	Capital Program Administration	6.422
247	Improvements to Existing Facilities-HVAC	2.396
248	Improvements to Existing Facilities-Site Improvements	1.000
249	Improvements to Existing Facilities-Bidg. Improvements	2.625
250	Improvements to Existing Facilities-Outdoor Lights	1.060
250 251	Improvements to Existing Facilities-Play Areas	0.950
252	Improvements to Existing Facilities-Roof Replacement	1.500
253	Improvements to Existing Facilities-Court Reconstruction	0.750
254	Improvements to Existing Facilities-Pcol Renovations	0.500
255	Improvements to Existing Facilities-Safety/Security	0.500
261	Bridge Recontruction Program	0.200
262	Bridge Recontruction Program Design and Engineering	0.084
263	Federal Aid Highway Program	0.079
264	Federal Aid Highway - Design and Engineering	1.762
266	Reconstruction and Resurfacing of Streets	0.229
267	Ramps for the Disabled	16.000
268	Street Lighting Replacement	0.400
269	Traffic Signals, Control Devices	0.750
270	Street Name Signs	0.500
272	Traffic Engineering Shop	0.075
281	Sanitation Facilities	0.050
292	Philadelphia Zoo - Critical Renovations	0.275
292 293	Philadelphia Zoo - Handicapped Access	0.610
294	Philadelphia Zoo - Maridicapped Access Philadelphia Zoo - Utility Replacement	0.100
295	Philadelphia Zoo - HVAC	0.250
	Sub - Total Qualified - Section 301(e)(1)	<u>0.250</u> 89.667
	- Total Qualified - Dection 50 ((e)(1)	03.007

Capital Financing Approved Section 301(e)(2) Productivity/Deficit Reduction

Qualified		Amount
Line No.		(\$ Millions)
92	Convention Center Area Renewal	6.000
93	Avenue of the Arts-Economic Revitalization	9.000
194	Tourist Shuttle	0.567
197	FRA Bridges 1991	0.233
198	Overbrook Rail Maintenance Facility	0.606
199	Railroad Facility Improvement Program FY88	0.588
203	Overbrook Station Renovations	0.080
204	Regional Rail Division Grade	0.032
	Sub - Total Qualified - Section 301(e)(2)	17.106
	. Total FY95 PICA Funded Capital Projects	106.773

SUMMARY OF BONDS REFUNDED

City of Philadelphia: General Obligation Sends Final City G.O. Refunding

	44-0: -40	•	_		
Sond	Maturity Date	Interest Rate	Per	Call	Cal
			Assunt	Date	Price
eries of 1977 S	ated 6/15/77:				
SERIALS	9/15/1995	7.400%	2.440,000.00	8/15/1993	100.500
SERIALS	8/15/1996	7.400%	2.440.000.00	9/15/1993	100.75
SERIALS	8/15/1897	7.500%	2,440,000.00	8/15/1983	101.000
SERIALS	9/15/1898	7.500%	Z.440,000.00	8/15/1883	101.250
SERIALS	9/15/1999	7.500%	2.440.000.00	9/15/1893	101.500
SERIALS	8/15/2000	7.500%	2.440.000.00	9/15/1993	101.75
SERIALS	8/15/2001	7.500Z	2.440.000.00	9/15/1993	102.00
SERIALS	9/15/2002	7.500%	2,440 000.00	8/15/1993	102.25
			18.520,000.00		
ries of 1878 (#87 #831 Bata	. 7/1/78.			
SERIALS	8/01/1996	7.100%	3,145,000.00	1/01/100/	100 30
SERIALS	8/01/1997	7.2001		2/01/1994	100.75
-		7.2001	3.145.000.00	2/01/1994	101.000
SERIALS	8/01/1998		3.145.000.00	2/01/1994	101.25
SERIALS	8/01/1999 8/01/2000	7.250%	3.145.000.00	2/01/1994	101.50
SERIALS	- : : : - : - : - : - : - : - : - :	7.2501	3,145,000.00	2/01/1994	101.75
SERIALS	8/01/2001	7.250I	3.145.000.00	2/01/1994	102.00
SERIALS	8/01/2002	7.250%	3.150.000.00	2/01/1994	102.25
. SERIALS	8/01/2003	7.2501	3,150,000.00	2/01/1994	102.50
			25,170,000.00		
ries of 1978A	(#91) Dated 2	/1/79:			
SERIALS	8/01/1996	7.500%	1,370,000.00	8/01/1994	100.50
SERIALS	8/01/1997	7.500%	1,470,000.00	8/01/1994	100.75
SERIALS	8/01/1998	7.500%	1,580,000.00	8/01/1994	101.00
SERIALS	8/01/1999	7.500%	1,700,000.00	8/01/1994	101.25
SERIALS	8/01/2000	7.500%	1.830.000.00	8/01/1994	101.50
SERIALS	8/01/2001	7.500%	1.865.000.00	8/01/1994	101.75
SERIALS	8/01/2002	7.500%	2,115,000.00	8/01/1994	102.00
SERIALS	8/01/2003	7.500%	2.270.000.00	8/01/1994	102.25
SERIALS	8/01/2004	7.500%	2.440.000.00	8/01/1994	102.50
SERIALS	8/01/2005	7.500%	2.625.000.00	8/01/1994	102.50
SERIALS	\$/01/2006	7.500%	2.820.000.00	8/01/1994	102.50
SERIALS	8/01/2007	7.500%	3.035.000.00	8/01/1994	102.50
SERIALS	8/01/2008	7.500%	3.280,000.00	8/01/1894	102.50
SERIALS	8/01/2009	7.500%	3,505,000.00	8/01/1894	102.50
	0.00.000		31.885.000.03	4/4///444	102.30
4 40740					
SERIALS	1/01/1996	1/1//V: 7.500%	685.000.00	1/01/1884	100 40
SERIALS	1/01/1887	7.5001	. 885.000.00	1/01/1994	100.50
SERIALS	1/01/1998	7.5001 7.5001	685.000.00	1/01/1 994 1/01/1 994	100.75
SERIALS	1/01/1999	7.500%	865.000.00	1/01/1994	101.00
SERIALS	1/01/2006	7.500%	665.000.00	1/01/1884	101.25
SERIALS	1/01/2001	7.500%	665.000.00	1/01/1884	101.30
SERIALS	1/01/2002	7.500%	665.000.00	1/01/1884	
SERIALS	1/01/2002	7.5001	665.000.00	1/01/1994	102.00
SERIALS	1/01/2004	7.5001 7.5001		-	102.25
PARINJE	114114004	, 1900E	5,885,000.00 5,885,000.00	1/01/1 89 4	102.50
eries of 1986 C	•	<u> </u>			_
OSTERM	2/15/2005	8.250I	15,540,000.00	2/15/1996	102.00
COTERM	2/15/2008	8.2501	25,260,000.00	2/15/1996	102.000

Capital Financing Approved Section 301(e)(2) Productivity/Deficit Reduction

Qualifie	d
Line No.	
92	Convention Center Area Renewal
93	Avenue of the Arts-Economic Revitalization
194	Tourist Shuttle
197	FRA Bridges 1991
198	Overbrook Rail Maintenance Facility
199	Railroad Facility Improvement Program FY88
203	Overbrook Station Renovations
204	Regional Rail Division Grade
	Sub - Total Qualified - Section 301(e)(2)
	Total FY95 PICA Funded Cacital Projects

SUMMARY OF BONGS REFUNDED

City of Philadelphia: General Obligation Sonds Final City G.O. Refunding

	Maturity	Interest	Par	Call	Call		
Sond	Date	Rate	Amount	Date	Call Price		
	Series of 1977 Dated 8/15/77:						
	9/15/1985	7.400%	2.440,000.00	0/06/3000			
SERIALS	9/15/1996	7.400%	2.440.000.00	9/15/1993	100.500		
SERIALS	9/15/1997	7.500%	2.440.000.00	8/15/1993	100.750		
SERIALS	9/15/1898	7.500%	2.440.000.00	9/15/1993	101.000		
SERIALS	8/15/1999	7.500%	2.440,000.00	8/15/1883	101.250		
SERIALS	8/15/2000	7.500%	2.440.000.00	8/15/1883	101.500		
SERIALS SERIALS	8/15/2001	7.500%	2.440,000,00	8/15/1893 8/15/1893	101.750		
SERIALS	8/15/2002	7.500%	2,440 000.00	8/15/1993	102.000		
SCHINCO			18,520,000.00	07 137 1883	102.250		
Series of 1978 ((#82,#83) Dete	1 2/1/78:					
SERIALS	8/01/1996	7.100%	3,145,000.00	2/01/1894	100.750		
SERIALS	8/01/1997	7.200%	3,145,000.00	2/01/1994	101.000		
SERIALS	8/01/1998	7.2001	3,145,000.00	2/01/1994	101.250		
SERIALS	8/01/1999	7.250%	3,145,000.00	2/01/1994	101.500		
JERIALS	8/01/2000	7.250%	3,145,000.00	2/01/1894	101.750		
SERIALS	8/01/2001	7.250%	3,145,000.00	2/01/1964	102.000		
SERIALS	8/01/2002	7.250%	3,150,000.00	2/01/1994	102.250		
SERIALS	8/01/2003	7.250%	3,150,000.00	2/01/1994	102.500		
			25.170,000.00				
Serses of 1978A	(#81) Dated 2	/1/79:					
SERIALS	6/01/1996	7.500%	1,370,000.00	8/01/1994	100.500		
SERIALS	8/01/1997	7.500%	1,470,000.00	8/01/1994	100.750		
SERIALS	8/01/1998	7.500%	1,580,000.00	8/01/1994	101.000		
SERIALS	8/01/1999	7.500%	1,700,000.00	8/01/1894	101.250		
SERIALS	8/01/2000	7.500%	1.830,000.00	8/01/1994	101.500		
SERIALS	8/01/2001	7.500%	1.965,000.00	8/01/1994	101.750		
SERIALS	8/01/2002	7.500%	2,115,000.00	8/01/1994	102.000		
SERIALS	8/01/2003	7.500%	2.270,000.00	8/01/1994	102.250		
SERIALS	8/01/2004	7.500%	2,440,000.00	8/01/1994	102.500		
SERIALS	8/01/2005	7.500Z	2.625.000.00	8/01/1994	102.500		
SERIALS	8/01/2006	7.500%	2.820,000.00	8/01/1894	102.500		
SERIALS	8/01/2007	7.5001	3.035.000.00	8/01/1994	102.500		
SERIALS	8/01/2008	7.500%	3.250,000.00	8/01/1994	102.500		
SERIALS	8/01/2009	7.500%	3,505,000.00	8/01/1894	102.500		
			31,885,000.00				
Series of 18798	(#86-88) Date	1/1/78:					
SERIALS	1/01/1996	7.5001	665,000.00	1/01/1994	100.500		
SERIALS	1/01/1897	7.500I	665,000.00	1/01/1894	100.750		
SERIALS	1/01/1998	7.500%	685,000.00	1/01/1894	101.000		
SERIALS.	1/01/1999	7.500%	665,000.00	1/01/1894	101.250		
SERIALS	1/01/2000	7.500%	665,000.00	1/01/1994	101.500		
SERIALS	1/01/2001	7.500%	665,000.00	1/01/1994	101.750		
serials	1/01/2002	7.500%	665,000.00	1/01/1894	102.000		
SERIALS	1/01/2003	7.500%	665,000.00	1/01/1994	102.250		
SERIALS	1/01/2004	7.500%	665,000.00	1/01/1894	102.500		
			5.845,000.00				
Series of 1985 (Dated 5/1/88.						
OSTERM	2/15/2005	8.2501	15,540,000.00	2/15/1996	102.000		
OSTERM	2/15/2006	8.2501	26.260.000.00	2/15/1996	102.000		
			30.000.000.00				

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City of Philadelphia: General Obligation Bonds
Final City G.O. Refunding

SUMMARY OF BONDS REFUNDED

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Cali Price
OSTERM	2/15/2007	8.250%	28,470,000.00	2/15/1896	102.000
CSTERM	2/15/2008	8.2501	13,755,000.00	2/15/1896	102.000
DETERM	2/15/2009	8.250X	6,290 000.00	2/15/1996	102.00
			90,315,000.00		
rres of 1988A	(#96) Dated &	/1/86:			
OSTERM	8/01/2002	7.800%	3,145,000.00	8/01/1996	102.00
OSTERM	8/01/2003	7.800%	3,385,000.00	8/01/1896	102.00
OSTERM	8/01/2004	7.6001	3,540,000.00	8/01/1996	102.00
OSTERM	8/01/2005	7.800%	3,820,000.00	8/01/1996	102.00
OSTERM	8/01/2008	7.800%	4,215,000.00	8/01/1996	102.00
18TERM	8/01/2007	7.825%	4,535,000.00	8/01/1896	102.00
18TERM	8/01/2008	7.825%	4,880,000.00	8/01/1996	102.00
16TERM	8/01/2009	7.825%	5,255,000.00	8/01/1996	102.00
16TERM	8/01/2010	7.825%	5,855,000.00	8/01/1996	102.00
16TERM	8/01/2011	7.625%	6,085,000.00	8/01/1996	102.00
18TERM	8/01/2012	7.8251	6,550,000.00	8/01/1996	102.00
18TERM	8/01/2013	7.825%	7,050,000.00	\$/01/1996	102.00
16TERM	8/01/2014	7.625%	7,585,000.00	8/01/1996	102.00
15TERM	8/01/2015	7.625%	8,165,000.00	8/01/1996	102.00
18TERM	8/01/2016	7.625%	8 790 000.00	8/01/1996	102.00
		·	82,855,000.00		
eries of 1987E	(#97) Dated 7.	/1/87:			
OTTERM	8/01/2001	8.100%	2,280,000.00	8/01/1997	102.00
07TERM	8/01/2002	8.100%	2,480,000.00	8/01/1997	102.00
07TERM	8/01/2003	8.100%	2,690,000.00	8/01/1997	102.00
O7TERM	8/01/2004	8.100%	2.920.000.00	8/01/1997	102.00
O7TERM	8/01/2005	8.100%	3,165,000.00	8/01/1997	102.00
O7TERM	8/01/2008	8.100%	3,435,000.00	8/01/1997	102.00
O7TERM	8/01/2007	8.100Z	3,720,000.00	8/01/1997	102.00
17TERM	8/01/2008	8.125%	4.035.000.00	8/01/1997	102.00
17TERM	8/01/2009	8.125%	4.380.000.00	8/01/1897	102.00
TTTERM	8/01/2010	8.125%	4,750,000.00	8/01/1997	102.00
FTTERM	8/01/2011	8.125%	5,150,000.00	8/01/1997	102.00
17TERM	8/01/2012	8.125%	5,590,000.00	8/01/1997	102.00
17TERM	8/01/2013	8.125%	6.060,000.00	8/01/1997	102.00
17TERM	8/01/2014	8.125%	8,575,000.00	8/01/1997	102.00
17TERM	8/01/2015	8.1251	7,130,000,00	8/01/1997	102.00
17TERM	8/01/2016	8.1251	7,735,000.00	8/01/1997	102.00
17TERM	8/01/2017	8.125%	390,000.00	8/01/1997	102.00
		******	80,495,000.00		146.44

SUMMARY OF REFUNDING RESULTS

City of Philadelphia: General Obligation Bonds Final City G.O. Refunding

Dated Date	7/15/1993
Delivery Date	7/29/1893
Arbitrage yield	5.802602%
Escrov yield	•
Bond Per Assunt	385,600,000.00
True Interest Cost	5.645190%
Net Interest Cost	5.5067061
Average Caupan	5.384109%
Average Life	14.085
Par assent of refunded bonds	338,325,000.00
Average coupon of refunded bends	7.906107%
Average life of refunded bends	14.044
PV of prior debt to 7/29/1993 2 5.802802%	420,281,713.45
Net PV Sevings	34,772,418.68
Percentage savings of refunded bends	10.338934%
Percentage sevings of refunding bonds	8.7897921

0.601 45

FIRST SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST

between

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

and

MERIDIAN BANK, as Trustee

Dated as of May 15, 1996

FIRST SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST

THIS FIRST SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST, dated as of May 15, 1996, between the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania under and by virtue of the Constitution and laws of the Commonwealth of Pennsylvania, and MERIDIAN BANK, a bank and trust company organized and existing under the laws of the Commonwealth of Pennsylvania, as trustee (the "Trustee"),

WITNESSETH:

WHEREAS, the Authority is authorized and empowered under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (as such Act may be further amended from time to time, the "Act"), to issue its bonds in accordance with the Act for various purposes, including, without limitation, providing financial assistance to a city of the first class to finance a deficit other than a cash flow deficit, to finance capital projects and to otherwise assist such a city and to refund outstanding indebtedness of the Authority; and

WHEREAS, the Authority and CoreStates Bank, N.A. as trustee (the "Initial Trustee") entered into an Indenture of Trust, dated as of June 1, 1992 (the "Original Indenture"), to provide for the issuance and securing of Bonds (as defined in the Original Indenture); and

WHEREAS, pursuant to the Original Indenture and at the request of the City of Philadelphia, Pennsylvania (the "City"), the Authority issued and sold \$474,555,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") for the purpose of financing certain deficits of the City, financing certain capital projects of the City, providing financial assistance to the City to enhance productivity in the operation of the City government, and for certain other purposes permitted under the Act; and

WHEREAS, the Authority and the Initial Trustee entered into a First Supplemental Indenture of Trust dated as of June 22, 1992 amending certain provisions of the Original Indenture (the Original Indenture as so amended is referred to herein as the "Amended Indenture"); and

WHEREAS, Meridian Bank succeeded the Initial Trustee as trustee under the Amended Indenture; and

WHEREAS, the Authority and the Trustee entered into a Second Supplemental Indenture of Trust dated as of July 15, 1993 (the "Second Supplemental Indenture") amending and supplementing the Amended Indenture (the Amended Indenture as so amended and supplement is referred to herein as the "Second Amended Indenture"); and

WHEREAS, pursuant to the Second Amended Indenture and at the request of the City, the Authority issued \$643,430,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds") for the purpose of providing grants to the City to pay costs of certain capital projects included in the City's Fiscal Year 1994 Capital Budget, paying the costs of certain capital improvements to the City's criminal justice and correctional facilities and paying the costs of refunding certain of the City's general obligation bonds; and

WHEREAS, the Authority and the Trustee entered into a Third Supplemental Indenture of Trust dated as of August 15, 1993 (the "Third Supplemental Indenture") amending and supplementing the Second Amended Indenture (the Second Amended Indenture as so amended and supplemented is referred to herein as the "Third Amended Indenture"); and

WHEREAS, pursuant to the Third Amended Indenture, the Authority issued \$178,675,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") for the purpose of refunding \$136,670,000 aggregate principal amount of 1992 Bonds maturing on June 15 of the years 2006, 2012 and 2022; and

WHEREAS, the Authority amended and restated the Third Amended Indenture pursuant to an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture") in order to, <u>inter alia</u>, incorporate in one document all of the provisions thereof (including changes in the schedules of capital projects to be funded with proceeds of the 1992 Bonds and the 1993 Bonds effected through substitution requests); and

WHEREAS, pursuant to the Amended and Restated Indenture, the Authority issued \$122,020,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") in order to pay costs of certain capital projects included in the City's Fiscal Year 1995 Capital Budget; and

WHEREAS, the Authority has undertaken to issue Additional Bonds to (i) pay the costs of advance refunding the outstanding 1992 Bonds and the 1994 Bonds, and (ii) pay the costs of issuing such Additional Bonds (the "1996 Refunding"); and

WHEREAS, by Resolution adopted on April 30, 1996, the Authority determined to issue and sell its Special Tax Revenue

Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 Bonds") for the purpose of financing the 1996 Refunding pursuant to the terms of this First Supplement to the Amended and Restated Indenture (the "First Supplement to the Amended and Restated Indenture", and together with the Amended and Restated Indenture, the "Indenture"); and

WHEREAS, in order to accomplish the advance refunding of the outstanding 1992 Bonds and the 1994 Bonds, the Authority and the Trustee will enter into an Escrow Deposit Agreement (the "Escrow Deposit Agreement"), pursuant to which the Authority shall deposit in escrow with the Trustee, from the proceeds of the 1996 Bonds, an amount of cash which, when added to certain funds held by the Trustee for the benefit of the 1992 Bonds and the 1994 Bonds, and the investment earnings thereon, will be sufficient to (a) pay the maturing principal of and interest on the 1992 Bonds through and including June 15, 2002, and (b) pay the principal of and interest on the 1994 Bonds maturing on or prior to June 15, 2005 and to pay the redemption price of all outstanding 1994 Bonds, all of which will be called for redemption on June 15, 2005; and

WHEREAS, the execution and delivery of this First Supplement to the Amended and Restated Indenture and of the 1996 Bonds have been duly authorized and all things necessary to make the 1996 Bonds, when executed by the Authority and authenticated by the Trustee, valid and binding legal obligations of the Authority and to make this First Supplement to the Amended and Restated Indenture of Trust a valid and binding agreement have been done.

NOW, THEREFORE, THIS FIRST SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE WITNESSETH:

That, in order to secure the principal of and interest and premium, if any, on the 1996 Bonds issued hereunder according to their tenor and effect and to secure the performance and observance by the Authority of all the covenants and conditions contained herein and in the Amended and Restated Indenture and to declare the terms and conditions upon and subject to which the 1996 Bonds are issued and secured, and for and in consideration of the mutual covenants contained herein and in the Amended and Restated Indenture, the Authority and the Trustee are entering into this First Supplement to the Amended and Restated Indenture of Trust, which shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the 1996 Bonds.

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 1.01 <u>Supplemental Indenture of Trust</u>. This First Supplement to the Amended and Restated Indenture is supplemental to the Amended and Restated Indenture.

Section 1.02 <u>Authority for this First Supplement to the Amended and Restated Indenture</u>. This First Supplement to the Amended and Restated Indenture is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with Article X of the Amended and Restated Indenture.

Section 1.03 Definitions.

- 1. Except as provided in this First Supplement to the Amended and Restated Indenture, all terms which are defined in Article I of the Amended and Restated Indenture shall have the same meanings, respectively, in this First Supplement to the Amended and Restated Indenture as such terms are given in said Article I of the Amended and Restated Indenture.
- 2. Article I of the Amended and Restated Indenture is hereby amended by adding the following definitions:

The following terms shall have the definitions set forth in the recitals hereof:

Initial Trustee
1996 Bonds
First Supplement to the
Amended and Restated Indenture

Amended and Restated Indenture 1996 Refunding Escrow Deposit Agreement

"1996 Term Bonds" means the 1996 Bonds maturing on June 15, 2020.

3. Pursuant to the respective defined terms in the Amended and Restated Indenture, the terms "Bond Insurance Policy", "Bond Insurer", "Credit Facility", "Credit Facility Issuer", "Interest Payment Date", "Letter of Representations" and "Record Date" shall have the following meanings with respect to the 1996 Bonds:

"Bond Insurance Policy" means, with respect to the 1996 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1996 Bonds that guarantees payment of principal of and interest on the 1996 Bonds.

"Bond Insurer" means, with respect to the 1996 Bonds Financial Guaranty Insurance Company, or any successor thereto. "Credit Facility" means, with respect to the account within the Debt Service Reserve Fund for the 1996 Bonds, the Municipal Bond Debt Service Reserve Fund Policy issued by the Credit Facility Issuer for the 1996 Bonds to fund the Debt Service Reserve Requirement for the 1996 Bonds.

"Credit Facility Issuer" means, with respect to the Credit Facility issued to fund the account within the Debt Service Reserve Fund for the 1996 Bonds, Financial Guaranty Insurance Company, or any successor thereto.

"Interest Payment Date" means, with respect to the 1996 Bonds, December 15, 1996 and each June 15 and December 15 thereafter so long as any 1996 Bonds remain outstanding hereunder.

"Letter of Representations" shall have the meaning specified in Section 2.04(b) of this First Supplement to the Amended and Restated Indenture when referring to the 1996 Bonds.

"Record Date" means, with respect to the 1996 Bonds, the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date or any redemption date.

4. The definition of the term "Investment Securities" is amended as follows:

Subsection (d) is amended and restated in its entirety as follows: "(d)(i) direct obligations of, or (ii) obligations the principal of and interest on which are unconditionally guaranteed by, any state of the United States of America or any political subdivision or agency thereof, other than the City, (or upon the approval of the Bond Insurer for the 1996 Bonds, the District of Columbia or the Commonwealth of Puerto Rico or any political subdivision or agency thereof), whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;"

In the twelfth to last line of subsection (f), after the words "1993A Insured Bonds", delete the word "or" and replace it with ",", and after the words "1994 Bonds", add the words "or 1996 Bonds". In the third to last line in subsection (f), after the words "1993A Insured Bonds", delete the word "or" and replace it with ",", and after the words "1994 Bonds", add the words "or 1996 Bonds".

ARTICLE II

THE 1996 BONDS

Section 2.01 <u>Authorization of 1996 Bonds</u>. The 1996 Bonds are authorized to be issued in an aggregate principal amount of \$343,030,000.

Section 2.02 <u>Description of 1996 Bonds</u>.

- (a) The 1996 Bonds (i) shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996", (ii) shall be issued as fully registered bonds, and (iii) shall be in denominations of \$5,000 principal amount and integral multiples thereof.
- (b) The 1996 Bonds shall be substantially in the form of Exhibit A hereto, with appropriate insertions, omissions and variations, including, without limitation, provisions for optional and mandatory redemption, as permitted or required by this First Supplement to the Amended and Restated Indenture, and appropriate statements of insurance.
- (c) The 1996 Bonds shall be dated May 15, 1996. The principal of and interest on the 1996 Bonds shall be payable on the dates and the 1996 Bonds shall be subject to redemption in the manner and subject to the conditions stated herein and in the 1996 Bonds.
- (d) The 1996 Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in Schedule 1 hereto, such interest to be payable on each December 15 and June 15, commencing December 15, 1996, until maturity or such later date as payment of the principal amount thereof shall have been made or provided for.
- (e) All provisions of Article II of the Amended and Restated Indenture which are applicable to Bonds shall apply to the 1996 Bonds.
- Section 2.03 <u>Delivery of the 1996 Bonds and Disposition of Proceeds Thereof</u>.
- (a) Upon the execution and delivery of this First Supplement to the Amended and Restated Indenture, the Authority shall execute and deliver the 1996 Bonds to the Trustee and the Trustee shall authenticate the 1996 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 1996 Bonds. Proceeds from the sale of the 1996 Bonds shall be received by the Trustee and deposited in the Settlement Fund and shall then be disbursed and transferred from the Settlement Fund as follows:

- (1) To an account in the Debt Service Fund to be established in respect of the 1996 Bonds, the accrued interest on the 1996 Bonds.
- (2) To or upon the order of the Authority, the amount specified by the Authority at or after the closing for the issuance of the 1996 Bonds as the costs of issuance of the 1996 Bonds (including, without limitation, fees and expenses of bond counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 1996 Bonds, fees payable to any Credit Facility Issuer and Bond Insurer, printing costs payable by the Authority and rating agency fees).
- (3) To the Trustee, to be deposited in the Escrow Fund, an amount equal to \$345,137,258.71, which will be applied in accordance with the terms of the Escrow Deposit Agreement.

Any amount remaining in the Settlement Fund after the foregoing disbursements and transfers shall be disbursed or transferred by the Trustee to the Debt Service Fund in respect of the 1996 Bonds.

- (b) Accrued interest deposited in the account in the Debt Service Fund in respect of the 1996 Bonds shall be applied to pay interest on the 1996 Bonds on December 15, 1996.
- (c) Pursuant to Section 5.09 of the Amended and Restated Indenture, there shall be delivered to the Trustee for deposit in a separate account of the Debt Service Reserve Fund in respect of the 1996 Bonds, a Credit Facility meeting the requirements of such Section in the amount of the Debt Service Reserve Requirement for the 1996 Bonds.

Section 2.04 Book Entry System for the 1996 Bonds.

(a) The 1996 Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the 1996 Bonds of each maturity, which 1996 Bonds shall be registered in the name of Philadep & Co., as nominee of Philadelphia Depository Trust Company ("PHILADEP"). Except as provided in paragraph (g) below, all of the 1996 Bonds shall be registered in the books kept by the Trustee in the name of Philadep & Co., as nominee of PHILADEP; provided that if PHILADEP shall request that the 1996 Bonds be registered in the name of a different nominee, the Trustee shall exchange all or any portion of the 1996 Bonds for an equal aggregate principal amount of 1996 Bonds registered in the name of such nominee or nominees of PHILADEP. No person other than PHILADEP or its nominee shall be entitled to receive from the Authority or the Trustee either a 1996 Bond or any other evidence of ownership of the 1996 Bonds, or any right to receive any payment in respect thereof unless

PHILADEP or its nominee shall transfer record ownership of all or any portion of the 1996 Bonds on the books kept by the Trustee, in connection with discontinuing the book entry system as provided in paragraph (g) below or otherwise.

- (b) So long as the 1996 Bonds or any portion thereof are registered in the name of PHILADEP or any nominee thereof, all payments of the principal of or premium or interest on such 1996 Bonds shall be made to PHILADEP or its nominee in accordance with the Letter of Representations from the Authority to PHILADEP (the "Letter of Representations") on the dates provided for such payments under the Indenture. Each such payment to PHILADEP or its nominee shall be valid and effective to fully discharge all liability of the Authority or the Trustee with respect to the principal of and premium and interest on the 1996 Bonds to the extent of the sum or sums so paid.
- The Authority and the Trustee may treat (C) PHILADEP (or its nominee) as the sole and exclusive owner of the 1996 Bonds registered in its name for the purposes of payment of the principal of or premium or interest on the 1996 Bonds, selecting the 1996 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders of 1996 Bonds under the Indenture, registering the transfer of 1996 Bonds, obtaining any consent or other action to be taken by Holders of 1996 Bonds and for all other purposes whatsoever; and neither the Authority nor the Trustee shall be affected by any Notice to the contrary. Neither the Authority nor the Trustee shall have any responsibility or obligation to any participant in PHILADEP, any person claiming a beneficial ownership interest in the 1996 Bonds under or through PHILADEP or any such participant, or any other person which is not shown on the Bond Register as being a Bondholder, with respect to (1) the 1996 Bonds; (2) the accuracy of any records maintained by PHILADEP or any such participant; (3) the payment by PHILADEP or any such participant of any amount in respect of the principal of or premium or interest on the 1996 Bonds; (4) any notice which is permitted or required to be given to Holders of 1996 Bonds under the Indenture; (5) the selection by PHILADEP or any such participant of any person to receive payment in the event of a partial redemption of the 1996 Bonds; or (6) any consent given or other action taken by PHILADEP as Holder of 1996 Bonds.
- (d) So long as the 1996 Bonds or any portion thereof are registered in the name of PHILADEP or any nominee thereof, all notices required or permitted to be given to the Holders of 1996 Bonds under the Indenture shall be given to PHILADEP as provided in the Letter of Representations.
- (e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Indenture by the Trustee with respect to any consent or other action to be taken by Holders of 1996 Bonds, PHILADEP shall consider the date of receipt of notice requesting such consent or

other action as the record date for such consent or other action, provided that the Trustee may establish a special record date for such consent or other action. The Trustee shall give PHILADEP notice of such special record date not less than 15 calendar days in advance of such special record date to the extent possible.

- (f) At or prior to settlement for the 1996 Bonds, the Authority and the Trustee shall execute or signify their approval of the Letter of Representations. Any successor Trustee shall, in its written acceptance of its duties under the Indenture, agree to take any actions necessary from time to time to comply with the requirements of the Letter of Representations.
- The book entry system for registration of the ownership of the 1996 Bonds through PHILADEP shall be discontinued at any time that (1) PHILADEP determines to resign as securities depository for the 1996 Bonds and gives notice of such determination to the Authority and the Trustee or (2) the Authority determines that continuation of the system of book entry transfers through PHILADEP is not in the best interests of the Authority or the Holders of 1996 Bonds and gives notice of such determination to the Trustee and PHILADEP. In either of such events the Authority may appoint a successor securities depository; but if the Authority does not appoint a successor, the 1996 Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by PHILADEP, but without any liability on the part of the Authority or the Trustee for the accuracy of such designation. If a successor securities depository is appointed, this Section 2.04 shall be amended as necessary to reflect such succession and to incorporate provisions required by the successor.

ARTICLE III

REDEMPTION/REVENUES AND FUNDS

Section 3.01 Optional Redemption. The 1996 Bonds maturing on and after June 15, 2007 are redeemable on and after June 15, 2006, in whole at any time, or in part at any time and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount of the 1996 Bonds to be redeemed, plus accrued interest to the redemption date.

Section 3.02 <u>Debt Service Fund</u>.

(a) The Trustee shall establish as a part of the Debt Service Fund in respect of the 1996 Bonds a 1996 Bonds Sinking Fund Account (the "1996 Bonds Sinking Fund Account") for the retirement of certain of the 1996 Term Bonds. Moneys

deposited in the 1996 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 1996 Term Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund in respect of the 1996 Bonds to the 1996 Bonds Sinking Fund Account on June 15 of the years set forth below in the amount required to retire 1996 Term Bonds specified below in the following amounts through mandatory redemption, in direct order of maturity and within a maturity as chosen by the Trustee by lot, at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1996 Term Bonds Maturing June 15, 2016		1996 Term Bonds Maturing June 15, 2020		
Year (June 15)	<u>Amount</u>	Year (June 15)	Amount	
2014 2015 2016 [*]	\$6,450,000 6,810,000 7,180,000	2017 2018 2019 2020*	\$7,575,000 7,990,000 8,430,000 8,895,000	

* Final Maturity

Prior to May 1 of each year in which 1996 Term Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1996 Bonds Sinking Fund Account of as many 1996 Term Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the holders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund in respect of the 1996 Bonds). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 3.02 of the Indenture, so long as any 1996 Term Bonds specified above shall remain Outstanding, the Trustee shall draw by lot, for redemption on June 15 of such year, a principal amount of 1996 Term Bonds as shall represent the difference between the principal amount of such 1996 Term Bonds fixed for redemption on such date as described above and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection by lot of the particular 1996 Term Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the holders of such 1996 Term Bonds so drawn for redemption in the manner provided in Article III of the Indenture, and, upon presentation by the holders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 1996 Bonds Sinking Fund Account and shall pay accrued interest due from moneys available therefor in the Debt Service Fund in respect of the 1996 Bonds.

If at any time all the 1996 Term Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 1996 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund in respect of the 1996 Bonds. Whenever 1996 Term Bonds are to be purchased out of the 1996 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to the Indenture.

(b) (i) If, on the third day preceding any Interest Payment Date for the 1996 Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 1996 Bonds due on such date, the Trustee shall immediately notify the Bond Insurer and State Street Bank and Trust Company, N.A., or its successor as the Fiscal Agent for the Bond Insurer of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the Bond Insurer and to the Fiscal Agent the registration books for the 1996 Bonds maintained by the Trustee. In addition:

(A) The Trustee shall provide the Bond Insurer with a list of the Bondholders entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy and shall make arrangements for the Bond Insurer and the Fiscal Agent (1) to mail checks or drafts to Bondholders entitled to receive full or partial interest payments from the Bond Insurer and (2) to pay principal of the 1996 Bonds surrendered to the Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from the Bond Insurer; and

(B) The Trustee shall, at the time it makes the registration books available to the Bond Insurer pursuant to (A) above, notify Bondholders entitled to receive the payment of principal of or interest on the 1996 Bonds from the Bond Insurer (1) as to the fact of such entitlement, (2) that the Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment

of principal from the Bond Insurer, such Bondholder must tender his 1996 Bond with the instrument of transfer in the form provided on the 1996 Bond executed in the name of the Bond Insurer, and (4) that, except as provided in paragraph (ii) below, in the event that such Bondholder is entitled to receive partial payment of principal from the Bond Insurer, such Bondholder must tender his 1996 Bond for payment first to the Trustee, which shall note on such 1996 Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Bond Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy.

(ii) In the event that the Trustee has notice that any payment of principal of or interest on a 1996 Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer, notify all Bondholders of such 1996 Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the 1996 Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.

(iii) The Bond Insurer shall, to the extent it makes payment of principal of or interest on the 1996 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Bondholders of such 1996 Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books for the 1996 Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of such 1996 Bonds. Notwithstanding anything in the Indenture (including, without limitation, Section 2.04 of this First Supplement to the Amended and Restated Indenture) or the 1996 Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Bond Insurer to the extent that the Bond Insurer is a subrogee with respect thereto.

Section 3.03 <u>Credit Facility for the Debt Service Reserve</u> Fund for the 1996 Bonds.

The Credit Facility will be issued by the Credit Facility Issuer in lieu of a deposit in the Debt Service Reserve Fund at the time of the issuance of the 1996 Bonds. The Credit Facility shall be payable (upon the giving of notice by the Trustee to the Credit Facility Issuer in accordance with the terms of the Credit Facility at least two business days prior to each Interest Payment Date) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund for the 1996 Bonds and applied to the payment of principal of or interest on the 1996 Bonds. If a disbursement is made pursuant to the Credit Facility, the Credit Facility Issuer shall furnish to the Authority written instructions as to the manner in which repayment of amounts owed to the Credit Facility Issuer as a result of such disbursement shall be made.

In the event of any such disbursement, the Authority shall either (i) cause the maximum limits of the Credit Facility to be reinstated or (ii) deposit into the account within the Debt Service Reserve Fund for the 1996 Bonds an amount, from transfers from the Revenue Fund pursuant to Section 5.05 of the Indenture, equal to the amount of the draw made under the Credit Facility, or a combination of (i) and (ii), so that the amount of cash (or permitted investments under the Indenture), together with the Credit Facility in the Debt Service Reserve Fund for the 1996 Bonds equals the Debt Service Reserve Requirement for the 1996 Bonds.

Repayment of draws under the Credit Facility, expenses of the Credit Facility Issuer relating thereto and the interest thereon, accruing at a rate equal to the lower of (i) the prime rate per annum of Morgan Guaranty Trust Company of New York in effect from time to time plus two percent (2%) and (ii) the highest rate permitted by law (such draws, expenses and interest are collectively referred to as the "Policy Costs"). Amounts paid to the Credit Facility Issuer shall be credited first to interest due under the Credit Facility, then to the expenses due under the Credit Facility and then to reimbursement of the draws under the Credit Facility. As and to the extent that payments are made to the Credit Facility Issuer on account of reimbursement of any draws under the Credit Facility, the coverage under the Credit Facility will be increased by a like amount.

If the Authority shall fail to repay any Policy Costs as described above, the Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under the Indenture other than (i) acceleration of the maturity of the 1996 Bonds, or (ii) remedies which would adversely affect holders of the 1996 Bonds.

If and to the extent that cash has also been deposited in the Debt Service Reserve Fund for the 1996 Bonds, all such cash shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any draw under the Credit Facility, and repayment of any Policy Costs shall be made prior to replenishment of any such cash amounts. If, in addition to the Credit Facility, any other reserve fund substitute instrument is provided with respect to the 1996 Bonds, drawings under the Credit Facility and any such other reserve fund substitute instruments, shall be made on a pro rata basis (calculated by reference to the maximum amounts available thereunder) after applying all available cash in the Debt Service Reserve Fund for the 1996 Bonds and prior to replenishment of any such cash draws, respectively.

For so long as the Credit Facility is in effect (a) the Indenture shall not be modified or amended without the prior written consent of the Credit Facility Issuer, (b) the Credit Facility Issuer shall be provided with written notice of the resignation or removal of the Trustee and the appointment of a successor thereto and of the issuance of additional indebtedness of the Authority, and (c) the Indenture shall not be discharged if any Policy Costs are owed by the Authority to the Credit Facility Issuer.

For so long as the Credit Facility for the 1996 Bonds on account of the Debt Service Reserve Fund is in effect, the amount available to be drawn thereunder shall be taken into account when computing the value of the assets in such account for purposes of determining whether the Debt Service Reserve Requirement for the 1996 Bonds is satisfied.

ARTICLE IV

AMENDMENT OF INDENTURE

Section 4.01 <u>Amendment of Section 2.11</u>. Section 2.11 of the Amended and Restated Indenture is amended as follows:

In the eighth line of subsection 2.11(f) after the words "1993A Bonds", delete with word "and" and replace it with ",". In the ninth line of subsection 2.11(f), after the words "1994 Bonds", add the words "and the 1996 Bonds". In the nineteenth line of subsection 2.11(f), after the word "Requirement", add the words "(including the Authority's obligations with respect to repayment of Policy Costs then due and owing with respect to the Credit Facility issued in connection with the Debt Service Reserve Fund for the 1996 Bonds)".

Add a new subsection 2.11(g) which shall read in its entirety as follows:

- "(g) In the event that any Policy Costs are past due and owing to a Credit Facility Issuer, the written consent of such Credit Facility Issuer".
- Section 4.02 <u>Amendment of Section 4.12</u>. Section 4.12 of the Amended and Restated Indenture is amended as follows:

In the fourth line of subsection 4.12(b), after the words "1993A Bonds", delete the word "or" and replace it with ",", and after the words "1994 Bonds", add the words "or the 1996 Bonds". In the third line of subsection 4.12(d), after the words "1993A Bonds", delete the word "and" and replace it with ",", and after the words "1994 Bonds", add the words "and the 1996 Bonds".

- Section 4.03 <u>Amendment of Section 5.04</u>. Section 5.04 of the Amended and Restated Indenture is amended by adding a new subsection (f) which reads in its entirety as follows:
- "(f) The fees and costs for any opinion of Bond Counsel required to be given pursuant to paragraphs (a) or (c) of this Section 5.04 or any other costs incurred by the Authority in connection with a revision of Schedule 5, 6 or 7 shall be a proper charge against such account within the Capital Projects Fund as the Authority may designate and shall be paid therefrom."
- Section 4.04 <u>Amendment of Section 5.07</u>. Subsection 5.07 of the Amended and Restated Indenture is amended as follows:

In the eighth line of the first paragraph of Section 5.07, after the word "Insurer", add the words "for such Series of Bonds". In the tenth line of the first paragraph of Section 5.07 after the word "Insurer", add the words "for such Series of Bonds".

In the sixth line of subsection 5.07(b), after the words "1993A Bonds", delete the word "and" and replace it with ",", and after the words "1994 Bonds", add the words "and the 1996 Bonds".

Section 4.05 <u>Amendment of Section 5.10.</u> Section 5.10 of the Amended and Restated Indenture is amended as follows:

In the first line of subsection 5.10 (b), delete the word "30" and replace it with the word "45".

Section 4.06 <u>Amendment of Section 6.01.</u> Section 6.01 of the Amended and Restated Indenture is amended as follows:

In the second to last line of the first paragraph of Section 6.01, after the words "1993A Bonds", delete the word "and" and replace it with ",". In the last line of the first paragraph of Section 6.01, after the word "Bonds", add the words "and the 1996 Bonds".

In the third line of the fourth paragraph of Section 6.01, after the words "1993A Bonds", delete the word "and" and replace it with ",", and after the words "1994 Bonds", add the words "and the 1996 Bonds". In the ninth line of the fourth paragraph of Section 6.01, after the words "1993A Bonds", delete the word "or" and replace it with ",", and in the tenth line of the fourth paragraph of Section 6.01, after the words "1994 Bonds", add the words "or the 1996 Bonds".

Section 4.07 <u>Amendment of Section 6.02</u>. Section 6.02 of the Amended and Restated Indenture is amended as follows:

At the end of Section 6.02, add a new sentence which reads as follows: "Any Credit Facility deposited in the Debt Service Reserve Fund pursuant to Section 5.07 herein shall be valued at the stated coverage amount."

Section 4.08 <u>Amendment of Article VII.</u> The fourth paragraph of Article VII of the Amended and Restated Indenture is amended as follows:

In the third line of the fourth paragraph of Article VII, after the words, "1993A Bonds", delete the word "or" and replace it with ",", and after the words "1994 Bonds", add the words "or the 1996 Bonds".

Section 4.09 <u>Amendment of Section 8.01</u>. Section 8.01 of the Amended and Restated Indenture is amended as follows:

In the fifth to last line of the paragraph following subsection 8.01(e), after the words "1993A Bonds", delete the word "or" and replace it with ",", and after the words "1994 Bonds", add the words "or in the 1996 Bonds".

Section 4.10 <u>Amendment of Section 8.09</u>. Section 8.09 of the Amended and Restated Indenture is amended as follows:

In the fifth line of Section 8.09, after the words "1993A Insured Bonds", delete the word "or" and replace it with "," and after the words "1994 Bonds", add the words "or the 1996 Bonds".

Section 4.11. <u>Amendment of Section 10.02</u>. The last paragraph of Section 10.02 of the Amended and Restated Indenture is amended as follows:

In the seventh line of the last paragraph of Section 10.02, after the words "1993A Bonds", delete the word "or" and replace it with ",", and after the words "1994 Bonds" add the words "or the 1996 Bonds".

Section 4.12 <u>Amendment of Section 11.07</u>. Section 11.07 of the Amended and Restated Indenture is amended to add the following addresses as the addresses for the Credit Facility Issuer with respect to the 1996 Bonds:

If to the Credit Facility Issuer:

Financial Guaranty Insurance Corporation 115 Broadway New York, NY 10006 Attention: Research and Risk Management

Section 4.13 <u>Amendment of Section 11.10.</u> Section 11.10 of the Amended and Restated Indenture is amended as follows:

In the fifth line of Section 11.10, after the words "1993A Insured Bonds", delete the word "or" and replace it with ",". In the sixth line of Section 11.10, after the words "1994 Bonds", add the words "or the 1996 Bonds".

ARTICLE V

INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS

Indenture to Remain in Effect. Except as Section 5.01 amended and supplemented by this First Supplement to the Amended and Restated Indenture, the Amended and Restated Indenture shall remain in full force and effect and is in all respects ratified, approved and confirmed, and the Amended and Restated Indenture and this First Supplement to the Amended and Restated Indenture shall be read, taken and construed as one and the same instrument so that all of the rights, remedies, terms, conditions, covenants and agreements of the Amended and Restated Indenture shall apply and remain in full force and effect with respect to this First Supplement to the Amended and Restated Indenture, the 1992 Bonds, the 1993 Bonds, the 1993A Bonds, the 1994 Bonds and the 1996 Bonds, as appropriate. In case of any conflict between the provisions of the Amended and Restated Indenture and this First Supplement to the Amended and Restated Indenture of Trust, the provisions of this First Supplement to the Amended and Restated Indenture shall apply. Without limiting the foregoing, the Authority hereby assigns, pledges and grants to the Trustee and confirms its prior grant to the Trustee a lien on and security interest in all right, title and interest of the Authority in and to the Pledged Revenues in order to secure (i) the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect, and (ii) the performance and observance by the Authority expressed herein and in the Bonds.

Section 5.02 <u>Counterparts</u>. This First Supplement to the Amended and Restated Indenture may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.03 <u>Governing Law.</u> This First Supplement to the Amended and Restated Indenture shall be governed by and construed in accordance with the laws of the Commonwealth.

Section 5.04 <u>Captions</u>. The captions and headings in this First Supplement to the Amended and Restated Indenture are for reference purposes only and shall not control or affect the meaning or interpretation of any provisions of this First Supplement to the Amended and Restated Indenture.

IN WITNESS WHEREOF, the Authority has caused this First Supplement to the Amended and Restated Indenture of Trust to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials and the Trustee has caused this First Supplement to the Amended and Restated Indenture of Trust to be executed in its name and with its corporate seal hereunto affixed and attested by its respective duly authorized signers, as of the date first above written.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

[SEAL]

By: Wice) Chairperson

Attest:

Title: Secretary

[SEAL]

MERIDIAN BANK, as Trustee

Title: Vice President

EXHIBIT A

(Form of Fully Registered 1996 Bond)

No. R

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program)

Series of 1996

Interest Maturity Dated
Rate Date Date

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

CUSIP

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), for value received, hereby promises to pay (but only out of Pledged Revenues (as hereinafter defined)) to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Revenues) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from May 15, 1996, on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing December 15, 1996, until payment of the principal sum shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the Principal Office of Meridian Bank, or its successor, as Trustee (the "Trustee"). Interest on this Bond will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Authority (the "Bond Register") maintained by Meridian Bank or its successor as Registrar and at the address appearing thereon on the last day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a holder of \$1,000,000 or more in aggregate principal amount of Series 1996 Bonds (as

hereinafter defined), by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on the fifteenth (15th) day prior to the date set for the payment of such defaulted interest (the "Special Payment Date"). Such Special Payment Date shall be fixed by the Trustee in accordance with Section 2.03 of the Amended and Restated Indenture (as hereinafter defined). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Interest on the Series 1996 Bonds shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THIS BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, EXCEPT FOR THE AUTHORITY, AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, EXCEPT FOR THE AUTHORITY, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, INCLUDING THE CITY, EXCEPT THE AUTHORITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE SERIES 1996 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 1996 BONDS, SHALL HAVE NO RECOURSE, LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, EXCEPT THE AUTHORITY, BUT INCLUDING THE CITY, FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 1996 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office of the Registrar. No transfer shall be valid as against the Authority or the Trustee unless made by the registered owner in person or by his duly authorized attorney or legal representative and similarly noted upon the Bond Register and hereon. Upon any such transfer or exchange, the Authority shall issue and, after due authentication by the Trustee, shall deliver to or upon the

order of the registered owner, a new registered Bond or Bonds, in authorized denominations aggregating the principal amount hereof, maturing on the same date, bearing interest at the same rate, bearing the same series designation as if this Bond and registered in such names as shall be requested.

The Authority, the Trustee and the Registrar may treat the person in whose name this Bond is registered as the absolute owner of this Bond for all purposes whether or not this Bond shall be overdue, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All payments of the principal, interest or redemption price made to the registered owner hereof in the manner set forth herein and in the Indenture shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, whether or not notation of the same be made hereon, and any consent, waiver or action taken by such registered owner pursuant to the provisions of the Indenture shall be conclusive and binding upon such registered owner, his heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any Bond issued in exchange therefor.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the Commonwealth of Pennsylvania to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Bond, exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing this Bond nor any such officer, agent or employee shall be liable personally on this Bond or under the Indenture or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond, all such liability of such members, officers, agents and employees being released as a condition of and as consideration for the execution of the First Supplement to the Amended and Restated Indenture (hereinafter defined) and the issuance of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

This Bond is one of a duly authorized issue of \$343,030,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program),

Series of 1996 (the "Series 1996 Bonds"). The Series 1996 Bonds are issued to enable the Authority to refund certain of its outstanding bonds and for other purposes permitted by the Act and thereby to accomplish the public purposes set forth in the Act.

The Series 1996 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on April 30, 1996 (the "Resolution") and under an Amended and Restated Indenture dated as of December 1, 1994, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (collectively, the "Indenture"), between the Authority and the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i) all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues").

Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Optional Redemption

The Series 1996 Bonds maturing on and after June 15, 2007 are redeemable by the Authority, on or after June 15, 2006, in whole at any time, or in part at any time, and from time to time, in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount of Series 1996 Bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 1996 Bonds maturing on June 15, 2016 and June 15, 2026 are subject to mandatory sinking fund redemption prior to maturity on June 15 of the years and in the amounts set forth below in direct order of maturity and within a maturity as chosen by the Trustee by lot at 100% of the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

Maturity <u>June 15, 2016</u>

Maturity June 15, 2020

Year		Year	
(June 15)	<u>Amount</u>	<u>(June 15)</u>	<u>Amount</u>
2014	\$ 6,450,000	2017	\$7,575,000
2015	6,810,000	2018	7,990,000
2016*	7,180,000	2019	8,430,000
	•	2020 *	8,895,000

^{*} Final Maturity

Prior to May 1 of each year in which Series 1996 Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1996 Bonds Sinking Fund Account of as many Series 1996 Bonds then subject to mandatory sinking fund redemption on the next June 15 as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund in respect of).

Notice of Redemption

When the Authority shall determine to redeem Series 1996 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 1996 Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series 1996 Bonds from moneys in the Bond Redemption Fund, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall, among other things, state the redemption price and the date fixed for redemption, that on such date the Series 1996 Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series 1996 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 1996 Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such redemption, without the requirement of written notice. notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty [30) days, but not more than sixty (60) days prior to the redemption date, addressed to the Holders of Series 1996 Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Series 1996 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 1996 Bonds.

Reference is made to the Act, the Resolution, the Indenture and the PICA Tax Ordinance, executed or certified counterparts of which are on file at the principal corporate trust office of the Trustee, for statements of the purposes for which the Series 1996 Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series of 1996 Bonds (including the PICA Tax) and the nature, extent and manner of enforcement of such security, certain covenants of the Authority and the City made for the benefit of Bondholders, the terms and conditions under which the Indenture may be amended or modified, the rights and duties of the Authority and the Trustee, and the extent of the rights of the registered owners of the Series 1996 Bonds issued under the Indenture.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this Bond to be executed with the manual or facsimile signature of its Chairperson and its official seal or a facsimile thereof to be imprinted hereon and attested with the manual or facsimile signature of its Secretary or Assistant Secretary.

[SEAL]		PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY		
		By: (Vice) Chairperson		
Attest:				
(Assistant)	Secretary			

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 1996 Bonds described in the within mentioned Indenture. The text of the opinion of Co-Bond Counsel printed on or attached to this Bond is the complete text of the opinion of Fox, Rothschild, O'Brien & Frankel and Ronald A. White, P.C., both of Philadelphia, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1996 Bonds.

	Meridian Bank, Trustee
	By: Authorized Signature
Date of Authentication:	<u>.</u>
	·

STATEMENT OF INSURANCE

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the Pennsylvania Intergovernmental Cooperation Authority, Pennsylvania, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "Bonds"), such policy being on file at the principal office of Meridian Bank (the "Trustee"):

Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholder that portion of principal of and interest on the Bonds which is then due for payment and which the Issuer of the Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to the principal, the stated maturity date thereof, or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which the payment of principal of the Bonds is due by reason of call for redemption (other than mandatory sinking fund redemption), acceleration or other advancement of maturity, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Trustee to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Trustee, Financial Guaranty on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein the term "Bondholder" means the person other than the Issuer who at the time of nonpayment of a Bond is entitled under the terms of such Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY

TEXT OF OPINION OF CO-BOND COUNSEL

May 30, 1996

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street, 14th Floor Philadelphia, PA 19102

> e: \$343,030,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$343,030,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"), and an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture"), between the Authority and Meridian Bank, as Trustee (the "Trustee"), as amended pursuant to the First Supplement to the Amended and Restated Indenture" and, together with the Amended and Restated Indenture, the "Indenture").

The proceeds of the Bonds will be used, together with certain monies held by the Trustee on account of the 1992 Bonds and the 1994 Bonds (defined below) to (i) advance refund the aggregate outstanding balance of the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds"), (ii) advance refund the aggregate outstanding balance of the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Project), Series of 1994 (the "1994 Bonds"); (iii) pay the premium for a debt service reserve fund insurance policy to satisfy the Debt Service Reserve Fund Requirement in respect of the 1996 Bonds and (iv) pay the costs of issuing the 1996 Bonds (collectively, the "Refunding Project").

As Co-Bond Counsel, we have examined the Act, the relevant provisions of the Constitution and such statutes of the

Pennsylvania Intergovernmental Cooperation Authority May ___, 1996 Page 30

Commonwealth of Pennsylvania and such resolutions of the Authority and ordinances of the City of Philadelphia (the "City") and proceedings relating thereto as we have deemed necessary to enable us to render the opinion set forth below. We have also examined and relied upon the proceedings authorizing the issuance of the 1996 Bonds and certain certifications and agreements (including a Tax Compliance Agreement intended to satisfy certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable Treasury Regulations), affidavits, receipts and other documents which we have considered relevant. We have also examined a specimen of the 1996 Bonds and have relied on the certification of the Trustee as to its authentication of the 1996 Bonds.

In rendering our opinion set forth below, we have assumed (i) that all documents, records and other instruments examined by us are genuine, accurate and complete and we have not undertaken to verify all of the factual matters set forth in any certificates or other documents by independent investigation, (ii) that the signatures on documents and instruments examined by us are original or genuine, (iii) that all documents submitted to us as copies conform to the originals thereof, and (iv) that all documents referred to herein have been duly authorized, executed, and delivered by all parties thereto other than the Authority.

On the basis of the foregoing and subject to the qualifications stated herein, we are of the opinion that, under existing law, as presently enacted and construed:

- 1. The Authority is a body corporate and politic validly existing under the laws of the Commonwealth of Pennsylvania, and has the full power and authority under the Act to undertake the Refunding Project, to execute and deliver the First Supplement to the Amended and Restated Indenture and to issue the 1996 Bonds.
- 2. The First Supplement to the Amended and Restated Indenture has been duly authorized, executed and delivered by the Authority and the obligations of the Authority under the First Supplement to the Amended and Restated Indenture constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms.
- 3. The 1996 Bonds have been duly authorized, executed, issued and delivered by the Authority and are the legal, valid and binding limited obligations of the Authority, entitled to the benefit and security of the Indenture, and are enforceable against the Authority in accordance with their terms.

 -30-
- 4. The Indenture creates a valid lien on, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture) for the security of the Bonds.

- 5. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the interest on the 1996 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax and the 1996 Bonds are exempt from personal property taxes in Pennsylvania.
- 6. Under existing statutes, regulations, rulings and court decisions, interest on the 1996 Bonds (including any original issue discount properly allocable to a holder of the 1996 Bonds) is excluded from gross income for federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the City shall comply with all requirements of the Code and applicable Treasury Regulations that must be satisfied subsequent to the issuance of the 1996 Bonds in order that interest on the 1996 Bonds be (and continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the 1996 Bonds to be included in gross income retroactive to the date of issuance of the 1996 Bonds. The Authority and the City have covenanted to comply with such requirements.
- 7. Interest on the 1996 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; notwithstanding that, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in computing the alternative minimum taxable income of such corporations. It should be noted that ownership of the 1996 Bonds also may give rise to certain additional federal tax consequences. We express no opinion with respect to any of such additional tax consequences.

With respect to the foregoing opinion, we advise you that the rights of the holders of the 1996 Bonds and the enforceability of the 1996 Bonds and the Indenture will be subject to and may be limited by (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws of general application or equitable principles relating to or affecting creditors' rights and remedies or debtors' obligations generally, (ii) by general principles of equity, whether considered and applied in a court of law or equity, and (iii) the exercise of judicial discretion in appropriate cases.

We call your attention to the fact that the 1996 Bonds are limited obligations of the Authority, payable only out of certain revenues of the Authority and certain other monies pledged therefor as provided in the Indenture, and that neither the credit nor the taxing power of the City, the Commonwealth of Pennsylvania or any political subdivision, agency or instrumentality thereof is pledged for the payment of the principal of, or interest on, the 1996 Bonds. Furthermore, the Authority has no taxing power.

We express no opinion as to any matter not expressly set forth herein, including federal, state, local or foreign tax consequences arising with respect to the 1996 Bonds, other than those opinions expressed in paragraphs 5, 6 and 7 above, or as to the accuracy, adequacy or completeness of, the Preliminary Official Statement or the final Official Statement prepared with respect to the 1996 Bonds, and we make no representation that we have independently verified the contents of such Official Statement.

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.

Very truly yours,

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns
and transfers unto whose taxpayer
identification number is the within Bond and all rights
thereunder, and hereby irrevocably constitutes and appoints
attorney to transfer said Bond on the books of the Registrar,
with full power of substitution in the premises.
Dated:
Signature Guaranteed:
NOMEON Who misserves to this Resissance week serves as and with

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

SCHEDULE 1

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS \$343,030,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 1996

\$289,700,000 Serial Bonds

Due (June 15)	Amount	Interest <u>Rate</u>	Price or <u>Yield</u>
1997	\$33,365,000	5.000%	3.700%
1998	36,635,000	5.000	4.250
1999	38,465,000	5.750	4.500
2000	40,680,000	5.750 <u>.</u>	4.650
2001	43,015,000	6.000	4.750
2002	45,800,000	6.000	4.850
2003	3,430,000	4.850	4.950
2004	3,590,000	6.000	5.050
2005	3,890,000	6.000	5.125
2006	4,200,000	6.000	5.200
2007	4,450,000	5.200	5.320
2008	4,680,000	5.300	5.420
2009	4,930,000	5.400 .	5.520
2010	5,200,000	5.500	5.600
2011	5,480,000	5.500	5.650
2012	5,785,000	5.600	5.700
2013	6,105,000	5.625	5.750

\$20,440,000 5.500% Term Bonds Due June 15, 2016 at 5.820% \$32,890,000 5.500% Term Bonds Due June 15, 2020 at 5.870%

SECOND SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST

between

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

and

FIRST UNION NATIONAL BANK, as Trustee

Dated as of April 1, 1999

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SECOND SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST

THIS SECOND SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST, dated as of April 1, 1999, between the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania under and by virtue of the Constitution and laws of the Commonwealth of Pennsylvania, and FIRST UNION NATIONAL BANK, a bank and trust company organized and existing under the laws of the Commonwealth of Pennsylvania, as Trustee under the Indenture,

WITNESSETH:

WHEREAS, the Authority is authorized and empowered under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (as such Act may be further amended from time to time, the "Act"), to issue its bonds in accordance with the Act for various purposes, including, without limitation, providing financial assistance to a city of the first class to finance a deficit other than a cash flow deficit, to finance capital projects and to otherwise assist such a city and to refund outstanding indebtedness of the Authority; and

WHEREAS, the Authority and CoreStates Bank, N.A. as trustee (the "Initial Trustee") entered into an Indenture of Trust, dated as of June 1, 1992 (the "Original Indenture"), to provide for the issuance and securing of Bonds (as defined in the Original Indenture); and

WHEREAS, pursuant to the Original Indenture and at the request of the City of Philadelphia, Pennsylvania (the "City"), the Authority issued and sold \$474,555,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") for the purpose of financing certain deficits of the City, financing certain capital projects of the City, providing financial assistance to the City to enhance productivity in the operation of the City government, and for certain other purposes permitted under the Act; and

WHEREAS, the Authority and the Initial Trustee entered into a First Supplemental Indenture of Trust dated as of June 22, 1992 amending certain provisions of the Original Indenture (the Original Indenture as so amended is referred to herein as the "Amended Indenture"); and

WHEREAS, Meridian Bank succeeded the Initial Trustee as trustee under the Amended Indenture; and

WHEREAS, the Authority and Meridian Bank, as trustee, entered into a Second Supplemental Indenture of Trust dated as of July 15, 1993 (the "Second Supplemental Indenture") amending and supplementing the Amended Indenture (the Amended Indenture as so amended and supplemented is referred to herein as the "Second Amended Indenture"); and

WHEREAS, pursuant to the Second Amended Indenture and at the request of the City, the Authority issued \$643,430,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds") for the purpose of providing grants to the City for use by the City to pay costs of certain capital projects included in the City's Fiscal Year 1994 Capital Budget, costs of certain capital improvements to the City's criminal justice and correctional facilities and costs of defeasing certain of the City's general obligation bonds; and

WHEREAS, the Authority and Meridian Bank, as trustee, entered into a Third Supplemental Indenture of Trust dated as of August 15, 1993 (the "Third Supplemental Indenture") amending and supplementing the Second Amended Indenture (the Second Amended Indenture as so amended and supplemented is referred to herein as the "Third Amended Indenture"); and

WHEREAS, pursuant to the Third Amended Indenture, the Authority issued \$178,675,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") for the purpose of refunding \$136,670,000 aggregate principal amount of 1992 Bonds maturing on June 15 of the years 2006, 2012 and 2022; and

WHEREAS, the Authority amended and restated the Third Amended Indenture pursuant to an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture") between the Authority and Meridian Bank, as Trustee, in order to, inter alia, incorporate in one document all of the provisions thereof (including changes in the schedules of capital projects to be funded with proceeds of the 1992 Bonds and the 1993 Bonds effected through substitution requests); and

WHEREAS, pursuant to the Amended and Restated Indenture, the Authority issued \$122,020,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") in order to pay costs of certain capital projects included in the City's Fiscal Year 1995 Capital Budget; and

WHEREAS, pursuant to the First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture," and together with the Amended and Restated Indenture, the "Existing Indenture") between the Authority and Meridian Bank, as Trustee, the Authority issued \$343,030,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 Bonds") in order to (i) pay the costs of advance refunding the outstanding 1992 Bonds and the 1994 Bonds, and (ii) pay the costs of issuing such Additional Bonds; and

WHEREAS, First Union National Bank succeeded Meridian Bank as Trustee under the Existing Indenture; and

WHEREAS, the Authority has undertaken to issue Additional Bonds to (i) pay the costs of advance refunding the outstanding 1993 Bonds, (ii) to provide a Credit Facility to satisfy the Debt

Service Reserve Requirement, and (iii) pay the costs of issuing such Additional Bonds and of obtaining credit enhancement for the Bonds (the "1999 Refunding"); and

WHEREAS, by Resolutions adopted on March 2, 1999 and March 16, 1999, the Authority determined to issue and sell its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 (the "1999 Bonds") for the purpose of financing, together with other available funds, the 1999 Refunding pursuant to the terms of this Second Supplement to the Amended and Restated Indenture (the "Second Supplement to the Amended and Restated Indenture, the "Indenture"); and

WHEREAS, in order to accomplish the advance refunding of the outstanding 1993 Bonds, the Authority and the Trustee, as escrow agent (in such capacity, the "Escrow Agent") will enter into an Escrow Deposit Agreement (the "1993 Bonds Escrow Deposit Agreement") dated as of the date hereof, pursuant to which the Authority shall deposit in escrow with the Escrow Agent, from the proceeds of the 1999 Bonds, an amount of cash which, when added to certain funds held by the Trustee for the benefit of the 1993 Bonds, and the investment earnings thereon, will be sufficient to (a) pay the maturing principal of and interest on the 1993 Bonds through and including June 15, 2003, and to pay the redemption price of all outstanding 1993 Bonds, all of which will be called for redemption on June 15, 2003; and

WHEREAS, the execution and delivery of this Second Supplement to the Amended and Restated Indenture and of the 1999 Bonds have been duly authorized and all things necessary to make the 1999 Bonds, when executed by the Authority and authenticated by the Trustee, valid and binding legal obligations of the Authority and to make this Second Supplement to the Amended and Restated Indenture of Trust a valid and binding agreement have been done.

NOW, THEREFORE, THIS SECOND SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE WITNESSETH:

That, in order to secure the principal of and interest and premium, if any, on the 1999 Bonds issued hereunder according to their tenor and effect and to secure the performance and observance by the Authority of all the covenants and conditions contained herein and in the Existing Indenture and to declare the terms and conditions upon and subject to which the 1999 Bonds are issued and secured, and for and in consideration of the mutual covenants contained herein and in the Existing Indenture, the Authority and the Trustee are entering into this Second Supplement to the Amended and Restated Indenture of Trust, which shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the 1999 Bonds.

ARTICLE I AUTHORITY AND DEFINITIONS

SECTION 1.01 SUPPLEMENTAL INDENTURE OF TRUST

This Second Supplement to the Amended and Restated Indenture is supplemental to the Existing Indenture.

SECTION 1.02 AUTHORITY FOR THIS SECOND SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE

This Second Supplement to the Amended and Restated Indenture is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with Article X of the Amended and Restated Indenture.

SECTION 1.03 DEFINITIONS

- Indenture, all terms which are defined in Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, shall have the same meanings, respectively, in this Second Supplement to the Amended and Restated Indenture as are given to such terms in said Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture.
- 2. Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is hereby amended by adding the following definitions:

The following terms shall have the definitions set forth in the recitals hereof:

Escrow Agent

1999 Bonds

1993 Bonds Escrow Deposit Agreement Second Supplement to the

1999 Refunding Amended and Restated Indenture

"1999 Credit Facility" means the Credit Facility, a municipal bond debt service reserve fund policy, issued by the 1999 Credit Facility Issuer.

"1999 Credit Facility Issuer" means Financial Guaranty Insurance Company, the Credit Facility Issuer issuing the 1999 Credit Facility

"1999 Term Bonds" means the 1999 Bonds maturing on June 15, 2021 and June 15, 2023.

3. Pursuant to the respective defined terms in the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the terms "Bond Insurance Policy", "Bond Insurer", "Interest Payment Date", "Letter of Representations" and "Record Date" shall have the following meanings with respect to the 1999 Bonds:

"Bond Insurance Policy" means, with respect to the 1999 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1999 Bonds that guarantees payment of principal of and interest on the 1999 Bonds.

"Bond Insurer" means, with respect to the 1999 Bonds, Financial Guaranty Insurance Company, or any successor thereto.

"Interest Payment Date" means, with respect to the 1999 Bonds, June 15, 1999 and each June 15 and December 15 thereafter so long as any 1999 Bonds remain outstanding hereunder.

"Letter of Representations" shall have the meaning specified in Section 2.04(b) of this Second Supplement to the Amended and Restated Indenture when referring to the 1999 Bonds.

"Record Date" means, with respect to the 1999 Bonds, the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date for the 1999 Bonds.

4. The definition of the term "Investment Securities" contained in the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended as follows:

In the twelfth to last line of subsection (f), after the words "1994 Bonds", delete the word "or" and replace it with ",", and after the words "1996 Bonds", add the words "or 1999 Bonds". In the third to last line in subsection (f), after the words "1994 Bonds", delete the word "or" and replace it with ",", and after the words "1996 Bonds", add the words "or 1999 Bonds".

5. The definition of the term "Debt Service Reserve Requirement" contained in the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"Debt Service Reserve Requirement" means with respect to the Bonds, an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds outstanding under the Indenture, and (ii) the maximum amount permitted by the Code.

ARTICLE II THE 1999 BONDS

SECTION 2.01 AUTHORIZATION OF 1999 BONDS

The 1999 Bonds are authorized to be issued in an aggregate principal amount of \$610,005,000.

SECTION 2.02 DESCRIPTION OF 1999 BONDS

- (a) The 1999 Bonds (i) shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999", (ii) shall be issued as fully registered bonds, and (iii) shall be in denominations of \$5,000 principal amount and integral multiples thereof.
- (b) The 1999 Bonds shall be substantially in the form of Exhibit A hereto, with appropriate insertions, omissions and variations, including, without limitation, provisions for optional and mandatory redemption, as permitted or required by this Second Supplement to the Amended and Restated Indenture, and appropriate statements of insurance.
- (c) The 1999 Bonds shall be dated April 1, 1999. The principal of and interest on the 1999 Bonds shall be payable on the dates and the 1999 Bonds shall be subject to redemption in the manner and subject to the conditions stated herein and in the 1999 Bonds.
- (d) The 1999 Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in Schedule 1 hereto, such interest to be payable on each December 15 and June 15, commencing June 15, 1999, until maturity or such later date as payment of the principal amount thereof shall have been made or provided for.
- (e) All provisions of Article II of the Amended and Restated Indenture which are applicable to Bonds shall apply to the 1999 Bonds.

SECTION 2.03 DELIVERY OF THE 1999 BONDS AND DISPOSITION OF PROCEEDS THEREOF.

- (a) Upon the execution and delivery of this Second Supplement to the Amended and Restated Indenture, the Authority shall execute and deliver the 1999 Bonds to the Trustee and the Trustee shall authenticate the 1999 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 1999 Bonds. Proceeds from the sale of the 1999 Bonds shall be received by the Trustee and deposited in the Settlement Fund and shall then be disbursed and transferred from the Settlement Fund as follows:
 - (1) To an account in the Debt Service Fund to be established in respect of the 1999 Bonds, the accrued interest on the 1999 Bonds.
 - (2) To or upon the order of the Authority, the amount specified by the Authority at or after the closing for the issuance of the 1999 Bonds as the costs of issuance of the 1999 Bonds (including, without limitation, fees and expenses of bond counsel and special tax counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and

consultants, and the Authority's counsel in connection with the issuance of the 1999 Bonds, fees payable to any 1999 Credit Facility Issuer and Bond Insurer with respect to the 1999 Bonds, printing costs payable by the Authority and rating agency fees).

(3) To the Escrow Agent, to be deposited in the Escrow Fund, an amount equal to \$616,677,049.95, which will be applied in accordance with the terms of the 1993 Bonds Escrow Deposit Agreement.

Any amount remaining in the Settlement Fund after the foregoing disbursements and transfers shall be disbursed or transferred by the Trustee to the Debt Service Fund in respect of the 1999 Bonds.

- (b) Accrued interest deposited in the account in the Debt Service Fund in respect of the 1999 Bonds shall be applied to pay interest on the 1999 Bonds on June 15, 1999.
- (c) Pursuant to Section 5.07 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and Section 4.03 of this Second Supplement to the Amended and Restated Indenture, there shall be delivered to the Trustee for deposit in the Debt Service Reserve Fund in respect of the Bonds, the 1999 Credit Facility in an amount sufficient to cause the aggregate amount of cash, Investment Securities and amounts available under the 1999 Credit Facility to equal the Debt Service Reserve Requirement.
- (d) Concurrently with the deposit of the 1999 Credit Facility, the Trustee is hereby instructed to release the Credit Facility presently held in the Debt Service Reserve Fund with respect to the 1996 Bonds and to return it to Financial Guaranty Insurance Corporation, the issuer of such Credit Facility. The Trustee is further instructed to release the following moneys held in the following funds established under the Indenture and deposit such moneys in the Escrow Fund:
 - (i) all amounts held in the Debt Service Reserve Fund on the date of execution of this Second Supplement to the Amended and Restated Indenture in excess of the Debt Service Reserve Requirement; and
 - (ii) all moneys held in the 1993 Bonds account of the Debt Service Fund.

SECTION 2.04 BOOK ENTRY SYSTEM FOR THE 1999 BONDS.

(a) The 1999 Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the 1999 Bonds of each maturity, which 1999 Bonds shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Except as provided in paragraph (g) below, all of the 1999 Bonds shall be registered in the books kept by the Trustee in the name of Cede & Co., as nominee of DTC; provided that if DTC shall request that the 1999 Bonds be registered in the name of a different nominee, the Trustee shall exchange all or any portion of the 1999 Bonds for an equal aggregate principal amount of 1999 Bonds registered in the name of such nominee or nominees of DTC. No person other than DTC or its nominee shall be entitled to receive from the Authority or the Trustee either a 1999 Bond or any other evidence of ownership of the 1999 Bonds, or any right to receive any payment in respect

thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the 1999 Bonds on the books kept by the Trustee, in connection with discontinuing the book entry system as provided in paragraph (g) below or otherwise.

- (b) So long as the 1999 Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal of or premium or interest on such 1999 Bonds shall be made to DTC or its nominee in accordance with the Letter of Representations from the Authority to DTC (the "Letter of Representations") on the dates provided for such payments under the Indenture. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Authority or the Trustee with respect to the principal of and premium and interest on the 1999 Bonds to the extent of the sum or sums so paid.
- The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the 1999 Bonds registered in its name for the purposes of payment of the principal of or premium or interest on the 1999 Bonds, selecting the 1999 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders of 1999 Bonds under the Indenture, registering the transfer of 1999 Bonds, obtaining any consent or other action to be taken by Holders of 1999 Bonds and for all other purposes whatsoever; and neither the Authority nor the Trustee shall be affected by any notice to the contrary. Neither the Authority nor the Trustee shall have any responsibility or obligation to any participant in DTC, any person claiming a beneficial ownership interest in the 1999 Bonds under or through DTC or any such participant, or any other person which is not shown on the Bond Register as being a Bondholder, with respect to (1) the 1999 Bonds; (2) the accuracy of any records maintained by DTC or any such participant; (3) the payment by DTC or any such participant of any amount in respect of the principal of or premium or interest on the 1999 Bonds; (4) any notice which is permitted or required to be given to Holders of 1999 Bonds under the Indenture; (5) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the 1999 Bonds; or (6) any consent given or other action taken by DTC as Holder of 1999 Bonds.
- (d) So long as the 1999 Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all notices required or permitted to be given to the Holders of 1999 Bonds under the Indenture shall be given to DTC as provided in the Letter of Representations.
- (e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Indenture by the Trustee with respect to any consent or other action to be taken by Holders of 1999 Bonds, DTC shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action, provided that the Trustee may establish a special record date for such consent or other action. The Trustee shall give DTC notice of such special record date not less than 15 calendar days in advance of such special record date to the extent possible.
- (f) At or prior to settlement for the 1999 Bonds, the Authority and the Trustee shall execute or signify their approval of the Letter of Representations. Any successor Trustee shall, in its written acceptance of its duties under the Indenture, agree to take any actions necessary from time to time to comply with the requirements of the Letter of Representations.

(g) The book entry system for registration of the ownership of the 1999 Bonds through DTC shall be discontinued at any time that (1) DTC determines to resign as securities depository for the 1999 Bonds and gives notice of such determination to the Authority and the Trustee or (2) the Authority determines that continuation of the system of book entry transfers through DTC is not in the best interests of the Authority or the Holders of 1999 Bonds and gives notice of such determination to the Trustee and DTC. In either of such events the Authority may appoint a successor securities depository; but if the Authority does not appoint a successor, the 1999 Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Authority or the Trustee for the accuracy of such designation. If a successor securities depository is appointed, this Section 2.04 shall be amended as necessary to reflect such succession and to incorporate provisions required by the successor.

ARTICLE III REDEMPTION/REVENUES AND FUNDS

SECTION 3.01 OPTIONAL REDEMPTION.

The 1999 Bonds maturing on and after June 15, 2010 are redeemable on and after June 15, 2009, in whole at any time, or in part at any time and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount of the 1999 Bonds to be redeemed, plus accrued interest to the redemption date.

SECTION 3.02 DEBT SERVICE FUND.

(a) The Trustee shall establish as a part of the Debt Service Fund in respect of the 1999 Bonds a 1999 Bonds Sinking Fund Account (the "1999 Bonds Sinking Fund Account") for the retirement of certain of the 1999 Term Bonds. Moneys deposited in the 1999 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 1999 Term Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund in respect of the 1999 Bonds to the 1999 Bonds Sinking Fund Account on June 15 of the years set forth below in the amount required to retire 1999 Term Bonds specified below in the following amounts through mandatory redemption, in direct order of maturity and within a maturity as chosen by the Trustee by lot, at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1999 Term Bonds Maturing		1999 Term Bonds Maturing	
June 15, 2021		June 15, 2023	
Year (<u>June 15)</u> 2020 2021*	<u>Amount</u> \$16,940,000 17,785,000	Year (<u>June 15)</u> 2022 2023*	<u>Amount</u> \$18,675,000 19,560,000

^{*} Final Maturity

Prior to May 1 of each year in which 1999 Term Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1999 Bonds Sinking Fund Account of as many 1999 Term Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the holders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund in respect of the 1999 Bonds). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 3.02 of the Indenture, so long as any 1999 Term Bonds specified above shall remain Outstanding, the Trustee shall draw by lot, for redemption on June 15 of such year, a principal amount of 1999 Term Bonds as shall represent the difference

between the principal amount of such 1999 Term Bonds fixed for redemption on such date as described above and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection by lot of the particular 1999 Term Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the holders of such 1999 Term Bonds so drawn for redemption in the manner provided in Article III of the Indenture, and, upon presentation by the holders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 1999 Bonds Sinking Fund Account and shall pay accrued interest due from moneys available therefor in the Debt Service Fund in respect of the 1999 Bonds.

If at any time all the 1999 Term Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 1999 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund in respect of the 1999 Bonds. Whenever 1999 Term Bonds are to be purchased out of the 1999 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to the Indenture.

- (b) (i) If, on the third day preceding any Interest Payment Date for the 1999 Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 1999 Bonds due on such date, the Trustee shall immediately notify the Bond Insurer and State Street Bank and Trust Company, N.A., or its successor as the Fiscal Agent for the Bond Insurer of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the Bond Insurer and to the Fiscal Agent the registration books for the 1999 Bonds maintained by the Trustee. In addition:
 - (A) The Trustee shall provide the Bond Insurer with a list of the Bondholders entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy and shall make arrangements for the Bond Insurer and the Fiscal Agent (1) to mail checks or drafts to Bondholders entitled to receive full or partial interest payments from the Bond Insurer and (2) to pay principal of the 1999 Bonds surrendered to the Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from the Bond Insurer; and
 - (B) The Trustee shall, at the time it makes the registration books available to the Bond Insurer pursuant to (A) above, notify Bondholders entitled to receive the payment of principal of or interest on the 1999 Bonds from the Bond Insurer (1) as to the fact of such entitlement, (2) that the Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment of principal from the Bond Insurer, such Bondholder must tender his 1999 Bond with the instrument of transfer in the form provided on the 1999 Bond executed in the name of the Bond Insurer,

- and (4) that, except as provided in paragraph (ii) below, in the event that such Bondholder is entitled to receive partial payment of principal from the Bond Insurer, such Bondholder must tender his 1999 Bond for payment first to the Trustee, which shall note on such 1999 Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Bond Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy.
- (ii) In the event that the Trustee has notice that any payment of principal of or interest on a 1999 Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer, notify all Bondholders of such 1999 Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the 1999 Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.
- (iii) The Bond Insurer shall, to the extent it makes payment of principal of or interest on the 1999 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Bondholders of such 1999 Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books for the 1999 Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of such 1999 Bonds. Notwithstanding anything in the Indenture (including, without limitation, Section 2.04 of this Second Supplement to the Amended and Restated Indenture) or the 1999 Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Bond Insurer to the extent that the Bond Insurer is a subrogee with respect thereto.

Section 3.03 1999 Credit Facility.

The 1999 Credit Facility will be issued by the 1999 Credit Facility Issuer in lieu of a deposit in the Debt Service Reserve Fund at the time of the issuance of the 1999 Bonds. The 1999 Credit Facility shall be payable (upon the giving of notice by the Trustee to the 1999 Credit Facility Issuer in accordance with the terms of the 1999 Credit Facility at least two business days prior to each Interest Payment Date) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund for the Bonds and applied to the payment of principal of or interest on the Bonds. If a disbursement is made pursuant to the 1999 Credit Facility, the 1999 Credit Facility Issuer shall furnish to the Authority written instructions as to the manner in which repayment of amounts owed to the 1999 Credit Facility Issuer as a result of such disbursement shall be made.

In the event of any such disbursement, the Authority shall either (i) cause the maximum limits of the 1999 Credit Facility to be reinstated, by causing transfers to be made pursuant to Section 5.05(b) of the Indenture to the 1999 Credit Facility Issuer to pay the Policy Costs (as defined hereinafter) in the manner set forth in the next paragraph or otherwise, or (ii) deposit into the Debt Service Reserve Fund an amount, from transfers from the Revenue Fund pursuant to Section 5.05(b) of the Indenture, equal to the amount of the draw made under the 1999 Credit Facility, or a combination thereof, so that the amount of cash (or Investment Securities under the Indenture), together with the Credit Facility in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement.

Repayment of draws under the 1999 Credit Facility, expenses of the 1999 Credit Facility Issuer relating thereto and the interest thereon, accruing at a rate equal to the lower of (i) the prime rate per annum of Morgan Guaranty Trust Company of New York in effect from time to time plus two percent (2%) and (ii) the highest rate permitted by law, shall enjoy the same priority as the obligation to maintain and refill the Debt Service Reserve Fund. Repayment of draws, expenses and accrued interest (such draws, expenses and interest are collectively referred to as the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs relating to such draw. Payment of Policy Costs shall be made in the same priority as transfers to the Debt Service Reserve Fund in accordance with Section 5.05(b) of the Indenture, as set forth above. Amounts paid to the 1999 Credit Facility Issuer shall be credited first to interest due under the 1999 Credit Facility, then to the expenses due under the 1999 Credit Facility and then to reimbursement of the draws under the 1999 Credit Facility. As and to the extent that payments are made to the 1999 Credit Facility Issuer on account of reimbursement of any draws under the 1999 Credit Facility, the coverage under the 1999 Credit Facility will be increased by a like amount.

If the Authority shall fail to repay any Policy Costs as described above, the 1999 Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under the Indenture other than (i) the acceleration of the maturity of the Bonds, or (ii) remedies which would adversely affect holders of the Bonds.

If and to the extent that cash and/or Investment Securities have also been deposited in the Debt Service Reserve Fund, all such cash shall be used (or Investment Securities purchased with such cash shall be liquidated and the proceeds applied as required) prior to any draw under the 1999 Credit Facility, and repayment of any Policy Costs shall be made prior to replenishment of any such cash amounts. If, in addition to the 1999 Credit Facility, any other Credit Facility is provided with respect to the Bonds, drawings under the 1999 Credit Facility and any such other Credit Facility shall be made on a pro rata basis (calculated by reference to the maximum amounts available thereunder) after applying all available cash in the Debt Service Reserve Fund and prior to replenishment of any such cash draws, respectively.

For so long as the 1999 Credit Facility is in effect (a) the Indenture shall not be modified or amended without the prior written consent of the 1999 Credit Facility Issuer, (b) the 1999 Credit Facility Issuer shall be provided with written notice of the resignation or removal of the Trustee and the appointment of a successor thereto and of the issuance of additional indebtedness of the

Authority, and (c) the Indenture shall not be discharged if any Policy Costs are owed by the Authority to the 1999 Credit Facility Issuer.

For so long as the 1999 Credit Facility is in effect, the amount available to be drawn thereunder shall be taken into account when computing the value of the assets in such account for purposes of determining whether the Debt Service Reserve Requirement is satisfied.

ARTICLE IV AMENDMENT OF INDENTURE

Section 4.01 Amendment of Section 2.11.

Subsection (f) of Section 2.11 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

Except for Additional Bonds issued to refund Outstanding Bonds where the Maximum Annual Debt Service Requirement for the Additional Bonds and the total principal and interest payable on the Additional Bonds for the term thereof do not exceed the comparable amounts for the Bonds being refunded or Additional Bonds which have a security interest in the Pledged Revenues which is subordinate to the security interest granted to secure the 1993A Bonds, the 1996 Bonds and the 1999 Bonds, a certificate executed by the Authority, including a verification of the calculations by an independent certified public accountant, showing that (1) the PICA Taxes collected with respect to any 12 consecutive months during the 15 month period preceding the date of issuance of such Additional Bonds, after giving retroactive effect during each month of such 12 month period to any PICA Taxes which were not in effect (including for this purpose any increase in the rate of an existing tax) during each such month but which have been imposed prior to the issuance of the Additional Bonds, equaled at least 175% of the Maximum Annual Debt Service Requirement (including the Authority's obligations with respect to repayment of Policy Costs then due and owing with respect to each Credit Facility issued in connection with the Debt Service Reserve Fund for the Bonds) on Bonds to be Outstanding after the issuance of the Additional Bonds and (2) the PICA Taxes projected to be collected during the 12 months following the issuance of the Additional Bonds, which projections may be based on the PICA Taxes projected for such period in the City's most recent Financial Plan (as defined in the Intergovernmental Cooperation Agreement) approved by the Authority, equal at least 175% of the Debt Service Requirement during such 12 month period on Bonds to be Outstanding after the issuance of the Additional Bonds. In making the foregoing calculations, PICA Taxes other than the Income Tax shall not be included in the calculation unless each Bond Insurer then insuring Outstanding Bonds has consented to the inclusion of such other PICA Taxes in writing."

SECTION 4.02 AMENDMENT OF SECTION 4.12.

- (a) Section 4.12(b) of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:
 - "(b) the official statement or other disclosure, if any, prepared in connection with the issuance of additional debt, whether or not it is on a parity with the 1993A Bonds, the 1996 Bonds or the 1999 Bonds, within 30 days after the sale thereof;".
- (b) Section 4.12(d) of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"(d) the notice of the redemption, other than mandatory sinking fund redemption, of any of the 1993A Bonds, the 1996 Bonds and the 1999 Bonds, including the principal amount, maturities and CUSIP numbers thereof;".

SECTION 4.03 AMENDMENT OF SECTION 5.07.

Pursuant to Section 10.02 of the Amended and Restated Indenture, Subsection 5.07 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is hereby amended to delete the necessity of separate accounts for each Series. As amended and restated, such section reads, in its entirety, as follows:

Section 5.07 Debt Service Reserve Fund.

There shall be maintained in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement for the Bonds. In lieu of a cash deposit, at the time of issuance of a Series, subject to approval of the Bond Insurer, if any, there may be provided a Credit Facility in such amount issued by a Credit Facility Issuer whose credit facilities are such that bonds secured by such credit facilities are rated in one of the three highest rating categories by Moody's and S&P. Moneys in the Revenue Fund shall be transferred to the Debt Service Reserve Fund to the extent necessary to eliminate a deficiency therein. To the extent that there is an excess amount in the Debt Service Reserve Fund as of the date any valuation is required to be made as provided herein, unless otherwise provided in the Supplemental Indenture authorizing the issuance of such Series, the excess (other than any Investment Earnings) shall be transferred, at the written direction of the Authority, to the Debt Service Fund or the Bond Redemption Fund for redemption of Bonds at the earliest possible date that Bonds can be redeemed without a premium, or, subject to an approving opinion of Bond Counsel, as directed in writing by the Authority.

All Investment Earnings from investments of amounts in the Debt Service Reserve Fund shall be retained or transferred, as applicable, in the following order and priority:

- (a) the Trustee shall retain in the Debt Service Reserve Fund the amount necessary to eliminate any deficiency therein;
- (b) the Trustee shall transfer to the Rebate Fund in respect of each Bond Year such amount as is certified by the Authority to the Trustee pursuant to the applicable Tax Compliance Agreement as the Rebate Amount and Yield Reduction Amount, if any, for such Bond Year with respect to the 1993A Bonds, the 1996 Bonds, the 1999 Bonds and such additional amount for each other Series of Bonds as may be specified in the Supplemental Indenture authorizing the Series;
- (c) the Trustee shall transfer to the Authority the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made (together with transfers from the Revenue Fund pursuant to Section 5.05 hereof), to equal the total operating expenses of the Authority for such fiscal year as set forth in the certificate of the Authority (which

certificate may be revised from time to time) filed with the Trustee in respect of such fiscal year; and

(d) the Trustee shall transfer any remaining amount to the Revenue Fund.

If there are insufficient moneys to pay the Debt Service Requirement on any Series of Bonds on any Interest Payment Date or maturity date of such Series of Bonds, the Trustee shall transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund.

In the event any application of funds in the Debt Service Reserve Fund in accordance with the preceding paragraph causes the amount in the Debt Service Reserve Fund to be less than the Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority.

The Trustee shall value the Investment Securities, if any, held in the Debt Service Reserve Fund at the end of each Bond Year for such Series and six months after the end of each such Bond Year. If the value of such Investment Securities plus any moneys in the Debt Service Reserve Fund (other than Investment Earnings which have not yet been transferred as provided herein) net of the amount available under the Credit Facility falls below the Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority. Such deficiency shall be eliminated as indicated above and if necessary by the transfer from the Revenue Fund specified in Section 5.05 hereof. If such valuation shows that there is an excess amount in the Debt Service Reserve Fund, the Trustee shall promptly notify the Authority and shall apply such excess as provided in the first paragraph of this Section 5.07.

In connection with a redemption or final maturity of all of the Bonds of a Series, moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall be transferred to the Bond Redemption Fund or to the Debt Service Fund, respectively, to be used for purposes of such redemption or final maturity, unless moneys for such redemption or payment are otherwise provided, in which event the moneys remaining in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement for the remaining Bonds Outstanding following such redemption or payment shall be transferred as directed, in writing, by the Authority.

Section 4.04 Amendment of Section 6.01.

Section 6.01 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended as follows:

(a) The first paragraph of such section shall be amended and restated in its entirety as follows:

"Moneys in the funds established hereunder shall, to the extent permitted by law and at the written direction of the Authority and subject to any limitations imposed by the agreement pursuant to which the Credit Facility is issued, be invested and reinvested in Investment Securities or City Obligations, except that moneys in the Debt Service Fund,

the Revenue Fund and the Rebate Fund shall only be invested in Government Obligations with maturities which will assure the availability of money at the time needed and moneys in the Debt Service Reserve Fund shall only be invested as set forth below."

(b) The fourth paragraph of such section shall be amended and restated in its entirety as follows:

"Notwithstanding anything herein to the contrary, moneys in the Debt Service Reserve Fund shall only be invested in Investment Securities with a maturity of not more than five years; provided, however, that if moneys are invested in a guaranteed investment contract or a repurchase agreement which allows the full principal of and interest on the investment to be withdrawn at par on any principal or interest payment date for the Bonds, such guaranteed investment contract or repurchase agreement may have a maturity longer than five years but not longer than ten years."

SECTION 4.06 AMENDMENT OF ARTICLE VII.

The fourth paragraph of Article VII of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"In the event of a refunding in advance of the payment or mandatory sinking fund redemption date of any Series, the Authority shall cause to be delivered to the applicable Bond Insurer with respect to such Series a verification report of an independent nationally recognized certified public accountant."

SECTION 4.07 AMENDMENT OF SECTION 8.01.

Section 8.01 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended as follows:

In the fifth to last line of the paragraph following subsection 8.01(e), after the words "1994 Bonds", delete the word "or" and replace it with ",", and after the words "1996 Bonds", add the words "or in the 1999 Bonds".

SECTION 4.08 AMENDMENT OF SECTION 8.09.

Section 8.09 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended as follows:

In the fifth line of Section 8.09, after the words "1994 Bonds", delete the word "or" and replace it with "," and after the words "1996 Bonds", add the words "or the 1999 Bonds".

SECTION 4.00. AMENDMENT OF SECTION 10.02.

The last paragraph of Section 10.02 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended as follows:

In the seventh line of the last paragraph of Section 10.02, after the words "1994 Bonds", delete the word "or" and replace it with ",", and after the words "1996 Bonds" add the words "or 1999 Bonds".

SECTION 4.12 AMENDMENT OF SECTION 11.07.

Section 4.12 of the First Supplement to the Amended and Restated Indenture, amending Section 11.07 of the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"Section 11.07 of the Amended and Restated Indenture is amended to add the following addresses as the addresses for the Credit Facility Issuer with respect to the Bonds:

If to the Credit Facility Issuer:

Financial Guaranty Insurance Corporation 115 Broadway New York, NY 10006 Attention: Research and Risk Management."

SECTION 4.13 AMENDMENT OF SECTION 11.10.

The second sentence of Section 11.10 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"When the 1993A Insured Bonds, the 1996 Bonds or the 1999 Bonds are no longer Outstanding, no further notice to or consent or approval of the respective Bond Insurer shall be required under the terms of this Indenture and such Bond Insurer shall cease to be a third party beneficiary of this Indenture."

ARTICLE V INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS

SECTION 5.01 INDENTURE TO REMAIN IN EFFECT.

Except as amended and supplemented by this Second Supplement to the Amended and Restated Indenture, the Existing Indenture shall remain in full force and effect and is in all respects ratified, approved and confirmed, and the Existing Indenture and this Second Supplement to the Amended and Restated Indenture shall be read, taken and construed as one and the same instrument so that all of the rights, remedies, terms, conditions, covenants and agreements of the Existing Indenture shall apply and remain in full force and effect with respect to this Second Supplement to the Amended and Restated Indenture, the 1993A Bonds, the 1996 Bonds and the 1999 Bonds, as appropriate. In case of any conflict between the provisions of the Existing Indenture and this Second Supplement to the Amended and Restated Indenture of Trust, the provisions of this Second Supplement to the Amended and Restated Indenture shall apply. Without limiting the foregoing, the Authority hereby assigns, pledges and grants to the Trustee and confirms its prior grant to the Trustee a lien on and security interest in all right, title and interest of the Authority in and to the Pledged Revenues in order to secure (i) the payment of the principal of, premium, if any, and interest on the Bonds (including without limitation the 1999 Bonds) according to their tenor and effect, and (ii) the performance and observance by the Authority expressed herein and in the Bonds (including without limitation the 1999 Bonds).

SECTION 5.02 COUNTERPARTS.

This Second Supplement to the Amended and Restated Indenture may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 5.03 GOVERNING LAW.

This Second Supplement to the Amended and Restated Indenture shall be governed by and construed in accordance with the laws of the Commonwealth.

SECTION 5.04 CAPTIONS.

The captions and headings in this Second Supplement to the Amended and Restated Indenture are for reference purposes only and shall not control or affect the meaning or interpretation of any provisions of this Second Supplement to the Amended and Restated Indenture.

IN WITNESS WHEREOF, the Authority has caused this Second Supplement to the Amended and Restated Indenture to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials and the Trustee has caused this Second Supplement to the Amended and Restated Indenture to be executed in its name and with its corporate seal hereunto affixed and attested by its respective duly authorized signers, as of the date first above written.

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Secretary

[SEAL]

FIRST UNION NATIONAL BANK, as Trustee

y: Comment

[SEAL]

EXHIBIT A

(Form of Fully Registered 1999 Bond)

No. R

#

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 1999

Interest

Rate % Maturity Date

June 15,

Dated Date
April 1, 1999

CUSIP 708840

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), for value received, hereby promises to pay (but only out of Pledged Revenues (as hereinafter defined)) to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Revenues) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from April 1, 1999, on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing June 15, 1999, until payment of said principal amount shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the principal office of First Union National Bank, or its successor, as Trustee (the "Trustee"). Interest on this Bond will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Authority (the "Bond Register") maintained by First Union National Bank or its successor as Registrar and at the address appearing thereon on the last day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a holder of \$1,000,000 or more in aggregate principal amount of Series 1999 Bonds (as hereinafter defined), by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of

the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on the fifteenth (15th) day prior to the date set for the payment of such defaulted interest (the "Special Payment Date"). Such Special Payment Date shall be fixed by the Trustee in accordance with Section 2.03 of the Indenture (as hereinafter defined). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Interest on the Series 1999 Bonds shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THIS BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, EXCEPT FOR THE AUTHORITY, AND NEITHER COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, EXCEPT FOR THE AUTHORITY. IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, INCLUDING THE CITY, EXCEPT THE AUTHORITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE SERIES 1999 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 1999 BONDS, SHALL HAVE NO RECOURSE, LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, EXCEPT THE AUTHORITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 1999 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal office of the Registrar. No transfer shall be valid as against the Authority or the Trustee unless made by the registered owner in person or by his duly authorized attorney or legal representative and similarly noted upon the Bond Register and hereon. Upon any such transfer or exchange, the Authority shall issue and, after due authentication by the Trustee, shall deliver to or upon the order of the registered owner, a new registered Bond or Bonds, in authorized denominations aggregating the principal amount hereof, maturing on the same date, bearing interest at the same rate, bearing the same series designation as this Bond and registered in such names as shall be requested.

The Authority, the Trustee and the Registrar may treat the person in whose name this Bond is registered as the absolute owner of this Bond for all purposes whether or not this Bond shall be overdue, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All payments of the principal, interest or redemption price made to the registered owner hereof in the manner set forth herein and in the Indenture shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, whether or not notation of the same be made hereon, and any consent, waiver or action taken by such registered owner pursuant to the provisions of the Indenture shall be conclusive and binding upon such registered owner, his heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any Bond issued in exchange therefor.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the Commonwealth of Pennsylvania to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Bond, exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing this Bond nor any such officer, agent or employee shall be liable personally on this Bond or under the Indenture or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond, all such liability of such members, officers, agents and employees being released as a condition of and as consideration for the execution of the Second Supplement to the Amended and Restated Indenture (hereinafter defined) and the issuance of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

This Bond is one of a duly authorized issue of Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 issued in the aggregate principal amount of \$610,005,000 (the "Series 1999 Bonds"). The Series 1999 Bonds are issued to enable the Authority to refund certain of its outstanding bonds and for other purposes permitted by the Act and thereby to accomplish the public purposes set forth in the Act.

The Series 1999 Bonds are issued under and pursuant to the Act and resolutions of the Authority duly adopted on March 2, 1999 and March 16, 1999 (collectively, the "Resolution") and under an Amended and Restated Indenture of Trust dated as of December 1, 1994, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 and a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (collectively, the "Indenture"), between the Authority and the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i)

all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues").

Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Optional Redemption

The Series 1999 Bonds maturing on and after June 15, 2010 are redeemable by the Authority, on or after June 15, 2009, in whole at any time, or in part at any time, and from time to time, in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount of Series 1999 Bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 1999 Bonds maturing on June 15, 2021 and June 15, 2023 are subject to mandatory sinking fund redemption prior to maturity on June 15 of the years and in the amounts set forth below in direct order of maturity and within a maturity as chosen by the Trustee by lot at 100% of the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1999 Term Bonds Maturing June 15, 2021		1999 Term Bonds Maturing June 15, 2023	
Year (<u>June 15)</u> 2020 2021*	<u>Amount</u> \$16,940,000 17,785,000	Year (<u>June 15)</u> 2022 2023*	<u>Amount</u> \$18,675,000 19,560,000

^{*} Final Maturity

Prior to May 1 of each year in which Series 1999 Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1999 Bonds Sinking Fund Account of as many Series 1999 Bonds then subject to mandatory sinking fund redemption on the next June 15 as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund in respect of the Series 1999 Bonds).

Notice of Redemption

When the Authority shall determine to redeem Series 1999 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 1999 Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series 1999 Bonds from moneys in the Bond Redemption Fund or the 1999 Bonds Sinking Fund Account of the Debt Service Fund, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall, among other things, state the redemption price and the date fixed for redemption, that on such date the Series 1999 Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series 1999 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 1999 Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the redemption date, addressed to the Holders of Series 1999 Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Series 1999 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 1999 Bonds.

Reference is made to the Act, the Resolution, the Indenture and the PICA Tax Ordinance, executed or certified counterparts of which are on file at the corporate trust office of the Trustee, for statements of the purposes for which the Series 1999 Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series 1999 Bonds (including the PICA Tax) and the nature, extent and manner of enforcement of such security, certain covenants of the Authority and the City made for the benefit of Bondholders, the terms and conditions under which the Indenture may be amended or modified, the rights and duties of the Authority and the Trustee, and the extent of the rights of the registered owners of the Series 1999 Bonds issued under the Indenture.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this Bond to be executed with the manual or facsimile signature of its Chairperson or Vice Chairperson and its official seal or a facsimile thereof to be imprinted hereon and attested with the manual or facsimile signature of its Secretary or Assistant Secretary.

ATTEST:	PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
Ву:	By:
Secretary ISEAL1	(Vice) Chairperson

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 1999 Bonds described in the within mentioned Indenture. The text of the opinion of Co-Bond Counsel printed on or attached to this Bond is the complete text of the opinion of Klett Lieber Rooney & Schorling, A Professional Corporation, of Philadelphia, Pennsylvania and Stevens & Lee, A Professional Corporation, of Reading, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1999 Bonds. The text of the opinion of Special Tax Counsel printed on or attached to this Bond is the complete text of the opinion of Ballard Spahr Andrews & Ingersoll, LLP, of Philadelphia, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1999 Bonds.

First	Union National Bank, Trustee
By:	,
, _	Authorized Signature

Date of Authentication:

STATEMENT OF INSURANCE

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the Pennsylvania Intergovernmental Cooperation Authority, Pennsylvania, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 (the "Bonds"), such policy being on file at the principal office of First Union National Bank (the "Trustee"):

Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholder that portion of principal of and interest on the Bonds which is then due for payment and which the Issuer of the Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to the principal, the stated maturity date thereof, or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which the payment of principal of the Bonds is due by reason of call for redemption (other than mandatory sinking fund redemption), acceleration or other advancement of maturity, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Trustee to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Trustee, Financial Guaranty on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein the term "Bondholder" means the person other than the Issuer who at the time of nonpayment of a Bond is entitled under the terms of such Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY

TEXT OF OPINION OF CO-BOND COUNSEL

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns an	d transfers unto
whose taxpayer identification number is the w	ithin Bond and all
rights thereunder, and hereby irrevocably constitutes and appoints	attorney to
transfer said Bond on the books of the Registrar, with full power of substitution	ı in the premises.
Dated:	
Signature Guaranteed:	
Normalis III	1
NOTICE: The signature to this Assignment must correspond with the name as	
face of the within Bond in every particular, without alteration or enlargement or a	ny change whatever.

SCHEDULE 1

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

\$610,005,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 1999

DUE		INTEREST
<u>JUNE 15</u>	<u>AMOUNT</u>	<u>RATE</u>
1999	\$ 1,015,000	3.20%
2000	13,260,000	4.50
2001	13,805,000	5.00
2002	14,600,000	5.00
2003	28,095,000	5.00
2004	26,670,000	5.00
2005	37,505,000	4.00
2006	39,075,000	5.00
2007	41,030,000	5.00
2008	37,420,000	5.00
2009	30,665,000	5.00
2010	25,370,000	5.25
2011	23,045,000	5.25
2012	24,235,000	5.25
2013	25,500,000	5.25
2014	26,815,000	5.25
2015	28,205,000	5.25
2016	29,660,000	5.25
2017	31,195,000	5.25
2018	23,710,000	5.00
2019	16,170,000	4.75
2021	34,725,000	5.00
2023	38,235,000	4.75

THIRD SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST

between

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

and

WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee

Dated as of June 1, 2003

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EXHIBIT A – Form of Bond

EXHIBIT B – Interest Rate Swap Transaction documents

THIRD SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST

THIS THIRD SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST, dated as of June 1, 2003, between the **PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY** (the "**Authority**"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania under and by virtue of the Constitution and laws of the Commonwealth of Pennsylvania, and **WACHOVIA BANK, NATIONAL ASSOCIATION**, a national banking association organized under the laws of the United States, as successor Trustee under the Indenture.

WITNESSETH:

WHEREAS, the Authority is authorized and empowered under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (as such Act may be further amended from time to time, the "Act"), to issue its bonds in accordance with the Act for various purposes, including, without limitation, providing financial assistance to a city of the first class to finance a deficit other than a cash flow deficit, to finance capital projects and to otherwise assist such a city and to refund outstanding indebtedness of the Authority; and

WHEREAS, the Authority and CoreStates Bank, N.A. as trustee (the "Initial Trustee") entered into an Indenture of Trust, dated as of June 1, 1992 (the "Original Indenture"), to provide for the issuance and securing of Bonds (as defined in the Original Indenture); and

WHEREAS, the Authority and the Initial Trustee entered into a First Supplemental Indenture of Trust dated as of June 22, 1992 amending certain provisions of the Original Indenture (the Original Indenture as so amended is referred to herein as the "Amended Indenture"); and

WHEREAS, Meridian Bank succeeded the Initial Trustee as trustee under the Amended Indenture; and

WHEREAS, the Authority and Meridian Bank, as trustee, entered into a Second Supplemental Indenture of Trust dated as of July 15, 1993 (the "Second Supplemental Indenture") amending and supplementing the Amended Indenture; and

WHEREAS, the Authority and Meridian Bank, as trustee, entered into a Third Supplemental Indenture of Trust dated as of August 15, 1993 (the "Third Supplemental Indenture") amending and supplementing the Amended Indenture; and

WHEREAS, pursuant to the Third Supplemental Indenture, the Authority issued \$178,675,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") for the purpose of refunding certain Bonds issued by the Authority in 1992; and

WHEREAS, the Authority amended and restated the Amended Indenture, as amended and supplemented by the Second Supplemental Indenture and the Third Supplemental Indenture, pursuant to an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture") between the Authority and Meridian Bank, as Trustee, in order to, inter alia, incorporate in one document all of the provisions thereof, and to issue its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") in order to pay costs of certain capital projects; and

WHEREAS, pursuant to the First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture") between the Authority and Meridian Bank, as Trustee, the Authority issued \$343,030,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 Bonds") in order to (i) pay the costs of advance refunding certain Bonds issued by the Authority in 1992 and 1994, and (ii) pay the costs of issuing such Additional Bonds; and

WHEREAS, First Union National Bank succeeded Meridian Bank as Trustee under the Amended and Restated Indenture; and

WHEREAS, pursuant to the Second Supplement to the Amended and Restated Indenture dated as of April I, 1999 (the "Second Supplement to the Amended and Restated Indenture," and together with the Amended and Restated Indenture and the First Supplement to the Amended and Restated Indenture, the "Existing Indenture") between the Authority and First Union National Bank, as Trustee, the Authority issued \$610,005,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 (the "1999 Bonds") for the purpose of financing, together with other available funds, (i) the costs of advance refunding certain Bonds issued by the Authority in 1993, (ii) a Credit Facility to satisfy the Debt Service Reserve Requirement, and (iii) the costs of issuing such Additional Bonds and of obtaining credit enhancement for the Bonds (the "1999 Refunding"); and

WHEREAS, Wachovia Bank, National Association succeeded First Union National Bank as Trustee under the Existing Indenture; and

WHEREAS, the Authority has determined to issue Additional Bonds to (i) pay the costs of current refunding the outstanding 1993A Bonds, and (ii) pay the costs of issuing such Additional Bonds and of obtaining credit enhancement for the 2003 Bonds (the "2003 Refunding"); and

WHEREAS, by Resolutions adopted on March 24, 2003, the Authority determined to issue and sell its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds") for the purpose of financing, together with other available funds, the 2003 Refunding pursuant to the terms of this Third Supplement to the Amended and Restated Indenture (the "Third Supplement to the Amended and Restated Indenture", and together with the Existing Indenture, the "Indenture"); and

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WHEREAS, the Authority has entered into a Standby Bond Purchase Agreement dated as of June 1, 2003 (the "Standby Agreement") with JPMorgan Chase Bank (the "Initial Bank") pursuant to which the Bank has agreed to pay to the Trustee the purchase price of Bonds which are tendered for optional or mandatory purchase pursuant to Article III of this Third Supplement to the Amended and Restated Indenture which have not been successfully remarketed. The Liquidity Facility expires on June 14, 2004, subject to termination or extension as provided therein and herein; and

WHEREAS, the 2003 Bonds are to be substantially in the form attached hereto as Exhibit A; and

WHEREAS, in order to accomplish the current refunding of the outstanding 1993A Bonds, the Authority shall direct the Trustee to deposit into the 1993A Bonds account of the Debt Service Fund proceeds of the 2003 Bonds in an amount which, when added to certain funds held by the Trustee for the benefit of the 1993A Bonds, and the investment earnings thereon, will be sufficient to (a) pay the maturing principal of and interest on the 1993A Bonds through and including June 15, 2003, and to pay on June 16, 2003, the redemption price of all outstanding 1993A Bonds, all of which will be called for redemption on June 15, 2003; and

WHEREAS, the execution and delivery of this Third Supplement to the Amended and Restated Indenture and the 2003 Bonds have been duly authorized and all things necessary to make the 2003 Bonds, when executed by the Authority and authenticated by the Trustee, valid and binding legal obligations of the Authority and to make this Third Supplement to the Amended and Restated Indenture of Trust a valid and binding agreement have been done.

NOW, THEREFORE, THIS THIRD SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE WITNESSETH:

That, in order to secure the principal of and interest and premium, if any, on the 2003 Bonds issued hereunder according to their tenor and effect and to secure the performance and observance by the Authority of all the covenants and conditions contained herein and in the Existing Indenture and to declare the terms and conditions upon and subject to which the 2003 Bonds are issued and secured, and for and in consideration of the mutual covenants contained herein and in the Existing Indenture, the Authority and the Trustee are entering into this Third Supplement to the Amended and Restated Indenture of Trust, which shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the 2003 Bonds.

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ARTICLE I AUTHORITY AND DEFINITIONS

SECTION 101 SUPPLEMENTAL INDENTURE OF TRUST

This Third Supplement to the Amended and Restated Indenture is supplemental to the Existing Indenture.

SECTION 102 AUTHORITY FOR THIS THIRD SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE

This Third Supplement to the Amended and Restated Indenture is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with Article X of the Amended and Restated Indenture.

SECTION 103 DEFINITIONS

- (a) Except as provided in this Third Supplement to the Amended and Restated Indenture, all terms which are defined in Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, shall have the same meanings, respectively, in this Third Supplement to the Amended and Restated Indenture as are given to such terms in said Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture.
- (b) Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is hereby amended by amending certain definitions contained in the Existing Indenture with respect to the 2003 Bonds and by adding the following definitions with respect to the 2003 Bonds:

"Affiliate" means any person or company directly or indirectly controlling, controlled by or under common control with the Authority.

"Alternate Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 hereof (other than (a) the Initial Liquidity Facility or (b) a Renewal Liquidity Facility), including, without limitation, a letter of credit or line of credit of a commercial bank or a credit facility from a financial institution, a standby bond purchase agreement, surety bond or like collateralization, or a combination thereof, which provides security for payment of the purchase price of 2003 Bonds delivered or deemed delivered in accordance with Article III of this Third Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"); provided that at all times while any of the 2003 Bonds bear interest at a Variable Rate or a Flexible Rate such 2003 Bonds (other than Bank Bonds) shall be entitled to liquidity support. Any amendment of a Liquidity Facility which is not a Renewal Liquidity Facility shall be an Alternate Liquidity Facility.

"Authority Bonds" means any 2003 Bonds of which ownership is registered in the name of the Authority or any Affiliate, other than Bank Bonds.

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"Authorized Denomination" means (i) during any Daily Rate Period, Weekly Rate Period or Flexible Rate Period, \$100,000 and \$5,000 multiples in excess thereof, and (ii) during any Term Rate Period or Fixed Rate Period, \$5,000 and integral multiples thereof.

"Bank" means any bank or other financial institution issuing any Liquidity Facility, and initially means JPMorgan Chase Bank.

"Bank Bonds" means Tendered Bonds purchased with moneys drawn under the Liquidity Facility and registered in the name of the Bank in accordance with the Liquidity Facility.

"Bank Rate" means the per annum rate of interest payable on any Bank Bonds as determined pursuant to the Liquidity Facility (or any reimbursement agreement entered into with respect to a letter of credit that is a Liquidity Facility).

"Bond Insurance Policy" means, with respect to the 2003 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 2003 Bonds that guarantees payment of principal of and interest on the 2003 Bonds.

"Bond Insurer" means, with respect to the 2003 Bonds, Ambac Assurance Corporation, or any successor thereto.

"Bond Purchase Fund" means the trust fund so designated which is created and established pursuant to Section 308 hereof.

"Business Day" means, with respect to the 2003 Bonds, any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in Philadelphia, Pennsylvania or in any other city in which the Principal Office of the Trustee or the designated office of the Tender Agent, the Remarketing Agent, the Bond Insurer or the Bank is located are required or authorized by law (including executive order) to close or on which the Principal Office of the Trustee, or the designated office of the Tender Agent, the Remarketing Agent or the Bank is closed for reasons not related to financial condition or (iii) a day on which the New York Stock Exchange is closed.

"Conversion Date" means each Fixed Rate Conversion Date, Flexible Rate Conversion Date and Variable Rate Conversion Date.

"Daily Rate Period" means, with respect to the 2003 Bonds, each period from and commencing on a Business Day and including and ending on the first day preceding the first Business Day thereafter.

"DTC" means The Depository Trust Company (a limited purpose trust company), New York, New York.

"Favorable Opinion" means an opinion of nationally recognized bond counsel addressed to the Authority and the Trustee to the effect that (i) the action proposed to be taken is authorized or permitted by the Act and the Indenture and (ii) such action will not adversely

affect the exclusion from gross income of interest on the 2003 Bonds for purposes of federal income taxation.

"Fixed Rate" means the rate to be borne by the 2003 Bonds from and after the Fixed Rate Conversion Date, which shall be the lowest rate which, in the judgment of the Remarketing Agent, is necessary to enable the 2003 Bonds to be remarketed at the principal amount thereof, plus accrued interest, if any, on the Fixed Rate Conversion Date.

"Fixed Rate Conversion Date" means the date on which the 2003 Bonds begin to bear interest at the Fixed Rate.

"Fixed Rate Period" means the period of time commencing on the Fixed Rate Conversion Date and ending on the Maturity Date.

"Flexible Rate" means the lowest annual rate of interest, expressed as a percentage and rounded to the nearest one thousandth of one percent, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, enable a particular Bond to be remarketed at the principal amount thereof on such Flexible Rate Adjustment Date given the applicable Interest Period for such 2003 Bond (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in this Third Supplement to the Amended and Restated Indenture).

"Flexible Rate Adjustment Date" means a Business Day on which a Flexible Rate and an Interest Period for a particular Bond commence.

"Flexible Rate Conversion Date" means a date on which the 2003 Bonds begin to bear interest at Flexible Rates.

"Flexible Rate Period" means any period of time commencing on a Flexible Rate Conversion Date and ending on a Variable Rate Conversion Date, a Fixed Rate Conversion Date or on the Maturity Date.

"Immediate Notice" means notice by telephone, telex, telecopier or email to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid.

"Initial Bank" means JPMorgan Chase Bank, in its capacity as issuer of the Initial Liquidity Facility.

"Initial Liquidity Facility" means the transferable Standby Bond Purchase Agreement dated as of June 1, 2003, entered into between the Authority and the Initial Bank concurrently with the original issuance of the 2003 Bonds.

"Interest Component" means the maximum amount stated in the Liquidity Facility (as reduced and reinstated from time to time in accordance with the terms thereof) which may be

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drawn for the payment of the portion of the purchase price of Tendered Bonds corresponding to interest accrued on the Tendered Bonds.

"Interest Coverage Period" means the number of days for 2003 Bonds bearing interest in a particular interest mode which is used to determine the Interest Component, determined in accordance with the requirements of Section 310(h) hereof in a manner consistent with the periods utilized in calculating interest accrued on 2003 Bonds in such interest mode.

"Interest Coverage Rate" means the rate which is used to determine the Interest Component, initially 12% per annum for 2003 Bonds in the Weekly Rate Period secured by the Initial Liquidity Facility, and shall be specified for 2003 Bonds bearing interest in each subsequent mode by the Remarketing Agent in writing to the Trustee at the time such 2003 Bonds commence bearing interest in accordance with such mode, as such rate may be changed from time to time by the Remarketing Agent subject to compliance with Section 310(h) hereof. Notwithstanding the foregoing, the maximum Interest Coverage Rate that may be established with respect to the 2003 Bonds shall be 12% per annum.

"Interest Payment Date" means:

- (i) during a Flexible Rate Period, each Repurchase Date;
- (ii) during a Variable Rate Period,
- (A) when used with respect to a Daily or Weekly Rate Period, the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of each calendar month occurring after the Variable Rate Conversion Date with respect thereto, and
- (B) when used with respect to a Term Rate Period, the June 15 or December 15 next succeeding the Variable Rate Conversion Date and the fifteenth day of each sixth month thereafter,
- (iii) each Mandatory Tender Date;
- (iv) after the Fixed Rate Conversion Date, each June 15 and December 15;
- (v) the Maturity Date; and
- (vi) for 2003 Bonds called for redemption, the applicable redemption date.

"Interest Period" means, for each 2003 Bond bearing interest at a Flexible Rate, that period of time beginning on a Flexible Rate Adjustment Date and to but not including the next Flexible Rate Adjustment Date, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, taking into account the Flexible Rate for the particular 2003 Bond being determined on such Flexible Rate Adjustment Date and the Flexible Rates and Interest Periods then borne by all other outstanding 2003 Bonds, enable

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the 2003 Bonds as a whole to bear the lowest overall rates achievable in the domestic financial market during the Interest Period selected (or, if the Remarketing Agent for any reason fails to determine such date, the date determined in accordance with the provisions set forth in this Third Supplement to the Amended and Restated Indenture).

"Liquidity Facility" means the Initial Liquidity Facility, or any Renewal Liquidity Facility or Alternate Liquidity Facility at the time in effect.

"Mandatory Tender Date" means any date on which a 2003 Bondholder is required to tender any 2003 Bond for purchase in accordance with Sections 302, 303 or 304 of this Third Supplement to the Amended and Restated Indenture.

"Mandatorily Tendered Bonds" means the 2003 Bonds required to be tendered for purchase on a Mandatory Tender Date.

"Maturity Date" means, with respect to the 2003 Bonds, June 15, 2022 or, with respect to each 2003 Bond bearing interest at a Fixed Rate which has been assigned a specific maturity date pursuant to Section 205(d) hereof, "Maturity Date" means the date so assigned.

"No-Call Period" means the period of time (measured from the Conversion Date) during which the 2003 Bonds in the Fixed Rate Period or the Term Rate Period may not be called for optional redemption as set forth in Section 401(a)(ii) hereof.

"Optional Tender Date" means the date specified by a 2003 Bondholder in a Tender Notice for purchase of any 2003 Bond during a Variable Rate Period in accordance with Section 301 of this Third Supplement to the Amended and Restated Indenture.

"Optionally Tendered Bonds" means the 2003 Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

"Outstanding", "Bonds outstanding" or "outstanding Bonds" means, with respect to the 2003 Bonds, as of any given date, all 2003 Bonds which have been duly authenticated and delivered under the Indenture, except:

- (a) 2003 Bonds canceled after purchase in the open market or because of payment at or redemption prior to the Maturity Date;
- (b) 2003 Bonds for the payment or redemption of which cash or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the Maturity Date or redemption date of any such 2003 Bonds) in accordance with Article VII of the Amended and Restated Indenture, as amended by Section 704 of this Third Supplement to the Amended and Restated Indenture; provided that if such Bonds are to be redeemed prior to the Maturity Date thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee:

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- (c) 2003 Bonds in lieu of which others have been authenticated under Section 207 or 208 of the Amended and Restated Indenture:
- (d) after any Optional Tender Date, any Bond for which a Tender Notice was given in accordance with Section 301 of this Third Supplement to the Amended and Restated Indenture and which was not so tendered:
- (e) after any Mandatory Tender Date, any 2003 Bond which was required to be tendered on such a Mandatory Tender Date in accordance with Sections 302, 303 or 304 of this Third Supplement to the Amended and Restated Indenture and which was not so tendered; and
- (f) after the Fixed Rate Conversion Date, for the purpose of all consents, approvals, waivers and notices required to be obtained or given under this Third Supplement to the Amended and Restated Indenture, 2003 Bonds held or owned by the Authority or any Affiliate thereof.

"Principal Office" means, with respect to the 2003 Bonds, (i) the corporate trust office of the Trustee responsible for the administration of this Third Supplement to the Amended and Restated Indenture, as designated in Section 11.07 of the Amended and Restated Indenture, as amended by Section 709 hereof, and (ii) the respective offices of the Bank, the Tender Agent and the Remarketing Agent designated to receive notices required by this Third Supplement to the Amended and Restated Indenture, as set forth in Section 709 hereof.

"Proposed Fixed Rate Conversion Date" means the date indicated in the written notice of the Authority given pursuant to Section 205 of this Third Supplement to the Amended and Restated Indenture on which the Authority intends to effect a conversion of the interest rate on the 2003 Bonds to the Fixed Rate.

"Rating Agency" means each nationally recognized securities rating agency then maintaining a rating on the Bonds at the request of the Authority, which at the time of issuance of the 2003 Bonds includes S&P, Moody's and Fitch.

"Record Date" means, with respect to the 2003 Bonds, while the 2003 Bonds bear interest during a Daily Rate Period, a Weekly Rate Period or a Flexible Rate Period, the close of business on the last Business Day preceding an Interest Payment Date, and while the 2003 Bonds bear interest in a Term Rate Period or a Fixed Rate Period, the close of business on the last day of the calendar month next preceding an Interest Payment Date.

"Remarketing Agent" means Raymond James & Associates, St. Petersburg, Florida, and its successor for the time being in such capacity as provided in Section 502 hereof.

"Remarketing Agreement" means the Remarketing Agreement dated as of June 1, 2003 between the Authority and the Remarketing Agent or any subsequent remarketing agreement executed by the Authority and any subsequent Remarketing Agent appointed pursuant hereto.

"Renewal Date" means the Interest Payment Date next preceding the Stated Expiration Date of the Liquidity Facility at the time in effect (or the next preceding Business Day if such day is not a Business Day).

"Renewal Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 hereof which has been issued with terms and conditions identical to, and by the same provider of, the Liquidity Facility in substitution for which the Renewal Liquidity Facility is to be provided, except for:

- (a) an extension of the Stated Expiration Date;
- (b) an increase or decrease in the Interest Coverage Rate or the Interest Coverage Period;
 - (c) an increase or decrease in the Interest Component;
- (d) an increase or decrease in the portion of the Liquidity Facility designated to pay premium upon purchase of 2003 Bonds to the extent required or permitted by Section 310(h) hereof;
- (e) changes in the business covenants contained in, the fees payable pursuant to and the interest rate on advances made under the Liquidity Facility; or
 - (f) any combination of (a), (b), (c), (d) and (e).

"Representation Letter" means that blanket letter from the Authority to DTC with respect to the issuance of Bonds in book-entry form.

"Repurchase Date" means, for any 2003 Bond during a Flexible Rate Period, a Business Day determined by the Remarketing Agent on an applicable Flexible Rate Adjustment Date as the date on which such 2003 Bond will be repurchased by the Trustee or the Tender Agent, on behalf of the Authority (or, if the Remarketing Agent for any reason fails to determine such date, the date determined in accordance with the provisions of this Third Supplement to the Amended and Restated Indenture).

"Repurchase Price" means, with respect to each particular 2003 Bond during a Flexible Rate Period, an amount equal to 100% of the principal amount thereof.

"Stated Expiration Date" means the stated date of expiration or termination of the Liquidity Facility, including any extensions thereof.

"Tender Agent" means that Person appointed pursuant to Section 501 hereof to perform those functions with respect to the 2003 Bonds related to the registration of transfers and exchanges, tenders, redemptions, notices and purchases thereof and payments thereon prior to the commencement of a Fixed Rate Period.

"Tendered Bonds" means Optionally Tendered Bonds and Mandatorily Tendered Bonds.

"Tender Notice" means the notice from a 2003 Bondholder to the Tender Agent of an Optional Tender Date in accordance with the provisions set forth in this Third Supplement to the Amended and Restated Indenture.

"Tender Price" means with respect to each Tendered Bond, 100% of the principal amount of any such Tendered Bond plus, if an Optional Tender Date is not an Interest Payment Date, interest accrued and unpaid thereon to, but not including, the Optional Tender Date with respect to such 2003 Bond.

"Term Rate Period" means any Variable Rate Period from and commencing on the fifteenth (15th) day of a calendar month (or the next succeeding Business Day if the fifteenth is not a Business Day) to but not including the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of the twelfth (or any integral multiple of 12) succeeding calendar month.

"Variable Rate" means, with respect to the then effective Variable Rate Period, the lowest interest rate which, in the judgment of the Remarketing Agent, would enable the 2003 Bonds to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the Variable Rate Adjustment Date with respect thereto (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in this Third Supplement to the Amended and Restated Indenture).

"Variable Rate Adjustment Date" means the first day of each Variable Rate Period.

"Variable Rate Conversion Date" means a date on which the 2003 Bonds begin to bear interest at a Variable Rate for (i) a particular Variable Rate Period which is of a different type than the preceding Variable Rate Period, (ii) a Term Rate Period which is of a different length than the preceding Term Rate Period except when shorter by reason of the Maturity Date or (iii) any Variable Rate Period which succeeds a Flexible Rate Period.

"Variable Rate Period" means each Daily Rate Period, Weekly Rate Period and Term Rate Period.

"Weekly Rate Period" means any Variable Rate Period from and commencing on Thursday of any calendar week and including and ending on the Wednesday of the next calendar week; provided, however, that any Weekly Rate Period which does not follow another Weekly Rate Period shall commence on the Variable Rate Conversion Date with respect thereto and end on the first or second Wednesday thereafter, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and any Weekly Rate Period which is not followed by another Weekly Rate Period shall commence on the last or second to last Thursday of a calendar month, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and end on the day preceding the final Interest Payment Date for such Weekly Rate Period.

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ARTICLE II ISSUANCE OF AND INTEREST ON THE 2003 BONDS

SECTION 201. ISSUANCE OF BONDS

- (a) The 2003 Bonds shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003" and shall be issued in the aggregate principal amount of \$165,550,000. The 2003 Bonds shall be issuable as fully registered Bonds in Authorized Denominations. Unless the Authority shall otherwise direct, the 2003 Bonds shall be numbered from R-I upward. Interest on the 2003 Bonds shall be payable on each Interest Payment Date. Each Bond shall be dated as of the most recent Interest Payment Date to which interest has been duly paid or provided for next preceding its date of issue, unless issued on an Interest Payment Date on which interest has been paid or provided for, in which event it shall be dated as of such Interest Payment Date or, if issued prior to the first Interest Payment Date on which interest is paid, it shall be dated the date of initial issuance of the 2003 Bonds.
 - (b) The 2003 Bonds shall mature on June 15, 2022.
- (c) 2003 Bonds issued prior to the first Interest Payment Date shall bear interest from the date of original issuance and delivery thereof. Thereafter, 2003 Bonds shall bear interest from and including the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication shall be an Interest Payment Date to which interest on the 2003 Bonds has been paid in full or duly provided for, in which case they shall bear interest from and including such date of authentication. Interest during a Flexible Rate Period shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed. Interest during a Variable Rate Period shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed except during a Term Rate Period and during a Fixed Rate Period interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.
- (d) By acceptance of any 2003 Bond, the registered owner thereof shall be deemed to have agreed, during a Flexible Rate Period, to the Flexible Rate, Interest Period and Repurchase Date then applicable thereto and to have further agreed to sell such Bond to the Tender Agent on the Repurchase Date applicable thereto at the Repurchase Price. Such registered owner by such acceptance shall be deemed to have acknowledged that if funds for such purchase are on deposit with the Trustee or the Tender Agent on such Repurchase Date, such registered owner shall have no rights under the Indenture other than to receive the Repurchase Price and such Bonds shall no longer be considered to be Outstanding Bonds (pursuant to paragraph (e) of the definition of such term in Section 103 hereof) for purposes of this Third Supplement to the Amended and Restated Indenture.
- (e) The principal of and premium, if any, on 2003 Bonds bearing interest at a Variable Rate or Flexible Rate shall be payable at the Principal Office of the Trustee, upon presentation and surrender of such 2003 Bonds, which presentation and surrender can be made at the Principal Office of the Tender Agent. The principal of and premium, if any, on the 2003 Bonds bearing interest at a Fixed Rate shall be payable at the Principal Office of the Trustee upon presentation and surrender of such Bonds. Payment of principal of any 2003 Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2003 Bonds by wire transfer

to such owner on the principal payment date for said 2003 Bonds upon written notice from such owner containing the wire transfer address within the continental United States to which such owner wishes to have such wire directed, which written notice is received not later than the tenth (10th) day next preceding the principal payment or maturity date applicable to such 2003 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2003 Bonds at the Principal Office of the Trustee or Tender Agent, as applicable, on the principal payment date. Any payment of the purchase price of a Tendered Bond shall be payable at the Principal Office of the Tender Agent, upon presentation and surrender of such Bond, as provided in Article V hereof.

- Interest payments on a 2003 Bond (other than with respect to defaulted interest) shall be made to the registered owner thereof appearing on the Bond Register as of the close of business of the Bond Registrar on the Record Date; provided, however, that during a Flexible Rate Period such payments shall be payable only upon presentation and surrender of such Bond to the Tender Agent. Interest on the 2003 Bonds shall, except as hereinafter provided, be paid: (i) during a Flexible or Variable Rate Period, by check or draft of the Tender Agent mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the Bond Register or at such other address furnished in writing by such registered owner to the Tender Agent, (ii) during a Flexible or Variable Rate Period, by wire transfer sent on the Interest Payment Date to the registered owner upon written notice to the Tender Agent from the registered owner containing the wire transfer address (which shall be in the continental United States) to which the registered owner wishes to have such wire directed which written notice is received not later than the Business Day prior to the first Interest Payment Date to which it relates, it being understood that such notice may refer to multiple interest payments; (iii) on or prior to the Fixed Rate Conversion Date, in such other fashion as is agreed upon between the registered owner and the Tender Agent, including, without limitation, by wire transfer upon such prior notice as may be satisfactory to the Tender Agent or (iv) after the Fixed Rate Conversion Date, by check or draft of the Trustee mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the Bond Register in accordance with the provisions of Section 2.03 of the Amended and Restated Indenture.
- (g) During any Variable Rate Period other than a Term Rate Period, the Trustee agrees to provide through the Tender Agent upon request to the Tender Agent by any Bondholder an oral statement as to the Variable Rates in effect since the most recent preceding Interest Payment Date and to mail on each Interest Payment Date occurring during a Variable Rate Period to each Bondholder written notice of the Variable Rates in effect since the last preceding Interest Payment Date.
- (h) The 2003 Bonds shall be substantially in the form hereinafter set forth with such appropriate variations, omissions and insertions as are permitted or required by the Indenture or deemed necessary by the Trustee and the Authority. On each date on which the Trustee or the Tender Agent authenticates and delivers 2003 Bonds during a Flexible Rate Period applicable to such 2003 Bonds as provided in Section 204 hereof, the Trustee or the Tender Agent shall complete the information required in the form of 2003 Bond attached as Exhibit A hereto for the purpose of maintaining an accurate record of the terms and provisions of the Interest Period then applicable to such 2003 Bond. During the period the 2003 Bonds are

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maintained in book-entry form pursuant to Section 207 hereof, the Trustee may instead maintain such information on its books and records and make the same available electronically to DTC.

SECTION 202. INITIAL INTEREST RATES; SUBSEQUENT RATES; RATE PERIODS

The 2003 Bonds shall bear interest initially at a Variable Rate with a Weekly Rate Period from and including the date of initial issuance until a Conversion Date. The initial Variable Rate and initial Weekly Rate Period shall be set forth in the purchase contract entered into between the Authority and the initial purchaser of the 2003 Bonds. During each Variable Rate Period, the 2003 Bonds shall bear interest at the lesser of (i) the Interest Coverage Rate or (ii) the Variable Rate. During the Fixed Rate Period, the 2003 Bonds shall bear interest at a Fixed Rate.

Limits on Interest Periods and Rates. No Interest Period shall be established during a Flexible Rate Period and no Variable Rate Period shall be established which would cause the Interest Coverage Period of the Liquidity Facility to be less than the requirements of Section 310(h) hereof. No interest rate on a 2003 Bond shall be established during a Variable Rate Period which exceeds the Interest Coverage Rate. No Interest Period or Flexible Rate shall be established during a Flexible Rate Period which would cause the aggregate amount of all interest which could accrue on the 2003 Bonds bearing interest at the Flexible Rate during such Flexible Rate Period to exceed the Interest Component allocable to such Bonds. In addition, no Flexible Rate shall be established which exceeds the applicable Interest Coverage Rate and no Interest Period shall be established during a Flexible Rate Period which exceeds 270 days.

<u>Bank Bonds</u>. Notwithstanding anything herein to the contrary, Bank Bonds shall bear interest at the Bank Rate determined in accordance with the provisions of the Liquidity Facility and not the Variable Rate or Flexible Rate that would otherwise be applicable to such 2003 Bonds were they not Bank Bonds.

<u>Conversions</u>. In connection with any conversion to or from a Variable Rate Period or a Flexible Rate Period or a conversion to a Fixed Rate Period, in addition to the other conditions to conversion set forth in this Third Supplement to the Amended and Restated Indenture, the Trustee must have received written evidence from each Rating Agency then maintaining a rating on the 2003 Bonds that such rating will not be reduced or withdrawn due to such conversion (other than a withdrawal of a short term rating upon a remarketing into a Fixed Rate Period) and the Remarketing Agent shall have received firm commitments for the purchase of all 2003 Bonds being converted to bear interest in such new rate period on or before such Conversion Date.

In connection with any conversion to a Term Rate Period or to a Fixed Rate Period, in addition to the other conditions to conversion set forth in this Third Supplement to the Amended and Restated Indenture, the Authority must either provide the Trustee, the Bank, the Bond Insurer and the Remarketing Agent with an opinion of Bond Counsel stating that Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission provides an exemption with respect to the 2003 Bonds or enter into a written undertaking at the time of such conversion covenanting to provide continuing information with respect to the 2003 Bonds required by the Rule.

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SECTION 203. VARIABLE RATES; CONVERSIONS TO VARIABLE RATE PERIODS

- (a) <u>Determination by Remarketing Agent; Notice of Rates Determined</u>. Except as hereinafter provided, the Variable Rate to be applicable to the 2003 Bonds during any Variable Rate Period shall be determined by the Remarketing Agent and notice thereof shall be given as follows:
 - (i) Notice of each Variable Rate shall be: (A) given by Immediate Notice by the Remarketing Agent to the Tender Agent not later than 12:00 noon, New York City time, on the date of determination for each Daily and Weekly Rate Period and not later than 12:00 noon New York City time, on the Business Day immediately succeeding the date of determination for each Term Rate Period; (B) given by Immediate Notice not later than 5:00 p.m., New York City time for each Daily and Weekly Rate Period, in each case on the date of determination, and by 12:00 noon, New York City time, on the Business Day immediately succeeding the date of determination for each Term Rate Period, by the Tender Agent to the Trustee and the Authority, and, during Term Rate Periods, by first class mail postage prepaid on the third Business Day immediately succeeding the date of determination by the Tender Agent to the holders of the 2003 Bonds; and (C) available commencing on the Business Day immediately succeeding the date of determination during Daily and Weekly Rate Periods by telephone from the Tender Agent upon request of any owner of a 2003 Bond.
 - (ii) If the Remarketing Agent fails for any reason to determine or notify the Tender Agent of the Variable Rate for any Variable Rate Period when required hereunder:
 - (A) for 2003 Bonds in a Daily Rate Period or Weekly Rate Period, the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc. (or a replacement publisher of the BMA Municipal Swap Index designated in writing by the Authority to the Trustee and the Remarketing Agent; provided that if Munifacts Wire System, Inc. or such replacement publisher does not publish the BMA Municipal Swap Index on a day on which a Variable Rate is to be set, the Variable Rate shall be 135% of a comparable index selected by the Authority published by Munifacts Wire System, Inc. or such replacement publisher at such time (such alternate index being referred to herein as a "Alternate Index")) until the Remarketing Agent next determines the Variable Rate as required hereunder;
 - (B) for 2003 Bonds in a Term Rate Period with a duration of one year or less, such 2003 Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc (or an Alternate Index) until the Remarketing Agent next determines the Variable Rate as required hereunder; and
 - (C) for 2003 Bonds in a Term Rate Period with a duration in excess of one year, such 2003 Bonds shall automatically convert to a Term Rate

Period of two years and the Variable Rate for such Rate Period shall be equal to the sum of (i) the yield on 2 year "A" rated general obligation bonds as published by Municipal Market Data (or any successor entity) on the first Business Day preceding the Variable Rate Adjustment Date plus (ii) 5 basis points unless the Authority has filed with the Trustee and the Tender Agent a Favorable Opinion acceptable to the Trustee (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) with respect to the conversion of the 2003 Bonds to Variable Rates for Weekly Rate Periods, in which case the 2003 Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System (or an Alternate Index) until the Remarketing Agent next determines the Variable Rate as required hereunder.

- (iii) All determinations of Variable Rates pursuant to this Section shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, the Bank and the holders of the 2003 Bonds to which such rates are applicable. Failure by the Trustee or the Tender Agent to give any notice as herein provided, any defect therein, and any failure by any 2003 Bondholder to receive any such notice (including without limitation any Immediate Notice) shall not extend the period for making elections, in any way change the rights of the owners of 2003 Bonds to elect to have such 2003 Bonds purchased, in any way change the conditions which must be satisfied in order for such election to be effective or for payment of the purchase price to be made after an effective election or in any way change such owner's obligation to tender the 2003 Bonds for purchase.
- (b) <u>Daily Rates and Weekly Rates</u>. A Variable Rate shall be determined by the Remarketing Agent (i) for each Daily Rate Period not later than 10:30 a.m., New York City time, on the commencement date of the Daily Rate Period to which it relates and (ii) for each Weekly Rate Period not later than 10:00 a.m., New York City time, on the commencement date of the Weekly Rate Period to which it relates (or the preceding Business Day if such day is not a Business Day).
- (c) <u>Term Rates</u>. A Variable Rate shall be determined by the Remarketing Agent for each Term Rate Period not later than 12:00 noon, New York City time, on the Business Day immediately preceding the commencement date of such period.
- (d) <u>Conversions between Variable Rate Periods</u>. At the option of the Authority, the 2003 Bonds may be converted from one Variable Rate Period to another and from a Term Rate Period of one length to a Term Rate Period of a different length as follows:
 - (i) In any such case, the Variable Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that if the conversion is from a Term Rate Period to a different Variable Rate Period or a Term Rate Period of a different length, the Variable Rate Conversion Date shall be limited to a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced.

(ii) The Authority shall give written notice of any such conversion to the Remarketing Agent, the Trustee, the Tender Agent and the Bank not less than seven (7) Business Days prior to the date on which the Tender Agent is required to notify the Bondholders of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Variable Rate Conversion Date and the Variable Rate Period (and the length of any Term Rate Period) to which the conversion will be made.

As a precondition to effecting a change to a different Variable Rate Period or to a Term Rate Period of a different length, on or before the Variable Rate Conversion Date, a Favorable Opinion shall be delivered to the Authority, the Trustee and the Tender Agent. Notwithstanding the foregoing, such Favorable Opinion shall not be required to be delivered in either case with respect to (i) a conversion to a Daily Rate Period or Weekly Rate Period or to a Term Rate Period with a duration of one year if the immediately preceding Period was a Daily Rate Period or Weekly Rate Period or a Term Rate Period with a duration of one year or (ii) a conversion to a Term Rate Period with a duration of more than one year if the immediately preceding Variable Rate Period was a Term Rate Period with a duration of more than one year.

- (iii) Not less than fourteen (14) days prior to the Variable Rate Conversion Date if converting to a Daily or Weekly Rate Period and not less than thirty (30) days prior to the Variable Rate Conversion Date if converting to any other Variable Rate Period, the Tender Agent shall mail a written notice of the conversion to the holders of all 2003 Bonds to be converted. Such notice shall specify the Variable Rate Conversion Date and set forth the matters required to be stated pursuant to Section 303 hereof with respect to purchases of 2003 Bonds governed by such Section.
- (iv) The Variable Rate for the Variable Rate Period commencing on the Variable Rate Conversion Date shall be determined by the Remarketing Agent in the manner provided above on the date set forth above applicable to the Variable Rate Period to which the conversion shall be made. Notice of such Variable Rates shall be given or made available on the dates and to the parties specified above in the manner provided above applicable to the Variable Rate Period to which the conversion shall be made.
- (e) <u>Conversions from Flexible Rate Periods</u>. At the option of the Authority, the 2003 Bonds may be converted from a Flexible Rate Period to a Variable Rate Period as follows:
 - (i) The Variable Rate Conversion Date shall be the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Periods theretofore established for the 2003 Bonds to be converted.
 - (ii) The Authority shall give written notice of any such conversion to the Remarketing Agent, the Trustee, the Tender Agent and the Bank not less than seven (7) Business Days prior to the date on which the Tender Agent is required to notify the Bondholders of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Variable Rate Conversion Date and the Variable Rate Period (and the length of any Term Rate Period) to which the conversion will be made. In addition, on or before the

Variable Rate Conversion Date, the Authority shall cause to be filed with the Authority, the Trustee and the Tender Agent a Favorable Opinion. Notwithstanding the provisions of the preceding sentence, such Favorable Opinion shall not be required to be delivered with respect to a conversion to a Daily Rate Period, a Weekly Rate Period or to a Term Rate Period with a duration of one year.

- (iii) Not less than fourteen (14) days prior to the Variable Rate Conversion Date if converting to a Daily or Weekly Rate Period and not less than thirty (30) days prior to the Variable Rate Conversion Date if converting to any other Variable Rate Period, the Tender Agent shall mail a written notice of the conversion to all holders of the 2003 Bonds to be converted; provided, however, that the Tender Agent shall not mail such written notice until it has received a written confirmation from the Remarketing Agent that no Interest Period for the 2003 Bonds extends beyond the Variable Rate Conversion Date. Such notice shall specify the Variable Rate Conversion Date and set forth the matters required to be stated pursuant to Section 303 hereof with respect to purchases of Bonds governed by such Section.
- (iv) The Variable Rate for the Variable Rate Period commencing on the Variable Rate Conversion Date shall be determined by the Remarketing Agent in the manner provided above on the date set forth above applicable to the Variable Rate Period to which the conversion shall be made. Notice of such Variable Rates shall be given or made available on the dates and to the parties specified above in the manner provided above applicable to the Variable Rate Period to which the conversion shall be made.

SECTION 204. FLEXIBLE RATES; CONVERSIONS TO FLEXIBLE RATE PERIODS

- (a) <u>Flexible Rates</u>. A Flexible Rate for each Interest Period shall be determined as follows:
 - (i) The Interest Periods for each 2003 Bond shall be of such duration, not exceeding 270 days, as may be offered by the Remarketing Agent and specified by the purchaser pursuant to Section 302 or 303 hereof.
 - (ii) The Flexible Rate for each Interest Period shall be effective from and including the commencement date of such period through and including the last day thereof. Each such Flexible Rate shall be determined by the Remarketing Agent in connection with the sale of the 2003 Bond or 2003 Bonds to which it relates pursuant to Section 302 or 303 hereof.
 - (iii) If the Remarketing Agent fails for any reason to determine or notify the Tender Agent of the Interest Period or Flexible Rate when required hereunder, the Interest Period shall be of the shortest permitted duration and the Flexible Rate shall be equal to the 135% of the BMA Municipal Swap Index in effect on the first day of such Interest Period.
 - (iv) All determinations of Flexible Rates and Interest Periods pursuant to this Section shall be conclusive and binding upon the Authority, the Trustee, the Tender

Agent, the Bank and the holders of the 2003 Bonds to which such rates and periods are applicable.

- (b) <u>Conversions to Flexible Rate Periods</u>. At the option of Authority, the 2003 Bonds may be converted from a Variable Rate Period to a Flexible Rate Period as follows:
 - (i) In any such case, the Flexible Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that in the case of a conversion from a Term Rate Period, the Flexible Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced.
 - (ii) The Authority shall give written notice of any such conversion to the Trustee, the Tender Agent, the Remarketing Agent and the Bank not less than seven (7) Business Days prior to the date on which the Tender Agent is required to notify the Bondholders of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Flexible Rate Conversion Date. In addition, on or before the Flexible Rate Conversion Date, the Authority shall cause to be filed with the Authority, the Trustee and the Tender Agent a Favorable Opinion. Notwithstanding the provisions of the preceding sentence, such opinion shall not be required to be delivered with respect to a conversion from a Daily Rate Period or Weekly Rate Period or from a Term Rate Period with a duration of one year or less.
 - (iii) Not less than fourteen (14) days prior to the Flexible Rate Conversion Date, in the case of conversions from Daily or Weekly Rate Periods, and not less than thirty (30) days prior to the Flexible Rate Conversion Date in all other cases, the Tender Agent shall mail a written notice of the conversion to all holders of the 2003 Bonds to be converted, specifying the Flexible Rate Conversion Date and setting forth the matters required to be stated pursuant to Section 303 hereof with respect to purchases of 2003 Bonds governed by such Section.

SECTION 205. FIXED RATE CONVERSION AT OPTION OF THE AUTHORITY

At the option of the Authority, the 2003 Bonds bearing interest at a Variable Rate, or Flexible Rates may be converted to bear interest at the Fixed Rate as hereinafter provided. Any such conversion shall be made as follows:

(a) The Fixed Rate Conversion Date shall be: (i) in the case of a conversion from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; (ii) in the case of a conversion from a Term Rate Period, a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced; or (iii) in the case of a conversion from a Flexible Rate Period, a day which is the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the 2003 Bonds to be converted.

- (b) Not less than seven (7) Business Days prior to the date on which the Tender Agent or the Trustee is required to notify the Bondholders of the conversion pursuant to paragraph (c) below, the Authority shall give written notice of the conversion to the Trustee, the Tender Agent, if any, the Remarketing Agent, if any, and the Bank, if any, setting forth the Proposed Fixed Rate Conversion Date. In addition, on or before the Fixed Rate Conversion Date, the Authority shall cause to be filed with the Authority, the Trustee and the Tender Agent, if any, a Favorable Opinion with respect to the conversion of the 2003 Bonds to the Fixed Rate.
- (c) In the event of a conversion from a Variable Rate Period or a Flexible Rate Period, the Tender Agent shall mail a notice of the proposed conversion to the holders of all 2003 Bonds to be converted not less than thirty (30) days prior to the Proposed Fixed Rate Conversion Date and shall inform the Bondholders of: (i) the Proposed Fixed Rate Conversion Date; and (ii) the matters required to be stated pursuant to Section 304 hereof with respect to purchases of 2003 Bonds governed by such Section.
- (d) Not later than 12:00 noon, New York City time, on the Business Day prior to the Fixed Rate Conversion Date, the Remarketing Agent shall deliver to the Trustee and the Authority a certificate, approved by the Authority, which includes (i) a schedule specifying the principal amount of Bonds to mature on the first June 15 occurring after the Fixed Rate Conversion Date and on each June 15 thereafter to and including the June 15th occurring on or after the fifth anniversary of the Fixed Rate Conversion Date, (ii) a schedule specifying the principal amount of Bonds to be called for mandatory redemption on each June 15 occurring after the last June 15 specified pursuant to (i), but prior to June 15, 2022, (iii) the principal amount of 2003 Bonds to mature on June 15, 2022, (iv) the Fixed Rate to be applicable to each maturity of the 2003 Bonds and (v) a schedule specifying the interest to be paid on each Interest Payment Date of each year, commencing with the first Interest Payment Date to occur after the Fixed Rate Conversion Date, to and including June 15, 2022. In determining the amount of interest and principal that shall be payable on such dates, the Remarketing Agent shall use the following guidelines:
 - (i) The Fixed Rate(s) established for the 2003 Bonds to be effective on the Fixed Rate Conversion Date shall be set forth in an underwriting or purchase contract and shall equal the minimum interest rate(s) necessary to remarket such 2003 Bonds on the Fixed Rate Conversion Date at an aggregate purchase price of 100% of the principal amount thereof taking into account the fact that such 2003 Bond shall mature or be subject to mandatory sinking fund redemption on a particular June 15 up to and including June 15, 2022 in accordance with (d) above, that all 2003 Bonds shall pay interest semiannually on each Interest Payment Date of each year, that all 2003 Bonds maturing on a particular June 15 shall bear interest at the same rate;
 - (ii) The schedule of principal payments shall be set to achieve annual level debt service (including both principal and interest) for all remaining Bond Years or portions thereof and to the extent such annual level debt service cannot be exactly achieved with principal maturing in \$5,000 denominations or integral multiples thereof, such annual level debt service shall be achieved by rounding down all maturing principal

amounts to the next \$5,000 denomination or integral multiple thereof and rounding up the last principal payment.

The determination of the Fixed Rate(s) shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, if any, the Bank, if any, the Bond Insurer and the holders of the 2003 Bonds to which such rate(s) 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 and the Authority of such rate(s) by telephone. Not later than 5:00 p.m., New York City time, on the next succeeding Business Day, the Trustee shall give Immediate Notice of such rate(s) to the Tender Agent, if any, and the Bank, if any, and the Bond Insurer.

- (e) The Authority may revoke its election to effect a conversion of the interest rate on the 2003 Bonds to the Fixed Rate by giving written notice of such revocation to the Trustee, the Tender Agent, if any, the Remarketing Agent, if any, the Bank, if any, and the Bond Insurer at any time prior to the setting of the Fixed Rate by the Remarketing Agent.
- (f) It shall be a condition to effecting a conversion to the Fixed Rate that all of the Bonds shall be successfully remarketed .

Section 206. Certain Changes in Term Rate Period Not a Conversion

In the event that a Term Rate Period is shorter than the immediately preceding Term Rate Period due to the occurrence of the Maturity Date of the 2003 Bonds, such difference in length of the last Term Rate Period shall not be considered to cause a Variable Rate Conversion Date to occur and the conditions required by Section 203 to convert from a Term Rate Period of one length to a Term Rate Period of a different length shall not be required to be satisfied.

SECTION 207. BOOK ENTRY SYSTEM

- (a) It is intended that the Bonds be registered so as to participate in a securities depository system with DTC (the "DTC System"), as set forth herein. Except as provided in subparagraph (c) of this Section, the registered owner of all of the 2003 Bonds shall be DTC and the 2003 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest on any Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of immediately available funds to the account of Cede & Co. on the Interest Payment Date for the 2003 Bonds at the address indicated on the Record Date or Special Record Date for Cede & Co. in the Bond Register kept by the Trustee.
- (b) The 2003 Bonds shall be initially issued in the form of separate single fully registered 2003 Bonds, authenticated by the Trustee in the amount of each separately stated maturity of the 2003 Bonds. Upon initial issuance, the ownership of such 2003 Bonds shall be registered in the registry books of the Authority kept by the Trustee in the name of Cede & Co., as nominee of DTC. The Trustee and the Authority shall treat DTC (or its nominee) as the sole and exclusive owner of the 2003 Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the 2003 Bonds, selecting the 2003 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Third Supplement to the Amended and Restated Indenture, registering the transfer of 2003 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Tender Agent nor the

Authority shall be affected by any notice to the contrary. Neither the Trustee, the Tender Agent nor the Authority shall have any responsibility or obligation to any DTC participant, any person claiming a beneficial ownership interest in the 2003 Bonds under or through DTC or any DTC participant, or any other Person which is not shown on the registration books of the Trustee as being a Bondholder, with respect to: (i) the accuracy of any records maintained by DTC or any DTC participant; (ii) the payment of DTC or any DTC participant of any amount in respect of the principal, purchase price or redemption price of or interest on the 2003 Bonds; (iii) any notice which is permitted or required to be given to Bondholders under the Indenture; (iv) the selection by DTC or any DTC participant of any Person to receive payment in the event of a partial redemption of the 2003 Bonds; or (v) any consent given or other action taken by DTC as Bondholder. The Trustee shall pay all principal or purchase price of and premium, if any, and interest on the 2003 Bonds only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the Commonwealth of Pennsylvania) DTC and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the principal of or purchase price and premium, if any, and interest on the 2003 Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated Bond for each separately stated maturity of the respective series evidencing the obligation of the Authority to make payments of principal of and premium, if any, and interest pursuant to this Third Supplement to the Amended and Restated Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word "Cede & Co." in this Third Supplement to the Amended and Restated Indenture shall be deemed to be changed to reflect such new nominee of DTC.

- In the event the Authority determines that it is in its best interest to (c) discontinue the use of book entry system for the 2003 Bonds, the Authority may notify in writing DTC and the Trustee, whereupon DTC will notify the DTC participants of the availability through DTC of Bond certificates. In such event, the Trustee shall deliver, transfer and exchange Bond certificates as directed in writing by DTC as the Bondholder in appropriate amounts. DTC may determine to discontinue providing its services with respect to the 2003 Bonds at any time by giving written notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Authority and the Trustee, at the sole cost of the Authority, shall be obligated to deliver Bond certificates as directed in writing by DTC. In the event Bond certificates are issued, the provisions of the Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the 2003 Bonds to any DTC participant having 2003 Bonds credited to its DTC account, or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the 2003 Bonds.
- (d) Notwithstanding any other provision of this Third Supplement to the Amended and Restated Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or purchase price

of and premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

- (e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC as sole Bondholder notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.
- (f) Anything herein to the contrary notwithstanding, so long as any 2003 Bonds are registered in the name of DTC or any nominee thereof, in connection with any optional tender of such 2003 Bonds, the beneficial owners of such 2003 Bonds are responsible for submitting the bondholder tender notice provided for in Section 301 to the Remarketing Agent.
- (g) Upon remarketing of 2003 Bonds in accordance with Article III, payment of the purchase price thereof shall be made to DTC and no surrender of certificates is expected to be required. Such sale shall be made through DTC participants (which may include the Remarketing Agent) and the new beneficial owners of such 2003 Bonds shall not receive delivery of Bond certificates. DTC shall transmit payment to DTC participants, and DTC participants shall transmit payment to beneficial owners whose 2003 Bonds were purchased pursuant to remarketing. Neither the Authority, the Trustee, the Trustee nor the Remarketing Agent shall be responsible for transfers of payment to DTC participants or beneficial owners.
- (h) The provisions of this Section are subject to the provisions of this Third Supplement to the Amended and Restated Indenture relating to Bank Bonds.

SECTION 208. DELIVERY OF THE 2003 BONDS AND DISPOSITION OF PROCEEDS THEREOF.

- (a) Upon the execution and delivery of this Third Supplement to the Amended and Restated Indenture, the Authority shall execute and deliver the 2003 Bonds to the Trustee and the Trustee shall authenticate the 2003 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 2003 Bonds. Proceeds from the sale of the 2003 Bonds shall be received by the Trustee and deposited in the Settlement Fund and shall then be disbursed and transferred from the Settlement Fund as follows:
 - (1) To or upon the order of the Authority, the amount specified by the Authority at or after the closing for the issuance of the 2003 Bonds as the costs of issuance of the 2003 Bonds (including, without limitation, fees and expenses of bond counsel and special tax counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 2003 Bonds, fees payable to the Initial Bank and the Bond Insurer with respect to the 2003 Bonds, printing costs payable by the Authority and rating agency fees).

(2) To the Trustee, to be deposited in the 1993A Bonds account of the Bond Redemption Fund, an amount equal to \$163,185, which will be applied to the redemption of all Outstanding 1993A Bonds called for redemption on June 15, 2003.

Any amount remaining in the Settlement Fund after the foregoing disbursements and transfers shall be disbursed or transferred by the Trustee to the Debt Service Fund in respect of the 2003 Bonds.

(b) Pursuant to Section 5.07 of the Amended and Restated Indenture, as supplemented and amended by, among others, Section 4.03 of the Second Supplement to the Amended and Restated Indenture, the Trustee is hereby instructed to transfer funds in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement for all Outstanding Bonds, taking into account the redemption of the 1993A Bonds and the issuance and delivery of the 2003A Bonds, to the Redemption Fund for application to the redemption price of the 1993A Bonds.

ARTICLE III TENDER AND PURCHASE OF BONDS

SECTION 301. OPTIONAL TENDERS DURING VARIABLE RATE PERIODS

- (a) Optional Tender Dates. The holders of 2003 Bonds bearing interest at Variable Rates may elect to have their 2003 Bonds or portions thereof in whole multiples of Authorized Denominations purchased at the Tender Price of such 2003 Bonds (or portions), on the following Optional Tender Dates and upon the giving of the following oral (which may be by telephone) or written (which may be by telecopy or facsimile communication) notices meeting the further requirements of subsection (b) below:
 - (i) <u>Daily Rate Period</u>. During a Daily Rate Period, 2003 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender given to the Tender Agent not later than 10:00 a.m., New York City time, on the Optional Tender Date;
 - (ii) <u>Weekly Rate Period</u>. During a Weekly Rate Period, 2003 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date; and
 - (iii) <u>Term Rate Period</u>. During a Term Rate Period, 2003 Bonds may be tendered for purchase on the first Business Day following such Term Rate Period upon delivery of a written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date.

(b) Notice by Owner of Tender. Each notice of tender:

- (i) shall, in the case of a written notice, be delivered to the Tender Agent at its Principal Office and be in form satisfactory to the Tender Agent;
- (ii) shall, whether delivered orally or in writing, state (A) the name and address of such Bondholder and the principal amount of the Bond to which the notice relates, (B) that the Bondholder irrevocably demands purchase of such 2003 Bond or a specified portion thereof in a whole multiple of an Authorized Denomination, (C) the Optional Tender Date on which such 2003 Bond or portion is to be purchased and (D) the payment instructions with respect to the Tender Price; and
- (iii) shall automatically constitute, whether delivered orally or in writing (A) an irrevocable offer to sell the 2003 Bond (or portion thereof) to which the notice relates on the Optional Tender Date to any purchaser selected by the Remarketing Agent, at a price equal to the Tender Price of such 2003 Bond (or portion thereof), (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such 2003 Bond (or portion thereof) upon payment of the Tender Price to the Tender Agent on the Optional Tender Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the 2003 Bond to be purchased in whole or in part for

other 2003 Bonds in an equal aggregate principal amount so as to facilitate the sale of such 2003 Bond (or portion thereof to be purchased), and (D) an acknowledgment that such Bondholder will have no further rights with respect to such 2003 Bond (or portion thereof) upon payment of the Tender Price thereof to the Tender Agent on the Optional Tender Date, except for the right of such Bondholder to receive such Tender Price upon surrender of such 2003 Bond to the Tender Agent.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the owner of such 2003 Bond.

- (c) <u>Notice by Tender Agent of Bonds to be Remarketed</u>. Not later than 11:00 a.m., New York City time, on the Business Day immediately following the date of receipt of any notice of tender (or promptly upon such receipt on the Optional Tender Date in the case of 2003 Bonds during a Daily Rate Period but in no event later than 11:00 a.m., New York City time), the Tender Agent shall give Immediate Notice (or telephonic notice in the case of Bonds during a Daily Rate Period) to the Trustee, the Authority, the Remarketing Agent and the Bank of the principal amount of 2003 Bonds (or portions thereof) to be purchased and the Optional Tender Date.
- (d) Remarketing of Tendered Bonds. Pursuant to the Remarketing Agreement, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2003 Bonds or portions thereof properly tendered. The Remarketing Agent shall cause the Tender Price specified in subsection (a) above for the 2003 Bonds which the Remarketing Agent notified the Tender Agent had been remarketed pursuant to subsection (e)(i) below to be paid to the Tender Agent (i) in immediately available funds at or before 2:00 p.m., New York City time, on the Optional Tender Date, during Daily or Weekly Rate Periods and (ii) in immediately available funds at or before 12:00 noon, New York City time, on the Optional Tender Date, in the case of 2003 Bonds during Term Rate Periods. Notwithstanding the foregoing, the Remarketing Agent shall not offer for sale any 2003 Bond as to which a notice of conversion to a Variable Rate Period, from a Term Rate Period of one length to another, to a Flexible Rate Period or to a Fixed Rate Period has been given by the Tender Agent unless the Remarketing Agent has advised the Person to whom the offer is made of the conversion and the effect of the conversion on the rights of Bondholders to tender their 2003 Bonds as described in the conversion notice from the Tender Agent to the Bondholders.

(e) Purchase of Tendered Bonds.

- (i) <u>Notice of Remarketing; Purchases Under Liquidity Facility</u>. The following Immediate Notices shall be given with respect to the remarketing of Tendered Bonds and the amount of 2003 Bonds to be purchased pursuant to the Liquidity Facility:
 - (A) In the case of Tendered Bonds during other than a Daily Rate Period:
 - (I) the Remarketing Agent shall notify the Tender Agent of the amount of Tendered Bonds which were remarketed not later than

2:30 p.m., New York City time, on the Business Day immediately preceding the Optional Tender Date and the Tender Agent shall notify the Bank of the amount of Tendered Bonds which were remarketed by 3:00 p.m. on the Business Day immediately preceding the Optional Tender Date; and

- (2) if any such notice indicates that any Tendered Bonds were not remarketed, if no such notice is received by the required time or if all of remarketing proceeds have not been received, the Tender Agent shall notify the Trustee, the Bank and the Authority, not later than 9:00 a.m., New York City time, on the Optional Tender Date, of the amount of Tendered Bonds
 - (x) which were not remarketed,
 - (y) for which no notice of remarketing was received and
 - (z) for which no remarketing proceeds have been received,

and the Trustee shall submit a draw certificate to the Bank not later than 11:00 a.m., New York City time, on the Optional Tender Date for payment of an amount equal to the principal portion of the Tender Price for the portion of the Tendered Bonds (x) which were not remarketed, (y) for which no notice of remarketing was received and (z) for which no remarketing proceeds have been received by the required time, and a demand for payment by the Bank of the accrued interest on the portion of the Tendered Bonds which were not remarketed or for which no notice of remarketing was received by the required time, or for which no remarketing proceeds have been received.

- (B) In the case of Tendered Bonds during a Daily Rate Period:
- (I) the Remarketing Agent shall notify the Tender Agent of the amount of Tendered Bonds which were remarketed not later than 10:00 a.m., New York City time, on the Optional Tender Date; and
- (2) if any such notice indicates that any Tendered Bonds were not remarketed or if no such notice is received by the required time, or if remarketing proceeds are not received by the required time, the Tender Agent shall promptly notify the Trustee, the Bank and the Authority, not later than 10:30 a.m., New York City time, on the Optional Tender Date, of the amount of Tendered Bonds
 - (x) not remarketed,

- (y) for which no notice of remarketing was received, or
- (z) for which no remarketing proceeds have been received.

and not later than II:00 a.m., New York City time, on the Optional Tender Date, the Trustee shall submit a draw certificate for payment of the principal portion of the Tender Price by the Bank for the portion of the 2003 Bonds (x) which were not remarketed, (y) for which no notice of remarketing was received by the required time or (z) for which no remarketing proceeds have been received, and a demand for payment by the Bank of the accrued interest on the portion of the Tendered Bonds which were not remarketed or for which no notice of remarketing was received by the required time, or for which no remarketing proceeds have been received.

- Information Concerning Purchasers. A notice by telephone, telex or (ii) telecopier, to be confirmed in writing if given by telephone, specifying the names, addresses and taxpayer identification numbers of the purchasers, the denominations of 2003 Bonds to be registered in the name of each purchaser and, if available, payment instructions for regularly scheduled interest payments or of any changes in such information previously communicated shall be furnished to the Tender Agent by (i) 3:00 p.m., New York City time, on the Business Day preceding the day on which such 2003 Bonds are to be purchased to the extent available and such notice may be supplemented or amended at any time prior to 12:40 p.m., New York City time, on the day on which such 2003 Bonds are to be purchased with respect to Bonds during a Weekly Rate Period, (ii) 1:00 p.m., New York City time, on the day on which such 2003 Bonds are to be purchased with respect to Bonds during a Daily Rate Period or Flexible Rate Period, and (iii) 3:00 p.m., New York City time, on the second Business Day prior to the day on which such 2003 Bonds are to be purchased to the extent available and such notice may be supplemented or amended at any time prior to 12:40 p.m., New York City time, on the day on which such 2003 Bonds are to be purchased with respect to Bonds during a Term Rate Period.
- (iii) Payments by the Tender Agent. By 3:00 p.m., New York City time, on the Optional Tender Date set for purchase of Tendered Bonds and upon receipt by the Tender Agent of 100% of the aggregate Tender Price of the Tendered Bonds, the Tender Agent shall pay the Tender Price of such 2003 Bonds to the holders thereof at its Principal Office or by bank wire transfer. Such payments shall be made in immediately available funds. With respect to the payment of the Tender Price, the Tender Agent shall apply in order (A) moneys paid to it by the Remarketing Agent or by the new purchaser of the Tendered Bonds as proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent, (B) moneys paid to it by the Bank for the purchase of 2003 Bonds pursuant to the Liquidity Facility, and (C) any other moneys provided by the Authority. If sufficient funds are not available for the purchase of all Tendered Bonds, no purchase shall be consummated as provided in Section 306.

- (iv) Registration and Delivery of Tendered or Purchased Bonds. On the date of purchase, the Tender Agent shall register and make available for pick-up or cancel all 2003 Bonds purchased on any Optional Tender Date as follows: (A) 2003 Bonds purchased or remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 2:15 p.m., New York City time, in accordance with the instructions of the Remarketing Agent; (B) 2003 Bonds purchased pursuant to the Liquidity Facility shall be registered in the name of the Authority unless otherwise required by the Liquidity Facility and shall be held in trust by the Tender Agent on behalf of the registered owner; and (C) 2003 Bonds purchased with other moneys provided by the Authority shall be canceled or registered and delivered in accordance with the instructions of the Authority; provided that so long as a Liquidity Facility is in effect, such 2003 Bonds shall not be remarketed or delivered to the Authority unless the Liquidity Facility supports the payment of such 2003 Bonds in accordance with the terms of this Third Supplement to the Amended and Restated Indenture and the Liquidity Facility.
- (v) Resale of Bonds Purchased Pursuant to the Liquidity Facility. In the event that any 2003 Bonds are purchased pursuant to the Liquidity Facility pursuant to subparagraph (iv) above, the Remarketing Agent shall continue to offer for sale and use its best efforts to sell such 2003 Bonds at a purchase price equal to the principal amount thereof plus accrued interest thereon. 2003 Bonds purchased pursuant to the Liquidity Facility shall not be delivered upon remarketing by the Remarketing Agent or any other sale unless the Liquidity Facility is automatically reinstated for the principal amount thereof and the Interest Component applicable thereto in accordance with its terms or the Remarketing Agent has been advised by the Bank by Immediate Notice that it has elected to reinstate the Liquidity Facility for the required amount and the Bank notifies the Tender Agent by Immediate Notice of such reinstatement and directs the Tender Agent to deliver the 2003 Bonds to the purchaser.
- Delivery of Bonds; Effect of Failure to Surrender Bonds. All 2003 Bonds to be purchased on any Optional Tender Date shall be required to be delivered to the Principal Office of the Tender Agent by (i) 12:00 noon, New York City time, on the Optional Tender Date with respect to Bonds during a Daily or Weekly Rate Period; or (ii) 5:00 p.m., New York City time, on the second Business Day prior to the Optional Tender Date with respect to Bonds during Term Rate Periods. If the owner of any 2003 Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such 2003 Bond to the Tender Agent for purchase on the Optional Tender Date and if the Tender Agent is in receipt of the Tender Price therefor, such 2003 Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such 2003 Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (e)(iv) above. Any Bondholder who fails to deliver a 2003 Bond for purchase as required above shall have no further rights thereunder except the right to receive the Tender Price thereof upon presentation and surrender of said 2003 Bond to the Tender Agent and shall thereafter hold such 2003 Bond as agent for the Tender Agent. Such delivery shall be a condition to payment of the Tender Price by the Tender Agent on the Optional Tender Date.

SECTION 302. TENDERS DURING FLEXIBLE RATE PERIODS

- (a) <u>Repurchase Dates</u>. Each 2003 Bond bearing interest at a Flexible Rate shall be subject to mandatory tender for purchase on each Repurchase Date at the Repurchase Price.
- (b) <u>Bonds to be Remarketed</u>. Not later than 11:00 a.m., New York City time, on the Business Day immediately preceding each Repurchase Date, the Tender Agent shall give Immediate Notice to the Remarketing Agent and the Bank of the amount of 2003 Bonds which will be tendered on such Repurchase Date.
- Remarketing of Tendered Bonds. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2003 Bonds required to be purchased on the Repurchase Date. In remarketing the 2003 Bonds, the Remarketing Agent shall offer and accept purchase commitments for the 2003 Bonds for such Interest Periods and at such Flexible Rates as it deems to be advisable in order to minimize the net interest cost on the 2003 Bonds under prevailing market conditions. The foregoing notwithstanding, no Interest Period may be established which exceeds the shortest of (A) 270 days, (B) the remaining number of days prior to any Mandatory Tender Date occurring pursuant to either Section 303 or 304 hereof, or (C) the remaining number of days prior to each date on which 2003 Bonds are subject to redemption pursuant to Sections 401(a)(i) or (c) hereof (but, in the case of Section 401(a)(i) hereof, only if the Remarketing Agent has received Immediate Notice from the Trustee of a pending redemption of 2003 Bonds pursuant to Section 402(a) hereof) if and to the extent necessary to enable the Tender Agent to make such purchases on or before such date. The Remarketing Agent shall cause the Repurchase Price specified in subsection (a) above for the 2003 Bonds which the Remarketing Agent notified the Tender Agent had been remarketed pursuant to subsection (d)(i) below to be paid to the Tender Agent in immediately available funds at or before 2:00 p.m., New York City time, on the Repurchase Date. At the request of the Trustee, the Remarketing Agent shall also determine and notify the Trustee of Flexible Rates and Interest Periods for 2003 Bonds to be purchased pursuant to the Liquidity Facility or by the Authority as hereinafter provided, such determination to be made in substantially the same manner as is provided above and with a view toward enabling the Remarketing Agent to remarket such 2003 Bonds at a later date.
- (d) <u>Purchase of Tendered Bonds; Notice of Remarketing; Purchases Under Liquidity</u>
 <u>Facility.</u> The following Immediate Notices shall be given with respect to the remarketing of Tendered Bonds and the amount of 2003 Bonds to be purchased pursuant to the Liquidity Facility:
 - (i) The Remarketing Agent shall notify the Tender Agent of the amount of Tendered Bonds which were remarketed not later than 9:30 a.m., New York City time, on the Repurchase Date; and if any such notice indicates that any Tendered Bonds were not remarketed, or if no such notice is received by the required time, or if not all of the remarketing proceeds have been received, the Tender Agent shall notify the Trustee, the Bank and the Authority by 10:00 a.m., New York City time, on the Repurchase Date of the amount of Tendered Bonds not remarketed, or for which no notice of remarketing was received, or for which no remarketing proceeds have been received, and the Trustee shall submit to the Bank by 11:00 a.m., New York City time, on the Repurchase Date, a draw certificate for payment of an amount equal to the Repurchase Price by the Bank for (A) the portion of the 2003 Bonds which were not remarketed, (B) those for which no notice of

remarketing was received by the required time and (C) those for which no remarketing proceeds have been received and a draw certificate for payment of the accrued interest on the portion of the Tendered Bonds by the Bank for the portion of the 2003 Bonds (A) which were not remarketed, (B) for which no notice of remarketing was received by the required time, or (C) for which no remarketing proceeds have been received, pursuant to the Liquidity Facility.

- (ii) <u>Information Concerning Purchasers</u>. A notice by telephone, telex or telecopier, to be confirmed in writing if given by telephone, specifying the names, addresses and taxpayer identification numbers of the purchasers, the denominations of 2003 Bonds to be registered in the name of each purchaser, the Flexible Rate and Repurchase Date to be applicable to each 2003 Bond and, if available, payment instructions for regularly scheduled interest payments or of any changes in such information previously communicated shall be furnished to the Tender Agent by 1:00 p.m., New York City time, on the Repurchase Date.
- (iii) <u>Payments by the Tender Agent</u>. By 3:00 p.m., New York City time, on the Repurchase Date and upon receipt by the Tender Agent of 100% of the aggregate Repurchase Price of the Tendered Bonds, the Tender Agent shall pay the Repurchase Price of such 2003 Bonds to the holders thereof at its Principal Office or by bank wire transfer. Such payments shall be made in immediately available funds. With respect to the payment of the Repurchase Price, the Tender Agent shall apply in order (A) moneys paid to it by the Remarketing Agent or by the new purchaser of the Tendered Bonds as proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent, (B) moneys paid to it by the Bank for the purchase of 2003 Bonds pursuant to the Liquidity Facility, and (C) any other moneys provided by the Authority. If sufficient funds are not available for the purchase of all Tendered Bonds, no purchase shall be consummated as provided in Section 306.
- (iv) Registration and Delivery of Tendered or Purchased Bonds. On the Repurchase Date, the Tender Agent shall register and deliver, hold or cancel all 2003 Bonds purchased on such Repurchase Date as follows: (A) 2003 Bonds purchased or remarketed by the Remarketing Agent shall be registered and delivered to the Remarketing Agent by 2:15 p.m., New York City time, in accordance with the instructions of the Remarketing Agent; (B) 2003 Bonds purchased pursuant to a draw on the Liquidity Facility shall be registered in the name of the Authority unless otherwise required by the Liquidity Facility and shall be held in trust by the Tender Agent on behalf of the registered owner; and (C) 2003 Bonds purchased with other moneys provided by the Authority shall be canceled or registered and delivered in accordance with the instructions of the Authority; provided that so long as a Liquidity Facility is in effect, such 2003 Bonds shall not be remarketed or delivered to the Authority unless the Liquidity Facility supports the payment of such 2003 Bonds in accordance with the terms of this Third Supplement to the Amended and Restated Indenture and the Liquidity Facility.
- (v) Resale of Bonds Purchased Pursuant to the Liquidity Facility. In the event that any 2003 Bonds are purchased pursuant to a draw on the Liquidity Facility pursuant to subparagraph (iv) above, the Remarketing Agent shall continue to offer for sale and use its best efforts to sell such 2003 Bonds at a purchase price equal to the principal

amount thereof plus accrued interest thereon. 2003 Bonds purchased pursuant to the Liquidity Facility shall not be delivered upon remarketing by the Remarketing Agent or any other sale unless the Liquidity Facility is automatically reinstated for the principal amount thereof and the Interest Component applicable thereto in accordance with its terms or the Remarketing Agent has been advised by the Bank by Immediate Notice that it has elected to reinstate the Liquidity Facility for the required amount and the Bank notifies the Tender Agent by Immediate Notice of such reinstatement and directs the Tender Agent to deliver the 2003 Bonds to the purchaser.

(vi) <u>Delivery of Bonds</u>; <u>Effect of Failure to Surrender Bonds</u>. All 2003 Bonds to be purchased on any Repurchase Date shall be required to be delivered to the Principal Office of the Tender Agent by 1:00 p.m., New York City time, on the Repurchase Date. If the owner of any 2003 Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such 2003 Bond to the Tender Agent for purchase on the Repurchase Date and if the Tender Agent is in receipt of the Tender Price therefor, such 2003 Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such 2003 Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (e)(iv) above. Any 2003 Bondholder who fails to deliver a 2003 Bond for purchase as required above shall have no further rights thereunder except the right to receive the Repurchase Price thereof upon presentation and surrender of said 2003 Bond to the Tender Agent. Such delivery shall be a condition to the payment of the Repurchase Price by the Tender Agent on the Repurchase Date.

SECTION 303. MANDATORY TENDER UPON CONVERSIONS AMONG VARIABLE RATE PERIODS AND FLEXIBLE RATE PERIODS

- (a) <u>Variable Rate Conversions</u>. 2003 Bonds which are subject to conversion on any Variable Rate Conversion Date pursuant to Section 203(d) or (e) hereof shall be subject to mandatory tender for purchase on the Variable Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be.
- (b) <u>Flexible Rate Conversions</u>. 2003 Bonds which are subject to conversion on any Flexible Rate Conversion Date pursuant to Section 204(b) hereof are subject to mandatory tender for purchase on the applicable Flexible Rate Conversion Date at the Tender Price.
- (c) <u>Notice to Bondholders</u>. Any notice of a conversion given to Bondholders pursuant to Section 203(d)(iii), 203(e)(iii) or 204(b)(iii) hereof shall, in addition to the requirements of such Section, state that the 2003 Bonds to be converted will be subject to mandatory tender for purchase on the Variable Rate Conversion Date or Flexible Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be, and will specify the time at which 2003 Bonds are to be tendered for purchase.

Whenever the 2003 Bonds are held in the DTC System, any failure by DTC or any DTC Participant to provide the notice described above to any beneficial owner of the 2003 Bonds shall not affect the validity of any interest rate on any 2003 Bonds or extend the period for tendering any of the 2003 Bonds for purchase and the Trustee shall not be liable to any 2003 Bondholder by reason of any such failure or defect.

- (d) Remarketing. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2003 Bonds to be tendered for purchase on the Flexible Rate Conversion Date or Variable Rate Conversion Date. In the event of a conversion to a Variable Rate Period, the terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price specified in subsection (a) above to the Tender Agent in immediately available funds at or before 3:00 p.m., New York City time, on the Variable Rate Conversion Date. In the case of a conversion to a Flexible Rate Period, the terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price specified in subsection (b) above to the Tender Agent in immediately available funds at or before 3:00 p.m., New York City time, on the Flexible Rate Conversion Date and the Flexible Rates and Interest Periods to be established shall be determined in the manner and subject to the limitations set forth in Section 302(c) hereof.
- (e) <u>Purchase of Tendered Bonds</u>. The provisions of Section 301(e) regarding purchases of 2003 Bonds shall apply to tenders pursuant to this Section 303 in the case of a conversion during a Variable Rate Period; provided that, for the purpose of so applying such provisions:
 - (i) the notices required pursuant to Section 301(e)(i) shall be given as therein described, except that the provisions relating specifically to 2003 Bonds during Daily Rate Periods shall be applicable only to 2003 Bonds to be converted from a Daily Rate Period or to a Flexible Rate Period;
 - (ii) the notice required pursuant to Section 301(e)(ii) shall be given as therein described, except that, in the case of a conversion to a Flexible Rate Period, the notice from the Remarketing Agent concerning the purchasers of the 2003 Bonds shall specify the Flexible Rates and Interest Periods for such 2003 Bonds; and
 - (iii) the deliveries of 2003 Bonds under Section 301(e)(vi) shall be required to be made at or before 1:00 p.m., New York City time, on the Variable Rate Conversion Date (or 5:00 p.m., New York City time, on the second Business Day prior to the Conversion Date with respect to 2003 Bonds during a Term Rate Period).

The provisions of Section 302(d) regarding purchases of 2003 Bonds shall apply to tenders pursuant to this Section 303 with respect to 2003 Bonds in the case of conversions during a Flexible Rate Period.

SECTION 304. MANDATORY TENDER UPON FIXED RATE CONVERSION OR SUBSTITUTION OR TERMINATION OF LIQUIDITY FACILITY

(a) Mandatory Tenders.

(i) <u>Proposed Fixed Rate Conversion Date</u>. The 2003 Bonds to be converted to bear interest at the Fixed Rate pursuant to Section 205 hereof shall be subject to mandatory tender for purchase on a Proposed Fixed Rate Conversion Date at a price equal to the Tender Price or the Repurchase Price, as the case may be.

- (ii) <u>Substitution of the Liquidity Facility with an Alternate Liquidity Facility</u>. The 2003 Bonds (other than Bank Bonds and 2003 Bonds bearing interest at the Fixed Rate) are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or the Repurchase Price, as the case may be, on the regularly scheduled Interest Payment Date immediately preceding the effective date of any substitution of the Liquidity Facility with an Alternate Liquidity Facility in accordance with the provisions of Section 310 hereof.
- (iii) <u>No Renewal Liquidity Facility</u>. The 2003 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or Repurchase Price, as the case may be, on any Renewal Date if by the tenth day preceding such Renewal Date the Trustee has not received a Renewal Liquidity Facility.
- (iv) <u>Default under the Liquidity Facility</u>. The 2003 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or Repurchase Price, as the case may be, on the fifteenth day (or the next preceding Business Day if such day is not a Business Day) after receipt by the Trustee of notice from the Bank of the occurrence of a default under the Liquidity Facility and that such Liquidity Facility shall be terminated; provided that (i) the Mandatory Tender Date shall be at least five days prior to the termination of the Bank's obligation to honor draws under the Liquidity Facility and (ii) no purchase shall be required if prior to the Mandatory Tender Date the Trustee receives written notice from the Bank to the effect that the default has been cured in accordance with the provisions of the Liquidity Facility and such Liquidity Facility is, as of the date of such notice to the Trustee, in full force and effect and will not terminate as a result of such termination notice from the Bank.
- (b) <u>Notice to Bondholders</u>. The Tender Agent shall mail notice to Bondholders of any mandatory tender as follows:
 - (i) pursuant to Section 304(a)(i) above (or include in any notice mailed pursuant to Section 205(d) hereof), not less than thirty (30) days prior to the Mandatory Tender Date;
 - (ii) pursuant to Section 304(a)(ii) or (iii) above, not less than fifteen (15) days prior to the Mandatory Tender Date, and
 - (iii) pursuant to Section 304(a)(iv), on the Business Day next succeeding receipt by the Trustee of the notice from the Bank described therein.

In the case of a notice pursuant to Section 304(a)(i) above, such notice will state, among other things, the Proposed Fixed Rate Conversion Date, that the 2003 Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be, and the time at which the 2003 Bonds are to be tendered for purchase.

Whenever the 2003 Bonds are held in the DTC System, any failure by DTC or any DTC Participant to provide the notice described above to any beneficial owner of the 2003 Bonds shall not affect the validity of any interest rate on any 2003 Bonds or extend the period for tendering any of the 2003 Bonds for purchase and the Trustee shall not be liable to any 2003 Bondholder by reason of any such failure or defect.

- (c) <u>Remarketing</u>. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such 2003 Bonds following a mandatory tender; provided, however, that 2003 Bonds shall not be remarketed unless and until the Remarketing Agent receives notice from the Trustee that a Liquidity Facility complying with the requirements of Section 310(h) hereof is in place with respect to the 2003 Bonds. The terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price specified in subsection (a) above to the Tender Agent in immediately available funds at or before 10:30 a.m., New York City time.
- (d) <u>Purchase of Tendered Bonds</u>. The provisions of Section 301(e) regarding purchases of 2003 Bonds shall apply to mandatory tenders pursuant to this Section 304 with respect to 2003 Bonds during a Variable Rate Period; provided that, for the purpose of so applying such provisions:
 - (i) the notices required pursuant to Section 301(e)(i) shall be given as therein described, except that the provisions relating specifically to 2003 Bonds during Daily Rate Periods shall be disregarded;
 - (ii) the notices required to be given pursuant to Section 301(e)(ii) hereof regarding purchasers of 2003 Bonds shall be given in the manner prescribed for tenders of 2003 Bonds during other than Daily Rate Periods; and
 - (iii) the deliveries of 2003 Bonds under Section 301(e)(iv) shall be required to be made at or before 2:15 p.m., New York City time on the Fixed Rate Conversion Date.

The provisions of Section 302(d) shall apply to tenders pursuant to this Section 304 with respect to 2003 Bonds during a Flexible Rate Period.

SECTION 305. FAILED CONVERSION

If on a Variable Rate Conversion Date, Flexible Rate Conversion Date or Proposed Fixed Rate Conversion Date, any condition precedent to such conversion required hereunder shall not be satisfied, such conversion shall not occur, the mandatory tender shall remain effective and (i) if the Authority has filed with the Trustee and the Tender Agent a Favorable Opinion acceptable to the Trustee with respect to the conversion of the 2003 Bonds to Variable Rates for Weekly Rate Periods, the 2003 Bonds shall bear interest at the Variable Rate determined by the Remarketing Agent on the failed Conversion Date for a Weekly Rate Period, and thereafter shall bear interest at Variable Rates for Weekly Rate Periods until a Variable Rate Conversion Date, Flexible Rate Conversion Date or Fixed Rate Conversion Date or (ii) if the Favorable Opinion referred to in clause (i) above has not been delivered, the 2003 Bonds shall bear interest at the Variable Rate or Flexible Rates determined by the Remarketing Agent on the failed Conversion Date for a Variable

Rate Period or Interest Periods, as the case may be, of the same length as the immediately preceding Variable Rate Period or Interest Periods.

SECTION 306. INADEQUATE FUNDS FOR TENDERS

If the funds available for purchases of 2003 Bonds pursuant to this Article III are inadequate for the purchase of all 2003 Bonds required to be purchased on any purchase date, the Tender Agent shall immediately: (i) return all Tendered Bonds to the holders thereof; (ii) return all moneys received for the purchase of such 2003 Bonds to the Persons providing such moneys; and (iii) notify all Bondholders in writing (A) that an Event of Default has occurred, and (B) of the rate to be effective pursuant to following provisions. If the funds available for purchases of 2003 Bonds pursuant to this Article III are inadequate for the purchase of all 2003 Bonds required to be purchased (i) on a proposed Conversion Date, such conversion shall be deemed to have failed and the provisions of Section 305 above shall apply; (ii) in all other cases, the Remarketing Agent shall determine the applicable interest rate in accordance with the provisions of Article II hereof.

SECTION 307. LIMITS UPON REMARKETING

- (a) Tendered Bonds shall not be remarketed to the Authority or any Affiliate unless, prior to such sale, the Authority shall have delivered to the Trustee an unqualified written opinion of counsel experienced in bankruptcy matters and satisfactory to the Trustee and each Rating Agency then maintaining a rating on the 2003 Bonds (which opinion may assume that no Bondholders are "insiders" within the meaning of Title XI of the United States Code) to the effect that payment of such amounts to Bondholders would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the Authority or any Affiliate become a debtor in a proceeding commenced thereunder. Neither the Trustee nor the Tender Agent shall be required to monitor the actions of the Remarketing Agent to ensure that it will not remarket any Bonds to the Authority or any Affiliate, and for the purposes of this Section 307 hereof, the Trustee and the Tender Agent may, in the absence of actual notice to the contrary, assume that no funds furnished to the Tender Agent by the Remarketing Agent constitute proceeds of the remarketing of any Bonds to the Authority or any Affiliate.
- (b) 2003 Bonds shall not be remarketed unless and until a Liquidity Facility complying with the requirements of Section 310(h) hereof is in place with respect to the 2003 Bonds.
- (c) Despite the absence of a Liquidity Facility complying with the requirements of Section 310(h) hereof, whether resulting from the termination of an existing Liquidity Facility or otherwise, the Authority shall be under no obligation to purchase 2003 Bonds otherwise subject to optional tender pursuant to Section 301 hereof or mandatory tender pursuant to Sections 302, 303 or 304 hereof prior to the Maturity Date of such 2003 Bonds.

SECTION 308. BOND PURCHASE FUND

(a) <u>Establishment of Bond Purchase Fund and Accounts</u>. The Trustee shall establish or cause the Tender Agent to establish and maintain, so long as the 2003 Bonds are outstanding and have not been converted to a Fixed Rate, a separate fund to be known as the "Bond Purchase Fund" (the "Bond Purchase Fund"), within which there shall be established a

Remarketing Proceeds Account and a Liquidity Facility Purchase Account, which shall be held in trust by the Trustee until applied as hereinafter provided.

- (i) Remarketing Proceeds Account. The Trustee or the Tender Agent shall deposit to the credit of the Remarketing Proceeds Account (A) the moneys received upon the remarketing of Tendered Bonds pursuant to section 307 hereof and the Remarketing Agreement to any Person (other than Tendered Bonds sold to the Authority, any Affiliate or any Insider in violation of Section 307 hereof), and (B) the moneys received from the underwriter or purchaser (other than the Authority, any Affiliate, or any Insider) of Tendered Bonds upon the conversion of the interest rate thereon to a Fixed Rate. No moneys other than those described in (A) and (B) of this Section 308(a)(i) shall be deposited into such account.
- (ii) <u>Liquidity Facility Purchase Account</u>. The Trustee or the Tender Agent shall deposit to the credit of the Liquidity Facility Purchase Account all proceeds of drawings under the Liquidity Facility to pay the purchase price of Tendered Bonds (other than Bank Bonds), and no other moneys shall be deposited in such account.
- (b) <u>Application of Bond Purchase Fund</u>. Moneys in the Bond Purchase Fund shall be held in trust for the benefit of and subject to a lien in favor of the owners of Tendered Bonds and shall be used exclusively for the payment of the purchase price of Tendered Bonds; provided, however, that any moneys remaining on deposit in the Liquidity Facility Purchase Account after payment in full of all amounts due on the Tendered Bonds shall be transferred to the Bank.
- (c) Moneys on deposit in the Bond Purchase Fund shall be invested only upon the written direction of the Authority and only in Government Obligations with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date or dates that moneys therefrom are anticipated to be required. Amounts held to pay the purchase price for more than five years shall be applied in the same manner as provided under Section 515 of the Amended and Restated Indenture.

SECTION 309. NON-PRESENTMENT OF TENDERED BONDS

In the event any Tendered Bonds shall not be presented for purchase and moneys sufficient to pay the purchase price of such Tendered Bonds are held in the Bond Purchase Fund, the Tender Agent shall segregate and hold such moneys in trust (but shall not invest such moneys), without liability for interest thereon, for the benefit of and subject to a security interest in favor of the holders of such Tendered Bonds who shall, except as provided in the last paragraph of Section 308 hereof, thereafter be restricted exclusively to such moneys, for the satisfaction of any claim of whatever nature on their part under the Indenture or on, or with respect to, said Tendered Bonds.

SECTION 310. LIQUIDITY FACILITY

(a) <u>Draws on Liquidity Facility</u>. The Trustee shall draw moneys under the Liquidity Facility in accordance with its terms and in accordance with Sections 301(e)(i), 302(d)(i), 303(e) and 304(d) hereof to the extent necessary to pay to the Bondholders the purchase price of Tendered Bonds. Immediately following each drawing under the Liquidity

Facility, and not as a condition to such drawing, the Trustee shall use its best efforts to give telephonic notice to the Authority that such a drawing under the Liquidity Facility was made. The Trustee and the Tender Agent shall return any moneys drawn under the Liquidity Facility to the Bank immediately following the applicable purchase date to the extent such moneys exceed the amount necessary to pay the Repurchase Price or Tender Price of Tendered Bonds.

- (b) <u>Maintenance of Liquidity Facility</u>. The Authority covenants that prior to the Fixed Rate Conversion Date it shall at all times cause a Liquidity Facility complying with the requirements of this Section 310 to be in effect with respect to the 2003 Bonds.
- Renewal Liquidity Facility. The Authority may, subject to the provisions of the Liquidity Facility, at any time arrange for the deposit with the Trustee of a Renewal Liquidity Facility in substitution for the existing Liquidity Facility. Each Renewal Liquidity Facility shall be satisfactory in form and substance to the Trustee; provided that no such Renewal Liquidity Facility shall be satisfactory to the Trustee unless, in addition to all other requirements to be met therefor, a draft of such Renewal Liquidity Facility, and a draft of the related Renewal Liquidity Facility Agreement, if any, have been submitted to the Trustee at least 20 days prior to the date such Renewal Liquidity Facility is to become effective. In addition, if such Liquidity Facility contains a decrease in the Interest Coverage Rate, the Interest Coverage Period or the Interest Component or a decrease in the portion of the Liquidity Facility designated to pay premium upon purchase of the 2003 Bonds, the Trustee must have received written evidence from each Rating Agency then maintaining a rating on the 2003 Bonds that such rating will not be withdrawn or reduced due to the delivery of such Renewal Liquidity Facility. Upon the delivery of a Renewal Liquidity Facility, the Trustee shall promptly give written notice by first class mail, postage prepaid, to each owner of a 2003 Bond bearing interest at a Variable Rate or a Flexible Rate that a Renewal Liquidity Facility and Renewal Liquidity Facility Agreement will secure such 2003 Bond.
- Alternate Liquidity Facility. The Authority may, subject to the provisions of the Liquidity Facility, at any time arrange for the deposit with the Trustee of an Alternate Liquidity Facility in substitution for the existing Liquidity Facility. The Alternate Liquidity Facility shall expire no earlier than 360 days from the date of its deposit with the Trustee and, in the event any of the 2003 Bonds bear interest at a Term Rate for a Term Rate Period extending beyond the Stated Expiration Date of such Alternate Liquidity Facility, no earlier than the Liquidity Facility which it replaces. Each Alternate Liquidity Facility shall be satisfactory in form and substance to the Trustee; provided that any such Alternate Liquidity Facility shall not be satisfactory to the Trustee unless, in addition to all other requirements to be met therefor, a draft of such Alternate Liquidity Facility and a draft of any supplemental bond indenture required to be executed in connection with the delivery of the Alternate Liquidity Facility, and appropriate information concerning the entity which will issue such Alternate Liquidity Facility have been submitted to each Rating Agency then maintaining a rating on the 2003 Bonds entitled to the benefit of the then effective Liquidity Facility, and each such Rating Agency has given notice, promptly confirmed in writing, to the Authority and the Trustee at least 20 days prior to the date such Alternate Liquidity Facility is to become effective as to what rating the 2003 Bonds entitled to the benefit of the Alternate Liquidity Facility will bear after such substitution.

The Liquidity Facility then in effect may be replaced by an Alternate Liquidity Facility only if (i) the provisions for mandatory tender for purchase of the 2003 Bonds described in Section 304 hereof are satisfied, (ii) prior to such replacement the Authority shall have delivered to the Trustee a Favorable Opinion with respect to such replacement, (iii) the Trustee shall receive an opinion of counsel for the Bank issuing the Alternate Liquidity Facility in substantially the form of opinion of counsel for the Initial Bank delivered to the Trustee upon the issuance of the Initial Liquidity Facility and (iv) the Bank issuing the Alternate Liquidity Facility or the Authority shall provide funds on or before the substitution for the purchase of all Bank Bonds from the Bank issuing the Liquidity Facility then in effect.

- (e) <u>Surrender of Liquidity Facility</u>. If at any time there shall have been delivered to the Trustee, in substitution for the Liquidity Facility then in effect, either an Alternate Liquidity Facility or a Renewal Liquidity Facility, then the Trustee shall accept such Alternate Liquidity Facility or Renewal Liquidity Facility and shall thereupon surrender the Liquidity Facility then in effect to the Bank which issued the Liquidity Facility in accordance with its terms for cancellation unless such substitution is effected through the attachment of an exhibit or similar attachment to the prior Liquidity Facility as permitted by the terms of such Liquidity Facility. At such time as the 2003 Bonds shall have been converted to a Fixed Rate, the Trustee shall promptly surrender the Liquidity Facility then in effect to the Bank which issued such Liquidity Facility in accordance with the terms thereof and of the Indenture for cancellation. The Trustee shall promptly surrender any Liquidity Facility after it expires in accordance with its terms.
- (f) <u>Transfer of Liquidity Facility</u>. The Trustee shall not sell, assign or otherwise transfer the Liquidity Facility except to a successor Trustee hereunder and in accordance with the terms of the Liquidity Facility.
- (g) <u>Terms of Initial Liquidity Facility</u>. The Initial Liquidity Facility shall be a standby bond purchase agreement between the Authority and the Initial Bank providing for direct payments to or upon the order of the Trustee of an amount equal to the principal amount of the 2003 Bonds (the "Principal Portion") plus an amount that represents 34 days' interest (calculated at a rate of 12% per annum) on the 2003 Bonds during the initial Weekly Rate Period (the "Interest Portion"). The Initial Liquidity Facility will permit the Trustee to draw (a) an amount not exceeding the Principal Portion for payment of that portion of the purchase price of Tendered Bonds corresponding to the portion of the purchase price of such Tendered Bonds corresponding to accrued interest.
- (h) <u>Terms of Liquidity Facility</u>. So long as any 2003 Bonds bear interest at a Variable Rate or a Flexible Rate, the Authority is required to cause to have on deposit with the Trustee a Liquidity Facility. When a Liquidity Facility is in effect, the Authority shall maintain the Interest Component of the Liquidity Facility in an amount which shall not be less than the amount determined by multiplying
 - (i) the outstanding principal amount of 2003 Bonds bearing interest at a Variable Rate or a Flexible Rate, as applicable, times

- (ii) the Interest Coverage Rate for such Variable Rate Period or Flexible Rate, as applicable, required to be used pursuant to this paragraph times
 - (iii) the quotient determined by dividing
 - (A) the Interest Coverage Period for such Variable Rate Period or Flexible Rate Period, as applicable, required to be used pursuant to this paragraph by
 - (B) 365 (or 360, in the case of 2003 Bonds bearing interest at Variable Rates for Term Rate Periods or bearing interest at a Fixed Rate).

The Interest Coverage Rate utilized for each Variable Rate Period or Flexible Rate Period in the above described calculation shall not be less than the rate specified by the Remarketing Agent to the Trustee for the 2003 Bonds in each particular Variable Rate Period or Flexible Rate Period as the maximum interest rate at which the Remarketing Agent will remarket the 2003 Bonds in such Variable Rate Period or Flexible Rate Period, which may not be less than the current interest rate or rates borne by the 2003 Bonds in such Variable Rate Period or Flexible Rate Period. Notwithstanding anything herein to the contrary, the maximum interest rate at which the 2003 Bonds may be remarketed may not be greater than 12% per annum.

The Interest Coverage Period utilized for each Variable Rate Period or Flexible Rate Period in the above described calculation shall not be less than the following:

- (i) with respect to 2003 Bonds bearing interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period, 34 days;
- (ii) with respect to 2003 Bonds bearing interest at a Variable Rate for a Term Rate Period, 183 days;
- (iii) with respect to 2003 Bonds bearing interest at a Flexible Rate, 270 days; or
- (iv) with respect to 2003 Bonds generally, such other number of days then required by any Rating Agency to obtain or maintain an investment grade rating on the 2003 Bonds entitled to the benefit of such Liquidity Facility.

If any Bond is bearing interest at a Variable Rate for a Term Rate Period and if the Stated Expiration Date is scheduled to occur during the current Interest Period therefor, the amount of the Liquidity Facility must include an amount to pay the applicable premium, if any, on the Renewal Date on which such Bond is required to be purchased pursuant to Section 304 hereof.

In addition, each Renewal Liquidity Facility and Alternate Liquidity Facility shall provide for payment of an amount equal to the outstanding principal amount of the 2003 Bonds bearing interest at a Variable Rate or a Flexible Rate. Each Liquidity Facility shall provide that such Liquidity

Facility may not be terminated until five days after any draw thereunder is made on a Renewal Date, Substitution Date or Conversion Date.

(i) Bank Bonds.

- (i) Any 2003 Bonds purchased with proceeds of a drawing on the Liquidity Facility pursuant to this Article shall be registered in the name of the Bank and are herein called "Bank Bonds". Pending reinstatement of the Liquidity Facility securing such 2003 Bonds or release of such 2003 Bonds by the Bank, the Bank shall be entitled to receive all payments of principal of and interest on Bank Bonds and such 2003 Bonds shall not be transferable or deliverable to any party (including the Authority) except the Bank. As indicated in Section 202 hereof, all Bank Bonds shall bear interest at the Bank Rate.
- (ii) The Remarketing Agent shall continue to use its best efforts to arrange for the sale of any Bank Bonds, subject to the reinstatement of the Liquidity Facility with respect to the drawings with which such 2003 Bonds were purchased, at a price equal to the principal amount thereof plus accrued interest.
- (iii) Delivery of Remarketed Bank Bonds and Proceeds Thereof. Upon reinstatement of the Liquidity Facility relating to Bank Bonds and the sale of Bank Bonds arranged by the Remarketing Agent, the Tender Agent shall make available (i) such 2003 Bonds to the Remarketing Agent for redelivery to the purchasers thereof and (ii) the proceeds of such sale to the Bank to the extent of any unpaid obligation under the Liquidity Facility for the prior drawing made by the Tender Agent on the Liquidity Facility in respect of the purchase of such 2003 Bonds.

ARTICLE IV REDEMPTION OF BONDS

SECTION 401. REDEMPTION DATES AND PRICES

The 2003 Bonds shall be subject to redemption prior to maturity in the amounts, at the times and in the manner provided in this Section 401.

(a) Optional Redemption.

- (i) <u>Flexible Rate Period or a Variable Rate Period</u>. During a Flexible Rate Period or a Variable Rate Period, the 2003 Bonds shall be subject to redemption prior to maturity at the option of the Authority, in whole or in part (and if in part in an Authorized Denomination) on any Repurchase Date applicable thereto during a Flexible Rate Period or on any Interest Payment Date during a Variable Rate Period (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot), at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.
- (ii) <u>Term Rate Period</u>. On or prior to the Fixed Rate Conversion Date, 2003 Bonds in a Term Rate Period may be redeemed by the Authority, in whole or in part (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot in such manner as shall be determined by the Trustee), (A) at any time on and after the No-Call Period described below, at a redemption price of 100% of the principal amount of 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption, and (B) on the day after the end of each Term Rate Period at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption:

Length of Term Rate Period	Commencement of Redemption Period
Greater than or equal to 15 years	10 th Anniversary of the commencement of the Term Rate Period
Less than 15 years and greater than or equal to 10 years	8 th Anniversary of the commencement of the Term Rate Period
Less than 10 years and greater than or equal to 8 years	6 th Anniversary of the commencement of the Term Rate Period
Less than 8 years	Not subject to optional redemption until commencement of next Term Rate Period

Notwithstanding the foregoing, the No-Call Periods specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2003 Bonds to a Term Rate Period is to the effect that such change will not have an adverse effect on the validity of the 2003 Bonds or any exemption from federal income taxation to which interest on the 2003 Bonds would otherwise be entitled.

(iii) <u>Fixed Rate</u>. After the Fixed Rate Conversion Date, the 2003 Bonds may be redeemed by the Authority in whole on any date, or in part on any Interest Payment Date (and, if in part, by lot in such manner as shall be determined by the Trustee), after the No-Call Period described below at a redemption price of 100% of the principal amount of 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption:

Length of Fixed Rate Period	Commencement of Redemption Period
Greater than or equal to 15 years	10 th Anniversary of the commencement of the Fixed Rate Period
Less than 15 years and greater than or equal to 10 years	8 th Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 th Anniversary of the commencement of the Fixed Rate Period
Less than 8 years	Not subject to optional redemption

Notwithstanding the foregoing, the No-Call Periods and redemption prices specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2003 Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2003 Bonds or any exemption from federal income taxation to which interest on the 2003 Bonds would otherwise be entitled.

- (b) <u>Special Optional Redemption</u>. Any 2003 Bonds which are Bank Bonds shall be subject to redemption in whole or in part prior to the Maturity Date at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day while such 2003 Bonds are Bank Bonds at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.
- (c) <u>Mandatory Sinking Fund Redemption</u>. The 2003 Bonds are subject to mandatory redemption prior to maturity in part by lot, as selected by the Trustee, on June 15 of each year as set forth below, in the respective principal amounts listed opposite each such year from moneys in the Debt Service Fund, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

Redemption			
Date (June 15)	Principal Amount	Date (June 15)	Principal Amount
2005	5,720,000	2104	8,835,000
2006	5,995,000	2015	9,270,000
2007	6,290,000	2016	9,725,000

2008	6,605,000	2017	10,205,000
2009	6,950,000	2018	10,710,000
2010	7,290,000	2019	11,245,000
2011	7,650,000	2020	11,795,000
2012	8,025,000	2021	12,375,000
		2022	12.985.000*

* Final Maturity

Notwithstanding the foregoing, on and after the Fixed Rate Conversion Date, if the Authority shall file a certificate pursuant to Section 205(d) hereof in connection with the conversion of the 2003 Bonds to the Fixed Rate containing an alternate schedule of mandatory redemption dates and amounts to be effective with respect to the 2003 Bonds on and after the Fixed Rate Conversion Date, in lieu of the mandatory sinking fund redemption schedule detailed above, the Authority shall redeem 2003 Bonds maturing on such dates and in the such amounts from moneys in the Debt Service Fund as shall be set forth in such certificate, if any, filed in connection with the conversion of the 2003 Bonds to the Fixed Rate, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

In the event of any partial redemption of the 2003 Bonds pursuant to Section 401(a) or (b), hereof, the mandatory sinking fund redemption payments shall be reduced in such order as the Authority shall elect prior to such redemption or, if no such election is made, in the inverse order thereof. The Trustee shall (in such manner as it in its sole discretion shall choose) adjust the amount of each such reduction in required mandatory redemption payment, so that each such required mandatory sinking fund redemption payment is made in Authorized Denominations.

(d) General Provisions Regarding Redemptions.

- (i) No redemption of less than all of the 2003 Bonds outstanding shall be made unless in Authorized Denominations. Any redemption of less than all of the 2003 Bonds Outstanding shall be made first from Bank Bonds. Any redemption of less than all of the 2003 Bonds Outstanding shall be made in such a manner that all 2003 Bonds Outstanding after such redemption are in Authorized Denominations.
- (ii) 2003 Bonds may be called for redemption by the Trustee pursuant to Section 401 hereof in accordance with the notice requirements of Section 402 hereof.
- (iii) In lieu of redeeming 2003 Bonds pursuant to Section 401, the Trustee may, at the written request of the Authority, use such funds otherwise available hereunder for redemption of 2003 Bonds to purchase 2003 Bonds in the open market at a price not exceeding the redemption price then applicable hereunder. Any 2003 Bonds so purchased in lieu of redemption shall be delivered to the Trustee for cancellation and shall be canceled. It is understood that (i) in the case of any optional redemption or purchase and cancellation of 2003 Bonds with serial maturities, the Authority shall receive credit against its required mandatory redemption deposits, if any, with respect to the 2003 Bonds of such Maturity Date and (ii) in the case of any optional redemption of 2003 Bonds with a

term maturity, the Authority shall receive credit against its required mandatory redemption deposits, if any, in such order as the Authority shall designate in writing prior to the redemption or purchase and cancellation or, if no such election is made prior to such redemption or purchase and cancellation, in the inverse order thereof; provided, however, that following such reduction each such mandatory redemption payment is made in integral multiples of an Authorized Denomination.

SECTION 402. NOTICE OF REDEMPTION

- Except as hereinafter provided, a copy of the notice of the call for any redemption identifying the 2003 Bonds to be redeemed shall be given by the Trustee to the Bondholders by first class mail, postage prepaid, with respect to 2003 Bonds during a Daily Rate Period or a Weekly Rate Period, not less than 15 days and not more than 30 days prior to the date fixed for redemption and, with respect to 2003 Bonds bearing interest during a Term Rate Period. a Flexible Rate Period or a Fixed Rate Period, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the registered owners of 2003 Bonds to be redeemed at their addresses as shown on the Bond Register. Such notice shall specify the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue on the 2003 Bonds which are the subject of such notice and shall include such other information as the Trustee shall deem appropriate or necessary at the time such notice is given to comply with any applicable law, regulation or industry standard. If at the time of mailing of any notice of redemption with respect to any redemption other than a mandatory redemption pursuant to Section 401(c) hereof the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2003 Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and shall be of no effect unless such moneys are so deposited. Prior to the Fixed Rate Conversion Date, Immediate Notice of any such redemption shall also be given to the Remarketing Agent promptly following the giving of notice to the Bondholders as aforesaid.
- (b) Notwithstanding Section 402(a) hereof, if the 2003 Bonds are to be redeemed pursuant to Section 401(b) hereof, the Trustee shall give Immediate Notice to the Bank upon receipt of the written request of the Authority.
- (c) Failure to give notice in the manner prescribed hereunder with respect to any 2003 Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2003 Bond with respect to which notice was properly given. Upon the happening of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the 2003 Bonds to be redeemed and to pay interest due thereon and premium, if any, the 2003 Bonds thus called shall not after the applicable redemption date bear interest, be protected by the Indenture or be deemed to be Outstanding under the provisions of the Indenture.
- (d) If any 2003 Bond is transferred or exchanged on the Bond Register by the Bond Registrar after notice has been given calling such 2003 Bond for redemption, the Trustee will attach a copy of such notice to the 2003 Bond issued in connection with such transfer or exchange.

SECTION 403. SELECTION OF BONDS TO BE REDEEMED

If less than all the 2003 Bonds shall be called for redemption under any provision of the Indenture permitting such partial redemption, the particular 2003 Bonds or portions thereof to be redeemed shall be selected by the Authority, in the principal amount designated in writing to the Trustee by the Authority or otherwise as required by the Indenture; provided, however, that (i) Bank Bonds shall be redeemed first; (ii) in the case of the mandatory redemption of 2003 Bonds which have been assigned to a particular mandatory redemption date pursuant to Section 401(c) hereof, such 2003 Bonds shall be redeemed on the designated dates; and (iii) subject to other applicable provisions of the Indenture, the portion of any 2003 Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination. In selecting 2003 Bonds for redemption, the Trustee shall treat each 2003 Bond as representing that number of 2003 Bonds which is obtained by dividing the principal amount of such 2003 Bond by the minimum Authorized Denomination. If it is determined that one or more, but not all, of the integral multiples of the Authorized Denomination of principal amount represented by any 2003 Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of an Authorized Denomination, the owner of such 2003 Bond shall forthwith surrender such 2003 Bond to the Trustee for (a) payment to such owner of the redemption price of the integral multiple of the Authorized Denomination of principal amount called for redemption and (b) delivery to such owner a new 2003 Bond or 2003 Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such 2003 Bond. New 2003 Bonds representing the unredeemed balance of the principal amount of such 2003 Bond shall be issued to the registered owner thereof without charge therefor.

ARTICLE V THE TENDER AGENT AND REMARKETING AGENT

SECTION 501. TENDER AGENT

The Trustee may, at all times on or before the Fixed Rate Conversion Date, appoint a Tender Agent with the power to act, on or prior to the Fixed Rate Conversion Date, on the Trustee's behalf and subject to its direction in the authentication and delivery of the 2003 Bonds and in connection with registration of transfers and exchanges, tenders, redemptions, notices and purchases thereof and payments thereon, as fully to all intents and purposes as though the Tender Agent had been expressly authorized hereunder to authenticate, deliver, pay, transfer and exchange 2003 Bonds, receive notices pursuant to Section 301, purchase tendered Bonds and make payments on the 2003 Bonds. The Trustee and the Tender Agent may enter into an agreement whereby the Tender Agent agrees to calculate the interest to be paid on each Interest Payment Date, and will relay such information to the Trustee for its confirmation. In the absence of such an agreement, the Trustee shall calculate such interest. For all purposes, any such Tender Agent shall be deemed to be acting solely as the agent of the Trustee and the authentication, delivery, transfer or exchange of 2003 Bonds, receipt of notices pursuant to Section 301, purchase of Tendered Bonds and payment of 2003 Bonds by the Tender Agent pursuant to this Section shall be deemed to be the authentication, delivery, transfer or exchange of 2003 Bonds, receipt of such notices, purchase of Tendered Bonds and payment of 2003 Bonds by the Trustee. Such Tender Agent shall at all times be a commercial bank with trust powers or trust company organized under the laws of the United States of America or one of the states thereof, having an office in New York, New York (or having an agent with such an office) and shall at all times be an institution organized and doing business under the laws of the United States or of any state authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authorities (a) with a combined capital and surplus of at least \$500,000,000 or (b) affiliated with the Trustee. If such institution publishes reports of condition at least annually pursuant to law or the requirements of such authorities, then for the purposes of this Section the combined capital and surplus of such institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The appointment of a Tender Agent under this Section shall be effective upon acceptance by the Tender Agent and shall continue until the Trustee making such appointment shall rescind such appointment, the Tender Agent shall resign, or until the effective date of the resignation or removal of such Trustee pursuant to the provisions of this Third Supplement to the Amended and Restated Indenture. The Tender Agent may act through an agent constituting a commercial bank with trust powers or trust company. If at any time on or prior to the Fixed Rate Conversion Date there is no Tender Agent, all references herein to the Tender Agent shall be deemed to refer to the Trustee. The Tender Agent shall be entitled to the same rights and shall be subject to the same obligations hereunder as the Trustee, and shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in the Indenture with respect to the Trustee insofar as such provisions may be applicable.

The Trustee shall make such arrangements with the Tender Agent, in addition to those made as provided herein, as are necessary to be made and to be thereafter continued whereby funds from the sources specified herein will be made available to pay when due the principal and redemption price of, and interest on, 2003 Bonds bearing interest at a Variable Rate or a Flexible Rate.

SECTION 502. REMARKETING AGENT

The Authority shall appoint a Remarketing Agent for the 2003 Bonds, and initially appoints Raymond James & Associates, as Remarketing Agent. The appointment of a different Remarketing Agent may be made by the Authority, approved by the Bank, which approval shall not be unreasonably withheld. The Remarketing Agent shall designate its Principal Office to the Trustee, the Authority, the Tender Agent and the Bank 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, and the Tender Agent under which the Remarketing Agent will agree, particularly:

- (a) to hold all moneys delivered to it for the purchase of 2003 Bonds for the account of and for the benefit of the person or entity which shall have so delivered such moneys until the 2003 Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity; and
- (b) 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, the Trustee, the Tender Agent and the Bank at all reasonable times.

The Authority shall cooperate with the Trustee, the Tender Agent and the Bank to cause the necessary arrangements to be made and to be thereafter continued whereby funds from the sources specified herein will be made available for the purchase of 2003 Bonds presented at the Payment Office of the Tender Agent and whereby 2003 Bonds, executed by the Authority and authenticated by the Trustee or the Tender Agent, shall be made available to the Remarketing Agent to the extent necessary for delivery pursuant to Section 308 hereof.

The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 30 days' notice to the Authority, the Bank, the Trustee and the Tender Agent. The Remarketing Agent may be removed at any time upon 30 days' notice, by an instrument, signed by the Authority and filed with the Remarketing Agent, the Bank, the Trustee and the Tender Agent.

In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and 2003 Bonds held by it in such capacity to its successor or, if there be no successor, to the Trustee.

In the event that the Authority shall fail to appoint a Remarketing Agent hereunder, or in the event that the Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority shall not have appointed its successor as Remarketing Agent, the Trustee, notwithstanding the provisions of the first paragraph of this Section 502, shall <u>ipso facto</u> be deemed to be the Remarketing Agent for all purposes of the Indenture until the appointment by the Authority of the Remarketing Agent or successor Remarketing Agent, as the case may be; provided, however, that the Trustee, in its capacity as Remarketing Agent, shall not be required to remarket Bonds, or to determine the interest rate on the 2003 Bonds.

The Remarketing Agent for its own account or as broker or agent for others may deal in 2003 Bonds and may do anything any other Bondholder may do to the same extent as if the Remarketing Agent were not serving as such.

The Remarketing Agent will not be entitled to any compensation from the Trustee or the Tender Agent or have any claim or rights with respect to any property, rights or interests constituting a part of the trust estate or otherwise held under the Indenture, but must make separate arrangements with the Authority for compensation.

SECTION 503. QUALIFICATIONS OF REMARKETING AGENT

Except in the case of the interim appointment of the Trustee to serve as Remarketing Agent pursuant to Section 502 hereof, the Remarketing Agent shall at all times be registered as a Municipal Securities Dealer under the Securities Exchange Act of 1934, as amended, and be authorized by law to perform all the duties contemplated by the Indenture to be performed by the Remarketing Agent and shall have knowledge and experience in the remarketing of securities such as the 2003 Bonds and shall not be unacceptable to the Bank.

ARTICLE VI REVENUES AND FUNDS

SECTION 601. DEBT SERVICE FUND.

(a) The Trustee shall establish as a part of the Debt Service Fund in respect of the 2003 Bonds a 2003 Bonds Sinking Fund Account (the "2003 Bonds Sinking Fund Account") for the retirement of the 2003 Bonds. Moneys deposited in the 2003 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 2003 Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund in respect of the 2003 Bonds to the 2003 Bonds Sinking Fund Account on June 1 of the years and in the amounts required to retire 2003 Bonds as and to the extent required pursuant to Section 401(c) of this Third Supplement to the Amended and Restated Indenture.

Prior to May 1 of each year in which 2003 Bonds are subject to mandatory redemption as described in Section 401(c) of this Third Supplement to the Amended and Restated Indenture, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 2003 Bonds Sinking Fund Account of as many 2003 Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the holders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund in respect of the 2003 Bonds). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 402 of this Third Supplement to the Amended and Restated Indenture, so long as any 2003 Bonds shall remain Outstanding, the Trustee shall select 2003 Bonds for redemption, selecting any Bank Bonds first and thereafter by lot, on lune 15 of such year, a principal amount of 2003 Bonds as shall represent the difference between the principal amount of such 2003 Bonds fixed for redemption on such date as described in Section 401(c) of this Third Supplement to the Amended and Restated Indenture and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection of the particular 2003 Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the holders of such 2003 Bonds so drawn for redemption in the manner provided in Article IV of this Third Supplement to the Amended and Restated Indenture, and, upon presentation by the holders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 2003 Bonds Sinking Fund Account and shall pay accrued interest due from moneys available therefor in the Debt Service Fund in respect of the 2003 Bonds.

If at any time all the 2003 Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 2003 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund in respect of the 2003 Bonds. Whenever 2003 Bonds are to be purchased out of the 2003 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for

such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to the Indenture.

- (b) As long as the Bond Insurance Policy shall be in full force and effect, the Authority, the Trustee agrees to comply with the following provisions:
 - (a) at least one (1) day prior to any Interest Payment Date the Trustee or paying agent, if any, will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the 2003 Bonds on such interest payment date. If the Trustee or paying agent, if any, determines that there will be insufficient funds in such Funds and Accounts, the Trustee or paying agent, if any, shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the 2003 Bonds to which such deficiency is applicable and whether such 2003 Bonds will be deficient as to principal or interest, or both. If the Trustee or paying agent, if any, has not so notified the Bond Insurer at least one (1) day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the 2003 Bonds on or before the first day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee or paying agent, if any.
 - (b) the Trustee or paying agent, if any, shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to The Bank of New York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Authority maintained by the Trustee or paying agent, if any, and all records relating to the Funds and Accounts maintained under the Indenture.
 - (c) the Trustee or paying agent, if any, shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of 2003 Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon 2003 Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments form the Bond Insurer.
 - (d) the Trustee or paying agent, if any, shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such 2003 Bonds to be registered in the name of the Bond Insurer) for payment to the

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Insurance Trustee, and not the Trustee or paying agent, if any, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their 2003 Bonds for payment thereof first to the Trustee or paying agent, if any, who shall note on such 2003 Bonds the portion of the principal paid by the Trustee or paying agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will them pay the unpaid portion of principal.

- (e) in the event that the Trustee or paying agent, if any, has notice that any payment of principal of or interest on a 2003 Bonds which has become Due for Payment and which is made to a Bondholder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of court having competent jurisdiction, the Trustee or paying agent, if any, shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or paying agent, if any, shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the 2003 Bonds which have been made by the Trustee or paying agent, if any, and subsequently recovered from registered owners and the dates on which such payments were made.
- Indenture, the Bond Insurer shall, to the extent it makes payment of principal of or interest on 2003 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or paying agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee or paying agent, if any, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of the 2003 Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or paying agent, if any, upon surrender of the 2003 Bonds by the registered owners thereof together with proof of the payment of principal thereof.

SECTION 602. PAYMENT UNDER THE 2003 BONDS SWAP

(a) In accordance with Section 5.05(c) of the Amended and Restated Indenture, as amended and supplemented, the Trustee shall transfer moneys in the Revenue Fund, as directed by the Authority, to JPMorgan Chase Bank – New York, or its successors and permitted assigns, as counterparty under the Option On Interest Rate Swap Transaction executed December 6, 2001, and the Basis Cap Transaction dated June 9, 2003 (collectively, the "2003 Bonds SWAP")(a copy of which is attached to this Third Supplement to the Amended and Restated Indenture as Exhibit B); provided, however, that all such payments to JPMorgan Chase Bank – New York, or its successors and permitted assigns, pursuant to the terms of the 2003 Bonds SWAP on any date may only be made if the transfers or payments required by Sections 5.05(a) and (b) of the Amended and Restated Indenture, as amended and supplemented, as of

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and prior to such date have been made in full and all payments required to be made by the Authority as of and prior to such date of or in respect of debt service on the Bonds and amounts required to be deposited into the Debt Service Reserve Fund (including any amounts owing to the issuer of any municipal bond debt service reserve fund policy on deposit in the Debt Service Reserve Fund) have been made or paid in full.

At the election of the Authority and upon written notice to the Trustee, one or more new accounts in the Revenue Fund shall be created to be known generally as the "SWAP Account." In the event that the Authority elects to create the SWAP Account, the Trustee shall (i) deposit on a monthly or other periodic basis in the SWAP Account, as directed by the Authority, and reserve in the SWAP Account, such amounts as may be directed by the Authority with respect to amounts owing or to be owed in connection with any interest rate swap or hedge agreements relating to any Bonds, and (ii) transfer from such SWAP Account to the relevant counterparty under such interest rate swap or hedge agreement such amounts as shall be directed by the Authority; provided, however, that all such transfers to the SWAP Account and all such payments made from the SWAP Account pursuant to the terms of any interest rate swap or hedge agreements on any date may only be made if the transfers or payments required by Sections 5.05(a) and (b) of the Amended and Restated Indenture, as amended and supplemented, as of and prior to such date have been made in full and all payments required to be made by the Authority as of and prior to such date of or in respect of debt service on the Bonds and amounts required to be deposited into the Debt Service Reserve Fund (including any amounts owing to the issuer of any municipal bond debt service reserve fund policy on deposit in the Debt Service Reserve Fund) have been made or paid in full.

(b) Payments received from JPMorgan Chase Bank – New York, or its successors and permitted assigns, as counterparty under the 2003 Bonds SWAP shall be deposited to the Debt Service Fund established pursuant to Section 5.06 of the Amended and Restated Indenture.

ARTICLE VII AMENDMENT OF INDENTURE

SECTION 701. AMENDMENT OF SECTION 2.11.

Subsection (f) of Section 2.11 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"(f) Except for Additional Bonds issued to refund Outstanding Bonds where the Maximum Annual Debt Service Requirement for the Additional Bonds and the total principal and interest payable on the Additional Bonds for the term thereof do not exceed the comparable amounts for the Bonds being refunded or Additional Bonds which have a security interest in the Pledged Revenues which is subordinate to the security interest granted to secure the 1996 Bonds, the 1999 Bonds and the 2003 Bonds, a certificate executed by the Authority, including a verification of the calculations by an independent certified public accountant, showing that (1) the PICA Taxes collected with respect to any 12 consecutive months during the 15 month period preceding the date of issuance of such Additional Bonds, after giving retroactive effect during each month of such 12 month period to any PICA Taxes which were not in effect (including for this purpose any increase in the rate of an existing tax) during each such month but which have been imposed prior to the issuance of the Additional Bonds, equaled at least 175% of the Maximum Annual Debt Service Requirement (including the Authority's obligations with respect to repayment of Policy Costs then due and owing with respect to each Credit Facility issued in connection with the Debt Service Reserve Fund for the Bonds and any amounts due to the provider of a credit or liquidity facility issued with respect to a series of Bonds) on Bonds to be Outstanding after the issuance of the Additional Bonds and (2) the PICA Taxes projected to be collected during the 12 months following the issuance of the Additional Bonds, which projections may be based on the PICA Taxes projected for such period in the City's most recent Financial Plan (as defined in the Intergovernmental Cooperation Agreement) approved by the Authority, equal at least 175% of the Debt Service Requirement during such 12 month period on Bonds to be Outstanding after the issuance of the Additional Bonds. In making the foregoing calculations, PICA Taxes other than the Income Tax shall not be included in the calculation unless each Bond Insurer then insuring Outstanding Bonds has consented to the inclusion of such other PICA Taxes in writing."

SECTION 702. AMENDMENT OF SECTION 4.12.

- (a) Section 4.12(b) of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:
 - "(b) the official statement or other disclosure, if any, prepared in connection with the issuance of additional debt, whether or not it is on a parity with the 1996 Bonds, the 1999 Bonds or the 2003 Bonds, within 30 days after the sale thereof;".

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- (b) Section 4.12(d) of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:
 - "(d) the notice of the redemption, other than mandatory sinking fund redemption, of any of the 1996 Bonds, the 1999 Bonds and the 2003 Bonds, including the principal amount, maturities and CUSIP numbers thereof;".

SECTION 703. AMENDMENT OF SECTION 5.05.

Section 5.05(a) of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended and restated as follows:

to the Debt Service Fund the amount necessary to cause the aggregate amount deposited therein in each month to equal the sum of (i) the aggregate for all Series of Bonds paying interest semiannually of 1/6 (such fraction to be increased or decreased, as appropriate, for a Series to account for any initial or final interest period shorter or longer than six months) of the amount of interest that will be due and payable on each such Series of Bonds on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds paying interest at an interval other than semiannually of an amount equal to the interest that will be due and payable or otherwise accrue on each such Series of Bonds during such month (assuming that interest due on such Bonds will be payable at the maximum interest rate applicable to such Bonds, and taking into account (A) any amounts received from the counterparty to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the 2003 Bonds Swap, deposited directly into the Debt Service Fund, and (B) any amounts remaining in the Debt Service Fund from prior months' transfers from the Revenue Fund in excess of the amount actually paid or accrued as interest on such Bonds for such prior months), (iii) the aggregate for all Series of Bonds of 1/12 (such fraction to be increased, as appropriate, for a Series to account for any initial or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds (whether upon maturity or mandatory redemption) on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iv) any deficiency in deposits required to be made in prior months under the preceding clauses (i), (ii) and (iii) which has not been eliminated and (v) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds;

SECTION 704. AMENDMENT OF ARTICLE VII.

Article VII of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended by adding the following new paragraph at the end of such section:

"If any advance refunding of the 2003 Bonds is accomplished prior to the Fixed Rate Conversion Date, (i) moneys held to defease such 2003 Bonds shall be invested only in Government Obligations with maturity dates on or prior to the next Flexible Rate Adjustment Date or Variable Rate Adjustment Date, as the case may be, for the 2003 Bonds, the 2003 Bonds shall be redeemed on or prior to such Flexible Rate Adjustment Date or Variable Rate Adjustment Date and the 2003 Bonds which have been advance refunded prior to maturity shall no longer be subject to any optional or mandatory tender or (ii) the Trustee shall have received written evidence from each Rating Agency then rating the 2003 Bonds that the rating borne by such 2003 Bonds immediately prior to such refunding will not be withdrawn or reduced by reason of such advance refunding."

SECTION 705. AMENDMENT OF SECTION 8.01.

Section 8.01 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended as follows:

- (i) In the fifth to last line of the paragraph following subsection 8.01(e), after the words "1996 Bonds", delete the word "or" and replace it with ",", and after the words "1999 Bonds", add the words "or in the 2003 Bonds".
 - (ii) A new Event of Default shall be added to Section 8.01 as new subsection (f), which provision shall read as follows:
 - (f) If payment of the purchase price of any 2003 Bond tendered pursuant to Article III of the Third Supplement to the Amended and Restated Indenture is not made when it becomes due and payable;

SECTION 706. AMENDMENT OF SECTION 8.09.

Section 8.09 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended as follows:

In the fifth line of Section 8.09, after the words "1996 Bonds", delete the word "or" and replace it with "," and after the words "1999 Bonds", add the words "or the 2003 Bonds".

SECTION 707. AMENDMENT OF SECTION 10.01.

Section 10.01 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended by adding the following new paragraph (m) immediately following paragraph (l).

(m) With respect to the 2003 Bonds, to increase or decrease the maximum interest rate used to compute (i) the Interest Coverage Rate, as defined in Section 103 of the Third Supplement to the Amended and Restated

Indenture, and (ii) the maximum rate at which the 2003 Bonds may be remarketed, as set forth in Section 310(h) of the Third Supplement to the Amended and Restated Indenture; provided, however, that the Trustee shall have first obtained the written consent for such amendment from the Bond Insurer insuring the 2003 Bonds and any Credit Facility Issuer.

SECTION 708. AMENDMENT OF SECTION 10.02.

The last paragraph of Section 10.02 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended as follows:

In the seventh line of the last paragraph of Section 10.02, after the words "1996 Bonds", delete the word "or" and replace it with ",", and after the words "1996 Bonds" add the words "or 2003 Bonds".

SECTION 709. AMENDMENT OF SECTION 11.07.

Section 4.12 of the Second Supplement to the Amended and Restated Indenture, amending Section 11.07 of the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"Section 11.07 of the Amended and Restated Indenture is amended to add the following addresses as the addresses for the Credit Facility Issuer with respect to the Bonds:

To the Authority:

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut St., 14th Floor Philadelphia, PA19102

To the Trustee:

Wachovia Bank, National Association 123 South Broad Street 11th Floor Philadelphia, PA 19102

If to the Initial Bank:

JPMorgan Chase Bank 270 Park Avenue, 48th Floor New York, NY 10017

David Weinstein, Vice President

If to the Remarketing Agent:

Raymond James & Associates 880 Carillon Parkway St. Petersburg, FL 33716

If to the Tender Agent:

Wachovia Bank, National Association 123 South Broad Street 11th Floor Philadelphia, PA 19102

If to Counterparty on 2003 Bonds SWAP:

IPMORGAN CHASE BANK - NEW YORK

Payments to be made as follows:

Swap Payment

JPMorgan Chase Bank

Instructions:

Favour:

JPMorgan London

ABA/Bank No.:

ABA #:021000238

Account No.:

670-07-054

Reference:

Further credit to swap group account

SECTION 710. AMENDMENT OF SECTION 11.10.

(a) The second sentence of Section 11.10 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"When the 1996 Insured Bonds, the 1999 Bonds or the 2003 Bonds are no longer Outstanding, no further notice to or consent or approval of the respective Bond Insurer shall be required under the terms of this Third Supplement to the Amended and Restated Indenture and such Bond Insurer shall cease to be a third party beneficiary of this Third Supplement to the Amended and Restated Indenture."

(b) Section 11.10 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is further amended by adding the following new sentence at the end of such section.

"Notwithstanding anything herein to the contrary, the Authority shall not be permitted to replace the Bond Insurer with respect to the 2003 Bonds without prior written

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confirmation from each Rating Agency that such substitution shall not adversely affect the rating issued by such Rating Agency then applicable to the 2003 Bonds."

SECTION 711. AMENDMENT OF ARTICLE I.

The definition of the term "Investment Securities" contained in Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is hereby amended and restated as follows:

"Investment Securities" means any of the following obligations or securities to the extent legal for investment of Authority funds:

(a) Government Obligations;

- (b) federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States (which may include the Trustee and the Registrar) having a combined capital and surplus of not less than \$50,000,000, which at the time of purchase has a short-term "Bank Deposit" rating of "P-I" by Moody's and a "Short-Term CD" rating of "A-I" or better by S&P, and, in the case of a branch office of a foreign bank, a legal opinion is received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank;
- (c) deposits of any bank or savings and loan association which has combined capital surplus and undivided profits of not less than \$3,000,000, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;
- (d) (i) direct obligations of or (ii) obligations the principal of and interest on which are unconditionally guaranteed by any state of the United States of America or the District of Columbia, or any political subdivision or agency thereof, other than the City, or upon the approval of the Bond Insurer for the 1996 Bonds, the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;
- (e) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-I" by Moody's and "A-I" or better by S&P;
- (f) repurchase agreements collateralized by Government Obligations with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or long-term unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P, provided: (i) a master

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repurchase agreement or specific written repurchase agreement governs the transaction; (ii) the securities are held by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (1) a Federal Reserve Bank; (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; or (3) a bank approved in writing for such purpose by each Bond Insurer, 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; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 et seq. or 31 C.F.R. §350.0 et seq. in such securities is created for the benefit of the Trustee; (iv) the repurchase agreement has a term of ten years or less, or, so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are Outstanding, such shorter term as the respective Bond Insurer may require, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, or, so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are Outstanding, such higher collateral requirement as the respective Bond Insurer may require;

- (g) money market mutual fund shares issued by a fund having assets not less than \$100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the types specified in clauses (a) or (e) of this definition and is rated "AAAm" or "AAAm-G" by S&P; and
- guaranteed investment contracts with a bank, insurance company (h) or other financial institution whose letters of credit, other credit facilities or unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P and which guaranteed investment contracts are either insured by a municipal bond insurance company rated in the highest rating category by Moody's and S&P or fully collateralized at all times with securities of the type described in clause (a) of this definition which have a fair market value at all times equal to the value of the guaranteed investment contract, provided that: (i) a written agreement governs the transaction; (ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (1) a Federal Reserve Bank or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 et seq. or 31 C.F.R. §350.0 et seq. in such securities is created for the benefit of the Trustee; (iv) interest is paid at least semiannually during the entire term of the agreement; (v) moneys invested thereunder may be withdrawn without any penalty, premium, or charge

upon not more than one day's notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date); (vi) the Trustee receives an opinion of counsel for the issuer of such agreement that such agreement is an enforceable obligation of the issuer; and (vii) so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are Outstanding, the respective Bond Insurer approves such use in writing.

SECTION 712. AMENDMENT OF SECTION 4.02.

Section 4.02 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is hereby amended by adding the following new sentence at the end of such section.

In addition, the Authority shall not enter into any interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by Section 304(10)of the Act without the prior written consent of the Bond Insurer if such agreement is to be secured by or payable from the Pledged Revenues on a parity basis with payments required to be made under the Indenture with respect to principal of or interest on the Bonds or the amounts necessary to eliminate deficiencies in the Debt Service Reserve Fund.

SECTION 713. AMENDMENT OF SECTION 10.05.

Section 10.05 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is hereby amended by adding the following new sentence at the end of such section.

In addition to the notices sent to the Rating Agencies referred to above, the Authority will send notice to each Rating Agency of the occurrence of each of the following events:

- (i) any extension, substitution, expiration or early termination of any Liquidity Facility;
- (ii) any redemption in whole of the Bonds;
- (iii) any change in the interest mode applicable to the 2003 Bonds;
- (iv) the defeasance of any Series of Bonds;
- (v) any replacement of the Trustee or Tender Agent; and
- (vi) any mandatory tenders.

ARTICLE VIII INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS

SECTION 801. INDENTURE TO REMAIN IN EFFECT.

Except as amended and supplemented by this Third Supplement to the Amended and Restated Indenture, the Existing Indenture shall remain in full force and effect and is in all respects ratified, approved and confirmed, and the Existing Indenture and this Third Supplement to the Amended and Restated Indenture shall be read, taken and construed as one and the same instrument so that all of the rights, remedies, terms, conditions, covenants and agreements of the Existing Indenture shall apply and remain in full force and effect with respect to this Third Supplement to the Amended and Restated Indenture, the 1996 Bonds, the 1999 Bonds and the 2003 Bonds, as appropriate. In case of any conflict between the provisions of the Existing Indenture and this Third Supplement to the Amended and Restated Indenture of Trust, the provisions of this Third Supplement to the Amended and Restated Indenture shall apply. Without limiting the foregoing, the Authority hereby assigns, pledges and grants to the Trustee and confirms its prior grant to the Trustee of a lien on and security interest in all right, title and interest of the Authority in and to the Pledged Revenues in order to secure (i) the payment of the principal of, premium, if any, and interest on the Bonds (including without limitation the 2003 Bonds) according to their tenor and effect, and (ii) the performance and observance by the Authority expressed herein and in the Bonds (including without limitation the 2003 Bonds).

SECTION 802 COUNTERPARTS.

This Third Supplement to the Amended and Restated Indenture may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 803 GOVERNING LAW.

This Third Supplement to the Amended and Restated Indenture shall be governed by and construed in accordance with the laws of the Commonwealth.

SECTION 804 CAPTIONS.

The captions and headings in this Third Supplement to the Amended and Restated Indenture are for reference purposes only and shall not control or affect the meaning or interpretation of any provisions of this Third Supplement to the Amended and Restated Indenture.

IN WITNESS WHEREOF, the Authority has caused this Third Supplement to the Amended and Restated Indenture to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials and the Trustee has caused this Third Supplement to the Amended and Restated Indenture to be executed in its name and with its corporate seal hereunto affixed and attested by its respective duly authorized signers, as of the date first above written.

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Assistant Secretary

[SEÄL]

Chairperson

WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee

[SEAL]



Blanket Issuer Letter of Representations [To be Completed by Issuer]

Pennsylvania	Intergovernmental Cooperation Authority
	[Name of Issuer]

April 12, 1999 [Date]

Underwriting Department—Eligibility
The Depository Trust Company
55 Water Street 19th Floor
New York, NY 10041-0099

Ladies and Contlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting bookency transfers of accurates distributed through DTC, and curtain related matters. Very truly yours,

PENNSYLVANIA INTERCOVERNMENTAL COOPERATION AUTHORITY

(July in Charles Charles)

William J. Leonard (Vice) Chairperson

Received and Arrented



Blanket Issuer Letter of Representations [To be Completed by Issuer]

Pennsylvania Intergovernm	ental Cooperation Authority			
[Name of Issuer]				
		12 , 1999		
		Date		
Attention: Underwriting Department — Eligibil The Depository Trust Company 53 Water Street; 50th Floor New York, NY 10041-0099	ity			
Ladies and Centlemen: This letter sets forth our understanding with shall request be made eligible for deposit by The	_			
To induce DTC to accept the Securities as elig- with DTC's Rules with respect to the Securities, with the requirements stated in DTC's Operation time to time.	Issuer represents to DTC that Iss	ner will comply		
Note:	Very truly yours,			
Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting bookeatry transfers of securities distributed through DTC, and	PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY	4		
certain related matters.	By: William J. Fan	Du		
Received and Accepted:	(Amborbed Officer's Sign William J. Leonard (Vice) Chairperson			
	(Typitozite Name & Ti	1947		
THE DEPOSITORY TRUST COMPANY	1429 Welnut Street - 14th Flo	por		
	(Street Address)	!		
Ву:	Philadelphia, PA 19102	1		
	(City) (State)	(Zip)		
	(215) 561-9160	:		

(Phone Number)

FOURTH SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST

between

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

and

WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee

Dated as of June 1, 2006

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FOURTH SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST

THIS FOURTH SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST, dated as of June 1, 2006, between the **PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY** (the "**Authority**"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania under and by virtue of the Constitution and laws of the Commonwealth of Pennsylvania, and **WACHOVIA BANK, NATIONAL ASSOCIATION**, a national banking association organized under the laws of the United States, as successor Trustee under the Indenture,

WITNESSETH:

WHEREAS, the Authority is authorized and empowered under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (as such Act may be further amended from time to time, the "Act"), to issue its bonds in accordance with the Act for various purposes, including, without limitation, providing financial assistance to a city of the first class to finance a deficit other than a cash flow deficit, to finance capital projects and to otherwise assist such a city and to refund outstanding indebtedness of the Authority; and

WHEREAS, the Authority and CoreStates Bank, N.A., as trustee (the "Initial Trustee") entered into an Indenture of Trust, dated as of June 1, 1992 (the "Original Indenture"), to provide for the issuance and securing of Bonds (as defined in the Original Indenture); and

WHEREAS, the Authority and the Initial Trustee entered into a First Supplemental Indenture of Trust dated as of June 22, 1992 amending certain provisions of the Original Indenture (the Original Indenture as so amended is referred to herein as the "Amended Indenture"); and

WHEREAS, Meridian Bank succeeded the Initial Trustee as trustee under the Amended Indenture; and

WHEREAS, the Authority and Meridian Bank, as trustee, entered into a Second Supplemental Indenture of Trust dated as of July 15, 1993 (the "Second Supplemental Indenture") amending and supplementing the Amended Indenture; and

WHEREAS, the Authority and Meridian Bank, as trustee, entered into a Third Supplemental Indenture of Trust dated as of August 15, 1993 (the "Third Supplemental Indenture") amending and supplementing the Amended Indenture; and

WHEREAS, pursuant to the Third Supplemental Indenture, the Authority issued \$178,675,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the **"1993A Bonds"**) for the purpose of refunding certain Bonds issued by the Authority in 1992; and

WHEREAS, the Authority amended and restated the Amended Indenture, as amended and supplemented by the Second Supplemental Indenture and the Third Supplemental Indenture, pursuant to an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture") between the Authority and Meridian Bank, as Trustee, in order to, inter alia, incorporate in one document all of the provisions thereof, and to issue its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") in order to pay costs of certain capital projects; and

WHEREAS, pursuant to the First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture") between the Authority and Meridian Bank, as Trustee, the Authority issued \$343,030,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 Bonds") in order to (i) pay the costs of advance refunding certain Bonds issued by the Authority in 1992 and 1994, and (ii) pay the costs of issuing such Additional Bonds: and

WHEREAS, First Union National Bank succeeded Meridian Bank as Trustee under the Amended and Restated Indenture; and

WHEREAS, pursuant to the Second Supplement to the Amended and Restated Indenture dated as of April 1, 1999 (the "Second Supplement to the Amended and Restated Indenture") between the Authority and First Union National Bank, as Trustee, the Authority issued \$610,005,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 (the "1999 Bonds") for the purpose of financing, together with other available funds, (i) the costs of advance refunding certain Bonds issued by the Authority in 1993, (ii) a Credit Facility to satisfy the Debt Service Reserve Requirement, and (iii) the costs of issuing such Additional Bonds and of obtaining credit enhancement for the Bonds (the "1999 Refunding"); and

WHEREAS, on December 6, 2001, the Authority and JPMorgan Chase Bank, as Counterparty (the "Swap Counterparty"), entered into a \$89,960,000 notional amount interest rate swaption transaction relating to the 1996 Bonds, as amended and restated pursuant to that certain Swaption Confirmation (REVISION) dated June 9, 2006 amending the notional amounts subject thereto (the "Swaption Transaction"); and

WHEREAS, Wachovia Bank, National Association succeeded First Union National Bank as Trustee under the Amended and Restated Indenture; and

WHEREAS, pursuant to the Third Supplement to the Amended and Restated Indenture dated as of June 1, 2003 (the "Third Supplement to the Amended and Restated Indenture," and together with the Amended and Restated Indenture, the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, the "Existing Indenture") between the Authority and Wachovia Bank, National Association, as Trustee, the Authority issued \$165,550,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds") for the purpose of financing, together with other available funds, (i) the costs of refunding the outstanding 1993A Bonds, and (ii) the costs of issuing such Additional Bonds and of obtaining credit enhancement for the 2003 Bonds; and

WHEREAS, the Swap Counterparty has exercised its option to cause the interest rate swap (the "Swap") that is the subject of the Swaption Transaction to become effective on or about June 15, 2006, and, as a result, the Authority has determined to issue and sell Additional Bonds, on or about the effective date of the Swap, to (i) pay the costs of current refunding the outstanding 1996 Bonds, and (ii) pay the costs of obtaining credit enhancement for such Additional Bonds (the "2006 Refunding"); and

WHEREAS, by Resolutions adopted on May 16, 2006, the Authority determined to issue and sell its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (the "2006 Bonds") for the purpose of financing, together with other available funds, the 2006 Refunding pursuant to the terms of this Fourth Supplement to the Amended and Restated

Page 2

PICA 2006 Bonds

Indenture (the "Fourth Supplement to the Amended and Restated Indenture", and together with the Existing Indenture, the "Indenture"); and

WHEREAS, the 2006 Bonds are to be substantially in the form attached hereto as Exhibit A; and

WHEREAS, in order to accomplish the current refunding of the outstanding 1996 Bonds, the Authority shall direct the Trustee to deposit into the 1996 Bonds account of the Debt Service Fund proceeds of the 2006 Bonds in an amount which, when added to certain funds held by the Trustee for the benefit of the 1996 Bonds and other available funds, and the investment earnings thereon, will be sufficient to (a) pay the maturing principal of and interest on the 1996 Bonds through and including June 15, 2006, and (b) pay on June 15, 2006, the redemption price of all outstanding 1996 Bonds, all of which will be called for redemption on June 15, 2006; and

WHEREAS, the execution and delivery of this Fourth Supplement to the Amended and Restated Indenture and the 2006 Bonds have been duly authorized and all things necessary to make the 2006 Bonds, when executed by the Authority and authenticated by the Trustee, valid and binding legal obligations of the Authority and to make this Fourth Supplement to the Amended and Restated) Indenture of Trust a valid and binding agreement have been done.

NOW, THEREFORE, THIS FOURTH SUPPLEMENT TO THE AMENDED AND **RESTATED INDENTURE WITNESSETH:**

That, in order to secure the principal of and interest and premium, if any, on the 2006 Bonds issued hereunder according to their tenor and effect and to secure the performance and observance by the Authority of all the covenants and conditions contained herein and in the Existing Indenture and to declare the terms and conditions upon and subject to which the 2006 Bonds are issued and secured, and for and in consideration of the mutual covenants contained herein and in the Existing Indenture, the Authority and the Trustee are entering into this Fourth Supplement to the Amended and Restated Indenture of Trust, which shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the 2006 Bonds.

ARTICLE I AUTHORITY AND DEFINITIONS

Section 101. SUPPLEMENTAL INDENTURE OF TRUST

This Fourth Supplement to the Amended and Restated Indenture is supplemental to the Existing Indenture.

Section 102. AUTHORITY FOR THIS FOURTH SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE

This Fourth Supplement to the Amended and Restated Indenture is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with Article X of the Amended and Restated Indenture.

Section 103. DEFINITIONS

- (a) Except as provided in this Fourth Supplement to the Amended and Restated Indenture, all terms which are defined in Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture, and the Third Supplement to the Amended and Restated Indenture as are given to such terms in said Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture, and the Third Supplement to the Amended and Restated Indenture.
- (b) Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture, and the Third Supplement to the Amended and Restated Indenture, is hereby amended by amending certain definitions contained in the Existing Indenture (but only to the extent such definitions apply to the 2006 Bonds) and by adding the following definitions with respect to the 2006 Bonds:
- "Affiliate" means any person or company directly or indirectly controlling, controlled by or under common control with the Authority.
- "All-Hold Rate" means, on any date of determination, the interest rate per annum equal to 55% of the Index on such date; provided, that in no event shall the All-Hold Rate be more than the Maximum Lawful Rate.
- "Alternate Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 hereof (other than a Renewal Liquidity Facility), including, without limitation, a letter of credit or line of credit of a commercial bank or a credit facility from a financial institution, a standby bond purchase agreement, surety bond or like collateralization, or a combination thereof, which provides security for payment of the purchase price of 2006 Bonds (other than ARS tendered for purchase as provided in this Indenture) delivered or deemed delivered in accordance with Article III of this Fourth Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"); provided that at all times while any of the 2006 Bonds bear interest at a Variable Rate or a Flexible Rate such 2006 Bonds (other than Bank Bonds) shall be entitled to liquidity support. Any amendment of a Liquidity Facility which is not a Renewal Liquidity Facility shall be an Alternate Liquidity Facility.

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- "Applicable ARS Rate" means, with respect to ARS, the rate per annum at which interest accrues on the 2006 Bonds for any ARS Interest Period.
- "ARS" means, on any date, the 2006 Bonds when bearing interest as auction rate securities as provided in Article 2A hereof and the Auction Procedures applicable thereto.
- "ARS Beneficial Owner" means the Person who is the beneficial owner of ARS according to the records of (i) DTC or its participants or a successor Securities Depository while such ARS are in book-entry form or (ii) the Trustee while such ARS are not in book-entry form.
- "ARS Defaulted Interest" means interest on any ARS which is payable but is not punctually paid or duly provided for on any ARS Interest Payment Date.
- "ARS Interest Payment Date" means, with respect to ARS, the Business Day immediately following each Auction Period.
- "ARS Interest Period" means the period commencing on and including an ARS Interest Payment Date and ending on but excluding the next succeeding ARS Interest Payment Date; provided, that the first ARS Interest Period within each ARS Interest Rate Period shall commence on and include the Closing Date or the Conversion Date, as the case may be.
 - "ARS Interest Rate Period" means each period during which the 2006 Bonds are ARS.
- "ARS Maximum Rate" means 12% per annum; provided that in no event shall the ARS Maximum Rate be more than the Maximum Lawful Rate.
- "ARS Payment Default" means (i) a default by the Authority or the Bond Insurer in the due and punctual payment of any installment of interest on ARS or (ii) a default by the Authority or the Bond Insurer in the due and punctual payment of any principal of ARS at stated maturity or pursuant to a mandatory redemption.
- "ARS Rate Conversion Date" means the date on which the 2006 Bonds begin to bear interest an Applicable ARS Rate.
- "ARS Rating Agency" means S&P, Moody's or Fitch, or if any of S&P, Moody's or Fitch discontinues its securities rating service, then such other nationally recognized securities rating agency as may be specified by the Broker Dealer with the consent of the Authority.
 - "Auction" means the implementation of the Auction Procedures on an Auction Date.
- "Auction Agent" means the Initial Auction Agent unless and until a Substitute Auction Agent Agreement becomes effective, after which "Auction Agent" shall include both the Initial Auction Agent (if it is continuing to act in such capacity under this Indenture) and each such Substitute Auction Agent so acting.
- "Auction Agent Agreement" means, on any date, each Initial Auction Agent Agreement and each Substitute Auction Agent Agreement, in each case as from time to time in effect.
 - "Auction Agent Fee" has the meaning provided in each Auction Agent Agreement.
- "Auction Date" means, with respect to ARS, the Business Day next preceding the first day of each Auction Period, other than (i) each Auction Period commencing after the ownership

of such ARS is no longer maintained in book-entry form by a Securities Depository; (ii) each Auction Period commencing after the occurrence and during the continuance of an ARS Payment Default; or (iii) any Auction Period commencing less than two Business Days after the cure or waiver of an ARS Payment Default. The Auction Date determined as provided in this definition may be adjusted as provided in Section 2A10(b).

"Auction Period" means (i) with respect to ARS in a seven-day mode, any of (A) a period, generally of seven days, beginning on and including a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on and including the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (B) a period, generally of seven days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on and including the Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (C) a period, generally of seven days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on and including the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (D) a period, generally of seven days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on and including the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day) or (E) a period, generally of seven days, beginning on and including a Friday (or the day following the last day of the 'prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on and including the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day) and (ii) with respect to ARS in a 35-day mode, any of (A) a period, generally of 35 days, beginning on and including a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on and including the fifth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (B) a period, generally of 35 days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on and including the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (C) a period, generally of 35 days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on and including the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (D) a period, generally of 35 days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on and including the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day) or (E) a period, generally of 35 days, beginning on and including a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on and including the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on

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and including the next succeeding day which is followed by a Business Day); <u>provided</u>, <u>however</u>, that the initial Auction Period with respect to the 2006 Bonds shall begin on and include the Closing Date, and that in the event of a Conversion of the 2006 Bonds from another Interest Rate Period to an ARS Interest Rate Period the initial Auction Period following such Conversion shall begin on and include the Conversion Date.

"Auction Procedures" means, collectively, the Auction Procedures provisions set forth in Exhibit C to the Auction Agent Agreement and the Settlement Procedures provisions set forth in Exhibit A to the Broker-Dealer Agreement.

"Auction Rate" means, with respect to the interest rate on ARS, the rate of interest per annum that results from implementation of the Auction Procedures, and determined as described in Section 1.3 of the Auction Procedures set forth in the Auction Agent Agreement; provided, however, that the Auction Rate shall not exceed the ARS Maximum Rate. While Auction Procedures are suspended, the Auction Rate will be determined as otherwise described herein.

"Authorized Denomination" means (i) during any Daily Rate Period, Weekly Rate Period or Flexible Rate Period, \$100,000 and \$5,000 multiples in excess thereof, (ii) during any Term Rate or Fixed Rate Period, \$5,000 and integral multiples thereof, and (iii) during any ARS Interest Rate Period, \$25,000 and integral multiples thereof.

"Bank" means any bank or other financial institution issuing any Liquidity Facility.

"Bank Bonds" means Tendered Bonds purchased with moneys drawn under a Liquidity Facility and registered in the name of the Bank in accordance with such Liquidity Facility.

"Bank Rate" means the per annum rate of interest payable on any Bank Bonds as determined pursuant to a Liquidity Facility (or any reimbursement agreement entered into with respect to a letter of credit that is a Liquidity Facility).

"Bid" has the meaning provided in Section 1.1(b) of the Auction Procedures set forth in the Auction Agent Agreement.

"Bond Insurance Policy" means, with respect to the 2006 Bonds, the financial guaranty insurance policy issued by the Bond Insurer insuring payment when due of the principal of and interest on the 2006 Bonds as provided therein.

"Bond Insurer" means, with respect to the 2006 Bonds, Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor thereto.

"Bond Purchase Fund" means the trust fund so designated which is created and established pursuant to Section 308 hereof.

"Broker-Dealer" means RBC Dain Rauscher Inc., or any other broker or dealer (each as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures which (i) is a participant in or member of the Securities Depository as determined by the rules or bylaws of the Securities Depository (or an affiliate of such a participant or member), (ii) has been approved by the Bond Insurer, which approval shall not be unreasonably withheld, (iii) has been

appointed as such by the Authority pursuant to the Indenture, and (iv) has entered into a Broker-Dealer Agreement that is in effect on the date of reference. When used at a time when more than one Broker-Dealer is acting under the Indenture, the term "the Broker-Dealer" shall mean, as the context dictates, either all such Broker-Dealers collectively, or only each Broker-Dealer acting with respect to the ARS.

"Broker-Dealer Agreement" means each agreement between the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented with the consent of the Bond Insurer. Each Broker-Dealer Agreement shall be substantially in the form of the Broker-Dealer Agreement between the Initial Auction Agent and the initial Broker-Dealer or such other form which conforms to industry standards at the time such Broker-Dealer Agreement is entered into.

"Business Day" means, with respect to the 2006 Bonds, any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in Philadelphia, Pennsylvania or in any other city in which the Principal Office of the Trustee or the designated office of the Tender Agent, the Remarketing Agent, the Auction Agent, the Bond Insurer or the Bank is located are required or authorized by law (including executive order) to close or on which the Principal Office of the Trustee, or the designated office of the Tender Agent, the Remarketing Agent, the Auction Agent or the Bank is closed for reasons not related to financial condition or (iii) a day on which the New York Stock Exchange is closed.

"Closing Date" means the date of delivery of the 2006 Bonds to the Underwriter against payment therefor.

"Conversion" means a conversion of the 2006 Bonds from one Interest Rate Period to another Interest Rate Period, as permitted herein.

"Conversion Date" means each Fixed Rate Conversion Date, Flexible Rate Conversion Date, Variable Rate Conversion Date and ARS Rate Conversion Date.

"Daily Rate Period" means, with respect to the 2006 Bonds, each period from and commencing on a Business Day and including and ending on the first day preceding the first Business Day thereafter.

"DTC" means The Depository Trust Company (a limited purpose trust company), New York, New York.

""Existing Holder" means (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the existing owner registry maintained by the Auction Agent at the close of business on the Business Day immediately preceding the Auction Date for such Auction and (b) with respect to and for the purpose of dealing with a Broker-Dealer in connection with an Auction, a Person who is a beneficial owner of the Bonds.

"Existing Holder Registry" means (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the existing owner registry at the close of business on the Business Day immediately preceding the Auction Date for such Auction and (b) with respect to and for the purpose of dealing with a Broker-Dealer in connection with an Auction, a Person who is an ARS Beneficial Owner of ARS.

"Favorable Opinion" means, with respect to any action relating to the 2006 Bonds, the occurrence of which requires such an opinion, a written legal opinion of a nationally recognized bond counsel addressed to the Authority, the Bond Insurer, the Remarketing Agent and the Trustee or the Broker-Dealers, as applicable, to the effect that (i) the action proposed to be taken is authorized or permitted by the Act and the Indenture and (ii) such action will not adversely affect the exclusion from gross income of interest on the 2006 Bonds for purposes of federal income taxation or the exemption of interest on the 2006 Bonds from personal income taxation under the laws of the Commonwealth of Pennsylvania (subject to customary exceptions).

"Fixed Rate" means the rate to be borne by the 2006 Bonds from and after the Fixed Rate Conversion Date, which shall be the lowest rate which, in the judgment of the Remarketing Agent, is necessary to enable the 2006 Bonds to be remarketed at the principal amount thereof, plus accrued interest, if any, on the Fixed Rate Conversion Date.

"Fixed Rate Conversion Date" means the date on which the 2006 Bonds begin to bear interest at the Fixed Rate.

"Fixed Rate Period" means the period of time commencing on the Fixed Rate Conversion Date and ending on the Maturity Date.

"Flexible Rate" means the lowest annual rate of interest, expressed as a percentage and rounded to the nearest one thousandth of one percent, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, enable a particular Bond to be remarketed at the principal amount thereof on such Flexible Rate Adjustment Date given the applicable Interest Period for such 2006 Bond (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in this Fourth Supplement to the Amended and Restated Indenture).

"Flexible Rate Adjustment Date" means a Business Day on which a Flexible Rate and an Interest Period for a particular Bond commence.

"Flexible Rate Conversion Date" means a date on which the 2006 Bonds begin to bear interest at Flexible Rates.

"Flexible Rate Period" means any period of time commencing on a Flexible Rate Conversion Date and ending on a Variable Rate Conversion Date, a Fixed Rate Conversion Date, an ARS Rate Conversion Date or on the Maturity Date.

"Hold Order" has the meaning set forth in the Auction Procedures.

"Immediate Notice" means notice by telephone, telex, telecopier or email to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid.

"Index" means, on any Auction Date with respect to 2006 Bonds in any Auction Period, the One Month LIBOR Rate on such date. If such rate is unavailable, the Index for the 2006 Bonds means an index or rate agreed to by all Broker-Dealers and the Bond Insurer. If for any reason on any Auction Date the Index shall not be determined as provided above, the Index shall mean the Index for the Auction Period ending on such Auction Date.

PICA 2006 Bonds

"Initial Auction Agent" means Deutsche Bank Trust Company Americas, its successors and assigns.

"Initial Auction Agent Agreement" means the Auction Agent Agreement between the Trustee and the Initial Auction Agent, relating to the 2006 Bonds, including any amendment thereof or supplement thereto.

"Interest Component" means the maximum amount stated in a Liquidity Facility (as reduced and reinstated from time to time in accordance with the terms thereof) which may be drawn for the payment of the portion of the purchase price of Tendered Bonds corresponding to interest accrued on the Tendered Bonds.

"Interest Coverage Period" means the number of days for 2006 Bonds bearing interest in a particular interest mode which is used to determine the Interest Component, determined in accordance with the requirements of Section 310(h) hereof in a manner consistent with the periods utilized in calculating interest accrued on 2006 Bonds in such interest mode.

"Interest Coverage Rate" means the rate which is used to determine the Interest Component and shall be specified for 2006 Bonds bearing interest in each subsequent mode by the Remarketing Agent in writing to the Trustee at the time such 2006 Bonds commence bearing interest in accordance with such mode, as such rate may be changed from time to time by the Remarketing Agent subject to compliance with Section 310(h) hereof. Notwithstanding the foregoing, the maximum Interest Coverage Rate that may be established with respect to the 2006 Bonds shall be 12% per annum.

"Interest Payment Date" means:

- (i) during a Flexible Rate Period, each Repurchase Date;
- (ii) during a Variable Rate Period,
- (A) when used with respect to a Daily or Weekly Rate Period, the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of each calendar month occurring after the Variable Rate Conversion Date with respect thereto, and
- (B) when used with respect to a Term Rate Period, the June 15th or December 15th next succeeding the Variable Rate Conversion Date and the fifteenth day of each sixth month thereafter,
- (iii) during an ARS Interest Rate Period, each ARS Interest Payment Date;
- (iv) each Mandatory Tender Date;
- (v) after the Fixed Rate Conversion Date, each June 15 and December 15;
- (vi) the Maturity Date; and
- (vii) for 2006 Bonds called for redemption, the applicable redemption date.

"Interest Period" means, for each 2006 Bond bearing interest at a Flexible Rate, that period of time beginning on a Flexible Rate Adjustment Date and to but not including the next Flexible Rate Adjustment Date, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, taking into account the

Flexible Rate for the particular 2006 Bond being determined on such Flexible Rate Adjustment Date and the Flexible Rates and Interest Periods then borne by all other outstanding 2006 Bonds, enable the 2006 Bonds as a whole to bear the lowest overall rates achievable in the domestic financial market during the Interest Period selected (or, if the Remarketing Agent for any reason fails to determine such date, the date determined in accordance with the provisions set forth in this Fourth Supplement to the Amended and Restated Indenture).

"Interest Rate Period" means each Variable Rate Period, Flexible Rate Period, or ARS Interest Rate Period.

"Investment Securities" means each of the following:

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - -Export-Import Bank
 - -Rural Economic Community Development Administration
 - -U.S. Maritime Administration
 - -Small Business Administration
 - -U.S. Department of Housing & Urban Development (PHAs)
 - -Federal Housing Administration
 - -Federal Financing Bank.
- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
- -Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
 - -Obligations of the Resolution Funding Corporation (REFCORP)
 - -Senior debt obligations of the Federal Home Loan Bank System
- -Senior debt obligations of other Government Sponsored Agencies approved by the Bond Insurer.
- (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

- (6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and
 - (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
 - (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
- (7) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.
- (8) Investment Agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel); and
- (9) other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.

"Liquidity Facility" means any Liquidity Facility provided in accordance with this Fourth Supplement to the Amended and Restated Indenture, including, without limitation, a letter of credit or line of credit of a commercial bank or a credit facility from a financial institution, a standby bond purchase agreement, surety bond or like collateralization, or a combination thereof, which provides security for payment of the purchase price of 2006 Bonds (other than ARS tendered for purchase as provided in the Indenture) delivered or deemed delivered in accordance with Article III of this Fourth Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"), or any Renewal Liquidity Facility or Alternate Liquidity Facility at the time in effect; provided that at all times while any of the 2006 Bonds bear interest at a Variable Rate or a Flexible Rate such 2006 Bonds (other than Bank Bonds) shall be entitled to liquidity support.

"Mandatory Tender Date" means any date on which a 2006 Bondholder is required to tender any 2006 Bond for purchase in accordance with Sections 302, 303 or 304 of this Fourth Supplement to the Amended and Restated Indenture.

"Mandatorily Tendered Bonds" means the 2006 Bonds required to be tendered for purchase on a Mandatory Tender Date.

"Maturity Date" means, with respect to the 2006 Bonds, June 15, 2020 or, with respect to each 2006 Bond bearing interest at a Fixed Rate which has been assigned a specific maturity date pursuant to Section 205(d) hereof, "Maturity Date" means the date so assigned.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law.

"No-Call Period" means the period of time (measured from the Conversion Date) during which the 2006 Bonds in the Fixed Rate Period or the Term Rate Period may not be called for optional redemption as set forth in Section 401 (a)(ii) hereof.

"Non-Payment Rate" means, on any date of determination, the interest rate per annum equal to 15% per annum; provided, that in no event shall the Non-Payment Rate be more than the Maximum Lawful Rate.

"One Month LIBOR Rate" means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 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.

"Optional Tender Date" means the date specified by a 2006 Bondholder in a Tender Notice for purchase of any 2006 Bond during a Variable Rate Period in accordance with Section 301 hereof.

"Optionally Tendered Bonds" means the 2006 Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

"Order" has the meaning provided in the Auction Procedures.

"Outstanding", "Bonds outstanding" or "outstanding Bonds" means, with respect to the 2006 Bonds, as of any given date, all 2006 Bonds which have been duly authenticated and delivered under the Indenture, except:

- (a) 2006 Bonds canceled after purchase in the open market or because of payment at or redemption prior to the Maturity Date;
- (b) 2006 Bonds for the payment or redemption of which cash or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the Maturity Date or redemption date of any such 2006 Bonds) in accordance with Article VII of the Amended and Restated Indenture, as amended by Section 703 hereof; provided that if such Bonds are to be redeemed prior to the Maturity Date thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;
- (c) 2006 Bonds in lieu of which others have been authenticated under Section 207 or 208 of the Amended and Restated Indenture;
- (d) after any Optional Tender Date, any Bond for which a Tender Notice was given in accordance with Section 301 of this Fourth Supplement to the Amended and Restated Indenture and which was not so tendered;
- (e) after any Mandatory Tender Date, any 2006 Bond which was required to be tendered on such a Mandatory Tender Date in accordance with Sections 302, 303 or 304 of this Fourth Supplement to the Amended and Restated Indenture and which was not so tendered; and

(f) after the Fixed Rate Conversion Date, for the purpose of all consents, approvals, waivers and notices required to be obtained or given under this Fourth Supplement to the Amended and Restated Indenture, 2006 Bonds held or owned by the Authority or any Affiliate thereof.

Notwithstanding anything in this Fourth Supplement to the Amended and Restated Indenture to the contrary, in the event that the principal and/or interest due on the 2006 Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the 2006 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Authority to the Bondholders shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Bondholders.

"Participant" means, with respect to DTC or another Securities Depository, a participant in or member of DTC or such other Securities Depository, respectively.

"Person" means a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

"Potential Holder" means, with respect to any Auction, any Person, including any Existing Holder, who may be interested in acquiring a beneficial interest in ARS subject to such Auction in addition to the ARS, if any, currently owned by such Person.

"Principal Office" means, with respect to the 2006 Bonds, (i) the corporate trust office of the Trustee responsible for the administration of this Fourth Supplement to the Amended and Restated Indenture, as designated in Section 11.07 of the Amended and Restated Indenture, as amended by Section 713 hereof, and (ii) the respective offices of the Bank, the Tender Agent, the Auction Agent and the Remarketing Agent designated to receive notices required by this Fourth Supplement to the Amended and Restated Indenture, as set forth in Section 713 hereof.

"Proposed Fixed Rate Conversion Date" means the date indicated in the written notice of the Authority given pursuant to Section 205 hereof on which the Authority intends to effect a conversion of the interest rate on the 2006 Bonds to the Fixed Rate.

"Rating Agency" means each nationally recognized securities rating agency then maintaining a rating on the Bonds at the request of the Authority, which at the time of issuance of the 2006 Bonds includes S&P, Moody's and Fitch.

"Record Date" means, with respect to the 2006 Bonds, while the 2006 Bonds bear interest during a Daily Rate Period, a Weekly Rate Period or a Flexible Rate Period, the close of business on the last Business Day preceding an Interest Payment Date, while the 2006 Bonds bear interest in a Term Rate Period or a Fixed Rate Period, the close of business on the last day of the calendar month next preceding an Interest Payment Date, and while the 2006 Bonds are ARS, the second Business Day next preceding each ARS Interest Payment Date.

"Remarketing Agent" means each Person qualified under Section 502 hereof to act as Remarketing Agent for the 2006 Bonds, except while the 2006 Bonds are ARS, and appointed by the Authority from time to time, subject to the approval of the Bond Insurer.

"Remarketing Agreement" means a Remarketing Agreement between the Authority and the Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent hereunder, as amended from time to time.

"Renewal Date" means the Interest Payment Date next preceding the Stated Expiration Date of a Liquidity Facility at the time in effect (or the next preceding Business Day if such day is not a Business Dav.

"Renewal Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 hereof which has been issued with terms and conditions identical to, and by the same provider of, the Liquidity Facility in substitution for which the Renewal Liquidity Facility is to be provided to purchase 2006 Bonds, other than ARS tendered for purchase, as provided in the Indenture, except for:

- an extension of the Stated Expiration Date; (g)
- an increase or decrease in the Interest Coverage Rate or the Interest (h) Coverage Period;
 - an increase or decrease in the Interest Component; (i)
- an increase or decrease in the portion of the Liquidity Facility designated to pay premium upon purchase of 2006 Bonds to the extent required or permitted by Section 310(h) hereof:
- (k) changes in the business covenants contained in, the fees payable pursuant to and the interest rate on advances made under the Liquidity Facility; or
 - (1) any combination of (a), (b), (c), (d) and (e).

"Representation Letter" means that blanket letter from the Authority to DTC with respect to the issuance of Bonds in book-entry form.

"Repurchase Date" means, for any 2006 Bond during a Flexible Rate Period, a Business Day determined by the Remarketing Agent on an applicable Flexible Rate Adjustment Date as the date on which such 2006 Bond will be repurchased by the Trustee or the Tender Agent, on behalf of the Authority (or, if the Remarketing Agent for any reason fails to determine such date, the date determined in accordance with the provisions of this Fourth Supplement to the Amended and Restated Indenture).

"Repurchase Price" means, with respect to each particular 2006 Bond during a Flexible Rate Period, an amount equal to 100% of the principal amount thereof.

"Sell Order" has the meaning provided in the Auction Procedures.

"Securities Depository" means DTC, or, if applicable, any successor securities depository appointed pursuant to the Indenture.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor thereto.

"Special Record Date" means a special date fixed to determine the names and addresses of holders of ARS for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in the Indenture.

"Stated Expiration Date" means the stated date of expiration or termination of a Liquidity Facility, including any extensions thereof.

"Submission Deadline" means 1:00 p.m., New York City time on any Auction Date, or such other time on an Auction Date by which Brokers-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

"Submitted Hold Orders" has the meaning provided in the Auction Procedures.

"Substitute Auction Agent" means the Person with whom the Trustee enters into a Substitute Auction Agent Agreement.

"Substitute Auction Agent Agreement" means an auction agent agreement acceptable to the Bond Insurer containing terms substantially similar to the terms of the Initial Auction Agent Agreement or such other form which conforms to industry standards at the time such Auction Agent Agreement is entered into whereby a Person having the qualifications required by the Indenture agrees with the Trustee to perform the duties of the Auction Agent set forth therein with respect to the 2006 Bonds.

"Sufficient Clearing Bids" has the meaning provided in the Auction Procedures.

"Tender Agent" means that Person appointed pursuant to Section 501 hereof to perform those functions with respect to the 2006 Bonds, other than ARS, related to the registration of transfers and exchanges, tenders, redemptions, notices and purchases thereof and payments thereon prior to the commencement of a Fixed Rate Period.

"Tender Notice" means the notice from a 2006 Bondholder to the Tender Agent of an Optional Tender Date in accordance with the provisions set forth in this Fourth Supplement to the Amended and Restated Indenture.

"Tender Price" means with respect to each Tendered Bond, 100% of the principal amount of any such Tendered Bond plus, if an Optional Tender Date is not an Interest Payment Date, interest accrued and unpaid thereon to, but not including, the Optional Tender Date with respect to such 2006 Bond.

"Tendered Bonds" means Optionally Tendered Bonds and Mandatorily Tendered Bonds.

"Term Rate Period" means any Variable Rate Period from and commencing on the fifteenth (15th) day of a calendar month (or the next succeeding Business Day if the fifteenth is not a Business Day) to but not including the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of the twelfth (or any integral multiple of 12) succeeding calendar month.

"Underwriter" means RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets, and its successors and assigns.

"Variable Rate" means, with respect to the then effective Variable Rate Period, the lowest interest rate which, in the judgment of the Remarketing Agent, would enable the 2006 Bonds to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the Variable Rate Adjustment Date with respect thereto (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in this Fourth Supplement to the Amended and Restated Indenture).

"Variable Rate Adjustment Date" means the first day of each Variable Rate Period.

"Variable Rate Conversion Date" means a date on which the 2006 Bonds begin to bear interest at a Variable Rate for (i) a particular Variable Rate Period which is of a different type than the preceding Variable Rate Period, (ii) a Term Rate Period which is of a different length than the preceding Term Rate Period except when shorter by reason of the Maturity Date or (iii) any Variable Rate Period which succeeds a Flexible Rate Period.

"Variable Rate Period" means each Daily Rate Period, Weekly Rate Period and Term Rate Period.

"Weekly Rate Period" means any Variable Rate Period from and commencing on Thursday of any calendar week and including and ending on the Wednesday of the next calendar week; provided, however, that any Weekly Rate Period which does not follow another Weekly Rate Period shall commence on the Variable Rate Conversion Date with respect thereto and end on the first or second Wednesday thereafter, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and any Weekly Rate Period which is not followed by another Weekly Rate Period shall commence on the last or second to last Thursday of a calendar month, at the discretion of the Remarketing Agent in order to most efficiently effect the Conversion, and end on the day preceding the final Interest Payment Date for such Weekly Rate Period.

ARTICLE II ISSUANCE OF AND INTEREST ON THE 2006 BONDS

Section 201. ISSUANCE OF BONDS

- (a) The 2006 Bonds shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006" (with appropriate designation, if any, reflecting the then-current Interest Rate Period) and shall be issued in the aggregate principal amount of \$89,950,000. The 2006 Bonds shall be issuable as fully registered Bonds in Authorized Denominations. Unless the Authority shall otherwise direct, the 2006 Bonds shall be numbered consecutively from R-1 upward. Interest on the 2006 Bonds shall be payable on each Interest Payment Date. Each Bond shall be dated as of the most recent Interest Payment Date to which interest has been duly paid or provided for next preceding its date of issue, unless issued on an Interest Payment Date on which interest has been paid or provided for, in which event it shall be dated as of such Interest Payment Date or, if issued prior to the first Interest Payment Date on which interest is paid, it shall be dated the date of initial issuance of the 2006 Bonds.
 - (b) The 2006 Bonds shall mature on June 15, 2020.
- (c) While the 2006 Bonds are ARS and except as otherwise specifically provided herein, the provisions of Article IIA shall govern the interest rates per annum of the 2006 Bonds and the payment terms of the 2006 Bonds. Except when the 2006 Bonds are ARS, the 2006 Bonds shall bear interest from and including the Interest Payment Date next preceding the relevant Conversion Date, unless such Conversion Date shall be an Interest Payment Date to which interest on the 2006 Bonds has been paid in full or duly provided for, in which case they shall bear interest from and including such Conversion Date. Interest during a Flexible Rate Period shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed. Interest during a Variable Rate Period shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed except during a Term Rate Period and during a Fixed Rate Period interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

- (d) By acceptance of any 2006 Bond, the registered owner thereof shall be deemed to have agreed, during a Flexible Rate Period, to the Flexible Rate, Interest Period and Repurchase Date then applicable thereto and to have further agreed to sell such Bond to the Tender Agent on the Repurchase Date applicable thereto at the Repurchase Price. Such registered owner by such acceptance shall be deemed to have acknowledged that if funds for such purchase are on deposit with the Trustee or the Tender Agent on such Repurchase Date, such registered owner shall have no rights under the Indenture other than to receive the Repurchase Price and such Bonds shall no longer be considered to be Outstanding Bonds (pursuant to paragraph (e) of the definition of such term in Section 103 hereof) for purposes of this Fourth Supplement to the Amended and Restated Indenture.
- (e) The principal of and premium, if any, on any 2006 Bonds shall be payable at the Principal Office of the Trustee, upon presentation and surrender of such 2006 Bonds, which presentation and surrender can be made at the Principal Office of the Tender Agent. Payment of principal of any 2006 Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2006 Bonds by wire transfer to such owner on the principal payment date for said 2006 Bonds upon written notice from such owner containing the wire transfer address within the continental United States to which such owner wishes to have such wire directed, which written notice is received not later than the tenth (10th) day next preceding the principal payment or maturity date applicable to such 2006 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2006 Bonds at the Principal Office of the Trustee or Tender Agent, as applicable, on the principal payment date. Any payment of the purchase price of a Tendered Bond shall be payable at the Principal Office of the Tender Agent, upon presentation and surrender of such Bond, as provided in Article V hereof.
- Interest payments on a 2006 Bond (other than with respect to defaulted (f) interest) shall be made to the registered owner thereof appearing on the Bond Register as of the close of business of the Bond Registrar on the Record Date; provided, however, that during a Flexible Rate Period such payments shall be payable only upon presentation and surrender of such Bond to the Tender Agent. Interest on the 2006 Bonds shall, except as hereinafter provided, be paid: (i) during a Flexible or Variable Rate Period or an ARS Interest Rate Period, by check or draft of the Tender Agent (or the Trustee in the case of ARS) mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the Bond Register or at such other address furnished in writing by such registered owner to the Tender Agent (or the Trustee in the case of ARS), (ii) during a Flexible or Variable Rate Period or an ARS Interest Rate Period, by wire transfer sent on the Interest Payment Date to the registered owner upon written notice to the Tender Agent (or the Trustee in the case of ARS) from the registered owner containing the wire transfer address (which shall be in the continental United States) to which the registered owner wishes to have such wire directed which written notice is received not later than the Business Day prior to the first Interest Payment Date to which it relates, it being understood that such notice may refer to multiple interest payments; (iii) on or prior to the Fixed Rate Conversion Date, in such other fashion as is agreed upon between the registered owner and the Tender Agent (or the Trustee in the case of ARS), including, without limitation, by wire transfer upon such prior notice as may be satisfactory to the Tender Agent (or the Trustee in the case of ARS)or (iv) after the Fixed Rate Conversion Date, by check or draft of the Trustee mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the Bond Register in accordance with the provisions of Section 2.03 of the Amended and Restated Indenture.
- (g) During any Variable Rate Period other than a Term Rate Period, the Trustee agrees to provide through the Tender Agent upon request to the Tender Agent by any Bondholder

an oral statement as to the Variable Rates in effect since the most recent preceding Interest Payment Date and to mail on each Interest Payment Date occurring during a Variable Rate Period to each Bondholder written notice of the Variable Rates in effect since the last preceding Interest Payment Date.

(h) The 2006 Bonds shall be substantially in the form hereinafter set forth with such appropriate variations, omissions and insertions as are permitted or required by the Indenture or deemed necessary by the Trustee and the Authority. On each date on which the Trustee or the Tender Agent authenticates and delivers 2006 Bonds during a Flexible Rate Period applicable to such 2006 Bonds as provided in Section 204 hereof, the Trustee or the Tender Agent shall complete the information required in the form of 2006 Bond attached as Exhibit A hereto for the purpose of maintaining an accurate record of the terms and provisions of the Interest Period then applicable to such 2006 Bond. During the period the 2006 Bonds are maintained in book-entry form pursuant to Section 207 hereof, the Trustee may instead maintain such information on its books and records and make the same available electronically to DTC.

Section 202. INITIAL INTEREST RATES; SUBSEQUENT RATES; RATE PERIODS

The 2006 Bonds shall bear interest from the date of original issuance at the rate the Underwriter determines is necessary to sell the 2006 Bonds at par, prior to the date of delivery. The 2006 Bonds shall initially be issued as ARS and the 2006 Bonds will be payable on the initial ARS Interest Payment Date and thereafter on the day following the end of each Auction Period. While the 2006 Bonds are ARS and except as otherwise specifically provided herein, the provisions of Article IIA shall govern the interest rates per annum of the 2006 Bonds and the payment terms of the 2006 Bonds.

Limits on Interest Periods and Rates. No Interest Period shall be established during a Flexible Rate Period and no Variable Rate Period shall be established which would cause the Interest Coverage Period of the Liquidity Facility to be less than the requirements of Section 310(h) hereof. No interest rate on a 2006 Bond shall be established during a Variable Rate Period which exceeds the Interest Coverage Rate. No Interest Period or Flexible Rate shall be established during a Flexible Rate Period which would cause the aggregate amount of all interest which could accrue on the 2006 Bonds bearing interest at the Flexible Rate during such Flexible Rate Period to exceed the Interest Component allocable to such Bonds. In addition, no Flexible Rate shall be established which exceeds the applicable Interest Coverage Rate and no Interest Period shall be established during a Flexible Rate Period which exceeds 270 days. During each Variable Rate Period, the 2006 Bonds shall bear interest at the lesser of (1) the Interest Coverage Rate or (ii) the Variable Rate. During the Fixed Rate Period, the 2006 Bonds shall bear interest at a Fixed Rate.

<u>Bank Bonds</u>. Notwithstanding anything herein to the contrary, Bank Bonds shall bear interest at the Bank Rate determined in accordance with the provisions of the Liquidity Facility and not the Variable Rate or Flexible Rate that would otherwise be applicable to such 2006 Bonds were they not Bank Bonds.

<u>Conversions</u>. With the consent of the Bond Insurer, the Authority may elect to convert the 2006 Bonds to interest rate modes other than ARS as provided in Sections 203, 204 and 205 hereof. Upon such conversion, the 2006 Bonds may accrue interest at such interest rate modes as provided in this Fourth Supplement to the Amended and Restated Indenture. Following conversion from ARS, the 2006 Bonds may once again be converted to the Applicable ARS Rate as provided in Section 2A11 hereof. In order to effect such conversion, the Authority shall provide written direction to the Trustee, the Tender Agent (if any), the Auction Agent (if any), the Remarketing Agent (if any)

and each Broker-Dealer (if any) of its election to convert the 2006 Bonds to another interest rate mode and comply with the notice, mandatory tender and other provisions set forth in this Fourth Supplement to the Amended and Restated Indenture. In connection with any conversion to or from a Variable Rate Period or a Flexible Rate Period or a conversion to a Fixed Rate Period, in addition to the other conditions to conversion set forth in this Fourth Supplement to the Amended and Restated Indenture, the Trustee must have received written evidence from each Rating Agency then maintaining a rating on the 2006 Bonds that such rating will not be reduced or withdrawn due to such conversion (other than a withdrawal of a short term rating upon a remarketing into a Fixed Rate Period) and the Remarketing Agent (if any) shall have received firm commitments for the purchase of all 2006 Bonds being converted to bear interest in such new rate period on or before such Conversion Date.

Section 203. VARIABLE RATES; CONVERSIONS TO VARIABLE RATE PERIODS

- (a) <u>Determination by Remarketing Agent: Notice of Rates Determined.</u> Except as hereinafter provided, the Variable Rate to be applicable to the 2006 Bonds during any Variable Rate Period shall be determined by the Remarketing Agent and notice thereof shall be given as follows:
 - (i) Notice of each Variable Rate shall be: (A) given by Immediate Notice by the Remarketing Agent to the Tender Agent not later than 12:00 noon, New York City time, on the date of determination for each Daily and Weekly Rate Period and not later than 12:00 noon New York City time, on the Business Day immediately succeeding the date of determination for each Term Rate Period; (B) given by Immediate Notice not later than 5:00 p.m., New York City time for each Daily and Weekly Rate Period, in each case on the date of determination, and by 12:00 noon, New York City time, on the Business Day immediately succeeding the date of determination for each Term Rate Period, by the Tender Agent to the Trustee and the Authority, and, during Term Rate Periods, by first class mail postage prepaid on the third Business Day immediately succeeding the date of determination by the Tender Agent to the holders of the 2006 Bonds; and (C) available commencing on the Business Day immediately succeeding the date of determination during Daily and Weekly Rate Periods by telephone from the Tender Agent upon request of any owner of a 2006 Bond.
 - (ii) If the Remarketing Agent fails for any reason to determine or notify the Tender Agent of the Variable Rate for any Variable Rate Period when required hereunder:
 - (A) for 2006 Bonds in a Daily Rate Period or Weekly Rate Period, the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc. (or a replacement publisher of the BMA Municipal Swap Index designated in writing by the Authority to the Trustee and the Remarketing Agent; provided that if Munifacts Wire System, Inc. or such replacement publisher does not publish the BMA Municipal Swap Index on a day on which a Variable Rate is to be set, the Variable Rate shall be 135% of a comparable index selected by the Authority published by Munifacts Wire System, Inc. or such replacement publisher at such time (such alternate index being referred to herein as a "Alternate Index")) until the Remarketing Agent next determines the Variable Rate as required hereunder;

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- (B) for 2006 Bonds in a Term Rate Period with a duration of one year or less, such 2006 Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc. (or an Alternate Index) until the Remarketing Agent next determines the Variable Rate as required hereunder; and
- (C) for 2006 Bonds in a Term Rate Period with a duration in excess of one year, such 2006 Bonds shall automatically convert to a Term Rate Period of two years and the Variable Rate for such Rate Period shall be equal to the sum of (i) the yield on 2 year "A" rated general obligation bonds as published by Municipal Market Data (or any successor entity) on the first Business Day preceding the Variable Rate Adjustment Date plus (ii) 5 basis points unless the Authority has filed with the Trustee and the Tender Agent a Favorable Opinion acceptable to the Trustee (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) with respect to the conversion of the 2006 Bonds to Variable Rates for Weekly Rate Periods, in which case the 2006 Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System (or an Alternate Index) until the Remarketing Agent next determines the Variable Rate as required hereunder.
- (iii) All determinations of Variable Rates pursuant to this Section shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, the Bank and the holders of the 2006 Bonds to which such rates are applicable. Failure by the Trustee or the Tender Agent to give any notice as herein provided, any defect therein, and any failure by any 2006 Bondholder to receive any such notice (including without limitation any Immediate Notice) shall not extend the period for making elections, in any way change the rights of the owners of 2006 Bonds to elect to have such 2006 Bonds purchased, in any way change the conditions which must be satisfied in order for such election to be effective or for payment of the purchase price to be made after an effective election or in any way change such owner's obligation to tender the 2006 Bonds for purchase.
- (b) <u>Daily Rates and Weekly Rates</u>. A Variable Rate shall be determined by the Remarketing Agent (i) for each Daily Rate Period not later than 10:30 a.m., New York City time, on the commencement date of the Daily Rate Period to which it relates and (ii) for each Weekly Rate Period not later than 10:00 a.m., New York City time, on the commencement date of the Weekly Rate Period to which it relates (or the preceding Business Day if such day is not a Business Day).
- (c) <u>Term Rates</u>. A Variable Rate shall be determined by the Remarketing Agent for each Term Rate Period not later than 12:00 noon, New York City time, on the Business Day immediately preceding the commencement date of such period.
- (d) <u>Conversions to Variable Rate Periods</u>. At the option of the Authority, and with the consent of the Bond Insurer, the 2006 Bonds may be converted from an ARS Interest Rate Period to a Variable Rate Period as follows:
 - (i) The Variable Rate Conversion Date shall be an ARS Interest Payment Date.

(ii) The Authority shall give written notice of any such conversion to the Remarketing Agent, the Trustee, the Tender Agent, the Auction Agent, the Bond Insurer, each Broker-Dealer and the Bank not less than seven (7) Business Days prior to the date on which the Tender Agent is required to notify the Bondholders of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Variable Rate Conversion Date and the Variable Rate Period (and the length of any Term Rate Period) to which the conversion will be made.

As a precondition to effecting a conversion to a Variable Rate Period, on or before the Variable Rate Conversion Date, a Favorable Opinion shall be delivered to the Authority, the Trustee and the Tender Agent.

- (iii) Not less than thirty (30) days prior to the Variable Rate Conversion Date, the Tender Agent shall mail a written notice of the conversion to the holders of all 2006 Bonds to be converted. Such notice shall specify the Variable Rate Conversion Date and set forth the matters required to be stated pursuant to Section 303 hereof with respect to purchases of 2006 Bonds governed by such Section.
- (iv) The Variable Rate for the Variable Rate Period commencing on the Variable Rate Conversion Date shall be determined by the Remarketing Agent in the manner provided above on the date set forth above applicable to the Variable Rate Period to which the conversion shall be made. Notice of such Variable Rates shall be given or made available on the dates and to the parties specified above in the manner provided above applicable to the Variable Rate Period to which the conversion shall be made.
- (e) <u>Conversions between Variable Rate Periods</u>. At the option of the Authority, and with the consent of the Bond Insurer, if any, the 2006 Bonds may be converted from one Variable Rate Period to another and from a Term Rate Period of one length to a Term Rate Period of a different length as follows:
 - (i) In any such case, the Variable Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that if the conversion is from a Term Rate Period to a different Variable Rate Period or a Term Rate Period of a different length, the Variable Rate Conversion Date shall be limited to a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced.
 - (ii) The Authority shall give written notice of any such conversion to the Remarketing Agent, the Trustee, the Tender Agent, the Bond Insurer, if any, each Broker-Dealer, if any, and the Bank not less than seven (7) Business Days prior to the date on which the Tender Agent is required to notify the Bondholders of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Variable Rate Conversion Date and the Variable Rate Period (and the length of any Term Rate Period) to which the conversion will be made.

As a precondition to effecting a change to a different Variable Rate Period or to a Term Rate Period of a different length, on or before the Variable Rate Conversion Date, a Favorable Opinion shall be delivered to the Authority, the Trustee and the Tender Agent. Notwithstanding the foregoing, such Favorable Opinion shall not be required to be delivered in either case with respect to (i) a conversion to a Daily Rate Period or Weekly Rate Period

or to a Term Rate Period with a duration of one year if the immediately preceding Period was a Daily Rate Period or Weekly Rate Period or a Term Rate Period with a duration of one year or (ii) a conversion to a Term Rate Period with a duration of more than one year if the immediately preceding Variable Rate Period was a Term Rate Period with a duration of more than one year.

- Not less than thirty (30) days prior to the Variable Rate Conversion Date if converting to a Daily or Weekly Rate Period or any other Variable Rate Period, the Tender Agent shall mail a written notice of the conversion to the holders of all 2006 Bonds to be converted. Such notice shall specify the Variable Rate Conversion Date and set forth the matters required to be stated pursuant to Section 303 hereof with respect to purchases of 2006 Bonds governed by such Section.
- The Variable Rate for the Variable Rate Period commencing on the Variable Rate Conversion Date shall be determined by the Remarketing Agent in the manner provided above on the date set forth above applicable to the Variable Rate Period to which the conversion shall be made. Notice of such Variable Rates shall be given or made available on the dates and to the parties specified above in the manner provided above applicable to the Variable Rate Period to which the conversion shall be made.
- Conversions from Flexible Rate Periods. At the option of the Authority, and with the consent of the Bond Insurer, if any, the 2006 Bonds may be converted from a Flexible Rate Period to a Variable Rate Period as follows:
 - The Variable Rate Conversion Date shall be the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Periods theretofore established for the 2006 Bonds to be converted.
 - (ii) The Authority shall give written notice of any such conversion to the Remarketing Agent, the Trustee, the Tender Agent, the Auction Agent, if any, the Bond Insurer, if any, each Broker-Dealer, if any, and the Bank not less than seven (7) Business Days prior to the date on which the Tender Agent is required to notify the Bondholders of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the ARS Rate Conversion Date and the ARS Interest Rate Period or the Variable Rate Conversion Date and the Variable Rate Period (and the length of any Term Rate Period) to which the conversion will be made. In addition, on or before the ARS Rate Conversion Date or the Variable Rate Conversion Date, the Authority shall cause to be filed with the Authority, the Trustee and the Tender Agent a Favorable Opinion. Notwithstanding the provisions of the preceding sentence, such Favorable Opinion shall not be required to be delivered with respect to a conversion to a Daily Rate Period, a Weekly Rate Period or to a Term Rate Period with a duration of one year.
 - Not less than fourteen (14) days prior to the Variable Rate Conversion Date if converting to a Daily or Weekly Rate Period and not less than thirty (30) days prior to the Variable Rate Conversion Date if converting to any other Variable Rate Period, the Tender Agent shall mail a written notice of the conversion to all holders of the 2006 Bonds to be converted; provided, however, that the Tender Agent shall not mail such written notice until it has received a written confirmation from the Remarketing Agent, if any, that no Interest Period for the 2006 Bonds extends beyond the Variable Rate Conversion Date. Such notice shall specify the Variable Rate Conversion Date and

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set forth the matters required to be stated pursuant to Section 303 hereof with respect to purchases of Bonds governed by such Section.

(iv) The Variable Rate for the Variable Rate Period commencing on the Variable Rate Conversion Date shall be determined by the Remarketing Agent in the manner provided above on the date set forth above applicable to the Variable Rate Period to which the conversion shall be made. Notice of such Variable Rates shall be given or made available on the dates and to the parties specified above in the manner provided above applicable to the Variable Rate Period to which the conversion shall be made.

Section 204. FLEXIBLE RATES; CONVERSIONS TO FLEXIBLE RATE PERIODS

- (a) <u>Flexible Rates</u>. A Flexible Rate for each Interest Period shall be determined as follows:
 - (i) The Interest Periods for each 2006 Bond shall be of such duration, not exceeding 270 days, as may be offered by the Remarketing Agent and specified by the purchaser pursuant to Section 302 or 303 hereof.
 - (ii) The Flexible Rate for each Interest Period shall be effective from and including the commencement date of such period through and including the last day thereof. Each such Flexible Rate shall be determined by the Remarketing Agent in connection with the sale of the 2006 Bond or 2006 Bonds to which it relates pursuant to Section 302 or 303 hereof.
 - (iii) If the Remarketing Agent fails for any reason to determine or notify the Tender Agent of the Interest Period or Flexible Rate when required hereunder, the Interest Period shall be of the shortest permitted duration and the Flexible Rate shall be equal to the 135% of the BMA Municipal Swap Index in effect on the first day of such Interest Period.
 - (iv) All determinations of Flexible Rates and Interest Periods pursuant to this Section shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, the Bank and the holders of the 2006 Bonds to which such rates and periods are applicable.
- (b) <u>Conversions to Flexible Rate Periods</u>. At the option of Authority, and with the consent of the Bond Insurer, if any, the 2006 Bonds may be converted from an ARS Interest Rate Period or a Variable Rate Period to a Flexible Rate Period as follows:
 - (i) In the case of conversion from an ARS Interest Rate Period to a Flexible Rate Period, the Flexible Rate Conversion Date shall be an ARS Interest Payment Date. In the case of conversion from a Variable Rate Period to a Flexible Rate Period, the Flexible Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that in the case of a conversion from a Term Rate Period, the Flexible Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced.

- (ii) The Authority shall give written notice of any such conversion to the Trustee, the Tender Agent, the Remarketing Agent, the Auction Agent, if any, the Bond Insurer, if any, each Broker-Dealer, if any, and the Bank not less than seven (7) Business Days prior to the date on which the Tender Agent is required to notify the Bondholders of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Flexible Rate Conversion Date. In addition, on or before the Flexible Rate Conversion Date, the Authority shall cause to be filed with the Authority, the Trustee and the Tender Agent a Favorable Opinion. Notwithstanding the provisions of the preceding sentence, such opinion shall not be required to be delivered with respect to a conversion from a Daily Rate Period or Weekly Rate Period or from a Term Rate Period with a duration of one year or less.
- (iii) Not less than thirty (30) days prior to the Flexible Rate Conversion Date in the case of conversions from ARS Interest Rate Periods, conversions from Daily or Weekly Rate Periods, and in all other cases, the Tender Agent shall mail a written notice of the conversion to all holders of the 2006 Bonds to be converted, specifying the Flexible Rate Conversion Date and setting forth the matters required to be stated pursuant to Section 303 hereof with respect to purchases of 2006 Bonds governed by such Section.

Section 205. FIXED RATE CONVERSION AT OPTION OF THE AUTHORITY

At the option of the Authority, and with the consent of the Bond Insurer, the 2006 Bonds bearing interest at an Applicable ARS Rate, a Variable Rate, or Flexible Rates may be converted to bear interest at the Fixed Rate as hereinafter provided. Any such conversion shall be made as follows:

- (a) The Fixed Rate Conversion Date shall be: (i) in the case of a conversion from an Applicable ARS Rate, an ARS Interest Payment Date; (ii) in the case of a conversion from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; (iii) in the case of a conversion from a Term Rate Period, a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced; or (iv) in the case of a conversion from a Flexible Rate Period, a day which is the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the 2006 Bonds to be converted.
- (b) Not less than seven (7) Business Days prior to the date on which the Tender Agent or the Trustee is required to notify the Bondholders of the conversion pursuant to paragraph (c) below, the Authority shall give written notice of the conversion to the Trustee, the Tender Agent, if any, the Remarketing Agent, if any, the Auction Agent, if any, the Bond Insurer, if any, each Broker-Dealer, if any, and the Bank, if any, setting forth the Proposed Fixed Rate Conversion Date. In addition, on or before the Fixed Rate Conversion Date, the Authority shall cause to be filed with the Authority, the Trustee and the Tender Agent, if any, a Favorable Opinion with respect to the conversion of the 2006 Bonds to the Fixed Rate.
- (c) In the event of a conversion from an ARS Interest Rate Period or a Variable Rate Period or a Flexible Rate Period, the Tender Agent shall mail a notice of the proposed conversion to the holders of all 2006 Bonds to be converted not less than thirty (30) days prior to the Proposed Fixed Rate Conversion Date and shall inform the Bondholders of: (i) the Proposed Fixed

Rate Conversion Date; and (ii) the matters required to be stated pursuant to Section 304 hereof with respect to purchases of 2006 Bonds governed by such Section.

- (d) Not later than 12:00 noon, New York City time, on the Business Day prior to the Fixed Rate Conversion Date, the Remarketing Agent shall deliver to the Trustee and the Authority a certificate, approved by the Authority, which includes (i) a schedule specifying the principal amount of Bonds to mature on the first June 15 occurring after the Fixed Rate Conversion Date and on each June 15 thereafter to and including the June 15th occurring on or after the fifth anniversary of the Fixed Rate Conversion Date, (ii) a schedule specifying the principal amount of Bonds to be called for mandatory redemption on each June 15 occurring after the last June 15 specified pursuant to (i), but prior to June 15, 2020, (iii) the principal amount of 2006 Bonds to mature on June 15, 2020, (iv) the Fixed Rate to be applicable to each maturity of the 2006 Bonds and (v) a schedule specifying the interest to be paid on each Interest Payment Date of each year, commencing with the first Interest Payment Date to occur after the Fixed Rate Conversion Date, to and including June 15, 2020. In determining the amount of interest and principal that shall be payable on such dates, the Remarketing Agent shall use the following guidelines:
 - (i) The Fixed Rate(s) established for the 2006 Bonds to be effective on the Fixed Rate Conversion Date shall be set forth in an underwriting or purchase contract and shall equal the minimum interest rate(s) necessary to remarket such 2006 Bonds on the Fixed Rate Conversion Date at an aggregate purchase price of 100% of the principal amount thereof taking into account the fact that such 2006 Bond shall mature or be subject to mandatory sinking fund redemption on a particular June 15 up to and including June 15, 2020 in accordance with (d) above, that all 2006 Bonds shall pay interest semiannually on each Interest Payment Date of each year, that all 2006 Bonds maturing on a particular June 15 shall bear interest at the same rate;
 - (ii) The schedule of principal payments shall be set to achieve annual level debt service (including both principal and interest) for all remaining Bond Years or portions thereof and to the extent such annual level debt service cannot be exactly achieved with principal maturing in \$5,000 denominations or integral multiples thereof, such annual level debt service shall be achieved by rounding down all maturing principal amounts to the next \$5,000 denomination or integral multiple thereof and rounding up the last principal payment.

The determination of the Fixed Rate(s) shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, if any, the Bank, if any, the Bond Insurer and the holders of the 2006 Bonds to which such rate(s) 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 and the Authority of such rate(s) by telephone. Not later than 5:00 p.m., New York City time, on the next succeeding Business Day, the Trustee shall give Immediate Notice of such rate(s) to the Tender Agent, if any, and the Bank, if any, and the Bond Insurer.

- (e) The Authority may revoke its election to effect a conversion of the interest rate on the 2006 Bonds to the Fixed Rate by giving written notice of such revocation to the Trustee, the Tender Agent, if any, the Remarketing Agent, if any, the Bank, if any, and the Bond Insurer at any time prior to the setting of the Fixed Rate by the Remarketing Agent.
- (f) It shall be a condition to effecting a conversion to the Fixed Rate that all of the Bonds shall be successfully remarketed.

Section 206. CERTAIN CHANGES IN TERM RATE PERIOD NOT A CONVERSION

In the event that a Term Rate Period is shorter than the immediately preceding Term Rate Period due to the occurrence of the Maturity Date of the 2006 Bonds, such difference in length of the last Term Rate Period shall not be considered to cause a Variable Rate Conversion Date to occur and the conditions required by Section 203 to convert from a Term Rate Period of one length to a Term Rate Period of a different length shall not be required to be satisfied.

Section 207. BOOK ENTRY SYSTEM

- (a) It is intended that the Bonds be registered so as to participate in a securities depository system with DTC (the "DTC System"), as set forth herein. Except as provided in subparagraph (c) of this Section, the registered owner of all of the 2006 Bonds shall be DTC and the 2006 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest on any Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of immediately available funds to the account of Cede & Co. on the Interest Payment Date for the 2006 Bonds at the address indicated on the Record Date or Special Record Date for Cede & Co. in the Bond Register kept by the Trustee.
- The 2006 Bonds shall be initially issued in the form of separate single fully registered 2006 Bonds, authenticated by the Trustee in the amount of each separately stated maturity of the 2006 Bonds. Upon initial issuance, the ownership of such 2006 Bonds shall be registered in the registry books of the Authority kept by the Trustee in the name of Cede & Co., as nominee of DTC. The Trustee and the Authority shall treat DTC (or its nominee) as the sole and exclusive owner of the 2006 Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the 2006 Bonds, selecting the 2006 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Fourth Supplement to the Amended and Restated Indenture, registering the transfer of 2006 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Tender Agent nor the Authority shall be affected by any notice to the contrary. Neither the Trustee, the Tender Agent nor the Authority shall have any responsibility or obligation to any DTC participant, any person claiming a beneficial ownership interest in the 2006 Bonds under or through DTC or any DTC participant, or any other Person which is not shown on the registration books of the Trustee as being a Bondholder, with respect to: (i) the accuracy of any records maintained by DTC or any DTC participant; (ii) the payment of DTC or any DTC participant of any amount in respect of the principal, purchase price or redemption price of or interest on the 2006 Bonds; (iii) any notice which is permitted or required to be given to Bondholders under the Indenture; (iv) the selection by DTC or any DTC participant of any Person to receive payment in the event of a partial redemption of the 2006 Bonds; or (v) any consent given or other action taken by DTC as Bondholder. The Trustee shall pay all principal or purchase price of and premium, if any, and interest on the 2006 Bonds only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the Commonwealth of Pennsylvania) DTC and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the principal of or purchase price and premium, if any, and interest on the 2006 Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated Bond for each separately stated maturity of the respective series evidencing the obligation of the Authority to make payments of principal of and premium, if any, and interest pursuant to this Fourth Supplement to the Amended and Restated Indenture: Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined-to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word

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"Cede & Co." in this Fourth Supplement to the Amended and Restated Indenture shall be deemed to be changed to reflect such new nominee of DTC.

- In the event the Authority determines that it is in its best interest to discontinue the use of book entry system for the 2006 Bonds, the Authority may notify in writing DTC and the Trustee, whereupon DTC will notify the DTC participants of the availability through DTC of Bond certificates. In such event, the Trustee shall deliver, transfer and exchange Bond certificates as directed in writing by DTC as the Bondholder in appropriate amounts. DTC may determine to discontinue providing its services with respect to the 2006 Bonds at any time by giving written notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Authority and the Trustee, at the sole cost of the Authority, shall be obligated to deliver Bond certificates as directed in writing by DTC. In the event Bond certificates are issued, the provisions of the Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the 2006 Bonds to any DTC participant having 2006 Bonds credited to its DTC account, or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the 2006 Bonds.
- (d) Notwithstanding any other provision of this Fourth Supplement to the Amended and Restated Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or purchase price of and premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.
- (e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC as sole Bondholder notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.
- (f) Anything herein to the contrary notwithstanding, so long as any 2006 Bonds are registered in the name of DTC or any nominee thereof, in connection with any optional tender of such 2006 Bonds, the beneficial owners of such 2006 Bonds are responsible for submitting the bondholder tender notice provided for in Section 301 to the Remarketing Agent.
- (g) Upon remarketing of 2006 Bonds in accordance with Article III, payment of the purchase price thereof shall be made to DTC and no surrender of certificates is expected to be required. Such sale shall be made through DTC participants (which may include the Remarketing Agent) and the new beneficial owners of such 2006 Bonds shall not receive delivery of Bond certificates. DTC shall transmit payment to DTC participants, and DTC participants shall transmit payment to beneficial owners whose 2006 Bonds were purchased pursuant to remarketing. Neither the Authority, the Trustee, the Tender Agent nor the Remarketing Agent shall be responsible for transfers of payment to DTC participants or beneficial owners.
- (h) The provisions of this Section are subject to the provisions of this Fourth Supplement to the Amended and Restated Indenture relating to Bank Bonds.

Section 208. DELIVERY OF THE 2006 BONDS AND DISPOSITION OF PROCEEDS THEREOF.

- (a) Upon the execution and delivery of this Fourth Supplement, to the Amended and Restated Indenture, the Authority shall execute and deliver the 2006 Bonds to the Trustee and the Trustee shall authenticate the 2006 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 2006 Bonds. Proceeds from the sale of the 2006 Bonds, together with other available funds, shall be received by the Trustee and deposited in the Settlement Fund and shall then be disbursed and transferred from the Settlement Fund as follows:
 - (1) To or upon the order of the Authority, the amount specified by the Authority at or after the closing for the issuance of the 2006 Bonds as the costs of issuance of the 2006 Bonds (including, without limitation, fees and expenses of bond counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 2006 Bonds, fees payable to Bond Insurer with respect to the 2006 Bonds, printing costs payable by the Authority and rating agency fees, and premium payments for the Bond Insurance Policy).
 - (2) To the Trustee, to be deposited in the 1996 Bonds account of the Bond Redemption Fund, an amount equal to \$89,960,000, which will be applied to the redemption of all Outstanding 1996 Bonds called for redemption on June 15, 2006.

Any amount remaining in the Settlement Fund after the foregoing disbursements and transfers shall be disbursed or transferred by the Trustee to the Debt Service Fund in respect of the 2006 Bonds.

(b) Pursuant to Section 5.07 of the Amended and Restated Indenture, as supplemented and amended by, among others, Section 4.03 of the Second Supplement to the Amended and Restated Indenture, the Trustee is hereby instructed to transfer funds in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement for all Outstanding Bonds, taking into account the redemption of the 1996 Bonds and the issuance and delivery of the 2006 Bonds, to the Redemption Fund for application to the redemption price of the 1996 Bonds.

ARTICLE IIA ARS PROVISIONS

Section 2A01. PAYMENTS WITH RESPECT TO ARS.

- (a) Interest with respect to ARS shall accrue from and including, as applicable, the Closing Date, the Conversion Date or the most recent ARS Interest Payment Date to which interest has been paid or duly provided for.
- (b) The Trustee shall determine the aggregate amount of interest payable in accordance with subsection (e) below with respect to ARS on each ARS Interest Payment Date. Interest due on any ARS Interest Payment Date with respect to each \$25,000 in principal amount of ARS shall equal (i) the Applicable ARS Rate multiplied by (ii) the principal amount of \$25,000 multiplied by (iii) the number of days in the applicable ARS Interest Period, divided by (iv) 360, and rounding the resultant figure to the nearest cent (a half cent being rounded upward). The Trustee shall notify the Securities Depository of its calculations, as provided in

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Section 2A03(b) hereof.

(c) Interest on the ARS shall be computed on the basis of a 360-day year for the actual number of days elapsed. The Applicable ARS Rate for each ARS Interest Period after the first ARS Interest Period shall be the Auction Rate; provided that in the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period (except as contemplated otherwise herein pursuant to (x), (y) and (z) below), the new Auction Period shall be the same as the preceding Auction Period and the Auction Rate for the new Auction Period shall be the same as the Auction Rate for the preceding Auction Period.

Notwithstanding the foregoing:

- (x) if the ownership of the ARS is no longer maintained in book-entry form by a Securities Depository, the Applicable ARS Rate for any ARS Interest Period commencing after the delivery of certificates representing the ARS pursuant to Section 207(c) hereof shall equal the ARS Maximum Rate; or
- (y) if an ARS Payment Default shall have occurred with respect to the ARS, the Applicable ARS Rate for the ARS Interest Period commencing on or immediately after such ARS Payment Default and for each ARS Interest Period thereafter, to and including the ARS Interest Period, if any, during which, or commencing less than two Business Days after, such ARS Payment Default is cured in accordance with this Indenture, shall equal the Non Payment Rate on the first day of each such ARS Interest Period, provided that if an Auction occurred on the Business Day immediately preceding any such ARS Interest Period, the Applicable ARS Rate for such ARS Interest Period shall be the Non-Payment Rate.
- (z) for any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, no Auction will be held and the Auction Rate will be the ARS Maximum Rate.

(d) Medium of Payment.

- (i) The principal of and interest on the ARS shall be payable in any currency of the United States of America which on the respective dates for payment thereof is legal tender for the payment of public and private debts. The principal of and interest on the ARS (other than at maturity) shall be payable by check mailed on the date due to the registered owner thereof on the Record Date at the address of such registered owner as it appears on the registration books maintained by the Trustee.
- (ii) Interest payable on any ARS Interest Payment Date to a registered owner of ARS in the aggregate principal amount of \$1,000,000 or more may, upon written request by such registered owner received by the Trustee prior to the Record Date preceding such ARS Interest Payment Date, be paid by wire transfer on the date due to a designated account in the United States. Such written request shall remain in effect until rescinded in writing by such registered owner. The principal of each ARS at maturity will be paid upon presentation and surrender thereof at the Principal Office of the Trustee.

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- (iii) Unless otherwise requested by the Securities Depository, payments of the principal of ARS, at maturity or upon redemption, and payments of interest on ARS made by wire transfer, shall be made by the Trustee in immediately available funds, provided, however, that such method of payment may be modified by written agreement among the Trustee, the Securities Depository and the Auction Agent.
- (e) <u>Computation of Interest Distributable on ARS</u>. The amount of interest distributable to ARS Beneficial Owners, in respect of each \$25,000 in principal amount thereof for any ARS Interest Period or part thereof, shall be calculated by the Trustee by applying the Applicable ARS Rate with respect to the ARS, for such ARS Interest Period or part thereof, to the principal amount of \$25,000, multiplying such product by the actual number of days in such ARS Interest Period or part thereof divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upward).

(f) ARS Defaulted Interest.

- (i) The Trustee shall determine not later than 2:00 p.m., New York City time, on each ARS Interest Payment Date, whether an ARS Payment Default has occurred. If an ARS Payment Default has occurred, the Trustee shall, not later than 2:30 p.m. New York City time on such Business Day, send a notice of such ARS Payment Default to the Auction Agent and each Broker-Dealer by telecopy or similar means and, if such ARS Payment Default is cured, the Trustee shall immediately send a notice of such cure of the ARS Payment Default to the Auction Agent and each Broker-Dealer by telecopy or similar means.
- (ii) ARS Defaulted Interest shall forthwith cease to be payable to the ARS Beneficial Owner on the relevant Record Date by virtue of having been such ARS Beneficial Owner and such ARS Defaulted Interest shall be payable to the Person in whose name the ARS are registered at the close of business on a Special Record Date fixed therefor by the Trustee, which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of ARS Defaulted Interest. The Trustee shall promptly notify the Authority of the Special Record Date and, at the Authority's expense, mail to each ARS Beneficial Owner of ARS of which it has knowledge pursuant to Section 207(b), not less than ten days before the Special Record Date, notice of the date of the proposed payment of such ARS Defaulted Interest.

Section 2A02. CALCULATION OF ALL-HOLD RATE.

The Auction Agent shall calculate the All-Hold Rate on each Auction Date. If the ownership of the ARS is no longer maintained in book-entry form by the Securities Depository, the Auction Agent shall announce the ARS Maximum Rate on the Business Day immediately preceding each ARS Interest Payment Date after the delivery of certificates representing the ARS pursuant to Section 207(c) hereof. If an ARS Payment Default shall have occurred, the Trustee shall announce the Non-Payment Rate on the first day of (i) each ARS Interest Period commencing on or after the date of the occurrence and during the continuance of such ARS Payment Default and (ii) any ARS Interest Period commencing less than two Business Days after the cure of any ARS Payment Default. The determination by the Auction Agent of the All-Hold Rate shall (in the absence of manifest error) be final and binding upon all ARS Beneficial

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Owners and all other parties. The Auction Agent shall promptly advise the Trustee of the All-Hold Rate.

Section 2A03. NOTIFICATION OF RATES, AMOUNTS AND PAYMENT DATES.

- (a) So long as the ownership of the ARS is maintained in book-entry form by the Securities Depository, the Trustee shall advise the Securities Depository (i) of each Record Date for the ARS at least two Business Days prior thereto and (ii) of each succeeding Interest Payment Date on each Interest Payment Date.
- (b) On the Closing Date, or as soon as practicable thereafter, and on the Business Day preceding each ARS Interest Payment Date with respect to the ARS, the Trustee shall advise the Securities Depository, so long as the ownership of the ARS is maintained in book-entry form by the Securities Depository, of the amount of interest distributable in respect of each \$25,000 in principal amount of ARS for any ARS Interest Period or part thereof, calculated in accordance with Section 2A01(e) hereof.

If any day scheduled to be an ARS Interest Payment Date shall be changed after the Trustee shall have given notice, the Trustee shall, not later than 9:15 a.m., New York City time, on the Business Day next preceding the earlier of the new ARS Interest Payment Date or the old ARS Interest Payment Date, by such means as the Trustee deems practicable, give notice of such change to the Auction Agent, so long as no ARS Payment Default has occurred and is continuing and the ownership of the ARS is maintained in book-entry form by the Securities Depository.

Section 2A04. ADJUSTMENTS WITH RESPECT TO ARS PROVISIONS.

Notwithstanding any other provision hereof relating to ARS, including without limitation the mandatory tender provisions and the definitions of terms used in this Article 2A (including without limitation the definitions of Applicable ARS Rate, All-Hold Rate, ARS Maximum Rate and Non-Payment Rate), the ARS provisions may be amended by the Authority, (i) upon obtaining an opinion of Counsel that the same does not materially adversely affect the rights of the ARS Beneficial Owners or (ii) by obtaining the consent of a majority of the ARS Beneficial Owners and, in each case, delivering a Favorable Opinion of Bond Counsel. In the case of clause (ii) above, the Trustee shall mail notice of such amendment to the ARS Beneficial Owners of which it has knowledge pursuant to Section 207(b), and if, on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed such notice. Sufficient Clearing Bids have been received or all of the ARS are subject to Submitted Hold Orders and if the Bond Insurer has provided written consent by such Auction Date, the proposed amendment shall be deemed to have been consented to by the ARS Beneficial As an additional condition precedent to any such amendment pursuant to the provisions of this Section 2A04 and without duplication of any other requirement herein, there shall be delivered to the Authority and the Trustee an opinion of Bond Counsel to the effect that such amendment will not adversely affect the validity of the ARS or the exclusion of interest on any of the ARS from gross income for federal income tax purposes. Written notice of each such amendment shall be delivered by the Authority to the Trustee, the Auction Agent, and each Broker-Dealer.

Section 2A05. RESERVED.

[Reserved.]

Section 2A06. AUCTION AGENT.

- (a) The Trustee is hereby directed to enter into the Initial Auction Agent Agreement with the Initial Auction Agent and to appoint Deutsche Bank Trust Company Americas as the initial Auction Agent. Any Substitute Auction Agent shall be (i) subject to the written approval of the Bond Insurer and each Broker-Dealer, (ii) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, New York, or such other location as approved by the Trustee in writing and having a combined capital stock or surplus of at least \$15,000,000, or (iii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$15,000,000, and, in either case, authorized by law to perform all the duties imposed upon it hereunder and under the Auction Agent Agreement. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 45 days' notice to the Trustee, the Broker-Dealer, the Authority, and the Bond Insurer. The Auction Agent may be removed at any time by the Trustee, upon the written direction of (i) the Authority with Bond Insurer consent, (ii) the Bond Insurer or (iii) the ARS Beneficial Owners of 66-2/3% of the aggregate principal amount of the ARS then outstanding with the consent of the Bond Insurer, by an instrument signed by the Trustee and filed with the Auction Agent, the Bond Insurer and the Authority upon at least 30 days' notice. Neither the resignation nor the removal of the Auction Agent pursuant to the preceding two sentences shall be effective until and unless a Substitute Auction Agent has been appointed and has accepted such appointment; provided, however, that if a Substitute Auction Agent has not been so appointed within 45 days of the notice of resignation of the Auction Agent, the Auction Agent may petition a court of competent jurisdiction to appoint a Substitute Auction Agent. Notwithstanding the foregoing, the Auction Agent may terminate the Auction Agent Agreement if, within 30 days after notifying the Trustee, the Authority, and the Bond Insurer in writing that it has not received payment of any Auction Agent Fee due it in accordance with the terms of the Auction Agent Agreement, the Auction Agent does not receive such payment. The Bond Insurer may make the payment of any Auction Agent Fee and expenses due the Auction Agent. The Trustee shall not be liable for any action taken, suffered or omitted by the Auction Agent.
- (b) If the Auction Agent shall resign or be removed or be dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Trustee, at the direction of the Authority, shall use its best efforts to appoint a Substitute Auction Agent.
- (c) In the absence of willful misconduct negligent failure to act or negligence on its part; the Auction Agent shall not be liable for any action taken, suffered or omitted or any error of judgment made by it in the performance of its duties under the Auction Agent Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been grossly negligent in ascertaining (or failing to ascertain) the pertinent facts. The Trustee shall not be liable for any action, omission or error in judgment by the Auction Agent.
- (d) Subject to the terms of paragraph (a) of this Section 2A06, the Auction Agent may be removed at any time, at the written request of the Authority with the consent of

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the Bond Insurer (which consent shall not be unreasonably withheld) for any breach of its obligations hereunder or under the Auction Agent Agreement.

(e) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; acts of terrorism; epidemics; riots; interruptions, loss or malfunctions of utilities; computer (software or hardware) or communications services (other than those controlled by the Auction Agent); accidents; labor disputes; acts of civil or military authority or governmental actions; it being understood that the Auction Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 2A07. BROKER-DEALERS.

- (a) The Auction Agent shall enter into a Broker-Dealer Agreement with RBC Dain Rauscher Inc. as the initial Broker-Dealer for the 2006 Bonds.
- (b) The Authority may, from time to time, approve one or more additional Persons approved by the Bond Insurer (which consent shall not be unreasonably withheld) to serve as Broker-Dealers under Broker-Dealer Agreements and shall be responsible for providing such Broker-Dealer Agreements to the Trustee and the Auction Agent. No such party shall constitute a Broker-Dealer until a fully executed Broker-Dealer Agreement is delivered to the Trustee and the Auction Agent.
- (c) Any Broker Dealer may be removed at any time, at the written request of the Authority, with the written consent of the Bond Insurer (which consent shall not be unreasonably withheld).

Section 2A08. Provisions Relating to Auctions.

None of the Authority, the Trustee or the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder, nor shall any of the Authority, the Trustee or the Auction Agent be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers. None of the Authority, the Trustee, the Broker-Dealers or the Auction Agent shall have any liability in the event that there are not Sufficient Clearing Bids from time to time pursuant to the Auction Procedures.

Section 2A09. AGREEMENT OF HOLDERS.

By purchasing ARS, whether in an Auction or otherwise, each prospective purchaser of ARS and its Broker-Dealer will be deemed to have agreed to the provisions for the replacement of the Auction Agent and each Broker-Dealer as provided in this Fourth Supplement to the Amended and Restated Indenture, and relevant agreements among the Authority, the Trustee, the Auction Agent, and the Broker-Dealer, as appropriate.

Section 2A10. CHANGES IN AUCTION PERIOD OR AUCTION DATE.

(a) Changes in Auction Period.

- (i) The Auction Periods for the ARS Interest Rate Periods commencing on the Closing Date for the 2006 Bonds initially shall be a 7-day period commencing generally on a Wednesday. The Auction Period for the 2006 Bonds with respect to each subsequent ARS Interest Rate Period, if any, initially shall be either a seven-day period or a 35-day period commencing generally on a Monday, generally on a Tuesday, generally on a Wednesday, generally on a Thursday or generally on a Friday, in each case as announced by the Authority in its notice of the proposed Conversion to such subsequent ARS Interest Rate Period as provided in Section 2A11.
- (ii) Subject to the consent of the Bond Insurer, during any ARS Interest Rate Period, the Authority may from time to time and on any ARS Interest Payment Date, change the length of the Auction Period between seven-days and 35-days in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the 2006 Bonds. The Authority shall initiate the change in the length of the Auction Period by giving written notice to the Trustee, the Bond Insurer, the Auction Agent, the Broker-Dealer and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least three Business Days prior to the Auction Date for such Auction Period.
- (iii) Any such changed Auction Period shall be for a period of seven days or 35 days and shall apply for all of the 2006 Bonds.
- (iv) The change in length of the Auction Period for the 2006 Bonds shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for the first such Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its ARS except to the extent such Existing Holder submits an Order with respect to such ARS. If the condition referred to in the first sentence of this clause (iv) is not met, the Auction Rate for the next Auction Period shall be the ARS Maximum Rate, and the Auction Period shall be the Auction Period already in effect.
- (b) <u>Changes in Auction Date</u>. During any ARS Interest Rate Period, the Authority may specify an earlier Auction Date for any Business Day earlier (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the ARS. The Authority shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Broker-Dealer, the Auction Agent and the Securities Depository, which will, in turn, notify the Holders. In the event the Auction Agent specifies an earlier Auction Date, the day of the week on which an Auction Period begins and ends shall be adjusted accordingly.
- (c) <u>Conditions Precedent</u>. No change in the length or the day of commencement of the Auction Period for the 2006 Bonds (as provided in subsection (a) or (b), as applicable) shall be allowed unless Sufficient Clearing Bids exist at the Auction immediately preceding the proposed change and, in the sole discretion of the Broker-Dealer, at the Auction

before the date on which the notice of the proposed change was given.

Section 2A11. Conversion Of A Series Of Bonds To Applicable ARS Rate.

- Conversion to Applicable ARS Rate. Subject to Sections 203, 204 and (a) 205 hereof, the Authority may, from time to time and with the consent of the Bond Insurer, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Facility Provider (if any), and the Remarketing Agent (if any), elect that the 2006 Bonds shall bear interest at the Applicable ARS Rate. The direction of the Authority shall specify (A) the proposed effective date of the Conversion to the Applicable ARS Rate, which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a conversion from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; (3) in the case of a conversion from a Term Rate Period, a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced; or (4) in the case of a conversion from a Flexible Rate Period, a day which is the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the 2006 Bonds to be converted, (B) the Mandatory Tender Date for the 2006 Bonds to be purchased, which shall be the proposed effective date of the adjustment to the Applicable ARS Rate and (C) the initial Auction Period. In addition, the direction of the Authority shall be accompanied by a form of notice to be mailed to the Holders of such 2006 Bonds by the Trustee as provided in Section 2A11(b). Additionally, the Authority shall have appointed an Auction Agent and Broker-Dealer, and shall have furnished to the Trustee an Auction Agent Agreement and a Broker-Dealer Agreement conforming to then-current industry standards. During each ARS Interest Rate Period for the 2006 Bonds commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the 2006 Bonds shall be the Applicable ARS Rate.
- (b) Notice of Conversion to Applicable ARS Rate. The Trustee shall give notice by first-class mail of an adjustment to an ARS Interest Rate Period to the Bondholders of the 2006 Bonds not less than 30 days prior to the proposed effective date of such ARS Interest Rate Period. Such notice shall state (A) that the interest rate shall be adjusted to the Applicable ARS Rate unless the Authority elects to revoke its election to make such Conversion by providing written notice of such revocation to the Trustee, the Tender Agent (if any), the Liquidity Facility Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and each Broker-Dealer (if any) on or prior to 10:00 a.m. on the second Business Day preceding the proposed effective date of such Conversion; (B) the proposed effective date of the ARS Interest Rate Period; (C) that such 2006 Bonds are subject to mandatory tender for purchase on the proposed effective date and setting forth the Tender Price and the place of delivery for purchase of such 2006 Bonds; and (D) the information required pursuant to Section 303.

ARTICLE III TENDER AND PURCHASE OF BONDS

Section 301. OPTIONAL TENDERS DURING VARIABLE RATE PERIODS

(a) <u>Optional Tender Dates</u>. The holders of 2006 Bonds bearing interest at Variable Rates may elect to have their 2006 Bonds or portions thereof in whole multiples of Authorized Denominations purchased at the Tender Price of such 2006 Bonds (or portions), on the

following Optional Tender Dates and upon the giving of the following oral (which may be by telephone) or written (which may be by telecopy or facsimile communication) notices meeting the further requirements of subsection (b) below:

- (i) <u>Daily Rate Period</u>. During a Daily Rate Period, 2006 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender given to the Tender Agent not later than 10:00 a.m., New York City time, on the Optional Tender Date:
- (ii) <u>Weekly Rate Period</u>. During a Weekly Rate Period, 2006 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date; and
- (iii) <u>Term Rate Period</u>. During a Term Rate Period, 2006 Bonds may be tendered for purchase on the first Business Day following such Term Rate Period upon delivery of a written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date.

(b) Notice by Owner of Tender. Each notice of tender:

- (i) shall, in the case of a written notice, be delivered to the Tender Agent at its Principal Office and be in form satisfactory to the Tender Agent;
- (ii) shall, whether delivered orally or in writing, state (A) the name and address of such Bondholder and the principal amount of the Bond to which the notice relates, (B) that the Bondholder irrevocably demands purchase of such 2006 Bond or a specified portion thereof in a whole multiple of an Authorized Denomination, (C) the Optional Tender Date on which such 2006 Bond or portion is to be purchased and (D) the payment instructions with respect to the Tender Price; and
- (iii) shall automatically constitute, whether delivered orally or in writing (A) an irrevocable offer to sell the 2006 Bond (or portion thereof) to which the notice relates on the Optional Tender Date to any purchaser selected by the Remarketing Agent, at a price equal to the Tender Price of such 2006 Bond (or portion thereof), (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such 2006 Bond (or portion thereof) upon payment of the Tender Price to the Tender Agent on the Optional Tender Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the 2006 Bond to be purchased in whole or in part for other 2006 Bonds in an equal aggregate principal amount so as to facilitate the sale of such Bond (or portion thereof to be purchased), and (D) an acknowledgment that such Holder will have no further rights with respect to such 2006 Bond (or portion thereof) upon payment of the Tender Price thereof to the Tender Agent on the Optional Tender Date, except for the right of such Bondholder to receive such Tender Price upon surrender of such 2006 Bond to the Tender Agent.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the owner of such 2006 Bond.

- (c) <u>Notice by Tender Agent of Bonds to be Remarketed</u>. Not later than 11:00 a.m., New York City time, on the Business Day immediately following the date of receipt of any notice of tender for any 2006 Bonds except ARS (or promptly upon such receipt on the Optional Tender Date in the case of 2006 Bonds during a Daily Rate Period but in no event later than 11:00 a.m., New York City time), the Tender Agent shall give Immediate Notice (or telephonic notice in the case of Bonds during a Daily Rate Period) to the Trustee, the Authority, the Remarketing Agent and the Bank of the principal amounts (or portions thereof) to be purchased and the Optional Tender Date.
- (d) Remarketing of Tendered Bonds. Pursuant to the Remarketing Agreement, the Agent shall offer for sale and use its best efforts to find purchasers for all 2006 Bonds or portions thereof (except ARS) properly tendered. The Remarketing Agent shall cause the Tender Price specified in subsection (a) above for the 2006 Bonds which the Remarketing Agent notified the Tender Agent had been remarketed pursuant to subsection (e)(i) below to be paid to the Tender Agent in immediately available funds at or before 2:00 p.m., New York City time, on the Optional Tender Date, during Daily or Weekly Rate Periods and (ii) in immediately available funds at or before 12:00 noon, New York City time, on the Optional Tender Date, in the case of 2006 Bonds during Term Rate Periods. Notwithstanding the foregoing, the Remarketing Agent shall not offer for sale any 2006 Bond as to which a notice of conversion to a Variable Rate Period, from a Term Rate Period of one length to another, to a Flexible Rate Period or to a Fixed Rate Period has been given by the Tender Agent unless the Remarketing Agent has advised the Person to whom the offer is made of the conversion and the effect of the conversion on the rights of Bondholders to tender their 2006 Bonds as described in the conversion notice from the Tender Agent to the Bondholders.

(e) Purchase of Tendered Bonds.

- (i) <u>Notice of Remarketing; Purchases Under Liquidity Facility</u>. The following Immediate Notices shall be given with respect to the remarketing of Tendered Bonds and the amount of 2006 Bonds (except ARS) to be purchased pursuant to the Liquidity Facility:
 - (A) In the case of Tendered Bonds during other than a Daily Rate Period:
 - (1) the Remarketing Agent shall notify the Tender Agent of the amount of Tendered Bonds which were remarketed not later than 2:30 p.m., New York City time, on the Business Day immediately preceding the Optional Tender Date and the Tender Agent shall notify the Bank of the amount of Tendered Bonds which were remarketed by 3:00 p.m. on the Business Day immediately preceding the Optional Tender Date; and
 - (2) if any such notice indicates that any Tendered Bonds were not remarketed, if no such notice is received by the required time or if all of remarketing proceeds have not been received, the Tender Agent shall notify the Trustee, the Bank and the Authority, not later than 9:00 a.m., New York City time, on the Optional Tender Date, of the amount of Tendered Bonds
 - (x) which were not remarketed,
 - (y) for which no notice of remarketing was

received and

(z) for which no remarketing proceeds have been received.

and the Trustee shall submit a draw certificate to the Bank not later than 11:00 a.m., New York City time, on the Optional Tender Date for payment of an amount equal to the principal portion of the Tender Price for the portion of the Tendered Bonds (x) which were not remarketed, (y) for which no notice of remarketing was received and (z) for which no remarketing proceeds have been received by the required time, and a demand for payment by the Bank of the accrued interest on the portion of the Tendered Bonds which were not remarketed or for which no notice of remarketing was received by the required time, or for which no remarketing proceeds have been received.

- (B) In the case of Tendered Bonds during a Daily Rate Period:
- (1) the Remarketing Agent shall notify the Tender Agent of the amount of Tendered Bonds which were remarketed not later than 10:00 a.m., New York City time, on the Optional Tender Date; and
- (2) if any such notice indicates that any Tendered Bonds were not remarketed or if no such notice is received by the required time, or if remarketing proceeds are not received by the required time, the Tender Agent shall promptly notify the Trustee, the Bank and the Authority, not later than 10:30 a.m., New York City time, on the Optional Tender Date, of the amount of Tendered Bonds
 - (x) not remarketed,
 - (y) for which no notice of remarketing was received, or
 - (z) for which no remarketing proceeds have been received,

and not later than 11:00 a.m., New York City time, on the Optional Tender Date, the Trustee shall submit a draw certificate for payment of the principal portion of the Tender Price by the Bank for the portion of the 2006 Bonds (x) which were not remarketed, (y) for which no notice of remarketing was received by the required time or (z) for which no remarketing proceeds have been received, and a demand for payment by the Bank of the accrued interest on the portion of the Tendered Bonds which were not remarketed or for which no notice of remarketing was received by the required time, or for which no remarketing proceeds have been received.

(ii) <u>Information Concerning Purchasers</u>. A notice by telephone, telex or telecopier, to be confirmed in writing if given by telephone, specifying the names, addresses and taxpayer identification numbers of the purchasers, the denominations of 2006 Bonds to be registered in the name of each purchaser and, if available, payment instructions for regularly scheduled interest payments or of any changes in such information previously communicated shall be furnished to the Tender Agent by (i) 3:00

p.m., New York City time, on the Business Day preceding the day on which such 2006 Bonds are to be purchased to the extent available and such notice may be supplemented or amended at any time prior to 12:40 p.m., New York City time, on the day on which such 2006 Bonds are to be purchased with respect to Bonds during a Weekly Rate Period, (ii) 1:00 p.m., New York time, on the day on which such 2006 Bonds are to be purchased with respect to Bonds during a Daily Rate Period or Flexible Rate Period, and (iii) 3:00 p.m., New York City time, on the second Business Day prior to the day on which such 2006 Bonds are to be purchased to the extent available and such notice may be supplemented or amended at any time prior to 12:40 p.m., New York City time, on the day on which such 2006 Bonds are to be purchased with respect to Bonds during a Term Rate Period.

- (iii) Payments by the Tender Agent. By 3:00 p.m., New York City time, on the Optional Tender Date set for purchase of Tendered Bonds and upon receipt by the Tender Agent of 100% of the aggregate Tender Price of the Tendered Bonds, the Tender Agent shall pay the Tender Price of such 2006 Bonds to the holders thereof at its Principal Office or by bank wire transfer. Such payments shall be made in immediately available funds. With respect to the payment of the Tender Price, the Tender Agent shall apply in order: (A) moneys paid to it by the Remarketing Agent or by the new purchaser of the Tendered Bonds as proceeds of the remarketing of such 2006 Bonds by the Remarketing Agent, (B) moneys paid to it by the Bank for the purchase of 2006 Bonds pursuant to the Liquidity Facility, and (C) any other moneys provided by the Authority. If sufficient funds are not available for the purchase of all Tendered Bonds, no purchase shall be consummated as provided in Section 306.
- (iv) Registration and Delivery of Tendered or Purchased Bonds. On the date of purchase, the Tender Agent shall register and make available for pick-up or cancel all Bonds purchased on any Optional Tender Date as follows: (A) 2006 Bonds purchased or remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 2:15 p.m., New York City time, in accordance with the instructions of the Remarketing Agent; (B) 2006 Bonds purchased pursuant to the Liquidity Facility shall be registered in the name of the Authority unless otherwise required by the Liquidity Facility and shall be held in trust by the Tender Agent on behalf of the registered owner; and (C) 2006 Bonds purchased with other moneys provided by the Authority shall be canceled or registered and delivered in accordance with the instructions of the Authority; provided that so long as a Liquidity Facility is in effect, such 2006 Bonds shall not be remarketed or delivered to the Authority unless the Liquidity Facility supports the payment of such 2006 Bonds in accordance with the terms of this Fourth Supplement to the Amended and Restated Indenture and the Liquidity Facility.
- (v) Resale of Bonds Purchased Pursuant to the Liquidity Facility. In the event that any 2006 Bonds are purchased pursuant to the Liquidity Facility pursuant to subparagraph (iv) above, the Remarketing Agent shall continue to offer for sale and use its best efforts to sell such 2006 Bonds at a purchase price equal to the principal amount thereof plus accrued interest thereon. 2006 Bonds purchased pursuant to the Liquidity Facility shall not be delivered upon remarketing by the Remarketing Agent or any other sale unless the Liquidity Facility is automatically reinstated for the principal amount thereof and the Interest Component applicable thereto in accordance with its terms or the Remarketing Agent has been advised by the Bank by Immediate Notice that it has elected to reinstate the Liquidity Facility for the required amount and the Bank

notifies the Tender Agent by Immediate Notice of such reinstatement and directs the Tender Agent to deliver the 2006 Bonds to the purchaser.

Delivery of Bonds: Effect of Failure to Surrender Bonds. All 2006 Bonds to be purchased on any Optional Tender Date shall be required to be delivered to the Principal Office of the Tender Agent by (i) 12:00 noon, New York City time, on the Optional Tender Date with respect to Bonds during a Daily or Weekly Rate Period; or (ii) 5:00 p.m., New York City time, on the second Business Day prior to the Optional Tender Date with respect to Bonds during Term Rate Periods. If the owner of any 2006 Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such 2006 Bond to the Tender Agent for purchase on the Optional Tender Date and if the Tender Agent is in receipt of the Tender Price therefor, such 2006 Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such 2006 Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (e)(iv) above. Any Bondholder who fails to deliver a 2006 Bond for purchase as required above shall have no further rights thereunder except the right to receive the Tender Price thereof upon presentation and surrender of said 2006 Bond to the Tender Agent and shall thereafter hold such 2006 Bond as agent for the Tender Agent. Such delivery shall be a condition to payment of the Tender Price by the Tender Agent on the Optional Tender Date.

Section 302. TENDERS DURING FLEXIBLE RATE PERIODS

- (a) <u>Repurchase Dates</u>. Each 2006 Bond bearing interest at a Flexible Rate shall be subject to mandatory tender for purchase on each Repurchase Date at the Repurchase Price.
- (b) <u>Bonds to be Remarketed.</u> Not later than 11:00 a.m., New York City time, on the Business Day immediately preceding each Repurchase Date, the Tender Agent shall give Immediate Notice to the Remarketing Agent and the Bank of the amount of 2006 Bonds which will be tendered on such Repurchase Date.
- Remarketing of Tendered Bonds. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2006 Bonds required to be purchased on the Repurchase Date. In remarketing the 2006 Bonds, the Remarketing Agent shall offer and accept purchase commitments for the 2006 Bonds for such Interest Periods and at such Flexible Rates as it deems to be advisable in order to minimize the net interest cost on the 2006 Bonds under prevailing market conditions. The foregoing notwithstanding, no Interest Period may be established which exceeds the shortest of (A) 270 days, (B) the remaining number of days prior to any Mandatory Tender Date occurring pursuant to either Section 303 or 304 hereof, or (C) the remaining number of days prior to each date on which 2006 Bonds are subject to redemption pursuant to Sections 401(a)(i) or (c) hereof (but, in the case of Section 401(a)(i) hereof, only if the Remarketing Agent has received Immediate Notice from the Trustee of a pending redemption of 2006 Bonds pursuant to Section 402(a) hereof) if and to the extent necessary to enable the Tender Agent to make such purchases on or before such date. The Remarketing Agent shall cause the Repurchase Price specified in subsection (a) above for the 2006 Bonds which the Remarketing Agent notified the Tender Agent had been remarketed pursuant to subsection (d)(i) below to be paid to the Tender Agent in immediately available funds at or before 2:00 p.m., New York City time, on the Repurchase Date. At the request of the Trustee, the Remarketing Agent shall also determine and notify the Trustee of Flexible Rates and Interest Periods for 2006 Bonds to be purchased pursuant to the Liquidity Facility or by the Authority as hereinafter provided, such determination to be made in

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substantially the same manner as is provided above and with a view toward enabling the Remarketing Agent to remarket such 2006 Bonds at a later date.

- (d) <u>Purchase of Tendered Bonds; Notice of Remarketing; Purchases Under Liquidity Facility</u>. The following Immediate Notices shall be given with respect to the remarketing of Tendered Bonds and the amount of 2006 Bonds to be purchased pursuant to the Liquidity Facility:
 - The Remarketing Agent shall notify the Tender Agent of the amount of Tendered Bonds which were remarketed not later than 9:30 a.m., New York City time, on the Repurchase Date; and if any such notice indicates that any Tendered Bonds were not remarketed, or if no such notice is received by the required time, or if not all of the remarketing proceeds have been received, the Tender Agent shall notify the Trustee, the Bank and the Authority by 10:00 a.m., New York City time, on the Repurchase Date of the amount of Tendered Bonds not remarketed, or for which no notice of remarketing was received, or for which no remarketing proceeds have been received, and the Trustee shall submit to the Bank by 11:00 a.m., New York City time, on the Repurchase Date, a draw certificate for payment of an amount equal to the Repurchase Price by the Bank for (A) the portion of the 2006 Bonds which were not remarketed, (B) those for which no notice of remarketing was received by the required time and (C) those for which no remarketing proceeds have been received and a draw certificate for payment of the accrued interest on the portion of the Tendered Bonds by the Bank for the portion of the 2006 Bonds (X) which were not remarketed, (Y) for which no notice of remarketing was received by the required time, or (Z) for which no remarketing proceeds have been received, pursuant to the Liquidity Facility.
 - (ii) <u>Information Concerning Purchasers</u>. A notice by telephone, telex or telecopier; to be confirmed in writing if given by telephone, specifying the names, addresses and taxpayer identification numbers of the purchasers, the denominations of 2006 Bonds to be registered in the name of each purchaser, the Flexible Rate and Repurchase Date to be applicable to each 2006 Bond and, if available, payment instructions for regularly scheduled interest payments or of any changes in such information previously communicated shall be furnished to the Tender Agent by 1:00 p.m., New York City time, on the Repurchase Date.
 - (iii) <u>Payments by the Tender Agent</u>. By 3:00 p.m., New York City time, on the Repurchase Date and upon receipt by the Tender Agent of 100% of the aggregate Repurchase Price of the Tendered Bonds, the Tender Agent shall pay the Repurchase Price of such 2006 Bonds to the holders thereof at its Principal Office or by bank wire transfer. Such payments shall be made in immediately available funds. With respect to the payment of the Repurchase Price, the Tender Agent shall apply in order (A) moneys paid to it by the Remarketing Agent or by the new purchaser of the Tendered Bonds as proceeds of the remarketing of such 2006 Bonds by the Remarketing Agent, (B) moneys paid to it by the Bank for the purchase of 2006 Bonds pursuant to the Liquidity Facility, and (C) any other moneys provided by the Authority. If sufficient funds are not available for the purchase of all Tendered Bonds, no purchase shall be consummated as provided in Section 306.
 - (iv) <u>Registration and Delivery of Tendered or Purchased Bonds.</u> On the Repurchase Date, the Tender Agent shall register and deliver, hold or cancel all 2006 Bonds purchased on such Repurchase Date as follows: (A) 2006 Bonds purchased or remarketed by the Remarketing Agent shall be registered and delivered to the

Remarketing Agent by 2:15 p.m., New York City time, in accordance with the instructions of the Remarketing Agent (B) 2006 Bonds purchased pursuant to a draw on the Liquidity Facility shall be registered in the name of the Authority unless otherwise required by the Liquidity Facility and shall be held in trust by the Tender Agent on behalf of the registered owner; and (C) 2006 Bonds purchased with other moneys provided by the Authority shall be canceled or registered and delivered in accordance with the instructions of the Authority, provided that so long as a Liquidity Facility is in effect, such 2006 Bonds shall not be remarketed or delivered to the Authority unless the Liquidity Facility supports the payment of such 2006 Bonds in accordance with the terms of this Fourth Supplement to the Amended and Restated Indenture and the Liquidity Facility.

- (v) Resale of Bonds Purchased Pursuant to the Liquidity Facility. In the event that any 2006 Bonds are purchased pursuant to a draw on the Liquidity Facility pursuant to subparagraph (iv) above, the Remarketing Agent shall continue to offer for sale and use its best efforts to sell such 2006 Bonds at a purchase price equal to the principal amount thereof plus accrued interest thereon. 2006 Bonds purchased pursuant to the Liquidity Facility shall not be delivered upon remarketing by the Remarketing Agent or any other sale unless the Liquidity Facility is automatically reinstated for the principal amount thereof and the Interest Component applicable thereto in accordance with its terms or the Remarketing Agent has been advised by the Bank by Immediate Notice that it has elected to reinstate the Liquidity Facility for the required amount and the Bank notifies the Tender Agent by Immediate Notice of such reinstatement and directs the Tender Agent to deliver the 2006 Bonds to the purchaser.
- (vi) <u>Delivery of Bonds; Effect of Failure to Surrender Bonds</u>. All 2006 Bonds to be purchased on any Repurchase Date shall be required to be delivered to the Principal Office of the Tender Agent by 1:00 p.m., New York City time, on the Repurchase Date. If the owner of any 2006 Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such 2006 Bond to the Tender Agent for purchase on the Repurchase Date and if the Tender Agent is in receipt of the Tender Price therefor, such 2006 Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such 2006 Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (e)(iv) above. Any 2006 Bondholder who fails to deliver a 2006 Bond for purchase as required above shall have no further rights thereunder except the right to receive the Repurchase Price thereof upon presentation and surrender of said 2006 Bond to the Tender Agent. Such delivery shall be a condition to the payment of the Repurchase Price by the Tender Agent on the Repurchase Date.

Section 303. MANDATORY TENDER UPON CONVERSIONS AMONG VARIABLE RATE PERIODS AND FLEXIBLE RATE PERIODS

- (a) <u>Variable Rate Conversions</u>. 2006 Bonds which are subject to conversion on any Variable Rate Conversion Date pursuant to Section 203(d) (e) or (f) hereof shall be subject to mandatory tender for purchase on the Variable Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be.
- (b) <u>Flexible Rate Conversions</u>. 2006 Bonds which are subject to conversion on any Flexible Rate Conversion Date pursuant to Section 204(b) hereof are subject to mandatory tender for purchase on the applicable Flexible Rate Conversion Date at the Tender Price.

- (c) <u>ARS Conversions</u>. 2006 Bonds which are subject to conversion on any ARS Rate Conversion Date pursuant to Section 2A11(a) or (b) hereof are subject to mandatory tender for purchase on the applicable ARS Rate Conversion Date at the Tender Price.
- (d) <u>Notice to Bondholders</u>. Any notice of a conversion given to Bondholders pursuant to Section 203(d)(iii), 203(e)(iii), 203(f)(iii), 204(b)(iii), 2A11(a) or 2A11(b) hereof shall, in addition to the requirements of such Section, state that the 2006 Bonds to be converted will be subject to mandatory tender for purchase on the Variable Rate Conversion Date or Flexible Rate Conversion Date or ARS Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be, and will specify the time at which 2006 Bonds are to be tendered for purchase.

Whenever the 2006 Bonds are held in the DTC System, any failure by DTC or any DTC Participant to provide the notice described above to any beneficial owner of the 2006 Bonds shall not affect the validity of any interest rate on any 2006 Bonds or extend the period for tendering any of the 2006 Bonds for purchase and the Trustee shall not be liable to any 2006 Bondholder by reason of any such failure or defect.

- Remarketing. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2006 Bonds to be tendered for purchase on the Flexible Rate Conversion Date or Variable Rate Conversion Date. In the event of a conversion to a Variable Rate Period, the terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price specified in subsection (a) above to the Tender Agent in immediately available funds at or before 3:00 p.m., New York City time, on the Variable Rate Conversion Date. In the case of a conversion to a Flexible Rate Period, the terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price specified in subsection (b) above to the Tender Agent in immediately available funds at or before 3:00 p.m., New York City time, on the Flexible Rate Conversion Date and the Flexible Rates and Interest Periods to be established shall be determined in the manner and subject to the limitations set forth in Section 302(c) hereof. In the case of a conversion to an ARS Interest Rate Period, the terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price specified in subsection (c) above to the Tender Agent in immediately available funds at or before 3:00 p.m., New York City time, on the ARS Rate Conversion Date and the Applicable ARS Rates to be established shall be determined in the manner and subject to the limitations set forth in Section 2A11 hereof.
- (f) <u>Purchase of Tendered Bonds</u>. The provisions of Section 301(e) regarding purchases of 2006 Bonds shall apply to tenders pursuant to this Section 303 in the case of a conversion during a Variable Rate Period; provided that, for the purpose of so applying such provisions:
 - (i) the notices required pursuant to Section 301(e)(i) shall be given as therein described, except that the provisions relating specifically to 2006 Bonds during Daily Rate Periods shall be applicable only to 2006 Bonds to be converted from a Daily Rate Period or to a Flexible Rate Period;
 - (ii) the notice required pursuant to Section 301(e)(ii) shall be given as therein described, except that, in the case of a conversion to a Flexible Rate Period, the notice from the Remarketing Agent concerning the purchasers of the 2006 Bonds shall specify the Flexible Rates and Interest Periods for such 2006 Bonds; and
 - (iii) the deliveries of 2006 Bonds under Section 301(e)(vi) shall be required to be made at or before 1:00 p.m., New York City time, on the Variable Rate

Conversion Date (or 5:00 p.m., New York City time, on the second Business Day prior to the Conversion Date with respect to 2006 Bonds during a Term Rate Period).

The provisions of Section 302(d) regarding purchases of 2006 Bonds shall apply to tenders pursuant to this Section 303 with respect to 2006 Bonds in the case of conversions during a Flexible Rate Period.

Section 304. MANDATORY TENDER UPON FIXED RATE CONVERSION OR SUBSTITUTION OR TERMINATION OF LIQUIDITY FACILITY

(a) Mandatory Tenders.

- (i) <u>Proposed Fixed Rate Conversion Date.</u> The 2006 Bonds to be converted to bear interest at the Fixed Rate pursuant to Section 205 hereof shall be subject to mandatory tender for purchase on a Proposed Fixed Rate Conversion Date at a price equal to the Tender Price or the Repurchase Price, as the case may be.
- (ii) Substitution of the Liquidity Facility with an Alternate Liquidity Facility. The 2006 Bonds (other than Bank Bonds and 2006 Bonds bearing interest at the Fixed Rate) are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or the Repurchase Price, as the case may be, on the regularly scheduled Interest Payment Date immediately preceding the effective date of any substitution of the Liquidity Facility with an Alternate Liquidity Facility in accordance with the provisions of Section 310 hereof.
- (iii) <u>No Renewal Liquidity Facility</u>. The 2006 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or Repurchase Price, as the case may be, on any Renewal Date if by the tenth day preceding such Renewal Date the Trustee has not received a Renewal Liquidity Facility.
- (iv) <u>Default under the Liquidity Facility</u>. The 2006 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or Repurchase Price, as the case may be, on the fifteenth day (or the next preceding Business Day if such day is not a Business Day) after receipt by the Trustee of notice from the Bank of the occurrence of a default under the Liquidity Facility and that such Liquidity Facility shall be terminated; provided that (1) the Mandatory Tender Date shall be at least five days prior to the termination of the Bank's obligation to honor draws under the Liquidity Facility and (ii) no purchase shall be required if prior to the Mandatory Tender Date the Trustee receives written notice from the Bank to the effect that the default has been cured in accordance with the provisions of the Liquidity Facility and such Liquidity Facility is, as of the date of such notice to the Trustee, in full force and effect and will not terminate as a result of such termination notice from the Bank.
- (b) <u>Notice to Bondholders</u>. The Tender Agent shall mail notice to Bondholders of any mandatory tender as follows:
 - (i) pursuant to Section 304(a)(i) above (or include in any notice mailed pursuant to Section 205(d) hereof), not less than thirty (30) days prior to the Mandatory Tender Date;
 - (ii) pursuant to Section 304(a)(ii) or (iii) above, not less than fifteen (15) a prior to the Mandatory Tender Date, and

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pursuant to Section 304(a)(iv), on the Business Day next (iii) succeeding receipt by the Trustee of the notice from the Bank described therein.

In the case of a notice pursuant to Section 304(a)(i) above, such notice will state, among other things, the Proposed Fixed Rate Conversion Date, that the 2006 Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be, and the time at which the 2006 Bonds are to be tendered for purchase.

Whenever the 2006 Bonds are held in the DTC System, any failure by DTC or any DTC Participant to provide the notice described above to any beneficial owner of the 2006 Bonds shall not affect the validity of any interest rate on any 2006 Bonds or extend the period for tendering any of the 2006 Bonds for purchase and the Trustee shall not be liable to any 2006 Bondholder by reason of any such failure or defect.

- Remarketing. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such 2006 Bonds following a mandatory tender; provided, however, that 2006 Bonds shall not be remarketed unless and until the Remarketing Agent receives notice from the Trustee that a Liquidity Facility complying with the requirements of Section 310(h) hereof is in place with respect to the 2006 Bonds. The terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price specified in subsection (a) above to the Tender Agent in immediately available funds at or before 10:30 a.m., New York City time.
- Purchase of Tendered Bonds. The provisions of Section 301(e) regarding purchases of 2006 Bonds shall apply to mandatory tenders pursuant to this Section 304 with respect to 2006 Bonds during a Variable Rate Period; provided that, for the purpose of so applying such provisions:
 - the notices required pursuant to Section 301(e)(i) shall be given as therein described, except that the provisions relating specifically to 2006 Bonds during Daily Rate Periods shall be disregarded;
 - the notices required to be given pursuant to Section 301(e)(ii) hereof, regarding purchasers of 2006 Bonds shall be given in the manner prescribed for tenders of 2006 Bonds during other than Daily Rate Periods; and
 - the deliveries of 2006 Bonds under Section 301(e)(iv) shall be required to be made at or before 2:15 p.m., New York City time on the Fixed Rate Conversion Date.

The provisions of Section 302(d) shall apply to tenders pursuant to this Section 304 with respect to 2006 Bonds during a Flexible Rate Period.

Section 305. FAILED CONVERSION

If on an ARS Rate Conversion Date or a Variable Rate Conversion Date, Flexible Rate Conversion Date or Proposed Fixed Rate Conversion Date, any condition precedent to such conversion required hereunder shall not be satisfied, such conversion shall not occur, the mandatory tender shall remain effective and if the Authority has filed with the Trustee and the Tender Agent a Favorable Opinion acceptable to the Trustee with respect to the conversion of the 2006 Bonds to Variable Rates for Weekly Rate Periods, the 2006 Bonds shall bear interest at the Variable Rate determined by the Remarketing Agent on the failed Conversion Date for a Weekly

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Rate Period, and thereafter shall bear interest at Variable Rates for Weekly Rate Periods until an ARS Rate Conversion Date or a Variable Rate Conversion Date, Flexible Rate Conversion Date or Fixed Rate Conversion Date, provided, however, that if the 2006 Bonds were ARS immediately prior to such proposed conversion, then the 2006 Bonds shall remain ARS and shall bear interest at the ARS Maximum Rate for the immediately ensuing ARS Interest Period and shall continue to bear interest at the ARS Maximum Rate until such time that either (i) a successful conversion occurs or (ii) a subsequent Auction is conducted.

Section 306. INADEQUATE FUNDS FOR TENDERS

If the funds available for purchases of 2006 Bonds pursuant to this Article III are inadequate for the purchase of all 2006 Bonds required to be purchased on any purchase date, the Tender Agent shall immediately: (i) return all Tendered Bonds to the holders thereof; (ii) return all moneys received for the purchase of such 2006 Bonds to the Persons providing such moneys; and (iii) notify all Bondholders in writing (A) that an Event of Default has occurred, and (B) of the rate to be effective pursuant to following provisions. If the funds available for purchases of 2006 Bonds pursuant to this Article III are inadequate for the purchase of all 2006 Bonds required to be purchased (i) on a proposed Conversion Date, such conversion shall be deemed to have failed and the provisions of Section 305 above shall apply; (ii) in all other cases, the Remarketing Agent shall determine the applicable interest rate in accordance with the provisions of Article II hereof.

Section 307. LIMITS UPON REMARKETING

- Tendered Bonds shall not be remarketed to the Authority or any Affiliate unless, prior to such sale, the Authority shall have delivered to the Trustee an unqualified written opinion of counsel experienced in bankruptcy matters and satisfactory to the Trustee and each Rating Agency then maintaining a rating on the 2006 Bonds (which opinion may assume that no Bondholders are "insiders" within the meaning of Title XI of the United States Code) to the effect that payment of such amounts to Bondholders would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the Authority or any Affiliate become a debtor in a proceeding commenced thereunder. Neither the Trustee nor the Tender Agent shall be required to monitor the actions of the Remarketing Agent to ensure that it will not remarket any Bonds to the Authority or any Affiliate, and for the purposes of this Section 307 hereof, the Trustee and the Tender Agent may, in the absence of actual notice to the contrary, assume that no funds furnished to the Tender Agent by the Remarketing Agent constitute proceeds of the remarketing of any Bonds to the Authority or any Affiliate.
- (b) 2006 Bonds shall not be remarketed unless and until a Liquidity Facility complying with the requirements of Section 310(h) hereof is in place with respect to the 2006 Bonds.
- Despite the absence of a Liquidity Facility complying with the requirements of (c) Section 310(h) hereof, whether resulting from the termination of an existing Liquidity Facility or otherwise, the Authority shall be under no obligation to purchase 2006 Bonds otherwise subject to optional tender pursuant to Section 301 hereof or mandatory tender pursuant to Sections 302, 303 or 304 hereof prior to the Maturity Date of such 2006 Bonds.

Section 308. BOND PURCHASE FUND

Establishment of Bond Purchase Fund and Accounts. Following Conversion from ARS to a Variable Rate or a Flexible Rate, the Trustee shall establish or cause the Tender Agent to establish and maintain, so long as the 2006 Bonds remain outstanding at a Variable Rate

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or a Flexible Rate, a separate fund to be known as the "Bond Purchase Fund" (the "Bond Purchase Fund"), within which there shall be established a Remarketing Proceeds Account and a Liquidity Facility Purchase Account, which shall be held in trust by the Trustee until applied as hereinafter provided.

- (i) <u>Remarketing Proceeds Account</u>. The Trustee or the Tender Agent shall deposit to the credit of the Remarketing Proceeds Account (A) the moneys received upon the remarketing of Tendered Bonds pursuant to section 307 hereof and the Remarketing Agreement to any Person (other than Tendered Bonds sold to the Authority, any Affiliate or any Insider in violation of Section 307 hereof), and (B) the moneys received from the underwriter or purchaser (other than the Authority, any Affiliate, or any Insider) of Tendered Bonds upon the conversion of the interest rate thereon to a Fixed Rate. No moneys other than those described in (A) and (B) of this Section 308(a)(i) shall be deposited into such account.
- (ii) <u>Liquidity Facility Purchase Account</u>. The Trustee or the Tender Agent shall deposit to the credit of the Liquidity Facility Purchase Account all proceeds of drawings under the Liquidity Facility to pay the purchase price of Tendered Bonds (other than Bank Bonds), and no other moneys shall be deposited in such account.
- (b) <u>Application of Bond Purchase Fund</u>. Moneys in the Bond Purchase Fund shall be held in trust for the benefit of and subject to a lien in favor of the owners of Tendered Bonds and shall be used exclusively for the payment of the purchase price of Tendered Bonds; provided, however, that any moneys remaining on deposit in the Liquidity Facility Purchase Account after payment in full of all amounts due on the Tendered Bonds shall be transferred to the Bank.
- (c) Moneys on deposit in the Bond Purchase Fund shall be invested only upon the written direction of the Authority and only in Government Obligations with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date or dates that moneys therefrom are anticipated to be required. Amounts held to pay the purchase price for more than five years shall be applied in the same manner as provided under Section 515 of the Amended and Restated Indenture.

Section 309. Non-Presentment of Tendered Bonds

In the event any Tendered Bonds shall not be presented for purchase and moneys sufficient to pay the purchase price of such Tendered Bonds are held in the Bond Purchase Fund, the Tender Agent shall segregate and hold such moneys in trust (but shall not invest such moneys), without liability for interest thereon, for the benefit of and subject to a security interest in favor of the holders of such Tendered Bonds who shall, except as provided in the last paragraph of Section 308 hereof, thereafter be restricted exclusively to such moneys, for the satisfaction of any claim of whatever nature on their part under the Indenture or on, or with respect to, said Tendered Bonds.

Section 310. LIQUIDITY FACILITY

(a) <u>Draws on Liquidity Facility</u>. While in effect, the Trustee shall draw moneys under the Liquidity Facility in accordance with its terms and in accordance with Sections 301(e)(i), 302(d)(i), 303(e) and 304(d) hereof to the extent necessary to pay to the Bondholders the purchase price of Tendered Bonds. Immediately following each drawing under the Liquidity Facility, and not as a condition to such drawing, the Trustee shall use its best efforts to give telephonic notice to the Authority that such a drawing under the Liquidity Facility was made. The Trustee and the Tender Agent shall return any moneys drawn under the Liquidity Facility to the Bank immediately following

the applicable purchase date to the extent such moneys exceed the amount necessary to pay the Repurchase Price or Tender Price of Tendered Bonds.

- (b) <u>Maintenance of Liquidity Facility.</u> The Authority covenants that it shall, at all times that the 2006 Bonds bear interest in a Variable Rate, cause a Liquidity Facility complying with the requirements of this Section 310 to be in effect with respect to the 2006 Bonds.
- Renewal Liquidity Facility. The Authority may, subject to the provisions of the Liquidity Facility, at any time arrange for the deposit with the Trustee of a Renewal Liquidity Facility in substitution for the existing Liquidity Facility. Each Renewal Liquidity Facility shall be satisfactory in form and substance to the Trustee; provided that no such Renewal Liquidity Facility shall be satisfactory to the Trustee unless, in addition to all other requirements to be met therefor, a draft of such Renewal Liquidity Facility, and a draft of the related Renewal Liquidity Facility Agreement, if any, have been submitted to the Trustee at least 20 days prior to the date such Renewal Liquidity Facility is to become effective. In addition, if such Liquidity Facility contains a decrease in the Interest Coverage Rate, the Interest Coverage Period or the Interest Component or a decrease in the portion of the Liquidity Facility designated to pay premium upon purchase of the 2006 Bonds, the Trustee must have received written evidence from each Rating Agency then maintaining a rating on the 2006 Bonds that such rating will not be withdrawn or reduced due to the delivery of such Renewal Liquidity Facility. Upon the delivery of a Renewal Liquidity Facility, the Trustee shall promptly give written notice by first class mail, postage prepaid, to each owner of a 2006 Bond bearing interest at a Variable Rate or a Flexible Rate that a Renewal Liquidity Facility and Renewal Liquidity Facility Agreement will secure such 2006 Bond.
- Alternate Liquidity Facility. The Authority may, subject to the provisions of the Liquidity Facility, at any time arrange for the deposit with the Trustee of an Alternate Liquidity Facility in substitution for the existing Liquidity Facility. The Alternate Liquidity Facility shall expire no earlier than 360 days from the date of its deposit with the Trustee and, in the event any of the 2006 Bonds bear interest at a Term Rate for a Term Rate Period extending beyond the Stated Expiration Date of such Alternate Liquidity Facility, no earlier than the Liquidity Facility which it replaces. Each Alternate Liquidity Facility shall be satisfactory in form and substance to the Trustee; provided that any such Alternate Liquidity Facility shall not be satisfactory to the Trustee unless, in addition to all other requirements to be met therefor, a draft of such Alternate Liquidity Facility and a draft of any supplemental bond indenture required to be executed in connection with the delivery of the Alternate Liquidity Facility, and appropriate information concerning the entity which will issue such Alternate Liquidity Facility have been submitted to each Rating Agency then maintaining a rating on the 2006 Bonds entitled to the benefit of the then effective Liquidity Facility, and each such Rating Agency has given notice, promptly confirmed in writing, to the Authority and the Trustee at least 20 days prior to the date such Alternate Liquidity Facility is to become effective as to what rating the 2006 Bonds entitled to the benefit of the Alternate Liquidity Facility will bear after such substitution.

The Liquidity Facility then in effect may be replaced by an Alternate Liquidity Facility only if (i) the provisions for mandatory tender for purchase of the 2006 Bonds described in Section 304 hereof are satisfied, (ii) prior to such replacement the Authority shall have delivered to the Trustee a Favorable Opinion with respect to such replacement, (iii) the Trustee shall receive an opinion of counsel for the Bank issuing the Alternate Liquidity Facility in a form reasonably acceptable to the Trustee and (iv) the Bank issuing the Alternate Liquidity Facility or the Authority shall provide funds on or before the substitution for the purchase of all Bank Bonds from the Bank issuing the Liquidity Facility then in effect.

- (e) <u>Surrender of Liquidity Facility</u>. If at any time there shall have been delivered to the Trustee, in substitution for the Liquidity Facility then in effect, either an Alternate Liquidity Facility or a Renewal Liquidity Facility, then the Trustee shall accept such Alternate Liquidity Facility or Renewal Liquidity Facility and shall thereupon surrender the Liquidity Facility then in effect to the Bank which issued the Liquidity Facility in accordance with its terms for cancellation unless such substitution is effected through the attachment of an exhibit or similar attachment to the prior Liquidity Facility as permitted by the terms of such Liquidity Facility. At such time as the 2006 Bonds shall have been converted to a Fixed Rate, the Trustee shall promptly surrender the Liquidity Facility then in effect to the Bank which issued such Liquidity Facility in accordance with the terms thereof and of the Indenture for cancellation. The Trustee shall promptly surrender any Liquidity Facility after it expires in accordance with its terms.
- (f) <u>Transfer of Liquidity Facility</u>. The Trustee shall not sell, assign or otherwise transfer the Liquidity Facility except to a successor Trustee hereunder and in accordance with the terms of the Liquidity Facility.
 - (g) <u>Reserved.</u>
- (h) <u>Terms of Liquidity Facility</u>. So long as any 2006 Bonds bear interest at a Variable Rate or a Flexible Rate, the Authority is required to cause to have on deposit with the Trustee a Liquidity Facility. When a Liquidity Facility is in effect, the Authority shall maintain the Interest Component of the Liquidity Facility in an amount which shall not be less than the amount determined by multiplying
 - (i) the outstanding principal amount of 2006 Bonds bearing interest at a Variable Rate or a Flexible Rate, as applicable, times
 - (ii) the Interest Coverage Rate for such Variable Rate Period or Flexible Rate, as applicable, required to be used pursuant to this paragraph times
 - (iii) the quotient determined by dividing
 - (A) the Interest Coverage Period for such Variable Rate Period or Flexible Rate Period, as applicable, required to be used pursuant to this paragraph by
 - (B) 365 (or 360, in the case of 2006 Bonds bearing interest at Variable Rates for Term Rate Periods or bearing interest at a Fixed Rate).

The Interest Coverage Rate utilized for each Variable Rate Period or Flexible Rate Period in the above described calculation shall not be less than the rate specified by the Remarketing Agent to the Trustee for the 2006 Bonds in each particular Variable Rate Period or Flexible Rate Period as the maximum interest rate at which the Remarketing Agent will remarket the 2006 Bonds in such Variable Rate Period or Flexible Rate Period, which may not be less than the current interest rate or rates borne by the 2006 Bonds in such Variable Rate Period or Flexible Rate Period. Notwithstanding anything herein to the contrary, the maximum interest rate at which the 2006 Bonds may be remarketed may not be greater than 12% per annum.

The Interest Coverage Period utilized for each Variable Rate Period or Flexible Rate Period in the above described calculation shall not be less than the following:

- (iv) with respect to 2006 Bonds bearing interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period, 34 days;
- (v) with respect to 2006 Bonds bearing interest at a Variable Rate for a Term Rate Period, 183 days;
- (vi) with respect to 2006 Bonds bearing interest at a Flexible Rate, 270 days; or
- (vii) with respect to 2006 Bonds generally, such other number of days then required by any Rating Agency to obtain or maintain an investment grade rating on the 2006 Bonds entitled to the benefit of such Liquidity Facility.

If any Bond is bearing interest at a Variable Rate for a Term Rate Period and if the Stated Expiration Date is scheduled to occur during the current Interest Period therefor, the amount of the Liquidity Facility must include an amount to pay the applicable premium, if any, on the Renewal Date on which such Bond is required to be purchased pursuant to Section 304 hereof.

In addition, each Renewal Liquidity Facility and Alternate Liquidity Facility shall provide for payment of an amount equal to the outstanding principal amount of the 2006 Bonds bearing interest at a Variable Rate or a Flexible Rate. Each Liquidity Facility shall provide that such Liquidity Facility may not be terminated until five days after any draw thereunder is made on a Renewal Date, Substitution Date or Conversion Date.

(i) Bank Bonds.

- (i) Any 2006 Bonds purchased with proceeds of a drawing on the Liquidity Facility pursuant to this Article shall be registered in the name of the Bank and are herein called "Bank Bonds". Pending reinstatement of the Liquidity Facility securing such 2006 Bonds or release of such 2006 Bonds by the Bank, the Bank shall be entitled to receive all payments of principal of and interest on Bank Bonds and such 2006 Bonds shall not be transferable or deliverable to any party (including the Authority) except the Bank. As indicated in Section 202 hereof, all Bank Bonds shall bear interest at the Bank Rate.
- (ii) The Remarketing Agent shall continue to use its best efforts to arrange for the sale of any Bank Bonds, subject to the reinstatement of the Liquidity Facility with respect to the drawings with which such 2006 Bonds were purchased, at a price equal to the principal amount thereof plus accrued interest.
- (iii) <u>Delivery of Remarketed Bank Bonds and Proceeds Thereof.</u> Upon reinstatement of the Liquidity Facility relating to Bank Bonds and the sale of Bank Bonds arranged by the Remarketing Agent, the Tender Agent shall make available (i) such 2006 Bonds to the Remarketing Agent for redelivery to the purchasers thereof and (ii) the proceeds of such sale to the Bank to the extent of any unpaid obligation under the Liquidity Facility for the prior drawing made by the Tender Agent on the Liquidity Facility in respect of the purchase of such 2006 Bonds.

ARTICLE IV REDEMPTION OF BONDS

Section 401. REDEMPTION DATES AND PRICES

As long as there is no continuing Event of Default under the Indenture, the 2006 Bonds shall be subject to redemption prior to maturity in the amounts, at the times and in the manner provided in this Section 401.

(a) Optional Redemption.

- (i) <u>ARS Interest Rate Period</u>. During an ARS Interest Rate Period, the 2006 Bonds shall be subject to redemption prior to maturity at the option of the Authority, in whole or in part (and if in part in an Authorized Denomination) on any ARS Interest Payment Date, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date, without premium.
- (ii) <u>Flexible Rate Period or a Variable Rate Period</u>. During a Flexible Rate Period or a Variable Rate Period, the 2006 Bonds shall be subject to redemption prior to maturity at the option of the Authority, in whole or in part (and if in part in an Authorized Denomination) on any Repurchase Date applicable thereto during a Flexible Rate Period or on any Interest Payment Date during a Variable Rate Period (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot), at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.
- (iii) <u>Term Rate Period</u>. On or prior to the Fixed Rate Conversion Date, 2006 Bonds in a Term Rate Period may be redeemed by the Authority, in whole or in part (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot in such manner as shall be determined by the Trustee), (A) at any time on and after the No-Call Period described below, at a redemption price of 100% of the principal amount of 2006 Bonds called for redemption, plus accrued interest to the date fixed for redemption, and (B) on the day after the end of each Term Rate Period at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption:

Length of Term Rate Period	Commencement of Redemption Period
Greater than or equal to 15 years	10 th Anniversary of the commencement of the Term Rate Period
Less than 15 years and greater than or equal to 10 years	8 th Anniversary of the commencement of the Term Rate Period
Less than 10 years and greater than or equal to 8 years	6 th Anniversary of the commencement of the Term Rate Period
Less than 8 years	Not subject to optional redemption until commencement of next Term Rate Period

Notwithstanding the foregoing, the No-Call Periods specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2006 Bonds to a Term Rate Period is to the effect that such change will not have an adverse effect on the validity of the 2006 Bonds or any exemption from federal income taxation to which interest on the 2006 Bonds would otherwise be entitled.

(iv) <u>Fixed Rate</u>. After the Fixed Rate Conversion Date, the 2006 Bonds may be redeemed by the Authority in whole on any date, or in part on any Interest Payment Date (and, if in part, by lot in such manner as shall be determined by the Trustee), after the No-Call Period described below at a redemption price of 100% of the principal amount of 2006 Bonds called for redemption, plus accrued interest to the date fixed for redemption:

Length of Fixed Rate Period	Commencement of Redemption Period
Greater than or equal to 15 years	10 th Anniversary of the commencement of the Fixed Rate Period
Less than 15 years and greater than or equal to 10 years	8 th Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 th Anniversary of the commencement of the Fixed Rate Period
Less than 8 years	Not subject to optional redemption

Notwithstanding the foregoing, the No-Call Periods and redemption prices specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2006 Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2006 Bonds or any exemption from federal income taxation to which interest on the 2006 Bonds would otherwise be entitled.

- (b) <u>Special Optional Redemption</u>. Any 2006 Bonds which are Bank Bonds shall be subject to redemption in whole or in part prior to the Maturity Date at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day while such 2006 Bonds are Bank Bonds at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.
- (c) <u>Mandatory Sinking Fund Redemption</u>. The 2006 Bonds are subject to mandatory redemption prior to maturity in part by lot, as selected by the Trustee, on June 15 of each year as set forth below, in the respective principal amounts listed opposite each such year from moneys in the Debt Service Fund, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

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Redemption Date (June I5)	Principal Amount	Redemption Date (June I5)	Principal Amount
2007	\$ 4,450,000	2014	\$ 6,450,000
2008	4,675,000	2015	6,800,000
2009	4,925,000	2016	7,175,000
2010	5,200,000	2017	7,575,000
2011	5,475,000	2018	8,000,000
2012	5,800,000	2019	8,425,000
2013	6,100,000	2020*	8,900,000

* Final Maturity

Notwithstanding the foregoing, so long as the 2006 Bonds are ARS, if any June 15th is not an ARS Interest Payment Date, the mandatory sinking fund redemption will occur on the ARS Interest Payment Date immediately preceding such June 15th. Further, notwithstanding the foregoing, on and after the Fixed Rate Conversion Date, if the Authority shall file a certificate pursuant to Section 205(d) hereof in connection with the conversion of the 2006 Bonds to the Fixed Rate containing an alternate schedule of mandatory redemption dates and amounts to be effective with respect to the 2006 Bonds on and after the Fixed Rate Conversion Date, in lieu of the mandatory sinking fund redemption schedule detailed above, the Authority shall redeem 2006 Bonds maturing on such dates and in the such amounts from moneys in the Debt Service Fund as shall be set forth in such certificate, if any, filed in connection with the conversion of the 2006 Bonds to the Fixed Rate, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

In the event of any partial redemption of the 2006 Bonds pursuant to Section 401(a) or (b), hereof, the mandatory sinking fund redemption payments shall be reduced in such order as the Authority shall elect prior to such redemption or, if no such election is made, in the inverse order thereof. The Trustee shall (in such manner as it in its sole discretion shall choose) adjust the amount of each such reduction in required mandatory redemption payment, so that each such required mandatory sinking fund redemption payment is made in Authorized Denominations.

(d) General Provisions Regarding Redemptions.

- (i) No redemption of less than all of the 2006 Bonds outstanding shall be made unless in Authorized Denominations. Any redemption of less than all of the 2006 Bonds Outstanding shall be made first from Bank Bonds. Any redemption of less than all of the 2006 Bonds Outstanding shall be made in such a manner that all 2006 Bonds Outstanding after such redemption are in Authorized Denominations.
- (ii) 2006 Bonds may be called for redemption by the Trustee pursuant to Section 401 hereof in accordance with the notice requirements of Section 402 hereof.
- (iii) In lieu of redeeming 2006 Bonds pursuant to Section 401, the Trustee may, at the written request of the Authority, use such funds otherwise available hereunder for redemption of 2006 Bonds to purchase 2006 Bonds in the open market at a price not exceeding the redemption price then applicable hereunder. Any 2006 Bonds so purchased in lieu of redemption shall be delivered to the Trustee for cancellation and

shall be canceled. It is understood that (i) in the case of any optional redemption or purchase and cancellation of 2006 Bonds with serial maturities, the Authority shall receive credit against its required mandatory redemption deposits, if any, with respect to the 2006 Bonds of such Maturity Date and (ii) in the case of any optional redemption of 2006 Bonds with a term maturity, the Authority shall receive credit against its required mandatory redemption deposits, if any, in such order as the Authority shall designate in writing prior to the redemption or purchase and cancellation or, if no such election is made prior to such redemption or purchase and cancellation, in the inverse order thereof; provided, however, that following such reduction each such mandatory redemption payment is made in integral multiples of an Authorized Denomination.

Section 402. NOTICE OF REDEMPTION

- Except as hereinafter provided, a copy of the notice of the call for any (a) redemption identifying the 2006 Bonds to be redeemed shall be given by the Trustee to the Bondholders by first class mail, postage prepaid, with respect to 2006 Bonds during a Daily Rate Period or a Weekly Rate Period, not less than 15 days and not more than 30 days prior to the date fixed for redemption and, with respect to 2006 Bonds bearing interest during an ARS Interest Rate Period, a Term Rate Period, a Flexible Rate Period or a Fixed Rate Period, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the registered owners of 2006 Bonds to be redeemed at their addresses as shown on the Bond Register. Such notice shall specify the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue on the 2006 Bonds which are the subject of such notice and shall include such other information as the Trustee shall deem appropriate or necessary at the time such notice is given to comply with any applicable law, regulation or industry standard. If at the time of mailing of any notice of redemption with respect to any redemption other than a mandatory redemption pursuant to Section 401(c) hereof the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2006 Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and shall be of no effect unless such moneys are so deposited. Prior to the Fixed Rate Conversion Date, Immediate Notice of any such redemption shall also be given to the Remarketing Agent promptly following the giving of notice to the Bondholders as aforesaid.
- (b) Notwithstanding Section 402(a) hereof, if the 2006 Bonds are to be redeemed pursuant to Section 401(b) hereof, the Trustee shall give Immediate Notice to the Bank upon receipt of the written request of the Authority.
- (c) Failure to give notice in the manner prescribed hereunder with respect to any 2006 Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2006 Bond with respect to which notice was properly given. Upon the happening of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the 2006 Bonds to be redeemed and to pay interest due thereon and premium, if any, the 2006 Bonds thus called shall not after the applicable redemption date bear interest, be protected by the Indenture or be deemed to be Outstanding under the provisions of the Indenture.
- (d) If any 2006 Bond is transferred or exchanged on the Bond Register by the Bond Registrar after notice has been given calling such 2006 Bond for redemption, the Trustee will attach a copy of such notice to the 2006 Bond issued in connection with such transfer or exchange.

Section 403. SELECTION OF BONDS TO BE REDEEMED

If less than all the 2006 Bonds shall be called for redemption under any provision of the Indenture permitting such partial redemption, the particular 2006 Bonds or portions thereof to be redeemed shall be selected by the Authority, in the principal amount designated in writing to the Trustee by the Authority or otherwise as required by the Indenture; provided, however, that (i) Bank Bonds shall be redeemed first; (ii) in the case of the mandatory redemption of 2006 Bonds which have been assigned to a particular mandatory redemption date pursuant to Section 401(c) hereof, such 2006 Bonds shall be redeemed on the designated dates; and (iii) subject to other applicable provisions of the Indenture, the portion of any 2006 Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination. In selecting 2006 Bonds for redemption, the Trustee shall treat each 2006 Bond as representing that number of 2006 Bonds which is obtained by dividing the principal amount of such 2006 Bond by the minimum Authorized Denomination. If it is determined that one or more, but not all, of the integral multiples of the Authorized Denomination of principal amount represented by any 2006 Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of an Authorized Denomination, the owner of such 2006 Bond shall forthwith surrender such 2006 Bond to the Trustee for (a) payment to such owner of the redemption price of the integral multiple of the Authorized Denomination of principal amount called for redemption and (b) delivery to such owner a new 2006 Bond or 2006 Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such 2006 Bond. New 2006 Bonds representing the unredeemed balance of the principal amount of such 2006 Bond shall be issued to the registered owner thereof without charge therefor.

ARTICLE V THE TENDER AGENT AND REMARKETING AGENT

Section 501. TENDER AGENT

The Trustee may, at all times on or before the Fixed Rate Conversion Date, appoint a Tender Agent with the power to act, on or prior to the Fixed Rate Conversion Date, on the Trustee's behalf and subject to its direction in the authentication and delivery of the 2006 Bonds and in connection with registration of transfers and exchanges, tenders, redemptions, notices and purchases thereof and payments thereon, as fully to all intents and purposes as though the Tender Agent had been expressly authorized hereunder to authenticate, deliver, pay, transfer and exchange 2006 Bonds, receive notices pursuant to Section 301, purchase tendered Bonds and make payments on the 2006 Bonds. The Trustee and the Tender Agent may enter into an agreement whereby the Tender Agent agrees to calculate the interest to be paid on each Interest Payment Date, and will relay such information to the Trustee for its confirmation. In the absence of such an agreement, the Trustee shall calculate such interest. For all purposes, any such Tender Agent shall be deemed to be acting solely as the agent of the Trustee and the authentication, delivery, transfer or exchange of 2006 Bonds, receipt of notices pursuant to Section 301, purchase of Tendered Bonds and payment of 2006 Bonds by the Tender Agent pursuant to this Section shall be deemed to be the authentication, delivery, transfer or exchange of 2006 Bonds, receipt of such notices, purchase of Tendered Bonds and payment of 2006 Bonds by the Trustee. Such Tender Agent shall at all times be a commercial bank with trust powers or trust company organized under the laws of the United States of America or one of the states thereof, having an office in New York, New York (or having an agent with such an office) and shall at all times be an institution organized and doing business under the laws of the United States or of any state authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authorities (a) with a combined capital and surplus of at least \$500,000,000 or (b) affiliated with the Trustee. If such institution publishes reports of condition at least annually pursuant to law or the

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requirements of such authorities, then for the purposes of this Section the combined capital and surplus of such institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The appointment of a Tender Agent under this Section shall be effective upon acceptance by the Tender Agent and shall continue until the Trustee making such appointment shall rescind such appointment, the Tender Agent shall resign, or until the effective date of the resignation or removal of such Trustee pursuant to the provisions of this Fourth Supplement to the Amended and Restated Indenture. The Tender Agent may act through an agent constituting a commercial bank with trust powers or trust company. If at any time on or prior to the Fixed Rate Conversion Date there is no Tender Agent, all references herein to the Tender Agent shall be deemed to refer to the Trustee. The Tender Agent shall be entitled to the same rights and shall be subject to the same obligations hereunder as the Trustee, and shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in the Indenture with respect to the Trustee insofar as such provisions may be applicable.

The Trustee shall make such arrangements with the Tender Agent, in addition to those made as provided herein, as are necessary to be made and to be thereafter continued whereby funds from the sources specified herein will be made available to pay when due the principal and redemption price of, and interest on, 2006 Bonds bearing interest at a Variable Rate or a Flexible Rate.

Section 502. REMARKETING AGENT

Following Conversion from ARS to a Variable Rate, the Authority shall appoint a Remarketing Agent for the 2006 Bonds. The Remarketing Agent shall designate its Principal Office to the Trustee, the Authority, the Tender Agent and the Bank 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, and the Tender Agent under which the Remarketing Agent will agree, particularly:

- (a) to hold all moneys delivered to it for the purchase of 2006 Bonds for the account of and for the benefit of the person or entity which shall have so delivered such moneys until the 2006 Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity; and
- (b) 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, the Trustee, the Tender Agent and the Bank at all reasonable times.

The Authority shall cooperate with the Trustee, the Tender Agent and the Bank to cause the necessary arrangements to be made and to be thereafter continued whereby funds from the sources specified herein will be made available for the purchase of 2006 Bonds presented at the Payment Office of the Tender Agent and whereby 2006 Bonds, executed by the Authority and authenticated by the Trustee or the Tender Agent, shall be made available to the Remarketing Agent to the extent necessary for delivery pursuant to Section 308 hereof.

The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 30 days' notice to the Authority, the Bank, the Trustee and the Tender Agent. The Remarketing Agent may be removed at any time upon 30 days' notice, by an instrument, signed by the Authority and filed with the Remarketing Agent, the Bank, the Trustee and the Tender Agent.

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In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and 2006 Bonds held by it in such capacity to its successor or, if there be no successor, to the Trustee.

In the event that the Authority shall fail to appoint a Remarketing Agent hereunder, or in the event that the Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority shall not have appointed its successor as Remarketing Agent, the Trustee, notwithstanding the provisions of the first paragraph of this Section 502, shall <u>ipso facto</u> be deemed to be the Remarketing Agent for all purposes of the Indenture until the appointment by the Authority of the Remarketing Agent or successor Remarketing Agent, as the case may be; provided, however, that the Trustee, in its capacity as Remarketing Agent, shall not be required to remarket Bonds, or to determine the interest rate on the 2006 Bonds.

The Remarketing Agent for its own account or as broker or agent for others may deal in 2006 Bonds and may do anything any other Bondholder may do to the same extent as if the Remarketing Agent were not serving as such.

The Remarketing Agent will not be entitled to any compensation from the Trustee or the Tender Agent or have any claim or rights with respect to any property, rights or interests constituting a part of the trust estate or otherwise held under the Indenture, but must make separate arrangements with the Authority for compensation.

Section 503. QUALIFICATIONS OF REMARKETING AGENT

Except in the case of the interim appointment of the Trustee to serve as Remarketing Agent pursuant to Section 502 hereof, the Remarketing Agent shall at all times be registered as a Municipal Securities Dealer under the Securities Exchange Act of 1934, as amended, and be authorized by law to perform all the duties contemplated by the Indenture to be performed by the Remarketing Agent and shall have knowledge and experience in the remarketing of securities such as the 2006 Bonds and shall not be unacceptable to the Bank.

ARTICLE VI REVENUES AND FUNDS

Section 601. DEBT SERVICE FUND.

(a) The Trustee shall establish as a part of the Debt Service Fund in respect of the 2006 Bonds a 2006 Bonds Sinking Fund Account (the "2006 Bonds Sinking Fund Account") for the retirement of the 2006 Bonds. Moneys deposited in the 2006 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 2006 Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund in respect of the 2006 Bonds to the 2006 Bonds Sinking Fund Account on June 1 of the years and in the amounts required to retire 2006 Bonds as and to the extent required pursuant to Section 401(c) of this Fourth Supplement to the Amended and Restated Indenture. Notwithstanding the foregoing, so long as the 2006 Bonds are ARS, if any June 15th is not an ARS Interest Payment Date, the Trustee shall transfer such moneys from the Debt Service Fund in respect of the 2006 Bonds to the 2006 Bonds Sinking Fund Account on the date that is fifteen (15) days prior to the ARS Interest Payment Date

on which the 2006 Bonds are required to be redeemed pursuant to Section 401(c) of this Fourth Supplement to the Amended and Restated Indenture.

Prior to May 1 of each year in which 2006 Bonds are subject to mandatory redemption as described in Section 401(c) of this Fourth Supplement to the Amended and Restated Indenture, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 2006 Bonds Sinking Fund Account of as many 2006 Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the holders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund in respect of the 2006 Bonds). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 402 of this Fourth Supplement to the Amended and Restated Indenture, so long as any 2006 Bonds shall remain Outstanding, the Trustee shall select 2006 Bonds for redemption, selecting any Bank Bonds first and thereafter by lot, on June 15 of such year, a principal amount of 2006 Bonds as shall represent the difference between the principal amount of such 2006 Bonds fixed for redemption on such date as described in Section 401(c) of this Fourth Supplement to the Amended and Restated Indenture and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection of the particular 2006 Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the holders of such 2006 Bonds so drawn for redemption in the manner provided in Article IV of this Fourth Supplement to the Amended and Restated Indenture, and, upon presentation by the holders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 2006 Bonds Sinking Fund Account and shall pay accrued interest due from moneys available therefor in the Debt Service Fund in respect of the 2006 Bonds.

If at any time all the 2006 Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 2006 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund in respect of the 2006 Bonds. Whenever 2006 Bonds are to be purchased out of the 2006 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to the Indenture.

- (b) As long as the Bond Insurance Policy shall be in full force and effect, the Authority, the Trustee agrees to comply with the following provisions:
 - (a) at least one (1) Business Day prior to all Interest Payment Date the Trustee or paying agent, if any, will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the 2006 Bonds on such interest payment date. If the Trustee or paying agent, if any, determines that there will be insufficient funds in such Funds or Accounts, the Trustee or paying agent, if any, shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the 2006 Bonds to which such deficiency is applicable and whether such 2006 Bonds will be deficient as to principal or interest, or both. If the Trustee or paying agent, if any, has not so notified the Bond Insurer at least one (1) Business Day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the 2006 Bonds on or before the

- first (1st) Business Day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee or paying agent, if any.
- (b) the Trustee or paying agent, if any, shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to The Bank of New York, in New York, New York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Authority maintained by the Trustee or paying agent, if any, and all records relating to the Funds and Accounts maintained under the Indenture.
- (c) the Trustee or paying agent, if any, shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of 2006 Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon 2006 Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from the Bond Insurer.
- the Trustee or paying agent, if any, shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such 2006 Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee or paying agent, if any, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their 2006 Bonds for payment thereof first to the Trustee or paying agent, if any, who shall note on such 2006 Bonds the portion of the principal paid by the Trustee or paying agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.
- (e) in the event that the Trustee or paying agent, if any, has notice that any payment of principal of or interest on a 2006 Bonds which has become Due for Payment and which is made to a Bondholder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or paying agent, if any, shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or paying agent, if any, shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the 2006 Bonds which have been made by the Trustee or paying agent, if any, and subsequently recovered from registered owners and the dates on which such payments were made.

(f) in addition to those rights granted the Bond Insurer under this Indenture, the Bond Insurer shall, to the extent it makes payment of principal of or interest on 2006 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or paying agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee or paying agent, if any, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of the 2006 Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or paying agent, if any, shall note Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee or paying agent, if any, upon surrender of the 2006 Bonds by the registered owners thereof together with proof of the payment of principal thereof.

Section 602. PAYMENT UNDER THE 2006 BONDS SWAP

(a) In accordance with Section 5.05(c) of the Amended and Restated Indenture, as amended and supplemented, the Trustee shall transfer moneys in the Revenue Fund, as directed by the Authority, to JPMorgan Chase Bank – New York, or its successors and permitted assigns, as counterparty under the Swap Transaction (the "2006 Bonds Swap") (a copy of which is attached to this Fourth Supplement to the Amended and Restated Indenture as Appendix B); provided, however, that all such payments to JPMorgan Chase Bank – New York, or its successors and permitted assigns, pursuant to the terms of the 2006 Bonds SWAP on any date may only be made if the transfers or payments required by Sections 5.05(a) and (b) of the Amended and Restated Indenture, as amended and supplemented, as of and prior to such date have been made in full and all payments required to be made by the Authority as of and prior to such date of or in respect of debt service on the Bonds and amounts required to be deposited into the Debt Service Reserve Fund (including any amounts owing to the issuer of any municipal bond debt service reserve fund policy on deposit in the Debt Service Reserve Fund) have been made or paid in full.

At the election of the Authority and upon written notice to the Trustee, one or more new accounts in the Revenue Fund shall be created to be known generally as the "SWAP Account." In the event that the Authority elects to create the SWAP Account, the Trustee shall (i) deposit on a monthly or other periodic basis in the SWAP Account, as directed by the Authority, and reserve in the SWAP Account, such amounts as may be directed by the Authority with respect to amounts owing or to be owed in connection with any interest rate swap or hedge agreements relating to any Bonds, and (ii) transfer from such SWAP Account to the relevant counterparty under such interest rate swap or hedge agreement such amounts as shall be directed by the Authority: provided. however, that all such, transfers to the SWAP Account and all such payments made from the SWAP Account pursuant to the terms of any interest rate swap or hedge agreements on any date may only be made if the transfers or payments required by Sections 5.05(a) and (b) of the Amended and Restated Indenture, as amended and supplemented, as of and prior to such date have been made in full and all payments required to be made by the Authority as of and prior to such date of or in respect of debt service on the Bonds and amounts required to be deposited into the Debt Service Reserve Fund (including any amounts owing to the issuer of any municipal bond debt service reserve fund policy on deposit in the Debt Service Reserve Fund) have been made or paid in full.

(b) Payments received from JPMorgan Chase Bank – New York, or its successors and permitted assigns, as counterparty under the 2006 Bonds SWAP shall be deposited to the Debt Service Fund established pursuant to Section 5.06 of the Amended and Restated Indenture.

ARTICLE VII AMENDMENT OF INDENTURE

Section 701. AMENDMENT OF SECTION 2.11.

Subsection (f) of Section 2.11 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"(f) Except for Additional Bonds issued to refund Outstanding Bonds where the Maximum Annual Debt Service Requirement for the Additional Bonds and the total principal and interest payable on the Additional Bonds for the term thereof do not exceed the comparable amounts for the Bonds being refunded or Additional Bonds which have a security interest in the Pledged Revenues which is subordinate to the security interest granted to secure the 1999 Bonds, the 2003 Bonds and the 2006 Bonds, a certificate executed by the Authority, including a verification of the calculations by an independent certified public accountant, showing that (1) the PICA Taxes collected with respect to any 12 consecutive months during the 15 month period preceding the date of issuance of such Additional Bonds, after giving retroactive effect during each month of such 12 month period to any PICA Taxes which were not in effect (including for this purpose any increase in the rate of an existing tax) during each such month but which have been imposed prior to the issuance of the Additional Bonds, equaled at least 175% of the Maximum Annual Debt Service Requirement (including the Authority's obligations with respect to repayment of Policy Costs then due and owing with respect to each Credit Facility issued in connection with the Debt Service Reserve Fund for the Bonds and any amounts due to the provider of a credit or liquidity facility issued with respect to a series of Bonds) on Bonds to be Outstanding after the issuance of the Additional Bonds and (2) the PICA Taxes projected to be collected during the 12 months following the issuance of the Additional Bonds, which projections may be based on the PICA Taxes projected for such period in the City's most recent Financial Plan (as defined in the Intergovernmental Cooperation Agreement) approved by the Authority, equal at least 175% of the Debt Service Requirement during such 12 month period on Bonds to be Outstanding after the issuance of the Additional Bonds. In making the foregoing calculations, PICA Taxes other than the Income Tax shall not be included in the calculation unless each Bond Insurer then insuring Outstanding Bonds has consented to the inclusion of such other PICA Taxes in writing."

Section 702. AMENDMENT OF SECTION 4.12.

- (a) Section 4.12(b) of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:
 - "(b) the official statement or other disclosure, if any, prepared in connection with the issuance of additional debt, whether or not it is on a parity with the 1999 Bonds, the 2003 Bonds or the 2006 Bonds, within 30 days after the sale thereof;".
- (b) Section 4.12(d) of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

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"(d) the notice of the redemption, other than mandatory sinking fund redemption, of any of the 1999 Bonds, the 2003 Bonds and the 2006 Bonds, including the principal amount, maturities and CUSIP numbers thereof;".

Section 703. AMENDMENT OF ARTICLE VII.

Article VII of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended by adding the following new paragraph at the end of such section:

"If any advance refunding of the 2006 Bonds is accomplished prior to the Fixed Rate Conversion Date, (i) moneys held to defease such 2006 Bonds shall be invested only in Government Obligations with maturity dates on or prior to the next Flexible Rate Adjustment Date or Variable Rate Adjustment Date, as the case may be, for the 2006 Bonds, the 2006 Bonds shall be redeemed on or prior to such Flexible Rate Adjustment Date or Variable Rate Adjustment Date and the 2006 Bonds which have been advance refunded prior to maturity shall no longer be subject to any optional or mandatory tender or (ii) the Trustee shall have received written evidence from each Rating Agency then rating the 2006 Bonds that the rating borne by such 2006 Bonds immediately prior to such refunding will not be withdrawn or reduced by reason of such advance refunding."

Section 704. AMENDMENT OF SECTION 8.01.

Section 8.01 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended as follows:

- (i) In the fifth to last line of the paragraph following subsection 8.01(e), after the words "1999 Bonds", delete the word "or" and replace it with ",", and after the words "2003 Bonds", add the words "or in the 2006 Bonds".
- (ii) A new Event of Default shall be added to Section 8.01 as new subsection (g), which provision shall read, as follows:
 - (g) If payment of the purchase price of any 2006 Bond tendered pursuant to Article III of the Fourth Supplement to the Amended and Restated Indenture is not made when it becomes due and payable;

Section 705. AMENDMENT OF SECTION 8.09.

Section 8.09 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended as follows:

- (i) In the fifth line of Section 8.09, after the words "1999 Bonds", delete the word "or" and replace it with "," and after the words "2003 Bonds", add the words "or the 2006 Bonds"
- (ii) The following additional paragraph is added at the end of Section 8.09 with respect to the 2006 Bonds, for as long as the Bond Insurance Policy remains in effect:

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"Any reorganization or liquidation plan with respect to the Authority must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation of the Authority, the Bond Insurer shall have the right to vote on behalf of all Bondholders who hold the Bond Insurer-insured 2006 Bonds absent a default by the Bond Insurer under the applicable Bond Insurance Policy insuring such 2006 Bonds."

Section 706. AMENDMENT OF SECTION 9.06.

Section 9.06 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended by adding at the end of the first sentence, after the word "Bondholders" the words "and the Bond Insurer."

Section 707. AMENDMENT OF SECTION 9.07.

Section 9.07 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended by adding a new subpart (c) at the end of the eighth line following the word "Bondholder" and prior to the ";", as follows:

"or (c) upon the request of the Bond Insurer, for any breach of the trust set forth in this Indenture"

Section 708. AMENDMENT OF SECTION 9.08.

Section 9.08 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended by deleting the last sentence thereof and replacing it with the following two sentences, as follows:

"Every successor Trustee appointed pursuant to this Section 9.08 shall be a trust company or bank in good standing located in or incorporated under the laws of the Commonwealth, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to the Bond Insurer. Any successor paying agent, if applicable, shall not be appointed unless the Bond Insurer approves such successor in writing. Notwithstanding any other provision of this Fourth Supplement to Amended and Restated Indenture, no removal, resignation or termination of the Trustee (or paying agent, if any) shall take effect until a successor, acceptable to the Bond Insurer, shall be appointed."

Section 709. AMENDMENT TO ARTICLE IX.

Article IX of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended by adding the following new Section 9.14 at the end of such section:

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"Section 9.14. Bond Insurance Policy not Taken into Consideration. Notwithstanding any other provision of this Fourth Supplement to the Amended and Restated Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Fourth Supplement to the Amended and Restate Indenture, the Trustee (or paying agent, if any) shall consider the effect on the Bondholders as if there were no Bond Insurance Policy

Section 710. AMENDMENT OF SECTION 10.01.

Section 10.01 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended by adding the following new paragraph (n) immediately following paragraph (m).

With respect to the 2006 Bonds, to increase or decrease the maximum (n) interest rate used to compute (i) the Interest Coverage Rate, as defined in Section 103 of the Fourth Supplement to the Amended and Restated Indenture, and (ii) the maximum rate at which the 2006 Bonds may be remarketed, as set forth in Section 310(h) of the Fourth Supplement to the Amended and Restated Indenture; provided, however, that the Trustee shall have first obtained the written consent for such amendment from the Bond Insurer insuring the 2006 Bond and any Credit Facility Issuer.

Section 711. AMENDMENT OF SECTION 10.02.

The last paragraph of Section 10.02 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended as follows:

- In the seventh line of the last paragraph of Section 10.02, after the words "1999 Bond", delete the word "or" and replace it with ",", and after the words "2003 Bonds" add the words "or 2006 Bonds".
- The following additional paragraph is added at the end of Section 10.02 with respect to the 2006 Bonds, for as long as the Bond Insurance Policy remains in effect:

"Unless otherwise provided in this Section, the Bond Insurer's consent shall be required in lieu of Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental Indenture, (ii) removal of the Trustee or paying agent, if any, and selection and appointment of any successor trustee or paying agent, and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent."

Section 712. AMENDMENT OF SECTION 10.04.

Section 10.04 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture of Trust, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended by adding the following additional paragraph at the end thereof with respect to the 2006 Bonds:

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"Any provision of this Fourth Supplement to the Amended and Restated Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer. The Bond Insurer reserves the right to charge the Authority a fee for any consent or amendment to the Indenture while the Bond Insurance Policy is outstanding."

Section 713. AMENDMENT OF SECTION 11.07.

Section 11.07 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture of Trust, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"Section 11.07 of the Amended and Restated Indenture is amended to add the following addresses as the addresses for the Credit Facility Issuer with respect to the Bonds:

To the Authority:

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut St., 14th Floor Philadelphia, PA 19102

To the Trustee:

Wachovia Bank, National Association 123 South Broad Street 11th Floor Philadelphia, PA 19109-1199 Attention: Alice M. Amoro

If to the Auction Agent:

If to the Tender Agent:

Wachovia Bank, National Association 123 South Broad Street 11th Floor Philadelphia, PA 19109-1199 Attention: Alice M. Amoro

If to Counterparty on 2006 Bonds SWAP:

JPMORGAN CHASE BANK- NEW YORK

Payments to be made as follows

Swap Payment Instructions:

JPMorgan Chase Bank

Favour:

[JPMorgan London] lo.: [ABA #:021000238]

ABA/Bank No.: Account No.:

[670-07-054]

Reference:

[Further credit to swap group

account]

Section 714. AMENDMENT OF SECTION 11.10.

(a) The second sentence of Section 11.10 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"When the 1999 Bonds, the 2003 Bonds or the 2006 Bonds are no longer Outstanding, no further notice to or consent or approval of the respective Bond Insurer shall be required under the terms of this Fourth Supplement to the Amended and Restated Indenture and such Bond Insurer shall cease to be a third party beneficiary of this Fourth Supplement to the Amended and Restated Indenture."

(b) Section 11.10 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, is further amended by adding the following new sentence at the end of such section.

"Notwithstanding anything herein to the contrary, the Authority shall not be permitted to replace the Bond Insurer with respect to the 2006 Bonds without prior written confirmation from each Rating Agency that such substitution shall not adversely affect the rating issued by such Rating Agency then applicable to the 2006 Bonds."

Section 715. SPECIAL PROVISIONS FOR THE BENEFIT OF THE BOND INSURER.

(a) The following provisions are added as a new Section 11.15 to Article XI of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, with respect to the 2006 Bonds:

"Section 11.15. <u>Notices and Information to be Provided to the Bond Insurer.</u> With respect to the 2006 Bonds and while the Bond Insurance Policy is in effect, the Trustee shall furnish to the Bond Insurer, the following:

- (a) to the attention of the Bond Insurer's Surveillance Department, unless otherwise indicated, and upon request:
- (i) a copy of any financial statement, audit and/or annual report of the Authority,
- (ii) a copy of any notice to be given to the registered owners of the 2006 Bonds, including, without limitation, notice of any redemption of or defeasance of

Obligations, and any certificate rendered pursuant to this [Financing Document] relating to the security for the Obligations, and

- (iii) such additional information as the Bond Insurer may reasonably request.
- (b) to the attention of the Bond Insurer's General counsel office, unless otherwise indicated:
- (i) notice of any failure of the Authority to provide the relevant notices, certificates and other documents required to be delivered by the Authority pursuant to the terms of the Indenture, and
- (ii) notwithstanding any other provision of the Indenture, the Trustee shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default under the Indenture.

Additionally, the Authority will permit the Bond Insurer to discuss the affairs, finances and accounts of the Authority or any information the Bond Insurer may reasonably request regarding the security for the 2006 Bonds with appropriate officers of the Authority. The Authority will permit the Bond Insurer to make copies of all books and records relating to the 2006 Bonds at any reasonable time.

The Bond Insurer shall have the right to direct an accounting at the Authority's expense, and the Authority's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the 2006 Bonds."

(b) The following provisions are added as a new Section 11.16 to Article XI of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, with respect to the 2006 Bonds:

"Section 11.16. <u>Valuation of Investment Securities</u>. The value of Investment Securities shall be determined as follows:

- (a) For the purpose of determining the amount in any fund, all Investment Securities credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets Inc., Bear Stearns, or Lehman Brothers.
- (b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus. accrued interest thereon; and
- (c) As to any investment not specified above: the value thereof established by prior agreement among the Authority, the Trustee, and the Bond Insurer."

ARTICLE VIII INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS

Section 801. INDENTURE TO REMAIN IN EFFECT.

Except as amended and supplemented by this Fourth Supplement to the Amended and Restated Indenture, the Existing Indenture shall remain in full force and effect and is in all respects ratified, approved and confirmed, and the Existing Indenture and this Fourth Supplement to the Amended and Restated Indenture shall be read, taken and construed as one and the same instrument so that all of the rights, remedies, terms, conditions, covenants and agreements of the Existing Indenture shall apply and remain in full force and effect with respect to this Fourth Supplement to the Amended and Restated Indenture, the 1999 Bonds, the 2003 Bonds and the 2006 Bonds, as appropriate. In case of any conflict between the provisions of the Existing Indenture and this Fourth Supplement to the Amended and Restated Indenture of Trust, the provisions of this Fourth Supplement to the Amended and Restated Indenture shall apply. Without limiting the foregoing, the Authority hereby assigns, pledges and grants to the Trustee and confirms its prior grant to the Trustee of a lien on and security interest in all right, title and interest of the Authority in and to the Pledged Revenues in order to secure (i) the payment of the principal of, premium, if any, and interest on the Bonds (including without limitation the 2006 Bonds) according to their tenor and effect, and (ii) the performance and observance by the Authority expressed herein and in the Bonds (including without limitation the 2006 Bonds).

Section 802. COUNTERPARTS.

This Fourth Supplement to the Amended and Restated Indenture may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 803. GOVERNING LAW.

This Fourth Supplement to the Amended and Restated Indenture shall be governed by and construed in accordance with the laws of the Commonwealth.

Section 804. CAPTIONS.

The captions and headings in this Fourth Supplement to the Amended and Restated Indenture are for reference purposes only and shall not control or affect the meaning or interpretation of any provisions of this Fourth Supplement to the Amended and Restated Indenture.

IN WITNESS WHEREOF, the Authority has caused this Fourth Supplement to the Amended and Restated Indenture to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials and the Trustee has caused this Fourth Supplement to the Amended and Restated Indenture to be executed in its name and with its corporate seal hereunto affixed and attested by its respective duly authorized signers, as of the date first above written.

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Assistant Secretary

[SEAL]

WACHOVIA BANK, NATIONAL ASSOCIATION,

as Trustee

[SEAL]

Exhibit A

Exhibit A

Form of 2006 Bond

See Tab B 9

Exhibit B

Exhibit B

Interest Rate Swap Transaction Documents

See Tabs I 1 through I 4

\$89,950,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM), SERIES OF 2006 (AUCTION RATE SECURITIES)

BOND PURCHASE CONTRACT

June 14, 2006

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street, 14th Floor Philadelphia, Pennsylvania 19102

Ladies and Gentlemen:

The undersigned RBC Dain Rauscher Inc. doing business under the name RBC Capital "Underwriter") Markets (hereinafter sometimes called the and the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") prior to Closing (hereinafter defined), offers to enter into this Bond Purchase Contract (the "Purchase Contract") with the Authority acting pursuant to a resolution adopted by its governing board as authorized by the Act (hereinafter defined), which, upon the Authority's written acceptance of this offer, will be binding upon the Authority and upon the Underwriter. This offer is made subject to the Authority's written acceptance of this Purchase Contract on or before 5:00 P.M., Philadelphia time on the date hereof, and if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered to the Authority at any time prior to the acceptance hereof by the Authority. Upon acceptance by the Authority, this Purchase Contract shall be binding upon the Authority and the Underwriter in accordance with its terms.

- 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein and in the Letter of Representations (hereinafter defined), the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell and deliver to the Underwriter for such purpose, all (but not less than all) of \$89,950,000 aggregate principal amount of Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) (hereinafter called the "2006 Bonds"). The purchase price of the 2006 Bonds (the "Purchase Price") shall be \$89,950,000 (the par amount of the 2006 Bonds). The payment for and delivery of the 2006 Bonds, and the consummation of the other actions contemplated herein to take place prior to or at the time of such payment and delivery, are herein sometimes called the "Closing."
- 2. The 2006 Bonds. The 2006 Bonds shall be as described in, and will be issued and secured under and pursuant to: (a) an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture") between the Authority and Wachovia Bank, National Association, as successor trustee (the "Trustee"), as amended and supplemented by a First

Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplemental Indenture"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplemental Indenture"), a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplemental Indenture") and a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplemental Indenture and, together with the 1994 Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, the "Indenture"), and (b) a resolution adopted by the Authority on May 16, 2006 (the "Resolution") authorizing the issuance, sale and delivery of the 2006 Bonds.

The Authority has previously issued seven Series of Bonds. Four Series of Bonds, Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 in the original aggregate principal amount of \$474,555,000, Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 in the original aggregate principal amount of \$643,430,000, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A in the original aggregate principal amount of \$178,675,000 and Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 in the original aggregate principal amount of \$122,020,000, are no longer outstanding. Three Series of Bonds remain outstanding: Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 1996 in the original aggregate principal amount of \$343,030,000, of which \$94,160,000 are currently outstanding (the "1996 Bonds"); Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program, Series of 1999 in the original aggregate principal amount of \$610,005,900, of which \$475,055,000 are currently outstanding; and Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 in the original aggregate principal amount of \$165,550,000, of which \$154,370,000 are currently outstanding.

The 2006 Bonds shall mature on June 15, 2020, shall bear interest from the issuance date for the initial period set forth on the inside front cover of the Official Statement (hereinafter defined) at the applicable rate established by the Underwriter for the 2006 Bonds prior to the date of delivery, and shall be offered at the initial public offering price, each as specified in the Official Statement (hereinafter defined), the Indenture and in Schedule 1 attached hereto. Thereafter, the 2006 Bonds will bear interest at the applicable Auction Rate for each Auction Period (as such terms are defined in the Indenture), until converted to another interest rate mode. While bearing interest at an Auction Rate, interest on the 2006 Bonds will be payable on the initial interest payment date set forth on the inside front cover of the Official Statement and thereafter on the day following the end of each Auction Period for the 2006 Bonds. While bearing interest at an Auction Rate, the 2006 Bonds are subject to mandatory tender and optional and mandatory redemption prior to scheduled maturity as described in Schedule 1 attached hereto, in the Official Statement and in the Indenture.

In addition, payment of the principal of and interest on the 2006 Bonds will be insured by a municipal bond new issue insurance policy ("Policy") to be issued by Ambac Assurance Corporation (the "Bond Insurer").

The proceeds from the sale of the 2006 Bonds will be used, together with other available funds of the Authority, to (i) currently refund all of the 1996 Bonds and (ii) pay the costs of issuing the 2006 Bonds.

Prior to the execution and delivery of the Indenture, there shall have been enacted or executed, as applicable, and be in full force and effect, without modification: (a) an Ordinance (Bill No. 1437, effective July 1, 1991), adopted by the City Council of the City of Philadelphia ("City Council") and approved by the Mayor on June 12, 1991 (the "Tax Ordinance"), levying for the exclusive purposes of the Authority, pursuant to Section 601 of the Act, a 1.5% tax on salaries, wages, commissions and other compensation earned by residents of the City of Philadelphia and on net profits of businesses, professions and other activities conducted by residents of the City of Philadelphia (the "Authority Tax"); (b) an Intergovernmental Cooperation Agreement, dated as of January 8, 1992 (the "Cooperation Agreement"), between the City of Philadelphia (the "City") and the Authority, pursuant to the Act and an Ordinance adopted by the City Council and approved by the Mayor of the City (the "Mayor") on January 3, 1992 (the "Cooperation Ordinance"); (c) a Pennsylvania Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement, dated as of June 1, 1992 (the "Tax Collection Agreement"), between the City and the Commonwealth of Pennsylvania (the "Commonwealth"), including a letter, dated June 28, 1991 (the "Agency Letter"), from the Department of Revenue of the Commonwealth, appointing the Revenue Department of the City and the Law Department of the City agents for the collection and enforcement of the Authority Tax: (d) a City Account Deposit and Disbursement Agreement, dated as of December 6, 1991 (the "City Account Deposit Agreement"), by and between the Authority and Wachovia Bank, National Association, successor to CoreStates Bank, N.A., and acknowledged and agreed to by the City; and (e) a letter (the "Disbursement Letter") from the Authority to the Treasurer of the Commonwealth, issued pursuant to the Act, directing the Treasurer of the Commonwealth to make weekly disbursements to the Trustee of proceeds of the tax imposed pursuant to the Tax Ordinance for deposit in the Revenue Fund established under the Indenture, so long as any bonds issued under the Indenture, including the 2006 Bonds, are outstanding. The Resolution, the Indenture, the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement (hereinafter defined), the City Account Deposit Agreement, the Agency Letter, the Disbursement Letter, the Continuing Disclosure Agreement dated June 15, 2006 between the Authority and the Trustee, the Auction Agent Agreement dated June 15, 2006 between the Trustee and Deutsche Bank Trust Company Americas, as auction agent and the Broker-Dealer Agreement dated June 15, 2006 between RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets and Deutsche Bank Trust Company Americas, as auction agent are herein collectively called the "Bond Documents." The Cooperation Ordinance and the Tax Ordinance are herein collectively called the "Ordinances."

A five-year financial plan of the City, covering Fiscal Years 2006 through 2010 was approved by a Qualified Majority of the Authority on July 21, 2005 and including all amendments, supplements or revisions thereto required to be prepared in accordance with the requirements of the Act and the Cooperation Agreement, hereinafter is referred to as the "Plan".

The Bond Documents and the Ordinances shall be substantially in the forms heretofore submitted to the Underwriter, with only such changes therein as shall be mutually agreed upon between the Authority and the Underwriter and as shall be required by the Act, the Resolution and the Ordinances.

- 3. Representations of Underwriter. The undersigned represents and warrants that: it is duly authorized to execute this Purchase Contract; it is registered under the Securities Exchange Act of 1934, as amended, as a broker or dealer, or is exempt from such registration pursuant to rules promulgated, or an order issued, by the Securities and Exchange Commission and that it is not prohibited from acting in such capacity by the application of Rule G-37 of the Municipal Securities Rulemaking Board.
- 4. Offering. The Underwriter agrees to make a bona fide public offering of all of the 2006 Bonds at prices not in excess of the initial public offering prices set forth on the inside front cover of the Official Statement, and in Schedule 1 attached hereto, reserving, however, the right to change such prices or yields without notice as the Underwriter shall deem necessary in connection with the public offering of the 2006 Bonds.
- 5. <u>Use of Documents</u>. The Authority hereby acknowledges that, in connection with the public offering and sale of the 2006 Bonds, (a) it has authorized and approved the distribution by the Underwriter of, and it has authorized and approved the execution and delivery of the official statement, dated June 7, 2006, including the appendices thereto, of the Authority (the "Official Statement"), as supplemented or amended in accordance with this Purchase Contract, prepared in connection with the issuance and sale of the 2006 Bonds. By execution of this Purchase Contract, the Official Statement is "deemed final" by the Authority as of its date for the purposes of Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), promulgated under the Securities Exchange Act of 1934, as amended. No preliminary official statement is being prepared or distributed in connection with the issuance of the 2006 Bonds.

Within seven business days of acceptance hereof (but in no event later than the day prior to Closing), the Authority shall deliver or cause to be delivered to the Underwriter a sufficient number of copies of the Official Statement, at least five of which shall be manually executed by the Authority, to enable the Underwriter to provide copies of the Official Statement as required by Rule 15c2-12.

- 6. <u>Representations and Warranties of the Authority</u>. The Authority represents and warrants to the Underwriter that:
- (a) The Authority is a body politic and corporate organized and existing pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"). The Authority at all relevant times had, and at the date of Closing will have, full legal right, power and authority (i) to enter into this Purchase Contract and each of the Bond Documents to which it is a party, (ii) to issue, to sell and to deliver the 2006 Bonds to the Underwriter as provided herein for the purposes described in the Official Statement, (iii) to pledge or grant a security interest in all Pledged Revenues, as defined in the Indenture, (iv) to prepare the Official Statement and to authorize the distribution of the Official Statement by the Underwriter, and (v) to carry out and to consummate the transactions contemplated by this Purchase Contract, the 2006 Bonds, any of the Bond Documents to which it is a party, any and all other agreements relating thereto, and as described in the Official Statement.

- (b) The Authority has complied, or at the Closing will have complied, with all provisions of the Constitution and the laws of the Commonwealth, including the Act, required of it for the authorization, issuance and sale of the 2006 Bonds, including, without limitation, approval of the Plan.
- (c) The Authority has duly authorized, or prior to the Closing will have duly authorized, all necessary action to be taken by it at or prior to the Closing for: (i) the issuance and sale of the 2006 Bonds upon the terms set forth herein, in the Act, in the Resolution and in the Indenture; (ii) the execution, issuance and delivery by it of the 2006 Bonds and the execution and delivery by it of each of the Bond Documents to which it is a party, the Official Statement and this Purchase Contract, and (iii) the execution and delivery of any and all such other agreements and documents as may be required to be executed and delivered by the Authority in order to carry out, give effect to and consummate the transactions contemplated by this Purchase Contract, each of the Bond Documents to which it is a party and the 2006 Bonds, and as described in the Official Statement.
- (d) Except as disclosed in the Official Statement, the Authority is not in breach of, or in default under, and the authorization, execution and delivery of the 2006 Bonds, each of the Bond Documents to which it is a party and this Purchase Contract, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under (i) any applicable law, ordinance, or administrative regulation of the Commonwealth, including the Act, or of the United States or of any governmental authority having jurisdiction over the Authority or of any department, division, agency or instrumentality thereof or in any way connected therewith (but not including United States or state securities laws or regulations, as to which no representation is made), or (ii) any applicable judgment, order or decree or any instrument relating to the Authority to which the Authority is a party or to which the Authority or any of the revenues or assets thereof is otherwise bound or subject and no event has occurred or is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default thereunder.
- (e) Except for the lien created by the Indenture, and a lien in favor of Financial Guaranty Insurance Company ("FGIC") created pursuant to the Debt Service Reserve Fund Policy Agreement dated as of April 15, 1999 between FGIC and the Authority, there is no lien on the Pledged Revenues as of the date of this Purchase Contract and, as of the time of the Closing, there will be no other lien on the Pledged Revenues. The proceeds of the Authority Tax as of the date of this Purchase Contract are, and at all times subsequent to the date hereof and as of and after the Closing will be, the revenues and property of the Authority, are not property or revenues of the City and are not subject to appropriation by either the Commonwealth or the City.
- (f) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction, the obtaining of which would constitute a condition precedent to the performance by the Authority of its obligations under the Act, each of the Bond Documents to which it is a party, the 2006 Bonds and this Purchase Contract, have been obtained and are in full force and effect.

- (g) The 2006 Bonds, when issued, authenticated and delivered in accordance with this Purchase Contract and the Indenture and sold to the Underwriter and paid for as provided herein and therein, will be duly authorized and validly issued and binding limited obligations of the Authority entitled to the benefits of the provisions for payment thereof, and security therefor, contained in the 2006 Bonds, the Act, the Resolution and the Indenture, and enforceable in accordance with their terms except as enforceability or remedies provided therein may be limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws and equitable principles affecting the enforcement of creditors' rights generally.
- (h) Except for information with respect to the City (including, without limitation, information in Appendix B of the Official Statement) and except for information with respect to DTC (as hereinafter defined), FGIC or any of its affiliates and the Bond Insurer, as to which no representation is made, the Official Statement as of its date, and at all times subsequent to the date hereof until the date of and as of the Closing, does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- Except as disclosed in the Official Statement, no action or proceeding, at law or in equity, or inquiry, hearing or investigation, before or by any court, public or governmental board, agency or body is pending against the Authority or, to the best of the knowledge of the Authority, threatened against the Authority, which in any way contests the corporate existence or powers of the Authority or the titles of its officers signatory hereto to their respective offices, or seeks to restrain or to enjoin the issuance or delivery of the 2006 Bonds or seeks to restrain or enjoin the collection or pledge of revenues of the Authority, including the Pledged Revenues, or the application thereof to the payment of the principal of, redemption premium, if any, or interest on the 2006 Bonds or as otherwise provided in each of the Bond Documents to which it is a party, or which in any way contests the validity of the 2006 Bonds, the Act, this Purchase Contract, any of the Bond Documents to which it is a party or either of the Ordinances or the authority or the power of any party to such documents to execute or perform their obligations thereunder, or any transaction contemplated by the Official Statement, or wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition of the Authority, the transactions contemplated by this Purchase Contract, the Act, any of the Bond Documents to which it is a party and the Official Statement or the taxexempt status of the Authority or the 2006 Bonds or would have an adverse effect on the validity or enforceability of the 2006 Bonds, the Resolution, the Indenture, any of the other Bond Documents to which it is a party, either of the Ordinances or any agreement or instrument by which the Authority is or may be bound. The 2006 Bonds are not subject to acceleration upon the occurrence of an Event of Default (as described in the Indenture).
- (j) During the 5-year period preceding the date hereof the Authority has complied in all material respects with all provisions of any continuing disclosure agreement to which it is or was a party.
- 7. <u>Covenants of the Authority</u>. The Authority agrees and covenants with the Underwriter that:

- (a) Between the date of this Purchase Contract and the Closing, the Authority will not, without prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money payable from the revenues of, or otherwise relating to, the Authority, except borrowings in the ordinary course of business which do not materially affect the accuracy of the information contained in the Official Statement.
- (b) The Authority will furnish such information, execute such instruments and take such other action, in cooperation with the Underwriter, as the Underwriter may reasonably request, to qualify the 2006 Bonds for offer and sale under the securities or "blue sky" laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and will cooperate with the Underwriter to continue to maintain such qualifications in effect so long as required for the distribution of the 2006 Bonds until the time of Closing; provided that the Authority shall not be obligated to take any action that would subject it to service of process in any such jurisdiction or to pay any fees for such qualification.
- (c) If between the date of this Purchase Contact and the date of the Closing an event occurs which is not disclosed in the Official Statement, or an event contemplated by the Official Statement fails to occur, which occurrence or failure would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter immediately after it becomes aware thereof and, if in the opinion of the Underwriter such occurrence or failure requires a supplement or amendment to the Official Statement, the Authority will supplement or amend the Official Statement in a manner jointly approved by the Underwriter and the Authority and furnish the Underwriter with a reasonable number of copies of the Official Statement as so supplemented or amended. The Authority will pay for the printing and distribution of the Official Statement as so amended and supplemented.
- (d) The Authority will notify the Underwriter, to the extent not disclosed in the Official Statement, of any material adverse change in the business, properties, financial condition or results of operation of the Authority and (to the extent known by the Authority) the City occurring before the Closing or within 25 days after the end of the underwriting period for the 2006 Bonds (within the meaning of Rule 15c2-12). The Authority may presume for purposes of this Section 7 (d) that the underwriting period of the 2006 Bonds will end on the date of the Closing unless the Authority is otherwise notified in writing at the Closing by the Underwriter. The Underwriter agrees to file a copy of the Official Statement with a nationally recognized municipal securities information repository (a "Repository") promptly after the Closing and to notify the Authority in writing of the date of such filing and the name of the Repository. The Underwriter agrees, at the Authority's cost and expense, promptly to file any amendments or supplements to the Official Statement with the same Repository and to notify the Authority in writing of such filings and the dates thereof. If in the opinion of the Underwriter such change requires a supplement or amendment to the Official Statement, the Authority will cause the Official Statement to be supplemented or amended in a form and in a manner jointly approved by the Authority and the Underwriter and furnish the Underwriter with a reasonable number of copies of the Official Statement as so supplemented or amended. The Authority will pay for the printing and distribution of the Official Statement as so amended and supplemented.

- (e) The Authority covenants that between the date hereof and the Closing, it will take no actions which would cause the representations and warranties made in Section 6 hereof to be untrue as of the Closing.
- (f) The Authority will apply the proceeds from the sale of the 2006 Bonds as set forth in the Indenture and as described in the Official Statement.
- 8. <u>Closing</u>. The Closing shall occur at the offices of Stradley Ronon Stevens & Young, LLP, Philadelphia, Pennsylvania, or such other place as shall have been mutually agreed upon by the Authority and the Underwriter, at 9:00 A.M., Philadelphia time, June 15, 2006 or at such earlier or later time or on such earlier or later date as the Authority and the Underwriter may mutually determine. At the Closing, the Authority will deliver, or cause to be delivered, to the Underwriter the 2006 Bonds, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the Purchase Price in immediately available Federal Funds to the order of the Trustee for the account of the Authority. The unqualified opinion of Stradley Ronon Stevens & Young, LLP, Bond Counsel, substantially in the form appended as Appendix D to the Official Statement, shall be printed on, or attached to, the 2006 Bonds.

Prior to the Closing, the 2006 Bonds, duly executed and authenticated, shall have been delivered as indicated herein. The 2006 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC"), which will act as a securities depository for the 2006 Bonds. Purchases of beneficial ownership interests in the 2006 Bonds will be made in book-entry-only form. So long as DTC or its nominee, Cede & Co., is the registered owner, principal of, redemption premium, if any, and interest on, the 2006 Bonds is payable directly to Cede & Co., for redistribution to DTC participants and, in turn, to the beneficial owners as described in the Official Statement. Purchasers of 2006 Bonds will not receive physical delivery of certificates representing their ownership interests in the 2006 Bonds purchased. The 2006 Bonds will be made available to the Underwriter in Philadelphia, Pennsylvania, one Business Day prior to the Closing, for checking at a place to be designated mutually by the Underwriter and the Authority. After execution by the Authority, authentication by the Trustee and checking, the 2006 Bonds shall be transferred to and held in safe custody by DTC. In lieu of the foregoing, the 2006 Bonds shall be held in safe custody by the Trustee or any authorized agent of the Trustee as custodian for DTC.

9. <u>Closing Conditions</u>. The Underwriter has entered into this Purchase Contract in reliance upon the respective representations and warranties of the Authority contained herein and of the City contained in the Letter of Representations, dated the date hereof (the "Letter of Representations"), the form of which is attached hereto as <u>Exhibit A</u>, and upon performance by the Authority and the City of their respective obligations hereunder and thereunder, both as of the date hereof and as of the date of Closing. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the 2006 Bonds shall be subject to (i) the performance, at or prior to the Closing, by the Authority and the City of their respective obligations to be performed hereunder, under the Letter of Representations and under such documents and instruments to be delivered at or prior to Closing and (ii) satisfaction of the following conditions:

- (a) The representations and warranties of the Authority contained herein and of the City contained in the Letter of Representations shall be true, complete and correct in all material respects at the time of acceptance of this Purchase Contract and at the time of Closing, as if made on the date thereof.
- (b) At the time of the Closing (i) the Act, the Resolution, this Purchase Contract, the 2006 Bonds, each of the Bond Documents and each of the Ordinances shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been approved in writing by the Underwriter, and the Authority and the City shall have duly adopted and there shall be in full force and effect any and all additional ordinances, resolutions or agreements as shall, in reasonable opinion of Bond Counsel, be necessary in connection with the transactions contemplated hereby, (ii) the Authority and the City shall perform or have performed all of their respective obligations required under or specified in this Purchase Contract, the Letter of Representations, or any of the Bond Documents, and as described in the Official Statement to be performed at or prior to Closing, and (iii) the proceeds of the sale of the 2006 Bonds shall be initially applied as described in and as otherwise permitted by the Indenture, and in the Official Statement.
- (c) At the date of Closing there shall not be any default by the Authority or the City with respect to any of their respective obligations, which default materially and adversely affects (i) the ability of the Authority to pay the debt service on the 2006 Bonds and/or (ii) the financial condition or operations of the City.
- (d) The Underwriter shall have the right to terminate, without liability therefor, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the 2006 Bonds by notifying the Authority of its election to do so if, after the execution hereof and at or prior to Closing: (i) the Constitution of the United States or the Commonwealth shall have been amended, or legislation shall have been introduced in or enacted by the Congress of the United States or introduced in or enacted by the House of Representatives or the Senate of the Commonwealth, or legislation pending in the Congress of the United States or the House of Representatives or the Senate of the Commonwealth, or a decision shall have been rendered by a court of the United States or of the Commonwealth, including the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or other form of official notice or statement shall have been proposed or made or other form of official notice or statement shall have been issued by the Treasury Department of the United States or the Internal Revenue Service or other Federal or Pennsylvania agency, with respect to Federal or Pennsylvania taxation upon revenues or other income of the general character to be derived by the Authority or by any similar body, or upon interest on obligations of the general character of the 2006 Bonds, which would have the effect of changing, directly or indirectly, the Federal or Pennsylvania income tax consequences of interest on obligations of the general character of the 2006 Bonds in the hands of the holders thereof, or which affects materially and adversely the ability of the Underwriter to market the 2006 Bonds or the market price of the 2006 Bonds; (ii) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the 2006 Bonds is in violation of any provisions of the Securities Act of 1933, as amended, or any State "blue sky" or securities commission shall have

withheld registration, exemption or clearance of the offering and, in the judgment of the Underwriter, the market for the 2006 Bonds is materially adversely affected thereby; (iii) legislation shall be enacted or a bill shall be favorably reported out of committee to either House of Congress, or a decision by a court having jurisdiction shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made which, in the opinion of counsel to the Underwriter, is to the effect that securities of the Authority or any similar public body of the general character of the 2006 Bonds are not exempt from the registration requirements of the Securities Act of 1933, as amended, or that the Indenture is required to be qualified under the Trust Indenture Act of 1939, as amended; (iv) there shall have occurred unforeseen hostilities or other unforeseen national or international calamity or crisis, the effect of such hostilities, calamity or crisis on the financial markets of the United States being such in the judgment of the Underwriter as to materially adversely affect the marketability of the 2006 Bonds at the contemplated offering prices thereof or to enforce contracts for the sale of the Bonds; (v) there shall have occurred and be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange whether by virtue of a determination of that Exchange or by order of any governmental authority having jurisdiction; (vi) a general banking moratorium by the United States, New York or Pennsylvania authorities having jurisdiction shall have been declared or be in force; (vii) any rating of the 2006 Bonds shall have been downgraded or withdrawn or suspended by Moody's Investors Service, Inc., Standard & Poor's Corporation or Fitch Ratings and such action in the judgment of the Underwriter would affect materially and adversely the ability of the Underwriter to market the 2006 Bonds at the contemplated offering prices or otherwise makes it impracticable or inadvisable to proceed with the offering or delivery of the 2006 Bonds as contemplated by the Official Statement; (viii) a supplement or amendment shall have been made to the Official Statement subsequent to the date hereof which, in the judgment of the Underwriter, materially and adversely affects the marketability of the 2006 Bonds or the market price thereof or (ix) there shall exist any event which, in the judgment of the Underwriter either (A) makes untrue, incorrect or incomplete information contained in the Official Statement or (B) is a material fact omitted from the Official Statement but is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and, if the Official Statement were amended or supplemented to reflect such event, the condition described in clause (viii) of this section would occur.

- (e) At or prior to Closing the Underwriter shall have received executed originals or counterparts of each of the following documents:
- (i) the Official Statement, executed on behalf of the Authority by its Chairperson or Vice Chairperson, and each supplement or amendment thereto;
- (ii) the Bond Documents, each signed by the applicable parties thereto, together with certificate of the Chairperson or Vice Chairperson of the Authority, dated the date of the Closing, to the effect that, with respect to Bond Documents to which the Authority is a party and which have been executed and delivered and are effective prior to the date of Closing, such Bond Documents are currently in full force and effect, that no default on the part of the

Authority has occurred thereunder and that no event has occurred which, with notice or upon lapse of time, or both, would constitute such default;

- (iii) the Plan (A) signed by the Mayor of the City and being in full force and effect as of the date of Closing and (B) certified by the Chairperson or Vice Chairperson of the Authority as having been duly approved by the Authority pursuant to due authority and as being in full force and effect as of the date of Closing;
- (iv) the Ordinances, each Ordinance having been signed by the Mayor of the City, certified by the Clerk of City Council as having been duly adopted by City Council pursuant to due authority, as being in full force and effect as of the date of Closing and as not having been amended or supplemented since the respective dates of their enactment or adoption;
- (v) an opinion, dated the date of the Closing, of Bond Counsel, substantially in the form set forth in the Official Statement and appended thereto as Appendix D, and a letter of such Bond Counsel, dated the date of Closing and addressed to the Underwriter, Trustee and Bond Insurer to the effect that such opinion delivered to the Authority may be relied upon by such parties to the same extent as if such opinion were addressed to them;
- (vi) a supplemental legal opinion of Bond Counsel, dated the date of Closing and addressed to the Underwriter, with respect to certain supplemental matters and substantially in the form set forth in <u>Exhibit B</u> attached hereto;
- (vii) an opinion, dated the date of Closing and addressed to the Underwriter, of Dilworth Paxson LLP and Cozen O'Connor, Co-Counsel for the Underwriter, to the effect that based upon their participation in the preparation of the Official Statement as Co-Counsel to the Underwriter and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to their attention, in connection with their engagement in respect of the issuance of the 2006 Bonds, which would lead them to believe that, as of the date of Closing, the Official Statement (except for the financial and statistical data and projections included therein, any other information in the Official Statement concerning the City and DTC and any information concerning the Bond Insurer or the Policy, as to which no view is expressed) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;
- (viii) a certificate dated the date of Closing and signed by the Acting Director of Finance of the City, in form and substance satisfactory to Bond Counsel, the Authority and the Underwriter, to the extent that: (A) to the best of his knowledge the representations and warranties of the City in the Letter of Representations are true and correct in all material respects; (B) the information concerning the City contained in the Official Statement does not include any untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (C) there has been no material adverse change in the financial condition of the City since the date of the Official Statement which has not been disclosed in the Official Statement;

- (ix) the Tax Compliance Agreement, dated the date of Closing (the "Tax Compliance Agreement") and signed on behalf of the Authority by an authorized officer of the Authority, and by the Acting Director of Finance for the City, on behalf of the City, in form and substance satisfactory to the Underwriter and Bond Counsel, which agreement, among other things, (A) sets forth facts, estimates and circumstances in existence on the date of Closing sufficient to support the conclusion that it is not expected that the proceeds of the 2006 Bonds will be used in a manner that would cause the 2006 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations, temporary regulations and proposed regulations promulgated under such Section; and (B) states that, to the best of their knowledge and belief, based on all objective facts and circumstances, the Authority's and the City's expectations are reasonable and there are no other facts, estimates or circumstances that would materially affect such expectations;
- a certificate dated the date of the Closing and signed by the (x) Chairperson or Vice Chairperson and Secretary or Assistant Secretary of the Authority, in form and substance satisfactory to the Underwriter, in which such officers shall state that, to the best of their knowledge after reasonable investigation: (A) the Resolution is in full force and effect as of the date of Closing and has not been amended or supplemented since the date of its adoption, (B) the representations and warranties of the Authority contained in this Purchase Contract are true and correct as of the Closing, (C) the Official Statement, except for information furnished by or with respect to the City, FGIC or any of its affiliates, the Bond Insurer and DTC as to which no representation need be expressed, does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, (D) no litigation is pending against the Authority (i) to restrain or enjoin the issuance or delivery of any of the 2006 Bonds or the pledge or collection of revenues pledged under the Indenture, (ii) in any way contesting or affecting any authority for issuance of the 2006 Bonds, the Bond Documents or this Purchase Contract, or the validity of the Resolution or (iii) in any way contesting the existence or powers of the Authority, (E) except as may have been disclosed to the Underwriter, no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used, or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which they were made, not misleading and (F) the Authority has complied with all agreements, and satisfied all conditions, on its part to be performed or satisfied at or prior to the issuance and sale of the 2006 Bonds;
- (xi) an opinion of Reed Smith LLP, Counsel to the Authority, dated the date of Closing and addressed to the Underwriter, substantially in the form set forth in <u>Exhibit C</u> attached hereto;
- (xii) an opinion of the Office of the City Solicitor, dated the date of Closing and addressed to the Underwriter, substantially in the form set forth in Exhibit D attached hereto;
- (xiii) an opinion of Blank Rome LLP, Special Counsel to the City, dated the date of Closing and addressed to the Underwriter, substantially in the form set forth in Exhibit E attached hereto:

- (xiv) a signed copy of the Tax Collection Agreement, together with a certificate of the Revenue Commissioner of the City and the City Solicitor, dated the date of the Closing, to the effect that such copy is a true and complete copy of such agreement, that such agreement is currently in full force and effect, that no default on the part of the City has occurred thereunder and that no event has occurred which, with notice or upon lapse of time, or both, would constitute such default;
- (xv) a certified copy of the Policy of the Bond Insurer in standard form and substance, insuring the timely payment of principal of and interest on the 2006 Bonds, such certified copy to be accompanied by an opinion of counsel to the Bond Insurer to the effect that: (a) The Bond Insurer is duly organized and validly existing under the laws of its state of incorporation and is qualified to do business in the Commonwealth of Pennsylvania and (b) the Policy has been duly and validly issued by the Bond Insurer and constitutes the legal, valid and binding obligation of the Bond Insurer enforceable in accordance with its terms except as limited by bankruptcy, insolvency, moratorium and other laws affecting creditors' right generally and by general principles of equity;
- (xvi) copies of letters from each of Moody's Investors Service, Inc., Standard & Poor's Corporation and Fitch Ratings assigning the 2006 Bonds ratings of "Aaa" and "AAA", respectively, with the understanding that, upon delivery of the 2006 Bonds, the Financial Guaranty Insurance Policy will be issued by the Bond Insurer and also assigning the underlying ratings of "A1" and "A" to the 2006 Bonds based on the unenhanced credit of the Authority, and evidence satisfactory to the Underwriter that such ratings remain in effect and have not been suspended, withdrawn or downgraded as of the date of Closing;
- (xvii) a letter from Isdaner & Company addressed to the Authority, consenting to the inclusion of their report on the audited financial statements of the Authority in Appendix B of the Official Statement;
- (xviii) a certificate satisfying the requirements of Section 2.11(f) of the Original Indenture, including, if required, the verification of an independent certified public accountant, and bond insurer consent;
- (xix) a copy of Form 8038-G executed and completed for filing with the Internal Revenue Service in respect of the 2006 Bonds and evidence of the timely filing thereof;
- (xx) an opinion of Leonard & Sciolla, counsel to the Trustee, in form and substance satisfactory to the Underwriter and its Co-Counsel;
- (xxi) such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request.

Except as otherwise expressly provided in this Purchase Contract, all of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the Authority shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the 2006 Bonds contained in this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the Authority shall be under further obligations hereunder, except that the respective obligations of the Authority and the Underwriter set forth in Section 11 hereof shall continue in full force and effect. However, the Underwriter may, in its discretion, waive one or more of the conditions imposed by this Purchase Contract for the protection of the Underwriter and proceed with the Closing.

- 10. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements of the Authority and the Underwriter contained herein or delivered or made in connection herewith, and the representations, warranties and agreements of the City contained in the Letter of Representations, shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter, the Authority or the City, and shall survive delivery of and payment for the 2006 Bonds hereunder.
- 11. Expenses. As between the Underwriter and the Authority, the Authority shall pay, or, in the case of the Underwriter, reimburse, all expenses and costs to effect the authorization, preparation, issuance, delivery and sale of the 2006 Bonds (including, without limitation, the fees and expenses of counsel to the Authority, the fees and expenses of the Authority, the fees and expenses of Bond Counsel, the Trustee's fees, including, without limitation, the fees and expenses of the Trustee's co-counsel, the fees and expenses of the City's advisors and counsel, the fees and expenses of the Underwriter's counsel, the rating agencies' fees, bond insurance premiums, financial advisory fees, and the expenses and costs (including reasonable attorneys' fees and expenses) for the preparation, advertising, printing, photocopying, execution and delivery of the 2006 Bonds, the Official Statement, each of the Bond Documents, this Purchase Contract, any "blue sky" memoranda, and all other agreements and documents contemplated hereby). The Authority will also pay the Underwriter an underwriting fee of \$292,337.50.

The Underwriter will pay its own costs and expenses (including without limitation state securities filing fees) relating to the purchase and sale of the 2006 Bonds and issuance costs as directed by the Authority.

- 12. Parties in Interest. This Purchase Contract shall inure to the benefit of the Underwriter and the Authority and their respective successors and assigns. Nothing in this Purchase Contract is intended or shall be construed to give any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect to this Purchase Contract or any claim under or in respect to this Purchase Contract or any provisions herein contained. The terms "successors" and "assigns" as used herein shall not include any purchaser, as such purchaser, of any of the 2006 Bonds from the Underwriter.
- 13. <u>Notices</u>. Any notice or other communication to be given to the Authority under this Purchase Contract may be given by delivering the same in writing personally or by certified mail to the Authority, 1429 Walnut Street, 14th Floor, Philadelphia, Pennsylvania 19102, Attention: Executive Director, and any notice or other communication to be given to the

Underwriter under this Purchase Contract may be given by delivering the same in writing personally or by certified mail to James Tricolli, Executive Vice President, RBC Capital Markets, One Logan Square, 130 North 18th Street, 17th Floor, Philadelphia, Pennsylvania 19103. A copy of any such notice or other communication shall be given to the City by the sending party by delivering the same, in writing, personally or by certified mail to the City Solicitor's Office, 15th and Arch Streets, Philadelphia, Pennsylvania 19103, Attention: City Solicitor.

14. Miscellaneous.

- (a) This Purchase Contract may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same document, and shall become effective upon the execution of the acceptance hereof.
- (b) The terms and provisions of this Purchase Contract shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.
- (c) Time is of the essence in the performance of the provisions of this Purchase Contract.
- (d) No member of the governing board of the Authority and no officer or employee of the Authority shall be liable personally under or with respect to this Purchase Contract or any document, instrument, agreement or certificate referred to herein or otherwise delivered in connection with the issuance and sale of the 2006 Bonds.

Very truly yours,

RBC DAIN RAUSCHER INC., as Underwriter

local time on

June 14, 2006

PENNSYLVANIA INTERGOVERNMENTAL **COOPERATION AUTHORITY**

Vice Chairperson

SCHEDULE 1

BOND MATURITY

2006 BONDS

TO ETTE		INITIAL	
DUE <u>JUNE 15</u>	AMOUNT	INTEREST <u>RATE</u>	PRICE
2020	\$89,950,000	3.75%	100%

REDEMPTION

Optional Redemption. As long as there is no continuing Event of Default under the terms of the Indenture, the 2006 Bonds, while bearing interest at an Auction Rate shall be subject to redemption prior to stated maturity by the Authority on any interest payment date, in whole or in part, in denominations of \$25,000 or any integral multiple thereof, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The following requirements of mandatory sinking fund redemption are subject to the provision that any partial redemption of the 2006 Bonds under "Optional Redemption" above shall reduce the mandatory scheduled redemption requirements as provided herein in such order as the Authority shall designate in writing prior to such redemption or, if no such election is made, in the inverse order thereof; provided, however, that following such reduction, each such mandatory redemption payment is an authorized denomination. The 2006 Bonds are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates, for the principal amount specified below plus accrued interest to the date fixed for redemption, without premium:

Redemption Date		Redemption Date	
(June 15)	Redemption Amount	(June 15)	Redemption Amount
2007	\$4,450,000	2014	\$6,450,000
2008	4,675,000	2015	6,800,000
2009	4,925,000	2016	7,175,000
2010	5,200,000	2017	7,575,000
2011	5,475,000	2018	8,000,000
2012	5,800,000	2019	8,425,000
2013	6,100,000	2020*	8,900,000

^{*} Final maturity

Notwithstanding the foregoing, so long as the 2006 Bonds bear interest at an Auction Rate, if such June 15 is not an interest payment date for 2006 Bonds bearing interest at an Auction Rate, the mandatory sinking fund redemption will occur on the interest payment date immediately preceding such June 15.

The Trustee will determine the principal amount of 2006 Bonds of each maturity that must be redeemed on such mandatory sinking fund redemption date after taking into account optional redemptions and extraordinary optional redemptions of 2006 Bonds. The mandatory sinking fund redemption requirement for any year as stated above for the 2006 Bonds shall also be reduced by the principal amounts of any 2006 Bonds that are purchased and delivered or tendered to the Trustee for cancellation by the 45th day next preceding the mandatory sinking fund redemption date.

Exhibit A

EXHIBIT A

FORM OF LETTER OF REPRESENTATIONS

June 14, 2006

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street, 14th Floor Philadelphia, PA 19102

RBC Dain Rauscher Inc. One Logan Square Philadelphia, PA 19103

Ladies and Gentlemen:

Pursuant to the Bond Purchase Contract (the "Purchase Contract") between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets (the "Underwriter"), as Underwriter, the Authority has agreed, inter alia, to sell to the Underwriter \$89,950,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) (the "2006 Bonds") and the Underwriter has agreed to purchase said 2006 Bonds upon the terms and conditions set forth in the Purchase Contract. Unless otherwise defined herein, the terms defined in the Purchase Contract are used herein with the same meanings. This Letter of Representations is delivered to you pursuant to the Purchase Contract.

As of the date hereof, the undersigned, on behalf of the City, hereby represents and warrants to and agrees with each of you as follows:

- 1. The terms of the Purchase Contract are hereby approved, without waiving any of the City's rights due to provisions of paragraph 12 thereof;
- 2. The City has duly and validly authorized and approved the execution and delivery of the Cooperation Agreement, the Tax Collection Agreement and the Tax Compliance Agreement, and the performance by the City of its obligations, covenants and agreements contained therein:
- 3. The City has duly and validly acknowledged and approved the City Account Deposit Agreement;
- 4. The City has duly and validly executed and delivered, and has, and at the date of Closing will have, full legal right, power and authority to perform its obligations under the

Cooperation Agreement and the Tax Collection Agreement; and the City has, and at the date of Closing will have, full legal right, power and authority to perform its obligations under the Tax Compliance Agreement;

- 5. The Tax Ordinance and the Cooperation Ordinance have been duly and validly enacted or adopted, as applicable, by City Council and the Tax Ordinance and the Cooperation Ordinance have been approved by the Mayor, all pursuant to authority granted in the Act and in accordance with the Constitution of the Commonwealth and the Philadelphia Home Rule Charter;
- 6. All action taken by City Council, the Mayor and other authorized City officials in connection with the enactment of the Tax Ordinance and the Cooperation Ordinance, including, without limitation, publication, convening and conduct of the public meetings at which public hearings were held and action was taken, were and are in compliance with the Philadelphia Home Rule Charter and Act 1998-93 of the General Assembly of the Commonwealth, approved October 15, 1998 (or, in the case of any action taken prior to the effective date thereof, the Act approved July 3, 1986, No. 84, P.L. 388, as amended). The Tax Ordinance and the Cooperation Ordinance are in full force and effect as of the date hereof and have not been amended since the respective dates of their enactment and adoption.
- 7. As provided in the Act, the proceeds of the Authority Tax as of the date hereof are, and at all times subsequent to the date hereof and as of and after the Closing will be, the revenues and property of the Authority, are not property or revenues of the Commonwealth or the City and are not subject to appropriation by either the Commonwealth or the City;
- 8. Except as otherwise disclosed in the Official Statement, the City is not, to the best of the City's knowledge in any material respect, in breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any applicable law or administrative regulation of the Commonwealth or the United States, or any applicable judgment, decree or loan agreement, note, resolution, ordinance, agreement or other instrument to which the City is a party or by which it is otherwise bound, the consequence of which or the correction of which would materially and adversely affect the financial condition or operations of the City as a whole;
- 9. The execution and delivery of the Cooperation Agreement and the Tax Collection Agreement by the City and compliance with the provisions thereof did not, do not and will not constitute a breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any existing applicable law or administrative regulation or the Constitution of the Commonwealth or the United States or any applicable judgment or decree and did not and do not, to the best of the City's knowledge, in any material respect constitute a default under any loan agreement, note, resolution, ordinance, agreement or other instrument to which the City is a party or by which it is otherwise bound;
- 10. The execution and delivery of the Tax Compliance Agreement by the City and compliance with the provisions thereof do not and will not constitute a breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any applicable law or administrative regulation or the Constitution of the Commonwealth or the United States or any existing applicable judgment or decree and do not, to the best of the City's knowledge, in any

material respect constitute a default under any loan agreement, note, resolution, ordinance, agreement, or other instrument to which the City is a party or by which it is otherwise bound;

- 11. The acknowledgment and approval of the City Account Deposit Agreement by the City do not and will not constitute a breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any applicable law or administrative regulation or the Constitution of the Commonwealth or the United States or any applicable judgment or decree;
- 12. The information concerning the City contained in the Official Statement, including, without limitation, the financial information concerning the City, is correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect, and the City has consented to the use of such information in the Official Statement:
- 13. The City will notify the Underwriter and the Authority, to the extent not disclosed in the Official Statement, of any material adverse change in the business, properties, financial condition or results of operation of the City as a whole occurring before the Closing or within 25 days after the end of the underwriting period for the 2006 Bonds (within the meaning of Rule 15c2-12). The City may presume for purposes of this section that the underwriting period of the 2006 Bonds will end on the date of Closing unless the City is otherwise notified in writing at the Closing by the Underwriter;
- 14. The City agrees that between the date hereof and the date of Closing it will take no action which will cause the representations and warranties contained herein to be untrue at any time from the date hereof up to and including the date of Closing; and
- Based solely on the information provided to me by the Law Department of the 15. City of Philadelphia (the "Department") after inquiry within the Department, except for litigation which in the opinion of the Department is without merit, and except as disclosed in the Official Statement, no litigation or other legal proceeding is pending against the City or, to the best of the Department's knowledge, threatened in writing against the City (i) to restrain or enjoin the issuance or sale of the 2006 Bonds or the City's execution or delivery of, or performance under, the Cooperation Agreement, the Tax Collection Agreement or the Tax Compliance Agreement, or in any way contesting any authority for or the validity or enforceability of the 2006 Bonds, the Act, the Ordinances, the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement, the City Account Deposit Agreement or the Indenture, or (ii) in which a final adverse decision can reasonably be anticipated in a magnitude or scope which would materially and adversely affect the financial condition or operations of the City as a whole, or (iii), contesting in any way the completeness or accuracy of the information concerning the City in the Official Statement or (iv) contesting in any way the validity or enforceability of the City's obligations under the Cooperation Agreement or the Tax Collection Agreement, the powers of the City or the validity, collection or pledge of the Authority Tax or (v) in any way challenging the right of the Acting Director of Finance or any other official of the City signatory to any of the Bond Documents to which the City is a party or referred to in the Purchase Contract or herein to hold his or her office, or the respective powers of such offices.

This Letter of Representations is made solely for the benefit of the addressees hereof and the signatories hereto (including the successors and assigns of the Underwriter) and no other persons shall acquire or have any right hereunder or by virtue hereof. The terms "successors" and "assigns" as used herein shall not include any purchaser, as such purchaser, of any of the 2006 Bonds from the Underwriter. All representations, warranties and agreements in this Letter of Representations shall remain operative and survive the execution hereof.

	Very truly yours,
	CITY OF PHILADELPHIA
Acknowledged and accepted June 14, 2006 PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY	By: Acting Director of Finance
By: William Leonard Vice Chairperson RBC DAIN RAUSCHER INC.	-
By:	

Exhibit B

EXHIBIT B

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

June 15, 2006

RBC Dain Rauscher Inc. One Logan Square Philadelphia, PA 19103

Re:	\$89,950,000 Pennsylvania Intergovernmental Cooperation
	Authority Special Tax Revenue Refunding Bonds (City of Philadelphia
L	Funding Program), Series of 2006 (Auction Rate Securities)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$89,950,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) (the "2006 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"), and an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and Wachovia Bank, National Association, as successor trustee, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplemental Indenture"), by a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplemental Indenture"), by a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplemental Indenture") and by a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplemental Indenture" and, together with the 1994 Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, the "Indenture"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Fourth Supplemental Indenture.

This opinion is being delivered pursuant to subparagraph 9(e)(vi) of the Bond Purchase Contract (the "Purchase Contract") dated June 14, 2006 between RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets, as Underwriter (the "Underwriter"), and the Authority for the purchase of the 2006 Bonds. In giving this opinion, we have examined such federal and Pennsylvania statutes, such resolutions of the Authority and proceedings relating thereto, and such certifications, agreements and other documents, including the Indenture, specimens of the 2006 Bonds and the Official Statement dated June 7, 2006 relating to the 2006 Bonds (the "Official Statement"), as we have deemed necessary to enable us to render the opinion set forth below. On the basis of the foregoing, we are of the opinion, under existing law, that:

- 1. The Purchase Contract has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other party thereto, is a legal, valid and binding agreement of the Authority enforceable in accordance with its terms, except as enforceability may be limited by (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws or equitable principles relating to or affecting creditors' rights and remedies or debtors' obligations generally, (ii) general principles of equity and the exercise of judicial discretion, whether considered and applied in a court of law or equity, and (iii) the judicial imposition of an implied covenant of good faith and fair dealing, public policy or the discretion of any court as to the enforcement of remedies, and (iv) generally applicable rules of law that afford judicial discretion regarding the determination of damages and entitlement to attorneys' fees and other costs and except that no opinion is given regarding the enforceability of any indemnification provision, but in our opinion, none of the foregoing would materially impair the practical realization of the benefits intended to be provided to the Underwriter pursuant to the Purchase Contract.
- 2. The Official Statement has been duly approved, executed and delivered by the Authority.
- 3. The statements contained in the Official Statement in the sections captioned "INTRODUCTION" (but only the subsections captioned "Authorization to Issue the 2006 Bonds", "Description of the 2006 Bonds", "Sources of Payment and Security for the 2006 Bonds" and "Additional Bonds"), "PLAN OF FINANCE - General" (only the third paragraph), "THE 2006 BONDS" (excluding the information under the subsections captioned "Book-Entry-Only System") and "SOURCES OF PAYMENT AND SECURITY FOR THE 2006 BONDS" (only the subsections captioned "General", the fourth through seventh paragraphs under the Subsection captioned "Authority Tax", the subsection captioned "Debt Service Reserve Fund", the subsection captioned "Additional Bonds", the subsection captioned "Certain Remedies of Bondholders" and the subsection captioned "Limitation of Remedies"), INVESTMENT", in Appendix C - "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE", and in Appendix F - "SUMMARY OF CERTAIN PROVISIONS RELATING TO THE AUCTION RATE SECURITIES" (excluding the information under the subsections captioned "Price Talk", "All-or-Nothing Bids", "No Assurances Regarding auction Outcomes", "Deadlines/auction Periods", "Existing Holder's Ability to Resell Auction Rate Securities May Be Limited", or "Resignation of the Auction Agent under the Auction Agent Agreement or the Broker-Dealer under the Broker-Dealer Agreement could Impact the Ability to Hold Auctions"), insofar as such statements summarize provisions of the Act, the Indenture and the 2006 Bonds, are fair and accurate summaries of such provisions. The statements contained in the Official Statement in the section captioned "TAX EXEMPTION" are accurate summaries of the opinions of Bond Counsel as to such matters.
- 4. The 2006 Bonds are not required to be registered under the Securities Act of 1933, as amended, and the Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.
- 5. Based upon our participation in the preparation of the Official Statement as Bond Counsel and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to our

attention, in connection with our engagement in respect of the issuance of the 2006 Bonds, which would lead us to believe that, as of the date of Closing, the Official Statement (except for the financial and statistical data and projections included therein and except for any other information in the Official Statement concerning the City and DTC and any information concerning the Bond Insurer and the Policy, as to which no view is expressed) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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.

This opinion is delivered to you solely for the benefit of the Underwriter in connection with their purchase of the 2006 Bonds and may not be relied upon by the Underwriter for any other purpose or by any other person for any purpose without our express written consent.

Very truly yours,

Exhibit C

EXHIBIT C

SUBSTANTIAL FORM OF OPINION OF AUTHORITY COUNSEL

June 15, 2006

RBC Dain Rauscher Inc. One Logan Square Philadelphia, PA 19103

Ambac Assurance Corporation One State Street Plaza New York, NY 10004

Ladies and Gentlemen:

We have acted as counsel to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic constituting a public authority and instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") created pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), in connection with the issuance and sale by the Authority on this date of \$89,950,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) (the "2006 Bonds"). Pursuant to the power and authority vested in it by virtue of the Act, and to carry out the public purposes of the Act, the Authority is issuing the 2006 Bonds under an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and Wachovia Bank, National Association, as successor trustee (the "Trustee"), as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust, dated as of May 15, 1996 (the "First Supplemental Indenture"), by a Second Supplement to the Amended and Restated Indenture of Trust, dated as of April 1, 1999 (the "Second Supplemental Indenture"), by the Third Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2003 (the "Third Supplemental Indenture") and by the Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplemental Indenture and, together with the 1994 Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, the "Indenture"), for the purpose of refunding certain outstanding bonds of the Authority, as more particularly described in the Indenture. The 2006 Bonds are secured under the Indenture by the Authority's pledge to the Trustee of, and the Authority's grant to the Trustee of a security interest in, the proceeds of a 1.5% tax (the "Authority Income Tax") on salaries, wages, commissions and other compensation earned by residents of the City of Philadelphia, Pennsylvania (the "City") and on net profits earned in business, professions and other activities conducted by residents of the City, which has been enacted by the City exclusively for the purposes of the Authority pursuant to Section 601(a)(3) of the Act and pursuant to an ordinance (Bill No. 1437) of the City Council of the City, approved by the Mayor of the City on June 12, 1991 (the "Authority Income Tax Ordinance").

Pursuant to a Bond Purchase Contract dated June 14, 2006 (the "Bond Purchase Contract") between the Authority and RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets, as Underwriter (the "Underwriter"), the Authority is selling the 2006 Bonds to the Underwriter for offering by the Underwriter to the public. In connection with such public offering of the 2006 Bonds, the Authority has prepared an Official Statement, dated June 7, 2006 (the "Official Statement"), relating to the 2006 Bonds.

As contemplated by the Act, the Authority and the City have heretofore entered into an Intergovernmental Cooperation Agreement dated as of January 8, 1992 (the "Intergovernmental Cooperation Agreement").

In connection with the issuance of the 2006 Bonds, the Authority has executed and delivered a Tax Compliance Agreement dated June 15, 2006 (the "Tax Compliance Agreement").

For the purpose of rendering this opinion letter, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the Indenture, the Bond Purchase Contract, the Intergovernmental Cooperation Agreement, the Official Statement, the Authority Income Tax Ordinance, the Tax Compliance Agreement, and such other instruments, documents, records and certificates, and have made such investigations as to matters of law, as we have deemed necessary and appropriate. We also have examined a specimen of the 2006 Bonds.

In rendering this opinion letter, we have assumed, with respect to all documents and instruments reviewed by us, the genuineness of all signatures, the capacity of natural persons, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as copies. We have further assumed as follows:

- A. We have assumed that each party to the documents specified in paragraph 5 below other than the Authority (each such other party being referred to as an "Other Party") is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the lawful power and authority to enter into and perform its obligations under such documents; that such documents have been duly authorized, executed and delivered by each such Other Party; and that such documents constitute the legal, valid and binding obligation of each such Other Party, enforceable against each such Other Party in accordance with their respective terms. We have further assumed that the 2006 Bonds have been duly authenticated by the Trustee in accordance with the requirements of the Indenture.
- B. We have assumed that the City has duly and validly enacted the Authority Income Tax pursuant to the Authority Income Tax Ordinance in compliance with all procedural requirements of the City's Home Rule Charter, the Philadelphia Code of Ordinances and other applicable law, rules or regulations. We have further assumed that the Authority Income Tax Ordinance has not been amended, modified or repealed in whole or in part and is in full force and effect on the date hereof. We have further assumed that the City has duly authorized, executed and delivered the Intergovernmental Cooperation Agreement.
- C. We have assumed that the Bond Insurer is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly licensed and

authorized by all applicable regulatory bodies to issue the Bond Insurance Policy (as defined in the Indenture). We have further assumed that the Bond Insurance Policy has been duly authorized, executed and delivered by the Bond Insurer and constitutes the legal, valid and binding obligation of the Bond Insurer, enforceable in accordance with its terms.

Based upon and subject to the foregoing, and subject to the further exceptions, qualifications and limitations hereinafter set forth, we are pleased to advise you that we are of the following opinions:

- 1. The Authority is a body corporate and politic, constituting a public authority and instrumentality of the Commonwealth, created pursuant to the Act.
- 2. The Authority has the power and the authority under the Act to enter into the Indenture and to issue the 2006 Bonds thereunder, and to enter into the Intergovernmental Cooperation Agreement, the Bond Purchase Contract and the Tax Compliance Agreement.
- 3. The Indenture, the 2006 Bonds, the Intergovernmental Cooperation Agreement, the Bond Purchase Contract and the Tax Compliance Agreement have each been duly authorized, executed and delivered by the Authority.
 - 4. The Official Statement has been duly authorized and executed by the Authority.
- 5. The Indenture, the 2006 Bonds, the Bond Purchase Contract and the Tax Compliance Agreement are each legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms. We call to your attention, however, that the 2006 Bonds are not general obligations of the Authority but are limited obligations of the Authority, payable only out of the revenues from the Authority Income Tax and certain funds held by the Trustee under the Indenture, and that neither the credit nor the taxing power of the Commonwealth or any political subdivision (including the City) or agency thereof, other than the credit of the Authority to the limited extent described above, is pledged for the payment of the principal or redemption price of or interest on the 2006 Bonds. According to the Act, the 2006 Bonds do not constitute a debt or obligation of the Commonwealth or any political subdivision (including the City) or agency thereof. The Authority itself has no taxing power.
- 6. To our knowledge, except as disclosed in the Official Statement, there are no actions or proceedings pending, or overtly threatened in writing, against the Authority before any court, governmental agency or arbitrator, which seek to restrain or enjoin the issuance or delivery of the 2006 Bonds by the Authority or which in any way contest the validity or enforceability of the 2006 Bonds, the Indenture, the Bond Purchase Contract, the Intergovernmental Cooperation Agreement, the Tax Compliance Agreement or the pledge of the revenues from the Authority Income Tax under the Indenture.
- 7. As provided in the Act, the proceeds of the Authority Income Tax are at all times the revenues and property of the Authority, are not property or revenues of the City and are not subject to appropriation by either the Commonwealth or the City.

8. The Indenture creates a valid lien on, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture) for the security of the 2006 Bonds.

Although we have not undertaken to determine independently the accuracy, completeness or fairness of the information contained in the Official Statement, nothing has come to our attention during the course of the performance of our duties as counsel to the Authority that would lead us to believe that the information contained in the Official Statement (except for the information contained in any of the Appendices to the Official Statement, any other information in the Official Statement concerning the City or Financial Guaranty Insurance Company (or any of its affiliates), any information under the headings "THE 2006 BONDS - Auction Rate Securities", "THE 2006 BONDS - Book-Entry-Only System", "BOND INSURANCE", "TAX EXEMPTION" and "UNDERWRITING" and any financial or statistical data or projections contained or required to be contained in any portion of the Official Statement, as to which we express no opinion or belief) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

We express no opinion concerning the exempt status of interest on the 2006 Bonds under any Federal or state tax laws or regulations or concerning any other Federal or state tax law consequences of owning or disposing of the 2006 Bonds. We express no opinion concerning the status of the Indenture, the 2006 Bonds or the offering or sale of the 2006 Bonds under any registration or qualification requirements of the Federal or state securities laws or regulations. We express no opinion concerning the status of the 2006 Bonds as legal investments for any person or entity under any Federal or state laws or regulations. In addition, our opinions expressed herein are subject to, and limited by, (a) applicable bankruptcy, insolvency, reorganization, moratorium, arrangement, liquidation or other similar laws affecting the rights and remedies of creditors and secured parties generally, and (b) general principles of equity, public policy considerations, judicial discretion and general requirements of good faith, fair dealing and reasonableness (regardless of whether considered in a proceeding at law or in equity).

Without limiting the generality of the preceding paragraph, we express no opinion as to the validity or enforceability of (1) any provision in any document granting or creating rights not available under Pennsylvania law, relating to self-help, imposing penalties, forfeitures, increased rates or late payment charges (to the extent they are found to be penalties or forfeitures or to be unreasonable or to the extent they are applied after the cure of the default or other triggering event), (2) any provision purporting to release persons from liability for acts or omissions resulting from negligence, bad faith or willful misconduct, (3) any provision providing for a right of indemnification or right of contribution (to the extent it is found to be a penalty or forfeiture or to be unreasonable in amount or to the extent that it provides for indemnification for the negligence or willful misconduct of, or a violation of law or public policy by, the person being indemnified), (4) any set-off rights set forth in any documents, (5) any provision with respect to payment of costs and expenses of enforcement, including, without limitation, attorneys' fees, to the extent that the same is determined to be contrary to public policy, (6) any provision relating to consent to jurisdiction for bringing suit or the waiver of jury trial, (7) any provision modifying or waiving any requirement of good faith, fair dealing, diligence, commercial reasonableness or prior notice or the right of redemption arising under any law, waiving any rights afforded to any

party thereto under any constitutional provision or waiving the rights afforded to any party under any statute, or by which any party thereto waives any rights afforded to such party by applicable law, except to the extent such waiver is expressly permitted by statute, (8) any provision which waives broadly or vaguely stated rights or future rights, or waives certain rights or defenses to obligations where such waivers are against statutes, laws or public policy, (9) any provision that provides that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, or that the election of some remedy or remedies does not preclude recourse to one or more other remedies, (10) any provision that purports to prevent oral modification or waivers or purports to preclude the modification of the documents through conduct, custom or the course of performance, action or dealing, (11) any provision the breach of which a court concludes is not material or does not adversely affect any relevant party, (12) any provision purporting to make discretionary determinations of a person conclusive, (13) any provision imposing penalties, forfeitures, legal costs, late payment charges or an increase in interest rate upon delinquency in payment or the occurrence of a default, (14) any provision purporting to characterize damages which may be claimed in the event of a breach or termination as liquidated damages, (15) any provision relating to amounts payable upon a breach or termination to the extent such amounts are found to be penalties or forfeitures or to be unreasonable in amount or to the extent that such provisions provide for indemnification for the negligence or willful misconduct of, or a violation of law or public policy by, the person to whom such amounts are payable, and (16) any provision relating to subrogation rights, payment of legal fees and other costs of indemnity.

We call your attention to the provisions of Section 911(b) of the Pennsylvania Crimes Code (the "Crimes Code"), 18 Pa.C.S. § 911(b), which makes it unlawful to use or invest income derived from a pattern of "racketeering activity" in the establishment or operation of any enterprise. "Racketeering activity", as defined in the Crimes Code, includes the collection of money or other property in full or partial satisfaction of a debt which arose as the result of the lending of money or other property at a rate of interest exceeding 25% per annum where not otherwise authorized by law. Accordingly, our opinions in this letter are qualified to the extent, if any, that the statute referenced in this paragraph may be applicable to this transaction.

We are members of the Bar of the Commonwealth, and this opinion letter is limited to the present law of the Commonwealth and the present Federal law of the United States of America. This opinion letter is limited to the matters expressly stated herein, no opinion may be inferred or is implied beyond the matters expressly stated herein to be our opinion, and our opinions and other statements herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth in this letter.

The opinions and other statements herein are expressed as of the date hereof only, and not as of some future date. We undertake no responsibility to advise you of any change in law or any new laws, regulations, judicial decisions or other developments which may be promulgated or which may otherwise occur in the future. The phrase "to our knowledge" as used in this opinion letter means the conscious awareness, without independent investigation, of those attorneys in our firm who have devoted substantive attention to matters involving our representation of the Authority.

This opinion letter is being rendered solely for your benefit in connection with the issuance of the 2006 Bonds by the Authority. You may not rely on this opinion letter for any other purpose and no other person or entity may rely on this opinion letter for any purpose. This opinion letter may not be referred to or quoted in whole or in part in any document, report or financial statement of, or filed with or delivered to, any person or entity, without the express written consent of the undersigned, but this opinion letter may be included as part of the transcript of closing documents relating to the 2006 Bonds.

Very truly yours,

Exhibit D

EXHIBIT "D"

FORM OF OPINION OF THE CITY SOLICITOR

June 15, 2006

RBC Dain Rauscher Inc. One Logan Square Philadelphia, PA 19103

Re:

\$89,950,000 aggregate principal amount, Pennsylvania Intergovernmental Cooperation Authority, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities)

Ladies and Gentlemen:

The Law Department (the "Department") of the City of Philadelphia, Pennsylvania (the "City") has acted on behalf of the City in matters relating to the issuance by the Pennsylvania Intergovernmental Cooperation Authority ("Authority") of its \$89,950,000 aggregate principal amount, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) (the "Bonds"). This opinion is being delivered to you pursuant to section 9(e)(xii) of the Bond Purchase Contract dated June 14, 2006, between the Authority and RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets, as Underwriter (the "Purchase Contract"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Contract.

In rendering the opinions expressed below, the Department has examined such proceedings, documents, statutes, and ordinances as we have deemed necessary as the basis for the opinions hereinafter expressed, including:

- a. certified copies of the Cooperation Ordinance and the Tax Ordinance (together, the "Ordinances");
- b. a fully executed copy of the Letter of Representations;
- c. a fully executed copy of the Cooperation Agreement;
- d. a fully executed copy of the Tax Collection Agreement;
- e. a fully executed copy of the Tax Compliance Agreement;
- f. the Official Statement, dated June 7, 2006, relating to the Bonds ("Official Statement").

As to certain factual matters material to the opinions hereinafter expressed, we have relied upon the representations and warranties contained in the Letter of Representations (except for those contained in paragraph 15 of such Letter) and in the Certificate of the Acting Director of Finance of even date herewith and on information and advice from officials and

representatives of the City, including the Certificate of the Chief Clerk of City Council, as a basis for the opinions hereinafter expressed. We have not undertaken to verify such factual matters set forth therein by independent investigation or inquiry, except as set forth in paragraph 10 herein.

In our examination of the documents referred to above, the Department has assumed the legal capacity (other than as to City officials) and competence of natural persons, the authenticity of all documents submitted to the Department as originals, the genuineness of all signatures (other than those of the officials of the City), the due authority of the parties (other than the City) executing such documents, and the conformity to the originals of all such documents submitted to us as copies. We have also assumed (i) that each of the parties, other than the City, to each of the documents, has duly executed and delivered the same, with all necessary power and authority (corporate and otherwise, including, without limitation, due authorization by all necessary corporate and other action on the part of such party), (ii) that each such party, other than the City, has complied in all material respects with all laws, regulations, court orders, and material agreements applicable to it that affect the transactions contemplated by such documents, and (iii) that such documents are valid as to, binding upon, and enforceable against all parties thereto other than the City.

Based on and subject to the foregoing, and subject to the assumptions, exceptions, limitations, and qualifications set forth herein and only with regard to the laws of the Commonwealth of Pennsylvania as enacted and construed as of the date hereof, it is the opinion of the Department that:

- 1. The Ordinances have been duly and validly adopted by City Council and approved by the Mayor pursuant to authority granted in the Act and in accordance with the Philadelphia Home Rule Charter.
- 2. All action taken by City Council, the Mayor and other authorized City officials in connection with the enactment of the Ordinances, including, without limitation, publication, notice, convening and conduct of the public meetings at which public hearings were held and action taken, were and are in compliance with the Philadelphia Home Rule Charter and Act 1998-93 of the General Assembly of the Commonwealth of Pennsylvania, approved October 15, 1998 (or, in the case of any action taken prior to the effective date thereof, the Act approved July 3, 1986, No. 84, P.L. 388, as amended).
- 3. The Ordinances have not been modified, amended, repealed or rescinded since the respective dates of enactment and adoption thereof, and are valid and in full force and effect as of the date hereof.
- 4. The City has the power and authority under the Act and the Philadelphia Home Rule Charter to execute and deliver the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement, and the Tax Compliance Agreement. The Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Tax Compliance Agreement have been duly and validly executed and delivered by the City.
- 5. The covenants and agreements of the City in the Tax Ordinance, in Section 5.02(b) of the Cooperation Agreement, and in the Letter of Representations, the Tax Collection

Agreement and the Tax Compliance Agreement are valid and binding obligations of the City, enforceable against the City in accordance with the respective terms thereof.

- 6. Except as to the possible application of state or federal securities laws, as to which no opinion is expressed, there is no authorization, consent, approval, or other action required by any governmental authority or agency in connection with the execution by the City of the Cooperation Agreement, the Letter of Representations, the Tax Compliance Agreement or the Tax Collection Agreement which has not been obtained.
- 7. Except as disclosed in the Official Statement, and except for litigation which in the opinion of the Department is without merit, there is, to the knowledge of the Department after inquiry within the Department, no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or overtly threatened in writing against the City, (i) to restrain or enjoin the City's execution or delivery, or performance under the Cooperation Agreement, the Tax Compliance Agreement or the Tax Collection Agreement, or in any way contesting the validity or enforceability of the Cooperation Agreement, the Tax Collection Agreement as it relates to the City, or (iii) contesting in any way the accuracy or completeness of the Official Statement as it relates to the City, or (iii) contesting in any way the validity or enforceability of the City's obligations under the Ordinances, the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement or the Letter of Representations.
- 8. The enactment of the Ordinances and the execution and delivery of the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Tax Compliance Agreement and the fulfillment of and compliance with the pledge and agreement set forth in the Tax Ordinance and Section 5.02(b) of the Cooperation Agreement do not and will not constitute on the part of the City a breach of or default under any existing law, regulation, administrative order or decree to which the City is subject or, to the knowledge of the Department, in any material respect, any indenture, deed of trust or guaranty or other instrument to which the City is a party or by which it is bound.
- 9. To the knowledge of the Department after inquiry within the Department, the description contained in Appendix "B" to the Official Statement under the heading "Litigation" does not contain any untrue statement of a material fact or omit to state a material fact with respect thereto necessary to be stated therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

This opinion is subject to the following exceptions, limitations, and qualifications:

a. This opinion is subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer, marshaling, or similar laws affecting creditors' rights and remedies generally, general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith, and fair dealing (regardless of whether such enforceability is considered in a proceeding in equity or at law); and limitations on enforceability of rights to

indemnification by federal or state securities laws or regulations or by public policy.

- b. The Department expresses no opinion as to the application or requirements of state securities, antitrust and unfair competition, environmental, health and safety, or tax laws other than those governing the City Wage Tax and the Authority Tax in respect of the transactions contemplated by or referred to in the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or Tax Compliance Agreement.
- The Department expresses no opinion as to the validity or enforceability c. of any provision of the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or Tax Compliance Agreement which, directly or indirectly: (i) purports to require that waivers must be in writing to the extent that an oral agreement or implied agreement by trade practice or course of conduct modifying provisions thereof has been made; (ii) purports to be a waiver of the right to a jury trial, waiver of any right to object to jurisdiction or venue, a waiver of any right to claim damages, or to service of process, or a waiver of other rights or benefits bestowed by operation of law, or waiver of which is limited by applicable law; (iii) purports to be a waiver of the obligations of good faith, fair dealing, diligence, mitigation of damages, or commercial reasonableness; (iv) purports to exculpate any party from its own negligent acts, or limit any party from certain liabilities; or (v) purports to require payment of consequential damages insofar as a court could conclude that such consequential damages are punitive in nature.

This opinion is given to you as of the date hereof and we express no opinion as to any matter not expressly set forth herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. By rendering this opinion, we do not undertake any obligation to advise you of any changes in fact or circumstances which may come to our attention after the date hereof or any changes in law which may occur after the date hereof.

We have rendered this opinion to you solely in connection with the consummation of the transactions contemplated by the Purchase Contract and this opinion may not be used or relied upon by you or any other person for any other purpose. This opinion may not be distributed or disclosed and may not be relied upon by any person, firm, or entity other than those to whom it is addressed without the prior written consent, in each instance, of the undersigned.

Sincerely,

ROMULO L. DIAZ, JR. City Solicitor

Exhibit E

EXHIBIT "E"

FORM OF OPINION OF CITY SPECIAL COUNSEL

June 15, 2006

RBC Dain Rauscher Inc. One Logan Square Philadelphia, PA 19103

Re: \$89,950,000 aggregate principal amount, Pennsylvania

Intergovernmental Cooperation Authority, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities)

Ladies and Gentlemen:

We have served as special counsel to the City of Philadelphia, Pennsylvania ("City") in connection with matters relating to the issuance by the Pennsylvania Intergovernmental Cooperation Authority ("Authority") of its \$89,950,000 aggregate principal amount, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) ("Bonds").

The Bonds are authorized to be issued by the Authority by virtue of and pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6, approved by the General Assembly of the Commonwealth of Pennsylvania ("Commonwealth") on June 5, 1991, as amended ("Act").

Pursuant to authority granted by the Act, the City has, by ordinance (Bill No. 1437, effective July 1, 1991) adopted by City Council and approved by the Mayor on June 12, 1991 ("Tax Ordinance"), enacted a tax, exclusively for the purposes of the Authority, at the rate of one and one-half percent (1.5%) on the salaries, wages, commissions and other compensation earned by City residents and on the net profits earned in business, professions and other activities conducted by City residents ("Authority Tax").

In the Act, the Commonwealth has pledged to and agreed with each and every obligee of the Authority acquiring bonds of the Authority secured by the Authority Tax that the Commonwealth itself will not, nor will it authorize any government agency levying the Authority Tax to, reduce the rate of such tax until all bonds of the Authority so secured by the pledge of the Authority, together with the interest thereon, are fully paid or provided for. The Act further provides that the terms of the Act as in effect at the time of authorization of the Bonds constitute an agreement between the Authority and the obligees of the Authority, subject to modification and limitation as provided in the Act. In addition, the Act expressly requires the City to include a pledge similar to that of the Commonwealth described in the first sentence of this paragraph in the Tax Ordinance and prohibits the City from repealing the Tax Ordinance or reducing the rate of the Authority Tax while any bonds of the Authority secured by the

Authority's pledge of the Authority Tax are outstanding. Pursuant to the pledge made by the Commonwealth and in furtherance of the agreements of the Commonwealth and the mandates contained in the Act, the City has, in the Tax Ordinance and the Intergovernmental Cooperation Agreement by and between the Authority and the City, dated as of January 8, 1992 ("Cooperation Agreement"), pledged to and agreed with each and every obligee of the Authority secured by the Authority pledge of the Authority Tax that the City will not reduce the rate of, or repeal in whole or in part, the Authority Tax until the principal amount of all bonds of the Authority secured by the Authority Tax, together with interest thereon, is fully paid or provision for such payment is made in accordance with the terms of any agreement between the Authority and any obligee of the Authority.

This opinion is rendered pursuant to Section 9(e)(xiii) of the Bond Purchase Contract, dated June 14, 2006, between the Authority and RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets, as Underwriter ("Purchase Contract"). Terms used herein and not otherwise defined have the meanings ascribed thereto in the Purchase Contract.

As the basis for this opinion, we have examined such statutes and other matters at law, and such documents, instruments and certifications as we have deemed necessary in order to enable us to render this opinion, including, without limiting the generality of the foregoing, the Act, the Tax Ordinance, the Cooperation Agreement and the other documents and instruments listed in the Closing Agenda prepared in respect of the Bonds and filed with the Trustee, and have relied upon the genuineness, truthfulness and completeness of all documents, instruments and certifications examined and the authenticity of all signatures thereon. We have assumed that the Cooperation Agreement has been duly and validly authorized, executed and delivered by the Authority and is a valid and binding obligation of the Authority. We have also relied, in the opinion set forth below, upon the opinion of the City Solicitor of even date herewith with respect to actions taken by the City in connection with the enactment of the Ordinances and the execution and delivery of the Cooperation Agreement.

Based on the foregoing, we are of the opinion that:

- 1. The City has the power and authority under the Act to levy the Authority Tax exclusively for the purposes of the Authority and the Authority Tax has been duly and validly levied by the City pursuant to the Act and the Tax Ordinance exclusively for the purposes of the Authority.
- 2. As provided in the Act, the proceeds of the Authority Tax are at all times the revenues and property of the Authority, are not property or revenues of the Commonwealth or the City and are not subject to appropriation by either the Commonwealth or the City.
- 3. The covenants and agreements of the City contained in the Tax Ordinance and in Section 5.02(b) of the Cooperation Agreement are valid and binding obligations of the City, enforceable against the City in accordance with the respective terms thereof, except as enforceability may be limited by bankruptcy, reorganization, insolvency and other laws or legal or equitable principles affecting creditors' rights and remedies and by the exercise of judicial discretion under general principles of equity.

We call your attention to the facts that the imposition of the Authority Tax by the City pursuant to the Act does not constitute the exercise of the general taxing power of the City for City purposes conferred by other acts of the General Assembly of the Commonwealth and that the sole agreement by the City with respect to the Authority Tax is its pledge and agreement not to reduce the rate of the Authority Tax or to repeal the Authority Tax so long as bonds of the Authority secured by the Authority's pledge of the Authority Tax remain outstanding, all in accordance with the pledge of the Commonwealth and the mandates contained in the Act. Accordingly, as provided in the Act, the Bonds do not and shall not at any time constitute a debt or liability of the City of Philadelphia and the obligees of the Authority have no right or claim against any property or revenues of the City nor shall they have any recourse to the City for payment of the Bonds.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. This opinion is given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. This opinion is being furnished to you solely in connection with the delivery of and payment for the Bonds on the date hereof and may not be relied upon for any other purpose. This opinion may not be relied upon by any other person, firm or entity nor may it be quoted, distributed or disclosed to any person, firm or entity other than those represented at the Closing for the Bonds without the prior written consent in each instance of a partner of the undersigned firm.

Very truly yours,

BLANK ROME LLP

AUCTION AGENCY AGREEMENT

BETWEEN

WACHOVIA BANK, NATIONAL ASSOCIATION, AS TRUSTEE

AND

DEUTSCHE BANK TRUST COMPANY AMERICAS, AS AUCTION AGENT

DATED JUNE 1, 2006

RELATING TO

\$89,950,000
PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 2006 (AUCTION RATE SECURITIES)

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AUCTION AGENCY AGREEMENT

This AUCTION AGENCY AGREEMENT, dated June 15, 2006 (this "Agreement"), between WACHOVIA BANK, NATIONAL ASSOCIATION, as successor trustee (the "Bond Trustee") pursuant to the an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture") between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and the Bond Trustee, as amended and supplemented by four supplements thereto (collectively, the "Bond Indenture") and DEUTSCHE BANK TRUST COMPANY AMERICAS, as auction agent (together with its successors and assigns, the "Auction Agent").

WITNESSETH:

WHEREAS, the Authority is issuing \$89,950,000 aggregate principal amount of its Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities) (the "Bonds");

WHEREAS, the Bonds will initially be issued as auction rate securities ("ARS");

WHEREAS, the Bond Trustee is entering into this Agreement pursuant to Section 2A06 of the Bond Indenture;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Bond Trustee and the Auction Agent agree as follows:

1. Definitions and Rules of Construction.

- 1.1 <u>Terms Defined by Reference to Bond Indenture.</u> Capitalized terms not defined herein shall have the respective meanings specified in the Bond Indenture.
 - (a) "Auction" shall have the meaning specified in Section 2.1 hereof.
- (b) "Auction Procedures" means the Auction Procedures that are set forth in the Auction Procedures attached as Exhibit C hereto.
- (c) "Authorized Officer" means each Director, Vice President, Assistant Vice President and Associate of the Auction Agent and every other officer or employee of the Auction Agent designated as an "Authorized Officer" for purposes hereof in a written communication to the Bond Trustee.
- (d) "Authorized Trustee Representative" means each Senior Vice President, Vice President, Assistant Vice President, Senior Trust Officer, Trust Officer and Assistant Manager of the Bond Trustee and every other officer or employee of the Bond Trustee designated as an "Authorized Trustee Representative" for purposes hereof in a written communication to the Auction Agent.
- (e) "Broker-Dealer Agreement" means each agreement between the Auction Agent and a Broker-Dealer substantially in the form attached hereto as Exhibit A.

- (f) "Broker-Dealer Fee Rate" shall mean the rate per annum at which the fees to be paid to the Broker-Dealers for the services rendered by them under the Broker-Dealer Agreements in connection with the Auctions accrue pursuant to Section 2.05 of the Broker-Dealer Agreement.
- (g) "Existing Holder Registry" means the register maintained by the Auction Agent pursuant to Section 2.2(a)(i).
 - (h) "Holder" means a Registered Owner of any ARS.
- (i) "Participant" of any Person means the member of, or participant in, the Securities Depository that will act on behalf of an Existing Holder or Potential Holder.
- (j) "Securities Depository" shall mean The Depository Trust Company and its successors and assigns and any other securities depository selected or approved by the Authority.
- (k) "Settlement Procedures" means the Settlement Procedures attached to the Broker-Dealer Agreement as Exhibit A thereto.
- (l) "Submission Deadline" shall mean 1:00 p.m., eastern time, on any Auction Date or such other time on any Auction Date by which the Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.
- (m) "Submission Processing Deadline" shall mean the earlier of (i) 40 minutes after the Submission Deadline and (ii) the time when the Auction Agent begins to disseminate the results of the Auction to the Broker-Dealers.
- (n) "Submission Processing Representation" shall have the meaning specified in Section 2.10 hereof.
- 1.2 <u>Rules of Construction.</u> Unless the context or use indicates another or different meaning or intent, the following rules shall apply to the construction of this Agreement:
- (a) Words importing the singular number shall include the plural number and vice versa.
- (b) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.
- (c) The words "hereof," "herein," "hereto," and other words of similar import refer to this Agreement as a whole.
- (d) All references herein to a particular time of day shall be to New York City time.
 - 2. The Auction.

2.1 <u>Purpose; Incorporation by Reference of Auction Procedures and Settlement Procedures.</u>

- (a) The Bond Indenture provides that the interest rate on the ARS for each ARS Interest Period after the initial ARS Interest Period, except as provided in Section 2A01(c) or 2A02 of the Bond Indenture, shall equal the Auction Rate that an Auction Agent appointed by the Bond Trustee advises that results from implementation of the Auction Procedures. The Bond Trustee, in furtherance of its role as trustee and paying agent for the ARS, and at the direction of the Authority, hereby appoints Deutsche Bank Trust Company Americas as Auction Agent for purposes of the Auction Procedures and to perform such other obligations and duties as are herein set forth. The Auction Agent hereby accepts such appointment as Auction Agent and agrees that, on each Auction Date, it shall follow the procedures set forth in this Section 2 and the Auction Procedures for the purpose of, among other things, determining the Applicable ARS Rates for each ARS Interest Period (other than the initial ARS Interest Period). Each periodic operation of such procedures is hereinafter referred to as an "Auction."
- (b) All of the provisions contained in the Auction Procedures and the Settlement Procedures are incorporated herein by reference in their entirety and shall be deemed to be a part hereof to the same extent as if such provisions were fully set forth herein. In the event of any conflict between the provisions of this Agreement and such Auction Procedures or Settlement Procedures, the particulars of this Agreement shall control.

2.2 <u>Preparation for Each Auction; Maintenance of Registry of Existing Holders.</u>

(a) (i) A list of Broker-Dealers is attached as Exhibit B to this Agreement. Not later than seven days prior to any Auction Date for which any change in such list of Broker-Dealers is to be effective, the Trustee, at the direction of the Authority, will notify the Auction Agent in writing of such change. If any such change is the addition of a Broker-Dealer to such list, at the request of the Auction Agent and at the direction of the Authority, not later than two days prior to each Auction Date, the Bond Trustee shall authorize the Auction Agent to enter into an additional Broker-Dealer Agreement or agreements to be used in connection with such forthcoming Auction Date. The Auction Agent shall have entered into a Broker-Dealer Agreement with each Broker-Dealer prior to the participation of any such Broker-Dealer in any Auction. The Auction Agent shall maintain a current registry of Broker-Dealers, compiled as described below, that are Holders of ARS (such registry being herein called the "Existing Holder Registry"). Such persons shall constitute the Existing Holders for purposes of each Auction. The Bond Trustee shall provide to the Auction Agent on the date of original issuance of the Bonds a list of the initial Existing Holders of ARS, the aggregate principal amount of ARS held by each initial Existing Holder and the respective Broker-Dealer of each Existing Holder, if any, on whose behalf such Broker-Dealer submitted the most recent Order in any Auction which resulted in such Existing Holder continuing to hold or purchasing such ARS. purchased the ARS to the extent the Bond Trustee has such information. The Auction Agent may conclusively rely upon, as evidence of the identities of the Existing Holders, (A) such list, (B) the results of each Auction, (C) notices from any Existing Holder, the Participant of any Existing Holder or the Broker-Dealer of any Existing Holder as described in the first sentence of Section 2.2(a)(iii), and (D) the selection by the Securities Depository of the Existing Holders

whose ARS are to be tendered for purchase any notices from Broker-Dealers in connection therewith.

(ii) The Bond Trustee shall notify the Auction Agent when any notice of redemption is sent to the Securities Depository as Holder of ARS not later than 11:00 a.m. on the date such notice is sent. In the event the Auction Agent receives from the Bond Trustee written notice of any partial redemption of any ARS, the Auction Agent shall, at least three Business Days prior to the redemption date with respect to such ARS, request the Securities Depository to notify the Auction Agent of the identities of the Participants (and the respective principal amounts) from the accounts of which ARS have been called for redemption and the person or department at such Participant to contact regarding such redemption and, at least one Business Day prior to the redemption date with respect to ARS being partially redeemed, the Auction Agent shall request each Participant so identified to disclose to the Auction Agent (upon selection by such Participant of the Existing Holders whose ARS are to be redeemed or tendered) the aggregate principal amount of such ARS of each such Existing Holder, if any, to be redeemed and the respective Broker-Dealer through which said Existing Holder purchased such ARS; provided the Auction Agent has been furnished with the name and telephone number of a person or department at such Participant from which it is to request such information. In the absence of receiving any such information with respect to an Existing Holder, from such Existing Holder's Participant or otherwise, the Auction Agent may continue to treat such Existing Holder as the Holder of the aggregate principal amount of ARS shown in the Existing Holder Registry. By the close of business on the day the Auction Agent receives any notice pursuant to this paragraph (ii), the Auction Agent shall forward the contents of such notice to the related Broker-Dealer in writing.

Registry a transfer of ARS from an Existing Holder to another Person only if such transfer is made to a Person or such Person's Broker-Dealer, only if (A) such transfer is pursuant to an Auction or (B) if such transfer is made other than pursuant to an Auction, the Auction Agent has been notified in writing in a notice substantially in the form of Exhibit C to the Broker-Dealer Agreement by the Existing Holder that is the transferor, the Participant of such Existing Holder or the Broker-Dealer of such Existing Holder, of such transfer. The Auction Agent shall rescind a transfer made on the Existing Holder Registry if the Auction Agent has been notified in writing in a notice substantially in the form of Exhibit D to the Broker-Dealer Agreement by the Broker-Dealer of any Person that (i) purchased any ARS and the seller failed to deliver such ARS or (ii) sold any ARS and the purchaser failed to make payment to such Person upon delivery to the purchaser of such ARS. The Auction Agent is not required to accept any notice of transfer or any notice of a failure to deliver delivered prior to an Auction unless it is received by the Auction Agent by 3:00 p.m. on the Business Day next preceding the applicable Auction Date.

(b) The Auction Agent may request, but shall have no duty to do so, that the Broker-Dealers, as set forth in the Broker-Dealer Agreements, provide the Auction Agent with a list of their respective customers that such Broker-Dealers believe are beneficial holders of ARS and the aggregate principal amount of ARS beneficially owned by each such customer. Except as permitted by Section 2.9 hereof, the Auction Agent shall treat such information as it treats its own confidential information and shall not authorize disclosure of any

such information so provided to any Person other than the relevant Broker-Dealer, the Authority, the Bond Trustee and their respective agents; provided, however, that the Auction Agent reserves the right to disclose any such information as confidential information to its internal and external accountants, auditors and counsel, its regulators and examiners, and any other Person if the Auction Agent has been advised by its counsel that it may be liable for a failure to effect such disclosure, or if it is ordered to do so by a court of competent jurisdiction or regulatory, judicial, quasi-judicial agent or authority having the authority to mandate such disclosures; provided further, however, that the Auction Agent may refrain from making requested disclosures if in its sole discretion it receives adequate indemnity therefor.

(c) In the event that any day that is scheduled to be an Auction Date shall be changed after the Auction Agent shall have given the notice referred to in clause (viii) of paragraph (a) of the Settlement Procedures, the Auction Agent, by such means as the Auction Agent deems practicable, shall give notice of such change to the Broker-Dealers not later than 9:15 a.m. on the earlier of the new Auction Date or the old Auction Date.

2.3 All-Hold Rate and ARS Maximum Rate.

- (a) (i) On each Auction Date, the Auction Agent shall determine the All-Hold Rate. Not later than 9:00 a.m. on each Auction Date, the Auction Agent shall obtain the Index for use by the Auction Agent (the cost of which shall be paid by the primary Broker-Dealer). Not later than 9:30 a.m. on each Auction Date, the Auction Agent shall determine the All-Hold Rate and shall notify the Bond Trustee and the Broker-Dealer of the All-Hold Rate, the ARS Maximum Rate and the Index used to make such determination.
- (ii) If the ownership of the ARS is no longer maintained in book-entry form by the Securities Depository, the Applicable Rate for any ARS Interest Period commencing after the delivery of certificates representing the ARS shall equal the ARS Maximum Rate.
- (b) Upon receipt of notice from the Authority of a failed conversion described in Section 3.05 of the Bond Indenture, the interest rate on the ARS for the next succeeding Interest Period shall be determined in accordance with Section 3.05 of the Bond Indenture. The Auction Agent shall provide written notice thereof by delivery or telecopier or similar means, to the Bond Trustee and the Existing Holders no later than 12:00 Noon on the Business Day immediately following such first Business Day of the next succeeding Interest Period. After any such failed conversion, the ARS subject to the failed conversion shall remain outstanding as ARS, Auctions shall be conducted on the beginning on the first Auction Date occurring more than two Business Days after the failed Conversion Date, and interest payable thereon shall be determined and paid according to the Bond Indenture.
- (c) Upon receipt of notice from the Authority of a change in the length of one or more Auction Periods described in Section 2A10 of the Bond Indenture, then the interest rate on the ARS for the next Auction Period shall be determined pursuant to the Auction Procedures and the Bond Indenture.

2.4 <u>Auction Schedule</u>. The Auction Agent shall conduct Auctions in accordance with the schedule set forth below. Such schedule may be changed by the Auction Agent with the consent of the Bond Trustee, which consent shall be given at the written direction of the Authority and which consent, assuming the Authority has given its written direction to the Bond Trustee to give such consent, shall not be unreasonably withheld or delayed. The Auction Agent shall give notice of any such change to each Broker-Dealer. Such notice shall be given prior to the close of business on the Business Day next preceding the first Auction Date on which any such change shall be effective.

<u>Time</u> <u>Event</u>

By 9:30 a.m.

Auction Agent determines the Index. Auction Agent notifies the Trustee and the Broker-Dealers of the Index, the All-Hold Rate, and the ARS Maximum Rate.

9:30 a.m. - 1:00 p.m.

Auction Agent assembles information communicated to it by Broker-Dealers as provided in Section 1.1 of the Auction Procedures. Submission Deadline is 1:00 p.m.

Not later than Submission Processing Deadline

Auction Agent accepts any Orders submitted subject to a Submission Processing Representation and makes determinations pursuant to Section 1.3 of the Auction Procedures.

Not earlier than 1:00 p.m.

Auction Agent makes determinations pursuant to Section 1.2 of the Auction Procedures.

By approximately 3:00 p.m., but not later than the close of business

Submitted Bids and Submitted Sell Orders are accepted and rejected in whole or in part and principal amounts of ARS are allocated as provided in Section 1.5 of the Auction Procedures. Auction Agent gives notice of Auction results as set forth in Section 2.04 of the Broker-Dealer Agreement.

Auction Agent advises the Trustee of the Auction Rate for the next Auction Period and of results of the Auction as provided in Section 1.4 of the Auction Procedures by telephone (promptly confirmed in writing) or by facsimile or other electronic communication acceptable to the parties, and the Trustee promptly gives notice of such Auction Rate to the Securities Depository.

The Auction Agent shall follow the notification procedure set forth in paragraph (a) of the Settlement Procedures.

2.5 Changes in Auction Period or Auction Date.

The Auction Agent shall deliver any notice delivered to it pursuant to Section 2A10 of the Indenture to the Existing Holders within two Business Days of its receipt thereof. If, after delivery to the Auction Agent of the notice referred to in Section 2A10 of the Indenture with respect to a change in Auction Period, Sufficient Clearing Bids are not received by the Auction Agent by the submission deadline, the Auction Agent shall deliver notice to the Broker-Dealers not later than 3:00 p.m. on such Auction Date by telephone confirmed in writing the next Business Day.

2.6 <u>Notices to Existing Holders.</u> The Auction Agent shall be entitled to conclusively rely upon the address of each Existing Holder as such address is delivered by such Existing Holder in connection with any notice to Existing Holder required to be given by the Auction Agent.

2.7 Payment Defaults.

If an ARS Payment Default shall have occurred and be continuing, the Auction Procedures shall be suspended.

2.8 Broker-Dealers.

- (a) If the Auction Agent is provided with a copy of a Broker-Dealer Agreement, which has been manually signed, with any Person listed on Exhibit B hereto, it shall enter into such Broker-Dealer Agreement with such Person.
- (b) The Auction Agent may, at the written direction of the Authority and the approval of the Bond Insurer (which approval shall not be unreasonably withheld), enter into a Broker-Dealer Agreement with any other Person who requests to be selected to act as a Broker-Dealer. The Auction Agent shall have entered into a Broker-Dealer Agreement with each Broker-Dealer prior to the participation of any such Broker-Dealer in any Auction. The Auction Agent shall only be required to enter into a Broker-Dealer Agreement if such Broker-Dealer Agreement is in substantially the form attached hereto as Exhibit A or in such other form which conforms to industry standard at the time such Broker-Dealer Agreement is entered into and has been duly executed and delivered by the proposed Broker-Dealer. Any Broker-Dealer shall have a capital and surplus of at least \$15,000,000.
- (c) The Auction Agent shall terminate any Broker-Dealer Agreement as set forth therein if so directed by the Bond Trustee in writing acting at the written request of the Authority, with the written consent of the Bond Insurer (which consent shall not be unreasonably withheld).

- 2.9 Access to and Maintenance of Auction Records. The Auction Agent shall afford to the Bond Trustee and the Authority, and their respective agents, independent public accountants and counsel, access at reasonable times during normal business hours to review and make extracts or copies (in all cases at the Authority's sole cost and expense) of all books, records, documents and other information concerning the conduct and results of Auctions, provided that any such agent, accountant, or counsel shall furnish the Auction Agent with a letter from the Bond Trustee or the Authority requesting that the Auction Agent afford such person access. The Auction Agent shall maintain records relating to any Auction for a period of two years after such Auction (unless requested by the Authority to maintain such records for such longer period, then for such longer period but not in excess of a total of four years after such Auction), and such records shall, in reasonable detail, accurately and fairly reflect the actions taken by the Auction Agent hereunder. The Bond Trustee agrees to keep any information regarding the customers of any Broker-Dealer received from the Auction Agent in connection with this Agreement or any Auction confidential and shall not disclose such information or permit the disclosure of such information without the prior written consent of the applicable Broker-Dealer to anyone except such agent, accountant or counsel engaged to audit or review the results of Auctions, or to its internal and external auditors and counsel, its regulators and examiners and any other Person if the Bond Trustee has been advised by its counsel that it may be liable for a failure to effect such disclosure or it ordered to do so by a court of competent jurisdiction or regulatory, judicial, quasi-judicial agent or authority having the authority to mandate such disclosure. Any such agent, accountant or counsel engaged to audit or review the results of Auctions, before having access to such information, shall agree to keep such information confidential and not to disclose such information or permit disclosure of such information without the prior written consent of the applicable Broker-Dealer, except as may otherwise be required by law. The Auction Agent shall not be responsible for any actions of the Bond Trustee, the Authority, or their respective agents, accountants or counsel for passing on confidential information as a result of access to records of the Auction Agent.
- 2.10 <u>Submission Processing Representation</u>. Broker-Dealers may submit an Order after the Submission Deadline and prior to the Submission Processing Deadline if the Order was (i) received by the Broker-Dealer from Existing Holder or Potential Holder prior to the Submission Deadline or (ii) initiated internally by the Broker-Dealer for its own account prior to the Submission Deadline. Each Order submitted to the Auction Agent after the Submission Deadline and prior to the Submission Processing Deadline shall constitute a representation by the Broker-Dealer that such Order was (i) received from an Existing Holder or Potential Holder prior to the Submission Deadline or (ii) initiated internally by the Broker-Dealer for its own account prior to the Submission Deadline (the "Submission Processing Representation").

3. The Auction-Agent.

3.1 Duties and Responsibilities.

(a) The Auction Agent is acting solely as agent for the Bond Trustee hereunder and owes no fiduciary duties to any other Person by reason of this Agreement.

- (b) The Auction Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement or incorporated herein by reference from the Bond Indenture or the Broker-Dealer Agreement, and no implied covenants or obligations shall be read into this Agreement or the Bond Indenture against the Auction Agent by reason of anything set forth in the Official Statement or any other offering material employed in connection with the offering and sale of the ARS or otherwise. In the event of a conflict between any provisions of this Agreement and the Bond Indenture, the provisions contained in this Agreement shall govern.
- (c) In the absence of bad faith or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under this Agreement. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts.
- (d) The Auction Agent represents and warrants that, assuming this Agreement is a legal, valid and binding agreement among the other parties hereto, this Agreement is a legal, valid and binding agreement of the Auction Agent enforceable in accordance with its terms, except as such enforceability may be limited by laws relating to bankruptcy, insolvency, moratorium or similar laws affecting creditors rights generally and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).
- (e) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligation under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; wars; similar military disturbances; sabotage; epidemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Auction Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.
- (f) The Auction Agent represents and warrants that it satisfies the qualification requirements of Section 2A06 of the Indenture.

3.2 Rights of the Auction Agent.

(a) The Auction Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any communication authorized hereby and upon any written instruction, notice, request, direction, consent, report, certificate, bond certificate or other instrument, paper or document reasonably believed by it to be genuine. The Auction Agent shall not be liable for acting upon any telephone communication authorized hereby which the Auction Agent believes in good faith to have been given by the Bond Trustee, a Broker-Dealer, the Authority or the Securities Depository. The Auction Agent may record telephone communications with the Bond Trustee or with the Broker-Dealers or both.

- (b) The Auction Agent may consult with counsel of its choice, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.
- (c) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties hereunder.
- (d) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for misconduct or negligence on the part of, or for the supervision of, any agent or attorney appointed by it with due care hereunder.
- 3.3 <u>Auction Agent's Disclaimer.</u> The Auction Agent makes no representation as to the correctness of the recitals in, or the validity or adequacy of, this Agreement, the Broker-Dealer Agreement, the ARS, any offering document used to make offers or sales thereof or any other agreement or instrument executed in connection with the transactions contemplated herein.
- 3.4 <u>Compensation, Remedies and Indemnification Relating to the Auction Agent.</u>
- (a) The Auction Agent shall be entitled to receive an annual fee for all services rendered by it under this Agreement and the Broker-Dealer Agreement from the Authority pursuant to its fee letter dated June ___, 2006.
- (b) The Authority shall indemnify and hold harmless the Auction Agent, its directors, officers, agents and employees, for, and hold it harmless against any loss, liability or expense incurred without willful misconduct, negligence or bad faith on its part arising out of or in connection with its agency under this Agreement and the Broker-Dealer Agreements, or the transactions contemplated hereby or thereby, including the reasonable costs and expenses (including the reasonable fees and expenses of counsel) of defending itself, its directors, officers, agents and employees, against any claim of liability in connection with its exercise or performance of any of its duties hereunder or thereunder.

3.5 <u>Compensation of the Broker-Dealers.</u>

- (a) The Broker-Dealers shall be entitled to receive a fee for all services rendered by them under the Broker-Dealer Agreements, as provided therein (the "Broker-Dealer Fee").
- (b) On each Interest Payment Date, the Auction Agent shall pay the Broker-Dealer Fee payable to each Broker-Dealer, as provided in the Broker-Dealer Agreements.

4. Miscellaneous.

4.1 <u>Terms of Agreement.</u>

- (a) This Agreement shall terminate on the earlier of (i) the date on which the ARS are no longer outstanding under the Bond Indenture and (ii) the date on which this Agreement is terminated in accordance with this Section 4.1. The Auction Agent may terminate this Agreement upon written notice to the Bond Trustee, the Authority, the Bond Insurer and the Broker-Dealer on the date specified in such notice, which date shall be no earlier than 45 days after the date of delivery of such notice. Notwithstanding the foregoing, the Auction Agent may terminate this Agreement if, within 30 days after notifying the Trustee the Authority and the Bond Insurer in writing that it has not received payment of any Auction Agent Fee due it in accordance with the terms of Section 3.4(a), the Auction Agent does not receive such payment. The Auction Agent may be removed at any time by the Bond Trustee acting at the written direction of the (i) Authority with Bond Insurer consent, (ii) the Bond Insurer, or (iii) the Holders of 66-2/3% of the aggregate principal amount of the ARS then outstanding with the consent of the Bond Insurer, by an instrument signed by the Bond Trustee and filed with the Auction Agent, the Authority and the Bond Insurer upon at least 30 days notice.
- (b) Except as otherwise provided in this Section 4.1(b), the respective rights and duties of the Bond Trustee and the Auction Agent under this Agreement shall cease upon termination of this Agreement. The obligations of the Authority to the Auction Agent under Section 3.4 shall survive the termination of this Agreement. Upon termination of this Agreement, to the extent requested to do so in writing, the Auction Agent shall (i) promptly deliver to the Bond Trustee copies of all books and records maintained by it in connection with its duties hereunder, and (ii) promptly transfer to the Bond Trustee or any successor Auction Agent any funds deposited by the Authority with the Auction Agent pursuant to this Agreement which have not previously been distributed by the Auction Agent in accordance with this Agreement.
- 4.2 <u>Communications</u>. Except for (i) communications authorized to be made by telephone pursuant to this Agreement or the Auction Procedures and (ii) communications in connection with Auctions (other than those expressly required to be in writing), all notices, requests and other communications to any party hereunder shall be in writing (including facsimile or similar writing) and shall be given to such party addressed to it at its address, or facsimile number set forth below:

If to the Bond Trustee, addressed: Wachovia Bank, National Association

123 S. Broad Street

11th Floor

Philadelphia, PA 19109 Attention: Alice M. Amoro Facsimile No.: (215) 670-6303

Telephone No.: (215) 670-6337

If to the Auction Agent, addressed: Deutsche Bank Trust Company Americas

Trust and Securities Services 60 Wall Street, 27th Floor New York, NY 10005

Attention: Auction Rate Securities Facsimile No.: (212) 797-8600 Telephone No.: (212) 250-6645

If to the Authority, addressed: Pennsylvania Intergovernmental Cooperation

Authority

1429 Walnut Street

14th Floor

Philadelphia, PA 19102 Attention: Executive Director Facsimile No.: (215) 563-2570 Telephone No.: (215) 563-9160

If to the Broker-Dealer, addressed: RBC Dain Rauscher Inc.

1211 Avenue of the Americas

32nd Floor

New York, New York 10036 Attention: short Term Desk Facsimile No.: (212) 703-6383 Telephone No.: (212) 703-6233

or such other address or facsimile number as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective when delivered at the address specified herein. Communications shall be given on behalf of the Bond Trustee by an Authorized Trustee Representative and on behalf of the Auction Agent by an Authorized Officer.

- 4.3 <u>Entire Agreement</u>. This Agreement contains the entire agreement between the parties relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred between the parties relating to the subject matter hereof.
- 4.4 <u>Benefits.</u> Except for provisions hereunder which expressly recognize rights in other Persons, nothing herein, express or implied, shall give to any Person, other than the Bond Trustee, the Auction Agent and their respective successors and assigns, any benefit of any legal or equitable right, remedy or claim hereunder.

4.5 Amendment; Waiver.

(a) This Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the parties hereto; provided, however, that the

provisions of this Agreement regarding Auction Procedures may be amended from time to time in accordance with Section 2A04 of the Bond Indenture

- (b) The Bond Trustee shall promptly notify the Auction Agent of any proposed amendment of or supplement to the Bond Indenture (which notice shall include a copy thereof). In the event the Auction Agent in its discretion determines that such amendment or supplement would materially affect the Auction Agent's duties or obligations under either this Agreement or the Bond Indenture, the Auction Agent may resign from its duties under this Agreement and the Indenture, which resignation shall be effective no later than the effective date of such amendment or supplement..
- (c) Failure of either party hereto to exercise any right or remedy hereunder in the event of a breach hereof by the other party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.
- 4.6 <u>Successor and Assigns.</u> This Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and permitted assigns of each of the Bond Trustee and the Auction Agent. This Agreement may not be assigned by either party hereto absent the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed except that the Bond Trustee may assign or transfer this Agreement to a successor trustee under the Bond Indenture without the Auction Agent's prior written consent.
- 4.7 <u>Severability.</u> If any clause, provision or section hereof shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.
- 4.8 <u>Execution in Counterparts.</u> This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.
- 4.9 <u>Governing Law.</u> This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized representatives as of the date first above written.

The Authority hereby, in accordance with Section 2.1 hereof, directs the Bond Trustee to appoint Deutsche Bank Trust Company Americas as Auction Agent pursuant to this Auction Agency Agreement, and requests and directs the Auction Agent to enter into a Broker-Dealer Agreement with RBC Dain Rauscher Inc., as Broker-Dealer.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Title:

Via Chairperser

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized representatives as of the date first above written.

	WACHOVIA BANK, NATIONAL ASSOCIATION, as Bond Trustee			
	By:Authorized Representative			
	DEUTSCHE BANK TRUST COMPANY AMERICAS, as Auction Agent By:			
	Authorized Representative By: Authorized Representative			
The Authority hereby, in accordance with Section 2.1 hereof, directs the Bond Trustee to appoint Deutsche Bank Trust Company Americas as Auction Agent pursuant to this Auction Agency Agreement, and requests and directs the Auction Agent to enter into a Broker-Dealer Agreement with RBC Dain Rauscher Inc., as Broker-Dealer.				
	PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY			
	By:Title:			

EXHIBIT A

FORM OF BROKER-DEALER AGREEMENT

EXHIBIT B

LIST OF INITIAL BROKER-DEALERS

RBC Dain Rauscher Inc.

EXHIBIT C

AUCTION PROCEDURES

Section 1.1. Submission of Orders

- (a) While the ownership of the ARS is maintained in book-entry form, an Existing Holder may sell, transfer or otherwise dispose of ARS only pursuant to a Bid or Sell Order placed in an Auction or through a Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions, such Existing Holder, its Broker-Dealer or its Participant advises the Auction Agent of such transfer. Subject to the provisions of the Indenture, Auctions will be conducted on each Auction Date, if there is an Auction Agent on such Auction Date, in the following manner.
- (b) Prior to the Submission Deadline: (i) each Existing Holder of ARS may submit to a Broker-Dealer by telephone or otherwise an Order, consisting of information as to: (A) the principal amount of outstanding ARS, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding ARS Interest Period (a "Hold Order"); (B) the principal amount of outstanding ARS, if any, which such Existing Holder offers to sell if the Auction Rate for the next succeeding ARS Interest Period shall be less than the rate per annum specified by such Existing Holder (a "Bid"); and/or (C) the Holder offers to sell without regard to the Auction Rate for the next succeeding ARS Interest Period (a "Sell Order"); and (ii) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of ARS which each Potential Holder offers to purchase if the Auction Rate for the next succeeding ARS Interest Period shall not be less than the rate per annum specified by such Potential Holder (also a "Bid").

Each Hold Order, Bid and Sell Order shall be an "Order". Each Existing Holder and each Potential Holder placing an Order is referred to as a "Bidder".

- (c) <u>Bids by Existing Holders</u>. Subject to the provisions described below under "Validity of Orders", a Bid by an Existing Holder shall constitute an irrevocable offer to sell, in each case for settlement in same day funds on the next ARS Interest Payment Date therefor at a price equal to 100% of the principal amount thereof: (i) the principal amount of outstanding ARS specified in such Bid if the Auction Rate shall be less than the rate specified in such Bid, (ii) such principal amount or a lesser principal amount of outstanding ARS to be determined as described below in "Acceptance and Rejection of Orders", if the Auction Rate shall be equal to the rate specified in such Bid; or (iii) such principal amount or a lesser principal amount of outstanding ARS to be determined as described below in "Acceptance and Rejection of Orders", if the rate specified therein shall be higher than the ARS Maximum Rate and Sufficient Clearing Bids have not been made.
- (d) <u>Sell Orders by Existing Holders</u>. Subject to the provisions described below under "Validity of Orders", a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell, in each case for settlement in same day funds on the next ARS Interest Payment Date

therefor at a price equal to 100% of the principal amount thereof: (i) the principal amount of outstanding ARS specified in such Sell Order if Sufficient Clearing Bids exist; or (ii) such principal amount or a lesser principal amount of outstanding ARS as described below in "Acceptance and Rejection of Orders", if Sufficient Clearing Bids have not been made.

(e) Bids by Potential Holders.

- (i) Subject to the provisions described below under "Validity of Orders", a Bid by a Potential Holder shall constitute an irrevocable offer to purchase, in each case for settlement in same day funds on the next ARS Interest Payment Date therefor at a price equal to 100% of the principal amount thereof: (A) the principal amount of outstanding ARS specified in such Bid if the Auction Rate shall be higher than the rate specified in such Bid, or (B) such principal amount or a lesser principal amount of outstanding ARS as described below in "Acceptance and Rejection of Orders", if the Auction Rate is equal to the rate specified in such Bid.
- (ii) Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and shall specify with respect to each Order: (A) the name of the Bidder placing such Order, and (B) the aggregate principal amount of ARS that are subject to such Order. To the extent that such Bidder is an Existing Holder, each Broker-Dealer shall specify: (x) the principal amount of ARS, if any, subject to any Hold Order placed by such Existing Holder, (y) the principal amount of ARS, if any subject to any Bid placed by such Existing Holder and the rate specified in such Bid, and (z) the principal amount of ARS, if any, subject to any Sell Order placed by such Existing Holder. To the extent such Bidder is a Potential Holder, each Broker-Dealer shall specify the rate specified in such Potential Holder's Bid.
- (iii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next higher one-thousandth (.001) of one percent.
- (iv) If an Order or Orders covering all outstanding ARS held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of outstanding ARS held by such Existing Holder and not subject to an Order submitted to the Auction Agent.
- (v) None of the Authority, the Trustee or the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder, nor shall any of the Authority, the Trustee or the Auction Agent be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers.

Section 1.2 Validity of Orders

(a) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of outstanding ARS

held by such Existing Holder, such Orders shall be considered valid as follows and in the order of priority described below.

- (b) <u>Hold Orders</u>. All Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of outstanding ARS held by such Existing Holder, and if the aggregate principal amount of ARS subject to such Hold Orders exceeds the aggregate principal amount of ARS subject to each such Hold Order shall be reduced so that the aggregate principal amount of ARS subject to such Hold Orders equals the aggregate principal amount of outstanding ARS held by such Existing Holder.
- (c) <u>Bids</u>. Any Bid shall be considered valid up to and including the excess of the principal amount of outstanding ARS held by such Existing Holder over the aggregate principal amount of ARS subject to any Hold Order referred to above. Subject to the preceding sentence, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of outstanding ARS subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess. Subject to the preceding sentences, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess. In any such event, the amount of outstanding ARS, if any, subject to Bids not valid under the provisions described in this paragraph shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified.
- (d) <u>Sell Orders</u>. (i) All Sell Orders shall be considered valid up to and including the excess of the principal amount of outstanding ARS held by such Existing Holder over the aggregate principal amount of ARS subject to Hold Orders and valid Bids referred to in the preceding two paragraphs.
- (ii) If more than one Bid for ARS is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified. Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of ARS not equal to an Authorized Denomination shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of ARS not equal to an Authorized Denomination shall be rejected.
- (iii) Any Bid specifying a rate higher than the ARS Maximum Rate will be treated as a Sell Order if submitted by an Existing Holder and will not be accepted if submitted by a Potential Holder. Any Bid submitted by an Existing Holder or on behalf of a Potential Holder specifying a rate lower than the All-Hold Rate shall be considered as valid and shall be selected in the ascending order of their respective rates contained in the Submitted Bids.
- (iv) Any Order submitted in an Auction by a Broker-Dealer to the Auction Agent prior to the Submission Deadline on any Auction Date shall be irrevocable.

(v) A Hold Order, a Bid or a Sell Order that has been determined valid pursuant to the procedures described above is referred to as a "Submitted Hold Order", a "Submitted Bid" and a "Submitted Sell Order", respectively (collectively, "Submitted Orders").

Section 1.3. Determination of Sufficient Clearing Bids and Winning Bid Rate

- (a) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent will assemble all Submitted Orders and will determine:
 - (i) the excess of the total principal amount of outstanding ARS over the sum of the aggregate principal amount of outstanding ARS subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Series ARS"); and
 - (ii) from the Submitted Orders whether the aggregate principal amount of outstanding ARS subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the ARS Maximum Rate exceeds or is equal to the sum of (A) the aggregate principal amount of outstanding ARS subject to Submitted Bids by Existing Holders specifying one or more rates higher than the ARS Maximum Rate and (B) the aggregate principal amount of outstanding ARS subject to Submitted Sell Orders (in the event such excess or such equality exists, other than because all of the outstanding ARS are subject to Submitted Hold Orders, such Submitted Bids by Potential Holders described above shall be referred to collectively as "Sufficient Clearing Bids"); and
 - (iii) if Sufficient Clearing Bids exist, the lowest rate specified in such Submitted Bids (which shall be the "Winning Bid Rate"), such that if:
 - (A) each such Submitted Bid from Existing Holders specifying such lowest rate and all other Submitted Bids from Existing Holders specifying lower rates were rejected (thus entitling such Existing Holders to continue to hold the principal amount of ARS subject to such Submitted Bids); and
 - (B) each such Submitted Bid from Potential Holders specifying such lowest rate and all other Submitted Bids from Potential Holders specifying such lower rates were accepted,

the result would be that such Existing Holders described in subparagraph (c)(i) above would continue to hold an aggregate principal amount of outstanding ARS, which, when added to the aggregate principal amount of outstanding ARS to be purchased by such Potential Holders described in subparagraph (c)(ii) above, would equal not less than the Available Series ARS.

Section 1.4 Notice of Applicable ARS Rate

Promptly after the Auction Agent has made the determinations described above, the Auction Agent will advise the Broker-Dealer and the Trustee of the All-Hold Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for

the next succeeding ARS Interest Period as follows: (a) if Sufficient Clearing Bids exist, that the Auction Rate for the next succeeding ARS Interest Period shall equal the Winning Bid Rate; (b) if Sufficient Clearing Bids do not exist (other than because all of the outstanding ARS are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding ARS Interest Period shall equal the ARS Maximum Rate; or (c) if all outstanding ARS are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding ARS Interest period shall equal the All-Hold Rate.

Section 1.5 Acceptance and Rejection of Orders

- (a) Existing Holders shall continue to hold the principal amount of ARS that are subject to Submitted Hold Orders. Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:
- (b) <u>Sufficient Clearing Bids</u>. If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the denomination requirements described below, Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:
 - (i) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of ARS subject to such Submitted Bids;
 - (ii) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of ARS subject to such Submitted Bids;
 - (iii) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted;
 - (iv) each Existing Holder's Submitted Bid specifying a rate equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of ARS subject to such Submitted Bid, unless the aggregate principal amount of outstanding ARS subject to all such Submitted Bids shall be greater than the principal amount of ARS (the "remaining principal amount") equal to the excess of the Available Series ARS over the aggregate principal amount of ARS subject to Submitted Bids described in subparagraphs (ii and (iii) above, in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of ARS subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of ARS obtained by multiplying the remaining principal amount a fraction, the numerator of which shall be the principal amount of outstanding ARS held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of outstanding ARS subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

- (v) each Potential Holder's Submitted Bid specifying a rate equal to the Winning Bid Rate shall be accepted, but only in an amount equal to the principal amount of ARS obtained by multiplying the excess of the aggregate principal amount of Available Series ARS over the aggregate principal amount of ARS subject to Submitted Bids described in subparagraphs (ii), (iii) and (iv) above by a fraction, the numerator of which shall be the aggregate principal amount of outstanding ARS subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of outstanding ARS subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.
- (c) <u>Insufficient Clearing Bids</u>. If Sufficient Clearing Bids have not been made (other than because all of the outstanding ARS are subject to Submitted Hold Orders), subject to the denomination requirements described below, Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:
 - (i) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the ARS Maximum Rate shall be rejected, thus entitling such Existing Holders to continue to hold the aggregate principal amount of ARS subject to such Submitted Bids;
 - (ii) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the ARS Maximum Rate shall be accepted, and specifying any rate that is higher than tile ARS Maximum Rate shall be rejected; and
 - (iii) each Existing Holder's Submitted Bid specifying any rate that is higher than the ARS Maximum Rate and the Submitted Sell Order of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the ARS subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of ARS obtained by multiplying the aggregate principal amount of ARS subject to Submitted Bids described in subparagraph (b) above which are accepted by a fraction, the numerator of which shall be the aggregate principal amount of outstanding ARS held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of outstanding ARS subject to all such Submitted Bids and Submitted Sell Orders.
- (d) <u>All Hold Orders</u>. If all outstanding ARS are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.
- (e) <u>Authorized Denomination Requirement</u>. If, as a result of the procedures described above regarding Sufficient Clearing Bids and Insufficient Clearing Bids, any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of ARS that is not equal to an Authorized Denomination, the Auction Agent shall, in such manner as in its sole discretion it shall determine, round up or down the principal amount of ARS to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount of ARS purchased or sold by

each Existing Holder or Potential Holder shall be equal to an Authorized Denomination. If, as a result of the procedures described above regarding Insufficient Clearing Bids, any Potential Holder would be entitled or required to purchase less than an Authorized Denomination of ARS, the Auction Agent shall, in such manner as in its sole discretion it shall determine, allocate ARS for purchase among Potential Holders so that only ARS in Authorized Denominations are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any ARS.

- (f) None of the Authority, the Trustee, the Broker-Dealer(s) or the Auction Agent shall have any liability in the event that there are not Sufficient Clearing Bids from time to time pursuant to the Auction Procedures.
- (g) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of ARS to be purchased and the aggregate principal amount of ARS to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer Submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of ARS to be sold differs from such aggregate principal amount of ARS to be purchased, determine to which other Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, ARS.
- (h) Absent manifest error, any calculation by the Auction Agent or the Trustee of the Applicable ARS Rate and the All-Hold Rate shall be binding on all ARS Beneficial Owners and other parties.

BROKER-DEALER AGREEMENT

between

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Auction Agent

and

RBC DAIN RAUSCHER INC.,

as Broker-Dealer

Relating to

\$89,950,000 PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS, (CITY OF PHILADELPHIA FUNDING PROGRAM) **SERIES OF 2006 (AUCTION RATE SECURITIES)**

Dated June 15, 2006

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THIS BROKER-DEALER AGREEMENT (the "Agreement"), dated June 15, 2006 between DEUTSCHE BANK TRUST COMPANY AMERICAS, not in its individual capacity but solely as agent of Wachovia Bank, National Association (the "Trustee"), as successor trustee under an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "1994 Indenture"), between the Trustee and the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), as supplemented and amended, including by a Fourth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2006, between the Trustee and the Authority (the "Fourth Supplement" and, together with the 1994 Indenture, as previously supplemented and amended, the "Indenture"), and pursuant to authority granted to it in the Auction Agency Agreement described herein between the Trustee and the Auction Agent, and RBC DAIN RAUSCHER INC. (together with its successors and assigns hereinafter referred to as "BD").

The Authority proposes to issue \$89,950,000 principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities) maturing June 15, 2020, as Auction Rate Securities (the "Series 2006 Bonds" and, while Outstanding as Auction Rate Securities ("ARS").

The Fourth Supplement provides that the interest rate on the ARS for each Interest Period after the Initial Period shall, except as otherwise provided in the Fourth Supplement, equal the Auction Rate that the Auction Agent advises has resulted on the Auction Date from the implementation of the Auction Procedures. Pursuant to Section 2.8 of the Auction Agency Agreement, the Auction Agent has entered into this Agreement.

The Auction Procedures require the participation of one or more Broker-Dealers.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Auction Agent and BD agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Terms Defined by Reference to the Indenture. Capitalized terms not defined herein shall have the respective meanings specified in or pursuant to the Indenture and the Auction Agency Agreement.

Section 1.02. Terms Defined Herein. As used herein and in the Settlement Procedures (as defined below), the following terms shall have the following meanings, unless the context otherwise requires:

"Auction" shall have the meaning specified in Section 2.01 hereof.

"Auction Agency Agreement" shall mean the Auction Agency Agreement dated June 15, 2006 between the Trustee and the Auction Agent relating to the ARS.

"Auction Procedures" shall mean the Auction Procedures that are set forth in Exhibit C to the Auction Agent Agreement.

"Authorized Officer" shall mean, with respect to the Auction Agent, each Director, Vice President, Assistant Vice President and Associate of the Auction Agent assigned to its Corporate Trust and Agency Services, and every other officer or employee of the Auction Agent designated as an "Authorized Officer" for purposes of this Agreement in a communication to BD.

"BD Officer" shall mean each officer or employee of BD designated as a "BD Officer" for purposes of this Agreement in a communication to the Auction Agent.

"Broker-Dealer Agreement" shall mean this Agreement and any substantially similar agreement between the Auction Agent and a Broker-Dealer.

"Settlement Procedures" shall mean the Settlement Procedures attached hereto as Exhibit A.

"Submission Deadline" shall mean 1:00 p.m., eastern time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

"Submission Processing Deadline" shall mean the earlier of (a) 40 minutes after the Submission Deadline and (b) the time when the Auction Agent begins to disseminate the results of the Auction to the Broker-Dealers.

"Submission Processing Representation" shall have the meaning specified in Section 2.03(a) hereof.

- Section 1.03. Rules of Construction. Unless the context or use indicates another or different meaning or intent, the following rules shall apply to the construction of this Agreement:
 - (a) Words importing the singular number shall include the plural number and vice versa.
 - (b) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.
 - (c) The words "hereof," "herein," "hereto," and other words of similar import refer to this Agreement as a whole.
 - (d) In case of any conflict between the provisions of this Agreement and the Auction Procedures, the Auction Procedures shall control
 - (e) All references herein to a particular time of day shall be to New York City time.

ARTICLE II

THE AUCTION

Section 2.01. Purpose: Incorporation by Reference of Auction Procedures and Settlement Procedures.

- (a) On each Auction Date, the provisions of the Auction Procedures will be followed by the Auction Agent for the purpose of determining the Auction Rate for the next Interest Period. Each periodic operation of such implementation is hereinafter referred to as an "Auction."
- (b) All of the provisions contained in the Auction Procedures and the Settlement Procedures are incorporated herein by reference in their entirety and shall be deemed to be a part of this Agreement to the same extent as if such provisions were fully set forth herein.
- (c) BD agrees to act as, and assumes the obligations of and limitations and restrictions placed upon, a Broker-Dealer under this Agreement. BD understands that other persons meeting the requirements specified in the definition of "Broker-Dealer" contained in Article I of the Fourth Supplement may execute Broker-Dealer Agreements and participate as Broker-Dealers in Auctions.
- (d) BD and other Broker-Dealers may participate in Auctions for their own accounts. The Auction Agent shall have no liability with respect to matters arising out of this subsection.

Section 2.02. Preparation for Each Auction.

- (a) Not later than 9:30 a.m. on each Auction Date for the ARS, the Auction Agent shall advise BD by telephone of the All-Hold Rate, the ARS Maximum Rate and the Index.
- (b) In the event that the Auction Date for any Auction shall be changed after the Auction Agent has given the notice referred to in clause (viii) of paragraph (a) of the Settlement Procedures, the Auction Agent, by such means as the Auction Agent deems practicable, shall give notice of such change to BD not later than the earlier of 9:15 a.m. on the new Auction Date and 9:15 a.m. on the old Auction Date. Thereafter, BD shall promptly notify customers of BD that BD believes are Existing Holders of such change in the Auction Date.
- (c) The Auction Agent from time to time may request BD to provide it with a list of the respective customers BD believes are Existing Holders of the ARS and the aggregate principal amounts of ARS specifically owned by each such customer. BD shall comply with any such request, and the Auction Agent shall keep confidential any such information, including information received as to the identity of Bidders in any Auction, and shall not disclose any such information so provided to any person other than the Trustee, the Authority and BD, provided that the Auction Agent reserves the right to

disclose, any such information if it is advised by its counsel that such failure would be unlawful or would subject the Auction Agent to liability for which it has not received indemnity satisfactory to it.

Section 2.03. Auction Schedule: Method of Submission of Orders.

(a) The Auction Agent shall conduct Auctions for the ARS in accordance with the schedule set forth below. Such schedule may be changed at any time by the Auction Agent with consent of the Trustee, at the direction of the Authority, which consent shall not be unreasonably withheld or delayed. The Auction Agent shall give written notice of any such change to BD. Such notice shall be received prior to the close of business on the Business Day next preceding the first Auction Date on which any such change shall be effective.

Broker-Dealers may submit an Order after the Submission Deadline and prior to the Submission Processing Deadline if the Order was (i) received by the Broker-Dealer from Existing Holders or Potential Holders prior to the Submission Deadline or (ii) initiated internally by the Broker-Dealer for its own account prior to the Submission Deadline. Each Order submitted to the Auction Agent after the Submission Deadline and prior to the Submission Processing Deadline shall constitute a representation by the Broker-Dealer that such Order was (A) received from an Existing Holder or Potential Holder prior to the Submission Deadline or (B) initiated internally by the Broker-Dealer for its own account prior to the Submission Deadline (the "Submission Processing Representation").

Any Order submitted to the Auction Agent after the Submission Deadline and prior to the Submission Processing Deadline shall constitute a Submission Processing Representation.

Time	Event			
By 9:30 a.m.	Auction Agent determines the Index. Auction Agent notifies the Trustee and the Broker-Dealers of the Index, the All-Hold Rate, and the ARS Maximum Rate.			
9:30 a.m1:00 p.m.	Auction Agent assembles information communicated to it by Broker-Dealers as provided in Section 1.1 of the Auction Procedures. Submission Deadline is 1:00 p.m.			
Not later than Submission Processing Deadline	Auction Agent accepts any Orders submitted subject to a Submission Processing Representation and makes determinations pursuant to Section 1.3 of the Auction Procedures.			
Not earlier than 1:00 p.m.	Auction Agent makes determinations pursuant to Section 1.2 of the Auction Procedures.			

By approximately 3:00 p.m., But not later than the close of business Submitted Bids and Submitted Sell Orders are accepted and rejected in whole or in part and principal amounts of ARS are allocated as provided in Section 1.5 of the Auction Procedures. Auction Agent gives notice of Auction results as set forth in Section 2.04 of the Broker-Dealer Agreement.

Auction Agent advises the Trustee of the Auction Rate for the next Auction Period and of results of the Auction as provided in Section 1.4 of the Auction Procedures by telephone (promptly confirmed in writing) or by facsimile or other electronic communication acceptable to the parties, and the Trustee promptly gives notice of such Auction Rate to the Securities Depository. The Auction Agent shall follow the notification procedure set forth in paragraph (a) of the Settlement Procedures.

- (b) BD agrees to maintain a list of Potential Holders and to contact the Potential Holders on such list on or prior to each Auction Date for the purpose of participating in the Auction on such Auction Date.
- (c) BD shall submit Orders to the Auction Agent in writing in substantially the form attached hereto as Exhibit B. BD shall submit a separate Order to the Auction Agent for each Potential Holder or Existing Holder on whose behalf BD is submitting an Order and shall not net or aggregate the Orders of Potential Holders or Existing Holders on whose behalf BD is submitting Orders.
- (d) BD shall deliver to the Auction Agent (i) a written notice, substantially in the form attached hereto as Exhibit C, of transfers of ARS, made through BD by an Existing Holder to another person other than pursuant to an Auction and (ii) a written notice, in substantially the form attached hereto as Exhibit D, of the failure of any ARS to be transferred to or by any person that purchased or sold ARS through BD pursuant to an Auction. The Auction Agent is not required to give effect to any notice with respect to an Auction unless it is received by the Auction Agent by 3:00 p.m. on the Business Day next preceding the applicable Auction Date.
- (e) BD agrees to handle its customers' Orders in accordance with its duties under applicable securities laws and rules.
- (f) Prior to or concurrently with the execution and delivery of the Auction Agent Agreement, BD shall provide the Auction Agent with a list of the Existing Holders of the ARS who have agreed to purchase such ARS through BD, if any. In order to verify the accuracy and authenticity of the lists of Existing Holders so provided, the Auction Agent may confirm those lists of the Existing Holders to the respective Broker-Dealers who provided the original lists within 10 Business Days of the Auction Agent's receipt thereof.

(g) BD and other Broker-Dealers may submit Orders in Auctions for their own accounts; provided, however, that any Broker-Dealer that is an affiliate of the Authority must submit at the next Auction therefor a Sell Order covering all ARS held for its own account. The Auction Agent shall have no duty or liability with respect to monitoring or enforcing the requirements of this Section 2.03(g).

Section 2.04. Notices.

- (a) On each Auction Date, the Auction Agent shall notify BD by telephone of the results of the Auction as set forth in paragraph (a) of the Settlement Procedures. By approximately 10:30 a.m. on the Business Day next succeeding such Auction Date, the Auction Agent shall notify BD in writing, if previously so requested, of the disposition of all Orders submitted by BD in the Auction held on such Auction Date.
- (b) BD shall notify each Existing Holder or Potential Holder on whose behalf BD has submitted an Order as set forth in paragraph (b) of the Settlement Procedures and take such other action as is required of BD pursuant to the Settlement Procedures.
- (c) The Auction Agent shall deliver to BD after receipt all notices and certificates which the Auction Agent is required to deliver to BD pursuant to Section 2 of the Auction Agency Agreement at the times and in the manner set forth in the Auction Agency Agreement.

Section 2.05. Service Charge to Be Paid to BD.

On each Interest Payment Date for the term of this Agreement, the Auction Agent shall pay to BD from moneys received by the Auction Agent from the Authority a service charges for the succeeding ARS Interest Period, pursuant to Section 3.5(b) of the Auction Agency Agreement, equal to the product of (a) a fraction, the numerator of which is the number of days in each Auction Period occurring during such ARS Interest Rate Period (or, in the case of the initial period, the actual number of days elapsed since the date of delivery of the ARS) and the denominator of which is 360, times (b) the Broker-Dealer Fee Rate, times (c) the sum of (i) the sum of the aggregate principal amount of the ARS that were (A) the subject of Submitted Bids of Existing Holders submitted by BD and continued to be held as a result of such submission and (B) the subject of Submitted Bids of Potential Holders submitted by BD and purchased as a result of such submission and (ii) the aggregate principal amount of the ARS subject to valid Hold Orders (determined in accordance with the Auction Procedures) submitted to the Auction Agent by BD and (iii) the principal amount of the ARS deemed to be subject to Hold Orders by Existing Holders pursuant to the Auction Procedures that were acquired by such Existing Holders through BD, in the Auction for such Auction Period. For purposes of subclause (c)(iii) of the foregoing sentence, if any Existing Holder who acquired ARS through BD transfers those ARS to another Person other than pursuant to Auction, then the Broker-Dealer for the ARS so transferred shall continue to be BD; provided, however, that if the transfer was effected by, or if the transferee is, a Broker-Dealer other than BD, then such Broker-Dealer shall be the Broker-Dealer for such ARS. If for any reason an Auction is not held on an Auction Date, there shall be no Broker-Dealer Fee applicable with respect to such Auction Date. The Broker-Dealer Fee Rate shall be 0.23 of 1% per annum.

Section 2.06. Settlement.

- (a) If any Existing Holder on whose behalf BD has submitted a Bid or Sell Order for ARS that was accepted in whole or in part fails to instruct its Participant to deliver the ARS subject to such Bid or Sell Order against payment therefor, BD shall instruct such Participant to deliver such ARS against payment therefor and BD may deliver to the Potential Holder on whose behalf BD submitted a Bid that was accepted in whole or in part a principal amount of the ARS that is less than the principal amount of the ARS specified in such Bid to be purchased by such Potential Holder. Notwithstanding the foregoing terms of this Section 2.06(a), any delivery or non-delivery of ARS which represents any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or non-delivery in accordance with the terms of Section 2.03(d) hereof. The Auction Agent shall have no duty or liability with respect to monitoring or enforcing requirements of this Section 2.06(a).
- (b) Neither the Auction Agent, the Trustee nor the Authority shall have any responsibility or liability with respect to the failure of an Existing Holder, a Potential Holder or a Participant or any of them to deliver ARS or to pay for ARS sold or purchased pursuant to the Auction Procedures or otherwise. The Auction Agent shall have no responsibility for any adjustment to fees paid pursuant to Section 2.05 hereof as a result of any failure described in this Section 2.06(b).

ARTICLE III

THE AUCTION AGENT

Section 3.01. Duties and Responsibilities.

- (a) The Auction Agent is acting solely as agent for the Trustee hereunder and owes no duties, fiduciary or otherwise, to any person by reason of this Agreement. No implied duties, fiduciary or otherwise, shall be read into this Agreement against the Auction Agent.
- (b) The Auction Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement, the Indenture or any Broker-Dealer Agreement against the Auction Agent.
- (c) In the absence of bad faith or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties under this Agreement. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts.

Section 3.02. Rights of the Auction Agent.

- (a) The Auction Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any communication authorized by this Agreement and upon any written instruction, notice, request, direction, consent, report, certificate, share certificate or other instrument, paper or document believed by it to be genuine. The Auction Agent shall not be liable for acting upon any telephone communication authorized by this Agreement which the Auction Agent believes in good faith to have been given by the Trustee or by a Broker-Dealer or by their designated agents or representatives. The Auction Agent may record telephone communications with the Broker-Dealers.
- (b) The Auction Agent may consult with counsel of its own choice, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.
- (c) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties hereunder.
- (d) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys.
- (e) The Auction Agent shall have no obligation or liability in respect of the registration or exemption therefrom of the ARS under federal or state securities laws or in respect of the sufficiency or the conformity of any transfer of ARS to the terms of this Broker-Dealer Agreement, any Auction Agent Agreement or the Indenture or any other document contemplated therein or thereby.
- Section 3.03. The Auction Agent's Disclaimer. The Auction Agent makes no representation as to the correctness of the recitals in, or the validity, adequacy or accuracy of, this Broker-Dealer Agreement, the Auction Agent Agreement, the ARS, any offering document used to make offers or sales thereof or any other agreement or instrument executed in connection with the transactions contemplated therein.

ARTICLE IV

CONVERSION OF ARS TO ANOTHER ADJUSTABLE RATE OR A FIXED RATE

Section 4.01. Converting ARS. The Authority may cause interest on the ARS to be converted to a Fixed Rate, a Variable Rate or a Flexible Rate on the first day of any Auction Period for the ARS to be converted and shall send notice of the proposed change to the Auction Agent pursuant to Article II of the Fourth Supplement to the Bond Indenture. Assuming a successful conversion of the ARS to a Flexible Rate, Variable or Fixed Rate on a Conversion Date pursuant to the terms of Article II of the Fourth Supplement to the Bond Indenture, the Auction Agent shall no longer conduct Auctions with respect to such ARS. The Auction Agent,

upon receipt of the notice described above, shall notify the Broker-Dealers of the proposed conversion of the Auction Rate. If, however, the Auction Agent receives notification from the Authority that the proposed conversion fails as described in Section 3.05 of the Fourth Supplement to the Bond Indenture, the Auction Agent shall conduct the Auctions as provided in Section 2A11 of the Fourth Supplement and this Agreement. Upon conversion of the ARS to a Fixed Rate, a Variable Rate or a Flexible Rate this Broker-Dealer Agreement shall automatically terminate as to all the ARS.

ARTICLE V

MISCELLANEOUS

Section 5.01. Termination. Any party may terminate this Agreement at any time upon five days prior notice to the other party. This Agreement shall automatically terminate upon the delivery of certificates representing the ARS pursuant to the Fourth Supplement or upon termination of the Auction Agency Agreement.

Section 5.02. Participant in Securities Depository. Either (a) BD is, and shall remain for the term of this Agreement, a member of, or Participant in, the Securities Depository, or (b) BD may designate a Participant to act on BD's behalf for purposes of this Agreement. If BD wishes to designate a different Participant to act on its behalf, BD shall give the Auction Agent at least two Business Day's prior notice thereof.

Section 5.03. Communications. Except for (a) communications authorized to be made by telephone pursuant to this Agreement or the Auction Procedures and (b) communications in connection with the Auctions (other than those expressly required to be in writing), all notices, requests and other communications to any party hereunder shall be in writing (including facsimile or similar writing) and shall be given to such party, addressed to it, at its address or facsimile number set forth below:

If to BD, addressed: RBC Dain Rauscher Inc.

1211 Avenue of the Americas

32nd Floor

New York, NY 10036

Attention: Short Term Desk Telephone: (212) 703-6233 Facsimile: (212) 703-6383

If to the Auction Agent, addressed:

Deutsche Bank Trust Company Americas

Corporate Trust and Agency Services 60 Wall Street, Mailstop NYC60-2715

New York, NY 10005

Attention: Auction Rate Securities

Telephone: (212) 250-6645 Facsimile: (212) 797-8600 If to the Authority, addressed:

Pennsylvania Intergovernmental Cooperation

Authority

1429 Walnut Street, 14th Floor

Philadelphia, PA 19102

Attention: Executive Director Telephone: 215-561-9160 Facsimile: 215-563-2570

or such other address or facsimile number as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective when delivered at the address specified herein. Communications shall be given on behalf of BD by a BD Officer and on behalf of the Auction Agent by an Authorized Officer. BD may record telephone communications with the Auction Agent.

Section 5.04. Entire Agreement. This Agreement contains the entire agreement between the parties relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred, between the parties relating to the subject matter hereof.

Section 5.05. Benefits. Nothing in this Agreement, express or implied, shall give to any person, other than the Trustee, the Auction Agent and BD and their respective successors and assigns, any benefit of any legal or equitable right, remedy or claim under this Agreement.

Section 5.06. Amendment; Waiver.

- (a) This Agreement shall not be deemed or construed to be modified, amended, rescinded, cancelled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of each party hereto. The provisions herein regarding auction procedures may be amended from time to time to conform to industry or market practices solely upon the written consent of the parties hereto and upon written notice of such amendment to the affected Registered Holders of such ARS and no prior written consent of any such Holder shall be required in connection with such amendment.
- (b) Failure of either party to this Agreement to exercise any right or remedy hereunder in the event of a breach of this Agreement by the other party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.
- Section 5.07. Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and permitted assigns of each of BD and the Auction Agent. This Agreement may not be assigned by either party hereto absent the prior written consent of the other party; provided, however, that this Agreement may be assigned by the Auction Agent to a successor Auction Agent selected by the Trustee at the direction of the Authority without the consent of BD.

Section 5.08. Severability. If any clause, provision or section of this Agreement shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or

unenforceability of such clause, provision or section shall not affect any remaining clause, provision or section hereof.

Section 5.09. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

ARTICLE VI

GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Auction Agent
By Sinda Reale
Title Vice Tresident
By
Title Vice Hostert
RBC DAIN RAUSCHER INC.
D.,
By Title
1100

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Auction Agent

By Title			
Title	 	 	
Ву	 	 	
By Title	 		

RBC DAIN RAUSCHER INC.

EXHIBIT A

SETTLEMENT PROCEDURES

Capitalized terms used herein shall have the respective meanings specified in the Indenture.

- (a) Not later than 3:00 p.m. on each Auction Date, the Auction Agent is required to notify by telephone the Broker-Dealers that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Holder or Potential Holder of:
 - (i) the Auction Rate fixed for the next succeeding ARS Interest Period;
 - (ii) whether there were Sufficient Clearing Bids in such Auction;
 - (iii) if such Broker-Dealer (a "Seller's Broker-Dealer") submitted a Bid or a Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of ARS, if any, to be sold by such Existing Holder;
 - (iv) if such Broker-Dealer (a "Buyer's Broker-Dealer") submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of ARS, if any, to be purchased by such Potential Holder;
 - (v) if the aggregate principal amount of ARS to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different than the aggregate principal amount of ARS to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more other Broker-Dealers (and the Participant, if any, of each such other Broker-Dealer) and the principal amount of ARS to be purchased from one or more Existing Holders on whose behalf such other Broker-Dealers acted by one or more Potential Holders on whose behalf each of such other Buyer's Broker-Dealers acted;
 - (vi) if the principal amount of ARS to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid exceeds the amount of ARS to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted a Bid or a Sell Order, the name or names of one or more Seller's Broker-Dealers (and the name of the Participant, if any, of each such Seller's Broker-Dealer) acting for one or more sellers of such excess principal amount of ARS and the principal amount of ARS to be sold to one or more Potential Holders on whose behalf-such Broker-Dealer acted by one or more Existing Holders on whose behalf each of such Seller's Broker-Dealers acted;

- (vii) unless previously provided, a list of all Applicable ARS Rates and related Interest Periods (or portions thereof) since the last Interest Payment Date; and
 - (viii) the scheduled Auction Date of the next succeeding Auction.
- (b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder is required to:
 - (i) advise each Existing Holder and Potential Holder on whose behalf such Broker-Dealer submitted a Bid or Sell Order whether such Bid or Sell Order was accepted or rejected, in whole or in part;
 - (ii) in the case of a Buyer's Broker-Dealer instruct each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Bidder's Participant to pay to such Broker-Dealer (or its Participant) through the Securities Depository the amount necessary, including accrued interest, if any, to purchase the principal amount of ARS to be purchased pursuant to such Bid against receipt of such principal amount of ARS;
 - (iii) in the case of a Broker-Dealer that is a Seller's Broker-Dealer, instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole in part, or a Sell Order that was accepted, in whole or in part, to instruct such Bidder's Participant to deliver to such Broker-Dealer (or its Participant) through the Securities Depository the principal amount of ARS to be sold pursuant to such Bid or Sell Order against payment therefor;
 - (iv) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order and each Potential Holder on whose behalf such Broker-Dealer submitted a Bid of the Auction Rate for the next succeeding ARS Interest Period;
 - (v) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order of the scheduled Auction Date of the next succeeding Auction; and
 - (vi) advise each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the Auction Date of the next succeeding Auction.
- (c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order is required to allocate any funds received by it pursuant to paragraph (b)(ii) above, and any ARS received by it pursuant to paragraph (b)(iii) above, among the Potential Holders, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Holders, if any, on whose behalf such

Broker-Dealer submitted Bids or Sell Orders, and any Broker-Dealers identified to it by the Auction Agent pursuant to paragraph (a)(v) or (a)(vi) above.

(d) On each Auction Date:

- (i) each Potential Holder and Existing Holder with an Order in the Auction on such Auction Date shall instruct its Participant as provided in (b)(ii) or (b)(iii) above, as the case may be;
- (ii) each Seller's Broker-Dealer that is not a Participant in a Securities Depository instruct its Participant to (A) pay through the Securities Depository to the Participant of the Existing Holder delivering ARS to such Broker-Dealer following such Auction pursuant to (b)(iii) above the amount necessary, including accrued interest, if any, to purchase such ARS against receipt of such ARS, and (B) deliver such ARS through the Securities Depository to a Buyer's Broker-Dealer (or its Participant) identified to such Seller's Broker-Dealer pursuant to (a)(v) above against payment therefor; and
- (iii) each Buyer's Broker-Dealer that is not a Participant shall instruct its Participant to (A) pay through the Securities Depository to a Seller's Broker-Dealer (or its Participant) identified following such Auction pursuant to (a)(vi) above the amount necessary, including accrued interest, if any, to purchase the ARS to be purchased pursuant to (b)(ii) above against receipt of such ARS, and (B) deliver such ARS through the Securities Depository to the Participant of the purchaser thereof against payment therefor.

(e) On the Business Day following each Auction Date:

- (i) each Participant for a Bidder in the Auction on such Auction Date referred to in (d)(i) above shall instruct the Securities Depository to execute the transactions described under (b)(ii) or (b)(iii) above for such Auction, and the Securities Depository shall execute such transactions;
- (ii) each Seller's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in (d)(ii) above for such Auction, and the Securities Depository shall execute such transactions; and
- (iii) each Buyer's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in (d)(iii) above for such Auction, and the Securities Depository shall execute such transactions.
- (f) If an Existing Holder selling ARS in an Auction fails to deliver such ARS (by authorized book-entry), a Broker-Dealer may deliver to the Potential Holder on behalf of which it submitted a Bid that was accepted a principal amount of ARS that is less than the principal amount of ARS that otherwise was to be purchased by such Potential Holder. In such event, the principal amount of ARS to be so delivered shall be determined solely by such Broker-Dealer. Delivery of such lesser principal amount of ARS shall constitute good delivery. Notwithstanding the foregoing terms of this

paragraph (f), any delivery or nondelivery of ARS which shall represent any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or nondelivery in accordance with the provisions of the Auction Agent and the Broker-Dealer Agreement.

EXHIBIT B

ORDER FORM

(Submit only one Order on this Order Form)

\$

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 2006 (AUCTION RATE SECURITIES)

EXHIBIT C

TRANSFER FORM

(To be used only for transfers made other than pursuant to an Auction)

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 2006 (AUCTION RATE SECURITIES)

We are (check	tone): the Existing Holder named below; or the Broker-Dealer for such Existing Holder; or the Participant for such Existing Holder.
We he	reby notify you that such existing Holder has transferred \$* ARS to
	(Name of Existing Holder)
	(Name of Broker-Dealer)
	(Name of Participant)
Printed Name	

^{*} ARS may only be transferred in units of \$100,000.

EXHIBIT D

NOTICE OF A FAILURE TO DELIVER

(To be used only for failure to deliver ARS sold pursuant to an Auction)

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 2006 (AUCTION RATE SECURITIES)

Com	plete either I. or II.	
I.	We are a Broker-Dealer for* of the ARS in t such ARS.	the Auction held on from the seller of
П.	We are a Broker-Dealer for* of the ARS in the Auct ARS.	ion held on, to the purchaser of such
We h	hereby notify you that (check one)	
	the Seller failed to deliver such A	ARS to the Purchaser
	the Purchaser failed to make pay	ment to the Seller upon delivery of such ARS
		Name(Name of Broker-Dealer)
		ByPrinted Name

^{*} ARS may only be transferred in units of \$100,000.

In the opinion of Stradley Ronon Stevens & Young, LLP, Bond Counsel, under existing law as presently enacted and construed, and subject to continuing compliance by the Authority with the requirements of the federal tax laws, interest on the 2006 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest paid to certain corporate holders of the 2006 Bonds may be subject to alternative minimum tax and certain other taxes imposed on certain corporations under certain circumstances. Under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the 2006 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2006 Bonds is exempt from Pennsylvania personal income tax and corporate net income tax. For a further discussion and other tax aspects see "TAX MATTERS" herein.

Ratings: See "Ratings" herein

\$89,950,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 2006 (AUCTION RATE SECURITIES)

Dated: Date of Delivery Price: 100% Due: June 15, 2020

The 2006 Bonds are being issued pursuant to an Amended and Restated Indenture of Trust (the "1994 Indenture"), between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"), as a public authority and instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth"), and Wachovia Bank, National Association, Philadelphia, Pennsylvania, as successor trustee (the "Trustee"), as amended and supplemented by four supplements thereto (as so amended and supplemented, the "Indenture"), between the Authority and the Trustee. The 2006 Bonds will initially bear interest at the Auction Rates for generally successive 7-day Auction Periods (as further described herein). Each Auction Rate for a 2006 Bond will, except in certain cases, be equal to the annual interest rate that results from the implementation of the Auction Procedures described in APPENDIX F attached hereto.

The 2006 Bonds are subject to mandatory tender and optional and mandatory sinking fund redemption prior to maturity as described herein. The 2006 Bonds are not subject to acceleration upon the occurrence of an Event of Default (as defined in the Indenture).

The Authority may elect to convert the 2006 Bonds to an interest rate mode other than the Auction Rate. This Official Statement generally describes the 2006 Bonds while bearing interest at an Auction Rate. The Authority anticipates that a remarketing memorandum or other new or supplemental disclosure document will be prepared in the event the 2006 Bonds are converted to bear interest in another interest rate mode. Prospective purchasers of 2006 Bonds which do not bear interest at the Auction Rate should not rely on this Official Statement.

The proceeds from the sale of the 2006 Bonds, together with the other available funds of the Authority, will be used to (i) currently refund the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 maturing on and after June 15, 2007, in the aggregate principal amount of \$89,960,000, and (ii) pay the costs of issuing the 2006 Bonds. See "PLAN OF FINANCE" herein.

The 2006 Bonds are issuable only as fully registered bonds, without coupons, and, while bearing interest at an Auction Rate, in the denominations of \$25,000 and integral multiples thereof. The 2006 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2006 Bonds. Purchases of beneficial ownership interests in the 2006 Bonds will be made in book-entry-only form. So long as DTC or its nominee, Cede & Co., is the registered owner, principal of, redemption premium, if any, and interest on, and purchase price of, the 2006 Bonds is payable directly to Cede & Co., for redistribution to DTC Participants and in turn to the beneficial owners as described herein. Purchasers of 2006 Bonds will not receive physical delivery of certificates representing their ownership interests in the 2006 Bonds. See "THE 2006 BONDS—Book-Entry-Only System" herein.

THE 2006 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY ISSUED PURSUANT TO THE ACT AND THE INDENTURE AND ARE PAYABLE SOLELY FROM REVENUES OF THE AUTHORITY DERIVED FROM (i) A ONE AND ONE-HALF PERCENT (1.5%) TAX ON THE SALARIES, WAGES, COMMISSIONS AND OTHER COMPENSATION EARNED BY RESIDENTS OF THE CITY OF PHILADELPHIA (THE "CITY") AND ON NET PROFITS EARNED IN BUSINESS, PROFESSIONS AND OTHER ACTIVITIES CONDUCTED BY RESIDENTS OF THE CITY, WHICH TAX IS IMPOSED BY THE CITY PURSUANT TO THE ACT AND AN ORDINANCE ADOPTED BY THE COUNCIL OF THE CITY OF PHILADELPHIA AND APPROVED BY THE MAYOR EXCLUSIVELY FOR THE PURPOSES OF THE AUTHORITY, AND (ii) CERTAIN MONEYS AND SECURITIES, AND INVESTMENT EARNINGS THEREON, HELD BY THE TRUSTEE IN CERTAIN FUNDS ESTABLISHED UNDER THE INDENTURE. THE ACT PROVIDES THAT THE REVENUES FROM THE FOREGOING TAX ARE THE REVENUES AND PROPERTY OF THE AUTHORITY AND ARE NOT THE REVENUES AND PROPERTY OF THE CITY. SEE "SOURCES OF PAYMENT AND SECURITY FOR THE 2006 BONDS" HEREIN.

In addition, payment of the principal of and interest on the 2006 Bonds will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the 2006 Bonds by Ambac Assurance Corporation.

Ambac

NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2006 BONDS. THE 2006 BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, AND NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS LIABLE FOR THE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR THE PURCHASE PRICE OF, THE 2006 BONDS. THE AUTHORITY HAS NO TAXING POWER.

The 2006 Bonds are offered when, as and if issued by the Authority and delivered to and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the receipt of the approving opinion of Stradley Ronon Stevens & Young, LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by Reed Smith LLP, Philadelphia, Pennsylvania, General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriter by Dilworth Paxson LLP and Cozen O'Connor, both of Philadelphia, Pennsylvania, co-counsel to the Underwriter. Certain legal matters will be passed upon for the City by the Office of the City Solicitor and by Blank Rome LLP, Philadelphia, Pennsylvania, special counsel to the City. It is anticipated that the 2006 Bonds in definitive form will be available for delivery to DTC in New York, on or about June 15, 2006.

RBC CAPITAL MARKETS

\$89,950,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 2006 (AUCTION RATE SECURITIES)

	Length of	Initial Interest	Auction Date	Interest Payment	Final
Initial Auction	Initial Period	Payment Date	<u>Generally</u>	Date Generally	Maturity Date
June 21, 2006	7 Days	June 22, 2006	Wednesday	Thursday	June 15, 2020

The 2006 Bonds will bear interest from the date of original delivery thereof for the initial period set forth above at the applicable rate established by the Underwriter for the 2006 Bonds, prior to the date of delivery. Thereafter, the 2006 Bonds will bear interest at the applicable Auction Rate for each Auction Period, until a conversion to another interest rate mode, as described herein. Interest on the 2006 Bonds will be payable on the initial interest payment date set forth above and thereafter on the day following the end of each Auction Period for the 2006 Bonds.

Deutsche Bank Trust Company Americas will act as the Auction Agent for the 2006 Bonds and RBC Dain Rauscher Inc. will serve as the initial Broker-Dealer for the 2006 Bonds.

This Official Statement generally describes the 2006 Bonds while bearing interest at an Auction Rate. Prospective purchasers of 2006 Bonds which do not bear interest at the Auction Rate should not rely on this Official Statement.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

1429 Walnut Street, 14th Floor, Philadelphia, Pennsylvania 19102 Tel.: (215) 561-9160 Fax: (215) 563-2570

Email: pica@picapa.org

BOARD MEMBERS

Lauri A. Kavulich, Esquire William J. Leonard, Esquire Gregg R. Melinson, Esquire Michael A. Karp James Eisenhower, Esquire

Michael J. Masch Ex-Officio Representative of the Commonwealth Chairperson
Vice Chairperson
Treasurer/Secretary
Member
Member

Vincent J. Jannetti
Ex-Officio Representative
of the City

AUTHORITY STAFF

Executive Director Rob Dubow

Deputy Executive Director Uri Z. Monson

Director of Capital Analysis and Operations John S. Daly

> Director of Program Analysis Kristin Fairweather

AUTHORITY GENERAL COUNSEL

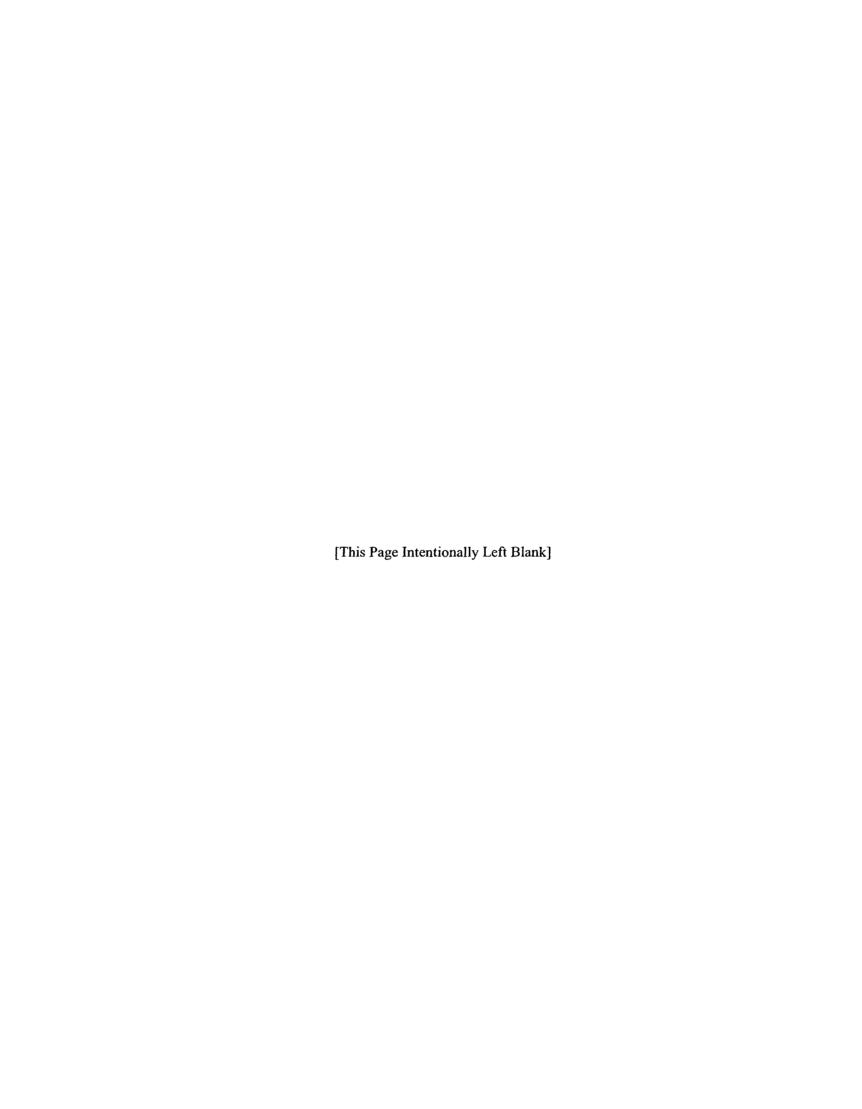
Reed Smith LLP

BOND COUNSEL

Stradley Ronon Stevens & Young, LLP

FINANCIAL ADVISORS

Access Financial Markets Hopkins & Company



IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2006 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2006 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE OF THE OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement does not constitute an offer to sell the 2006 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by the Authority, the City of Philadelphia or the Underwriter to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the 2006 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the 2006 Bonds. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been provided by the Authority, the City of Philadelphia, Ambac Assurance Corporation and by other sources which the Authority believes are reliable, but it is not guaranteed as to its accuracy or completeness, and it not to be construed as a representation by the Underwriter or, as to information provided by sources other than the Authority, by the Authority. No representation, warranty or guarantee is made by the Financial Advisors as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Authority, the City, the Underwriter or the Financial Advisors.

This Official Statement contains forecasts, projections and estimates by the City of Philadelphia that are based on current expectations or assumptions. In light of the important factors that may materially affect the amount of Authority Tax received, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Authority or the City of Philadelphia that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the amount of Authority Tax received include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the Authority and the City. These forward-looking statements include, but are not limited to, certain statements contained in the information contained under the caption "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX" and such statements speak only as of the date of this Official Statement. The Authority and the City disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority's or the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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

The 2006 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

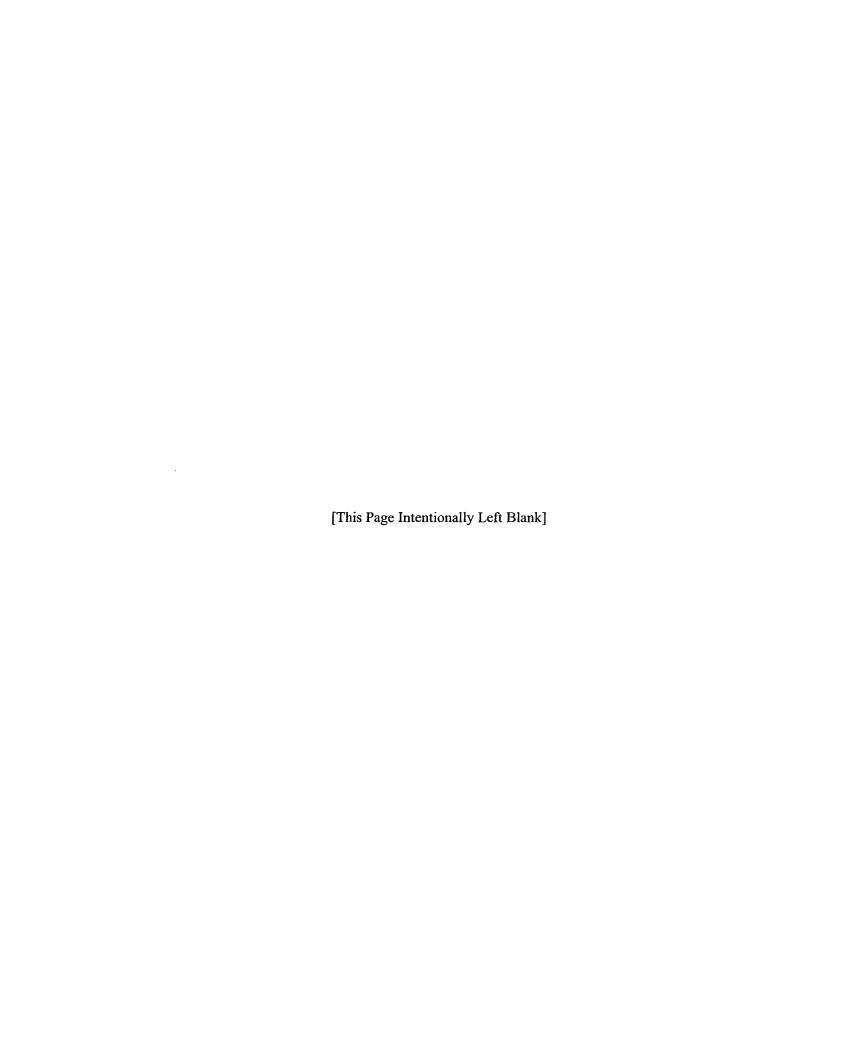
THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2006 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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OFFICIAL STATEMENT

Relating to

\$89,950,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 2006 (AUCTION RATE SECURITIES)

INTRODUCTION

General

This Official Statement, including the cover page, table of contents and the attached appendices, sets forth information with respect to the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$89,950,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) (the "2006 Bonds"). This introduction is a brief description of certain matters described in this Official Statement and is qualified by reference to the entire Official Statement. Persons considering the purchase of any of the 2006 Bonds should read this Official Statement, including the cover page, tables and all appendices, in its entirety. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the respective meanings set forth in APPENDIX C attached hereto or in the Indenture (as defined herein).

The Authority

The Authority, a body corporate and politic, was organized and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (the "Act"). Pursuant to the Act, the Authority was established to provide financial assistance to cities of the first class in the Commonwealth of Pennsylvania (the "Commonwealth"). The City of Philadelphia (the "City") currently is the only city of the first class in the Commonwealth. See "THE AUTHORITY" herein.

The Act provides that, upon the request by the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain financial and oversight functions. First, the Authority shall have the power, subject to satisfaction of certain requirements in the Act, to provide financial assistance to the City. Second, the Authority 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 then-existing five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth).

Under the Act, the Authority is no longer permitted to issue bonds for the purpose of financing a capital project of the City or a deficit of the City, including a cash flow deficit. The Authority does, however, have the power to issue bonds to refund outstanding bonds issued under the Act, such as the 2006 Bonds.

Authority's Outstanding Indebtedness

The Authority has previously issued seven series of Bonds. Three series of Bonds remain Outstanding: (i) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 issued in the original aggregate principal amount of \$343,030,000 (the "1996 Bonds"), of which \$94,160,000 are currently Outstanding; (ii) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 issued in the original aggregate principal amount of \$610,005,900 (the "1999 Bonds"), of which \$475,055,000 are currently Outstanding; and (iii) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 issued in the original aggregate principal amount of \$165,550,000 (the "2003 Bonds"), of which \$154,370,000 are currently Outstanding. Four series of bonds are no longer Outstanding: (i) Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") issued in the original aggregate principal amount of \$474,555,000; (ii) Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993 Bonds") issued in the original aggregate principal amount of \$178,675,000; and (iv) Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") issued in the original aggregate principal amount of \$178,675,000; and (iv) Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") issued in the original aggregate principal amount of \$178,675,000; and (iv) Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") issued in the original aggregate principal amount of \$178,675,000; and (iv) Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") issued in the original aggregate principal amount of \$122,020,000.

The 1992 Bonds were issued to provide funds to make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit and the projected Fiscal Year 1992 and 1993 General Fund deficits of the City, fund the costs of certain capital projects to be undertaken by the City and provide other financial assistance to the City to enhance productivity in the operation of City government. The 1993 Bonds were issued to provide funds to make grants to the City to (i) pay the costs of certain capital projects to be undertaken by the City, (ii) pay the costs of certain capital improvements to the City's criminal justice and correctional facilities, and (iii) provide for the defeasance of certain general obligation bonds of the City. The 1993A Bonds were issued to provide funds to advance refund a portion of the 1992 Bonds, in the aggregate principal amount of \$136,670,000. The 1994 Bonds were issued to provide funds to make grants to the City to pay the costs of certain capital projects to be undertaken by the City. The 1996 Bonds were issued to provide funds to advance refund the Outstanding 1992 Bonds and the Outstanding 1994 Bonds. The 1999 Bonds were issued to provide funds to current refund the Outstanding 1993A Bonds. The proceeds of the 2006 Bonds will be applied to the current refunding of the Outstanding 1996 Bonds.

Since the issuance of the 1992 Bonds in June, 1992, the Authority has devoted its primary attention to the assessment, approval and oversight of each of the City's five-year financial plans prepared in accordance with the requirements of the Act (each, a "Financial Plan"), the City's compliance therewith, the evaluation of City financial reporting, the analysis of City financial and budgetary practices and programs and the oversight of the expenditures of funds for the capital projects and productivity enhancements for which the Authority has made grants to the City with a portion of the proceeds from the sale of the 1992 Bonds, the 1993 Bonds and the 1994 Bonds. See "THE AUTHORITY - Operating History" herein.

Authorization to Issue the 2006 Bonds

The Authority is authorized to issue and sell the 2006 Bonds pursuant to the provisions of the Act and pursuant to a resolution of the Authority adopted May 16, 2006. The 2006 Bonds will be issued pursuant to and secured under an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and

Restated Indenture"), between the Authority and Wachovia Bank, National Association (successor in interest to Meridian Bank), as trustee (the "Trustee"), as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplement"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement"), and a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplement" and, together with the Amended and Restated Indenture, the First Supplement, the Second Supplement and the Third Supplement, the "Indenture"). The Amended and Restated Indenture amended and restated an Indenture of Trust dated as of June 1, 1992, as amended and supplemented (the "Original Indenture") between the Authority and Meridian Bank (successor trustee by assignment from CoreStates Bank, N.A., the initial trustee). For a summary of certain provisions of the Indenture, see APPENDIX C attached hereto.

The 1992 Bonds, the 1993 Bonds and the 1993A Bonds were issued pursuant to the Original Indenture. The 1994 Bonds, the 1996 Bonds, the 1999 Bonds and the 2003 Bonds were issued pursuant to the Amended and Restated Indenture. The Indenture provides that the 1999 Bonds, the 2003 Bonds, the 2006 Bonds and any Additional Bonds issued pursuant thereto (sometimes referred to herein collectively as, the "Bonds") are to be equally and ratably secured under the Indenture (except as otherwise described herein and in the Indenture). For a discussion of the issuance by the Authority of additional bonds, including Additional Bonds issued under the Indenture, and the limitations on such issuance, see "SOURCES OF PAYMENT AND SECURITY FOR THE 2006 BONDS - Additional Bonds" herein.

Plan of Finance

The proceeds from the sale of the 2006 Bonds will be used to (i) currently refund the 1996 Bonds maturing on and after June 15, 2007, in the aggregate principal amount of \$89,960,000, and (ii) pay the costs of issuing the 2006 Bonds. See "PLAN OF FINANCE" herein.

Financial Condition of the City

The City has reported that it ended Fiscal Year 2005 on June 30, 2005, with a General Fund balance of \$96.2 million, an increase of \$143.0 million from the Fiscal Year 2004 year-end General Fund balance. No deficit elimination grants from the Authority were made during Fiscal Years 1993 through 2005. The Authority approved the City's Financial Plan for Fiscal Years 2006-2010 on July 21, 2005. The Fiscal Year 2006 General Fund Budget was adopted by Philadelphia City Council and approved by the Mayor without a grant from the Authority. The City's Fiscal Year 2007 budget was approved by City Council on May 25, 2006, and does not anticipate a grant from the Authority for Fiscal Year 2007. The City's Financial Plan for Fiscal Years 2007-2011 was submitted to the Authority on June 1, 2006, and is under review. For additional information regarding the City's financial condition, see APPENDIX B attached hereto.

Although the 2006 Bonds are not obligations of the City, financial developments with respect to the City may affect the market for, and the market prices of, the 2006 Bonds. Further, economic and demographic conditions in the City may affect the levels of collections of the Authority Tax (as defined herein). See "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX" herein. For a more detailed discussion of the City's financial affairs, see APPENDIX B attached hereto.

Description of the 2006 Bonds

The 2006 Bonds will be issued as fully registered bonds, without coupons, will be dated the date of their initial authentication and delivery, and will mature on the date shown on the front cover of this Official Statement. The 2006 Bonds will bear interest from the date of original delivery thereof for the initial period set forth on the inside front cover hereof at the applicable rate established by the Underwriter for the 2006 Bonds, prior to the date of delivery. Thereafter, the 2006 Bonds will bear interest at the applicable Auction Rate for each Auction Period, until converted to another interest rate mode, as described in APPENDIX C attached hereto. While bearing interest at an Auction Rate, the 2006 Bonds are subject to mandatory tender and optional and mandatory redemption prior to scheduled maturity as described herein. See "THE 2006 BONDS" herein. The 2006 Bonds will be issuable in authorized denominations of \$25,000 and integral multiples thereof while bearing interest at an Auction Rate.

While bearing interest at an Auction Rate, interest on the 2006 Bonds will be payable on the initial interest payment date set forth on the inside front cover hereof and thereafter on the day following the end of each Auction Period for the 2006 Bonds.

THE BONDS OF THE AUTHORITY WHICH ARE OUTSTANDING UNDER THE INDENTURE, INCLUDING THE 2006 BONDS, ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT.

The 2006 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository under a book-entry-only system for the 2006 Bonds. See "THE 2006 BONDS – Book-Entry-Only System" herein.

Sources of Payment and Security for the 2006 Bonds

The 2006 Bonds are limited obligations of the Authority and the principal of, redemption premium, if any, and interest on, and purchase price upon tender of, the 2006 Bonds are payable, together with the 1999 Bonds, the 2003 Bonds and any Additional Bonds issued pursuant to the Indenture, solely from (i) the revenues pledged and assigned by the Authority for such payment under the Indenture, including revenues received by the Authority from a one and one-half percent (1.5%) tax (the "Authority Tax") imposed by the City, pursuant to the Act and an ordinance adopted by City Council and approved by the Mayor on June 12, 1991 (Bill No. 1437, effective July 1, 1991) (the "Authority Tax Ordinance"), exclusively for the purposes of the Authority, on the salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City, and (ii) certain moneys and securities and investment earnings thereon, together with a Debt Service Reserve Fund Policy (described herein), all held by the Trustee in certain funds established under the Indenture. In connection with the enactment of the Authority Tax Ordinance and the adoption of the Fiscal Year 1992 operating budget of the City, the City enacted an ordinance reducing the rate of the City's tax on the salaries, wages, commissions and other compensation earned by, and net profits earned in business, professions and other activities conducted by, City residents by one and one-half percent (1.5%).

The Act provides that the Commonwealth will not reduce, and will not authorize any government agency levying such tax to reduce, the rate of any tax, including the Authority Tax, imposed exclusively for the purposes of the Authority and pledged by the Authority as security for the payment of principal of, and interest

on, bonds issued by the Authority, including without limitation the 2006 Bonds, until all of the principal of, and interest on, the bonds so secured is paid in full or provided for. The Authority Tax presently is the only tax imposed exclusively for the purposes of the Authority and pledged by the Authority as security for the payment of its bonds.

The Act prohibits the City from reducing the rate of the Authority Tax or repealing the Authority Tax Ordinance while bonds of the Authority secured by the Authority's pledge of the Authority Tax are outstanding. The City, as required by the Act, has pledged and agreed in the Authority Tax Ordinance with each and every obligee of the Authority secured by an Authority pledge of the Authority Tax that the City will not reduce the rate of, or repeal, the Authority Tax until the principal of, and interest on, all bonds so secured are paid in full or provision for such payment is made. In an Intergovernmental Cooperation Agreement, dated January 8, 1992 (the "Cooperation Agreement"), between the Authority and the City, the City has made a similar pledge to, and agreement with, the Authority and its obligees.

The Act requires that the Authority Tax be collected by the Department of Revenue of the Commonwealth (the "Pennsylvania Revenue Department") for deposit in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund (the "PICA Tax Fund") established under the Act and held by the Treasurer of the Commonwealth (the "State Treasurer"), as custodian. The State Treasurer is required by the Act to transfer all amounts in the PICA Tax Fund at least weekly to or upon the order of the Authority. Concurrently with the issuance of the 1992 Bonds, the Authority directed the State Treasurer to transfer all such amounts to the Trustee for deposit in the Revenue Fund established under the Indenture in accordance with the requirements of the Act and for so long as any 1992 Bonds are Outstanding under the Indenture. Similar instructions were given in connection with the issuance of the 1993 Bonds, the 1993A Bonds, the 1994 Bonds, the 1996 Bonds, the 1999 Bonds and the 2003 Bonds. In connection with the issuance of the 2006 Bonds, similar instructions will be given relating to the 1999 Bonds, the 2003 Bonds and the 2006 Bonds so long as any of such bonds are Outstanding under the Indenture. The Act authorizes the Pennsylvania Revenue Department to appoint agents for the collection and enforcement of the Authority Tax. Pursuant to such authority, a letter dated June 28, 1991 from the Pennsylvania Revenue Department and the Pennsylvania Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement, dated as of June 1, 1992 (the "Tax Collection Agreement"), by and between the Commonwealth and the City, the Revenue Department of the City ("City Revenue Department") and the Law Department of the City have been appointed agents of the Pennsylvania Revenue Department for the collection and enforcement of the Authority Tax. The procedures for the collection and transfer of the Authority Tax are prescribed in the Act and are further delineated in the Authority Tax Ordinance and the Tax Collection Agreement.

NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2006 BONDS. THE 2006 BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, AND NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS LIABLE FOR THE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2006 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Additional Bonds

The Authority has the power under the Act, subject to the limitations set forth therein, to issue bonds for various purposes. Under the Act as currently in effect, however, the Authority may now only issue refunding bonds. Subject to the terms of the Act and the Indenture, such additional bonds may be issued by the Authority under the Indenture on a parity with the 1999 Bonds, the 2003 Bonds and the 2006 Bonds. For a discussion of the issuance by the Authority of additional bonds, including Additional Bonds issued under the Indenture, and the limitations on such issuance, see "SOURCES OF PAYMENT AND SECURITY FOR THE 2006 BONDS - Additional Bonds" herein.

Bond Insurance

Payment of the principal of and interest on the 2006 Bonds will be insured in accordance with the terms of a financial guaranty insurance policy (the "Insurance Policy") to be issued by Ambac Assurance Corporation (the "Insurer") simultaneously with the issuance and delivery of the 2006 Bonds. See "BOND INSURANCE" herein and a specimen copy of the Insurance Policy in APPENDIX E hereto.

Miscellaneous

Brief descriptions of the Act, the Authority, the 2006 Bonds, the Indenture, the Cooperation Agreement, the Tax Collection Agreement, the Authority Tax Ordinance and the Insurance Policy are included in this Official Statement. The summaries of the Act and of other documents contained herein do not purport to be complete, comprehensive or definitive and are qualified in their entireties by reference to the entire text of the Act and such documents, and the description herein of the 2006 Bonds is qualified in its entirety by reference to the text thereof and the information with respect thereto included in the aforesaid documents. All such descriptions are further qualified in their entireties by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of the Indenture, the Authority Tax Ordinance, the Cooperation Agreement and the Tax Collection Agreement may be obtained from the Authority and, after initial delivery of the 2006 Bonds, at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

Certain information concerning the City has been furnished by the City and is included as APPENDIX B attached hereto. THE AUTHORITY MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION INCLUDED AS APPENDIX B HERETO.

Certain information concerning the Insurer and the Insurance Policy has been furnished by the Insurer and is included under the caption "BOND INSURANCE" herein. A specimen copy of the Insurance Policy has been furnished by the Insurer and is included as APPENDIX E attached hereto. THE AUTHORITY MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION FURNISHED BY THE INSURER INCLUDED HEREIN OR OF THE SPECIMEN COPY OF THE INSURANCE POLICY FURNISHED BY THE INSURER INCLUDED AS APPENDIX E HERETO.

This Official Statement, including the appendices (except APPENDIX A, consisting of the audited financial statements of the Authority, which speak as of June 30, 2005), speaks only as of the date of this Official Statement printed on the cover hereof. The information contained herein is subject to change.

PLAN OF FINANCE

General

In December, 2001, the Authority and JPMorgan Chase Bank (in this capacity, the "Swap Counterparty") entered into an interest rate swap transaction dated December 6, 2001 (the "1996 Bonds Swaption") with respect to the 1996 Bonds as a means of effecting a synthetic refunding of the 1996 Bonds. Under the 1996 Bonds Swaption, the Swap Counterparty made a payment to the Authority on the date of execution of the 1996 Bonds Swaption in exchange for an option to cause the Authority to enter into an interest rate exchange or swap transaction (the "Swap") with the Swap Counterparty. The Swap Counterparty has given notice to the Authority that it intends to exercise its option on June 15, 2006. The terms of the Swap require the payment (i) by the Swap Counterparty to the Authority of an amount (the "Floating Rate Amount") on the 15th day of each month, commencing July 15, 2006, equal to the interest payable on an agreed upon principal amount (the "Notional Amount") computed on the basis of a floating rate equal to 67% of one month LIBOR and (ii) by the Authority to the Swap Counterparty of an amount (the "Fixed Rate Amount") on each June 15 and December 15, commencing December 15, 2006, equal to the interest payable on the Notional Amount computed on the basis of a fixed rate essentially equal to the fixed rates payable on the 1996 Bonds. The Notional Amount on which such Floating Rate Amount and Fixed Rate Amount is computed is initially equal to \$89,960,000 and declines on June 15 of each year, commencing June 15, 2007, through its termination date of June 15, 2020. See "CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY" herein for a discussion of the interest rate "swaption" transactions entered into by the Authority, including the 1996 Bonds Swaption.

The Swap Counterparty has given notice to the Authority that it intends to exercise its option on June 15, 2006. As a result of the Swap Counterparty's election to exercise its option to cause the Authority to enter into the Swap, the Authority has determined to issue the 2006 Bonds. The proceeds from the sale of the 2006 Bonds will be used to (i) provide for the current refunding of all of the Outstanding 1996 Bonds maturing on and after June 15, 2007, in the aggregate principal amount of \$89,960,000 (the "Refunded 1996 Bonds"), and (ii) pay the costs of issuing the 2006 Bonds.

A portion of the net proceeds of the sale of the 2006 Bonds shall be transferred to the Trustee, deposited in a separate account in the Bond Redemption Fund and immediately applied to the payment of the redemption price of the Refunded 1996 Bonds which have been called for redemption on June 15, 2006, at a redemption price of 100% of the principal of the Refunded 1996 Bonds, plus accrued interest to the redemption date. Upon deposit of the necessary funds with the Trustee, the Refunded 1996 Bonds will no longer be deemed to be Outstanding under the Indenture.

Estimated Sources and Uses

The estimated sources and uses of funds relating to the 2006 Bonds are as follows:

Sources of Funds:

DOWLET DOWN THE WORLD	
Principal Amount of 2006 Bonds	\$89,950,000
PICA Contribution*	1,150,388
Total	<u>\$91,100,388</u>
Uses of Funds:	
Current Refunding of 1996 Bonds	\$89,960,000
Costs of Issuance**	1,140,388
Total	\$91,100,388

^{*}Other available funds of the Authority, including certain amounts currently on deposit in the Debt Service Reserve Fund which exceed the Debt Service Reserve Requirement.

THE 2006 BONDS

The following is a summary of certain provisions of the 2006 Bonds while bearing interest at an Auction Rate. Reference is made to the 2006 Bonds and to the Fourth Supplement for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX C and APPENDIX F.

General

The 2006 Bonds are dated the date of their initial authentication and delivery and are being issued in the principal amount and are stated to mature on the date shown on the cover of this Official Statement. The 2006 Bonds will bear interest from the date of original delivery thereof for the initial period set forth on the inside front cover hereof at the applicable rate established by the Underwriter for the 2006 Bonds, prior to the date of delivery. Thereafter, the Auction Rate for the 2006 Bonds will be determined for generally successive 7-day Auction Periods through the implementation of the Auction Procedures summarized under APPENDIX F – "Description of Auction - Auction Procedures," unless the Auction Period for the 2006 Bonds is changed to a 35-day Auction Period or until converted to another interest rate mode, as described in APPENDIX C attached hereto.

The following is a summary of certain provisions of the 2006 Bonds while such Bonds bear interest at an Auction Rate. Reference is made to the 2006 Bonds and to the Fourth Supplement for the detailed provisions of the 2006 Bonds, including provisions relating to the conversion to another interest rate mode. This Official Statement generally describes the 2006 Bonds while bearing interest at an Auction Rate. Prospective purchasers of 2006 Bonds which do not bear interest at the Auction Rate should not rely on this Official Statement. The Authority anticipates that a remarketing memorandum or other new or supplemental disclosure document will be prepared in the event the 2006 Bonds are converted to bear interest in another interest rate mode.

^{**}Includes legal, accounting, financial advisory fees and expenses, printing, bond insurance premium, rating fees, underwriter's fee, contingency and miscellaneous fees and expenses.

The 2006 Bonds will be issuable in fully registered form, without coupons, in the authorized denominations. The authorized denomination for the 2006 Bonds while bearing interest at the Auction Rate is \$25,000 and any integral multiple thereof.

While bearing interest at an Auction Rate, interest on the 2006 Bonds will be payable on the initial interest payment date set forth on the inside front cover hereof and thereafter on the day following the end of each Auction Period for the 2006 Bonds. Deutsche Bank Trust Company Americas will act as the Auction Agent for the 2006 Bonds and RBC Dain Rauscher will serve as the initial Broker-Dealer for the 2006 Bonds.

The principal of and premium, if any, on 2006 Bonds shall be payable at the Principal Office of the Trustee, upon presentation and surrender of such 2006 Bonds, which presentation and surrender can be made at the Principal Office of the Trustee. Payment of principal of any 2006 Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2006 Bonds by wire transfer to such owner on the principal payment date for said 2006 Bonds upon written notice from such owner containing the wire transfer address within the continental United States to which such owner wishes to have such wire directed, which written notice is received not later than the tenth (10th) day next preceding the principal payment or maturity date applicable to such 2006 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2006 Bonds at the designated office of the Trustee or Tender Agent, as applicable, on the principal payment date.

Interest payments on a 2006 Bond (other than with respect to defaulted interest) shall be made to the registered owner thereof appearing on the bond register as of the close of business of the Trustee as bond registrar on the Record Date. Interest on the 2006 Bonds shall, except as hereinafter provided, be paid (i) by check or draft of the Trustee mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the bond register or at such other address furnished in writing by such registered owner to the Trustee, (ii) by wire transfer sent on the Interest Payment Date to the registered owner upon written notice to the Trustee from the registered owner containing the wire transfer address (which shall be in the continental United States) to which the registered owner wishes to have such wire directed which written notice is received not later than the Business Day prior to the first Interest Payment Date to which it relates, it being understood that such notice may refer to multiple interest payments; or (iii) on or prior to the Fixed Rate Conversion Date, in such other fashion as is agreed upon between the registered owner and the Trustee, including, without limitation, by wire transfer upon such prior notice as may be satisfactory to the Trustee.

DTC will serve as securities depository under a book-entry-only system for the 2006 Bonds. Unless such system is discontinued, the provisions described under "Book-Entry-Only System" below (including provisions regarding payments to and transfers by the owners of beneficial interests in the 2006 Bonds) will be applicable to the 2006 Bonds. If such system is discontinued, the provisions described under "Discontinuance of Book-Entry-Only System" below will be applicable.

So long as DTC, or its partnership nominee, Cede & Co., is the registered owner of the 2006 Bonds, payments of the principal of and interest on the 2006 Bonds, and payments of the purchase price of any 2006 Bonds subject to mandatory tender, are to be made by the Trustee directly to Cede & Co. Disbursements of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC. Disbursements of such payments to the owners of beneficial interests in the 2006 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" below.

THE 2006 BONDS ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT.

Auction Rate Securities

Applicable ARS Rate. So long as they are ARS and except for the Auction Period beginning on the Closing Date, the Bonds will, except in certain cases, bear interest at rates (the "Applicable ARS Rate") established pursuant to the Auction Procedures described in APPENDIX F – "Description of Auction - Auction Procedures." An "ARS Interest Period" begins on and includes an ARS Interest Payment Date and ends on but excludes the next succeeding ARS Interest Payment Date; the first ARS Interest Period commences on the date of original delivery of the ARS. The Applicable ARS Rate will not exceed the Maximum Lawful Rate. Interest on the ARS will be computed on the basis of a 360-day year for the actual number of days elapsed during the applicable ARS Interest Period. In certain circumstances, however, the Auction Procedures may be canceled or suspended. For example, the Auction Agent will suspend the Auction Procedures upon the occurrence of a default by the Insurer in the payment of the principal of or interest on the ARS. The Applicable ARS Rate for each Auction Period for the ARS commencing after the occurrence of such default, unless such default is cured or waived at least two business days prior to commencement of any subsequent Auction Period, will be 12% per annum (the "Non-Payment Rate"); provided, that in no event shall the Non-Payment Rate be more than the Maximum Lawful Rate.

The Auction Agent Agreement also requires that no further auctions be held if the ownership of the ARS is no longer maintained in a book-entry-only system. See APPENDIX F – "Description of Auction - Auction Procedures."

Converting Interest Rate Modes and Mandatory Tender for Purchase. With the consent of the Insurer, the Authority may elect to convert the 2006 Bonds to other interest rate modes effective as of an ARS Interest Payment Date. Upon such conversion, the 2006 Bonds may accrue interest as such interest rate modes are described in the Fourth Supplement. In order to effect such conversion, the Authority shall provide a written direction to the Trustee, the Auction Agent and each Broker-Dealer of its election to convert the 2006 Bonds to another interest rate mode. The Trustee shall provide notice of such conversion to the holders of the 2006 Bonds not less than 30 days prior to the proposed effective date of such conversion. The 2006 Bonds will be subject to mandatory tender for purchase on the first day of the new Interest Rate Period subject to the terms of the Fourth Supplement. The tender price shall be equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest from the immediately preceding interest accrual date to the date of such tender. See APPENDIX C attached hereto.

Auction Procedures. So long as the 2006 Bonds are ARS, the beneficial owner of a 2006 Bond may sell, transfer or dispose of a 2006 Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or through a Broker-Dealer. See APPENDIX F – "Description of Auction." The ability to sell an ARS in an Auction may be adversely affected if there are not sufficient buyers willing to purchase all of the ARS at an interest rate equal to or less than the ARS Maximum Rate. The Broker-Dealer has advised the Authority that it intends to make a market in the ARS between Auctions; however, the Broker-Dealer is not obligated to make such market, and no assurance can be given that secondary markets therefor will develop.

The 2006 Bonds will not be supported by a liquidity facility. If, for example, an Existing Holder were to submit a Sell Order or a Bid Order subject to an interest rate that is determined to be greater than the ARS

Maximum Rate for such Auction Date, and Sufficient Clearing Bids are not obtained on such Auction Date, such Existing Holder will not have its 2006 Bonds purchased through the Auction Procedures on such Auction Date. In such event, no assurance can be given that a Broker-Dealer will purchase or will otherwise be able to locate a purchaser or that Sufficient Clearing Bids will be obtained on any succeeding Auction Date.

The holder of a 2006 Bond may not be able to sell some or all of its 2006 Bonds at an Auction if the Auction fails; that is, if there are more 2006 Bonds offered for sale than there are buyers for those 2006 Bonds. Also, if a holder of a 2006 Bond places hold orders (orders to retain 2006 Bonds) at an Auction only at a specified rate, and that specified rate exceeds the rate set at the Auction, such holder will not retain its 2006 Bonds. If a holder of a 2006 Bond submits a hold order for 2006 Bonds without specifying a minimum rate, and the Auction sets a below-market rate, such holder may receive a below-market rate of return on its 2006 Bonds.

As noted above, if there are more 2006 Bonds offered for sale than there are buyers for those 2006 Bonds in any auction, the auction will fail and a holder of a 2006 Bond may not be able to sell some or all of its 2006 Bonds at that time. The relative buying and selling interest of market participants in 2006 Bonds and in the auction rate securities market as a whole will vary over time, and such variations may be affected by, among other things, news relating to the Authority, the attractiveness of alternative investments, the perceived risk of owning the 2006 Bonds (whether related to credit, liquidity or any other risk), the tax treatment accorded the instruments, the accounting treatment accorded auction rate securities, including recent clarifications of U.S. generally accepted accounting principles relating to the treatment of auction rate securities, reactions to regulatory actions or press reports, financial reporting cycles and market sentiment generally. Shifts of demand in response to any one or simultaneous particular events cannot be predicted and may be short-lived or exist for longer periods.

A Broker-Dealer may submit Orders in auctions for its own account. Any Broker-Dealer submitting an Order for its own account in any Auction will have an advantage over other bidders in that it would have knowledge of other Orders placed through it in that Auction (but it would not have knowledge of Orders submitted by other Broker Dealers, if any). As a result of the Broker-Dealer bidding, the Auction clearing rate may he higher or lower than the rate that would have prevailed if the Broker-Dealer had not bid. A Broker-Dealer may also bid in order to prevent what would otherwise be a failed Auction, an "all hold" Auction (if the Broker-Dealer owns securities in its own account) or an Auction clearing at a rate that the Broker-Dealer believes does not reflect the market for such securities at the time of the Auction. Broker-Dealers may, but are not obligated to, advise holders of the 2006 Bonds that the rate that will apply in an "all hold" Auction is often a lower rate than would apply if holders submit bids, and such advice, if given, may facilitate the submission of bids by existing holders that would avoid the occurrence of an "all hold" Auction. A Broker-Dealer may, but is not obligated to, encourage additional or revised investor bidding in order to prevent an "all-hold" Auction.

On May 31, 2006, the U.S. Securities and Exchange Commission (the "SEC") announced that it had settled its investigation against 15 firms, including the Underwriter, that participate in the auction rate securities market regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the firms had managed auctions for auction rate securities in which they participated in ways that were not adequately disclosed or that did not conform to disclosed auction procedures. As part of the settlement, the Underwriter agreed to pay a civil money penalty of \$1.5 million. In addition, the Underwriter, without admitting or denying the SEC's allegations, agreed to be censured, to cease and desist from violating certain provisions of the securities laws, to provide to customers written descriptions of its material auction practices and procedures,

and to implement procedures reasonably designed to detect and prevent any failures by the Underwriter to conduct the auction process in accordance with disclosed procedures. No assurances are given as to how the settlement may affect the market for auction rate securities or the 2006 Bonds.

For additional information regarding the certain practices of the Underwriter, in its role as Broker-Dealer, in connection with the conduct of Auctions, see APPENDIX F -- "Bidding by Initial Broker-Dealer," "Auction Dealer Fees," "Price Talk," "All-or-Nothing" Bids" and "Deadlines/Auction Periods."

Redemption

Optional Redemption. As long as there is no continuing Event of Default under the terms of the Indenture, the ARS shall be subject to redemption prior to stated maturity by the Authority on any ARS Interest Payment Date, in whole or in part, in denominations of \$25,000 or any integral multiple thereof, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The following requirements of mandatory sinking fund redemption are subject to the provision that any partial redemption of the 2006 Bonds under "Optional Redemption" above shall reduce the mandatory scheduled redemption requirements as provided herein in such order as the Authority shall designate in writing prior to such redemption or, if no such election is made, in the inverse order thereof; provided, however, that following such reduction, each such mandatory redemption payment is an Authorized Denomination. The 2006 Bonds are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates, for the principal amount specified below plus accrued interest to the date fixed for redemption, without premium:

Redemption Date (June 15)	Redemption Amount	Redemption Date (June 15)	Redemption Amount
2007	\$ 4,450,000	2014	\$ 6,450,000
2008	4,675,000	2015	6,800,000
2009	4,925,000	2016	7,175,000
2010	5,200,000	2017	7,575,000
2011	5,475,000	2018	8,000,000
2012	5,800,000	2019	8,425,000
2013	6,100,000	2020*	8,900,000

^{*} Final maturity

Notwithstanding the foregoing, so long as the 2006 Bonds are ARS, if such June 15 is not an ARS Interest Payment Date, the mandatory sinking fund redemption will occur on the ARS Interest Payment Date immediately preceding such June 15.

The Trustee will determine the principal amount of 2006 Bonds of each maturity that must be redeemed on such mandatory sinking fund redemption date after taking into account optional redemptions and extraordinary optional redemptions of 2006 Bonds (see "Selection of 2006 Bonds for Redemption"). The

mandatory sinking fund redemption requirement for any year as stated above for the 2006 Bonds shall also be reduced by the principal amounts of any 2006 Bonds that are purchased and delivered or tendered to the Trustee for cancellation by the 45th day next preceding the mandatory sinking fund redemption date.

Selection of 2006 Bonds for Redemption. In the case of any redemption in part of the 2006 Bonds, the 2006 Bonds to be redeemed will be selected by the Authority, subject to the requirements of the Indenture. Upon any redemption of 2006 Bonds in part, there will be no partial redemption of less than \$25,000 for any ARS. If less than all of the 2006 Bonds outstanding of a series are called for redemption under any provision of the Indenture permitting partial redemption, the particular 2006 Bonds to be redeemed will be selected by the Trustee, in a such manner as the Trustee in its discretion may deem fair and appropriate consistent with the requirements of the Indenture.

Notice of Redemption. Notice of any redemption of 2006 Bonds, either in whole or in part, will be sent by the Trustee by mail, postage prepaid, not less than 30 days nor more than 60 days prior to the proposed redemption date, to all holders of the 2006 Bonds to be redeemed at their addresses as they appear on the registration books of the Trustee. Each notice will (i) specify the 2006 Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which will be the corporate trust office of the Trustee) and, if less than all of the 2006 Bonds are to be redeemed, the numbers and portions of the 2006 Bonds to be redeemed, and, while in the ARS Interest Rate Period, a securities depository publication date acceptable to the Auction Agent, (ii) state any condition to the redemption, and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the 2006 Bonds redeemed will cease to bear interest. CUSIP number identification will accompany all redemption notices. A failure to give such notice to any holder or any defect in such notice, however, shall not affect the validity of the proceedings for the redemption of any of the other 2006 Bonds.

If at the time of mailing of any notice of redemption with respect to any redemption other than a mandatory redemption, the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2006 Bonds called for redemption, such notice will state that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and will be of no effect unless such moneys are so deposited.

The Trustee will send a second notice of redemption by certified mail, return receipt requested, to any registered holder who has not submitted the 2006 Bonds called for redemption 30 days after the redemption date; provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of any 2006 Bonds. In addition, the Trustee will not be liable for any failure by the Trustee to send any second notice.

So long as DTC or its nominee is the sole Bondholder under the book-entry-only system, redemption notices shall be sent by the Trustee only to DTC or its nominee and any failure on the part of DTC or a DTC Participant (as defined below) to notify the Beneficial Owner (as defined below) of a 2006 Bond called for redemption shall not affect the validity of the redemption.

Transfers and Exchanges of 2006 Bonds

Upon presentation for transfer and exchange of any 2006 Bond entitled to registration of exchange or registration of transfer at the corporate trust office of Wachovia Bank, National Association, Philadelphia,

Pennsylvania (the "Registrar"), the Registrar will register the exchange or register the transfer of such 2006 Bond in the bond registration books, under such reasonable regulations as the Registrar may prescribe. The Registrar will make all necessary provisions to permit the exchange or registration of transfer of the 2006 Bonds at its corporate trust office in Philadelphia, Pennsylvania. Until the discontinuance of the book-entry-only system, as described above, one fully registered 2006 Bond in the aggregate principal amount of the 2006 Bonds will be registered in the name of Cede & Co., as nominee for DTC.

The transfer of any 2006 Bond shall be registered in the registration books of the Registrar at the written request of the Bondholder thereof or his attorney duly authorized in writing, upon surrender and cancellation thereof at the corporate trust office of the Registrar in Philadelphia, Pennsylvania, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Bondholder or his duly authorized attorney. Upon the registration of transfer of any such 2006 Bond or Bonds, the Authority shall issue in the name of the transferee, in authorized denominations permitted by the Indenture, a new fully registered 2006 Bond or new fully registered 2006 Bonds in the same aggregate principal amount and of like tenor as the surrendered 2006 Bond or Bonds.

The Authority, the Trustee and the Registrar may deem and treat the registered owner of any 2006 Bond as the absolute owner of such 2006 Bond, whether such 2006 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on 2006 Bonds and for all other purposes, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All such payments so made to any such holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such 2006 Bond to the extent of the sum or sums so paid.

Any 2006 Bond, upon surrender thereof at the corporate trust office of the Registrar in Philadelphia, Pennsylvania, may, at the option of the Bondholder thereof, be exchanged for an equal aggregate principal amount of any authorized denominations of the 2006 Bonds of the same maturity, and having the same interest rate and other provisions, as the surrendered 2006 Bond.

In all cases in which the privilege of exchanging 2006 Bonds or registering the transfer of 2006 Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver 2006 Bonds in accordance with the provisions of the Indenture.

For every such exchange or registration of transfer of the 2006 Bonds, whether temporary or definitive, the Authority, the Registrar or the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, which sum or sums shall be paid by the person requesting such exchange or registration of transfer as a condition precedent to the exercise of the privilege of making such exchange or registration of transfer.

The Registrar shall not be required to transfer or exchange any 2006 Bond during the period from a Record Date through the next Interest Payment Date, inclusive, nor to transfer or exchange any 2006 Bond selected for redemption in whole or in part.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry only system have been obtained from DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriter believe to be reliable; however, the Authority and

the Underwriter take no responsibility for the accuracy thereof and make no representation as to the accuracy of such information.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2006 Bonds. The 2006 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2006 Bonds, in the aggregate principal amount of such maturity, and will be deposited with 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 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2006 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2006 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2006 Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2006 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2006 Bonds, except in the event that use of the book-entry system for the 2006 Bonds is discontinued.

To facilitate subsequent transfers, all 2006 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 2006 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no

knowledge of the actual Beneficial Owners of the 2006 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2006 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 2006 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2006 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of 2006 Bonds may wish to ascertain that the nominee holding the 2006 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the 2006 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2006 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2006 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal or redemption price of and interest on the 2006 Bonds will be paid to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, as applicable, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price, interest and purchase price upon tender to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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. There will be no Auctions if ownership of the ARS is not maintained in book-entry form by DTC or another Securities Depository. See APPENDIX F – "Payments with Respect to ARS".

So long as Cede & Co. is the registered owner of the 2006 Bonds, as nominee of DTC, references herein to the bondholders or registered owners of the 2006 Bonds means Cede & Co., not the Beneficial Owners of the 2006 Bonds.

THE AUTHORITY,-TRUSTEE AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE 2006 BONDS (i) PAYMENTS OF THE PRINCIPAL OR REDEMPTION PRICE OF, INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2006 BONDS, OR (ii) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2006 BONDS, OR (iii) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OF THE 2006 BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (ii) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OF, OR INTEREST ON, ANY 2006 BONDS, (iii) THE DELIVERY OF ANY NOTICE BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2006 BONDS, OR (v) ANY OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT.

Discontinuation of Book-Entry Only System

DTC may determine to discontinue providing its service with respect to the 2006 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. There will be no Auctions if ownership of the ARS is not maintained in book-entry form by DTC or another Securities Depository. See APPENDIX F – "Payments with Respect to ARS".

SOURCES OF PAYMENT AND SECURITY FOR THE 2006 BONDS

General

The 2006 Bonds are limited obligations of the Authority payable solely from certain pledged revenues of the Authority and certain other funds held by the Trustee for such purpose. The 2006 Bonds are payable from and are equally and ratably secured under the Indenture, together with the 1999 Bonds, the 2003 Bonds and with certain Additional Bonds that may be issued thereunder, by an assignment, pledge and grant to the Trustee of all of the Authority's right, title and interest in and to (i) the Authority Tax, and (ii) moneys and securities held by the Trustee under the Indenture (including proceeds of the Authority Tax) and any interest or income earned thereon, including amounts deposited into the Deficit Fund, Capital Projects Fund, Revenue Fund, Debt Service Fund, Debt Service Reserve Fund and the Bond Redemption Fund, but excluding moneys held in trust for the United States in the Rebate Fund (collectively, the "Pledged Revenues"), subject to the terms and conditions of the Indenture. The Indenture provides that moneys in accounts established by the Trustee in

respect of a particular Series of Bonds shall only be available to pay debt service or the redemption price of Bonds of such Series, except as may otherwise be provided in the Indenture or in a Supplemental Indenture adopted at or prior to the time of issuance of such Series. The Debt Service Reserve Fund will secure, equally and ratably, all Bonds outstanding under the Indenture, including the 1999 Bonds, the 2003 Bonds and the 2006 Bonds.

Authority Tax

As permitted by the Act, and pursuant to the Authority Tax Ordinance, the City has imposed, exclusively for the purposes of the Authority, a one and one-half percent (1.5%) tax on the salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City. As described above, the Authority Tax has been pledged by the Authority to the Trustee, as permitted by the Act and pursuant to the Indenture, as security for the payment of principal of, redemption premium, if any, and interest on, the Bonds, including the 1999 Bonds, the 2003 Bonds and the 2006 Bonds.

The Act requires that the Authority Tax be collected by the Pennsylvania Revenue Department for deposit in the PICA Tax Fund held by the State Treasurer, as custodian. The Act authorizes the Pennsylvania Revenue Department to appoint agents for the collection and enforcement of the Authority Tax and, pursuant to such authority, a letter dated June 28, 1991 from the Pennsylvania Revenue Department and the Tax Collection Agreement, the City Revenue Department and the Law Department of the City have been appointed agents for the collection and enforcement of the Authority Tax.

In accordance with the applicable provisions of the Act and the Tax Collection Agreement, all receipts from the Authority Tax are deposited into a special account separate and apart from all City accounts. Based on historical trends in revenues collected by the City from taxes imposed for City purposes by the City on salaries, wages, commissions and other compensation earned by, and net profits earned in business, professions and other activities conducted by, City residents (see APPENDIX B attached hereto), the City and the Pennsylvania Revenue Department currently attribute 63.0% of wage tax remittances, 77.1% of earnings tax remittances, and 44.0% of net profit tax remittances to City residents. Pursuant to the Tax Collection Agreement, the Pennsylvania Revenue Department shall determine the timing and the method of recalculation of the foregoing percentages. Moneys in an amount equal to each daily amount of the Authority Tax collected (calculated as set forth above) are deposited on the day of receipt in immediately available funds in a segregated account (the "Custodial Account") established by the City, as agent for the Pennsylvania Revenue Department, for remittance on the following day to a general Commonwealth demand deposit account established by the State Treasurer. Upon the transfer of Authority Tax collections to the custody of the State Treasurer, such moneys are held with other Commonwealth funds. Pursuant to the Tax Collection Agreement, the City is required to reconcile the daily deposits to the Custodial Account with actual Authority Tax collections on a monthly basis. Pursuant to the Act, the Authority Tax paid to the State Treasurer shall be transferred by the State Treasurer not less frequently than every two weeks to the PICA Tax Fund, a special fund established by the Act and held in the custody of the State Treasurer. Pursuant to the Act, proceeds of the Authority Tax and amounts on deposit in the PICA Tax Fund are at all times the sole property and revenues of the Authority, and are not subject to appropriation by either the City or the Commonwealth.

The Act requires that the State Treasurer make at least weekly payments of all amounts in the PICA Tax Fund to or upon the order of the Authority. Concurrently with the issuance of the 1992 Bonds, the Authority

directed the State Treasurer to transfer all such amounts to the Trustee for deposit in the Revenue Fund established under the Indenture in accordance with the requirements of the Act and for so long as any 1992 Bonds were Outstanding under the Indenture. Similar instructions were given in connection with the issuance of the 1993 Bonds, the 1994 Bonds, the 1996 Bonds, the 1999 Bonds and the 2003 Bonds. In connection with the issuance of the 2006 Bonds, similar instructions will be given relating to the 1999 Bonds, the 2003 Bonds and the 2006 Bonds so long as any of such Bonds are Outstanding under the Indenture. Promptly after deposit of moneys in the Revenue Fund, the Trustee shall transfer any money in the Revenue Fund to the following funds in the following order and priority:

- (a) to the Debt Service Fund, the amount necessary to cause the aggregate amount therein in each month to equal the sum of (i) the aggregate for all Series of Bonds Outstanding paying interest semiannually of 1/6 (such fraction to be increased or decreased, as appropriate, for a Series of Bonds to account for any initial or final interest period longer or shorter than six months) of the amount of interest that will be due and payable on each Series of Bonds Outstanding on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds paying interest at an interval other than semiannually of an amount equal to the interest that will be due and payable on each such Series of Bonds during such month (assuming that interest due on such Bonds will be payable at the maximum interest rate applicable to such Bonds, and taking into account (A) any amounts received from the counterparty to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the 1996 Bonds Swaption, deposited directly into the Debt Service Fund, and (B) any amounts remaining in the Debt Service Fund from prior months' transfers from the Revenue Fund), (iii) the aggregate for all Series of Bonds Outstanding of 1/12 (such fraction to be increased for a Series to account for any initial or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds Outstanding, including the 2006 Bonds (whether upon maturity or mandatory redemption), on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iv) any deficiency in deposits required to be made in prior months under the preceding clauses (i), (ii) and (iii) which has not been eliminated, and (v) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds;
- (b) to the Debt Service Reserve Fund, the amount necessary to eliminate any deficiency therein (a deficiency being the amount by which the Debt Service Reserve Requirement exceeds the amount in such Fund);
- (c) to any Person entitled to payment pursuant to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the Swap Counterparty, an amount equal to the net amount then required to be paid to such person by the Authority pursuant to such an agreement; provided, however, with respect to certain interest rate swap agreements or similar hedge agreements, the Authority may elect to establish a separate account in the Revenue Fund and cause the Trustee to deposit on a monthly basis such amount as is necessary to cause the aggregate amount deposited

therein in each month to equal a monthly portion of the amount that will be due to the relevant counterparty on the next payment date;

- (d) as directed in a certificate of the Authority delivered to the Trustee, to the trustees or other depositories in respect of subordinated debt, if any, payable from Pledged Revenues, the amount necessary to cause the aggregate amount paid in respect of such subordinated debt from all sources to equal the amount then required to be paid in respect of each issue of subordinated debt;
- (e) to the Authority, the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made to equal the operating expenses of the Authority for such fiscal year as set forth in a certificate of the Authority delivered to the Trustee with respect to such fiscal year, to the extent that the amounts transferred from the Debt Service Reserve Fund pursuant to the applicable provisions of the Indenture are not sufficient for such purpose; and
- (f) to the Rebate Fund, the amounts required to be deposited therein pursuant to the applicable provisions of the Indenture, to the extent that the transfers from the earnings in the Debt Service Reserve Fund pursuant to the applicable provisions of the Indenture are insufficient for such purpose.

Notwithstanding the foregoing order of priority, the Indenture requires that to the extent the Trustee is required to make payment of the Rebate Amount or Yield Reduction Amount to the United States of America pursuant to the Indenture and there are insufficient amounts in the Rebate Fund on the date which is thirty (30) days prior to the due date of such payment, the Trustee shall thereafter transfer moneys from the Revenue Fund to the Rebate Fund prior to making any other transfers of moneys to any other funds until the amount in the Rebate Fund equals the required Rebate Amount and Yield Reduction Amount. Any moneys remaining in the Revenue Fund after all transfers required by paragraphs (a), (b), (c), (d), (e) and (f) have been made shall be transferred by the Trustee to Wachovia Bank, National Association, for deposit to a special account (the "City Account"), in trust for the exclusive benefit of the City, established and created under the Act and the City Account Deposit and Disbursement Agreement, dated as of December 6, 1991, as amended, between the Authority and First Union National Bank (now Wachovia Bank, National Association), Philadelphia, Pennsylvania, as depository. The City Account Deposit and Disbursement Agreement has been acknowledged and agreed to by the City.

The Bonds, including the 2006 Bonds, are not secured by, and the owners of the Bonds, including the 2006 Bonds, are not and shall not be entitled to, any moneys transferred by the Trustee, as required by the Act and the Indenture, to the City Account.

The Act provides that, for so long as any of the Authority's bonds, including the 2006 Bonds, remain Outstanding, the Commonwealth (i) will not limit or alter the rights vested in the Authority by the Act in any manner inconsistent with the obligations of the Authority to its obligees, and (ii) will not reduce, nor will it authorize any government agency (which term includes, without limitation, the City) levying such tax to reduce, the rate of any tax, including the Authority Tax, imposed exclusively for the purposes of the Authority and pledged by the Authority to secure its bonds, including the 2006 Bonds. Pursuant to the requirements of the Act, the City has included a pledge to the effect set forth in clause (ii) above in the Authority Tax Ordinance.

In the Authority Tax Ordinance and the Cooperation Agreement, the City has pledged and agreed, for so long as any of the Authority's bonds remain outstanding, with the Authority and each and every obligee of the Authority secured by an Authority pledge of the Authority Tax, that the City will not reduce the rate of, or repeal in whole or in part, the Authority Tax until the principal amount of all bonds of the Authority, including the 2006 Bonds, secured by a pledge of the Authority Tax, together with interest thereon, is fully paid or provision for such payment is made in accordance with the terms of the Indenture or other agreement pursuant to which such bonds were issued. The City further has acknowledged and agreed in the Authority Tax Ordinance and the Cooperation Agreement that, as provided in the Act, (i) all revenues from the Authority Tax are revenues and property of the Authority and not revenues or property of the City, (ii) such revenues may be freely pledged by the Authority to secure payment of bonds of the Authority, and (iii) such revenues are not subject to appropriation by City Council.

Debt Service Reserve Fund

The Debt Service Reserve Fund will, upon issuance of the 2006 Bonds, be maintained in an amount not less than the Debt Service Reserve Requirement, and will secure, equally and ratably, all Bonds Outstanding under the Indenture, including the 1999 Bonds, the 2003 Bonds and the 2006 Bonds.

Under the Indenture the term "Debt Service Reserve Requirement" means, with respect to all Bonds, an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds Outstanding under the Indenture, and (ii) the maximum amount permitted by the Code. The amount to be deposited into the Debt Service Reserve Fund as a result of each additional Series of Bonds will be specified in the Supplemental Indenture executed in connection with the issuance of each additional Series of Bonds, and will be that amount sufficient to satisfy the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture. The Indenture provides that in lieu of a deposit at the time of issuance of a series of Bonds, the Authority may cause a Credit Facility to be provided to the Trustee. See APPENDIX C – "Debt Service Reserve Fund." Upon the issuance of the 2006 Bonds, amounts on deposit in the Debt Service Reserve Fund will satisfy the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture. The Debt Service Reserve Requirement will be satisfied in part by the Debt Service Reserve Fund Policy in the maximum amount of \$30,458,126.54 (the "Reserve Fund Policy") issued by Financial Guaranty Insurance Company ("Financial Guaranty") and delivered to the Trustee in connection with the issuance of the 1999 Bonds.

The Reserve Fund Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Authority, provided that the aggregate amount paid under the Reserve Fund Policy may not exceed the maximum amount set forth in the Reserve Fund Policy. Financial Guaranty will make such payments to the Trustee on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Trustee of the nonpayment of such amount by the Authority. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction.

If there are insufficient moneys to pay the debt service requirements on any Series of Bonds on any Interest Payment Date, mandatory sinking fund redemption date or maturity date of such Series of Bonds, the Trustee shall transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund. All cash and investments in the Debt Service Reserve Fund shall be utilized for making required transfers to the Debt Service Fund for payment of principal of, or interest on, the Bonds before making any draws on the Reserve Fund Policy. Repayment of any draws, expenses and interest thereon with respect to the Reserve Fund Policy shall be made prior to replenishment of the Debt Service Reserve Fund. Draws on the Reserve Fund Policy and any other similar policies on which there is available coverage shall be made on a pro rata basis (calculated by reference to coverage then available under each such policy) after applying available cash and investments in the Debt Service Reserve Fund. Holders of Bonds will have equal and ratable rights or claims to all funds, including the Reserve Fund Policy, held by the Trustee in the Debt Service Reserve Fund.

The Reserve Fund Policy is non-cancelable and the premium has been fully paid. The Reserve Fund Policy covers failure to pay principal of the Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Fund Policy terminates on the scheduled final maturity date of the 1999 Bonds.

Generally, in connection with its issuance of a Reserve Fund Policy, Financial Guaranty requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Fund Policy, it be granted the power to exercise any remedies available at law or under the authorizing document other than (A) acceleration of the Bonds or (B) remedies which would adversely affect holders, in the event that the Authority fails to reimburse Financial Guaranty for any draws on the Reserve Fund Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Fund Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Authority is required to provide additional or substitute credit enhancement, and related matters.

The Reserve Fund Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a direct, wholly owned subsidiary of FGIC Corporation, a Delaware corporation. At March 31, 2006, the principal owners of FGIC Corporation and the approximate percentage of its outstanding common stock owned by each were as follows: The PMI Group, Inc. – 42%; affiliates of the Blackstone Group L.P. – 23%; and affiliates of the Cypress Group L.L.C. – 23%. Neither FGIC Corporation nor any of its stockholders or affiliates is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Reserve Fund Policy, issued by Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. At March 31, 2006, Financial Guaranty had net admitted assets of approximately \$3.603 billion, total liabilities of approximately \$2.454 billion, and total capital and policyholders' surplus of approximately \$1.149 billion, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles.

Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

Additional Bonds

Pursuant to the Indenture and the Act, the Authority is authorized to issue Additional Bonds under the Indenture, so long as no Event of Default has occurred and is continuing under the Indenture. The Additional Bonds may be equally and ratably secured with the 1999 Bonds, the 2003 Bonds and the 2006 Bonds, except for moneys otherwise specifically pledged under the Indenture. Pursuant to the Act, additional bonds, including Additional Bonds issued under the Indenture, may be issued only for the purpose of refunding any outstanding bonds issued by the Authority under the Act.

In connection with the issuance of Additional Bonds under the Indenture, the Indenture provides that the Authority must execute a certificate, the calculations of which shall be "verified" by a certified public accountant, showing that (1) the PICA Taxes (as defined in the Indenture), including the Authority Tax, collected with respect to any twelve (12) consecutive months during the fifteen (15) month period immediately preceding the date of issuance of such Additional Bonds equaled at least one hundred seventy-five percent (175%) of the Maximum Annual Debt Service Requirement on Bonds to be Outstanding after the issuance of the Additional Bonds and (2) the PICA Taxes projected to be collected during the twelve (12) months following issuance of the Additional Bonds, which projection may be based on the PICA Taxes projected in the City's most recent Financial Plan approved by the Authority, equal at least one hundred seventy-five (175%) of the Debt Service Requirement during such twelve (12) month period on Bonds to be Outstanding after the issuance of the Additional Bonds. In connection with the issuance of the 2006 Bonds, the Authority has selected the twelve (12) consecutive month period commencing April, 2005, and ending March, 2006, for the purpose of satisfying the test set forth in clause (1) of the preceding sentence. In determining the amount of PICA Taxes, retroactive effect shall be given to any PICA Tax which was not in effect (including for this purpose any increase in the rate of an existing tax) during the relevant period, but which has been imposed prior to the issuance of the Additional Bonds, provided that new PICA Taxes shall not be included in the calculation unless Financial Guaranty Insurance Company, as the issuer of municipal bond new issue insurance policy for the 1999 Bonds (so long as any of the 1999 Bonds are Outstanding), Ambac Assurance Corporation, as the issuer of the financial guaranty insurance policy for the 2003 Bonds (so long as any of the 2003 Bonds are Outstanding), and the Insurer, as the issuer of the Insurance Policy (so long as any of the 2006 Bonds are Outstanding), consent to the inclusion. The certificate referenced in this paragraph shall not be required, in the case of Additional Bonds issued to refund Outstanding Bonds where the Maximum Annual Debt Service Requirement for such Additional Bonds and the total principal and interest payable on such Additional Bonds for the term thereof do not exceed the comparable amounts for the Bonds being refunded.

The Authority may at any time, without the request or approval of the City, issue bonds to refund its outstanding bonds, including the 2006 Bonds, so long as the maturity date of such refunding bonds will not extend to a maturity date which could not have been included in the original issue of the bonds being refunded. The 2006 Bonds satisfy this requirement.

Certain Remedies of Bondholders

Upon the occurrence of any Event of Default (as defined in the Indenture) and subject to certain rights of the Insurer (see "BOND INSURANCE" herein), the Indenture provides that the Trustee, if requested to do so by the holders of twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding and upon being indemnified as provided in the Indenture, shall pursue any available remedy at law or in equity, including, without limitation, the right to enforce the pledge of, security interest in and lien and charge on all revenues pledged by the Authority as security under the Indenture against all Commonwealth and local public officials in possession of any such taxes and revenues at any time and the performance by the Authority of its obligations under the Indenture; provided, however, that there is no right to accelerate the payment of the principal of the Bonds. See APPENDIX C attached hereto.

Limitation of Remedies

THE 2006 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE PLEDGED REVENUES. THE 2006 BONDS DO NOT OTHERWISE CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OF THE AUTHORITY. FURTHER, THE 2006 BONDS DO NOT CONSTITUTE A PLEDGE OF THE CREDIT OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE CITY), NOR DO THE 2006 BONDS CONSTITUTE A PLEDGE OF THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE CITY). THE AUTHORITY HAS NO TAXING POWER. NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE CITY) IS LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2006 BONDS.

THE 2006 BONDS SHALL NOT BE SECURED BY, AND ARE NOT PAYABLE FROM, AND THE OWNERS OF THE 2006 BONDS SHALL NOT BE ENTITLED TO, ANY MONEYS TRANSFERRED BY THE TRUSTEE, AS REQUIRED BY THE ACT AND THE INDENTURE, TO THE CITY ACCOUNT OR TO THE ENCUMBERED FUNDS ACCOUNT.

THE 2006 BONDS ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF AN EVENT OF DEFAULT.

The rights and remedies of Bondholders could be limited by the provisions of the Federal Bankruptcy Code, as now or hereafter enacted (the "Bankruptcy Code"), or by other laws or legal or equitable principles which may affect the enforcement of creditors' rights. Chapter 9 of the Bankruptcy Code permits, under prescribed circumstances, a political subdivision of a state to commence a voluntary bankruptcy proceeding and to file a plan of adjustment in the repayment of its debts, if such political subdivision is generally not paying its debts as they became due (unless such debts are the subject of a bona fide dispute), or is unable to pay its debts as they become due. Under the Bankruptcy Code, an involuntary petition cannot be filed against a political subdivision.

In order to proceed under Chapter 9 of the Bankruptcy Code, state law must authorize the political subdivision to file a petition under the Bankruptcy Code. THE ACT PROHIBITS BOTH THE AUTHORITY AND THE CITY FROM FILING A PETITION UNDER THE BANKRUPTCY CODE WHILE ANY BONDS OF THE AUTHORITY ARE OUTSTANDING.

CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY

The Authority and the Swap Counterparty have entered into interest rate "swaption" transactions with respect to each of the 1993A Bonds, the 1996 Bonds and the 1999 Bonds. These swaption transactions are documented under standard ISDA documents including a Master Agreement, dated as of December 6, 2001 (the "Master Agreement"); a U.S. Municipal Counterparty Schedule to said Master Agreement, dated as of December 6, 2001; a Credit Support Annex to said Schedule, dated as of December 6, 2001 (the "Credit Support Annex"); a transaction confirmation, dated December 6, 2001, with respect to the swaption relating to the 1993A Bonds (the "1993A Bonds Swaption"); a transaction confirmation, dated December 6, 2001, with respect to the swaption relating to the 1996 Bonds (the "1996 Bonds Swaption"); and a transaction confirmation, dated May 1, 2002, with respect to the swaption relating to the 1999 Bonds (the "1999 Bonds Swaption").

The 1993A Bonds Swaption involved the purchase by the Swap Counterparty of an option, exercisable by the Swap Counterparty at any time after June 15, 2003 upon at least 90 days notice, to cause an interest rate swap to become effective. Under this interest rate swap, the Authority will pay to the Swap Counterparty a fixed rate (as specified in the related confirmation, but essentially equal to the fixed rates payable on the 1993A Bonds from time to time, ranging from 5.01077% to 5.00%), and the Swap Counterparty will pay to the Authority a floating rate (equal to 67% of one month LIBOR), on an amortizing notional amount equal to the principal amount of the 1993A Bonds as originally scheduled to be outstanding each year from June 15, 2003 to maturity. The termination date of this interest rate swap is June 15, 2022. The Swap Counterparty gave proper notice of the exercise of its option, and, as a result, the 1993A Bonds Swaption became effective on June 16, 2003, and the Authority issued the 2003 Bonds and redeemed the 1993A Bonds.

The 1996 Bonds Swaption involved the purchase by the Swap Counterparty of an option, exercisable by the Swap Counterparty at any time after June 15, 2006 upon at least 90 days notice, to cause an interest rate swap to become effective. Under this interest rate swap, the Authority will pay to the Swap Counterparty a fixed rate (as specified in the related confirmation, but essentially equal to the fixed rates payable on the 1996 Bonds from time to time, ranging from 5.48419% to 5.50%), and the Swap Counterparty will pay to the Authority a floating rate (equal to 67% of one month LIBOR), on an amortizing notional amount equal to the principal amount of the 1996 Bonds as originally scheduled to be outstanding each year from June 15, 2006 to maturity. The termination date of this interest rate swap is June 15, 2020. The Swap Counterparty has given proper notice of the exercise of its option, and, as a result, the 1996 Bonds Swaption will become effective on June 15, 2006, and the Authority intends to issue the 2006 Bonds and redeem the 1996 Bonds.

The 1999 Bonds Swaption involved the purchase by the Swap Counterparty of an option, exercisable by the Swap Counterparty at any time after June 15, 2009 upon at least 90 days notice, to cause an interest rate swap to become effective. Under this interest rate swap, the Authority will pay to the Swap Counterparty a fixed rate (as specified in the related confirmation, but essentially equal to the fixed rates payable on the 1999 Bonds from time to time, ranging from 5.1221% to 4.75%), and the Swap Counterparty will pay to the Authority a floating rate (equal to 62% of one month LIBOR), on an amortizing notional amount equal to the principal amount of the 1999 Bonds as originally scheduled to be outstanding each year from June 15, 2009 to maturity. The termination date of this interest rate swap is June 15, 2023.

The Authority and the Swap Counterparty have entered into a "basis cap" transaction (the "1993A Bonds Basis Cap") relating to the 1993A Bonds and the 1993A Bonds Swaption. The 1993A Bonds Basis Cap

is an additional "Transaction" under the Master Agreement, Schedule and Credit Support Annex described above. Under the 1993A Bonds Basis Cap, the Swap Counterparty pays to the Authority an amount each month equal to 0.40% per annum times the notional amount times the day count fraction, and the Authority pays to the Swap Counterparty each month an amount equal to the greater of (a) the average of the BMA Index for the monthly period divided by the one-month LIBOR rate less 70%, multiplied by the one-month LIBOR rate, times the notional amount times the day count fraction, and (b) zero. The notional amount and term of the 1993A Bonds Basis Cap mirror the notional amount and term of the interest rate swap that is the subject of the 1993A Bonds Swaption.

In addition, the Authority and the Swap Counterparty have entered into a "basis cap" transaction (the "1999 Bonds Basis Cap") relating to the 1999 Bonds and the 1999 Bonds Swaption. The 1999 Bonds Basis Cap is an additional "Transaction" under the Master Agreement, Schedule and Credit Support Annex described above. Under the 1999 Bonds Basis Cap, the Swap Counterparty pays to the Authority an amount each month, starting July 15, 2009, equal to 0.46% per annum times the notional amount times the day count fraction, and the Authority pays to the Swap Counterparty each month, starting July 15, 2009, an amount equal to the greater of (a) the average of the BMA Index for the monthly period divided by the one-month LIBOR rate less 70%, multiplied by the one-month LIBOR rate, times the notional amount times the day count fraction, and (b) zero. The notional amount and term of the 1999 Bonds Basis Cap mirror the notional amount and term of the interest rate swap that is the subject of the 1999 Bonds Swaption.

Under each of these transactions, the Authority has the right at its option to terminate the related interest rate swap or basis cap, either before or after the related option has been exercised by the Swap Counterparty, and any such termination will be treated as an "Additional Termination Event" under the Master Agreement that will result in a termination payment, calculated under the "Market Quotation, Second Method" basis, either owing by the Authority to the Swap Counterparty or owing by the Swap Counterparty to the Authority. Other "Additional Termination Events" under the Master Agreement that may entitle the Authority to terminate the related interest rate swap transactions include (i) if the Swap Counterparty ceases to have an unsecured and unenhanced senior long-term debt rating of at least "A3" by Moody's Investors Service, Inc. ("Moody's") and "A-" by Standard & Poor's Ratings Services ("S&P") and the Swap Counterparty fails to post collateral as required by the Credit Support Annex within 15 days, and (ii) if the unsecured and unenhanced senior long-term debt rating of the Swap Counterparty by Moody's or S&P is suspended or withdrawn or if the Swap Counterparty ceases to have an unsecured and unenhanced senior long-term debt rating of at least "Baa2" by Moody's and "BBB" from S&P.

Under the documentation for these interest rate swaptions and basis caps, the liability of the Authority to make any payment is limited to the amounts available for such payment in the Revenue Fund after all required transfers have been made to the Debt Service Fund and the Debt Service Reserve Fund pursuant to the Indenture (and also after payment of any amounts owing to the issuer of any municipal bond debt service reserve fund policy on deposit in the Debt Service Reserve Fund). The Swap Counterparty's rights are expressly subordinated to payment by the Authority on the Authority's bonds issued under the Indenture and amounts required to be deposited into the Debt Service Reserve Fund (including payments to the issuer of a reserve fund policy as aforesaid), and the Authority has not granted to the Swap Counterparty any lien, charge, security interest or other encumbrance in or on the Pledged Revenues or any of other revenues or assets to secure payment or performance of any of the Authority's obligations under the swaption transaction and basis cap.

BOND INSURANCE

Payment Pursuant to Insurance Policy

Ambac Assurance Corporation ("Ambac Assurance" or the "Insurer") has made a commitment to issue the Insurance Policy relating to the 2006 Bonds effective as of the date of issuance of the 2006 Bonds. Under the terms of the Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the 2006 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the 2006 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2006 Bonds become subject to mandatory redemption (other than a mandatory sinking fund redemption) and insufficient funds are available for redemption of all outstanding 2006 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding 2006 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 2006 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on an 2006 Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Insurance Policy. Specifically, the Insurance Policy does **not** cover:

- 1. Payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
- 2. Payment of any redemption, prepayment or acceleration premium.
- 3. Nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Insurance Policy, payment of principal requires surrender of 2006 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2006 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Insurance Policy. Payment of interest pursuant to the Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 2006 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such 2006 Bond and will be fully subrogated to the surrendering Holder's rights to payment.

The Insurance Policy does not insure against loss relating to payments made in connection with the sale of a 2006 Bond at an Auction or losses suffered as a result of a Holder's inability to sell a 2006 Bond.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$9,417,000,000 (unaudited) and statutory capital of approximately \$5,879,000,000 (unaudited) as of March 31, 2006. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of a 2006 Bond by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such 2006 Bond and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the obligor of the 2006 Bonds.

Ambac Assurance makes no representation regarding the 2006 Bonds or the advisability of investing in the 2006 Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

- 1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;
- 2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006; and
- 3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

DEBT SERVICE REQUIREMENTS

The following table shows the annual total estimated debt service requirements on the 1999 Bonds and the 2003 Bonds⁽¹⁾ as of the date of this Official Statement, the annual principal or sinking fund requirements on the 2006 Bonds, estimated interest payments on the 2006 Bonds⁽²⁾ and the total estimated debt service requirements on the 1999 Bonds, the 2003 Bonds⁽¹⁾ and the 2006 Bonds⁽²⁾. The following table does not reflect the debt service requirements on the Refunded 1996 Bonds which will no longer be outstanding following redemption by the Authority as described in "Plan of Finance" herein.

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Year	Total Estimated Debt Service Requirements on	2006 Bonds Sinking	Interest	Total Estimated Debt Service	Total Estimated
Ending	1999 Bonds and	Fund	Relating to	Relating to	Debt Service
(June 15)	2003 Bonds ¹	<u>Requirements</u>	2006 Bonds ²	2006 Bonds ²	Requirements 1,2
2007	\$ 76,862,742	\$ 4,450,000	\$ 4,933,029	\$ 9,383,029	\$ 86,245,771
2008	71,198,745	4,675,000	4,701,628	9,376,628	80,575,373
2009	62,577,550	4,925,000	4,453,862	9,378,862	71,956,412
2010	55,748,050	5,200,000	4,187,919	9,387,919	65,135,969
2011	52,092,875	5,475,000	3,901,919	9,376,919	61,469,794
2012	52,071,763	5,800,000	3,600,792	9,400,792	61,472,554
2013	52,064,425	6,100,000	3,276,005	9,376,005	61,440,430
2014	52,040,925	6,450,000	2,932,875	9,382,875	61,423,800
2015	52,022,638	6,800,000	2,578,125	9,378,125	61,400,763
2016	51,994,625	7,175,000	2,204,125	9,379,125	61,373,750
2017	51,972,475	7,575,000	1,809,500	9,384,500	61,356,975
2018	42,850,738	8,000,000	1,392,875	9,392,875	52,243,613
2019	34,130,988	8,425,000	952,875	9,377,875	43,508,863
2020	34,126,913	<u>8,900,000</u>	<u>489,500</u>	9,389,500	43,516,413
2021	34,121,413				34,121,413
2022	34,119,413				34,119,413
2023	20,489,100				20,489,100
TOTAL	\$ 830,485,375	\$ 89,950,000	\$ 41,415,028	\$ 131,365,028	\$ 961,850,403

⁽¹⁾ The interest payments relating to the 2003 Bonds are based on the payments due by the Authority under the Swap, not the floating rate of interest on the 2003 Bonds and, as such, are based on the principal amortization of the 1993A Bonds, not the principal amortization of the 2003 Bonds, and interest rates ranging from 5.01077% to 5.00%. See "CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY." The Authority will have an additional interest obligation relating to the 2003 Bonds if the floating rate of interest payable by the Swap Counterparty pursuant to the Swap is less than the interest rate on the 2003 Bonds.

Annual Collection of the City Tax and the Authority Tax

In connection with the enactment of the ordinance levying the Authority Tax of 1.5% and the adoption of the Fiscal Year 1992 operating budget of the City, the City enacted an ordinance approved on June 12, 1991 (effective July 1, 1991) reducing the rate of the City's tax on the salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by City residents (the "City Tax") by 1.5%, from 4.96% to 3.46%. Further reductions in the rate of the City Tax were implemented in each of the City's fiscal years 1996 through 2005. The current rate is 2.801% which, when added to the Authority Tax, results in a tax rate of 4.301%.

Legislation passed by City Council will continue reductions in the rate of the City Tax through fiscal year 2011. Under such legislation, the rate of the City Tax would decrease to 2.3626% by fiscal year 2011.

⁽²⁾ The interest payments relating to the 2006 Bonds are based on the payments due by the Authority under the Swap, not the floating rate of interest on the 2006 Bonds and, as such, are based on the principal amortization of the 1996 Bonds, not the principal amortization of the 2006 Bonds, and interest rates ranging from 5.48419% to 5.50%. See "CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY." The Authority will have an additional interest obligation relating to the 2006 Bonds if the floating rate of interest payable by the Swap Counterparty pursuant to the Swap is less than the interest rate on the 2006 Bonds.

⁽³⁾ Numbers may not add due to rounding.

The City Tax is imposed pursuant to authority granted to the City by the Sterling Act (Act of August 5, 1932, Sp. Sess., P.L. 45, No. 45), which was enacted by the Pennsylvania General Assembly in 1932 and permits the City to levy any tax not specifically preempted by the Commonwealth. The City has imposed a wage, earnings and net profits tax since 1939. For a discussion of historical data with respect to collection of the City Tax, see APPENDIX B herein.

Under state law at least sixty percent (60%) of a taxpayer's tax liability based upon net income under the Business Privilege Tax levied by the City under the First Class City Business Tax Reform Act must be allowed as a credit against such taxpayer's liability under any tax based upon net profits or gain levied by the City pursuant to the Sterling Act (such as the City Tax and the Authority Tax). The Act requires that such credit be applied and exhausted against the City Tax before such credit can be applied and charged against similar liability of a taxpayer under the Authority Tax. The City currently allows the minimum sixty percent (60%) credit required by law, but is permitted to increase that credit above sixty percent (60%).

The City also levies a tax on the salaries, wages, commissions and other compensation and on net profits earned in business, professions and other activities of non-residents employed in the City ("Non-resident Tax"). The Non-resident Tax rate is different from the City Tax rate.

The amount of the Authority Tax collected by the Commonwealth (which is net of the costs of the Pennsylvania Revenue Department in collecting the Authority Tax) in Fiscal Years 2002, 2003, 2004 and 2005 totaled \$278.0 million, \$281.5 million, \$285.0 million and \$300.2 million, respectively. The following table sets forth Authority Tax receipts from the Commonwealth for the periods indicated below.

Authority Tax Receipts April, 2005 to March, 2006

<u>MONTH</u>	AMOUNT	<u>MONTH</u>		<u>AMOUNT</u>
April 2005	\$ 32,842,344.84	October	\$	23,315,051.77
May	30,154,576.72	November		25,010,702.82
June	22,137,234.01	December		24,281,783.25
July	28,781,108.38	January 2006		26,100,212.76
August	24,439,073.82	February		22,199,891.66
September	23,970,642.93	March	_	24,038,435.98
		Total	\$	307,271,058.94

Historical Revenues and Debt Service Coverage Ratios

The revenues of the Authority available for debt service from the Authority Tax for Fiscal Years 2002 through 2005 and the debt service coverage ratios for Fiscal Years 2002 through 2005 are shown in the following table:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues Available for Debt Service	\$276,834,389	\$284,361,234	\$291,897,450	\$298,323,462
Actual Debt Service	\$107,298,475	\$83,016,879	\$73,325,899	\$83,960,546
Debt Service Coverage Ratio*	2.58	3.43	3.98	3.55

^{*} Based on Maximum Annual Debt Service Requirement of the Bonds Outstanding as of June 30 of such Fiscal Years.

In its current proposed Financial Plan, the City estimates that the amount of the Authority Tax to be collected in Fiscal Years 2006 and 2007 will be approximately \$310.7 million and \$322.3 million respectively. There is no assurance that the City Revenue Department and the Law Department of the City, acting as agents for the Pennsylvania Revenue Department, will actually collect such estimated amount of Authority Tax or that the amount of the Authority Tax collected in future years will equal or exceed such estimated amount. Authority Tax receipts collected in the first nine (9) months of Fiscal Year 2006 totaled \$247.1 million. See APPENDIX B attached herein.

THE AUTHORITY

Organization and Purpose

The Authority is a body corporate and politic constituting a public authority and an instrumentality of the Commonwealth exercising public powers of the Commonwealth as an agency and instrumentality thereof which was created pursuant to the Act for the purpose of providing financial assistance to, and exercising certain powers of oversight over the budgetary practices and fiscal affairs of, cities of the first class in the Commonwealth. The City currently is the only city of the first class in the Commonwealth. The Act and the Cooperation Agreement provide that, upon the request by the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain powers. In its financial assistance capacity, the Authority had the power to issue its bonds to grant or lend the proceeds thereof to the City. Such power to issue debt for such purposes has expired; however, the Authority remains authorized under the Act to refund any of its Outstanding Bonds. The Authority also has an oversight role, and in this capacity it has the power to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve Financial Plans to be revised at least annually by the City and to certify any noncompliance by the City with its then-existing Financial Plan, which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth and disbursements to the City from the City Account to be suspended pending compliance with the Act and the then-existing Financial Plan. For a discussion of the operating history of the Authority, see "THE AUTHORITY - Operating History" herein.

Board of Authority

Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex officio non-voting members. The Governor, the President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives each appoints one voting member of the Board. Each Board member serves at the pleasure of his or her appointing authority for a term extending not more than sixty days beyond the current term of office of the appointing authorities from the House of Representatives or until a successor member is appointed, whichever occurs first. The maximum term of office of the appointing authorities from the House of

Representatives is two (2) years. The current term of office of the appointing authorities from the House of Representatives ends on November 30, 2006.

Members of the Board shall not be liable personally on the 2006 Bonds and shall not be subject to any personal liability or accountability by reason of the issuance thereof.

The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of the Board. The ex officio members have no voting rights, are not counted for purposes of establishing a quorum and may designate in writing a representative of their respective offices to attend Board meetings on their behalf.

The current members of the Board are as follows:

LAURI A. KAVULICH, Chair. Ms. Kavulich was originally appointed to serve as a member of the Board by the Minority Leader of the Senate of the Commonwealth in 1998 and has been reappointed to the Board upon expiration of each term of office since that time. Ms. Kavulich is a partner with the law firm of Reger Rizzo Kavulich & Darnall, LLP. She is a member of the Bar of the Supreme Courts of Pennsylvania and New Jersey. She is also a member of the Committee of Seventy. Ms. Kavulich holds a Bachelor of Science degree from the University of Scranton and a Juris Doctor from Villanova University School of Law.

WILLIAM J. LEONARD, Vice-Chair. Mr. Leonard was originally appointed to serve as a member of the Board by the Minority Leader of the House of Representatives of the Commonwealth in 1998 and has been reappointed to the Board upon expiration of each term of office since that time. Mr. Leonard is a partner with the Philadelphia-based law firm of Obermayer Rebmann Maxwell & Hippel LLP. He was previously associated with the law firm of Dilworth Paxson LLP. His areas of concentration include general complex commercial litigation with experience in antitrust, construction and intellectual property matters. He graduated from Drexel University in 1981 with a degree in Business Administration. In 1984 he graduated from the Dickinson School of Law where he was the winner of the Law Review Writing Competition for Outstanding Casenote.

GREGG R. MELINSON, Treasurer/Secretary. Mr. Melinson was originally appointed to serve as a member of the Board by the President Pro Tempore of the Senate of the Commonwealth of Pennsylvania in 1999 and has been reappointed to the Board upon expiration of each term of office since that time. Mr. Melinson is a partner with the Philadelphia-based law firm of Drinker Biddle & Reath LLP. He has previously served as Deputy General Counsel to Governor Tom Ridge of Pennsylvania. He is currently a member of his firm's litigation department and labor and employment group. Mr. Melinson initially joined his firm in 1990 after serving a one-year judicial clerkship with the Honorable Edward R. Becker of the United States Court of Appeals for the Third Circuit. Between 1990 and 1994, Mr. Melinson practiced in the Labor and Employment Group, where he represented the firm's clients in labor disputes, employment discrimination litigation, wrongful discharge lawsuits, and other employment-related matters. In early 1995, Governor Ridge appointed Mr. Melinson Deputy General Counsel. In that capacity, he represented the Governor of Pennsylvania and other administration officials in federal and state court litigation, provided legal counseling to several cabinet secretaries, and oversaw the legal work of attorneys in a variety of state agencies. He graduated maxima cum laude from LaSalle University in 1986 with a degree in English. In 1989, he graduated from the Duke University School of Law where he served as Senior Editor of the Alaska Law Review and was awarded the Bidlake Award for excellence in legal writing.

MICHAEL A. KARP. Mr. Karp was appointed to serve as a member of the Board by the Speaker of the House of Representatives in 2000 and has been reappointed to the Board upon expiration of each term of office since that time. His prior government service includes service as a member of the Board of Education of the School District of Philadelphia. He is the founder of University City Housing and is active in the civic affairs of the University City community in West Philadelphia.

JAMES EISENHOWER. Mr. Eisenhower was appointed to serve as a member of the Board by Pennsylvania Governor Edward G. Rendell in 2005. Mr. Eisenhower is an attorney with the firm of Schnader Harrison Segal & Lewis LLP and chair of the firm's Government and Regulatory Affairs Practice Group. His practice emphasis is on government relations, criminal law, investigative services, ethics and election law and complex civil litigation. Prior to entering private practice, Mr. Eisenhower served as an Assistant United States Attorney for the Eastern District of Pennsylvania and as trial attorney for the Civil Rights Division of the United States Department of Justice. His long, distinguished record of public service includes serving as the 2004 Democratic candidate for attorney general of Pennsylvania, serving as Governor Rendell's chief criminal justice advisor during the 2002 governor's race, and in a wide variety of roles – such as participating as a member on the Governor's Cabinet for Children and Families – at the request of Governor Rendell.

VINCENT J. JANNETTI, Ex Officio. Mr. Jannetti is the Director of Finance of the City.

MICHAEL J. MASCH, Ex Officio. Mr. Masch is the Secretary of the Budget of the Commonwealth.

Authority Staff

The Board appoints a staff to execute the functions of the Authority. Currently, the staff of the Authority is comprised of six (6) individuals, including the Executive Director, Deputy Executive Director, two (2) financial analysis specialists and two (2) clerical assistants. The Act provides that the Executive Director serves at the pleasure of the Board for a term ending sixty days beyond the current term of office of the appointing authorities from the House of Representatives or until his or her successor is retained, whichever occurs first.

The staff of the Authority is currently supervised by:

ROB DUBOW, Executive Director Mr. Dubow served as Chief Financial Officer of the Commonwealth of Pennsylvania from 2004 to 2005. From 2000 to 2004, he served as Budget Director for the City of Philadelphia, where he had also been a deputy budget director and an assistant budget director. Before working for the City, Mr. Dubow was a Senior Financial Analyst for PICA, a Research Associate at the Pennsylvania Economy League and a reporter for the Associated Press.

URI Z. MONSON, Deputy Executive Director. Mr. Monson served as Director of Budgetary Analysis for the Authority until October 16, 2001, when he became the Deputy Executive Director for the Authority. From 1998 to 2000, he served as an Assistant Budget Director for the City of Philadelphia. From 1995 to 1998, he worked for the U.S. Department of Education in Washington, D.C. as a congressional liaison, policy analyst, and as manager of the Javits Graduate Fellowship Program and co-manager of the National Resource Center program. Mr. Monson is a graduate of the Presidential Management Internship Program, served as a program analyst at the U.S. Department of Education, and worked in the Office of the Vice President of the United States and the New York City Office of the Superintendent for Alternative High School Programs. He has a Masters Degree in Public Policy, with a concentration in education policy, from the Columbia University School of International and Public Affairs. He also has a BA in Political Science from Columbia University, as well as a

BA in Midrash from the Jewish Theological Seminary of America. Mr. Monson serves on the Boards of Camp Ramah in the Poconos and the Philadelphia Academy for Law, Criminal Justice and Public Administration as well as President of the Philadelphia Committee on City Policy.

Financing Program

The Authority was established and organized by the Commonwealth in June 1991 pursuant to the Act. The Authority has not issued any debt obligations other than the 1992 Bonds, the 1993 Bonds, the 1994 Bonds, the 1996 Bonds, the 1999 Bonds and the 2003 Bonds. Only the 1996 Bonds, the 1999 Bonds and the 2003 Bonds are currently Outstanding. In addition to its currently outstanding obligations and the 2006 Bonds, the Authority may from time to time, subject to the limitations prescribed in the Act, enter into refinancing transactions for Authority obligations previously issued. Each additional refinancing transaction may be a separate obligation of the Authority issued under a trust indenture separate from the Indenture or may be an obligation of the Authority issued under an indenture supplemental to the Indenture and secured on an equal and ratable (except for moneys otherwise specifically pledged under the Indenture) or subordinate basis with the 1999 Bonds, the 2003 Bonds and the 2006 Bonds.

Under the Act, the City is required to fulfill and comply with certain requirements in order to receive financial assistance from the Authority. Such requirements include, but are not limited to, (i) adoption of an intergovernmental cooperation agreement between the City and the Authority, which must be approved by a Qualified Majority (as defined in the Act) of the Board, and (ii) the development and revision at least annually by the City, in consultation with the Authority, of, and compliance with, a Financial Plan. "Qualified Majority" is defined in the Act to mean a majority of the Board which includes any four voting members.

Oversight Functions of the Authority

The Act establishes a statutory framework for financial oversight of the City by the Authority. Generally, in order to receive financial assistance from the Authority, and for so long as any bonds of the Authority remain Outstanding, the City must comply with certain requirements set forth in the Act and in certain documents and agreements, such as the Cooperation Agreement, contemplated by the Act. In addition, the Act and certain documents and agreements contemplated by the Act, such as the Cooperation Agreement, grant to the Authority certain powers to review City financial information and to take certain actions to monitor and to promote the City's compliance with its obligations under the Act and under certain documents and agreements contemplated by the Act, such as the Cooperation Agreement. See "THE AUTHORITY - Powers of the Authority to Promote Compliance" herein.

Intergovernmental Cooperation Agreement

On January 8, 1992, the City and the Authority entered into the Cooperation Agreement. In addition to detailing the preparation, approval and effect of the City's Financial Plan as described below, the Cooperation Agreement provides, in general, for the initial issuance of bonds by the Authority to provide financial assistance to the City, and sets forth certain terms governing the City Account. The Cooperation Agreement also requires the City to provide to the Authority certain financial and other information and grants to the Authority certain inspection and audit rights.

Financial Plan

Upon the request by the City to the Authority for financial assistance, and for so long as any bonds of the Authority remain Outstanding, the Act requires that the City submit and the Authority approve at least annually a Financial Plan conforming to certain standards specified in the Act and in the Cooperation Agreement. The Act and the Cooperation Agreement require that each Financial Plan include financial information concerning projected revenues and expenditures of the principal operating fund or funds of the City specified in the Cooperation Agreement, including primarily the City's General Fund, General Capital Fund and Grants Revenue Fund, for the current fiscal year and the next four fiscal years. All projections of the revenues and expenditures in each Financial Plan must be based on assumptions and methods of estimation determined to be reasonable and appropriate by the Authority, such assumptions and methods to be consistently applied. All cash flow projections in each Financial Plan must be based upon assumptions as to sources and uses of cash determined to be reasonable and appropriate by the Authority. Revenue and appropriation estimates must be on a modified accrual basis; any deviation from the statutory standards for estimating revenues and expenditures must be approved by a Qualified Majority of the Board.

Each Financial Plan must specify practices by which the City shall (i) eliminate any projected deficit of the City for the then-current fiscal year and for the subsequent fiscal years covered by such Financial Plan; (ii) restore to special fund accounts of the City moneys from those accounts used for purposes other than those specifically authorized; (iii) balance the then-current fiscal year budget and subsequent budgets of the City covered by the Financial Plan through sound budgetary practices, including, but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of such steps; (iv) provide procedures to avoid a City fiscal emergency condition in the future; and (v) enhance the ability of the City to regain access to the short- and long-term credit markets.

Pursuant to the Act, the City was required to submit an initial Financial Plan to the Authority for its approval prior to the Authority rendering certain financial assistance to the City. The City submitted an initial Financial Plan to the Authority prior to the issuance of the 1992 Bonds. In addition, the Act and the Cooperation Agreement require the City to submit a revised Financial Plan at least one hundred (100) days prior to the beginning of each fiscal year (or such other date as the Authority may approve at the request of the City), so long as any bonds of the Authority are outstanding. Each such revised Financial Plan is required to include projected revenues and expenditures of the General Fund, the General Capital Fund, the Grants Revenue Fund and any other principal operating fund of the City which becomes a member of the City's Consolidated Cash Account (collectively, the "Covered Funds") for five fiscal years of the City, consisting of the fiscal year of the City beginning on the July 1 next following the date such revised Financial Plan is required to be submitted to the Authority and the next four fiscal years thereafter.

The Act and the Cooperation Agreement also require that the City, simultaneously with the submission of each Financial Plan, submit to the Authority, among other things, the following:

(a) a schedule of debt service payments due or projected to become due in respect of all indebtedness of the City and all indebtedness of others supported in any manner by the City (by guaranty, lease, service agreement or otherwise) during each fiscal year of the City until the final scheduled maturity of such indebtedness, such schedule to set forth such debt service payments separately according to the general categories of direct

- general obligation debt, direct revenue debt, lease obligations, service agreement obligations and guaranty obligations;
- (b) a schedule of payments for legally mandated services included in the Financial Plan and due or projected to be due during the fiscal years of the City covered by the Financial Plan;
- (c) a statement describing, in reasonable detail, the significant assumptions and methods of estimation used in arriving at the projections contained in the Financial Plan;
- (d) the Mayor's proposed operating budget and capital budget for each of the City's principal operating funds for the next fiscal year of the City, which budgets shall be consistent with the first year of the Financial Plan and which budgets shall be prepared in accordance with the Philadelphia Home Rule Charter, as amended;
- (e) a statement by the Mayor that the budgets described in (d) above: (i) are consistent with the Financial Plan; (ii) contain funding adequate for debt service payments, legally mandated services and lease payments securing bonds of other government agencies or of any other entities; and (iii) are based on reasonable and appropriate assumptions and methods of estimation;
- (f) a cash flow forecast for the City's consolidated cash account for the first fiscal year of the City covered by the Financial Plan;
- (g) an opinion or certification of the City Controller, prepared in accordance with generally accepted auditing standards, with respect to the reasonableness of the assumptions and estimates in the Financial Plan; and
- (h) a schedule setting forth the number of authorized employee positions (filled and unfilled) for the first year covered by such Financial Plan for each board, commission, department or office of the City.

The Act and the Cooperation Agreement require the Authority promptly to review the Financial Plan and the proposed operating and capital budgets. The Act and the Cooperation Agreement also require the Authority, within thirty (30) days of the submission of the Financial Plan and proposed operating and capital budgets, to determine whether such Financial Plan projects balanced budgets for the principal operating fund or funds of the City, based upon reasonable assumptions, for each year of the Financial Plan and whether such proposed operating and capital budgets are consistent with the Financial Plan.

If the Authority determines that the Financial Plan and the proposed operating and capital budgets fulfill the applicable requirements of the Act and the Cooperation Agreement, the Act and the Cooperation Agreement require the Board to approve the Financial Plan by a Qualified Majority. If the Authority fails to take any action within thirty (30) days of the submission of a proposed Financial Plan, such Financial Plan shall be deemed to have been approved; provided, however, that if during such thirty (30) day period a written request by two (2) members of the Board for a meeting and vote on the question of approval of the proposed Financial Plan has been submitted to the Chairperson of the Board and a meeting and vote does not take place, then the Financial Plan shall be deemed to have been disapproved. The Financial Plan also shall be deemed to have been

disapproved if such meeting and vote are held and the Financial Plan is approved by anything less than a Qualified Majority. The Act and the Cooperation Agreement provide that the Authority shall not be bound by any opinions or certifications of the City Controller issued pursuant to the Act or the Cooperation Agreement in making any determination regarding the Financial Plan.

If the Financial Plan is disapproved by the Board, the Act and the Cooperation Agreement require the Authority to notify the City thereof and to state in writing in reasonable detail the reasons for such disapproval, including the amount of any estimated budget imbalance in a principal operating fund or funds of the City. The City must then submit a revised Financial Plan to the Authority, eliminating the budget imbalance, within fifteen (15) days of such disapproval. Such revised Financial Plan must be reviewed and voted upon by the Board within fifteen (15) days of its submission. If the Authority determines that the revised Financial Plan fulfills the applicable requirements of the Act and the Cooperation Agreement, the Board must approve the revised Financial Plan by a Qualified Majority. If the Authority does not so approve the revised Financial Plan, the Authority shall certify the City's noncompliance with the Financial Plan to the Secretary of the Budget of the Commonwealth. See "THE AUTHORITY - Powers of the Authority to Promote Compliance" herein.

The Act and the Cooperation Agreement provide that the City may, during any fiscal year, submit proposed revisions to its then-existing Financial Plan. The Act provides that the City shall submit such a proposed revision after, and the Cooperation Agreement provides that the City shall submit a proposed revision within fifteen (15) days after, any amendment to the City's operating or capital budget becomes effective. The Act and the Cooperation Agreement also require the Mayor, within ninety (90) days of assuming office, to certify to the Authority that the Mayor adopts the then-existing Financial Plan or to propose to the Authority revisions to the then-existing Financial Plan. When a proposed revision is submitted, the Authority is required to review the revision within twenty (20) days and to approve the proposed revision if, based on assumptions deemed to be reasonable by the Authority, it does not cause the Financial Plan to become imbalanced. Proposed revisions become part of the Financial Plan upon the approval of a Qualified Majority, unless a Qualified Majority of the Board adopts some other method of approval in its rules and regulations. If the Authority fails to take action on a proposed revision within twenty (20) days, such revision will be deemed to have been approved, unless two (2) members of the Board request in writing submitted to the Chairperson of the Board a meeting and vote on the revision and no such meeting and vote takes place, in which event such revision will be deemed to have been disapproved. The Financial Plan shall also be deemed to have been disapproved if such meeting and vote are held and the Financial Plan is approved by anything less than a Qualified Majority.

In the event that the City Council adopts a budget inconsistent with an approved Financial Plan, the Act and the Cooperation Agreement require the City to submit the enacted budget to the Authority (pursuant to the terms of the Cooperation Agreement, within twenty (20) days after such budget has been so enacted) as a proposed revision to the Financial Plan. The Authority shall have thirty (30) days to review such proposed revision.

Contracts and Collective Bargaining Agreements of the City

The Act and the Cooperation Agreement provide that the City shall execute contracts and collective bargaining agreements which are in compliance with the Financial Plan. The Act and the Cooperation Agreement provide that if the City executes a contract or collective bargaining agreement or receives an arbitration award (other than with respect to police officers or firefighters as described in the next following sentence) which is not in compliance with the Financial Plan, such contract, collective bargaining agreement or

arbitration award shall not be void or voidable solely by reason of such noncompliance, but the City shall as soon as practicable but in no event later than fifteen (15) days after the execution or receipt thereof by the City, submit to the Authority a proposed revision to the Financial Plan which demonstrates to the reasonable satisfaction of the Authority that revenues sufficient to pay the costs of the contract or collective bargaining agreement or arbitration award will be available in the affected fiscal years of the Financial Plan. In addition, Section 209(k) of the Act provides that a board of arbitration must take into consideration and accord substantial weight to the Financial Plan when making an award which increases the wages or fringe benefits of any police officers or firefighters employed by the City. The Act and the Cooperation Agreement provide that if such an arbitration award, after the exhaustion of all appeals, is not in compliance with the Financial Plan, such an arbitration award shall not be void or voidable solely by reason of such noncompliance, but the City shall not later than twenty (20) days after the date of such award, submit to the Authority a proposed revision to the Financial Plan which demonstrates that revenues sufficient to pay the costs of the arbitration award will be available in the affected fiscal years of the Financial Plan. The Cooperation Agreement provides that the Authority has certain rights to receive information concerning collective bargaining agreements of the City and to express views as to the financial impact on the City of such collective bargaining agreements. The Cooperation Agreement also provides that the Authority has certain rights of review, comment, and recommendation with respect to certain other contracts or agreements to which the City is a party or under or on account of which the City may be or become obligated, directly or indirectly, pursuant to which the City will or may incur a financial obligation or confer a financial benefit upon another, in either case in excess of \$1,000,000 during any fiscal year of the City during the term of such contract or agreement, or in excess of \$5,000,000 in the aggregate during the term of such contract or agreement. The Authority has agreed with the City to keep certain information and communications relating to collective bargaining agreements and such other contracts confidential until such agreements or contracts are executed.

Powers of the Authority to Promote Compliance

In the event the City fails to submit the required revisions to the Financial Plan as discussed above, the Authority may exercise certain powers to promote compliance, as described below.

Power to Require Production of Records and Information and to Act Thereon

The Act and the Cooperation Agreement require the City to furnish, and the Authority to receive and review, certain financial reports and other information in order to enable the Authority to determine whether the City is complying with the then-existing Financial Plan. Under the Cooperation Agreement, within forty-five (45) days of the end of each fiscal quarter of the City, and also monthly (within thirty (30) days after the end of the previous month) if a Variance (as hereinafter defined) from the then-current Financial Plan has been determined by the Authority to have occurred, the Mayor is required to provide to the Authority a report describing actual, or current estimates of, revenues, expenditures and cash flows by Covered Fund (excepting the Grants Revenue Fund) compared to budgeted revenues, expenditures and cash flows by Covered Funds (excepting the Grants Revenue Fund) for such previous quarterly or monthly period, as the case may be, 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. If the City fails to file with the Authority any Financial Plan, revision to a Financial Plan, report or other information required to be filed with the Authority pursuant to the Act or the Cooperation Agreement, the Act and the Cooperation Agreement authorize the Authority to bring, on ten (10) days' notice, a mandamus action to compel production of the same.

The Authority is required to determine, based on its review of the aforementioned information or upon such independent audits, examinations or studies of the City finances as may be conducted by or on behalf of the Authority, whether a Variance from the Financial Plan has occurred.

Under the Cooperation Agreement, a "Variance" is deemed to have occurred as of the end of a reporting period described above if (i) a net adverse change in the fund balance of a Covered Fund of more than one percent (1%) of the revenues budgeted for such Covered 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 ninety-five percent (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.

If the Authority determines that a Variance exists, it is required to notify the City in writing, whereupon the City is required, within ten (10) days after request by the Authority, to provide the Authority such additional information as the Authority deems necessary to explain the Variance. The Authority may not take action with respect to the City as a result of Variances from the Financial Plan in any fiscal quarter of the City if the City (i) within thirty (30) days provides a written explanation of the Variance that the Authority deems reasonable, (ii) within forty-five (45) days proposes remedial action that the Authority believes will restore overall compliance with the Financial Plan, (iii) provides information in the immediately succeeding quarterly financial report required to be delivered to the Authority demonstrating to the reasonable satisfaction of the Authority that the City is taking the remedial action and otherwise complying with the Financial Plan, and (iv) submits monthly supplemental reports in accordance with the Act and the Cooperation Agreement.

Power to Initiate Withholding of Certain Payments to the City by the Commonwealth

The Act and the Cooperation Agreement require the Authority to certify to the Secretary of the Budget of the Commonwealth the City's noncompliance with the then-existing Financial Plan during any period when the Authority, by a Qualified Majority, determines that the City (i) has not adhered to the then-existing Financial Plan and (ii) has not taken adequate remedial action during the next fiscal quarter following such departure from the Financial Plan to cure such noncompliance.

In addition, the Act and the Cooperation Agreement require the Authority to certify to the Secretary of the Budget of the Commonwealth that the City is not in compliance with the then-existing Financial Plan if the City (a)(i) has failed to file a Financial Plan or has no Financial Plan approved by the Authority, both as required by the Act and the Cooperation Agreement, or (ii) has failed to file mandatory revisions to an approved Financial Plan or reports as required by the Act and the Cooperation Agreement and (b) has not been compelled to file a Financial Plan, a mandatory revision to a Financial Plan or a report pursuant to the Authority's power to institute a mandamus action under the Act and the Cooperation Agreement.

Withholding of Commonwealth Payments to City; Exemptions Therefrom

In the event the Authority certifies the City's noncompliance with an approved Financial Plan, the Act requires the Secretary of the Budget of the Commonwealth to notify the City of such certification and to inform the City that each grant, loan, entitlement or payment from the Commonwealth or any of its agencies to the City (except as provided below), including payments from the City Account, shall be suspended until such time as

the City complies with the then-existing Financial Plan. The Act also requires payments from the City Account to be retained in that account, and all other payments to be held in escrow by the Commonwealth until such time as the Board, by a Qualified Majority, determines that the conditions causing the City's noncompliance with the Financial Plan have ceased to exist. At the time the Authority makes such determination, the Act requires the Authority promptly to notify the Secretary of the Budget of the Commonwealth, who is required to release all funds held in escrow, along with interest and income earned thereon during the escrow period, and the disbursements to the City from the City Account shall then resume.

The Act and the Cooperation Agreement specifically provide that, other provisions of the Act and the Cooperation Agreement notwithstanding, the following funds may not be withheld by the Commonwealth from the City for noncompliance with a Financial Plan: (i) funds for capital projects under contracts in progress; (ii) funds granted or allocated to the City directly from an agency of the Commonwealth, or from the federal government for distribution by the Commonwealth after the declaration of a disaster resulting from a catastrophe; (iii) pension fund payments required by law; (iv) funds administered by the City's Department of Human Services or Department of Health that provide benefits or services to recipients; (v) funds that the City has pledged to repay bonds or notes issued under The First Class City Revenue Bond Act (Act of October 18, 1972, P.L. 955, No. 234); and (vi) funds appropriated by the Commonwealth for the City's court system or correctional programs. The Act also provides that funds will not be withheld from the City if the City's noncompliance with a Financial Plan is due to the Commonwealth's failure to pay funds due to the City from moneys appropriated by the General Assembly of the Commonwealth. However, the Cooperation Agreement provides that such failure by the Commonwealth to pay any such money shall not be as a result of any fault of the City.

Operating History

Since the issuance of the 1992 Bonds, the Authority has devoted its primary attention to the assessment, approval and oversight of the City's Financial Plans, the City's compliance therewith, the evaluation of City financial reporting, the analysis of City financial and budgetary practices and programs and oversight of the expenditure of funds for capital projects and productivity enhancements for which the Authority made grants to the City with a portion of the proceeds from the sale of the 1992 Bonds, 1993 Bonds and 1994 Bonds.

The City's original Financial Plan, which covered Fiscal Years 1992-1996, was prepared by the Mayor, approved by City Council on April 29, 1992 and approved by the Authority on May 18, 1992. In November 1992 the Authority began receiving quarterly Financial Plan reports from the City addressing the status of the City's compliance with its original Financial Plan and any associated achievement of City initiatives. The Authority determined a Variance to exist with respect to the quarterly Financial Plan report for the first quarter of Fiscal Year 1993, which projected a Variance in the Financial Plan through June 30, 1993 of \$57 million of the budgeted revenues of the General Fund. The Mayor proposed Variance correction measures for Fiscal Year 1993, a revised Financial Plan for Fiscal Years 1994-1998 and a Fiscal Year 1994 general fund and capital budget, which were enacted or approved by the City Council. The revised Financial Plan for Fiscal Years 1994-1998 and Variance correction proposals were submitted to the Authority and were approved by the Authority on April 14, 1993, at which time the Authority determined that a Variance no longer existed with respect to the Financial Plan. Subsequent quarterly Financial Plan reports have not projected Variances from the Financial Plans applicable to such reports. The Authority approved twelve subsequent Financial Plans including most recently the Financial Plan for Fiscal Years 2006-2010. The Financial Plan for Fiscal Years 2007-2011 was

submitted to City Council on January 24, 2006, and to the Authority on June 1, 2006. The Plan is currently being considered by the Board of the Authority.

LITIGATION

There is no litigation of any nature now pending or threatened seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2006 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2006 Bonds or the existence or powers of the Authority.

LEGAL INVESTMENT

The Act provides that the 2006 Bonds are legal investments, in which all government agencies, all insurance companies, trust companies, banking associations, banking corporations, savings banks, investment companies, executors, trustees of any retirement, pension or annuity fund or system of the Commonwealth or of a city, trustees and other fiduciaries may properly and legally invest funds, including capital, deposits or other funds in their control or belonging to them. Under the Act, the 2006 Bonds may properly and legally be deposited with and received by any government agency for any purpose for which the deposit of bonds or other obligations of the Commonwealth now or hereafter may be authorized by law.

TAX MATTERS

Federal Tax Exemption

In the opinion of Stradley Ronon Stevens & Young, LLP, Bond Counsel, assuming the accuracy of the certifications of the Authority and continuing compliance by the Authority with the requirements of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code"), interest on the 2006 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 2006 Bonds. Interest on the 2006 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax, but interest on 2006 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 the corporate holder. Interest on 2006 Bonds held by foreign corporations may be subject to the branch profits tax imposed by the Code.

Ownership of the 2006 Bonds may result in collateral 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 indebtedness to purchase or carry the 2006 Bonds. Bond Counsel expresses no opinion as to these matters. Prospective purchasers of the 2006 Bonds should consult with their tax advisors as to applicability of any such collateral consequences.

The Code sets forth certain requirements, which must be met subsequent to the issuance and delivery of the 2006 Bonds for interest thereon to remain excludible from the gross income of the owners of the 2006 Bonds for federal income tax purposes. The Authority has covenanted to comply with such requirements. Noncompliance with such requirements may cause the interest on the 2006 Bonds to be includible in the gross income of the owners of the 2006 Bonds for federal income tax purposes, retroactive to the date of issue of the

2006 Bonds. The opinion of Bond Counsel assumes compliance with such covenants and Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2006 Bonds may affect the tax status of interest on the 2006 Bonds.

Pennsylvania Tax Exemption

In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date of original issuance of the 2006 Bonds, interest on the 2006 Bonds is exempt from Pennsylvania personal income tax and corporate net income tax, and the 2006 Bonds are exempt from personal property taxes in Pennsylvania.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the registered and beneficial owners of the 2006 Bonds to provide certain annual financial information and operating data by not later than 180 days following the end of the Authority's fiscal year (the "Annual Report"), commencing with the report for the fiscal year ending June 30, 2006, and to provide notice of certain enumerated events, if material. The events which will be noticed on an occurrence basis and the other terms of the Continuing Disclosure Agreement, including termination, amendment and remedies, are set forth in the form of the Continuing Disclosure Agreement attached as APPENDIX F hereto. The Annual Report and notice of certain events will be filed with the Trustee and either (a) all Nationally Recognized Municipal Securities Information Repositories and any Pennsylvania qualifying state information depository that may be created or (b) the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission withdraws its interpretive advice in its letter to the MAC dated September 7, 2004. The covenants set forth in the Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule").

Failure by the Authority to comply with the Continuing Disclosure Agreement will not constitute an event of default under the Indenture and Bondholders are limited to the remedies described in the Continuing Disclosure Agreement. Failure by the Authority to comply with the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2006 Bonds in the secondary market. Consequently, any such failure may adversely affect the transferability and liquidity of the 2006 Bonds and their market price.

RATINGS

Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings, which have assigned the 2006 Bonds ratings of "Aaa", "AAA" and "AAA", respectively, have done so with the understanding that, upon delivery of the 2006 Bonds, the Insurance Policy will be issued by the Insurer. Moody's Investors Service, Inc., Standard & Poor's Rating Services and Fitch Ratings have also assigned underlying ratings of "A1", "A+", and "A" to the 2006 Bonds based on the unenhanced credit of the Authority. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004; Fitch Ratings, One State Street Plaza, New York,

New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2006 Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the 2006 Bonds are subject to the approval of Stradley Ronon Stevens & Young, LLP, Philadelphia, Pennsylvania, Bond Counsel. The proposed form of opinion of Bond Counsel is appended hereto as APPENDIX D. Certain legal matters will be passed upon for the Authority by Reed Smith LLP, Philadelphia, Pennsylvania, General Counsel to the Authority, for the Underwriter by Dilworth Paxson LLP and Cozen O'Connor, both of Philadelphia, Pennsylvania, Co-counsel to the Underwriter, and for the City by the Office of the City Solicitor and by Blank Rome LLP, Philadelphia, Pennsylvania, special counsel to the City.

The various legal opinions to be delivered concurrently with the delivery of the 2006 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, an attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. In addition, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

UNDERWRITING

The underwriter of the Bonds is RBC Dain Rauscher Inc., doing business under the trade name RBC Capital Markets (the "Underwriter"). The 2006 Bonds are being purchased for reoffering by the Underwriter at an aggregate purchase price of par. The Authority has agreed to pay the Underwriter an underwriting fee of \$292,337.50. The initial public offering prices of the 2006 Bonds may be changed from time to time by the Underwriter without notice. The Underwriter may offer and sell the 2006 Bonds to certain dealers (including dealers depositing 2006 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the offering prices set forth on the cover page hereof. The purchase contract for the 2006 Bonds provides that the Underwriter's obligation to purchase the 2006 Bonds is subject to certain conditions and that the Underwriter is obligated to purchase all of the 2006 Bonds, if any 2006 Bonds are purchased.

FINANCIAL ADVISORS

Access Financial Markets and Hopkins & Company have served as co-financial advisors to the Authority with respect to the issuance and sale of the 2006 Bonds and have assisted in the preparation of this Official Statement (excluding the Appendices hereto) and in other matters relating to the planning, structuring, and issuance of the 2006 Bonds.

FINANCIAL STATEMENTS

The financial statements of the Authority as of June 30, 2005 included in APPENDIX A to this Official Statement have been audited by Isdaner & Company, LLC, independent auditors, as stated in their report appearing in APPENDIX A.

MISCELLANEOUS

Negotiable Instruments

The Act provides that bonds of the Authority shall have all the qualities of negotiable instruments under the Uniform Commercial Code of the Commonwealth.

Certain References

All summaries of the provisions of the 2006 Bonds and the security therefor, the Act and the Indenture set forth herein, and all summaries and references to other documented material not purported to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is made hereby to the complete documents relating to such matters for the complete terms and provisions thereof, or for the information contained therein. Copies of the Indenture are on file at the corporate trust office of the Trustee in Philadelphia, Pennsylvania. Insofar as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are made merely as such and not as representations of fact.

The City has furnished the information relating to the City and its affairs contained in APPENDIX B to this Official Statement and has reviewed and approved all other information relating to the City appearing in this Official Statement. The Authority makes no representations as to the accuracy or completeness of such information.

This Official Statement has been duly authorized, executed and delivered by the Authority. Neither any advertisement for the 2006 Bonds nor this Official Statement is to be deemed or construed as constituting a contract among the Authority, the City and the purchasers of the 2006 Bonds.

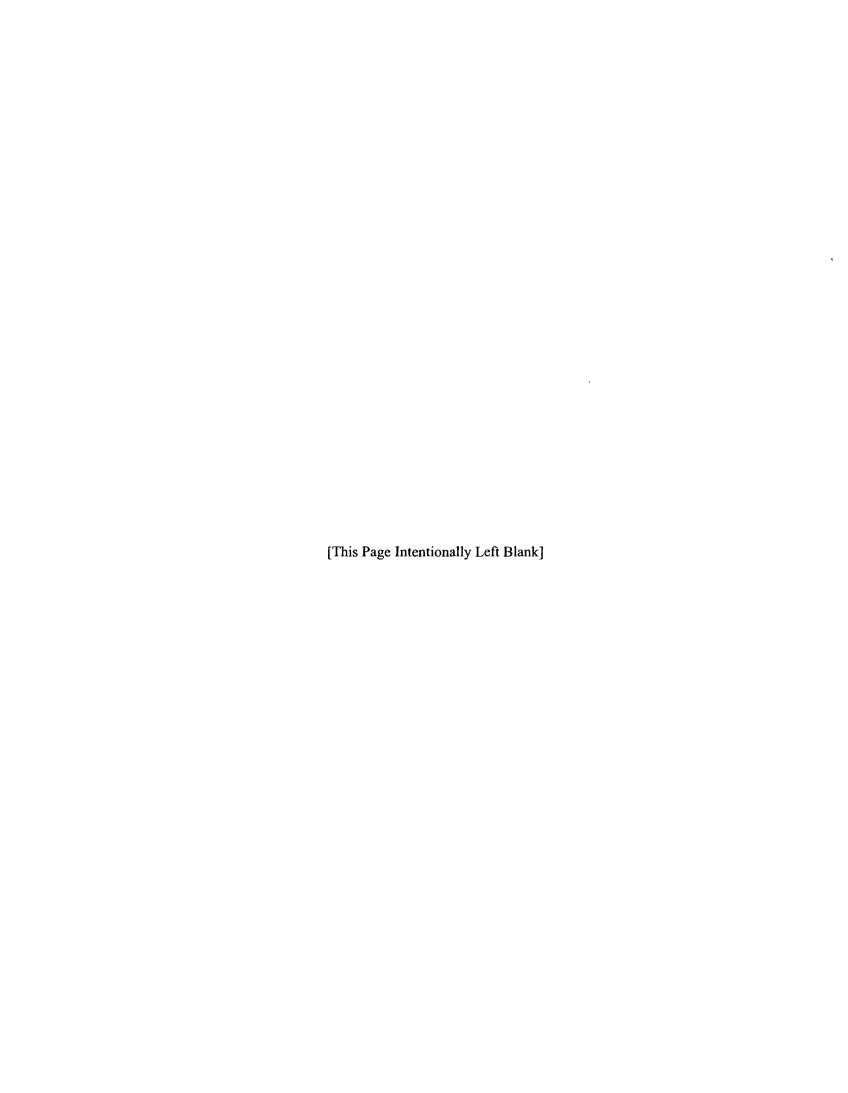
PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

By: /s/ William J. Leonard Vice Chairperson



APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AS OF JUNE 30, 2005





LAUFRIEN A. Pilylakaran J.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

JUNE 30, 2005

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Management Discussion and Analysis

The Board of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority" or "PICA") offers the following narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2005.

Financial Highlights

- The total net assets (deficit) of the Authority at the close of the fiscal year were (\$592,851,138) representing a decrease in net deficit of \$48,354,876 over the prior year.
- At the close of the current fiscal year, the Authority's General Fund unreserved balance increased by over \$1,800,000 to \$5,717,324 from the prior fiscal year. All Administration costs during fiscal year 2005 were funded from the Authority's earnings on its General Fund and on its Debt Service Reserve Fund.
- The Authority's outstanding long-term debt decreased by \$47,115,000 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, and 2) governmental funds financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets (deficit). Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net assets (deficit) changed during the fiscal year ended June 30, 2005. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements can be found on pages 2-3 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for all of the functions that are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the

end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The basic governmental fund financial statements can be found on pages 4-5 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6-24 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, liabilities exceeded assets by \$592,851,138 at the close of fiscal year 2005.

By far the largest portion of the Authority's net deficit reflects its bonds payable. Proceeds from the PICA Tax as well as the corresponding interest earned are in part utilized to fund such debt service requirements. The Authority's bonds payable activity for the year ended June 30, 2005 is summarized as follows:

	Amount <u>(in thousands)</u>
Outstanding Debt at July 1, 2004 Debt Retired Outstanding Debt at June 30, 2005	\$770,700 (<u>47,115)</u> <u>\$723,585</u>

The Authority's cash, cash equivalents and short-term investments make up the largest portion of the total assets. Such assets are derived from the proceeds of bond issuances of years past and the related investment income. These assets are used to provide grants to the City of Philadelphia for various capital projects and to fund the required debt service reserve. During fiscal year 2005, the Authority granted approximately \$1.8 million to the City of Philadelphia.

Governmental activities decreased the Authority's net deficit by \$48,354,876, thereby accounting for the total growth in assets during fiscal year 2005. Asset growth was due primarily to the retirement of long-term debt as well as better than budgeted operating fund results during fiscal year 2005.

Governmental Funds Financial Analysis

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of approximately \$137 million, a decrease of approximately \$157,000 in comparison with the prior year. Approximately 63 percent of this total amount (\$86 million) constitutes fund balances reserved for debt service. Approximately 24 percent of the total (\$32.7 million) constitutes fund balances that are reserved for the benefit of the City of Philadelphia. The remainder of the reserved fund balances is reserved primarily for the administration of the Authority. Approximately, \$10.8 million is designated for future swaption activity relating to various derivative transactions. Approximately \$5.7 million constitutes unreserved fund balance, which is available for spending at the Authority's discretion.

General Fund. All fiscal year 2005 administration expenses of the Authority were funded from the Authority's earnings on its General Fund and on its Debt Service Reserve Fund (established from proceeds of the Authority's bond issues) and residual balances of similar earnings from prior fiscal years. No City of Philadelphia or Commonwealth of Pennsylvania tax revenues were used to pay any portion of the Authority's administrative costs in fiscal year 2005, nor are any expected to be used in fiscal year 2006 for such purpose.

The PICA Act allows the Authority several sources of income to support its operations. The statute specifically provides that the Authority may draw earnings from the various funds and accounts created pursuant to its Trust Indenture, and also directly from the proceeds of PICA Taxes to the extent investment income is insufficient. The latter allowable revenue source has never been utilized by the Authority.

The PICA Act requires that the Authority adopt an annual budget (for the fiscal year commencing July 1) before March 1 of each year and also stipulates the format thereof, and information to be provided therewith to the Governor and General Assembly of the Commonwealth of Pennsylvania. The Authority's annual General Fund budgets, since its inception, have all produced surpluses.

Details as to anticipated and actual fund balances as of June 30, 2005 and as to the fiscal year 2006 budget are as follows:

Anticipated Residual Fund Balance:

Unreserved Fund Balance at June 30, 2004 Excess Revenues over Expenditures Anticipated Unreserved Fund Balance at June 30, 2005	\$259,028 0 \$259,028
Fund Balance at June 30, 2005 (Anticipated/Actual):	
Anticipated Unreserved Fund Balance at June 30, 2005 Add: Net FY05 "Better than Budget" Operating Results Actual Unreserved Fund Balance at June 30, 2005	\$259,028 <u>5,458,296</u> <u>\$5,717,324</u>
General Fund Budget for FY06:	
Revenues - General Fund Interest Earnings Other Financing Sources - Transfer from Bond Issue Investment Earnings	\$ 150,000
("Reserved for subsequent Authority Administration" in the Debt Service Reserve Fund at June 30, 2005)	1,694,994

The Authority's fiscal year 2006 budget recognizes the possibility that the Authority may be requested to become involved in oversight matters as directed by the Pennsylvania General Assembly; and provides funding to study and/or implement such a role. Though the fiscal year 2006 budget reflects a three percent increase over the fiscal year 2005 budget, PICA also recognizes the importance of controlling budget growth; the fiscal year 2006 budget remains more than five percent below the fiscal year 2003 budget.

The philosophy underlying the Authority's general fund operations remains that the Authority should maintain a personnel and expenditure level sufficient to permit it to respond to the demands placed upon it, but not so large as to present an opportunity either for the City of Philadelphia to use the Authority's resources to bypass the re-creation of its own management systems or to establish a permanent Authority structure that would develop its own reason for continued existence.

Special Revenue Fund. The Authority's Special Revenue Fund receives PICA taxes, interest earnings on such collections, and net interest earnings on bond issue funds other than Capital Projects Funds (the earnings on Capital Projects Funds are restricted to use for grants to the City of Philadelphia for PICA approved capital projects). The Special Revenue Fund receipts are utilized to provide, monthly, from the first available funds in that month, one-sixth of the next semi-annual interest requirement on PICA bonds outstanding and one-twelfth of the next annual principal requirement on PICA bonds outstanding, in a manner calculated to provide the total required semi-annual interest and the total required annual principal at the close of the month prior to such required date. After provision of monthly debt service requirements, the residual balances in PICA's Special Revenue Fund are paid to City of Philadelphia as grants to the City's General Fund.

The Special Revenue Fund earned in excess of \$129,000 on its invested balances during fiscal year 2005. Thus, PICA grants to the City of Philadelphia's General Fund during fiscal year 2005 exceeded the equation (PICA taxes minus provision for PICA Debt Service equals PICA grants to the City) by in excess of \$2,000,000.

Debt Service Funds. The Debt Service Funds account for the accumulation of financial resources for the payment of principal and interest on PICA's long-term debt.

Debt Service Reserve Fund. This fund is used to hold assets for debt service reserve purposes as required by the Trust Indenture. Current year investment earnings were transferred to pay current year debt service requirements and to aid in paying for the General Fund's administration expenditures.

Rebate Fund. This fund is maintained in order to fund future potential rebates and/or debt service requirements. The only activity that occurred during the current fiscal year was the increase from investment earnings.

At June 30, 2005, the Fund Balances held in the combined Debt Service Funds, by individual fund groups, consisted of:

Debt Service Funds -- Current assets held for interest due 12/15/05 and principal due 6/15/06

\$ 6,597,434

Debt Service Reserve Fund Current assets held for debt service reserve purposes as required by the Trust Indenture	77,681,668
Rebate Fund Current assets held for future potential rebate/debt service purposes	1,765,072
Amount Reserved for Debt Service	\$86,044,174
Debt Service Reserve Fund Current assets held for subsequent PICA administration purposes (Debt Service Reserve Fund earnings held for PICA FY05 operations per adopted budget)	<u>1,694,994</u>
Fund Balances at June 30, 2005 Combined Debt Service Funds	\$87,739,168

Expendable Trust/Capital Projects Funds. Expendable trust funds include amounts held separately, by bond issue from which such funds were provided, for purposes of grants to the City of Philadelphia for specific PICA approved capital projects. The PICA Act restricts the City of Philadelphia's use of PICA provided capital projects dollars to specific "emergency" and "productivity" projects approved by the PICA Board and, where necessary, by specified Commonwealth of Pennsylvania elected officials.

The Authority, in connection with its three new-money bond issues, approved specific City capital projects totaling approximately \$426 million, while providing bond issue funds of approximately \$400.8 million for such projects. The difference, \$25.2 million, as anticipated, has been raised from investment earnings of funds dedicated to capital projects. At June 30, 2005, sufficient PICA controlled capital projects funds were available to complete all of the initially approved PICA projects, to complete \$16.3 million of additional projects subsequently approved by the PICA Board, and an additional \$26.4 million of yet to be designated projects. Capital project funds held for PICA capital project grants to the City of Philadelphia totaled approximately \$33 million at June 30, 2005.

Additional information. In accordance with IRS regulations, certain funds already granted to the City of Philadelphia by PICA continue to be classified as PICA Arbitrage Reportable Funds until the City of Philadelphia expends such funds for the purpose for which they were provided. Accordingly, and also for oversight purposes, PICA tracks the uses/balances of such grant funds and interest earnings thereon as yet unexpended by the City of Philadelphia. As of June 30, 2005, such PICA provided funds as yet unexpended by the City of Philadelphia included:

	Amount (in thousands)
'92 Indemnity Fund	\$ 2
'95 Indemnity Fund	123
'92 Capital Projects Encumbered Funds	1,952
'93 Capital Projects Encumbered Funds	4,778
'93 Criminal Justice Project Encumbered Funds	745
'94 Capital Projects Encumbered Funds	4,812



Report of Independent Certified Public Accountants

To the Board Pennsylvania Intergovernmental Cooperation Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Authority'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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Pennsylvania Intergovernmental Cooperation Authority as of June 30, 2005, and the respective changes in financial position thereof for the year ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis preceding this report on pages i to v is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and, therefore, express on opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of the Authority's management. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

October 27, 2005

THREE BALA PLAZA ● SUITE 501 WEST ● BALA CYNWYD ● PENNSYLVANIA ● 19004-3484

Asderer & longung, LLC

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY STATEMENT OF NET ASSETS JUNE 30, 2005

ASSETS

	Governmental Activities
CURRENT ASSETS:	
Cash, cash equivalents and short-term investments	\$ 158,279,741
PICA taxes receivable	3,560,532
Accrued interest receivable	230,500
Total current assets	162,070,774
OTHER ASSETS—Prepaid rent, security deposit and bond issuance costs	1,998,273
TOTAL	\$ 164,069,046
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 80,166
Accrued payroll and taxes	75,589
Due to the City of Philadelphia	4,892,175
Deferred revenue	28,287,255
Bonds payable—current portion	49,270,000
Total current liabilities	82,605,185
BONDS PAYABLE—Long-term portion	674,315,000
Total liabilities	756,920,185
NET ASSETS (DEFICIT):	
Restricted for debt service	86,044,174
Restricted for benefit of the City of Philadelphia	32,792,027
Restricted for subsequent PICA administration	1,694,994
Unrestricted deficit	(713,382,333)
Total net assets (deficit)	(592,851,138)
TOTAL	\$ 164,069,046

The accompanying notes are an integral part of this statement

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2005

	G	overnmental Activities
EXPENSES:	,	
Grants to the City of Philadelphia	\$	216,616,578
General management and support—		
General operations		982,340
Interest expense on long term debt		39,209,523
Total program expenses		256,808,441
PROGRAM REVENUES—		
Premium amortization		1,198,872
Interest		5,202,962
Program revenues	_	6,401,834
Net program expenses		250,406,607
GENERAL REVENUES:		
PICA Taxes		298,633,971
Interest		127,512
Total general revenues		298,761,483
DECREASE IN NET DEFICIT		48,354,876
NET ASSETS (DEFICIT)—Beginning of year		(641,206,014)
NET ASSETS (DEFICIT)—End of year	<u>\$</u>	(592,851,138)

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

BALANCE SHEET-GOVERNMENTAL FUNDS

.11	INE	30.	200

		PICA Tax			Debt :	Service Fun	ds		D	ebt Service		Rebate				dable Trust tal Projects l		ls .		Total Governmental
	General	Revenue	19	96		1999		2003	R	eserve Fund		Fund		1992		1993	-	1994	• '	Funds
CURRENT ASSETS: Cash, cash equivalents and short-term investments PICA Taxes receivable Accrued interest receivable Interfund receivable	\$ 37,717,627 79,778	3,560,532		82,375 7,869	\$	5,268,901 58,338	s 	473,749 6,202	\$	79,484,042 59,352 4,450,000	\$	1,761,466 3,606	s	11,729,384	\$	2,821,9 35	\$	18,240,263	\$	158,279,741 3,560,532 230,501 5,766,732
Total current assets OTHER ASSETS—Prepaid rent and security deposit	37,797,405 21,157		7	90,244		5,327,239	****	479,950		83,993,394		1,765,072	_	11,729,624		2,821,954	-	18.240,449		167,837,506 21,157
TOTAL	<u>\$ 37,818,562</u>	\$ 4,892,175	<u>\$ 7</u>	90,244	<u>s</u>	5,327,239	<u>\$</u>	479,950	<u>\$</u>	83,993,394	<u>s</u>	1,765,072	<u>s</u>	11,729,624	<u>\$</u>	2,821,954	<u>s</u>	18,240,449	\$	167,858,663
LIABILITIES AND FUND EQUITY																				
CURRENT LIABILITIES: Accounts payable Accrued payroll and taxes	\$ 80,164 75,589		\$	•	s		s		\$		s	•	\$		\$		Ş		\$	80,164 75,589
Due to the City of Philadelphia Deferred revenue Interfund payable	15,535,000 5,600,000		****					·····		4,450,000 166,732		•		·		<u></u>		•		4,892,175 19,985,000 5,766,732
Total current liabilities	21,290,753	4,892,175		<u>. </u>		<u> </u>		•		4,616,732			_							30,799,660
FUND EQUITY: Fund balances: Unreserved Reserved for debt service Reserved for benefit of the City of Philadelphia	5,717,324		79	90,244		5,327,240		479,950		77,681,668		1,765,072		11,729,625		2,821,954		18,240,448		5,717,324 86,044,174 32,792,027
Reserved for subsequent PICA administration Designated for future swaption activity	10,810,485		****							1,694,994								··		1,694,994 10,810,485
Total fund equity	16,527,809		75	0,244		5,327,240		479,950		79,376,662		1,765,072		11,729,625		2,821,954		18,240,448	<u>.</u>	137,059,004
TOTAL	\$ 37,818,562	<u>\$ 4,892,175</u>	<u>s 75</u>	0,244	<u>\$</u>	5,327,240	<u>s</u>	479,950	<u>s</u>	83,993,394	<u>s</u>	1,765,072	<u>\$</u>	11,729,625	<u>\$</u>	2,821,954	<u>s</u>	18,240,448		•

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

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(723,585,000)
Swap premium is deferred and amortized over the life of the new debt in the statement of net assets	(9,573,684)
Forward delivery agreement premium is amortized over the life of the agreement in the statement of net assets	1,271,426
Bond issuance costs are accrued and amortized in the statement of net assets	1,977,116
Net assets of governmental activities §	(592,851,138)

The accompanying notes are an integral part of this statement

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2005

		PICA Tax		Deht S	Service Fund		Debt Service	Rebate		Expendable Trust Fund Capital Projects Fund		Total Governmental
	General	Revenue	1993A	1996	1999	2003	Reserve Fund	Fund	1992	1993	1994	Funds
REVENUES: PICA Taxes Interest earned on investments	\$ - 1,268,836	\$ 298,633,971 129,551	s .	\$ - - 71,538	\$ - 537,924	\$ - 55,294	\$ - 2,705,045	\$ - 29,076	\$ - 149,662	\$ - 37,068	\$ - 346,485	\$ 298,633,971 5,330,477
Total revenues	1,268,836	298,763,522		71,538	537,924	55,294	2,705,045	29,076	149,662	37,068	346,485	303,964,448
EXPENDITURES: Grants to the City of Philadelphia Debt service:		214,802,975							•	611,587	1,202,015	216,616,578
Principal Interest	4,895,056	•		3,890,000 5,418,976	37,505,000 25,652,000	5,720,000 2,861,615						47,11 5, 000 38,827,647
Administration: Operations	982,340				<u> </u>	265,575	•		•	_	***************************************	1,247,915
Total expenditures	5,877,396	214,802,975		9,308,976	63,157,000	8,847,189				611,587	1,202,015	303,807,140
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,608,561)	83,960,547	<u>.</u>	(9,237,439)	(62,619,076)	(8,791,896)	2,705,045	29,076	149,662	(574,520)	(855,530)	157,308
OTHER FINANCING SOURCES (USES)— Net operating transfers in (out) SOURCES OVER (UNDER)	6,471,437	(83,960,547)		9,250,058	62,671,377	8,756,456	(3,188,781)					0
EXPENDITURES AND OTHER USES	1,862,876	(0)	-	12,619	52,301	(35,440)	(483,736)	29,076	149,662	(574,520)	(855,530)	157,308
FUND BALANCES, JULY 1, 2004	14,664,933	*		777,625	5,274,939	515,390	79,860,398	1,735,996	11,579,963	3,396,474	19,095,978	136,901,696
FUND BALANCES, JUNE 30, 2005	16,527,809	(0)		790,244	5,327,240	479,950	79,376,662	1,765,072	11,729,625	2,821,954	18,240,448	137,059,004

Reconciliation of change in fund balance to change in net assets:

Change in fund balance 157,308

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

47,115,000

Swap and forward delivery agreement premiums are deferred and amortized over the life of the new debt

on the statement of net assets 1,198,869

Boud issuance costs are accrued and amortized on the statement of net assets (116,301)

Change in net assets \$ 48,354,876

JUNE 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

Organization

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic, was organized on June 5, 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (P.L. 9, No. 6) (the "Act"). Pursuant to the Act, the Authority was established to provide financial assistance to cities of the first class. The City of Philadelphia (the "City") currently is the only city of the first class in the Commonwealth of Pennsylvania (the "Commonwealth"). Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex officio nonvoting members. The Governor, the President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives each appoints one voting member of the Board.

The Act provides that, upon the request of the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain financial and oversight functions. First, the Authority shall have the power, subject to satisfaction of certain requirements in the Act, to issue bonds and grant or lend the proceeds thereof to the City. Second, the Authority 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 then-existing five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth).

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

JUNE 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION - Continued

The governmental fund financial statements utilize a "modified accrual basis" of accounting. Under this basis, certain revenues (those susceptible to accrual, readily measurable and available as to amount and anticipated as being readily collectible) are recorded on the accrual basis. All other revenues are recognized only when received in cash. Expenditures, with the exception of interest requirements on long-term debt, are accounted for on the accrual basis of accounting.

The General Fund is used to account for the administrative operations of the Authority, for which a budget is adopted annually.

The Special Revenue Fund accounts for the proceeds of the PICA Tax (a tax levied on the wages and net profits of City of Philadelphia residents) remitted to the Authority via the Commonwealth. It is utilized to fund the debt service requirements of the Authority and to provide grants to the City. It encompasses the Revenue Fund established with the Trustee by the Trust Indenture (see Note 3).

Debt Service Funds account for the accumulation of financial resources for the payment of principal and interest on the Authority's long-term debt. The Debt Service Reserve Fund holds assets for debt service reserve purposes as required by the Trust Indenture. The Rebate Fund is maintained in order to fund future potential rebates and/or debt service requirements. The Debt Service funds also include the Bond Redemption Fund which has not yet been required.

The Expendable Trust Funds/Capital Projects Funds account for assets held by the Authority for expenditure for the benefit of the City. The principal and income of these funds must be expended for their designated purpose. The Expendable Trust Funds/Capital Projects Funds also include the Deficit and Settlement funds which completed their designated purposed in prior years and are presently inactive.

PICA Tax

The "PICA Tax" was enacted by an ordinance adopted by City Council and approved by the Mayor of the City of Philadelphia on June 12, 1991 (Bill No. 1437). The tax levy is one and one-half percent (1.5%) on the wages and net profits of City residents. The PICA Tax is collected by the Department of Revenue of the Commonwealth, utilizing the City Revenue and Law Departments (collectively) as its agent, and remitted to the Treasurer of the Commonwealth for disbursement to the Authority's Trustee.

Compensated Absences

The Authority records all accrued employee benefits, including accumulated vacation, as a liability in the period benefits are earned. Accrued vacation at June 30, 2005, totaled \$40,462.

Investments

The Authority's investments are stated at fair value.

JUNE 30, 2005

(2) CASH AND INVESTMENTS

Authority funds may be deposited in any bank that is insured by federal deposit insurance. To the extent that such deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodians) obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Pennsylvania Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

Investments in the Special Revenue Fund, the Debt Services Funds, and the Expendable Trust Funds must be invested in accordance with the Trust Indenture (see Note 3). The Trust Indenture restricts investments to the following types of securities:

- (a) Obligations of the City of Philadelphia;
- (b) Government obligations;
- (c) Federal funds, unsecured certificates of deposits, time deposits or bankers' acceptances of any domestic bank having a combined capital and surplus of not less than \$50,000,000;
- (d) Federally insured deposits of any bank or savings and loan association which has a combined capital, surplus and undivided profits of not less than \$3,000,000;
- (e) (i) Direct obligations of, or (ii) obligations, the principal of and interest on which are unconditionally guaranteed by any state of the United States of America, the District of Columbia or the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, other than the City, whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and Standard & Poor's (S&P);
- (f) Commercial paper (having original maturities of not more than 270 days rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;
- (g) Repurchase agreements collateralized by direct obligations of, or obligations the payment of principal and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America; and direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; debentures of the Federal Housing Administration; mortgaged-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association; participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association; guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letters of credit-backed issued of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing and Urban Development; and guaranteed Title XI financing of the U.S. Maritime Administration;

JUNE 30, 2005

(2) CASH AND INVESTMENTS - Continued

- (h) Money market mutual fund shares issued by a fund having assets not less than \$100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the types specified in clauses (b) or (f) above and is rated "AAAm" or "AAAm-G" by S&P;
- (i) Guaranteed investment contracts (GICs) with a bank, insurance company or other financial institution that is rated in one of the three highest rating categories by Moody's and S&P and which GICs are either insured by a municipal bond insurance company or fully collateralized at all times with securities included in (b) above.

Investments in the Debt Service Reserve Fund may only be invested in the investments included in (b) through (i) above with a maturity of 5 years or less or GICs that can be withdrawn without penalty.

At June 30, 2005, the carrying amount of the Authority's deposits with financial institutions (including certificates of deposit and shares in U.S. Government money market funds) was \$61,845,709. The bank balance of \$61,856,327 was insured or collateralized as follows:

Insured	\$100,000
Uninsured and uncollateralized, but covered under	
the provisions of Act 72, as amended	61,856,327
Total deposits	\$61,956,327
1 Otal acposits	\$U1,73U,327

The Authority's deposits include bank certificates of deposit that have a remaining maturity at time of purchase of one year or less and shares in U.S. Government money market funds. U.S. Government Agency Investments with a remaining maturity of one year or less are classified as short-term investments.

The following is a schedule of investments of the Authority by type (other than certificates of deposit and shares in U.S. Government money market funds) showing the carrying value and categorization as to credit risk at June 30, 2005:

	Fair Value			
	-	Cr	Credit Risk Category	
	Total	(1)	(2)	(3)
Federal National Mortgage				
Association debenture bonds	\$63,998,067			\$63,998,067
Repurchase agreements	32,435,965			32,435,965
Total investments	\$96,434,032			\$96,434,032

JUNE 30, 2005

(2) CASH AND INVESTMENTS - Continued

The three credit risk categories are defined as follows:

Category

- (1) Insured, registered or securities held by the entity or its agent (bank trust department) in the entity's name (name of the Authority).
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

During the year ended June 30, 2005, deposits and investments of the Authority were similar to those on hand at June 30, 2005 with respect to credit risk.

(3) SPECIAL TAX REVENUE BONDS

In the government-wide financial statements, bonds are reported as liabilities in the statement of net assets. Through June 30, 2005, the Authority issued seven series of Special Tax Revenue Bonds, as follows:

Series of	Amount Issued
1992	\$474,555,000
1993	643,430,000
1993A	178,675,000
1994	122,020,000
1996	343,030,000
1999	610,005,000
2003	165,550,000

The following summary shows the changes in bonds payable for the year ended June 30, 2005:

Series of	Outstanding July 1, 2004	Retirements	Outstanding June 30, 2005
1996	\$ 98,050,000	\$ 3,890,000	\$ 94,160,000
1999	512,560,000	37,505,000	475,055,000
2003	160,090,000	5,720,000	154,370,000
	\$770,700,000	\$47,115,000	723,585,000
Less current p	portion		49,270,000
Long-term po	rtion		\$674,315,000

JUNE 30, 2005

(3) SPECIAL TAX REVENUE BONDS - Continued

In conjunction with its 1992, 1993 and 1993A bond issues, the Authority entered into an Indenture of Trust dated as of June 1, 1992, which was subsequently amended and supplemented as of June 22, 1992, July 15, 1993 and August 15, 1993. An Amended and Restated Indenture of Trust dated as of December 15, 1994 was entered into in conjunction with the Authority's 1994 bond issue and replaced (amended and restated) the original indenture as amended and supplemented. The 1996 bonds were issued pursuant to the Amended and Restated Indenture of Trust dated as of December 15, 1994 (the "1994 Indenture") as amended and supplemented by a First Supplement to the Amended and Restated Indenture Trust dated as of May 15, 1996. The 1999 bonds were issued pursuant to the Amended and Restated Indenture of Trust dated as of December 15, 1994 as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 and a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (together the "Trust Indenture") between the Authority and First Union National Bank as Trustee (the "Trustee"). The 2003 bonds were issued pursuant to the Trust Indenture as amended and supplemented by a Third Supplement to the Trust Indenture dated June 1, 2003 between the Authority and Wachovia Bank, formerly First Union National Bank, as Trustee. The Trustee's responsibilities include ensuring that the proceeds of the PICA Tax (see Note 1) received by it are used to fund the debt service payments (bond principal and interest) required under the Trust Indenture, as amended.

Each series of bonds issued by the Authority are limited obligations of the Authority and the principal, redemption premium, if any, and interest thereon, are payable solely from a portion of the PICA Tax.

To issue additional bonds, the Trust Indenture requires that the Authority's collection of PICA Taxes in any twelve consecutive months during the fifteen-month period immediately preceding the date of issuance of such additional bonds equals at least 175% of the maximum annual debt service requirement on the bonds outstanding after the issuance of the additional bonds. The PICA Taxes collected during the year ended June 30, 2005 (\$298,633,971) equaled approximately 346% of the maximum annual debt service (\$86,248,506) of the bonds outstanding at June 30, 2005 (the 1996, 1999 and 2003 bonds).

JUNE 30, 2005

(3) SPECIAL TAX REVENUE BONDS - Continued

Total annual debt service requirements (annual principal or sinking fund requirements and interest payments) on the outstanding bonds at June 30, 2005 are as follows:

	Total Debt Service
Fiscal Year Ending	Requirements
2006	\$86,248,506
2007	86,246,318
2008	80,580,921
2009	71,961,686
2010	65,135,966
2011	61,474,791
2012	61,457,279
2013	61,445,981
2014	61,424,075
2015	61,411,038
2016	61,378,475
2017	61,356,425
2018	52,233,063
2019	43,513,863
2020	43,511,138
2021	34,121,413
2022	34,119,413
2023	20,489,100

Details as to the purpose of each of the respective series of bonds issued by the authority through June 30, 2005, and as to bonds outstanding at that date follow.

A. Series of 1992

The proceeds from the sale of the Series of 1992 Bonds were used to (1) make grants to the City of fund the Fiscal Year 1991 General Fund cumulative deficit and the projected Fiscal Years 1992 and 1993 General Fund deficits, (2) make grants to the City to pay the costs of certain emergency capital projects to be undertaken by the City and other capital projects to increase productivity in the operation of City government, (3) make the required deposit to the Debt Service Reserve Fund, (4) capitalize interest on a portion of the Series of 1992 Bonds through June 15, 1993, (5) repay amounts previously advanced to the Authority by the Commonwealth to pay initial operating expenses of the Authority, (6) fund a portion of the Authority's first fiscal year operating budget, and (7) pay the costs of issuing the Series of 1992 Bonds.

JUNE 30, 2005

(3) SPECIAL TAX REVENUE BONDS - Continued

A. Series of 1992 - Continued

Series of 1992 Bonds in the aggregate principal amount of \$136,670,000, initially scheduled to mature June 15, 2006, 2012 and 2022, were advance refunded on September 14, 1993 (the "Refunded 1992 Bonds") through an irrevocable trust created by using a portion of the proceeds of the Series of 1993A Bonds. Series of 1992 Bonds in the aggregate principal amount of \$304,160,000, initially scheduled to mature June 15, 1996, 1997, 1998, 1999, 2000 and 2002 were advance refunded on May 15, 1996 (also the "Refunded 1992 Bonds") together with the Refunded 1994 Bonds (see Series of 1994 in this Note 3) through an irrevocable trust created by using the net proceeds of the Series of 1996 Bonds together with monies on deposit with the Trustee on account of the Refunded 1992 Bonds, monies on deposit with the Trustee on account of the Refunded 1994 Bonds and sums derived from certain forward purchase agreements entered into with respect to the irrevocable trust. The Refunded 1992 Bonds are no longer deemed to be outstanding under the Trust Indenture.

B. Series of 1993

The proceeds from the sale of the Series of 1993 Bonds were used to (1) make grants to the City to pay the costs of certain emergency capital projects (including capital improvements to the City's Criminal Justice and Correctional Facilities) to be undertaken by the City and other capital projects to increase productivity in the operation of City government, (2) make a grant to the City for refunding of certain of the City's General Fund Obligation Bonds, (3) make the required deposit to the Debt Service Fund, and (4) to pay the costs of issuing the Series of 1993 Bonds.

Series of 1993 Bonds in the aggregate principal amount of \$610,730,000, initially scheduled to mature June 15, 1999 through 2009, 2015, 2016 and 2023 were advance refunded on April 1, 1999 (the "Refunded 1993 Bonds") through an irrevocable trust created by using the net proceeds of the Series of 1999 Bonds together with monies on deposit with the Trustee on account of the Refunded 1993 bonds. The Refunded 1993 Bonds are no longer deemed to be outstanding under the Trust Indenture (see Note 6).

C. Series of 1993A

The proceeds from the sale of the Series of 1993A Bonds were used to (1) provide for the advance refunding of a portion of the Authority's Special Tax Revenue Bonds Series of 1992, in the aggregate principal amount of \$136,670,000, (2) make the required deposit to the Debt Service Fund, and (3) to pay the costs of issuing the Series of 1993A Bonds.

Series of 1993A Bonds in the aggregate principal amount of \$163,185,000, initially scheduled to mature June 15, 2004 through 2023 were currently refunded on June 16, 2003 through an irrevocable trust created by using the net proceeds of the Series of 2003 Bonds. The Refunded 1993A Bonds are no longer deemed to be outstanding under the Trust Indenture.

JUNE 30, 2005

(3) SPECIAL TAX REVENUE BONDS - Continued

D. Series of 1994

The proceeds from the sale of the Series of 1994 Bonds were used to (1) make grants to the City to pay the costs of certain emergency capital projects to be undertaken by the City and other capital projects to increase productivity in the operation of City Government, (2) make the required deposit to the Debt Service Reserve Fund, and (3) pay the costs of issuing the Series of 1994 Bonds.

Series of 1994 Bonds in the aggregate principal amount of \$120,180,000, initially scheduled to mature on and after June 15, 1996, were advance refunded on May 15, 1996 (the "Refunded 1994 Bonds") together with the Refunded 1992 Bonds (see Series of 1992 earlier in this Note 3) through an irrevocable trust created by using the net proceeds of the Series of 1996 Bonds together with monies on deposit with the Trustee on account of the Refunded 1994 Bonds, monies on deposit with the Trustee on account of the Refunded 1992 Bonds and sums derived from certain forward purchase agreements entered into with respect to the irrevocable trust. The Refunded 1994 Bonds were retired on June 15, 2005.

E. Series of 1996

The proceeds from the sale of the Series of 1996 Bonds were used, together with monies available in certain of the separate accounts established under the 1994 Indenture on account of the 1992 Bonds and the 1994 Bonds to (1) provide for the advance refunding of the Authority's Special Tax Revenue Bonds Series of 1992 outstanding as of May 15, 1996 in the aggregate principal amount of \$304,160,000 and the Authority's Special Tax Revenue Bonds Series of 1994 outstanding as of May 15, 1996 in the aggregate principal amount of \$120,180,000, (2) pay the premium for a Debt Service Reserve Fund Insurance Policy in the amount of \$35,004,944 to satisfy the Debt Service Reserve Fund Requirements in respect of the Series of 1996 Bonds which amount is equal to ten percent (10%) of the proceeds of the Series of 1996 Bonds, and (3) pay the costs of issuing the Series of 1996 Bonds.

The details of Series of 1996 Bonds outstanding at June 30, 2005 are as follows:

Interest Rate	Maturing June 15	Amount
6.000	2006	\$ 4,200,000
5.200	2007	4,450,000
5.300	2008	4,680,000
5.400	2009	4,930,000
5.500	2010	5,200,000
5.500	2011	5,480,000
5.600	2012	5,785,000
5.625	2013	6,105,000
5.500	2016	20,440,000
5.500	2020	32,890,000
Total		\$94,160,000

JUNE 30, 2005

(3) SPECIAL TAX REVENUE BONDS - Continued

E. Series of 1996 - Continued

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1996 Bonds outstanding at June 30, 2005:

	Principal or		
Fiscal Year	Sinking Fund		Total Debt Service
Ending	Requirements	Interest	Requirements
2006	\$4,200,000	\$5,185,576	\$9,385,576
2007	4,450,000	4,933,576	9,383,576
2008	4,680,000	4,702,176	9,382,176
2009	4,930,000	4,454,136	9,384,136
2010	5,200,000	4,187,916	9,387,916
2011	5,480,000	3,901,916	9,381,916
2012	5,785,000	3,600,516	9,385,516
2013	6,105,000	3,276,556	9,381,556
2014	6,450,000	2,933,150	9,383,150
2015	6,810,000	2,578,400	9,388,400
2016	7,180,000	2,203,850	9,383,850
2017	7,575,000	1,808,950	9,383,950
2018	7,990,000	1,392,325	9,382,325
2019	8,430,000	952,875	9,382,875
2020	8,895,000	489,225	9,384,225

F. Series of 1999

The net proceeds from the sale of the Series of 1999 Bonds were used, together with other monies available in the Debt Service Fund of the 1993 bonds, to (1) provide for the advance refunding of all of the Authority's Special Tax Revenue Bonds Series of 1993 outstanding as of April 1, 1999 and maturing June 15 of the years 1999 through 2009, 2015, 2016 and 2023, in the aggregate principal amount of \$610,730,000 (the "Refunded 1993 Bonds"), (2) pay the premium for a Debt Service Reserve Fund Insurance Policy to help satisfy the Debt Service Reserve Requirements in respect of the 1993A, 1996 and 1999 bonds outstanding under the Indenture, equally and ratably, as per the amended provisions of the Trust Indenture with respect to "Debt Service Reserve Requirements," and (3) pay the costs of issuing the Series of 1999 Bonds.

JUNE 30, 2005

(3) SPECIAL TAX REVENUE BONDS - Continued

F. Series of 1999 - Continued

The details of Series of 1999 Bonds outstanding at June 30, 2005 are as follows:

Interest Rate	Maturing June 15	<u>Amount</u>
5.00	2006	\$ 39,075,000
5.00	2007	41,030,000
5.00	2008	37,420,000
5.00	2009	30,665,000
5.25	2010	25,370,000
5.25	2011	23,045,000
5.25	2012	24,235,000
5.25	2013	25,500,000
5.25	2014	26,815,000
5.25	2015	28,205,000
5.25	2016	29,660,000
5.25	2017	31,195,000
5.00	2018	23,710,000
4.75	2019	16,170,000
5.00	2021	34,725,000
4.75	2023	38,235,000
Total		\$475,055,000

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1999 Bonds outstanding at June 30, 2005:

	Principal or		
Fiscal Year	Sinking Fund		Total Debt Service
<u>Ending</u>	Requirements	Interest	Requirements
2006	\$39,075,000	\$24,151,800	\$63,226,800
2007	41,030,000	22,198,050	63,228,050
2008	37,420,000	20,146,550	57,566,550
2009	30,665,000	18,275,550	48,940,550
2010	25,370,000	16,742,300	42,112,300
2011	23,045,000	15,410,375	38,455,375
2012	24,235,000	14,200,513	38,435,513
2013	25,500,000	12,928,175	38,428,175
2014	26,815,000	11,589,425	38,404,425
2015	28,205,000	10,181,638	38,386,638
2016	29,660,000	8,700,875	38,360,875
2017	31,195,000	7,143,725	38,338,725
2018	23,710,000	5,505,988	29,215,988
2019	16,170,000	4,320,488	20,490,488
2020	16,940,000	3,552,413	20,492,413
2021	17,785,000	2,705,413	20,490,413
2022	18,675,000	1,816,163	20,491,163
2023	19,560,000	929,100	20,489,100
	• •	•	, ,

JUNE 30, 2005

(3) SPECIAL TAX REVENUE BONDS - Continued

G. Series of 2003

The net proceeds from the sale of the Series of 2003 Bonds were used to (1) provide for the current refunding of all of the Authority's Special Tax Revenue Bonds Series of 1993A outstanding as of June 16, 2003 and maturing June 15 of the years 2004 through 2023, in the aggregate principal amount of \$163,185,000 (the "Refunded 1993 Bonds"), (2) pay the costs of issuing the Series of 2003 Bonds.

The details of Series of 2003 Bonds outstanding at June 30, 2005 are as follows:

(The interest rate related to the 2003 Bonds is based on the payments due by the Authority under the swap agreement, not the floating rate of interest on the 2003 bonds. The Authority will have an additional interest obligation relating to the 2003 Bonds if the floating rate of interest payable is less than the interest rate on the 2003 Bonds. See Note 31).

Interest Rate	Maturing June 15	<u>Amount</u>
5.00	2006	\$ 5,995,000
5.00	2007	6,290,000
5.00	2008	6,605,000
5.00	2009	6,950,000
5.00	2010	7,290,000
5.00	2011	7,650,000
5.00	2012	8,025,000
5.00	2013	8,420,000
5.00	2014	8,835,000
5.00	2015	9,270,000
5.00	2016	9,725,000
5.00	2017	10,205,000
5.00	2018	10,710,000
5.00	2019	11,245,000
5.00	2020	11,795,000
5.00	2021	12,375,000
5.00	2022	12,985,000
Total		\$154,370,000

JUNE 30, 2005

(3) SPECIAL TAX REVENUE BONDS - Continued

G. Series of 2003 - Continued

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 2003 Bonds outstanding at June 30, 2005:

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2006	Ø 5 005 000	ФТ <i>С</i> 41 120	#12 C2C 12D
2006	\$ 5,995,000	\$7,641,130	\$13,636,130
2007	6,290,000	7,344,692	13,634,692
2008	6,605,000	7,027,195	13,632,195
2009	6,950,000	6,687,000	13,637,000
2010	7,290,000	6,345,750	13,635,750
2011	7,650,000	5,987,500	13,637,500
2012	8,025,000	5,611,250	13,636,250
2013	8,420,000	5,216,250	13,636,250
2014	8,835,000	4,801,500	13,636,500
2015	9,270,000	4,366,000	13,636,000
2016	9,725,000	3,908,750	13,633,750
2017	10,205,000	3,428,750	13,633,750
2018	10,710,000	2,924,750	13,634,750
2019	11,245,000	2,395,500	13,640,500
2020	11,795,000	1,839,500	13,634,500
2021	12,375,000	1,256,000	13,631,000
2022	12,985,000	643,250	13,628,250

H. Series of 1993A, 1996 and 1999 Swaptions

Objective of the swaptions

During the fiscal year ended June 30, 2002, the Authority entered into three swaption agreements with JPMorgan Chase as the counterparty that provided the Authority up-front premium payments totaling \$26,235,000 (\$10,720,000 for the 1993A issuance, \$5,815,000 for the 1996 issuance and \$9,700,000 for the 1999 issuance). These swaption agreements were entered into in order to affect a synthetic refunding of the Authority's 1993A, 1996, and 1999 bond 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, represent the risk-adjusted, present value savings of a refunding at the specified call date without issuing refunding bonds at the time the swaption agreements were executed. The swaptions give the counterparty the option to make the Authority enter into pay-fixed, receive-variable interest rate swaps. If the options are exercised, the Authority would then expect to issue variable-rate refunding bonds. (See Note 3I below related to the exercising of the 1993A swaption).

JUNE 30, 2005

(3) SPECIAL TAX REVENUE BONDS - Continued

H. Series of 1993A, 1996 and 1999 Swaptions - Continued

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, will approximate the coupons of the "refunded" bonds. The swap's variable payment would be a predetermined percentage (ranging from 62 - 67%) of the London Interbank Offered Rate ("LIBOR"). Both the Authority and the counterparty have the ability to end the swaption agreements, with monetary consequences, before the interest rate swaps are set to begin.

Fair value

As of June 30, 2005, the 1996 swaption had a negative fair value of approximately \$15,000,000 and the 1999 swaption had a negative fair value of approximately \$36,000,000. The fair value was determined by the counterparty using its proprietary methodology.

Market-access risk

If the options are exercised and the refunding bonds are not issued, the 1996 and 1999 bonds would not be refunded and the Authority would make net swap payments as required by the terms of the contracts. If the options are exercised and the variable rate refunding bonds are issued, the actual savings ultimately recognized by the transactions will be affected by the relationship between the interest rate terms of the to-be-issued variable rate refunding bonds versus the variable payment on the swap.

I. Series of 2003 Swap Agreement and Basis Cap Agreement

In June 2003, the counterparty exercised its option under the 1993A swaption agreement as described above, concurrently with the Authority's Series 2003 Refunding Bond issuance (see Note 3G). The \$10,700,000 premium received was recognized as swaption premium revenue in the general fund during the fiscal year ended June 30, 2003. At June 30, 2005, the unamortized swaption premium is reflected as deferred revenue in the government-wide financial statements and will be amortized over the life of the 2003 Swap Agreement.

JUNE 30, 2005

(3) SPECIAL TAX REVENUE BONDS - Continued

I. Series of 2003 Swap Agreement and Basis Cap Agreement - Continued

Terms and objective

The Series of 2003 bonds and the related swap agreement mature on June 15, 2022. The swap's initial notional amount of \$163,185,000 matches the related 1993A bonds that were currently refunded on June 16, 2003 and the notional amount declines each year to match the original maturity schedule of the 1993A refunded bonds. The swap was entered into at the same time the refunding bonds were issued, during June 2003. Under the swap, the Authority pays the counterparty a fixed payment of approximately 5% and receives a variable payment computed as 67% of the one-month LIBOR. Conversely, the variable rate bonds are based on the Bond Market Association Municipal Swap Index ("BMA").

In June 2003, the Authority also entered into a basis cap transaction with the counterparty. 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 fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the interest rate swap noted above. The objective of the basis cap is to minimize the basis risk as discussed below.

Fair value

The swap and basis cap had a negative fair value of approximately \$25,000,000 and \$1,000,000 as of June 30, 2005, respectively. The swap and basis cap negative fair values may be countered by a reduction in total interest payments required by the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase.

Credit risk

As of June 30, 2005, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's fair value. The counterparty was rated "Aa3" by Standard & Poor's and "AA-" by Moody's Investors Service as of June 30, 2005. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A-" or "A3", respectively, the fair value of the swap will be fully collateralized by the counterparty within 15 days of it having ceased to have such minimum ratings. The collateral would be posed with a third party custodian.

JUNE 30, 2005

(3) SPECIAL TAX REVENUE BONDS - Continued

I. Series of 2003 Swap Agreement and Basis Cap Agreement - Continued

Basis Risk

As noted above, the swap exposes the Authority to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to converge, the expected cost savings may not be realized. At June 30, 2005, the 67% of LIBOR rate was approximately 2.24% and the BMA rate was approximately 2.28%.

Termination Risk

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

As of June 30, 2005, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

JUNE 30, 2005

(3) SPECIAL TAX REVENUE BONDS - Continued

I. Series of 2003 Swap Agreement and Basis Cap Agreement - Continued

Fiscal Year	scal Year Variable Rate Bonds Ending Principal Interest		Interest Rate	•
Ending			Swap, net	Total
2006	\$ 5,995,000	\$ 1,512,826	\$ 6,298,296	\$ 13,806,122
2007	6,290,000	1,510,131	6,053,700	13,853,831
2008	6,605,000	1,507,240	5,797,068	13,909,308
2009	6,950,000	1,504,153	5,527,584	13,981,737
2010	7,290,000	1,500,772	5,244,024	14,034,796
2011	7,650,000	1,497,440	4,946,592	14,094,032
2012	8,025,000	1,493,912	4,634,472	14,153,384
2013	8,420,000	1,490,237	4,307,052	14,217,289
2014	8,835,000	1,486,366	3,963,516	14,284,882
2015	9,270,000	1,482,299	3,603,048	14,355,347
2016	9,725,000	1,478,036	3,224,832	14,427,868
2017	10,205,000	1,473,577	2,828,052	14,506,629
2018	10,710,000	1,468,873	2,411,688	14,590,561
2019	11,245,000	1,463,924	1,974,720	14,683,644
2020	11,795,000	1,458,681	1,515,924	14,769,605
2021	12,375,000	1,453,291	1,034,688	14,862,979
2022	12,985,000	1,447,607	529,788	14,962,395
Total	\$154,370,000	\$25,229,365	\$63,895,044	\$243,494,409

(4) FORWARD DELIVERY AGREEMENT

Objective

On June 6, 2000, the Authority entered into a debt service reserve forward delivery agreement which began on August 1, 2003, whereby the Authority received a premium of \$4,450,000 on December 1, 2002 for the debt service reserve fund in exchange for the future earnings from the debt service reserve fund investments. The premium amount will be deferred and recognized as revenue over the remaining life of this agreement or through June 15, 2010 beginning with the first scheduled delivery of the debt service reserve investments in August 2003.

Terms

Under this agreement, the Authority is guaranteed a fixed interest rate on the debt service reserve investments of 4.79%.

JUNE 30, 2005

(4) FORWARD DELIVERY AGREEMENT - Continued

Fair value

As of June 30, 2005, the forward delivery agreement had a negative fair value of approximately \$3,000,000. The fair value was determined by the counterparty using its proprietary methodology.

Interest rate risk

Under this agreement, the Authority has agreed upon a rate of return equal to 4.79% in order to minimize the risks resulting from fluctuations in interest rates; however, the Authority has also forgone the possibility of receiving greater returns should the interest rates rise above 4.79%.

Termination risk

Either party to the agreement may terminate the agreement if the other party fails to perform under the terms of the contract. Depending on prevailing interest rates at the time of the termination the amount owed by the Authority could be substantial.

Rollover risk

The Authority is exposed to rollover risk on this agreement as this agreement matures or may be terminated prior to the maturity of the associated debt. When this agreement terminates, the Authority may not realize the rate of interest offered by this agreement.

(5) REFUNDED 1993 BONDS – 1993 BONDS ESCROW FUND

A portion of the proceeds of the Series of 1999 Bonds (\$616,677,050), together with monies on deposit with the Trustee on account of the Refunded 1993 Bonds (\$19,817,995), were deposited into an irrevocable trust fund (the "1993 Bonds Escrow Fund") established and held by First Union National Bank, an escrow agent (the "Escrow Agent"), under and pursuant to the terms of an escrow deposit agreement dated as of April 1, 1999 (the "Escrow Deposit Agreement"). The 1993 Bonds Escrow Fund is required to be invested in Government Obligations, as defined in the Trust Indenture. Monies in the 1993 Bonds Escrow Fund were used to pay the interest on and principal of the Refunded 1993 Bonds, on June 15, 2003, at a redemption price of 100%, the principal of the Refunded 1993 Bonds then outstanding plus accrued interest to the redemption date.

(6) DEFINED BENEFIT PENSION PLAN

Plan description

The Authority covers all full-time employees in the State Employees' Retirement System (the "System") which was established as of June 27, 1923, under the provisions of Public Law 858, No. 331. The System is the administrator of a cost-sharing, multiple-employer defined benefit retirement system established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies.

The System is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. The System also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Commonwealth of Pennsylvania, State Employees' Retirement Board, 30 North Third Street, P.O. Box 1147, Harrisburg, Pennsylvania 17108.

The System provides retirement, death and disability benefits. Retirement benefits vest after five years of credited service. Employees who retire with three years of service at age 60, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. The general annual benefit is 2% of the member's highest three-year annual average salary times years of service times class of service mutiplier. The Authority's total and annual covered payroll for the year ended June 30, 2005 was \$592,506.

Contributions required

Covered employees are required to contribute to the System at a rate of 6.25% of their gross pay. The contributions are recorded in an individually identified account which is also credited with interest, calculated quarterly to yield 4% per annum, 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.

Participating agency contributions are also mandated by statute and are based upon an actuarially determined percentage of gross pay that is necessary to provide the System with assets sufficient to meet the benefits to be paid to System participants.

The Authority did not and was not required to contribute to the System for the years ended June 30, 2005, 2004, 2003, and 2002, respectively.

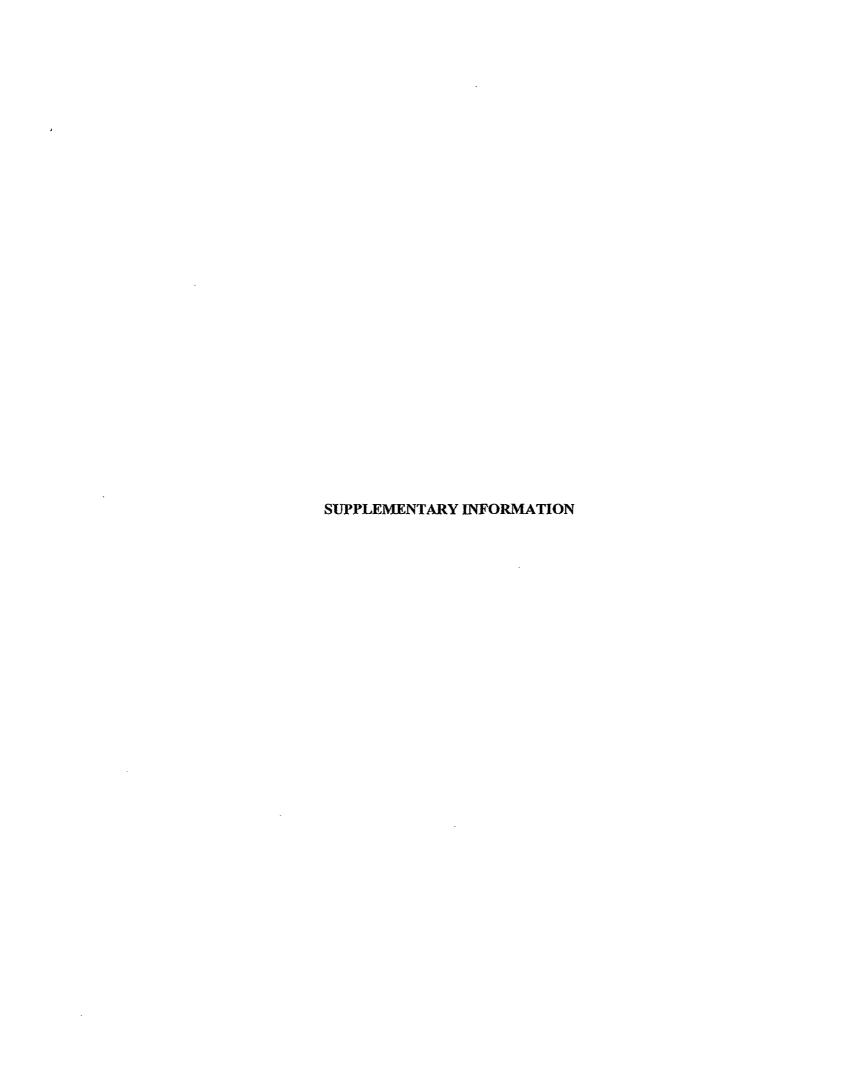
According to the retirement code, all obligations of the System will be assumed by the Commonwealth should the System terminate.

(7) LEASE OBLIGATIONS

The Authority is obligated under various operating leases, including a lease for office space through December 31, 2007. The following is a schedule of all minimum lease payments:

Fiscal Year Ending June 30	Amount		
2006	\$ 77,569		
2007	77,569		
2008	38,785		
	\$193,923		

Rental expense for the year ended June 30, 2005 was \$77,569.



PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY GENERAL FUND

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2005

YEAR E	NDE	D JUNE 30,	2005			O-11-1-1
	Budget		Actual			Over (Under) Budget
Revenues						
Interest and short term investment earnings	\$	150,000	\$	98,849	\$	(51,151)
Total Revenue		150,000		98,849	•	(51,151)
Expenditures:						
Personnel - salaries and benefits		801,256		691,677		(109,579)
Professional services:						-
Legal	•	40,000		27,546		(12,454)
Audit		75,000		22,000		(53,000)
Consulting/research		50,000		35,501		(14,500)
Interagency services		6,000				(6,000)
Trustee		85,000		48,367		(36,633)
Miscellaneous		65,000		13,200		(51,800)
Other:						-
Rent		80,000		77,569		(2,431)
Computer software and minor hardware		25,000		4,920		(20,080)
Office supplies		6,500		7,161		661
Telephone		20,000		15,240		(4,760)
Subscription and reference services		7,500		6,539		(961)
Postage and express		7,500		5,397		(2,103)
Dues and professional education		7,500		1,255		(6,245)
Travel		7,500		8,022		522
General and administrative		15,000		6,302		(8,698)
Miscellaneous		2,500		-		(2,500)
Administration - operations		1,301,256		970,696		(330,560)
Capital outlay - furniture, fixtures and equip	n	40,000		11,644		(28,356)
Additional oversight duties		450,000		-		(450,000)
Total - administration		1,791,256		982,340		(808,916)
Excess of expenditures over revenues		(1,641,256)		(883,492)		757,764
Other financing sources						
Transfers out for swap interest payments				(64,865)		(64,865)
Transfers in for PICA draw for operations		1,641,256		1,641,256		-
Excess of revenues and other financing source	es					
over expenditures		-	-	692,899		(692,899)
FUND BALANCE, JULY 1, 2004		259,028	•	14,664,933		14,405,905
FUND BALANCE, JUNE 30, 2005		259,028		15,357,832	<u>\$</u>	15,098,804

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY GENERAL FUND

SUPPLEMENTAL SCHEDULE OF CASH ACTIVITY YEAR ENDED JUNE 30, 2005

Cash receipts: Revenues collected - interest	\$	1,211,779
Other financing sources - operating transfers in from interest	Ψ	1,211,777
earnings on debt service funds		1,641,256
Total cash receipts		2,853,035
Cash disbursements:		
Expenditures paid - administration		1,061,587
Other financing uses - transfers out for swap interest payments		64,865
		1,126,452
Excess Cash receipts over cash disbursements		1,726,583
CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS BEGINNING OF YEAR		35,991,045
CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS END OF YEAR	\$	37,717,628

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL REVENUE FUND

SUPPLEMENTAL SCHEDULE OF CASH ACTIVITY YEAR ENDED JUNE 30, 2005

Cash receipts:		
Revenues collected:		
PICA Taxes	\$	298,323,462
Interest		115,192
Other financing sources - operating transfers in from interest		
earnings on debt service funds		
Total cash receipts		298,438,654
Cash disbursements:		
Expensitures paid - grants to the City of Philadelphia		214,478,107
Other financing uses - operating transfers out for debt service requirements		83,960,546
Total cash disbursements		298,438,653
Excess Cash receipts over cash disbursements		
CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS BEGINNING OF YEAR		-
CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS END OF YEAR	-	



APPENDIX B

CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA



THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

The City was incorporated in 1789 by an Act of the Commonwealth of Pennsylvania General Assembly (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1684). In 1854 the General Assembly, by an act commonly referred to as the Consolidation Act, made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"), abolished all governments within these boundaries other than the City and the County and consolidated the legislative functions of the City and the County. Article 9, Section 13 of the Pennsylvania Constitution abolished all county offices in the City and provides that the City performs all functions of county government and that laws applicable to counties apply to the City.

Since 1952, the City has been governed under a Home Rule Charter authorized by the General Assembly (First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City. The Home Rule Charter, as amended and supplemented to this date, provides, among other things, for the election, organization, powers and duties of the legislative branch (the "City Council"); the election, organization, powers and duties of the executive and administrative branch; and the basic rules governing the City's fiscal and budgetary matters, contracts, procurement, property and records. The Home Rule Charter, as amended, now also provides for the governance of the School District of Philadelphia (the "School District") as a home rule school district. Certain other constitutional provisions and Commonwealth statutes continue to govern various aspects of the City's affairs, notwithstanding the broad grant of powers of local self-government in relation to municipal functions set forth in the First Class City Home Rule Act.

Under the Home Rule Charter, as now in effect, there are today two principal governmental entities in Philadelphia: (1) the City, which performs ordinary municipal functions as well as traditional county functions; and (2) the School District, which has boundaries coterminous with the City and has responsibility for all public primary and secondary education.

The court system in Philadelphia, consisting of Common Pleas, Municipal and Traffic Courts, is part of the Commonwealth of Pennsylvania judicial system. Although judges are paid by the Commonwealth, most other court costs are paid by the City, with partial reimbursement from the Commonwealth.

Elected and Appointed Officials

The Mayor is elected for a term of four years and is eligible to succeed himself for one term. Each of the seventeen members of the City Council is also elected for a four-year term which runs concurrently with that of the Mayor. There is no limitation on the number of terms that may be served by members of the City Council. Of the members of the City Council, ten are elected from districts and seven are elected at-large, with a minimum of two of the seven representing a party or parties other than the majority party. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

The City Controller's responsibilities derive from the Home Rule Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow GAGAS, Generally Accepted Government Auditing Standards established by the federal Government Accountability Office (formerly known as the General Accounting Office), and GAAS, Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public Accountants. As of April 30, 2006, the Office of the City Controller had 139 employees, including 78 auditors, 29 of whom were certified public accountants.

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

the Charter and other pertinent legal and contractual requirements before any moneys are paid by the City Treasurer. The Pre-Audit Technical Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to the Pennsylvania Intergovernmental Cooperation Authority on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

The principal officers of the City's government appointed by the Mayor are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), who is the chief financial and budget officer and is selected from three names submitted to the Mayor by a Finance Panel, the City Solicitor (the "City Solicitor"), who is head of the Law Department, and the City Representative and Director of Commerce (the "City Representative and Director of Commerce"). These officials, together with the Mayor and the other members of the Mayor's cabinet, constitute the major policy-making group in the City's government.

The Managing Director is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The City Solicitor acts as legal advisor to the Mayor, the City Council, and all of the agencies of the City government. The City Solicitor is also responsible for all of the City's contracts and bonds, for assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council, and for the conduct of litigation involving the City. The City Representative and Director of Commerce is charged with the responsibility of giving wide publicity to any items reflecting the activities and accomplishments of the City, its inhabitants, and commerce and industry, and is charged with the responsibility of promoting and developing commerce and industry.

The Director of Finance is responsible for the financial functions of the City including development of the annual operating budget, the capital budget, and capital program; the City's program for temporary and long-term borrowing; supervision of the operating budget's execution, the collection of revenues through the Department of Revenue, purchasing, and some aspects of property management through the Procurement Department; and the oversight of pension administration as Chairperson of the Board of Pensions and Retirement. The Director of Finance is also responsible for the appointment and supervision of the City Treasurer, whose Office serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury and the management of cash resources.

The City's former Director of Finance, Janice D. Davis, resigned from her position effective August 13, 2004 to become the Chief Financial Officer of the City of Atlanta, Georgia. The City is currently conducting a nationwide search for a new Director of Finance. Currently, the duties of the Director of Finance are being handled by Vincent J. Jannetti, Acting Director of Finance.

The following are brief biographies of Mayor Street, his chief of staff, his cabinet and the City Controller:

John F. Street, Mayor, was sworn in as Philadelphia's 97th mayor on January 3, 2000 and was re-elected to a second 4-year term on November 4, 2003. Elected to Philadelphia City Council in 1979, Mayor Street took his City Council seat in 1980. For nearly 20 years he represented the City's Fifth Councilmanic District, distinguishing himself as a fighter for working people and neighborhoods. He was unanimously elected City Council President in 1992 and again in 1996. Mayor Street received his B.A. from Oakwood College in Huntsville, Alabama, and a J.D. from Temple University Law School.

Joyce S. Wilkerson, Chief of Staff, began practicing law as a legal service attorney first in California and later in Philadelphia. Ms. Wilkerson worked as Housing Counsel at the Philadelphia Redevelopment Authority where she represented the Redevelopment Authority in its capacity as issuer of housing bonds. More recently, Ms. Wilkerson served as Chief Staff Attorney to the City Council of Philadelphia. Ms. Wilkerson has a B.A. degree from the University of Pennsylvania and a J.D. degree from Boalt Hall School of Law at the University of California, Berkeley.

Vincent J. Jannetti, Acting Secretary of Financial Oversight and Director of Finance, was appointed in December 2004. Mr. Jannetti is a life-long Philadelphian and a City employee for over 30 years. Mr. Jannetti was most recently Deputy Director of Finance for Debt Management as well as Executive Director of the Sinking Fund

Commission, responsible for overseeing the issuance of new debt as well as budgeting and payment of debt service on City general obligation bonds and revenue bonds. Mr. Jannetti earned a Bachelor of Science in Business Administration from Villanova University.

Romulo L. Diaz, Jr, was appointed on April 1, 2005 as City Solicitor. 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 his appointment, Mr. Diaz was Chair of the Commercial and Regulatory Law Group of the City's Law Department, which he joined in March 2002. Prior thereto, he held numerous legal, management and policy positions at increasing levels of trust and responsibility in the federal government, including assistant administrator for management at the U.S. Environmental Protection Agency, and Deputy Chief of Staff and Counselor to the Secretary of Energy's reform efforts that streamlined the Department's regulations and paperwork burden. He chaired several international groups, including NATO's Petroleum Planning Committee from 1992-1995 during a major realignment of the North Atlantic Alliance. Mr. Diaz received his J.D. from the University of Texas School of Law and B.A. from the University of Texas at Austin. He is licensed to practice in Pennsylvania, New Jersey, the District of Columbia and Texas. He is a Charter Fellow of the Federal Bar Association; Treasurer of the Hispanic Bar Association of Pennsylvania; and a Director of Servicemembers Legal Defense Network and the Pan American Association of Philadelphia.

Pedro A. Ramos, Managing Director, was appointed in April 2005. Prior to his appointment as Managing Director, Mr. Ramos served as City Solicitor from March 2004. Mr. Ramos was a Vice President and the Chief of Staff to University of Pennsylvania President, Dr. Judith Rodin. Mr. Ramos joined the Penn President's Office in January 2002. Mr. Ramos' legal career started at Ballard Spahr Andrews & Ingersoll, LLP, where he worked since his graduation from law school through December 2001, when he left the partnership to work at Penn. His primary area of practice was employee benefits. Mr. Ramos is also a former member and president of the Board of Education of The School District of Philadelphia. Mr. Ramos has served on several boards in the Philadelphia community. Mr. Ramos is a 1992 cum laude graduate of the University of Michigan Law School, a 1987 graduate of the University of Pennsylvania, and a 1983 graduate of Central High School in Philadelphia.

Loree D. Jones, Secretary of External Affairs, was appointed in April 2006. Prior to her recent appointment, Ms. Jones served as First Deputy Managing Director for the City since September 2002. She has served as Executive Director of the African Studies Association; a manager at Epic Horizon, a resort development firm; an African studies instructor in the Department of Sociology at Rider University; and a teaching assistant in the History Department at Princeton University. She holds a Bachelor of Arts degree in History from Spelman College and a Master of Arts degree in History from Princeton University.

Stephanie W. Naidoff, the City Representative and Director of Commerce, was appointed on March 8, 2004. Earlier, she was the founding President of the Kimmel Center for the Performing Arts from 1997 to 2001. Before taking on that assignment, she had a long career as an attorney starting out in Federal service with the U.S. Department of Health and Human Services, then as General Counsel to Thomas Jefferson University and then with the law firm of Morgan, Lewis and Bockius. She is a graduate of the University of Pennsylvania Law School in 1966 and Goucher College in 1963.

Jacqueline E. Barnett, Secretary of Education, was appointed in August 2005. Prior to her current appointment, Ms. Barnett served for four years as Senior Education Policy Advisor to Congressman Chaka Fattah. In her role she was immersed in the work leading to the creation of the College Opportunity Resources for Education (Core) Philly Scholarship program. Ms. Barnett is a 2001 graduate with honors from NOVA Southeastern University, a 1989 graduate of Fisk University, and a 1984 graduate of the High School for the Creative and Performing Arts in Philadelphia.

Sylvester M. Johnson, Police Commissioner/Secretary of Public Safety. Mr. Johnson is a thirty-six year veteran of the Philadelphia Police Department. Prior to his current appointment, Mr. Johnson was, since April 1998, Deputy Commissioner of Operations under former Police Commissioner John F. Timoney. Mr. Johnson attended Philadelphia Community College, Temple University, the Senior Management Institute for Police at Harvard University, Pennwalt Corporation's Targeted Management Training, the United States Secret Service Dignitary

Protection Training, the Federal Bureau of Investigation's ("FBI") National Academy Class 172, and the FBI National Executive Institute.

Thomas A. Chapman was appointed Acting Secretary for Strategic Planning and Executive Director of the City Planning Commission in July 2005. From 2002 until 2005, he was Director of the Development Planning and Zoning Division. In this capacity, he supervised a professional planning staff involved in development and environmental review on all development proposals throughout the City. This staff also reviews and makes planning recommendations on all applications before the Zoning Board of Adjustment and prepares and provides Planning Commission recommendations on all zoning legislation, property legislation and street ordinances before City Council. He joined the staff of the Philadelphia City Planning Commission in 1978 and over the years has held various staff positions involving development review, subdivision, environmental assessment, and zoning controls and until recently served as the Commission's Director of the Development Planning Division. Mr. Chapman received a Bachelor of Arts degree from La Salle University and a Law degree from Widener University.

Kevin R. Hanna was appointed Secretary of Housing and Neighborhood Preservation by the Mayor in December 2002. Mr. Hanna has more than 20 years' experience in economic development and banking finance. Before joining the City of Philadelphia, he served for five years as the first president of the Atlanta Development Authority (ADA), an independent public authority created by the City of Atlanta to promote the growth of its downtown area and the redevelopment of its surrounding communities. Prior to 1996, Mr. Hanna was vice president, public finance, First Union Capital Markets, Atlanta. Mr. Hanna earned a Bachelor of Science in Economics degree from Davidson (N.C.) College where he is on the Board of Trustees. He received a Master of Business Administration degree with concentration in banking finance from the University of North Carolina at Chapel Hill and was awarded a fellowship by the Consortium for Graduate Studies in Business.

Dianah L. Neff, Chief Information Officer, was appointed in May 2001. Prior to that Ms. Neff served as deputy City Manager and Chief Information Officer for the City of San Diego, California. Before that she served as Chief Information Officer of the City of Bellevue, Washington. Ms. Neff has also served as Director of Information Systems for the County of San Bernadino, California and Director of Information Resources for the City of Palo Alto, California, where she oversaw efforts to make Palo Alto the first city in the nation on the World Wide Web. Prior to her work in government, Ms. Neff had fourteen years' experience in the private sector working for high-tech software and hardware firms in the Silicon Valley. Ms. Neff holds a Bachelor's Degree in marketing and economics from San Jose State University.

Alan L. Butkovitz is serving his first term as Philadelphia's elected City Controller, an office independent of the Mayor. Prior to his election as City Controller, Mr. Butkovitz served 15 years in the Pennsylvania House of Representatives, representing the 174th Legislative District in Northeast Philadelphia where he served on the Veterans Affairs and Urban Affairs Committees as well as committees on Aging and Older Adults, Children and Youth and Insurance. Mr. Butkovitz was widely praised for leading the bi-partisan investigation into violence in Philadelphia public schools. He authored legislation creating the Office of the Safe Schools Advocate, the first of its kind in the nation. Mr. Butkovitz was born and raised in Philadelphia. He is an attorney and received his Juris Doctor degree from Temple University Law School in 1976 and a Bachelor's degree from Temple University in 1973.

Government Services

Municipal services provided by the City include: police and fire protection; health care; certain welfare programs; construction and maintenance of local streets, highways, and bridges; trash collection and disposal; provision for recreational programs and facilities; maintenance and operation of the water and wastewater systems (the "Water and Wastewater Systems"); the acquisition and maintenance of City real and personal property, including vehicles; maintenance of building codes and regulation of licenses and permits; maintenance of records; collection of taxes and revenues; purchase of supplies and equipment; construction and maintenance of airport facilities; and maintenance of a prison system. The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW serves residential, commercial, and industrial customers in the City. PGW is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate the PGW for the benefit of the City.

Local Government Agencies

There are a number of significant governmental authorities and quasi-governmental non-profit corporations that also provide services within the City.

The Southeastern Pennsylvania Transportation Authority ("SEPTA"), which is supported by transit revenues and Federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region.

The Philadelphia Parking Authority is responsible for the construction and operation of parking facilities in the City and at the Philadelphia International Airport and, by contract with the City, for enforcement of on-street parking regulations.

The Philadelphia Municipal Authority (formerly The Equipment Leasing Authority of Philadelphia) ("PMA") was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA's powers have been expanded to include, without limitation, the construction and leasing of municipal solid waste disposal facilities, correctional facilities, and other municipal buildings.

The Redevelopment Authority of the City of Philadelphia (the "Redevelopment Authority") and the Philadelphia Housing Authority develop and/or administer low and moderate income rental units and housing in the City. The Redevelopment Authority, supported by Federal funds through the City's Community Development Block Grant Fund and by Commonwealth and local funds, is responsible for the redevelopment of the City's blighted areas.

The Hospitals and Higher Education Facilities Authority of Philadelphia, formerly The Hospitals Authority of Philadelphia (the "Hospitals Authority") assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority have been expanded to permit the financing of construction of buildings and facilities for certain colleges and universities and other health care facilities and nursing homes.

The Philadelphia Industrial Development Corporation ("PIDC") and its affiliate, the Philadelphia Authority for Industrial Development ("PAID"), coordinate the City's efforts to maintain an attractive business environment and to attract new businesses to the City and retain existing ones.

The Pennsylvania Convention Center Authority (the "Convention Center Authority") constructed and maintains, manages, and operates the Pennsylvania Convention Center, which opened on June 25, 1993.

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"), on 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.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

General

The Pennsylvania Intergovernmental Cooperation Authority ("PICA") was created on June 5, 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act"). PICA was established to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. The PICA Act provides that, upon request by the City to PICA for financial assistance and for so long as any bonds issued by PICA remain outstanding, PICA shall have certain financial and oversight functions. Under the PICA Act, PICA no longer has the authority to issue bonds for new money purposes, but may refund bonds previously issued by it. PICA has the power, in its oversight capacity, to exercise certain advisory and review procedures with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify non-compliance by the City with the then-existing five-year plan adopted by the City pursuant to the PICA Act. Under the PICA Act, such certification would require the Secretary of the Budget of the Commonwealth to withhold payments due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payment of the portion of the PICA Tax, hereinafter described, otherwise payable to the City). See "Source of Payment of PICA Bonds" below.

On June 16, 1992, PICA, at the request of the City, issued \$474,555,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 PICA Bonds"). The proceeds of the 1992 PICA Bonds were used (i) to make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit (\$153.5 million) and the then-projected Fiscal Year 1992 General Fund deficit (\$71.4 million); (ii) to make grants to the City to pay the costs of certain capital projects to be undertaken by the City; and (iii) to make a grant to the City to provide it with financial assistance to enhance productivity in the operation of City government. It had been anticipated that the proceeds of the 1992 PICA Bonds would also be used to fund the City's projected Fiscal Year 1993 General Fund deficit; however, because no deficit occurred, a grant from PICA for this purpose was not required. These proceeds, in the amount equal to \$23.5 million, were instead used to provide funds for other City purposes.

On July 29, 1993, PICA, at the request of the City, issued \$643,430,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 PICA Bonds"), the proceeds of which were used to make grants to the City to pay the costs of certain capital projects to be undertaken by the City and to make a grant to the City to provide for the defeasance of certain outstanding general obligation bonds of the City in the aggregate amount of \$336,225,000.

On September 14, 1993, PICA issued \$178,675,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A PICA Bonds"), the proceeds of which were used to advance refund \$136,670,000 principal amount of the 1992 PICA Bonds.

On December 15, 1994, PICA, at the request of the City, issued \$122,020,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program) Series of 1994 (the "1994 PICA Bonds"), the proceeds of which were used to make grants to the City to pay the costs of certain capital projects to be undertaken by the City.

On May 30, 1996, PICA issued \$343,030,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 PICA Bonds"), the proceeds of which were used to advance refund \$304,160,000 principal amount of the 1992 PICA Bonds and \$120,180,000 principal amount of the 1994 PICA Bonds.

On April 15, 1999, PICA issued \$610,005,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999, the proceeds of which were used to advance refund \$610,730,000 principal amount of the 1993 PICA Bonds.

On June 16, 2003, PICA issued \$165,550,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003, the proceeds of which were used to refund \$163,185,000 principal amount of the 1993A PICA Bonds.

As of the close of business on June 30, 2005, the principal amount of PICA bonds outstanding was \$723,585,000.

Source of Payment of PICA Bonds

The PICA Act authorized the City to impose a tax for the sole and exclusive purposes of PICA. In connection with the adoption of the Fiscal Year 1992 budget and the adoption of the first Five-Year Plan, the City reduced the wage, earnings, and net profits tax on City residents by 1.5% and enacted a 1.5% tax on wages, earnings and net profits of City residents (the "PICA Tax"). Proceeds of the PICA Tax are solely the property of PICA. The PICA Tax, collected by the City's Department of Revenue, is deposited in the "Pennsylvania Intergovernmental Cooperation Authority Tax Fund" (the "PICA Tax Fund") of which the State Treasurer is custodian. The PICA Tax Fund is not subject to appropriation by City Council or the General Assembly of the Commonwealth.

The PICA Act authorizes PICA to pledge the PICA Tax to secure its bonds and prohibits the Commonwealth and the City from repealing the PICA Tax or reducing the rate of the PICA Tax while any bonds secured by the PICA Tax are outstanding.

The PICA Act requires that proceeds of the PICA Tax in excess of amounts required for (i) debt service, (ii) replenishment of any debt service reserve fund for bonds issued by PICA, and (iii) certain PICA operating expenses, be deposited in a trust fund established pursuant to the PICA Act exclusively for the benefit of the City and designated the "City Account." Amounts in the City Account are required to be remitted to the City not less often than monthly, but are subject to withholding if PICA certifies the City's non-compliance with the then-current five-year plan.

The PICA Act establishes a "Bond Payment Account" for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. Since PICA has issued bonds secured by the PICA Tax, the PICA Act requires that the State Treasurer pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account, the debt service reserve fund created for bonds issued by PICA and the City Account.

The total amount of PICA Tax remitted to PICA by the State Treasurer (which is net of the costs of the State Treasurer in collecting the PICA Tax) for each of the Fiscal Years 1995 through 2006 is set forth below:

<u>Year</u>	Amount
1995	\$ 209.6 million
1996	218.8 million
1997	218.2 million
1998	236.1 million
1999	245.8 million
2000	256.6 million
2001	273.6 million
2002	278.0 million
2003	281.5 million
2004	285.0 million
2005	300.2 million
2006	310.7 million (estimated)

PICA bonds are payable from the PICA revenues, including the PICA Tax, pledged to secure PICA's bonds, the Bond Payment Account and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

Five-Year Plans of the City

One of the conditions precedent to the issuance of bonds by PICA was the development by the City and approval by PICA of a five-year financial plan. The original five-year plan, which covered Fiscal Years 1992 through 1996, was prepared by the Mayor, approved by City Council on April 29, 1992 and by PICA on May 18, 1992. In each subsequent year, the City updated the previous year's five-year plan, each of which was adopted by City Council, signed by the Mayor and approved by PICA. The Thirteenth Five-Year Plan was presented to Council on March 18, 2004, and approved by PICA on July 7, 2004.

The Mayor presented the Fourteenth Five-Year Plan to City Council on January 25, 2005. City Council approved the Fourteenth Five-Year Plan on June 16, 2005. On June 21, 2005, PICA requested the City to make revisions to the Fourteenth Five Year Plan relating to the City's estimates of certain revenues. The City responded to the PICA requests and submitted a revised Fourteenth Five Year Plan to PICA on July 20, 2005. PICA approved the Plan on July 21, 2005. In the Fourteenth Five-Year Plan, the City projected a balanced budget in each of the five years covered by the plan through a continued strategy based upon implementation of management initiatives, productivity improvements, cost containments, certain workforce restructurings, and revenue enhancements.

The Mayor presented the Fifteenth Five-year Plan to City Council on January 24, 2006. City Council approved the Fiscal Year 2007 Budget on May 25, 2006. The Plan was revised to reflect changes made to the Fiscal Year 2007 budget by City Council, and a revised Plan was submitted to PICA on June 1, 2006.

CITY FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information contained in this Official Statement 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, 2005 (the "Fiscal Year 2005 Comprehensive Annual Financial Report").

The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the Fiscal Year 2005 Comprehensive Annual Financial Report.

Fund Structure

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

Principal Operating Funds

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

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

Fund Accounting

Funds are groupings of activities that enable the City to maintain control over resources that have been segregated for particular purposes or objectives. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. The governmental funds are used to account for the financial activity of the City's basic services, such as: general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; and streets, highways and sanitation. The fund financial activities focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. The financial information presented for the governmental funds is useful in evaluating the City's short term financing requirements.

The City maintains twenty individual governmental funds. The City's Comprehensive Annual Financial Report 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 seventeen funds are combined into a single aggregated presentation.

Proprietary funds. The proprietary funds are used to account for the financial activity of the City's operations for which customers are charged a user fee; they provide both a long and short-term view of financial information. The City maintains three enterprise funds that are a type of proprietary funds - airport, water and wastewater operations, and industrial land bank.

Fiduciary funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported in the City's Comprehensive Annual Financial Report 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 HealthChoices Behavioral Health Fund accounts for resources received from the Commonwealth. 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.

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 the following major Proprietary Funds:

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

The Aviation Fund accounts for the activities of the City's airports.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection

with a proprietary fund's ongoing operations. The principal operating revenues of the Water Fund are charges for water and sewer service. The principal operating revenue of the Aviation Fund is charges for the use of the airport. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Legal Compliance

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

The operating funds of the City, consisting of the General Fund, seven Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, HealthChoices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development and Car Rental Tax Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. Included with the Water Fund is the Water Residual Fund. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies; equipment; contributions, indemnities and taxes; debt service; payments to other funds; and advances and other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes (except for materials and supplies and equipment, which are appropriated together) must have councilmanic approval. Appropriations that are not expended or encumbered at year-end are lapsed.

The City 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.

Schedules prepared on the legally enacted basis differ from the generally accepted accounting principles (GAAP) basis in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures.

Budget Procedure

At least ninety days before the end of the Fiscal Year the operating budget for the next Fiscal Year is prepared by the Mayor and must be submitted to City Council for adoption. The budget, as adopted, must be balanced and provide for discharging any estimated deficit from the current Fiscal Year and make appropriations for all items to be funded with City revenues. The Mayor's budgetary estimates of revenues for the ensuing Fiscal Year and projection of surplus or deficit for the current Fiscal Year may not be altered by City Council. Not later than the passage of the operating budget ordinance, City Council must enact such revenue measures as will, in the opinion of the Mayor, yield sufficient revenues to balance the budget.

At least thirty days before the end of each Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing years. Within ten days after the adoption of each of such ordinances and their receipt by the Mayor, the Mayor must act upon such ordinances or the ordinances become effective.

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 B-11 for a summary of the City's capital improvement program for the Fiscal Years 2006 through 2011.

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing Fiscal Year from funds that City Council appropriates, is adopted by City Council concurrently with the capital program. The capital budget must be in full conformity with that part of the capital program applicable to the Fiscal Year that it covers.

Awards

For the twenty-fifth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

Consolidated Cash

The Act of the General Assembly of the Commonwealth of June 25, 1919, P.L. 581, Art. XVII, § 6, gives the City the authority to make temporary inter-fund loans between operating and capital funds.

The Consolidated Cash Account provides for the physical commingling of the cash of all City Funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, certain capital project funds, sinking fund reserves, funds of PGW, the Water Fund, the Aviation Fund and certain other restricted purpose funds). A separate accounting is maintained for the equity of each member fund in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to written procedures adopted by the Office of Director of Finance.

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, the required advance is made from the Consolidated Cash Account, in the amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a borrowing fund are applied in repayment of the advance.

All advances are made within the budgetary constraints of the borrowing funds. Within the General Fund, this system of inter-fund advances has historically resulted in the temporary use of tax revenues or other operating revenues for capital purposes and the temporary use of capital funds for operating purposes.

Written procedures governing the City's cash management operations require the General Fund-related operating fund to borrow initially from the General Fund-related capital fund, and only to the extent there is a deficiency in such fund may the General Fund-related operating fund borrow money from any other funds in the Consolidated Cash Account.

Investment Practices

Cash balances in each of the City's funds are invested by the City Treasurer's Office through the use of money market mutual funds and professional money managers under contract with the City. The Director of Finance adopted a written Investment Policy (the "Policy") which went into effect in August 1994 and was revised most recently in April 2001.

The Policy delineates the authorized investments as approved by City Council Ordinance and the funds to which the Policy applies. The authorized investments include U.S. Government Securities, U.S. Treasuries, U.S. Agencies, Certificates of Deposit, Bankers Acceptance Notes, Eurodollar Deposits, Euro Certificates of Deposit, Commercial Paper, Corporate Bonds, Money Market Mutual Funds, Repurchase Agreements and Commonwealth of Pennsylvania securities, all of investment grade rating or better. Each category of instruments, excluding U.S. Government, Treasury and Agency securities which carry no limitation, is limited to investment of no more than 25% of the total portfolio, and no more than 10% of the total portfolio per institutional or corporate issuer. The Policy also restricts investments to those having a maximum maturity of two years. Daily liquidity is maintained

through the use of SEC-registered money market mutual funds with the balance of funds invested by money managers in accordance with the Policy.

The Policy provides for an ad hoc Investment Committee consisting of the Director of Finance, the City Treasurer and the Deputy City Treasurer with ex-officio membership of a representative of each of the principal operating and capital funds, i.e., Water Fund, Aviation Fund, Philadelphia Gas Works and Philadelphia Municipal Authority. The Investment Committee meets quarterly with each of the investment managers to review each manager's performance to date and to plan for the next quarter. Investment managers are given any changes in investment instructions at these meetings. All changes in the Policy are approved by the Investment Committee.

The Policy expressly forbids the use of any derivative investment product whose yield or market value does not follow the normal swings in interest rates. Investment in derivatives such as "inverse floaters," leveraged variable rate debt and interest-only or principal-only Collateralized Mortgage Obligations are specifically forbidden. The use of any other derivative investment products is restricted to identified "core cash" in any fund but never to exceed 25% of any fund's balance at the time of purchase. If the market values fall 5% below cost, a written explanation is required from the investment manager outlining the reasons for the decline and outlining the steps, if any, that are needed to correct the situation.

General Fund Cash Flow

Because the receipt of General Fund revenues lags behind expenditures during most of each fiscal year, the City issues notes in anticipation of General Fund revenues and makes borrowings from the Consolidated Cash Account to finance its on-going operations. The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972. Each issue was repaid when due, prior to the end of the fiscal year.

The timing imbalance referred to above results from a number of factors, principally the following: (1) real property, business privilege tax and certain other taxes are not due until the latter part of the fiscal year; (2) the City makes the majority of the employer's contribution to the Municipal Pension Fund in July of each year; and (3) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

DISCUSSION OF FINANCIAL OPERATIONS

Fiscal Year 2005 Results

The City ended Fiscal Year 2005 on the legally enacted basis with a fund balance surplus of \$96.2 million. This surplus is due to strict budget management and improved tax collections. Personnel services were \$14.2 below budget due to a workforce right sizing program and both the Business Privilege Tax and the Realty Transfer Tax significantly exceeded budgeted levels. Total taxes exceed budget projections by \$69.7 million.

Fiscal Year 2006 Budget

The City's Fiscal Year 2006 budget was approved by City Council on June 2, 2005 and signed by the Mayor on June 16, 2005. This budget was prepared by the City in conjunction with the Fourteenth Five-Year Plan. The Fourteenth Five-Year Plan, which covers Fiscal Years 2006-2010, was approved by City Council on June 16, 2005. On June 21, 2005, PICA requested the City to make revisions to the Fourteenth Five Year Plan relating to the City's estimates of certain revenues. The City responded to the PICA requests and submitted a revised Fourteenth Five Year Plan to PICA on July 20, 2005. PICA approved the Plan on July 21, 2005.

Fiscal Year 2006 Estimate

The Fiscal Year 2006 Current Estimate projects a year end positive fund balance, on the legal basis, of \$185.7 million. This increase in fund balance is largely the result of improved tax performance, particularly Real Property Transfer and Sales Tax. Real Property Transfer Tax will exceed \$200 million in FY06.

Table B-1 CITY OF PHILADELPHIA GENERAL FUND

SUMMARY OF OPERATIONS (LEGAL BASIS) (AMOUNTS IN MILLIONS OF USD)

						Current
	Actual	Actual	Actual	Actual	Actual	Estimate
	2001	2002	2003	2004	2005	2006
REVENUES						
Real Property Taxes	363.4	373.6	361.1	377.7	392.7	397.8
Personal Property Taxes	0.8	0.0	0.0	0.0	0.0	0.0
Wage and Earnings Tax	1,047.2 ^(b)	1,006.0	1013.4	1,049.6	1,073.6	1,090.3
Net Profits Tax	11.8	13.4	11.7	13.0	13.7	14,5
Business Privilege Tax	$314.0^{(b)}$	295.8	286.1	309.2	379.5	378.2
Sales Tax	111.3	108.1	108.0	108.0	119.9	125.9
Other Taxes ^(a)	$130.0^{(b)}$	<u>148.2</u>	<u>156.3</u>	<u>202.2</u>	<u>250.9</u>	<u>284.7</u>
Total Taxes	<u>1,977.7</u>	<u>1.945.4</u>	<u>1,936.6</u>	<u>2.059.6</u>	<u>2,230.3</u>	<u>2,292.4</u>
Locally Generated Non-Tax Revenue	204.5	207.1	245.2	207.4	200.9	229.9
Revenue from Other Governments	748.8	687.7	876.6	801.1	1,054.6	959.3
Receipts from Other City Funds	<u>24.0</u>	<u>24.7</u>	<u>27.3</u>	<u>24.7</u>	<u> 26.3</u>	<u>28.2</u>
Total Revenue	<u>2,955.1</u>	<u>2,866.9</u>	<u>3,085.7</u>	3.092.8	<u>3,512.1</u>	<u>3,509.8</u>
OBLIGATIONS/APPROPRIATIONS						
Personnel Services	1,173.3	1,188.3	1,246.7	1,278.3	1,243.5	1,257.0
Purchase of Services	871.8	920.5	1,007.1	1,050.3	1,090.1	1,072.5
Materials, Supplies and Equipment	84.0	80.0	76.0	70.6	71.5	85.0
Employee Benefits	483.4	485.8	540.6	598.9	704.7	766.4
Indemnities, Contributions and Grants	82.4	123.8	122.9	95.1	113.5	111.1
City Debt Service	88.2	101.8	97.1	93.7	89.7	83.4
Other	72.9	30.2	32.4	32.0	36.7	38.6
Payments to Other City Funds	<u> 25.5</u>	<u>50.7</u>	<u>30.4</u>	<u> 29.1</u>	<u>36.6</u>	<u> 26.4</u>
Total Obligations/Appropriations	2,881.5	<u>2,981.1</u>	<u>3,153.2</u>	<u>3,248.2</u>	<u>3,386.3</u>	<u>3,440.4</u>
Operating Surplus for the Year	73.6	(114.2)	(67.5)	(155.4)	125.8	69.4
Net Adjustments – Prior Year	$(138.7)^{(c)}$	23.2	19.8	17.3	17.2	18.0
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	<u> 295.1</u>	<u>230.0</u>	<u>139.0</u>	<u>91.3</u>	<u>(46.8)</u>	<u>96.2</u>
Cumulative Adjusted Year End Fund Balance (Deficit)	230.0	139.0	<u>91.3</u>	(46.8)	<u>96.2</u>	<u>183.6</u>

Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes. (a)

Accounting accrual changes required by GASB #33 resulted in additional one-time tax revenue accruals in Fiscal year 2001. (Wage Tax, \$50.4 million; (b) Business Privilege, \$5.2 million; Other Taxes, \$4.3 million)
Reflects GASB #33's impact on prior year accruals.

FIGURES MAY NOT ADD DUE TO ROUNDING.

Table B-2
City of Philadelphia
Principal Operating Funds (Debt Related)
Summary of Operations
(Legal Basis)
(Amounts in Millions of USD)

						Current
_	Actual	Actual	Actual	Actual	Actual	Estimate
_	2001	2002	2003	2004	2005	2006
REVENUES						
General Fund	2,955.1	2,866.9	3,085.7	3,092.8	3,512.1	3,509.8
Water Fund ^(a)	410.3	404.2	440.8	438.3	451.4	492.3
Aviation Fund ^(b)	180.6	184.2	219.8	241.4	249.0	292.7
Other Operating Funds ^(c)	<u>29.1</u>	<u>35.8</u>	<u>39.2</u>	<u>39.0</u>	<u>38.6</u>	<u>173.8</u>
Total Revenue	<u>3,575.1</u>	<u>3,491.1</u>	<u>3,785.5</u>	<u>3,811.4</u>	<u>4,251.1</u>	<u>4,468.6</u>
OBLIGATIONS/APPROPRIATIONS						
Personnel Services	1,321.4	1,339.1	1,406.0	1,444.7	1,409.0	1,428.4
Purchase of Services	992.2	1,050.3	1,147.4	1,197.0	1,250.0	1,379.8
Materials, Supplies and Equipment	127.1	121.9	120.0	119.2	121.9	145.3
Employee Benefits	538.1	541.8	600.6	662.1	784.9	853.8
Indemnities, Contributions and Taxes	88.1	129.1	128.5	99.7	117.3	121.6
Debt Service ^(d)	296.2	330.7	358.0	344.6	336.8	345.1
Other	72.9	30.7	32.4	32.0	36.7	38.6
Payments to Other City Funds	75.5	97. <u>5</u>	93.9	95.5	97.0	89.3
Total Obligations/Appropriations	3,511.5		3,886.8	3,994.8	4,153.6	<u>4,401.9</u>
Total Congations/Appropriations	3,311.3	<u>3,640.7</u>	2,000.0	<u>3,994.6</u>	4,155.0	4,401.9
Operating Surplus (Deficit) for the Year	63.6	(149.6)	(101.3)	(183.4)	97.5	66.7
Net Adjustments Prior Year	(122.8)	43.1	50.2	41.0	45.8	42.3
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance (Deficit) Prior Year End	<u>330.3</u>	<u> 289.6</u>	<u>183.1</u>	<u>132.0</u>	<u>(10.4)</u>	<u>132.8</u>
Cumulative Adjusted Year End Fund Balance (Deficit)	<u>271.1</u>	<u>183.1</u>	<u>132.0</u>	(10.4)	<u>132.9</u>	<u>241.8</u>

⁽a) Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of \$4,994,000 per year, provided certain further conditions are satisfied. From Fiscal Year 1991 to Fiscal Year 2003, the maximum transfer, per administrative agreement, was \$4,138,000. For Fiscal Year 2004, the budgeted transfer was not made. For Fiscal Year 2005, the transferred amount is budgeted at \$4,994,000.

⁽b) Airport revenues are not available for other City purposes.

⁽c) Includes County Liquid Fuels Tax Fund, Special Gasoline Tax Fund and Water Residual Fund.

⁽d) Excludes PICA bonds.

FIGURES MAY NOT ADD DUE TO ROUNDING.

Quarterly Reporting to PICA

On November 16, 1992, the City submitted the first of its quarterly reports to PICA. This reporting is required under the PICA Act so that PICA may determine whether the City is in compliance with the then-current Five-Year Plan. Under the PICA Act, a "variance" is deemed to have occurred as of the end of a reporting period if (i) a net adverse change in the fund balance of a covered fund of more than 1% of the revenues budgeted for such fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or (ii) the actual net cash flows of the City for a covered fund are reasonably projected to be less than 95% of the net cash flows of the City for such covered fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year. The Mayor is required to provide a report to PICA that describes actual or current estimates of revenues, expenditures, and cash flows by covered funds compared to budgeted revenues, expenditures, and cash flows by covered funds for such previous quarterly or monthly period and for the year-to-date period from the beginning of the then-current fiscal year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

PICA may not take any action with respect to the City for variances if the City (i) within 30 days provides a written explanation of the variance that PICA deems reasonable; (ii) within 45 days 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.

The City submitted its Fifteenth Five Year Plan to PICA on June 1, 2006. The City's most recent quarterly report was submitted to PICA on May 15, 2006.

REVENUES OF THE CITY

General

In 1932, the Pennsylvania General Assembly adopted an act (commonly referred to as the Sterling Act) under which the City was permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Prior to 1939, the City relied heavily upon the real property tax as the mainstay of its revenue system. Acting under the Sterling Act and other legislation, the City has taken various steps over the years to reduce its reliance on real property taxes as a source of income, including: (1) enacting the wage, earnings, and net profits tax in 1939; (2) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (3) requiring under the Home Rule Charter that the water, sewer, and other utility systems be fully self-sustaining; and (4) enacting in 1952 the Mercantile License Tax (a gross receipts tax on business done within the City), which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax.

Major Revenue Sources of Principal Operating Funds (Debt Related)

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table B-3 for revenues by major source for Fiscal Years 1997-2006 and Table B-4 for General Fund tax revenues for Fiscal Years 2001-2006. The following description does not take into account revenues in the Non-Debt Related Funds. The tax rates for Fiscal Years 1995 through 2005 are contained in the Fiscal Year 2005 Comprehensive Annual Financial Report.

Real Property Taxes — A real estate tax on all taxable real property is levied at a rate of 82.64 mills on the assessed value of residential and commercial property located within the City's boundaries. From Fiscal Year 2003 onward, the City's portion of the rate is 34.74 mills and the School District's portion is 47.90 mills.

Wage, Earnings, and Net Profits Taxes — These taxes are levied on the wages, earnings, and net profits of all residents of the City and all non-residents employed within the City. The rate for both residents and non-residents was 4.3125% from Fiscal Year 1977 through Fiscal Year 1983. For Fiscal Years 1984 through 1991 the

wage and earnings tax rate was 4.96% for residents and 4.3125% for non-residents and the net profits tax rate was 4.96% for both residents and non-residents.

In Fiscal Year 1992, the City reduced the City wage, earnings, and net profits tax on City residents by 1.5% and imposed the PICA Tax on wages, earnings and net profits at the rate of 1.5% on City residents. The table below sets forth the resident and non-resident wage and earnings tax rates for Fiscal Years 1995-2006, and the annual wage and earnings tax receipts in such fiscal years.

Resident Wage and Earnings Tax Rates*	Non-Resident Wage and <u>Earnings Tax Rates</u>	Annual Wage and Earnings Tax Receipts (including PICA Tax) (Amounts in Millions)
4.9600%	4.3125%	\$1,070.2
4.8600	4.2256	1,096.3
4.8400	4.2082	1,106.1
4.7900	4.1647	1,158.1
4.6869	4.0750	1,195.6
4.6135	4.0112	1,242.3
4.5635	3.9672	1,332.6
4.5385	3.9462	1,297.3
4.5000	3.9127	1,306.6
4.4625	3.8801	1,347.6
4.3310	3.8197	1,387.5
4.3010	3.7716	1,413.5
	4.9600% 4.8600 4.8400 4.7900 4.6869 4.6135 4.5635 4.5385 4.5000 4.4625 4.3310	Earnings Tax Rates* Earnings Tax Rates 4.9600% 4.3125% 4.8600 4.2256 4.8400 4.2082 4.7900 4.1647 4.6869 4.0750 4.6135 4.0112 4.5635 3.9672 4.5385 3.9462 4.5000 3.9127 4.4625 3.8801 4.3310 3.8197

^{*} Includes PICA Tax

In the Fifteenth Five-Year Plan, the Mayor proposed further reductions in this tax rate for each of the Fiscal Years 2007-2011. The Fifteenth Five-Year Plan proposed reducing the wage tax from its current level of 4.3010% for residents and 3.7716% for non-residents to 3.8626% for residents and 3.5538% for non-residents by Fiscal Year 2011. Each approved Five-Year Plan since the one covering Fiscal Years 1996-2000 has included reductions in this tax rate for each of its fiscal years.

Business Privilege Tax — In May 1984, the City enacted an ordinance substituting the Business Privilege Tax for the Mercantile License Tax. The Business Privilege Tax has been levied since January 1985 on every entity engaging in business in the City.

The Business Privilege Tax is a composite tax. Tax rates vary according to business classification (regulated, non-regulated, persons registered under the Pennsylvania Securities Act of 1972, manufacturing, wholesale, or retail) and method of tax computation employed. The various methods of tax computation are as follows: effective Fiscal Year 1989, all regulated industries, banks, trust companies, insurance companies, and public utilities, among others, were taxed at an annual rate of 3.25 mills on annual receipts not to exceed 6.5% of their net income. The tax on annual receipts and net income of all businesses, other than regulated industries, was levied at 3.25 mills and 6.5%, respectively, provided that persons registered under the Pennsylvania Securities Act of 1972 shall in no event pay a tax of less than 5.711 mills on all taxable receipts plus the lesser of 4.302% of net income or 4.302 mills on gross taxable receipts.

Non-regulated industry manufacturers can opt for a lower 5.395% rate on receipts from sales after deducting the applicable cost of goods. Non-regulated wholesalers may choose a gross receipts tax on wholesale transactions at a lower rate of 7.55% after deducting applicable product and labor costs. Non-regulated retailers have the option of choosing the lower rate of 2.1% on receipts from retail sales after deducting applicable product and labor costs.

All persons subject to both the Business Privilege Tax and the Net Profits Tax are entitled to apply a credit of 60% of their Business Privilege Tax liability against what is due on the Net Profits Tax, which credit may be carried back or forward for up to three years.

In Fiscal Year 1996, the City began a program of reducing the gross receipts portion of the Business Privilege Tax from its previous level of 3.25 mills.

Tax Year	Business Privilege <u>Tax/Gross Receipts</u>
1996	3.000 mills
1997	2.950 mills
1998	2.875 mills
1999	2.775 mills
2000	2.650 mills
2001	2.525 mills
2002	2.400 mills
2003	2.300 mills
2004	2.100 mills
2005	1.900 mills
2006	1.750 mills

In the Fifteenth Five-Year Plan, the Mayor also proposed further reductions in this tax rate for each of Fiscal Years 2007-2011. The City proposes to accelerate the rate reductions for the gross receipts portion of the business privilege tax so that by Fiscal Year 2007, this tax will be only 51 percent of the rate that prevailed when the City began its tax cuts in 1996.

All business activity is also assessed a one-time \$200 licensing fee administered by the Department of Licenses and Inspections.

Sales and Use Tax — In connection with the adoption of the Fiscal Year 1992 Budget, the City adopted a 1% sales and use tax (the "City Sales Tax") for City general revenue purposes. The Commonwealth authorized the levy of this tax under the PICA Act. Vendors are required to pay this sales tax to the Commonwealth Department of Revenue together with the similar Commonwealth sales and use tax. The State Treasurer deposits the collections of this tax in a special fund and disburses the collections, including any investment income earned thereon, less administrative fees of the Commonwealth Department of Revenue, to the City on a monthly basis.

The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. The City Sales Tax became effective September 28, 1991 and is collected for the City by the Commonwealth Department of Revenue. The table below sets forth the City Sales Tax collected in Fiscal Years 1996 through 2005, and the estimated collection for Fiscal Year 2006.

Fiscal Year	City Sales Tax Collections
1996	\$82.4 million
1997	91.4 million
1998	94.5 million
1999	101.4 million
2000	103.7 million
2001	111.3 million
2002	108.1 million
2003	108.0 million
2004	108.0 million
2005	119.9 million
2006	125.9 million*

^{*} Estimated tax collections for Fiscal Year 2006

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 2006 General Fund estimate projects that approximately 27.3% of General Fund revenues will be received from other governmental jurisdictions, including: (1) \$166.1 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) \$205.7 million from the Federal government; and (3) \$55.0 million from other governments, in which revenues are primarily principal and interest payments on loans made by the City on SEPTA's behalf and the Convention Center Service Fee offset. In addition, the projected net collections of the PICA Tax of \$226.6 million are included in "Revenue from Other Governments." These amounts do not include the substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Revenues from City-Owned Systems

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

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

The revenues of PGW are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by PGW. In previous years, PGW has also made an annual payment of \$18,000,000 to the City's General Fund. For Fiscal Year 2005 the City agreed to forgo the \$18,000,000 payment and for Fiscal Year 2006 the City budgeted the receipt of the \$18,000,000 payment and the grant back of such amount to PGW. The City's Fifteenth Five-Year Plan assumes that the \$18,000,000 payment will be made in each of Fiscal Years 2007 and 2008 and that the City will grant back such payment to PGW in each such Fiscal Year. The Fifteenth Five-Year Plan assumes that the \$18,000,000 payment will be forgiven beginning in Fiscal Year 2009.

Philadelphia Parking Authority

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

Revenues under the Lease Agreement with PPA – PPA owns and operates five parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease expiring in 2030 (the "Lease Agreement"). The Lease Agreement provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA's bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The amount that was transferred from the PPA to the City's Aviation Operating Fund as rent on June 30, 2004 was \$14,539,053. The City received transfers of rental payments in Fiscal Year 2002 and Fiscal Year 2003 that totaled \$15,326,571 and \$11,629,311, respectively. The Fiscal Year 2005 transfer was \$27,239,000 under the Lease Agreement.

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.

Act 9 Litigation – On February 9, 2004, the Commonwealth enacted Act 9, which provides for the extension of the term of the Agreement of Cooperation for a period of ten (10) years. Act 9 additionally requires that the PPA turn over to the Philadelphia School District the portion of the annual revenue from on-street parking operations which it collects on behalf of the City, net of the PPA's operating and administrative costs, that exceeds \$25,000,000.

In April 2004, the City filed a lawsuit in the Commonwealth Court challenging the constitutionality of Act 9. The City named the PPA and the Governor of Pennsylvania as defendants in the lawsuit. The Commonwealth Court has ruled that Act 9 is constitutional, and the City has appealed such ruling to the Pennsylvania Supreme Court.

Assessment and Collection of Real and Personal Property Taxes

The Board of Revision of Taxes (the "Board") appoints real estate assessors who annually assess all real estate located within the City. The assessors return assessments for each parcel of real estate to the Board. The Board may increase or decrease the property valuations contained in the returns of the assessors in order that such valuations conform with law. After the Board gives proper notice of all changes in property assessments, and after it has heard all assessment appeals, it then makes assessments and certifies the results to the Department of Revenue.

Real estate taxes, if paid by February 28, are discounted by 1%. If the tax is paid during the month of March, the gross amount of tax is due. If the tax is not paid by the last day of March, tax additions of 1.5% per month are added to the tax for each month that the tax remains unpaid through the end of the calendar year. Beginning in January of the succeeding year, the 15% tax additions that accumulated during the last ten months of the preceding years are capitalized and the tax is registered delinquent. Interest is then computed on the new tax base at a rate of 0.5% per month until the real estate tax is fully paid. Commencing in February of the second year, an additional 1% per month penalty is assessed for a maximum of seven months. See the Fiscal Year 2004 Comprehensive Annual Financial Report for assessed and market values of taxable realty in the City and for levies and rates of collections.

During Fiscal Year 1997 and subsequent to the adoption of the Fiscal Year 1998 budget, the City decided to abandon the collection of the Personal Property Tax due to uncertainty as to the outcome of litigation challenging specific aspects of the tax then pending in other jurisdictions of the Commonwealth. As a result, the City realized no Personal Property Tax revenues in Fiscal Year 1998 or in subsequent years. The Personal Property Tax had been levied on the value of certain personal property of the residents of the City.

Table B-3
City of Philadelphia
Summary of
Principal Operating Funds (Debt Related)
Revenues By Major Source
Fiscal Years 1997-2006
(Legal Basis)
(Amounts in Millions of USD)

Fiscal <u>Year</u>	Real & Personal Property <u>Taxes^(a)</u>	Wage Earnings & Net Profits Taxes ^(a)	Business Privilege <u>Tax^(a)</u>	Sales and Use <u>Tax^(a)</u>	Other Taxes ^(b)	Total <u>Taxes</u>	Water & Wastewater <u>Charges</u>	Airport <u>Charges</u>	Other Locally Generated <u>Charges</u>	Total Local <u>Revenue</u>	Revenue from Other <u>Gov'ts</u>	Revenue from Other City <u>Funds</u>	Total Revenues
1997	358.2	885.4 ^(c)	246.4	91.4	93.8	1,675.2	291.0	125.8	236.8	2,328.8	587.9	44.1	2,960.8
1998	333.9 ^(d)	926.9 ^(c)	237.4	94.5	122.1	1,714.8	288.8	126.6	253.7	2,383.9	620.7	46.1	3,050.7
1999	342.6	949.8 ^(c)	254.5	101.4	118.3	1,766.6	290.5	143.2	259.9	2,460.2	639.9	103.1	3,203.2
2000	353.6	985.7 ^(c)	290.1	103.7	123.5	1,856.6	296.1	149.4	258.0	2,560.1	708.3	79.9	3,348.3
2001	363.4	1,059.0 ^(e)	314.0 ^(e)	111.3	$130.0^{(e)}$	1,997.7	285.8	175.7	251.3	2.710.5	781.7	90.5	3,580.0
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	2,059.6	383.1	235.0	207.4	2,885.1	834.2	92.1	3,811.4
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 (Estimate)	397.8	1,090.3	378.2	125.9	284.7	2,292.4	456.8	289.9	230.1	3,269.2	990.1	209.3	4,468.0

- (a) See Table 5 in the Fiscal Year 2004 Comprehensive Annual Financial Report for Tax Rates.
- (b) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
- In Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Taxes from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on the PICA bonds and PICA's expenses.
- (d) The City ceased collecting the Personal Property Tax in Fiscal Year 1997.
- (e) Accounting accrual changes required by GASB #33 resulted in additional one-time tax revenue accruals in Fiscal Year 2001. (Wage Tax, \$50.4 million; Business Privilege, \$5.2 million; Other Taxes, \$4.3 million).

FIGURES MAY NOT ADD DUE TO ROUNDING.

Table B-4
City of Philadelphia General Fund
Tax Revenues (a)
Fiscal Years 2001-2006
(Amounts In Millions of USD)

	Actual	Actual	Actual	Actual	Actual	Estimate
	2001	2002	2003	2004	2005	2006
REAL PROPERTY TAXES						
Current	325.8	333.2	329.4	332.6	353.2	356.8
Prior	<u>37.6</u>	<u>40.4</u>	<u>31.7</u>	<u>45.1</u>	<u>39.5</u>	41.0
Total	<u>363.4</u>	<u>373.6</u>	<u>361.1</u>	<u>377.7</u>	<u>392.7</u>	397.8
WAGE AND EARNINGS $TAX^{(c)}$	4.7					
Current	1,023.1 ^(d)	981.8	987.2	1,034.5	1,066.0	1,079.8
Delinquent	<u>24.1</u>	<u>24.2</u>	<u>26.2</u>	<u>15.1</u>	<u>7.6</u>	10.5
Total	<u>1,047.2</u>	<u>1,006.0</u>	<u>1.013.4</u>	<u>1.049.6</u>	<u>1,073.6</u>	1,090.3
BUSINESS TAXES						
Business Privilege						328.3
Current	275.5	273.8	238.7	269.9	326.7	53.0
Delinquent	<u>38.5</u>	<u>22.0</u>	<u>47.4</u>	<u>39.2</u>	<u>52.8</u>	378.2
Sub-Total Business Privilege	<u>314.0</u>	<u> 295.8</u>	<u>286.1</u>	<u>309.2</u>	<u>379.5</u>	
Net Profits Tax						
Current	10.6	11.4	10.1	11.3	12.0	12.0
Delinquent	1.2	2.0	1.6	1.7	1.7	2.5
Sub-Total Net Profits Tax	<u>11.8</u>	<u>13.4</u>	<u>11.7</u>	<u>13.0</u>	<u>13.7</u>	14.5
Total Business Taxes	<u>325.8</u>	<u>309.2</u>	<u> 297.8</u>	<u>322.1</u>	<u>393.2</u>	392.7
OTHER TAXES						
Sales and Use Tax	111.3	108.1	108.0	108.0	119.9	125.9
Amusement Tax	13.0 ^(d)	13.8	14.1	18.3	13.5	17.0
Real Property Transfer Tax	77.0	96.7	103.4	141.3	192.3	220.0
Parking Taxes	39.0 ^(d)	37.9	38.7	42.5	45.0	47.2
Other Taxes	<u>0.5</u>	<u>0.1</u>	<u>0.1</u>	<u>.1</u>	<u>0.1</u>	1.5
Sub-Total Other Taxes	241.3	<u>256.6</u>	<u>264.3</u>	<u>310.2</u>	<u>370.8</u>	411.6
TOTAL TAXES	1,977.7	1,945.4	<u>1,936,6</u>	2,059.6	2,230.3	2,292.3

⁽a) See Table 5 in the Fiscal Year 2004 Comprehensive Annual Financial Report for Tax Rates.

FIGURES MAY NOT ADD DUE TO ROUNDING.

⁽b) The City ceased levying the Personal Property Tax during the latter part of Fiscal Year 1997.

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.

⁽d) See Note (e) on Table B-3.

Table B-5
Ten Largest Certified Market and Assessment Values
of Tax Abated Properties
January 1, 2005

	Location	2006 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment
1	2201 Park Towne Place	\$48,000,000	\$15,360,000	\$13,452,400	\$1,907,600
2	819-41 Chestnut Street	\$38,000,000	\$12,160,000	\$5,440,000	\$6,720,000
3	1600-18 Arch Street	\$37,661,200	\$12,051,584	\$2,550,400	\$9,501,184
4	1825-51 North 10th Street	\$33,200,000	\$10,624,000	\$0	\$10,624,000
5	3118-98 Chestnut Street	\$30,859,800	\$9,875,136	\$2,827,616	\$7,047,520
6	801 Market Street	\$30,000,000	\$9,600,000	\$1,544,000	\$8,056,000
7	1915-19 Chestnut Street	\$29,264,100	\$9,364,512	\$8,956,800	\$407,712
8	200 West Washington Square	\$24,826,432	\$7,944,458	\$649,618	\$7,294,840
9	11000 East Roosevelt Blvd.	\$24,277,400	\$7,768,768	\$3,680,000	\$4,088,768
10	3175 John F. Kennedy Blvd.	\$24,010,000	\$7,683,200	\$2,400,000	\$5,283,200

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, 2005, the City employed 27,861 full-time employees with the salaries of 23,196 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.

Table B-6 City of Philadelphia
Filled, Full-Time Positions – All Operating Funds

		Adopted Budget				
_	2001	2002	2003	2004	2005	2006
General Fund						
Police	7,807	7,800	7,983	7,704	7,368	7,239
Streets	2,141	2,080	2,009	1,937	1,788	1,848
Fire	2,500	2,458	2,479	2,336	2,248	2,345
Health	861	856	782	756	667	680
Courts	2,038	2,039	2,058	2,039	2,004	1,852
Other	<u>9,306</u>	<u>9,289</u>	<u>9,400</u>	<u>8,987</u>	<u>8,890</u>	<u>8,881</u>
Total General Fund	24,653	24,372	24,582	23,759	22,927	22,845
Other Funds	<u>4,649</u>	<u>4,700</u>	<u>4,659</u>	<u>5,035</u>	<u>4,649</u>	<u>5,381</u>
TOTAL	<u>29,302</u>	<u>29,072</u>	<u>29,241</u>	<u>28,794</u>	<u>27,614</u>	<u>28,226</u>

Labor Agreements

Four major bargaining units represent City employees for collective bargaining purposes. District Councils 33 and 47 of the American Federation of State, County and Municipal Employees, AFL-CIO represents approximately 15,000 non-uniformed employees. The bargaining units for uniformed employees are the Fraternal Order of Police, Lodge 5 (the "FOP") and the Philadelphia Fire Fighters Association, Local 22, International Association of Fire Fighters AFL-CIO ("Local 22"), which together represent approximately 9,400 employees. The non-uniformed employees bargain under Act 195 of 1972, which allows for the limited right to strike over collective bargaining impasses. The uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses. All contract expiration dates are June 30 unless otherwise noted.

In September 2004, a collective bargaining agreement was reached with District Council 47. This four-year contract includes a \$750 payment to each member with no general wage increase in Fiscal Year 2005 and wage increases of 2, 3 and 4 percent effective July 1 of each succeeding year, respectively. In December 2004, a collective bargaining agreement was reached with District Council 33, which mirrored the agreement previously reached with District Council 47.

In 2003, an arbitration panel awarded Local 22 a 3% increase in wages effective July 1, 2002, a 3.5% wage increase effective July 1, 2003 and a 3% wage increase effective July 1, 2004. The three-year award also granted significant increases in health and welfare benefits to Local 22. That awarded contract expired in 2005. The City is currently in Act 111 interest arbitration with the firefighters. An award is expected in June 2006.

The present FOP contract contains a 3% increase in wages effective July 1, 2004, 3% effective July 1, 2005, 3% effective July 1, 2006 and a 4% increase effective July 1, 2007. The award also called for a re-opener for health medical coverage for Fiscal Year 2006 and Fiscal Year 2007.

At the re-opener in August of Fiscal Year 2006, the arbitrators ordered the City to increase FOP health-care contributions by 15.7 percent and 10 percent in Fiscal Year 2006 and Fiscal Year 2007 respectively. After a City appeal, the Court of Common Pleas remanded the ruling back to arbitration, but the panel reissued its original ruling with no change. The City appealed the ruling to Common Pleas Court on February 13, 2006, and lost. The City has appealed that ruling in Commonwealth Court.

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

Table B-7 City of Philadelphia Employee Wage Increases Fiscal Years 1998-2008

Fiscal <u>Year</u>	District Council <u>No. 33</u>		District Council <u>No. 47</u>		Fraternal Order of Police		International Association of Fire Fighters	
1998	3.0%	(a)	3.0%	(a)	4.0%	(b)	4.0%	(c)
1999	3.0%	(d)	3.0%	(d)	3.0%	(e)	3.0%	(f)
2000	4.0%	(g)	4.0%	(g)	4.0%	(h)	4.0%	(i)
2001	No increase	(j)	No increase	(j)	3.0%		3.0%	• • •
2002	3.0%	(k)	3.0%	(k)	4.0%		4.0%	
2003	3.0%	(1)	3.0%	(1)	3.0%		3.0%	
2004	3.0%		3.0%		3.5%		3.5%	
2005	No increase	(m)	No increase	(m)	3.0%		3.0%	
2006	2.0%		2.0%		3.0%			
2007	3.0%	(n)	3.0%	(n)	3.0%			
2008	4.0%	(o)	4.0%	(o)	4.0%			

(a) Second year of a four year contract: 3% effective December 15, 1997. (b) Second year of a two year contract: 4% effective September 15, 1997. (c) Second year of a four year contract: 4% effective September 15, 1997. (d) Third year of a four year contract: 3% effective December 15, 1998. (e) First year of a two year contract: 3% effective September 15, 1998. (f) Third year of a four year contract: 3% effective September 15, 1998. (g) Fourth year of a four year contract: 4% effective March 15, 2000. (h) Second year of a two year contract: 4% effective September 15, 1999. (i) Fourth year of a four year contract: 4% effective September 15, 1999. (j) First year of a four year contract: cash bonus of \$1,500 paid in August 2000.

(k) Second year of a four year contract: 3% effective December 15, 2001.
(l) Third year of a four year contract: 3% effective December 15, 2002.

(m) First year of a four year contract: cash bonus of \$750 paid in October 2004 to District Council 47 members and

in December 2004 to District Council 33 members.

(n) Third year of a four year contract: 3% effective December 15, 2006.
(o) Fourth year of a four year contract: 4% effective December 15, 2007.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 2001 through 2006 are shown in the following table.

Table B-8 City of Philadelphia General Fund Employee Benefit Expenditures Fiscal Years 2001-2006 (Amounts in Millions of USD)

		Estimate				
-	2001	2002	2003	2004	2005	2006
Pension Contribution	194.2	196.6	205.7	229.4	315.5	342.2
Health/Medical/Dental	186.7	187.6	226.6	253.7	285.9	298.6
Social Security	57.8	57.4	59.4	60.6	59.9	61.6
Other	<u>44.6</u>	<u>44.2</u>	<u>48.9</u>	<u>55.2</u>	<u>43.4</u>	<u>64.0</u>
Total	<u>483.3</u>	<u>485.8</u>	<u>540.6</u>	<u>598.9</u>	<u>704.7</u>	<u>766.4</u>

Municipal Pension Fund (Related to All Funds)

The City is required by the Home Rule Charter to maintain an actuarially sound pension and retirement system covering all officers and employees of the City. Court decisions have interpreted this requirement to mean that the City must make contributions to the Municipal Pension Fund sufficient to fund:

- A. Accrued actuarially determined normal costs.
- B. Amortization of the unfunded actuarial accrued liability ("UAAL") determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.
- C. Amortization in level dollar payments of the changes in the July 1, 1985 liability due to: nonactive member's benefit modifications (10 years); experience gains and losses (15 years); changes in actuarial assumptions (20 years); and active members' benefit modifications (20 years).

The pension fund was actuarially valued every two years through 1984, and beginning with the July 1, 1985 valuation report, is required to be actuarially valued each year.

The July 1, 1980 unfunded liability, as amended by subsequent reports, will be amortized over 38 years through annual contributions which will closely approximate a level percent of payroll. The Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, enacted December 18, 1984 adopted changes in funding of municipal pensions that have been reflected in the valuation report for July 1, 1985. In particular, this act generally requires that unfunded actuarial accrued liability be funded in annual level dollar payments. The City is permitted to amortize the July 1, 1985 UAAL over 40 years ending in 2025.

Based on an actuarial schedule providing payments increasing at 5.0% per annum, the unfunded accrued liability of \$1.8 billion, as of July 1, 2002 should be fully amortized by 2019.

Non-uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service or upon attainment of age fifty-five. Upon retirement, non-uniformed employees may receive up to 80% of their average final compensation depending upon their years of credited service. Uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service or upon attainment of age forty-five. Upon retirement, uniformed employees may receive up to 100% of their average final compensation depending upon their years of credited service.

Effective January 1, 1987 the City adopted a new plan ("Plan 87") to cover employees hired after January 8, 1987, as well as members in the previous Plan who elected to transfer to Plan 87. Except for elected officials, Plan 87 provides for less costly benefits and reduced employee contributions. For elected officials, Plan 87 provides for enhanced benefits, with participating elected officials required to pay for the additional normal cost. Police and Fire personnel became eligible for Plan 87 on July 1, 1988. Because of Court challenges, members of District Council 33 and Local 2187 of District Council 47 were not eligible for Plan 87 until October 2, 1992.

A comprehensive statement of operations of the City Municipal Pension Fund for Fiscal Years 1995 through 2005 is contained in the Fiscal Year 2005 Comprehensive Annual Financial Report.

Purchase of Services

The City accounts for a number of expenditures as purchase of services. The following table presents major purchases of services in the General Fund in Fiscal Years 2001 through 2006.

Table B-9
City of Philadelphia
Purchase of Services In The General Fund
Fiscal Years 2001-2006
(Amounts In Millions of USD)

	Actual					Estimate
	2001	2002	<u>2003</u>	2004	2005	2006
Human Services (a)	360.2	393.1	452.2	493.7	511.8	469.0
Public Health	62.0	73.6	68.2	69.1	60.7	63.8
Public Property(b)	140.3	144.3	135.1	132.4	133.3	139.2
Streets(c)	49.7	50.4	54.4	53.9	54.6	55.7
Sinking Fund-Lease	42.6	57.8	74.3	70.8	70.7	85.8
Debt(d)						
Legal Services(e)	27.1	29.5	30.9	33.4	33.5	33.6
First Judicial District	28.8	21.9	27.5	23.0	28.3	23.6
Licenses &	23.7	25.9	2.9	6.0	3.1	11.5
Inspections(f)						
Emergency(g)	11.8	11.6	13.9	12.0	22.1	22.4
All Other	<u>125.6</u>	<u>142.9</u>	<u> 147.7</u>	<u>156.0</u>	<u>172.0</u>	<u>167.9</u>
Total	<u>871.8</u>	<u>951.2</u>	<u>1,007.1</u>	<u>1,050.3</u>	<u>1,090.1</u>	<u>1,072.5</u>

⁽a) Includes payments for care of dependent and delinquent children.

FIGURES MAY NOT ADD DUE TO ROUNDING

City Payments to School District

In each fiscal year since Fiscal Year 1996, the City has made an annual grant of \$15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional annual \$20 million beginning in Fiscal Year 2002.

⁽b) Includes payments for SEPTA, space rentals, utilities, and telecommunications.

⁽c) Includes solid waste disposal costs.

⁽d) Includes Justice Center, Neighborhood Transformation Initiative and Stadium lease debt.

⁽e) Includes payments to the Defender Association to provide legal representation for indigents.

⁽f) Includes payments for demolition in Fiscal Years 2001, 2002 and 2006.

⁽g) Includes homeless shelter and boarding home payments.

Act 9 requires that the PPA transfer to the School District at the end of each fiscal year commencing with fiscal year 2004 that portion of the net revenues derived from the system of on-street parking operations which exceeds \$25,000,000. The City has instituted a lawsuit in the Commonwealth Court challenging the constitutionality of Act 9. See "Revenues of the City – Philadelphia Parking Authority – Act 9 Litigation" above.

City Loan to PGW

The City made a loan of \$45 million to PGW during Fiscal Year 2001 to assist PGW in meeting its cash flow requirements. This loan is scheduled to mature in Fiscal Year 2007; however, the budget for Fiscal Year 2007 does not include the \$45 million payment, and the current Five-Year Plan projects that the loan will be repaid in the City's Fiscal Year 2009. The extension of the repayment date to Fiscal Year 2009 is subject to City Council approval. In addition, in order to assist PGW, (i) the City agreed to forgo the \$18 million annual rental payment in Fiscal Year 2005, and (ii) the City's Fifteenth Five-Year Plan contemplates that in each of the Fiscal Years 2007 and 2008, the City will make a grant to PGW equal to the annual rental payment received from PGW in such Fiscal Years. The \$18 million grant back was appropriated by the City for Fiscal Year 2006 and Fiscal Year 2007. The Plan assumes that the \$18 million rental requirement will be eliminated in Fiscal Year 2009.

City Payments to SEPTA

The City's Fiscal Year 2005 operating subsidy payment to SEPTA was \$57.8 million. The Fiscal Year 2006 budget projects operating subsidy payments to SEPTA of \$59.2 million. The Fifteenth Five-Year Plan provides that the City's contribution to SEPTA will increase to \$64.7 million by Fiscal Year 2011.

DEBT OF THE CITY

The Constitution of the Commonwealth provides that the authorized debt of the City "may be increased in such amount that the total debt of said City shall not exceed 13.5% of the average of the annual assessed valuations of the taxable realty therein, during the ten years immediately preceding the year in which such increase is made, but said City shall not increase its indebtedness to an amount exceeding 3.0% upon such average assessed valuation of realty, without the consent of the electors thereof at a public election held in such manner as shall be provided by law." It has been judicially determined that bond authorizations once approved by the voters will not be reduced as a result of a subsequent decline in the average assessed value of City property.

The Constitution of the Commonwealth further provides that there shall be excluded from the computation of debt for purposes of the Constitutional debt limit, debt (herein called "self-supporting debt") incurred for revenue-producing capital improvements that may reasonably be expected to yield revenue in excess of operating expenses sufficient to pay interest and sinking fund charges thereon. In the case of general obligation debt, the amount of such self-supporting debt to be so excluded must be determined by the Court of Common Pleas of Philadelphia County upon petition by the City. Self-supporting debt is general obligation debt of the City, with the only distinction from tax-supported debt being that it is not used in the calculation of the Constitutional debt limit. Self-supporting debt has no lien on any particular revenues.

As of June 30, 2005, the Constitutional debt limitation for tax-supported general obligation debt was approximately \$1,304,037,000 (based upon a formula of 13.5% of the assessed value of real estate within the City on a 10 year rolling average). The City has total authorized general obligation debt of \$1,587,471,000, including approximately \$364,474,000 of self-sustaining debt, which does not count against the constitutional debt limit. In addition, maturing serial bonds in the approximate amount of \$29,884,000 were repaid in Fiscal Year 2005. As a result, \$1,205,496,000 of general obligation debt subject to the constitutional debt limit was outstanding on June 30, 2005. A balance of \$98,541,000 remained available for future authorization as of June 30, 2005.

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 the PGW. Bonds so issued are excluded for purposes of the calculation of the Constitutional debt limit.

Short - Term Debt

The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972. Each note issue was repaid when due prior to the end of the fiscal year of issuance. The City issued \$370 million of Tax and Revenue Anticipation Notes in July 2005. The notes are due on June 30, 2006. The City intends to repay these notes when due at maturity.

Long-Term Debt

Table B-10 presents a synopsis of the bonded debt of the City and its component units at the close of Fiscal Year 2005. In addition, see the Fiscal Year 2005 Comprehensive Annual Financial Report 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, 2005, the City's tax-supported general obligation debt issued and outstanding equaled \$1,205,496,000.

Of the total balance of City tax-supported general obligation bonds outstanding at June 30, 2005, 10.8% is scheduled to mature within 5 years and 26.2% is scheduled to mature within 10 years.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations. As of June 30, 2005, the principal amounts of the outstanding bonds of each of these authorities relating to the City's contract and lease obligations were as follows:

PMA	\$264.6 million
PAID	\$1,823.0 million
Parking Authority	\$73.6 million
Redevelopment Authority	\$283.5 million
Hospitals Authority	\$26.4 million
Convention Center Authority	\$229.5 million

Source: Office of the Director of Finance

The bonds of the Parking Authority included in the previous table are payable from project revenues, and by the City only if and to the extent that net revenues are inadequate for this purpose. The City paid \$2.2 million in Fiscal Year 2004 and \$3.2 million in Fiscal Year 2005 toward the repayment of these bonds. See "Revenues of the City – Philadelphia Parking Authority."

The Hospitals Authority has issued bonds on behalf of the Community College of Philadelphia ("CCP"). These bonds are secured by, among other things, payments to be made by the City as the local sponsor pursuant to the enabling legislation that authorized the creation of CCP. As the local sponsor, the City is obligated to pay up to 50% of the debt service on bonds issued on behalf of CCP. The principal amount of such bonds for which the City is obligated to make such payments was \$26,360,000 as of June 30, 2005; this amount represents 50% of the \$52,720,000 principal amount of bonds issued and outstanding for CCP purposes as of June 30, 2005.

Recent Financings

In January 2006, the City issued Gas Works Revenue Bonds, Sixth Series (1998 General Ordinance). The principal amount of the bonds was \$313,390,000. The purpose of the bonds was to refund a portion of the outstanding Gas Works Revenue Bonds (1998 General Ordinance) Second Series A, Third Series, and Fourth Series, and all of the outstanding Gas Works Revenue Bonds (1998 General Ordinance) First Series B. Furthermore, the City entered into an interest rate swap agreement in connection and concurrently with the issuance of the bonds.

Table B-10
City of Philadelphia
City Related Bond Indebtedness
June 30, 2005
(Amounts In Millions of USD)

Governmental Fund Types

Enterprise Funds

	<u>City</u> <u>General</u> <u>Fund</u>	Municipal Authority Fund	<u>PICA</u>	Gov't Fund Totals	Water Fund	Aviation Fund	Enterprise Funds Totals	All Funds Totals
Bond Debt Outstanding, July 1, 2004	1,021.0	248.5	<u>770.7</u>	2,040.2	<u>1,738.4</u>	1.092.9	2,831.3	4,871.5
Bonds Issued: General Obligation General Obligation Refunding Revenue Bonds Revenue Funding	- - -	- - -	-	-	250.0 86.1	41.0 189.5	291.0 275.6	291.0 275.6
Total Bonds Issued	-			and the state of t	<u>336.1</u>	230.5	<u>566.6</u>	<u>566.6</u>
Bonds Matured-Refunded General Obligation General Obligation Refunded Revenue Revenue Refunded	30.1	18.5	- - -	48.6 - - -	1.1 - 70.8 80.7	2.4 - 35.4 183.9	3.5 - 106.2 	52.1 - 106.2
Total Bonds Matured-Refunded	<u>30.1</u>	<u>18.5</u>		<u>48.6</u>	<u>152.6</u>	<u>221.7</u>	<u>374.3</u>	<u>422.9</u>
Bonded Debt Outstanding June 30, 2005 General Obligation Revenue	990.9	230.0	770.7	1,991.6	8.1 <u>1,913.8</u>	- 1,101.7	8.1 <u>3,015.5</u>	1,999.7 3,015.5
Total Bonded Debt Outstanding	990.9	230.0	770.7	1,991.6	1,921.9	1,101.7	3,023.6	5,015.2
Sinking Fund Assets Available for Payment of Principal	***************************************		***	***************************************	174.0	<u>47.0</u>	221.0	221.0
Net Debt	<u>990.9</u>	<u>230.0</u>	<u>770.7</u>	<u>1,991.6</u>	<u>1,747.9</u>	1,054.7	<u>2,802.6</u>	<u>4,794.2</u>

Source: Office of Director of Finance

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2006-2011 contemplates a total expenditure of \$5,494,288,000 of which \$2,288,365,000 is to be provided from Federal, Commonwealth, and other sources and the remainder through City funding. The following table shows the amounts anticipated to be spent each year from various sources of funds for capital projects. City Council adopted the Capital Improvement Program for Fiscal Years 2006-2011 on June 16, 2005.

Table B-11
City of Philadelphia
Fiscal Years 2006-2011
Capital Improvement Program
(Amounts in Thousands of USD)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	Total
New Loans	68,148	53,584	49,899	49,061	47,570	45,712	313,974
Operating Revenue	31,738	5,550	5,250	5,250	5,250	5,250	58,288
Carried Forward Loans	209,412	0	0	0	0	0	209,412
Prefinanced Loans	1,000	1,000	1,000	1,000	1,000	1,000	6,000
PICA Prefinanced Loans	2,257	0	0	0	0	0	2,257
Tax-Supported Total	312,555	60,134	56,149	55,311	53,820	51,962	589,931
New Loans	209,747	264,276	320,248	381,913	296,347	325,216	1,797,747
Operating Revenue	68,720	17,968	18,168	17,668	17,868	18,068	158,460
Self-Sustaining Operating	641,785	0	0	0	0	0	641,785
Self-Sustaining Total	920,252	282,244	338,416	399,581	314,215	343,284	2,597,992
Revolving Funds	_18,000	0	0	0	0	0	<u>18,000</u>
Federal	308,880	114,524	85,460	67,532	64,792	64,372	705,560
Federal Off Budget	123,762	145,602	169,708	167,101	129,665	93,970	829,808
State	47,425	10,211	6,665	4,448	5,738	4,608	79,095
State Off Budget	38,154	61,012	60,800	67,195	72,928	61,628	361,717
Private	107,837	29,020	29,020	28,520	28,520	28,520	251,437
Other Governments/Agencies	54,000	0	0	0	0		54,000
Other Governments/Off-Budget	643	<u>789</u>	1,115	1,255	1,621	1,325	<u>6,748</u>
Other Than City Funds Total	<u>680,701</u>	<u>361,158</u>	<u>352,768</u>	336,051	<u>303,264</u>	<u>254,423</u>	2,288,365
·	<u>1,931,508</u>	<u>703,536</u>	<u>747,333</u>	<u>790,343</u>	<u>671,299</u>	649,669	5,494,288

LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Aviation Division, and the Gas Works. Claims against the Water Department are paid first from the Water Fund and only secondarily from the General Fund. Claims against the Aviation Division, to the extent not covered by insurance, are paid first from the Aviation Fund and only secondarily from the General Fund. Claims against the Gas Works, to the extent not covered by insurance, are paid first from Gas Works revenues and only secondarily from the General Fund.

The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act," (the "Tort Claims Act") establishes a \$500,000 aggregate limitation on damages for injury to a person or property arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been repeatedly upheld by the Pennsylvania Supreme Court. In February 1987, an appeal of a decision upholding such constitutionality to the United States Supreme Court was dismissed for want of jurisdiction. However, under Pennsylvania Rule of Civil Procedure 238, delay damages in State Court cases are not subject to the \$500,000 limitation. Moreover, the limit on damages is inapplicable to any suit against the City which does not arise under state tort law such as claims made against the City under Federal civil rights laws.

The aggregate loss resulting from general and special litigation claims was \$30.2 million for Fiscal Year 2001, \$30.0 million for Fiscal Year 2002, \$24.1 million for Fiscal Year 2003, \$24.5 million for Fiscal Year 2004, and \$27.5 million for fiscal year 2005. Estimates of settlements and judgments from the General Fund are \$21.7 million, \$25.1 million, \$25.1 million, \$24.0 million, and \$24.0 million for Fiscal Years 2006 through 2010, respectively. In budgeting for settlements and judgments in the annual Operating Budget and projecting settlements and judgments for each Five-Year Plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses. For Fiscal Year 2005, payments for claims arising from labor settlements in the General Fund amounted to \$2.6 million of which \$2.0 million was paid from the Indemnities account, and \$0.6 million from the Operating Budgets of the affected departments. Actual claims paid out from the General Fund for settlements and judgments averaged \$27.3 million per year over the five years from Fiscal Year 2001 through Fiscal Year 2005.

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; two civil rights claims; a pay dispute with former and current paramedics; a claim made by a Philadelphia sports franchise alleging damages for the cancellation of a professional exhibition game allegedly because the field at Veterans' Stadium was not in playable condition; and a federal lawsuit filed by twenty-four homeowners in the Osage-Pine neighborhood whose homes were destroyed in the MOVE altercation of 1985.

The ultimate outcome and fiscal impact, if any, on the City's General Fund of the claims and proceedings described in the preceding paragraph are not currently predictable. Various claims in addition to the lawsuits described above have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The aggregate loss for Fiscal Year 2003 which resulted from these claims and lawsuits was \$3.9 million, \$2.9 million for Fiscal Year 2004, and \$2.4 million for Fiscal Year 2005. The Water Department's budget for Fiscal Year 2006 contains an appropriation for Water Department claims in the amount of

\$6.5 million, although the current estimate is for only \$3.9 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

The Office of the U.S. Attorney and the Federal Bureau of Investigation are currently conducting an investigation, in the course of which they have subpoenaed certain records and communication devices of the City of Philadelphia, including records of the Division of Aviation and the Minority Business Enterprise Council. The Administration has responded to the subpoenas and has provided the items requested. The City is cooperating fully with federal investigators in pursuing their case.

ADDITIONAL INFORMATION

Current City Practices

It is the practice of the City in connection with the issuance and sale of each issue of the City's bonds or notes, to require in its contract with its underwriters that the underwriters deposit the official statement of the City relating to such issue of bonds or notes with a nationally recognized municipal securities information repository (a "Repository") as soon as practicable after delivery of such official statement. It is also the City's practice to file its Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, with a Repository as soon as practicable after delivery of such report. The CAFR for the City's fiscal year ended June 30, 2004 was deposited with a Repository on February 23, 2005. The CAFR for the City's fiscal year ended June 30, 2005 was released on January 19, 2006. 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, 2005. Such a request should be request should be addressed to: Office of the Director of Finance (Attention: Accounting), Suite 1330 Municipal Services Building, , 1401 John F. Kennedy Boulevard, Philadelphia, PA 19102. The City also expects to provide financial and other information as to the City from time to time to Moody's Investors Service, Standard & Poor's Ratings Group and Fitch Ratings, in connection with the securities ratings assigned by those rating agencies to bonds or notes of the City.

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

CITY SOCIOECONOMIC INFORMATION

Introduction

The City includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.52 million people. The City is in the heart of a nine-county metropolitan area with approximately 5.1 million residents. Air, rail, highway, and water routes provide easy access to the City.

The City is strategically located on the east coast with easy access to markets, resources, government centers, and transportation. The City's metropolitan area is the nation's fourth largest in terms of total retail sales and disposable income with approximately one-half of the population of the United States living within an overnight drive.

Quality of Life

The City is very livable with relatively low housing costs. The National Association of Realtors Affordability Index ranks the Philadelphia region as the 22nd most affordable housing market out of 180 sampled in the United States.

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, Citizen's Bank Park, the Wachovia Spectrum and the Wachovia Center, is home to the Philadelphia 76ers, Flyers, Phillies and Eagles. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell, as well as Fairmount Park, which includes Pennypack Park and the country's first zoo, within its 8,000 acres.

The City is a center for health, education, and science facilities with presently more than 30 hospitals, seven medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry and veterinary medicine, and the Philadelphia Center for Health Care Sciences in West Philadelphia. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area.

The City has eighty degree-granting institutions of higher education with a total enrollment of over 110,000 students. Included among these institutions are the University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force to the Philadelphia community.

The City also has major research facilities, including those located at its universities, the medical schools, the Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. The Children's Hospital of Philadelphia has recently completed the construction of a new \$100 million biomedical research facility located within the Philadelphia Center for Health Care Sciences in West Philadelphia. A major new cancer research center is also planned by the University of Pennsylvania.

Demographics

During the ten-year period between 1990 and 2000, the population of the City decreased from 1,585,577 to 1,517,550. During the same period, the population of the Philadelphia Primary Metropolitan Statistical Area ("PMSA") increased by 5.0%, less than one-half the national rate of increase.

Table B-12 Population City, PMSA & Nation

	<u>1990</u>	2000	2004	% Change <u>1990-2000</u>	% Change 2000-2004
Philadelphia	1,585,577	1,517,550	1,470,151	-4.3%	-3.1%
Philadelphia PMSA*	4,856,881	5,100,931	5,800,614	5.0%	13.7%
United States	248,709,873	281,421,906	293,656,842	13.2%	4.3%

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

^{*} The Philadelphia, PA-NJ Primary Metropolitan Statistical Area includes the counties of Bucks, Chester, Delaware, Montgomery, and Philadelphia in Pennsylvania and the counties of Burlington, Camden, and Gloucester in New Jersey. In 1993, Salem County, New Jersey was added to the Philadelphia, PA-NJ PMSA. For 2004, New Castle County, DE, and Cecil County, MD were added.

Table B-13
Population Age Distribution

		Philad	lelphia	Pennsylvania					
		% of		% of		% of		% of	
Age	1990	Total	2000	Total	1990	Total	2000	Total	
0-24	563,816	35.6	551,308	36.3	4,021,585	33.8	3,877,729	32.3	
25-44	490,224	30.9	444,774	29.3	3,657,323	30.8	3,515,421	29.3	
45-64	290,803	18.3	307,746	20.2	2,373,629	20.0	2,701,930	22.5	
65-84	217,913	13.7	186,383	12.3	1,657,270	13.9	1,666,641	13.9	
85 & up	22,801	1.4_	27,339	1.8	171,836	1.4	232,295	1.9	
Total	1,585,577	100.0	1,517,550	100.0	11,881,643	100.0	11,994,016	100.0	

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

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

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

The Economy

Philadelphia's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major business and personal service center with strengths in insurance, law, finance, health, education, and utilities.

The cost of living in Philadelphia is relatively moderate compared to other major metropolitan areas. The City, as one of the country's education centers, offers the business community a large, diverse, and industrious labor pool.

Table B-14 Office Rental Rates in Cities Throughout the United States

(In \$ Per Square Foot)

	Sept, 2000	March, 2001	March, 2002	March, 2003	January, 2004	January, 2005
Atlanta	20.20	22.08	21.60	23.91	23.09	21.92
Chicago	28.16	24.03	24.02	22.30	29.97	28.47
Dallas	20.87	18.51	19.77	21.32	20.58	19.71
Denver	19.70	18.27	16.58	18.29	17.84	17.24
Houston	22.61	16.30	18.20	19.97	19.29	18.21
Los Angeles	20.64	27.30	27.42	27.62	25.56	26.55
New York	43.10	53.26	47.20	43.53	45.51	45.16
Philadelphia	21.28	23.49	22.16	23.97	23.24	21.97
Phoenix	20.28	21.57	21.11	20.90	20.38	19.39
Portland	21.50	20.50	20.00	21.55	20.59	19.65
San Francisco	78.21	61.80	30.20	28.01	27.15	27.75
St. Louis	19.35	17.97	17.83	21.93	20.52	19.91
Tampa	20.25	18.93	18.89	19.66	19.23	18.01
Washington, D.C.	35.76	30.52	30.63	39.08	31.05	35.95

Source: CB Richard Ellis, Global Market Rents Report.

Employment

The employment and unemployment rates and the total number of jobs within the City are reflected in Tables C-15 and C-16, respectively.

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

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

Since these closure actions and the subsequent transfer of property from the federal government, the City has seen substantial progress in the revitalization of these assets and rebuilding the lost employment base. Most significant, employment at the former Navy Yard complex has begun to climb. In March 2000, the Philadelphia Authority for Industrial Development ("PAID") took ownership of more than 1,000 acres at the site and has begun to implement aggressive redevelopment activities. To date, at least 47 companies have leased or purchased in excess of 2 million square feet of facilities at the complex, now known as the Philadelphia Naval Business Center ("PNBC"). In addition to this employment, the Navy has retained more than 2 million square feet of facilities. Together, the private and Navy facilities employ more than 5,500 people. Long term plans call for more than 10 million square feet of industrial and commercial space at PNBC, with employment targeted between 15,000-20,000.

Table B-15
Labor Force Data Annual Average
Based On Residency

	1997	<u>1998</u>	<u>1999</u>	2000	<u>2001</u>	2002	2003	<u>2004</u>	<u>2005</u>
Philadelphia (000)									
Labor Force	643.0	640.0	644.2	628.7	666.4	680.3	672.1	678.3	626.5
Employment	598.3	600.4	606.9	590.1	625.0	628.5	628.5	633.5	583.7
Unemployment	44.7	39.6	36.8	38.6	41.3	51.7	43.6	44.8	42.8
Unemployment Rate (%)	7.0	6.2	5.8	6.1	6.4	7.5	7.7	7.4	6.8
Philadelphia PMSA (000)*									
Labor Force	2,502.1	2,493.1	2,515.4	2,503.2	2,534.8	2,649.2	2,645.0	2,660.6	2,937.5
Employment	2,380.5	2,385.5	2,412.9	2,403.5	2,425.1	2,502.3	2,519.5	2,544.3	2,798.0
Unemployment	121.6	107.6	104.6	99.8	109.7	146.9	125.2	116.3	139.6
Unemployment Rate (%)	4.9	4.3	4.1	4.0	4.3	5.5	4.7	4.4	4.8
United States (000,000)									
Labor Force	136.3	137.7	139.4	140.9	143.7	144.9	146.5	147.4	149.3
Employment	129.6	131.5	133.5	135.2	136.9	136.5	137.7	139.3	141.7
Unemployment	6.7	6.2	5.9	5.7	6.8	8.4	8.8	8.1	7.6
Unemployment Rate (%)	4.9	4.5	4.2	4.0	4.7	5.8	5.4	5.5	5.1

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

⁽a) Important Notice: Labor force data beginning January 1994 are not comparable to earlier data due to the implementation of revised survey methodology by the U.S. Department of Labor.

^{*} For 2005, includes Cecil County, MD, and New Castle County, DE

Table B-16
Philadelphia
Total Monthly Employment And Monthly Unemployment Rates
Based On Residency
2000 – 2005

		Total	Employ	ment in	000's		Unemployment Rate %					
Month	2000	2001	<u>2002</u>	2003	2004	2005	2000	2001	2002	2003	2004	2005
January	582.3	589.3	590.5	612.9	661.8	575.0	6.1	6.2	7.1	8.3	7.7	7.5
February	581.7	588.9	586.1	614.1	662.2	574.0	6.1	6.4	7.3	8.4	7.4	7.6
March	583.6	592.8	589.0	618.0	667.8	575.6	5.9	6.1	7.3	7.6	7.4	7.2
April	585.3	593.4	592.8	618.8	668.0	580.2	5.5	5.7	6.6	7.3	6.8	6.4
May	586.6	596.8	594.5	618.4	672.0	582.6	6.1	6.4	7.8	7.8	7.4	6.8
June	595.2	605.6	600.0	626.2	680.9	583.8	6.2	6.6	7.7	8.0	8.1	7.2
July	598.8	609.9	605.8	631.5	687.1	593.6	6.4	6.6	8.0	7.9	7.5	7.0
August	596.9	606.0	604.1	631.7	682.2	588.2	6.1	6.5	7.7	7.3	7.6	6.6
September	586.8	600.1	596.6	622.7	676.7	584.4	6.9	6.7	7.9	7.6	7.7	6.7
October	592.4	601.1	597.2	623.6	677.0	586.9	6.5	6.7	7.7	7.8	7.6	6.5
November	594.7	602.1	598.2	627.3	679.1	588.8	6.5	6.6	7.7	7.4	7.2	6.7
December	597.0	602.9	599.6	628.5	678.3	591.5	5.3	5.8	7.2	6.5	6.6	5.9

Source: Pennsylvania Department of Labor and Industry, Bureau of Research & Statistics.

Table B-17 Philadelphia City Non-Farm Payroll Employment*

(Amounts In Thousands)

	1997	1998	1999	2000	2001	2002	2003	2004**	2005**
Total Employment	667.5	675.3	685.2	695.9	687.8	686.8	679.0	650.8	651.1
Manufacturing	58.7	57.8	57.3	55.8	52.5	49.9	33.9	32.1	30.1
Non-Manufacturing	608.8	617.5	627.9	640.1	635.3	636.9	645.1	618.7	621.0
Construction & Mining	10.1	10.8	10.3	13.8	12.3	11.9	12.5	11.6	11.6
Transportation & Public Utilities	33.1	34.1	35.8	36.3	35.8	33.8	45.4	23.6	22.5
Wholesale & Retail Trade	117.2	112.5	112.3	118.4	118.1	120.2	122.3	66.4	65.7
Finance, Insurance & Real Estate	55.2	52.3	51.3	51.1	50.3	50.6	51.2	48.9	47.5
Services	279.5	291.8	293.1	298.8	300.3	302.8	299.2	357.5	360.8
Government	125.9	115.1	113.2	119.6	118.6	117.6	114.5	110.7	112.9

Source: Pennsylvania Department of Labor and Industry, Bureau of Research and Statistics.

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

** Numbers represent July 2004 and July 2005 non-farm employment reports.

Table B-18

City of Philadelphia Largest Non-Governmental Employers In Philadelphia June 30, 2005 (Listed Alphabetically)

Albert Einstein Medical

Aramark Food & Support Services Group

Cardone Industries, Inc.

Children's Hospital of Philadelphia

Comcast Corporation

Drexel University

Frankford Hospital

Independence Blue Cross

Pennsylvania Hospital of the Univ. of Penn. Health System

Philadelphia Newspapers, Inc.

Philadelphia Health & Ed. (MCP Hahnemann)

PNC Bank

Philadelphia Newspapers, Inc.

Rohm & Haas

Southeastern Pennsylvania Transportation Authority

Smith Kline Beecham Corporation

Sunoco, Inc.

Temple University

Temple University Hospital, Inc.

Tenet Health System Philadelphia, Inc.

Thomas Jefferson University

Thomas Jefferson University Hospitals

Towers, Perrin, Forster & Crosby, Inc.

University of Pennsylvania Hospital

University of Pennsylvania

Verizon Services Corporation

Wachovia Bank

Source: Philadelphia Department of Revenue

Table B-19
Fortune 500
Largest Corporations
With Headquarters In Philadelphia, 2005

Corporation	Type of Industry	Ranking	Revenues (\$ Millions)
Sunoco	Petroleum Refining	66	\$31,176.0
Comcast	Telecommunications	94	22,255.0
Cigna	Health Care/Insurance	130	16,684.0
ARAMARK	Diversified Outsourcing Services	215	10,963.4
Rohm & Haas	Chemical	286	7,994.0
Crown Holdings	Metal Products	321	6,908.0
Lincoln National	Insurance: Life & Health	396	5,487.9

Source: Fortune Magazine.

Table B-20
Total Industry Employment By Establishment
Annual Averages
(000s)

Philadelphia PMSA

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

Source: Pennsylvania Department of Labor and Industry, Bureau of Labor Research and Statistics.

Income

The following table presents data relating to per-capita income for the City, the PMSA, and the United States. It illustrates that, for the past few years, real per-capita income has generally outpaced the urban cost of living index, suggesting that on average, the newly created service jobs have generated positive real income growth for City wage earners.

Table B-21
Consumer Price Indices and Median Household Effective Buying Income

	1990	1998	1999	2000	2001	2002	2003	2004	2005
CPI-U United States(a)	130.7	163.0	166.6	172.2	177.1	180.9	184.6	188.9	193.2
CPI-U Philadelphia PMSA(a)	135.8	168.2	171.9	176.5	181.3	183.0	188.8	196.5	202.1
Buying Income(b)									
Philadelphia	\$24,880	\$29,561	\$30,127	\$31,621	\$33,297	\$29,995	\$28,015	\$28,150	\$29,269
Philadelphia Metro Area*	\$33,277	\$42,852	\$44,425	\$47,152	\$49,717	\$43,800	\$41,820	\$42,852	\$44,060
United States	\$27,912	\$34,618	\$35,377	\$37,233	\$39,129	\$38,365	\$38,035	\$38,201	\$39,324

^{*}Statistic is a measure of the Philadelphia, Camden & Wilmington Metropolitan Area. PMSA statistic was not available.

Table B-22 Number of Households By Income Range In Philadelphia County

	Number of Hou	Percentage of Households*		
Income	1990	2000	1990	2000
Under \$ 9,999	136,335	109,237	22.6	18.5
\$10,000-14,999	59,331	49,035	9.9	8.3
\$15,000-24,999	108,405	89,059	18.1	15.0
\$25,000-49,999	190,237	171,215	31.7	29.0
\$50,000 and over	106,432	171,737	17.6	29.1
Total	600,740	590,283	100.0%	100%

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

Number of Households By Income Range In United States

	Number of]	Households (000's)	useholds		
Income	_1990	2000	1990	2000	
Under \$9,999	14,214	10,067	15.5	9.5	
\$10,000-14,999	8,133	6,657	8.8	6.3	
\$15,000-24,999	16,124	13,5360	17.5	12.8	
\$25,000-49,999	31,003	30,965	33.7	29.3	
\$50,000 and over	22,519	44,312	24.5	42.1	
Total	91,994	105,537	100.0%	100.0%	

Source: U.S. Department of Commerce, Economics and Statistics Administration, 1990 Census of Population

Source: (a) Consumer Price Index - All Urban Consumers. U.S. Bureau of Labor Statistics.

⁽b) "2003 Survey of Buying Power"

^{*} A household includes all the persons who occupy a housing unit.

Retail Sales

The following table reflects taxable sales for Philadelphia from fiscal years 1995 to 2004.

Table B-23 Philadelphia Taxable Retail Sales 1995-2004 (\$000's)

Fiscal Year	Taxable Sales
1995	8,636,921
1996	10,249,166
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

Source: Figures determined by dividing the Philadelphia local sales tax reported by the Pennsylvania Department of Revenue by the local sales tax rate of 0.01.

The following table compares retail sales activity among the City, the PMSA, Pennsylvania, and the United States.

Table B-24
Retail Sales By Store Group (\$000)
2005

	Philadelphia	CBSA**	Pennsylvania	United States
Total Retail Sales*	\$11,958,793	\$85,889,350	\$166,183,066	\$4,206,052,995
Food	1,962,227	10,675,097	22,213,566	413,361,000
Eating & Drinking	2,304,170	8,245,367	16,157,719	519,919,017
General Merchandise	704,437	7,638,897	16,365,202	539,275,023
Furniture, Furnishings	506,192	4,181,939	6,312,767	211,747,992
Automotive	1,341,588	18,529,637	35,737,592	918,862,988

Source: Sales and Marketing Management, "2005 Survey of Buying Power"

^{*}Total Retail Sales reflects net sales (less refunds and allowances for returns) for all establishments primarily engaged in retail trade. Receipts from repairs and other services are also included, but retail sales by wholesalers and service establishments are not.

^{**}Core Based Statistical Area (CBSA) Philadelphia-Camden-Wilmington PA-NJ-DE-MD

Effective Buying Income and Household Income

Effective buying income ("EBI") is defined as all personal income less personal taxes, non-tax payments (fines, fees and penalties), and contributions to social security. EBI is also commonly referred to as disposable or after-tax income.

Table B-25
City and USA Effective Buying Income 2005

				% of Household E	6 of Household EBI		
	Total EBI (\$000)	Median Household EBI	\$20,000- 34,999	\$35,000- 49,999	\$50,000 and Over		
Philadelphia (City)	\$ 21,672,711	\$29,268	24.3	17.2	24.3		
Bucks Co.	15,350,850	52,935	16.3	18.5	53.5		
Chester Co.	13,295,290	57,480	14.8	16.4	58.1		
Delaware Co.	12,436,301	45,404	20.0	18.4	44.4		
Montgomery Co.	21,755,041	53,554	16.4	17.8	54.0		
Burlington Co., NJ	10,541,493	50,854	16.8	20.7	51.0		
Camden Co., NJ	10,179,373	42,580	19.5	20.2	40.7		
Gloucester Co., NJ	5,471,973	47,901	17.5	20.8	47.1		
Salem Co., NJ	1,175,445	40,236	20.6	21.2	37.9		
Pennsylvania	234,188,740	37,456	23.5	19.5	33.9		
United States	5,692,909,567	39,324	24.9	21.4	40.7		

Source: Sales and Marketing Management, "2005 Survey of Buying Power"

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 intercity commuter and freight rail services connecting Philadelphia to the other major cities and markets in the United States. More than 100 truck lines serve the Philadelphia area.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of I-95; the Vine Street Expressway (I-676), running east-to-west through the Central Business District between I-76 and I-95; and the "Blue Route" (I-476) in suburban Delaware and Montgomery Counties which connects the Pennsylvania Turnpike and I-95 and thereby feeds into the Schuylkill Expressway (I-76) and thus into Center City Philadelphia.

The Philadelphia International Airport (PHL) and Northeast Philadelphia Airport (PNE) comprise the Philadelphia Airport System (the Airport System). The Airport System is owned by the City of Philadelphia and is

operated by the Department of Commerce's Division of Aviation. PHL is located 7.2 miles southwest of Center City; and PNE, a smaller reliever airport, is located 13 miles northeast of Center City. PHL is accessible from major highways within the City and from surrounding communities and SEPTA's high-speed rail line. PHL provides its passengers with service on 12 domestic carriers and 12 regional carriers, while six foreign flag carriers and two U.S. carriers provide international service. In addition, there are six all-cargo carriers. PHL serves as a key connecting hub for USAirways. PHL opened a new commuter terminal in 2001 and a new international terminal in May 2003. In 2005, PHL ranked fifteenth in the nation in terms of total passengers, according to data reported by Airports Council International.

The Port of Philadelphia is one of the busiest ports in the United States, holding a leadership position in the handling of many labor-intensive cargoes. It is the leading handler among all U.S. ports of Chilean fruit entering the country and a leader in the handling of high-quality paper and other forest products. Containerized cargo is handled at the Port's two modern container-handling facilities, Packer Avenue Marine Terminal and Tioga Marine Terminal. The Port's publicly owned facilities are now benefiting from a \$56 million Commonwealth capital program for facility modernization and expansion. The Port also services a growing number of cruise-ship calls, along with foreign trade zones.

Water and Wastewater Systems

The water and wastewater systems of Philadelphia are owned by the City and operated by the City's Water Department. The water system provides water to the City (130 square mile service area), to Aqua Pennsylvania, formerly Philadelphia Suburban Corporation, and to the Bucks County Water and Sewer Authority. The City obtains approximately 61 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 475,000 properties through 3,200 miles of mains, three water treatment plants, 13 pumping stations and provides fire protection through more than 26,000 fire hydrants.

The wastewater system services a total of 360 square miles of which 130 square miles are within the City and 230 square miles are in suburban areas. The total number of accounts is approximately 473,000. The wastewater system contains three water pollution control plants, a biosolids processing facility, 13 pumping stations, and approximately 3,000 miles of sewers. Based on its current NPDES discharge permit, the City is required to achieve effluent limitations that are considered more stringent than those required to achieve secondary treatment levels as defined in the Federal Water Pollution Control Act, as amended.

Municipal Solid Waste Disposal

The City is responsible for collecting solid waste from sources other than industrial or commercial institutions. On average, approximately 3,000 tons of solid waste per day is collected by the City. Municipal solid waste is disposed of through a combination of private and City transfer stations within the City limits, and at various landfills operated outside the City limits. The City significantly reduced its waste disposal costs over the last decade after entering into new contracts effective in 1994 and again in 1998. The current disposal contract began July 1, 2005, and, with three one-year city options, can extend through Fiscal Year 2012. The city again realizes significant savings under these contracts. Disposal rates escalate at a relatively low rate of approximately three percent per year over the contract term, and multiple vendors maximize operational flexibility and efficiencies.

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Housing

While the City's housing market has remained relatively stable, recently home values have gone up, as shown on the table below:

Table B-26 Characteristics of Housing Units

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

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

Economic Development

The last decade found the City riding one of the biggest development waves since the development of the Center City office towers in the mid-1980s. The City's economic development policies are being strategically driven under the Economic Development Blueprint issued in March 2005.

The City of Philadelphia, the sixth-largest city in the U.S., with the third biggest downtown population, is at the center of the fifth largest metropolitan region. This size provides high demand from consumers – the fourth-largest retail sales in the nation – as well as a diverse network of business suppliers and complementary industries. These advantages prepare Philadelphia to continue to build its knowledge industries. A January 2002 report by the Philadelphia Federal Reserve Bank found that Philadelphia ranked first among 14 major metropolitan areas in its concentration of education sector employment. The education sector not only provides a stable support to the local economy, it also generates a steady supply of potential "knowledge workers" for employers.

The gains in economic development accomplishments include: a hotel construction boom that has given the City more than 4,000 hotel rooms, all within walking distance of the \$500 million Pennsylvania Convention Center; the Avenue of the Arts complex capped off by the \$255 million Regional Performing Arts Center; the creation of economic development zones to enhance existing economic development efforts already under way; and the ongoing conversion of closed military installations to commercial use including the transformation of the former Philadelphia Navy Yard into a world-class commercial and industrial park with the most modern shipbuilding operation in North America.

Philadelphia International Airport

Philadelphia International Airport is ranked fifteenth among the nation's airports in terms of passenger traffic, serving 31.5 million passengers in calendar year 2005. In June 1998, a \$140 million renovation of terminals B and C was completed. A year later, construction began on a \$443 million development project to construct new international and regional terminals, funded by a 1998 Airport Revenue Bond issue. An additional \$188 million in bond financing was provided for the project in July 2001. Construction of the regional terminal was completed in June 2001 and the new international terminal was completed in May 2003. The Parking Authority completed

construction of two new Airport parking garages in the spring of 2003, which provided a total of 5,100 additional parking spaces. These Airport improvements are expected to have an economic impact of more than \$2 billion over the first twenty (20) years of operation.

During the past year, the Airport issued three series of Airport Revenue Bonds (for 2005) which included \$125 million in fixed-rate Series 2005A bonds, \$41 million variable-rate Series 2005B bonds and \$189.5 million variable-rate Series 2005C bonds. Proceeds of the 2005A and B bonds will enable the Airport to undertake critical infrastructure projects, such as expansion and modernization of Terminals D and E, improvements to Terminal A-East, expansion of security checkpoints to Terminals B and C, and resurfacing of Runway 9R-27L. Proceeds of the 2005C bonds will be used to refund the Airport's Revenue Bond Series 1995A bonds.

Hospitality and Tourism

One of the most encouraging trends for the City's economy has been the continuing growth in the hospitality and tourism industry. As one of the cornerstones of the City's economic development efforts, the hospitality and tourism sector continues to represent a significant growth opportunity for the City. As a major urban center with a rich historical legacy, Philadelphia is gaining national recognition for its cultural and recreational advantages. The many tourism assets of the region – overwhelmingly concentrated in Philadelphia itself – include Independence National Historical Park, the Philadelphia Museum of Art, the Franklin Institute, and many other museums and historical sites. Recent developments such as the construction of the Kimmel Center for the Performing Arts and the Center City restaurant and retail revitalization are increasingly drawing national attention. The development of two new first-class sports facilities, as well as continued access and development along the City's Delaware and Schuylkill River waterfronts, will add to this concentration. The Greater Philadelphia region's hospitality and tourism industry has an economic impact of \$6 billion, 153,000+ hospitality-related jobs, and \$1.8 billion in federal, state, and local taxes.

Pennsylvania Convention Center

At the center of the hospitality and tourism industry is the Pennsylvania Convention Center. The existence of the Center, one of the largest in the east and the attendant development of hotels within walking distance of it, have positioned the City to attract some of the largest conventions and shows in the country. This includes the annual Flower Show with an estimated \$25 million economic impact as well as the American Library Association (an estimated \$7 million economic impact) and SAP (an estimated \$12 million economic impact). Since hosting the 2000 Republican National Convention and last year's Live 8 event, the City has developed a strong reputation as a major convention and public event destination.

Convention-related business accounts for approximately 41 percent of the room nights sold in the region. Competing cities' convention-related business is less than 27 percent, and the upcoming convention center expansion will be key to the growth of Philadelphia's hospitality community. Between 1997-2004, the Philadelphia Convention and Visitors Bureau (PCVB) turned away 131 conventions totaling 1.3 million room nights because of no availability at the convention center (economic impact potential = \$698 million). The total expansion project cost is estimated at \$632 million, and the Legislature has approved \$400 million in 2004 Capital Authorization - through the Redevelopment Assistance Capital Program (RACP). The Governor has recently provided PCCA with \$16 million to design the facility.

Barnes Foundation

The Barnes Foundation recently won approval from the Montgomery County Orphans Court to move its prized art collection to Center City Philadelphia from the suburban community of Lower Merion, Pennsylvania. Albert Barnes himself arranged the collection, which includes dozens of masterpieces by Matisse, Cezanne and Renoir, among others, in unique ensembles that are to be preserved when the gallery moves downtown. The Barnes Foundation has been successful with its capital campaign and has raised the \$150 million necessary to cover the construction cost of the new facility. The Barnes Foundation's new facility will be on the Benjamin Franklin

Parkway, within several blocks of the Philadelphia Museum of Art, the Rodin Museum, the Moore College of Art, and numerous other cultural institutions.

New Sports Stadium Complex

Lincoln Financial Field, the 68,000-seat home to the Philadelphia Eagles, opened in August 2003 with great fanfare, and Citizens Bank Park, the 43,500-seat baseball stadium for the Phillies, hosted its inaugural season home opener in April 2004. This opening capped the completion of a \$1 billion investment by the City, the teams, and the State to create a four-facility stadium complex that is unmatched anywhere in the United States. Both the Phillies and the Eagles signed 30-year leases.

New Center City Skyscrapers

Liberty Property Trust has begun the construction of the Comcast Center, a \$465 million project that will include two office buildings containing 1.25 million square feet as well as a glass-enclosed winter garden and public plaza. The structures will include the tallest building in Philadelphia and will be the first major Center City office tower in more than ten years. Comcast will be leasing 830,000 square feet in its new headquarters building, as well as growth from law firms, professional services, and other Philadelphia-based Fortune 500 companies, such as Lincoln Financial. The Comcast Center's anticipated completion date is spring of 2007, and it is 70 percent leased.

In addition, the completed Cira Center by Brandywine Realty Trust has successfully attracted 900 new employees to the City of Philadelphia, with new company entrants such as McKinsey, SCA, and Brandywine Asset Management. The building contains more than 725,000 square feet of office space, and is almost fully leased. Despite the recent addition of new office space into the marketplace, the City is also experiencing positive absorption of office space, resulting in higher occupancy levels.

Special Economic Development Zones

Special Economic Development "zones" were created in Philadelphia to promote revitalization and economic development. These zones represent initiatives over and above day-to-day economic development activity. The Keystone Opportunity Zones, Empowerment Zones, and Renewal Community Designation provide place-based exemptions within specific areas targeted for economic development.

Keystone Opportunity Zones ("KOZ")/ Keystone Opportunity Expansion Zones ("KOEZ")/ Keystone Opportunity Improvement Zones (KOIZ). In January 1999, the Commonwealth of Pennsylvania designated 12 Keystone Opportunity Zones (KOZs) in neighborhoods throughout Philadelphia. Zones that encompass underutilized and often vacant land were formed to encourage existing businesses to expand and new businesses to relocate in the targeted locations within struggling neighborhoods. Businesses that locate within a KOZ are exempt from such taxes as the Business Privilege Tax, use and occupancy tax, real estate tax, state business taxes, and state sales tax on items consumed at the site, through December of 2010. In 2001, the Commonwealth approved the designation of eight new zones as part of a second round of KOZs, newly entitled Keystone Opportunity Expansion Zones (KOEZs). Tax exemptions for businesses that locate in KOEZs are effective through September 30, 2013.

On December 31, 2002, in an effort to refine the existing programs, the Governor signed an Executive Order that designated several key sites in Philadelphia as Keystone Opportunity Improvement Zones (KOIZs). This Executive Order was signed pursuant to the KOZ Bill, signed December 9, 2002, in which new subzones could be added or existing subzones could be enhanced or enlarged to incorporate new property into existing KOZ and KOEZs. Since January 1999, the City has participated in transactions with 172 new and existing companies, leveraged over \$825 million in private investment, and fostered the creation of 3,304 jobs and the retention of 4,053 jobs. Over 2 million square feet has been constructed, and over 1.2 million square feet has been rehabilitated.

The Renewal Community (RC) is a federal designation that provides businesses located in, or relocating into the RC, federal tax credits, and deductions through 2009, under the Community Renewal Tax Relief Act of

2000. The RC covers 75 census tracts in sections of North, South, and West Philadelphia. Since the program's inception in 2001, the City has allocated \$48 million in Commercial Revitalization Deductions (CRD), a tax benefit awarded on a competitive basis by the City and the state. Thirty-three developers and businesses have received CRD allocations since 2002, averaging \$1.5 million. The CRD allocations have leveraged \$189 million in private and public financing which has created 2035 new jobs and retained 790. Additional Renewal Community benefits include employment credits, increased tax deductions for environmental clean-up and capital investments, and no tax on capital gains for RC assets held for over five years.

Philadelphia Industrial Development Corporation

The City's efforts to retain and attract industry are directed by the Philadelphia Industrial Development Corporation ("PIDC"). Established in 1958, PIDC is a non-profit venture of the City of Philadelphia and the Greater Philadelphia Chamber of Commerce. The many programs provided by PIDC include (i) direct mortgage funding in a subordinate position at reduced interest rates for fixed asset improvement to companies who intend to build or expand in Philadelphia; (ii) tax-exempt bond funding to eligible borrowers such as non-profit institutions through PAID; (iii) offering of fully improved parcels of land for sale in more than a dozen designated industrial parks and districts across the City; and (iv) offering of development assistance and project management to a range of Philadelphia's development and non-profit corporations.

Urban Industry Initiative

Urban Industry Initiative ("UII"), a grant-funded program, was established in Fiscal Year 1997 to retain neighborhood-based manufacturing jobs in Frankford, Port Richmond, Bridesburg, Juniata Park, and Horrowgate. UII has helped strengthen individual companies and their business relationships by organizing purchasing forums, connecting small businesses to large corporations, and strengthening the relationship between resident and neighborhood-based companies. In its seventh year, UII has expanded its target area within the lower Northeast and the Hunting Park industrial area. Over the life of the initiative, UII has made 36 loans worth over \$1.8 million and assisted with 43 deals that have helped to create 230 new jobs, totaling over \$11.5 million in the public and private neighborhood investments. In an effort to promote the employment opportunities in manufacturing, UII works with manufacturers and the school district to provide plant tours and internships. This year UII and the Commerce Department are launching a "Philadelphia Made" campaign to build awareness of the quality and value offered by Philadelphia companies and entrepreneurs. The UII also works with businesses to improve their physical environment. The PRIDE (Port Richmond Industrial Development Enterprise) district is the first industrial special services district in the state and will complete over \$1 million of construction improvements to upgrade its neighborhood in 2004.

The Office of Defense Conversion Activities

PIDC serves as the City's point of contact for issues related to the acquisition and redevelopment of former military facilities. The City, as the only city in the country adversely affected by all four rounds of base closures, finds itself at the forefront of cities in converting former military installations to commercial and related uses. The largest of the City's closed facilities is the Philadelphia Navy Yard. PAID acquired these assets from the Navy in March 2000. The Philadelphia Navy Yard totals in excess of 1,000 acres and includes four discrete development zones capable of supporting all forms of industrial and commercial development. These zones include the Shipyard, the Girard Point Industrial Park, the Commerce Center and the Intermodal Yard.

With the acquisition of the Philadelphia Navy Yard in 2000, after nearly a decade of closure actions, lawsuits and negotiations, PAID has established a strong industrial presence at the site. There are more than 4 million square feet of occupied facilities on the site that are home to more than 6,000 employees. More than fifty private companies and four US Navy civilian operations are the source of this employment.

The largest and most significant industrial project at the Philadelphia Navy Yard has been the development of a state-of-the-art commercial shipbuilding facility. In partnership with local, state and federal government, Kvaerner ASA has constructed the world's most modern and technologically advanced shipyard. With construction of the \$488 million facilities completed, Kvaerner Philadelphia Inc. now employs in excess of 900 workers on the

site. The first two container ships have been sold to Matson Navigation, and construction of a third ship has started. The first vessel, the MV Manukai, was delivered to Matson in July 2003.

In December 2002, PAID entered into a development agreement with Liberty Property Trust to market, develop and lease a 60-acre portion of the Philadelphia Navy Yard as a first-class office campus. This campus will include 1.4 million square feet of Class A suburban style corporate office space.

In addition, in February 2003, PIDC and Liberty announced that development of a 75,000 square foot biotechnology building for AppTec Laboratory Services, a Minnesota based biotechnology service firm. The new facility opened in the spring of 2004 and will be home to more than 200 employees, 70% of whom have Ph.D. degrees.

PIDC has also made significant gains in the acquisition and redevelopment of other closed military sites. PAID acquired the 25 acre Capehart Housing Property from the Navy in March 2000 and subsequently sold the site to a private housing developer for the construction of 230 new, single family homes. These homes are now under construction and the first phase of homes have sold for an average price of \$350,000.

In April 2000, PAID acquired the 50-acre former Philadelphia Naval Hospital. PAID entered into a lease with the Philadelphia Eagles football franchise for the eastern half of that site, where the Eagles have developed a new practice facility, team offices and an out patient physical rehabilitation center. On the balance of the site, PIDC constructed an interim parking lot to support the adjacent construction of two new sports stadiums. This portion of the site will ultimately be made available for private development.

The final major military closure site in the City was the former Defense Supply Center Philadelphia (DSCP), located at 20th Street and Oregon Avenue. PAID completed the acquisition of this 85-acre site from the Army in October 2001. Given the existence of a major underground plume of oil that is being remediated, the acquisition was structured to allow PAID to take the property's air rights initially, with the ground rights to follow upon completion of the remediation project. In addition, PAID has entered into the following agreements with private entities: (1) sold approximately 1 million square feet of buildings to Brite Star Manufacturing, where more than 300 people are employed in the manufacturing, warehousing, and distribution of holiday decorations; (2) sold an additional 750,000 square feet of buildings to a private real estate developer to be renovated and marketed for commercial and warehousing space; (3) sold a 3.5-acre parking lot for a new 55,000 square foot Acme supermarket that opened in September 2003; and (4) sold a 44-acre parcel to Forest City Ratner Company, a national developer of retail centers that will result in the development of a 550,000 square foot, \$100 million retail center that will employ in excess of 1,000 people. The retail development began construction in October 2003 and is substantially complete.

Hospitals and Medical Centers

<u>Hospitals and Medical Centers</u>. The following table presents the most recent published data regarding hospitals and medical centers in Philadelphia. Due to mergers and consolidations that have occurred or may occur in the future, this table is accurate only as of its publication date.

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Table B-27 City of Philadelphia Hospitals and Medical Centers (As of 2005)

Institution	Beds
Albert Einstein Medical Center	561
Belmont Center for Treatment	145
Children's Hospital of Philadelphia	344
Children's Seashore House	30
Eastern PA Psychiatric Institute	109
Episcopal Hospital	21
Fairmount Behavioral Health System	146
Fox Chase Cancer Center	100
Frankford Hospital	405
Friends Hospital	192
Graduate Hospital, main campus	241
Hahnemann Hospital	437
Jeanes Hospital	161
John F. Kennedy Memorial	141
Kensington Hospital	45
Magee Rehabilitation Hospital	96
Nazareth Hospital	200
Temple East, Northeastern	170
North Philadelphia Health System	315
Northeast Hospital	166
Pennsylvania Hospital	380
Presbyterian Medical Center of the University of Pennsylvania Health System (1)	238
Roxborough Memorial Hospital	115
Saint Agnes Medical Center	151
Shriners Hospital for Crippled Children	59
St. Christopher's Hospital	120
St. Joseph's Hospital	146
Temple University Hospital	534
Thomas Jefferson University Hospital	812
University of Pennsylvania Medical Center	590
Veterans Affairs Medical Center	136
Wills Eye Hospital	40

Source: Delaware Valley Healthcare Council, Hospitals & Healthsystems Association of Philadelphia

(1) Formerly Known as Presbyterian Medical Center of Philadelphia

<u>Children's Hospital Expansion</u>. Children's Hospital of Philadelphia announced a five-year \$650 million expansion program that began construction in February 2001 and will add more than one million square feet of treatment and research space at the Hospital's campus in West Philadelphia.

<u>University of Pennsylvania/Civic Center</u>. The University of Pennsylvania and Children's Hospital of Philadelphia are constructing a cancer research and treatment center on the former Civic Center site in West Philadelphia.

Additional Projects Under Construction

The following table lists additional projects currently under construction in the City.

Table B-28 Projects under Construction

Project	Estimated Cost	
Security Program across City Buildings	\$7,900,000	
City Hall Exterior Renovation Project	\$85,000,000	

Source: City of Philadelphia, Five-Year Financial Plan Fiscal Year 2006-Fiscal Year 2010/Office of Budget and Program Evaluation.

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE



APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following sets forth the definitions of certain terms used in the Indenture and a brief summary of certain provisions of the Indenture. Certain other provisions of the Indenture relating to the 2006 Bonds are summarized in the forepart of this Official Statement under the section captioned "THE 2006 Bonds." Certain provisions and definitions of certain terms relating to the Auction Rate Securities are summarized in Appendix F to this Official Statement. Reference should be made to the Indenture and the Auction Agent Agreement for a complete statement of all of these provisions and other provisions which are not summarized in the Official Statement. Copies of the Auction Agent Agreement and the Indenture may be obtained from the Trustee.

DEFINITIONS OF CERTAIN TERMS

- "Act" means the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P. L. 9, No. 6), as amended, as such act may be amended from time to time.
- "Additional Bonds" means bonds or notes, other than the 1999 Bonds, the 2003 Bonds and the 2006 Bonds, authorized to be issued under the Indenture.
- "Affiliate" means any person or company directly or indirectly controlling, controlled by or under common control with the Authority.
- "Alternate Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 of the Fourth Supplement to the Amended and Restated Indenture (other than a Renewal Liquidity Facility), including, without limitation, a letter of credit or line of credit of a commercial bank or a credit facility from a financial institution, a standby bond purchase agreement, surety bond or like collateralization, or a combination thereof, which provides security for payment of the purchase price of 2006 Bonds delivered or deemed delivered in accordance with Article III of the Fourth Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"); provided that at all times while any of the 2006 Bonds bear interest at a Variable Rate or a Flexible Rate such 2006 Bonds (other than Bank Bonds) shall be entitled to liquidity support. Any amendment of a Liquidity Facility which is not a Renewal Liquidity Facility shall be an Alternate Liquidity Facility.
- "ARS Rate Conversion Date" means the date on which the 2006 Bonds begin to bear interest an Applicable ARS Rate.
- "Authority" means the Pennsylvania Intergovernmental Cooperation Authority, a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth under and by virtue of the Constitution and laws of the Commonwealth.
- "Authority Bonds" means any 2006 Bonds of which ownership is registered in the name of the Authority or any Affiliate, other than Bank Bonds.
- "Authority Representative" means the person or persons at the time designated to act on behalf of the Authority by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Authority by its duly authorized agent. Such certificate may designate an alternate or alternates.
- "Authorized Denomination" means (i) during any Daily Rate Period, Weekly Rate Period or Flexible Rate Period, \$100,000 and \$5,000 multiples in excess thereof, (ii) during any Term Rate Period or Fixed Rate Period, \$5,000 and integral multiples thereof, and (iii) during any ARS Interest Rate Period, \$25,000 and integral multiples thereof.
- "Bank" means any bank or other financial institution issuing any Liquidity Facility.
- "Bank Bonds" means Tendered Bonds purchased with moneys drawn under a Liquidity Facility and registered in the name of the Bank in accordance with such Liquidity Facility.
- "Bank Rate" means the per annum rate of interest payable on any Bank Bonds as determined pursuant to the Liquidity Facility (or any reimbursement agreement entered into with respect to a letter of credit that is a Liquidity Facility).
- "Board' means the governing board of the Authority.

- "Bond' or "Bonds" means all bonds authorized to be issued pursuant to authorizing resolutions previously adopted by the Authority and executed and delivered under and pursuant to such authorizing resolutions and the Indenture or the Original Indenture, as the same was amended and supplemented from time to time, including any bonds issued in substitution therefor, and any Additional Bonds issued pursuant to the Indenture.
- "Bond Counsel" means any firm of nationally recognized bond counsel acceptable to the Authority.
- "Bondholder" or " Holder" means the registered owner of any Bond.
- "Bond Insurance Policy" means, with respect to the 1999 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1999 Bonds that guarantees payment of principal of and interest on the 1999 Bonds; with respect to the 2003 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 2003 Bonds that guarantees payment of principal of and interest on the 2003 Bonds, with respect to the 2006 Bonds, the financial guaranty insurance policy issued by the Bond Insurer for the 2006 Bonds that guarantees payment of principal of and interest on the 2006 Bonds; and with respect to any other Series shall have the meaning defined in the Supplemental Indenture authorizing such Series.
- "Bond Insurer" means, (i) with respect to the 1999 Bonds, Financial Guaranty Insurance Company, a New York stock insurance company ("FGIC"), or any successor thereto; (ii) with respect to the 2003 Bonds and the 2006 Bonds, Ambac Assurance Corporation; and (iii) with respect to any other Series, shall have the meaning specified in the Supplemental Indenture authorizing such Series.
- "Bond Purchase Fund" means the trust fund so designated which is created and established pursuant to Section 308 of the Fourth Supplement to the Amended and Restated Indenture.
- "Bond Redemption Fund" means the separate fund of such name established under the Indenture.
- "Bond Register" means the list of the names and addresses of Bondholders and the principal amounts and numbers of the Bonds held by them maintained by the Registrar on behalf of the Authority.
- "Bond Year" for any Series of Bonds means each one-year period (or shorter period from the date of issue) that ends at the close of business on the date in the calendar year that is elected by the Authority as permitted under the Code.
- "Business Day" means, with respect to the 2006 Bonds, any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in Philadelphia, Pennsylvania or in any other city in which the Principal Office of the Trustee or the designated office of the Tender Agent, the Remarketing Agent, the Auction Agent, the Bond Insurer or the Bank is located are required or authorized by law (including executive order) to close or on which the Principal Office of the Trustee, or the designated office of the Tender Agent, the Remarketing Agent, the Auction Agent or the Bank is closed for reasons not related to financial condition or (iii) a day on which the New York Stock Exchange is closed.
- "Capital Projects Fund" means the separate fund of such name established under the Indenture.
- "City" means the City of Philadelphia, Pennsylvania.
- "City Account" means the account of such name created under the Act and the Disbursement Agreement.
- "City Obligations" means any direct obligations of the City, including tax and revenue anticipation notes of the City, or any obligations guaranteed by the City, the investment in which shall have been approved by the Authority in accordance with Section 311(b) of the Act.
- "Code" means the Internal Revenue Code of 1986, as amended, or any successor legislation, and the regulations and published rulings promulgated thereunder or applicable thereto.
- "Commonwealth" means the Commonwealth of Pennsylvania.
- "Conversion Date" means each Fixed Rate Conversion Date, Flexible Rate Conversion Date, Variable Rate Conversion Date and ARS Rate Conversion Date.
- "Credit Facility" means the Municipal Bond Debt Service Reserve Fund Policy issued by Financial Guaranty Insurance Company, and any other letter of credit, bond insurance policy, other than the Bond Insurance Policy, or other credit facility meeting the requirements of, and delivered to the Trustee in accordance with, the Indenture in connection with the issuance of Additional Bonds to satisfy the Debt Service Reserve Requirement for the Debt Service Reserve Fund.

"Credit Facility Issuer" means Financial Guaranty Insurance Company and each issuer of a Credit Facility then in effect, and its successors. Reference to the Credit Facility Issuer shall be read to mean each issuer of a Credit Facility.

"Daily Rate Period" means, with respect to the 2006 Bonds, each period from and commencing on a Business Day and including and ending on the first day preceding the first Business Day thereafter.

"Debt Service Fund" means the separate fund of such name established under the Indenture.

"Debt Service Requirement" means for a specified period the principal of (whether at maturity or pursuant to mandatory redemption) and interest (other than capitalized interest) on Outstanding Bonds payable during the period. If any Series bears interest at a variable interest rate, the interest thereon shall be deemed to be an amount calculated using an interest rate equal to the maximum interest rate permitted for such Series under the authorizing Supplemental Indenture. If the repayment obligation of the Authority under a Credit Facility with respect to a particular Series is secured on a parity with the Bonds and provides for a different rate of interest or amortization period than such Series, the principal and interest during a period for such Series of Bonds for purposes of computing the Debt Service Requirement shall be based upon the maximum interest rate and amortization provisions of the Credit Facility if they result in a higher Debt Service Requirement. If an interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by Section 304(10) of the Act is in effect with respect to a Series of Bonds and the unguaranteed debt of the obligated counter-party is rated in one of the two highest rating categories by S&P and Moody's and no default exists under such agreement, the principal and interest payable during a period for such Series of Bonds for purposes of computing the Debt Service Requirement for such period shall be determined by reference to the net amount payable by the Authority under or after giving effect to such agreement.

"Debt Service Reserve Fund" means the separate fund of such name established under the Indenture.

"Debt Service Reserve Requirement" means with respect to the Bonds, an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds outstanding under the Indenture, and (ii) the maximum amount permitted by the Code.

"Deficit Fund" means the separate Fund of such name established under the Indenture.

"Department" means the Department of Revenue of the Commonwealth.

"Depositary" means Wachovia Bank, National Association, successor to First Union National Bank, a national banking association organized and existing under the laws of the United States, as Depositary under the Disbursement Agreement, and its successors and assigns.

"Disbursement Agreement" means the City Account Deposit and Disbursement Agreement dated as of December 6, 1991 between the Authority and the Depositary and acknowledge and agreed to by the City as the same may be amended, modified or supplemented and in effect from time to time.

"Encumbered Funds Account" means the separate account of such name created pursuant to the Encumbered Funds Account Agreement between Wachovia Bank, National Association, successor to First Union National Bank, and the Authority, as amended and restated.

"Event of Default" means any event specified as such in Section 8.01 of the Indenture.

"Favorable Opinion" means, with respect to any action relating to the 2006 Bonds, the occurrence of which requires such an opinion, a written legal opinion of a nationally recognized bond counsel addressed to the Authority, the Bond Insurer, the Remarketing Agent and the Trustee or the Broker-Dealers, as applicable, to the effect that (i) the action proposed to be taken is authorized or permitted by the Act and the Indenture and (ii) such action will not adversely affect the exclusion from gross income of interest on the 2006 Bonds for purposes of federal income taxation or the exemption of interest on the 2006 Bonds from personal income taxation under the laws of the Commonwealth of Pennsylvania (subject to customary exceptions).

"Fitch" means Fitch IBCA, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and if such corporation shall for any reason no longer perform the actions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of Fitch are specified in the Indenture, such categories shall be irrespective of gradations within a category.

"Fixed Rate" means the rate to be borne by the 2006 Bonds from and after the Fixed Rate Conversion Date, which shall be the lowest rate which, in the judgment of the Remarketing Agent, is necessary to enable the 2006 Bonds to be remarketed at the principal amount thereof, plus accrued interest, if any, on the Fixed Rate Conversion Date.

"Fixed Rate Conversion Date" means the date on which the 2006 Bonds begin to bear interest at the Fixed Rate.

"Fixed Rate Period" means the period of time commencing on the Fixed Rate Conversion Date and ending on the Maturity Date.

"Flexible Rate" means the lowest annual rate of interest, expressed as a percentage and rounded to the nearest one thousandth of one percent, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, enable a particular Bond to be remarketed at the principal amount thereof on such Flexible Rate Adjustment Date given the applicable Interest Period for such 2006 Bond (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in the Fourth Supplement to the Amended and Restated Indenture).

"Flexible Rate Adjustment Date" means a Business Day on which a Flexible Rate and an Interest Period for a particular Bond commence.

"Flexible Rate Conversion Date" means a date on which the 2006 Bonds begin to bear interest at Flexible Rates.

"Flexible Rate Period" means any period of time commencing on a Flexible Rate Conversion Date and ending on a Variable Rate Conversion Date, a Fixed Rate Conversion Date, an ARS Rate Conversion Date or on the Maturity Date.

"Government Obligations" means any of the following which are noncallable and which at the time of investment are legal investments under the Act for the moneys proposed to be invested therein:

- (a) direct general obligations of, or obligations the payment of principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America ("Direct Obligations");
- (b) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FHMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs") guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; and guaranteed Title XI financings of the U.S. Maritime Administration; or
- (c) upon the approval of the Bond Insurer for the 1996 Bonds, which approval will not be unreasonably withheld, obligations issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (the "FIRRE Act"), (i) the principal of which obligations is payable when due from payments of the maturing principal of noninterest bearing direct obligations of the United States of America which are issued by the Secretary of the Treasury and deposited in the Funding Corporation Principal Fund established pursuant to the FIRRE Act, and (ii) the interest on which obligations, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to the FIRRE Act.

"Immediate Notice" means notice by telephone, telex, telecopier or email to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid.

"Income Tax" means the 1.5 % tax on salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City pursuant to Section 601(a)(3) of the Act.

"Indenture" means the Amended and Restated Indenture of Trust dated as of December 1, 1994, between the Authority and the Trustee, as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996, the Second Supplement to the Amended and Restated Indenture of Trust dated as of March 1 1999, a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003, and a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006, between the Authority and the Trustee and as further amended or supplemented from time to time in accordance with the terms thereof.

"Interest Component" means the maximum amount stated in a Liquidity Facility (as reduced and reinstated from time to time in accordance with the terms thereof) which may be drawn for the payment of the portion of the purchase price of Tendered Bonds corresponding to interest accrued on the Tendered Bonds.

"Interest Coverage Period" means the number of days for 2006 Bonds bearing interest in a particular interest mode which is used to determine the Interest Component, determined in accordance with the requirements of Section 310(h) of the Fourth Supplement to the Amended and Restated Indenture in a manner consistent with the periods utilized in calculating interest accrued on 2006 Bonds in such interest mode.

"Interest Coverage Rate" means the rate which is used to determine the Interest Component and shall be specified for 2006 Bonds bearing interest in each subsequent mode by the Remarketing Agent in writing to the Trustee at the time such 2006 Bonds commence bearing interest in accordance with such mode, as such rate may be changed from time to time by the Remarketing Agent subject to compliance with Section 310(h) of the Fourth Supplement to the Amended and Restated Indenture. Notwithstanding the foregoing, the maximum Interest Coverage Rate that may be established with respect to the 2006 Bonds shall be 12% per annum.

"Interest Payment Date" means, with respect to the 1999 Bonds, December 15, 1999 and each June 15 and December 15 thereafter so long as any 1999 Bonds remain Outstanding, with respect to the 2003 Bonds during a Daily or Weekly Rate Period, the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of each calendar month, each Mandatory Tender Date, the Maturity Date and for 2003 Bonds called for redemption, the applicable redemption date, with respect to the 2006 Bonds, (i) during a Flexible Rate Period, each Repurchase Date; (ii) during a Variable Rate Period, (a) when used with respect to a Daily or Weekly Rate Period, the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of each calendar month occurring after the Variable Rate Conversion Date with respect thereto, and (b) when used with respect to a Term Rate Period, the June 15th or December 15th next succeeding the Variable Rate Conversion Date and the fifteenth day of each sixth month thereafter; (iii) during an ARS Interest Rate Period, each ARS Interest Payment Date; (iv) each Mandatory Tender Date; (v) after the Fixed Rate Conversion Date, each June 15 and December 15; (vi) the Maturity Date; and (vii) for 2006 Bonds called for redemption, the applicable redemption date, and with respect thereto and with respect to any other Series shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"Interest Period" means, for each 2006 Bond bearing interest at a Flexible Rate, that period of time beginning on a Flexible Rate Adjustment Date and to but not including the next Flexible Rate Adjustment Date, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, taking into account the Flexible Rate for the particular 2006 Bond being determined on such Flexible Rate Adjustment Date and the Flexible Rates and Interest Periods then borne by all other outstanding 2006 Bonds, enable the 2006 Bonds as a whole to bear the lowest overall rates achievable in the domestic financial market during the Interest Period selected (or, if the Remarketing Agent for any reason fails to determine such date, the date determined in accordance with the provisions set forth in the Fourth Supplement to the Amended and Restated Indenture).

"Interest Rate Period" means, with respect to the 2006 Bonds, each Variable Rate Period, Flexible Rate Period, or ARS Interest Rate Period.

"Intergovernmental Cooperation Agreement" means the Intergovernmental Cooperation Agreement between the Authority and the City dated January 8, 1992, as the same may be amended, supplemented or otherwise modified and in effect from time to time.

"Investment Earnings" means all interest and income received from the investment of funds held under the Indenture, losses suffered by reason of such investment, and any interest paid by the Trustee or any other depositary of any fund established under the Indenture, and any net profits or losses resulting from the sale of securities.

"Investment Securities" means any of the following obligations or securities to the extent legal for investment of Authority funds:

(a) Government Obligations;

- (b) federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States (which may include the Trustee and the Registrar) having a combined capital and surplus of not less than \$50,000,000, which at the time of purchase has a short-term "Bank Deposit" rating of "P-I" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P, and, in the case of a branch office of a foreign bank, a legal opinion is received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank:
- (c) deposits of any bank or savings and loan association which has combined capital surplus and undivided profits of not less than \$3,000,000, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

- (d) (i) direct obligations of or (ii) obligations the principal of and interest on which are unconditionally guaranteed by any state of the United States of America or the District of Columbia, or any political subdivision or agency thereof, other than the City, or upon the approval of the Bond Insurer for the 1996 Bonds, the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;
- (e) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-I" or better by S&P;
- (f) repurchase agreements collateralized by Government Obligations with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or long-term unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P, provided: (i) a master repurchase agreement or specific written repurchase agreement governs the transaction; (ii) the securities are held by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (1) a Federal Reserve Bank; (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; or (3) a bank approved in writing for such purpose by each Bond Insurer, 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; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 et seq. or 31 C.F.R. §350.0 et seq. in such securities is created for the benefit of the Trustee; (iv) the repurchase agreement has a term of ten years or less, or, so long as any 1996 Bonds, 1999 Bonds or 2006 Bonds are Outstanding, such shorter term as the respective Bond Insurer may require, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, or, so long as any 1996 Bonds, 1999 Bonds or 2006 Bonds are Outstanding, such higher collateral requirement as the respective Bond Insurer may require;
- (g) money market mutual fund shares issued by a fund having assets not less than \$100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the types specified in clauses (a) or (e) of this definition and is rated "AAAm" or "AAAm-G" by S&P; and
- (h) guaranteed investment contracts with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P and which guaranteed investment contracts are either insured by a municipal bond insurance company rated in the highest rating category by Moody's and S&P or fully collateralized at all times with securities of the type described in clause (a) of this definition which have a fair market value at all times equal to the value of the guaranteed investment contract, provided that: (i) a written agreement governs the transaction; (ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (1) a Federal Reserve Bank or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 et seq. or 31 C.F.R. §350.0 et seq. in such securities is created for the benefit of the Trustee; (iv) interest is paid at least semiannually during the entire term of the agreement; (v) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date); (vi) the Trustee receives an opinion of counsel for the issuer of such agreement that such agreement is an enforceable obligation of the issuer; and (vii) so long as any 1996 Bonds, 1999 Bonds or 2006 Bonds are Outstanding, the respective Bond Insurer approves such use in writing.

With respect to the 2006 Bonds, "Investment Securities" means:

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - -Export-Import Bank
 - -Rural Economic Community Development Administration
 - -U.S. Maritime Administration
 - -Small Business Administration
 - -U.S. Department of Housing & Urban Development (PHAs)
 - -Federal Housing Administration
 - -Federal Financing Bank.
- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

-Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).

- -Obligations of the Resolution Funding Corporation (REFCORP)
- -Senior debt obligations of the Federal Home Loan Bank System
- -Senior debt obligations of other Government Sponsored Agencies approved by the

Bond Insurer.

- (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;
- (6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and
 - (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
 - (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
- (7) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.
- (8) Investment Agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel); and
- (9) other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.
- "Letter of Representations" means, the Blanket Letter of Representations from the Authority to The Depository Trust Company ("DTC"), pursuant to the terms of which all payments of the principal of, premium or interest on the 2006 Bonds shall be made to DTC or its nominee, as the Bondholder of 2006 Bonds.
- "Liquidity Facility" means any Liquidity Facility provided in accordance with the Fourth Supplement to the Amended and Restated Indenture, including, without limitation, a letter of credit or line of credit of a commercial bank or a credit facility from a financial institution, a standby bond purchase agreement, surety bond or like collateralization, or a combination thereof, which provides security for payment of the purchase price of 2006 Bonds (other than ARS tendered for purchase as provided in the Indenture) delivered or deemed delivered in accordance with Article III of the Fourth Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"), or any Renewal Liquidity Facility or Alternate Liquidity Facility at the time in effect; provided that at all times while any of the 2006 Bonds bear interest at a Variable Rate or a Flexible Rate such 2006 Bonds (other than Bank Bonds) shall be entitled to liquidity support.
- "Mandatory Tender Date" means any date on which a 2003 Bondholder is required to tender any 2003 Bond for purchase in accordance with Sections 302, 303 or 304 of the Fourth Supplement to the Amended and Restated Indenture.
- "Mandatorily Tendered Bonds" means the 2006 Bonds required to be tendered for purchase on a Mandatory Tender Date.
- "Maturity Date" means, with respect to the 2006 Bonds, June 15, 2020 or, with respect to each 2006 Bond bearing interest at a Fixed Rate which has been assigned a specific maturity date pursuant to Section 205(d) of the Fourth Supplement to the Amended and Restated Indenture, "Maturity Date" means the date so assigned.

- "Maximum Annual Debt Service Requirement" means the maximum Debt Service Requirement in any subsequent fiscal year of the Authority on Bonds expected to be Outstanding at the time of such calculation.
- "Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason 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. Whenever rating categories of Moody's are specified in the Indenture, such categories shall be irrespective of gradations within a category.
- "1999 Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999.
- "1999 Term Bonds" means the 1999 Bonds scheduled to mature on June 15 in the years 2021 and 2023.
- "No-Call Period" means the period of time (measured from the Conversion Date) during which the 2006 Bonds in the Fixed Rate Period or the Term Rate Period may not be called for optional redemption as set forth in Section 401(a)(iii) of the Fourth Supplement to the Amended and Restated Indenture.
- "Optional Tender Date" means the date specified by a 2006 Bondholder in a Tender Notice for purchase of any 2006 Bond during a Variable Rate Period in accordance with Section 301 of the Fourth Supplement to the Amended and Restated Indenture.
- "Optionally Tendered Bonds" means the 2006 Bonds tendered or deemed tendered for purchase on an Optional Tender Date.
- "Original Indenture" means the Indenture of Trust dated as of June 1, 1992, between the Authority and Wachovia Bank, National Association, as successor to CoreStates Bank, N.A.
- "Outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered under the Indenture or the Original Indenture, as the same was amended and supplemented from time to time, except:
- (a) Bonds cancelled after purchase in the open market or because of payment or redemption prior to maturity;
- (b) Bonds for the payment or redemption of which funds shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee, and provided that all such deposits shall have been made in accordance with the provisions of the Indenture; and
- (c) Bonds in lieu of which others have been authenticated and delivered under the Indenture.

Bonds paid with the proceeds of any Credit Facility shall be Outstanding until the Credit Facility Issuer has been reimbursed for the amount of the payment or has presented the Bonds for cancellation.

In addition, the term "Outstanding" means, with respect to the 2006 Bonds, as of any given date, all 2006 Bonds which have been duly authenticated and delivered under the Indenture, except:

- (a) 2006 Bonds canceled after purchase in the open market or because of payment at or redemption prior to the Maturity Date;
- (b) 2006 Bonds for the payment or redemption of which cash or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the Maturity Date or redemption date of any such 2006 Bonds) in accordance with Article VII of the Amended and Restated Indenture, as amended by Section 703 of the Fourth Supplement to the Amended and Restated Indenture; provided that if such Bonds are to be redeemed prior to the Maturity Date thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;
- (c) 2006 Bonds in lieu of which others have been authenticated under Section 207 or 208 of the Amended and Restated Indenture;
- (d) after any Optional Tender Date, any Bond for which a Tender Notice was given in accordance with Section 301 of the Fourth Supplement to the Amended and Restated Indenture and which was not so tendered;

- (e) after any Mandatory Tender Date, any 2006 Bond which was required to be tendered on such a Mandatory Tender Date in accordance with Sections 302, 303 or 304 of the Fourth Supplement to the Amended and Restated Indenture and which was not so tendered; and
- (f) after the Fixed Rate Conversion Date, for the purpose of all consents, approvals, waivers and notices required to be obtained or given under the Fourth Supplement to the Amended and Restated Indenture, 2006 Bonds held or owned by the Authority or any Affiliate thereof.

Notwithstanding anything in the Fourth Supplement to the Amended and Restated Indenture to the contrary, in the event that the principal and/or interest due on the 2006 Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the 2006 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Authority to the Bondholders shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Bondholders.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization, a regulatory body, any political subdivision, municipality or municipal authority or any other group or entity.

"PICA Tax Disbursement Agreement" means the letter agreement between the Authority and the State Treasurer pursuant to which the Authority has designated the Trustee as the Trustee for the funds required or permitted to be established pursuant to Chapter 3 of the Act for the security and payment of the 1996 Bonds, the 1999 Bonds, the 2006 Bonds and all other Series of Bonds issued under the Indenture and the State Treasurer has acknowledged and agreed to the terms of such letter agreement.

"PICA Tax Ordinance" means the ordinance (Bill No. 1437) of the City approved June 12, 1991 enacting the Income Tax.

"PICA Taxes" means the Income Tax and any other taxes which may be enacted hereafter by the City pursuant to the Act for the exclusive purposes of the Authority and which are pledged by the Authority to secure the Bonds in a Supplemental Indenture.

"Pledged Revenues" means all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes and all moneys and securities held by the Trustee under the Indenture, together with any earnings thereon, except moneys and securities, together with any earnings thereon, held in the Rebate Fund.

"Principal Office" means, with respect to the 2006 Bonds, (i) the corporate trust office of the Trustee responsible for the administration of the Fourth Supplement to the Amended and Restated Indenture, as designated in Section 11.07 of the Amended and Restated Indenture, as amended by Section 713 of the Fourth Supplement to the Amended and Restated Indenture, and (ii) the respective offices of the Bank and the Tender Agent designated to receive notices required by the Fourth Supplement to the Amended and Restated Indenture, as set forth in Section 713 of the Fourth Supplement to the Amended and Restated Indenture.

"Proposed Fixed Rate Conversion Date" means the date indicated in the written notice of the Authority given pursuant to Section 205 of the Fourth Supplement to the Amended and Restated Indenture on which the Authority intends to effect a conversion of the interest rate on the 2006 Bonds to the Fixed Rate.

"Rating Agency" means each nationally recognized securities rating agency then maintaining a rating on the Bonds at the request of the Authority, which at the time of issuance of the 2006 Bonds includes S&P, Moody's and Fitch.

"Rebate Amount" shall have the meaning set forth in the Tax Compliance Agreement.

"Rebate Fund" means the separate fund of such name established under the Indenture.

"Record Date" means with respect to the 1999 Bonds, the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date or any redemption date, with respect to the 2003 Bonds and the 2006 Bonds while such Series of Bonds bear interest during a Daily Rate Period or a Weekly Rate Period, the close of business on the last Business Day preceding an Interest Payment Date, and with respect to while the 2006 Bonds that bear interest in a Term Rate Period or a Fixed Rate Period, the close of business on the last day of the calendar month next preceding an Interest Payment Date, and while the 2006 Bonds are ARS, the second Business Day next preceding each ARS Interest Payment Date.

"Registrar" means the Registrar appointed in accordance with the provisions of the Indenture. "Principal Office" of the Registrar means the office thereof designated in writing to the Authority and the Trustee.

- "Remarketing Agent" means each Person qualified under Section 502 of the Fourth Supplement to the Amended and Restated Indenture to act as Remarketing Agent for the 2006 Bonds, except while the 2006 Bonds are ARS, and appointed by the Authority from time to time, subject to the approval of the Bond Insurer.
- "Remarketing Agreement" means a Remarketing Agreement between the Authority and the Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent with respect to the 2006 Bonds under the Fourth Supplement to the Amended and Restated Indenture, as amended from time to time.
- "Renewal Date" means the Interest Payment Date next preceding the Stated Expiration Date of a Liquidity Facility at the time in effect (or the next preceding Business Day if such day is not a Business Day).
- "Renewal Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 of the Fourth Supplement to the Amended and Restated Indenture which has been issued with terms and conditions identical to, and by the same provider of, the Liquidity Facility in substitution for which the Renewal Liquidity Facility is to be provided to purchase 2006 Bonds, other than ARS tendered for purchase, as provided in the Indenture, except for:
- (a) an extension of the Stated Expiration Date;
- (b) an increase or decrease in the Interest Coverage Rate or the Interest Coverage Period;
- (c) an increase or decrease in the Interest Component;
- (d) an increase or decrease in the portion of the Liquidity Facility designated to pay premium upon purchase of 2006 Bonds to the extent required or permitted by Section 310(h) of the Fourth Supplement to the Amended and Restated Indenture;
- (e) changes in the business covenants contained in, the fees payable pursuant to and the interest rate on advances made under the Liquidity Facility; or
- (f) any combination of (a), (b), (c), (d) and (e).
- "Repurchase Date" means, for any 2006 Bond during a Flexible Rate Period, a Business Day determined by the Remarketing Agent, if any, on an applicable Flexible Rate Adjustment Date as the date on which such 2006 Bond will be repurchased by the Trustee or the Tender Agent, on behalf of the Authority (or, if the Remarketing Agent for any reason fails to determine such date, the date determined in accordance with the provisions of the Fourth Supplement to the Amended and Restated Indenture).
- "Revenue Fund" means the separate fund of such name established under the Indenture.
- "S&P" means Standard & Poor's Ratings Group, a Division of McGraw Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall for any reason 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. Whenever rating categories of S&P are specified in the Indenture, such categories shall be irrespective of the gradations within a category.
- "Series" or "Series of Bonds" means all of the Bonds designated as being of the same series at the time of issuance thereof in one transaction and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture, as the same shall be amended and supplemented from time to time.
- "Special Payment Date" means with respect to Outstanding Bonds the date set for the payment of interest or principal that was not paid when due on any Interest Payment Date or on any date that principal is due, which date shall be fixed by the Trustee whenever moneys become available for the payment of such interest or principal.
- "Special Record Date" means the date (whether or not a Business Day) which is the fifteenth day prior to any Special Payment Date.
- "State Treasurer" means the State Treasurer of the Commonwealth.
- "Stated Expiration Date" means the stated date of expiration or termination of a Liquidity Facility, including any extensions thereof.

- "Supplemental Indenture" means any indenture of the Authority amending or supplementing the Indenture for any purpose, in accordance with the terms of the Indenture.
- "2006 Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006.
- "2006 Term Bonds" means the 2006 Bonds scheduled to mature on June 15 in the year 2020.
- "2003 Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003.
- "2003 Term Bonds" means the 2003 Bonds scheduled to mature on June 15 in the year 2022.
- "Tax Collection Agency Agreement" means the agreement between the Department and the City, acting through its Revenue Department and its Law Department, which sets forth the manner in which the Revenue Department and the Law Department of the City shall collect Income Tax on behalf of the Department and in which amounts collected shall be transferred to the Commonwealth account designated by the Department.
- "Tax Compliance Agreement" means each respective agreement executed by the Authority and the City regarding compliance with provisions of the Code to assure that interest on a Series of Bonds which is intended to be excluded from gross income for federal income tax purposes is so excludable.
- "Tender Agent" means that Person appointed pursuant to Section 501 of the Fourth Supplement to the Amended and Restated Indenture to perform those functions with respect to the 2006 Bonds, other than ARS, related to the registration of transfers and exchanges, tenders, redemptions, notices and purchases thereof and payments thereon prior to the commencement of a Fixed Rate Period.
- "Tendered Bonds" means Optionally Tendered Bonds and Mandatorily Tendered Bonds.
- "Tender Notice" means the notice from a 2003 Bondholder to the Tender Agent of an Optional Tender Date in accordance with the provisions set forth in the Fourth Supplement to the Amended and Restated Indenture.
- "Tender Price" means with respect to each Tendered Bond, 100% of the principal amount of any such Tendered Bond plus, if an Optional Tender Date is not an Interest Payment Date, interest accrued and unpaid thereon to, but not including, the Optional Tender Date with respect to such 2003 Bond.
- "Term Rate Period" means any Variable Rate Period from and commencing on the fifteenth (15th) day of a calendar month (or the next succeeding Business Day if the fifteenth is not a Business Day) to but not including the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of the twelfth (or any integral multiple of 12) succeeding calendar month.
- "Trustee" means Wachovia Bank, National Association, as successor to Meridian Bank, a national banking association organized and existing under the laws of the United States, as the Trustee under the Indenture, its successors in trust under the Indenture and its assigns. "Principal Office" of the Trustee means the principal corporate trust office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by the Indenture is located at the address specified in the Indenture.
- "Variable Rate" means, with respect to the then effective Variable Rate Period, the lowest interest rate which, in the judgment of the Remarketing Agent, would enable the 2006 Bonds to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the Variable Rate Adjustment Date with respect thereto (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in the Fourth Supplement to the Amended and Restated Indenture).
- "Variable Rate Adjustment Date" means the first day of each Variable Rate Period.
- "Variable Rate Conversion Date" means a date on which the 2006 Bonds begin to bear interest at a Variable Rate for (i) a particular Variable Rate Period which is of a different type than the preceding Variable Rate Period, (ii) a Term Rate Period which is of a different length than the preceding Term Rate Period except when shorter by reason of the Maturity Date or (iii) any Variable Rate Period which succeeds a Flexible Rate Period.
- "Variable Rate Period" means each Daily Rate Period, Weekly Rate Period and Term Rate Period.

"Weekly Rate Period" means any Variable Rate Period from and commencing on Thursday of any calendar week and including and ending on the Wednesday of the next calendar week; provided, however, that any Weekly Rate Period which does not follow another Weekly Rate Period shall commence on the Variable Rate Conversion Date with respect thereto and end on the first or second Wednesday thereafter, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and any Weekly Rate Period which is not followed by another Weekly Rate Period shall commence on the last or second to last Thursday of a calendar month, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and end on the day preceding the final Interest Payment Date for such Weekly Rate Period.

"Yield Reduction Amount" means an amount with respect to a Series of Bonds which may be paid to the United States in accordance with Treasury Regulations Section 1.148-5(c).

Words importing singular number shall include the plural number, and vice versa, words importing persons shall include firms and corporations and the masculine shall include the feminine, and vice versa, wherever the context requires.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Pledge and Assignment

Under the Indenture, the Authority assigns, pledges and grants to the Trustee a security interest in the following property (the "Trust Estate"): all of the Authority's right, title and interest in and to the Pledged Revenues; all right, title and interest of the Authority in and to all moneys and securities from time to time held by the Trustee under the terms of the Indenture, except for moneys and securities held in the Rebate Fund; and any and all other property rights and interests of every kind or nature as the Authority may from time to time assign, pledge and grant to the Trustee as additional security under the Indenture, in trust for the equal and proportionate benefit, security and protection of all present and future Holders of Bonds to secure the payment of the principal of, premium, if any, and interest on the Bonds, without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds, except in the case of funds held for the benefit of particular Bonds, to the extent provided in the Indenture, for the performance and observance of the covenants contained in the Indenture and in the Bond, and for the benefit of any Credit Facility Issuer to the extent provided in the Indenture.

Redemption of the Bonds

The 2006 Bonds are subject to redemption as described under "THE 2006 Bonds" in the Official Statement. The 1999 Bonds and the 2003 Bonds are subject to redemption as described in the Indenture. Each other Series may be subject to such redemption as specified in the Supplemental Indenture authorizing such Series.

Creation of Funds

The Indenture creates the following funds: Deficit Fund, Capital Projects Fund, Revenue Fund, Debt Service Fund, Bond Redemption Fund, Rebate Fund, Settlement Fund and Bond Purchase Fund. Each of these funds is to be held in trust by the Trustee under the Indenture and, except for the Rebate Fund, which shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder, any Credit Facility Issuer or any other Person, such funds are pledged to secure the obligations to Bondholders and each Credit Facility Issuer under the Indenture. The Trustee shall establish accounts in each fund (other than the Debt Service Reserve Fund) to identify the Series of Bonds providing the source of money in such account or in respect of which money in such account is available to pay debt service. Moneys in accounts in respect of a particular Series shall only be available to pay debt service or the redemption price of the Bonds of such Series, except as may otherwise be provided in the Indenture or in the Supplemental Indenture adopted at or prior to the time of issuance of such Series. References in the following discussion of the various funds to transfers from certain funds to other funds are to be read to refer to transfers from the several accounts of the respective funds to the corresponding accounts of the other funds relating to the same Series of Bonds.

Deficit Fund

At the time of issuance of each Series of Bonds, there shall be deposited in the Deficit Fund such amount as shall be specified in the Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the Deficit Fund constituting proceeds of any Series of Bonds shall be applied as provided in the Indenture or the Supplemental Indenture authorizing such Series of Bonds. If there are insufficient amounts in the Debt Service Fund to make any payment of principal of or interest due on the Bonds and there are no available amounts in the Debt Service Reserve Fund or the Capital Projects Fund for such purpose, the Trustee shall transfer amounts from the Deficit Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency. In addition, if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction, the Trustee shall not transfer any amounts from the Deficit Fund to the City unless it receives an Order from the Supreme Court of Pennsylvania permitting such transfer.

Capital Projects Fund

At the time of issuance of each Series of Bonds, there shall be deposited in the Capital Projects Fund such amount as shall be specified in the Indenture or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the

account in the Capital Projects Fund derived from proceeds of a Series of Bonds shall be disbursed only for costs of the capital projects identified in the Indenture or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. The capital projects to be funded from the Capital Projects Fund may be revised by the Authority, with the consent of the City, upon delivery to the Trustee of, among other things, an opinion of Bond Counsel to the effect that such revision is permitted under the Act and will not adversely affect the excludability of interest on any Bonds from gross income for federal tax purposes. Such revision shall not require execution of a Supplemental Indenture and shall not be considered an amendment requiring consent of any Bond Insurer or Bondholders.

The Trustee shall transfer amounts in the applicable account in the Capital Projects Fund to the Encumbered Funds Account upon receipt of a requisition signed by the Authority accompanied by a notice (in the form prescribed in the Indenture) of the City to the Authority to the effect that the City is prepared to award a contract for or commence work on an approved capital project or projects, which notice shall identify in reasonable detail: (i) the capital project or projects, (ii) the amount of the contract to be awarded or the cost of work to be encumbered, and (iii) the proposed date of award of such contract or the proposed date of commencement of the work. The Trustee shall not transfer amounts from the Capital Projects Fund to the Encumbered Funds Account at any time when a suspension of payment from the Commonwealth to the City is in effect as a result of the Authority certifying that the City is not in compliance with an approved financial plan pursuant to provisions of the Act and the Trustee has notice of such suspension. In addition, the Trustee shall not transfer amounts from the Capital Projects Fund to the Encumbered Funds Account if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction, unless the Trustee receives an order of the Supreme Court of Pennsylvania permitting such transfer. Upon completion, termination or abandonment of any capital project with respect to which moneys shall have been disbursed to the Encumbered Funds Account, any unspent moneys deposited therein for such capital project shall, to the extent not approved by the Authority for application to other capital projects being funded from the Encumbered Funds Account, be deposited, at the direction of the Authority and the City, in the Capital Projects Fund.

Amounts remaining in any account in the Capital Projects Fund after completion, termination or abandonment of the capital project or projects to be financed with the proceeds of the related Series of Bonds shall be transferred at the direction of the Authority to the Debt Service Fund for the payment of principal next becoming due on the applicable Series of Bonds or to the Bond Redemption Fund for redemption of Bonds of such Series at the earliest practicable date that Bonds of such Series can be redeemed without a premium unless the Trustee is directed by the Authority at the request of the City to apply such excess for a purpose permitted under the Act and receives an opinion of Bond Counsel that such use is permitted under the Act and will not adversely effect the excludability of interest on any Bonds from gross income for Federal income tax purposes.

To the extent that amounts in the Debt Service Fund are insufficient to make any payment of principal of or interest due on the Bonds after all available amount in the Debt Service Reserve Fund have been used, the Trustee shall transfer amounts from the Capital Projects Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency.

Revenue Fund

All payments of PICA Taxes made to the Trustee by the State Treasurer shall be received by the Trustee and deposited by the Trustee in the Revenue Fund. The Trustee shall transfer sums from the Revenue Fund to other funds as provided in the Indenture and as more particularly described in the Official Statement under "SOURCES OF PAYMENT AND SECURITY FOR THE 2006 Bonds - Authority Tax." Any moneys remaining in the Revenue Fund after all such transfers have been made shall be transferred by the Trustee to the Depositary for deposit to the City Account.

Debt Service Fund

On the date of settlement for each Series of Bonds, there shall be deposited in the Debt Service Fund an amount equal to the accrued interest, if any, on such Series of Bonds to the date of settlement therefor and any capitalized interest in respect of such Series. Amounts received by the Trustee pursuant to an interest rate exchange agreement or other agreement permitted by Section 304(10) of the Act in respect of a Series of Bonds shall be credited to the accounts in respect of such Series of Bonds.

Moneys in the Revenue Fund shall be transferred to the Debt Service Fund to the extent necessary to cause the aggregate amount deposited therein in each month to equal the sum of (i) the aggregate for all Series of Bonds paying interest semiannually of 1/6 (such fraction to be increased or decreased, as appropriate, for a Series to account for any initial or final interest period shorter or longer than six months) of the amount of interest that will be due and payable on each such Series of Bonds on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds paying interest at an interval other than semiannually of an amount equal to the interest that will be due and payable or otherwise accrue on each such Series of Bonds during such month (assuming that interest due on such Bonds will be payable at the maximum interest rate applicable to such Bonds, and taking into account (A) any amounts received from the counterparty to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the 2006 Bonds Swap, deposited directly into the Debt Service Fund, and (B) any amounts remaining in the Debt Service Fund from prior months' transfers from the Revenue Fund in excess of the amount actually paid or accrued as interest on such Bonds for such

prior months), (iii) the aggregate for all Series of Bonds of 1/12 (such fraction to be increased, as appropriate, for a Series to account for any initial or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds (whether upon maturity or mandatory redemption) on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iv) any deficiency in deposits required to be made in prior months under the preceding clauses (i), (ii) and (iii) which has not been eliminated and (v) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds. The Trustee shall use the moneys in the Debt Service Fund to pay the principal of and mandatory sinking fund installments and interest on the Bonds as it becomes due and payable and to pay any amount owed to the Credit Facility Issuer in respect of payments made for principal and interest on Bonds.

The Trustee shall establish as part of the Debt Service Fund a 1999 Bonds Sinking Fund Account, a 2003 Bonds Sinking Fund Account and a 2006 Bonds Sinking Fund Account for the retirement of certain of the 1999 Term Bonds, the 2003 Term Bonds and 2006 Term Bonds, respectively. Certain of the 2006 Term Bonds are subject to mandatory sinking fund redemption on the dates and in the amounts set forth in the Official Statement under "THE 2006 Bonds -- Mandatory Sinking Fund Redemption". The Trustee shall transfer moneys from the Debt Service Fund to the Sinking Fund Accounts in the amounts required to retire the 1999 Term Bonds, the 2003 Term Bonds and the 2006 Term Bonds on the dates and in amounts so described. Notwithstanding the foregoing, the Indenture permits the Trustee, at the direction of the Authority prior to May 1 of each year in which 1999 Term Bonds, 2003 Term Bonds or 2006 Terms Bonds are subject to mandatory sinking fund redemption, to apply amounts deposited in the Sinking Fund Accounts to the purchase of as many 1999 Term Bonds, 2003 Term Bonds and 2006 Terms Bonds as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not exceeding the principal amount thereof, plus interest accrued to such date (which interest shall be paid from amounts in the Debt Service Fund).

Debt Service Reserve Fund

There shall be maintained in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement for the Bonds. In lieu of such deposit, at the time of issuance of a Series, subject to approval of the Bond Insurer, if any, there may be provided a Credit Facility in such amount issued by a Credit Facility Issuer whose credit facilities are such that bonds secured by such credit facilities are rated in one of the three highest rating categories by Moody's and S&P. To the extent that additional amounts are required to be deposited in the Debt Service Reserve Fund, such moneys shall come from sources other than the proceeds of the Bonds. Moneys in the Revenue Fund shall be transferred to the Debt Service Reserve Fund to the extent necessary to eliminate a deficiency therein. To the extent that there is an excess amount in the Debt Service Reserve Fund as of the date any valuation is required to be made as provided in the Indenture, unless otherwise provided in the Supplemental Indenture authorizing the issuance of such Series, the excess (other than any Investment Earnings) shall be transferred, at the written direction of the Authority, to the Debt Service Fund or the Bond Redemption Fund as provided in the Indenture, or, subject to an approving opinion of Bond Counsel, as directed in writing by the Authority.

Investment Earnings from investments of amounts in the Debt Service Reserve Fund shall be applied by the Trustee as follows:

- (a) the Trustee shall retain in the Debt Service Reserve Fund the amount necessary to eliminate deficiency therein;
- (b) the Trustee shall transfer to the Rebate Fund in respect of each Bond Year such amount as is certified by the Authority to the Trustee pursuant to the applicable Tax Compliance Agreement as the Rebate Amount and Yield Reduction Amount, if any, for such Bond Year with respect to the 1999 Bonds, the 2003 Bonds, the 2006 Bonds and such additional amount for each other Series of Bonds as may be specified in the Supplemental Indenture authorizing the Series;
- (c) the Trustee shall transfer to the Authority the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made (together with transfers from the Revenue Fund), to equal the total operating expenses of the Authority for such fiscal year as set forth in the certificate of the Authority filed with the Trustee in respect of such fiscal year; and
- (d) the Trustee shall transfer any remaining amount to the Revenue Fund.

If there are insufficient moneys to pay the Debt Service Requirement on any Series of Bonds on any Interest Payment Date or maturity date of such Series of Bonds, the Trustee shall transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund.

In the event any application of funds in the Debt Service Reserve Fund in accordance with the preceding paragraph causes the amount in the Debt Service Reserve Fund to be less than the Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority.

The Trustee shall value the Investment Securities, if any, held in the Debt Service Reserve Fund at the end of each Bond Year for such Series and six months after the end of each such Bond Year. Investments in the Debt Service Reserve Fund, other than guaranteed investment contracts, shall be valued at fair market value. Guaranteed investment contracts shall be valued at the amortized cost thereof plus accrued interest. If the value of such Investment Securities plus any moneys in the Debt Service Reserve Fund (other than Investment Earnings which have not yet been transferred as described above) falls below the Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority. Such deficiency shall be eliminated as indicated above and if necessary by the transfer from the Revenue Fund described in the Indenture.

Upon a redemption or final maturity of all of the Bonds of a Series, moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall be applied as discussed above.

Bond Redemption Fund

The Trustee shall deposit in the Bond Redemption Fund amounts received from any source for redemption of Bonds other than mandatory sinking fund payments.

Moneys deposited into the Bond Redemption Fund shall be used to redeem Bonds or, at the request of the Authority in writing, to purchase Bonds in the open market at a price not in excess of the principal amount thereof plus accrued interest thereon (or, in the case of zero coupon bonds, original issue price plus accrued original issue discount). Upon such deposit, to the extent such moneys are to be used to redeem Bonds, the Trustee shall promptly select and call Bonds for redemption.

Rebate Fund

Amounts shall be deposited in the Rebate Fund in order to comply with rebate requirements of Section 148 of the Code and shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder, any Credit Facility Issuer or any other Person. The provisions of the Indenture regarding the Rebate Fund may be amended upon receipt by the Trustee and the Authority of an opinion of Bond Counsel that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any moneys released from the Rebate Fund as a result of any such amendment shall be applied by the Trustee as required or permitted (in which case such application shall be at the written direction of the Authority) by such opinion of Bond Counsel.

The Authority is required to determine the Rebate Amount and Yield Reduction Amount, if any, in respect of each Series of Bonds or cause the same to be determined within 30 days after the end of each Bond Year and upon the retirement of the last Bond of a particular Series and to give written notification of such amounts to the Trustee. Following receipt of such notification, the Trustee is required to transfer first from Investment Earnings on the Debt Service Reserve Fund and then from the Revenue Fund to the Rebate Fund such amount as may be necessary so that the amount in the Rebate Fund shall be equal to the Rebate Amount and Yield Reduction Amount, if any, as of the computation date. In the event that as of the first day of any Bond Year in respect of each Series of Bonds, the amount on deposit in the Rebate Fund exceeds the Rebate Amount and Yield Reduction Amount, if any, the Trustee, at the direction of the Authority, shall transfer such excess amount into the Revenue Fund. If any amount shall remain in the Rebate Fund after the Trustee has made the final payment to the United States in respect of each Series of Bonds pursuant to the Indenture, such amount shall be transferred to the Revenue Fund.

Settlement Fund

The Trustee has established a Settlement Fund under the Indenture to hold funds to be applied to the costs of issuance of the 2006 Bonds. Upon the payment of the costs of issuance, moneys in the Settlement Fund with respect to the 2006 Bonds are to be transferred to the Debt Service Fund.

Bond Purchase Fund

Following Conversion from ARS to a Variable Rate or a Flexible Rate, the Trustee shall establish or cause the Tender Agent to establish and maintain, so long as the 2006 Bonds remain outstanding at a Variable Rate or a Flexible Rate, a separate fund to be known as the "Bond Purchase Fund", within which there shall be established a Remarketing Proceeds Account and a Liquidity Facility Purchase Account, which shall be held in trust by the Trustee.

- (i) Remarketing Proceeds Account. The Trustee or the Tender Agent shall deposit to the credit of the Remarketing Proceeds Account (A) the moneys received upon the remarketing of Tendered Bonds, and (B) the moneys received from the underwriter or purchaser (other than the Authority, any Affiliate, or any Insider) of Tendered Bonds upon the conversion of the interest rate thereon to a Fixed Rate. No moneys other than those described in (A) and (B) shall be deposited into such account.
- (ii) <u>Liquidity Facility Purchase Account</u>. The Trustee or the Tender Agent shall deposit to the credit of the Liquidity Facility Purchase Account all proceeds of drawings under the Liquidity Facility to pay the purchase price of Tendered Bonds (other than Bank Bonds), and no other moneys shall be deposited in such account.

Moneys in the Bond Purchase Fund shall be held in trust for the benefit of and subject to a lien in favor of the owners of Tendered Bonds and shall be used exclusively for the payment of the purchase price of Tendered Bonds; provided, however, that any moneys remaining on deposit in the Liquidity Facility Purchase Account after payment in full of all amounts due on the Tendered Bonds shall be transferred to the Bank.

Pledged Revenues

The Pledged Revenues, which secure the payment of amounts due in respect of the Bonds, consist of all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes and all moneys and securities held by the Trustee under the Indenture, together with any earnings thereon, except moneys and securities held in the Rebate Fund.

Pledge of Pledged Revenues and Fund

The Pledged Revenues are trust funds and shall not be subject to lien (other than that of the Indenture or any lien thereon granted to secure the payment of any subordinated indebtedness of the Authority in accordance with the terns of the Indenture) or attachment by any creditor of the Authority.

Investment of Funds

Moneys in the funds established under the Indenture shall, to the extent permitted by law and at the direction of the Authority, be invested and reinvested in Investment Securities or City Obligations, except that moneys in the Debt Service Fund, the Revenue Fund and the Rebate Fund shall be invested only in Government Obligations with maturities which will assure the availability of money at the time when needed, and moneys in the Debt Service Reserve Fund shall only be invested in Investment Securities with a maturity of not more than five years; provided, however, that if moneys are invested in a guaranteed investment contract or a repurchase agreement which allows the full principal of and interest on the investment to be withdrawn at par on any principal or interest payment date for the Bonds, such guaranteed investment contract or repurchase agreement may have a maturity longer than five years but not longer than ten years. Investment Earnings shall be added or charged to the Revenue Fund when earned or realized, subject to the provisions of the Indenture in the case of defeasance, and provided that (i) Investment Earnings from investment of amounts in the Debt Service Reserve Fund shall be applied as described under "Debt Service Reserve Fund" above; (ii) Investment Earnings from investment of amounts in the Rebate Fund shall remain in the Rebate Fund and become a part thereof, to be disbursed as described under "Rebate Fund" above; and (iii) Investment Earnings from investment of amounts in the Capital Projects Fund shall remain in the Capital Projects Fund so long as costs of capital projects are to be paid therefrom.

Covenants of the Authority

The Authority covenants, among other things, that it will promptly pay or cause to be paid, but only from the Pledged Revenues, the principal of, premium, if any, and interest on all Bonds, and that it shall do and perform or cause to be done or performed all acts and things required to be done or performed by it under the Act and that it shall comply with all valid acts, rules, regulations, orders and directions applicable to the Indenture. The Authority has covenanted not to enter into any interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by the Act if entering into such agreement would materially adversely affect any rating of the Bonds by Moody's, S&P or Fitch. The Authority also covenants at all times, to the extent permitted by law, to defend, preserve and protect the assignment and pledge of, and security interest in, the Trust Estate under the Indenture and all the rights of the Bondholders and all Credit Facility Issuers under the Indenture against all claims and demands of all persons whomsoever.

The Authority covenants with the Holders from time to time of the Bonds and the Authority shall cause the City to covenant with the Authority and Trustee that they will not make any investment or other use of the proceeds of the Bonds which would cause the Bonds the interest on which, when such Bonds were issued, was intended to be excluded from gross income for federal income tax purposes to be "arbitrage bonds" (as that term is defined in Section 148 of the Code and all applicable regulations promulgated thereunder), and that they will comply with the requirements of such Code section and regulations throughout the term of all such Bonds.

The Authority shall deliver to the Trustee and to Moody's, S&P, Fitch and any Credit Facility Issuer within 120 days after the end of each fiscal year, on the basis of an audit conducted by independent certified public accountants, financial statements of the Authority at the end of such fiscal year together with notes and exhibits thereto (which shall include exhibits showing (i) all Bonds of the Authority then Outstanding, (ii) a summary of total annual debt service requirements and (iii) a statement of debt service coverage), which financial statements shall be audited by a firm of independent certified public accountants in accordance with generally accepted auditing standards. The Trustee is authorized to deliver copies of such financial statements to Bondholders and to any other Person who requests such financial statements.

Defaults and Remedies

Each of the following events constitutes an Event of Default under the Indenture:

(a) Default in the due and punctual payment of interest on any Bond after such payment has become due and payable; or

- (b) Default in the due and punctual payment of the principal or mandatory sinking fund installment of any Bond, whether at the stated maturity thereof or upon proceedings for redemption thereof, or
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority contained in the Indenture, any Supplemental Indenture or in the Bonds; or
- (d) Failure by the City to perform any of its covenants or agreements contained in the PICA Tax Ordinance or in any other ordinance of the City enacting PICA Taxes; or
- (e) Failure by the State Treasurer or the Department in the performance of any of their duties under the Act or covenants or agreements contained in the PICA Tax Disbursement Agreement or the Tax Collection Agency Agreement;
- (f) If payment of the purchase price of any 2003 Bond tendered pursuant to Article III of the Third Supplement to the Amended and Restated Indenture is not made when it becomes due and payable; or
- (g) If payment of the purchase price of any 2006 Bond tendered pursuant to Article III of the Fourth Supplement to the Amended and Restated Indenture is not made when it becomes due and payable; provided, however, that a default under (c) or (e) shall not constitute an Event of Default unless the Authority, the State Treasurer or the Department, as applicable, shall have had thirty (30) days after receipt of notice of such default from the Trustee or from the Bondholders of not less than twenty-five percent (25%) in aggregate principal amount of all Outstanding Bonds to correct said default or cause said default to be corrected and shall not have corrected said default or caused said default to be corrected within such period; provided that, if said default is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority, the State Treasurer or the Department, as applicable, within the applicable period and diligently pursued until the default is corrected, subject to each Bond Insurer's approval of the grace period for the taking of such corrective action; provided, further, that the period to cure any of such defaults shall be only seven (7) days in the case of a default in the payment of money and shall be such shorter period as may be specified in the notice of such default in the case of any default which would have a material adverse effect on the tax exempt status of the 1999 Bonds, the 2003 Bonds or the 2006 Bonds if not cured sooner than the period specified in the notice. In determining whether a payment default has occurred or whether a payment on any Series of Bonds has been made, no effect shall be given to payments made under the applicable Bond Insurance Policy.

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity, including, without limitation, enforcement of the rights of the Trustee and the Bondholders under the PICA Tax Ordinance or the Tax Compliance Agreement, the remedies provided in Section 305 of the Act and the rights of enforcement provided in Section 310 of the Act, to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, the performance by the Authority of its obligations under the Indenture and the performance by the Department and by the State Treasurer of their obligations under the Act. Notwithstanding the foregoing, there shall be no right to accelerate the time for payment of the Bonds. Without limiting the generality of the foregoing, if at any time the Trustee shall not receive the Pledged Revenues for transfer to the Debt Service Fund at the times and on the dates required by the Act and the Indenture, the Trustee shall promptly enforce the pledge of, security interest in and lien and charge on the Pledged Revenues against all government agencies (as defined in the Act) in possession of any of such Pledged Revenues at any time and shall send notice to the Department and the State Treasurer requesting that they take appropriate corrective actions.

If an Event of Default shall have occurred and be continuing and if directed in writing by the Bondholders of 25% in aggregate principal amount of Outstanding Bonds and upon being indemnified as provided in Section 9.01 of the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers specified in the preceding paragraph, as directed, provided such direction shall not be otherwise than in accordance with law and the provisions of the Indenture and the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would prejudice Bondholders not parties to such direction.

No waiver of any Event of Default under the Indenture, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon. Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture. The Trustee shall not be required to follow any direction from the Bondholders in the absence of indemnification of the Trustee, in accordance with the Indenture, in form and substance satisfactory to the Trustee.

Limitation on Actions by Bondholders

Under certain circumstances set forth in the Indenture, Bondholders may direct proceedings with respect to an Event of Default; however, no Bondholder shall have the right to pursue any remedy under the Indenture unless (a) the Trustee has been notified of an Event of Default as provided in the Indenture, (b) the Bondholders of not less than 25% of the aggregate

principal amount of Outstanding Bonds shall have made written request to the Trustee and shall have offered it reasonable opportunity either to exercise the powers with respect to remedies granted under the Indenture or to pursue such remedy in their name or names, (c) the Trustee shall have been offered security and indemnity satisfactory to it against costs, expenses and liabilities and (d) the Trustee shall have failed or refused to comply with such request. Notwithstanding the foregoing, nothing in the Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest on each of the Bonds to and for the equal benefit of all Bondholders at the time and place, from the source and in the manner expressed in the Bonds. For purposes of actions by Bondholders, the respective Bond Insurer, if any, shall be deemed to be the sole holder of the Bonds which it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy relating to such Bonds.

Waivers of Events of Default

The Trustee may at its discretion waive any Event of Default under the Indenture and its consequences, and shall do so upon the written request of the Bondholders of (1) not less than 66-2/3% in aggregate principal amount of all Outstanding Bonds in respect of which default in the payment of principal or interest, or both, exists or (2) not less than a majority in aggregate principal amount of all Outstanding Bonds in the case of any other Event of Default; provided, however, that there shall not be waived any Event of Default in the payment of the principal of or interest on any Outstanding Bonds unless, prior to such waiver, or rescission, all arrears of principal and interest, and all expenses of the Trustee in connection with such Event of Default shall have been paid or provided for and, in the case of any Bonds to which a Credit Facility applies, any amount drawn under the Credit Facility shall have been reinstated (if applicable) or the Credit Facility Issuer shall have been reimbursed. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee, the Credit Facility Issuer and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon. The foregoing notwithstanding, so long as a Credit Facility applies to the Bonds and the Credit Facility Issuer has not wrongfully failed to honor a drawing thereunder, the consent of the Credit Facility Issuer must be obtained prior to any such waiver with respect to the Bonds. Also, notwithstanding the foregoing, the consent of the Bond Insurer of the Series of Bonds as to which such Event of Default exists must be obtained prior to any such waiver becoming effective.

Modifications of Indenture

The Authority and the Trustee may enter into Supplemental Indentures, without the consent of or notice to, the Bondholders, for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Indenture;
- (b) To grant to or confer upon the Bondholders or the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;
- (c) To subject to the Indenture additional revenues or collateral;
- (d) To modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States;
- (e) To provide for the adoption of a book-entry registration of any Series of Bonds;
- (f) To evidence the appointment of a separate or co-Trustee or the succession of a new Trustee;
- (g) To authorize the issuance and establish the terms of Additional Bonds and to effect an interest rate swap agreement, an interest rate cap or floor agreement or other similar agreement permitted under the Act;
- (h) To make any other change in the Indenture, including changes in connection with the Authority's issuance of subordinated debt, which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders;
- (i) To secure or maintain the rating for the Bonds from S&P and/or Moody's and/or Fitch;
- (j) To cure any defects in the Indenture which would, if not cured, cause the interest on Bonds which at the time of issuance was intended to be excluded from gross income for federal income tax purposes not to be so excluded;
- (k) To make any change permitted under Section 5.09 of the Indenture (relating to the Rebate Fund);or
- (I) To make any other change in the Indenture which is approved by the Credit Facility Issuer if at the time of such change a Credit Facility is in effect and there has been no failure by the Credit Facility Issuer to make any payment under the Credit

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Facility or, if a new Credit Facility is being obtained, which is requested by the new Credit Facility Issuer and is to be effective only at, the time the new Credit Facility becomes effective, except a change specified in the Indenture as requiring the consent of the Holders of all Outstanding Bonds or a change which would affect the rights of the Authority unless the Authority approves of such change; or

(m) With respect to the 2003 Bonds and the 2006 Bonds, to increase or decrease the maximum interest rate used to compute (i) the Interest Coverage Rate, as defined in Section 103 of the Third Supplement to the Amended and Restated Indenture and the Fourth Supplement to the Amended and Restated Indenture, respectively and (ii) the maximum rate at which the 2003 Bonds and the 2006 Bonds may be remarketed, as set forth in Section 310(h) of the Third Supplement to the Amended and Restated Indenture and the Fourth Supplement to the Amended and Restated Indenture, respectively; provided, however, that the Trustee shall have first obtained the written consent for such amendment from the Bond Insurer insuring the 2003 Bonds or the 2006 Bonds, as the case may be.

In exercising its discretion, the Trustee shall not unreasonably withhold its consent to any Supplemental Indenture for any of the foregoing purposes. The Trustee shall have the right to require an opinion of counsel that such Supplemental Indenture is authorized and permitted under the Indenture.

Except for the foregoing Supplemental Indentures and subject to the provisions of the Indenture, the Bondholders of not less than a majority in aggregate principal amount of the Outstanding Bonds which would be adversely affected thereby shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such other Supplemental Indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, without the consent of the Holders of all Bonds Outstanding which would be adversely effected thereby, (a) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture, (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or a change in the terms of redemption of the Bonds, (c) a privilege or priority of any Bond or Bonds over any Outstanding Bond or Bonds, (d) a reduction in the aggregate principal amount of the Bonds required for consent to Supplemental Indentures, (e) the creation of any lien ranking prior to or on a parity with the lien of the Indenture on the Trust Estate or any part thereof, except as expressly permitted in the Indenture, (f) the deprivation of the Bondholder of any Outstanding Bond of the lien created on the Trust Estate or (g) an adverse effect on the interest of the Bondholders in any Credit Facility; and further provided that no such amendment shall be permitted without the consent of the Credit Facility Issuer so long as the Credit Facility Issuer has not wrongfully failed to honor a drawing under the Credit Facility or otherwise defaulted thereunder.

No amendment or supplement shall be effective unless the prior written consent of each Bond Insurer to such amendment or supplement is obtained; provided, however, that each Bond Insurer may not unreasonably withhold its consent to an amendment or supplement pursuant to clause (j) in the third preceding paragraph.

Discharge of Indenture

If the Authority shall pay or cause to be paid, or there shall otherwise be paid or provision be made for payment, to the Holders of the Bonds the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, and all fees, expenses and other amounts due to the Trustee, each Registrar and each Credit Facility Issuer, then the Trust Estate and the rights granted under the Indenture shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the Indenture, and execute and deliver to the Authority such instruments in writing as shall be requisite to release the Indenture, and reconvey, release, assign and deliver unto the Authority any and all of the Trust Estate and all right, title and interest in and to any and all rights conveyed, assigned or pledged to the Trustee or otherwise subject to the Indenture, except amounts held in or payable to the Rebate Fund for payment to the United States and amounts held by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds. Notwithstanding the foregoing, Bonds paid with the proceeds of any Credit Facility shall be Outstanding until the Credit Facility Issuer has been reimbursed for the amount of the payment.

Any Bond shall be deemed paid as described above for all purposes under the Indenture when payment of the principal of, premium, if any, and interest on such Bond to the due date thereof either (i) shall have been made or caused to be made in accordance with the terms of the Indenture, or (ii) shall have been provided for by the irrevocable deposit with the Trustee of (A) moneys sufficient to make such payment and/or (B) Government Obligations of the types described in clause (a) of such definition, Refcorp interest strips, CATS, TIGRS, STRPS or defeased municipal bonds rated "AAA" by S&P or "Aaa" by Moody's, in each case maturing as to principal and interest in such amount and such time as will insure the availability of sufficient moneys to make such payment. At such time as a Bond shall be deemed to be paid as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

If any advance refunding of the 2006 Bonds is accomplished prior to the Fixed Rate Conversion Date, (i) moneys held to defease such 2006 Bonds shall be invested only in Government Obligations with maturity dates on or prior to the next Flexible Rate Adjustment Date or Variable Rate Adjustment Date, as the case may be, for the 2006 Bonds, the 2006 Bonds shall be redeemed on or prior to such Flexible Rate Adjustment Date or Variable Rate Adjustment Date and the 2006 Bonds which have been advance refunded prior to maturity shall no longer be subject to any optional or mandatory tender or (ii) the Trustee shall have received written evidence from each Rating Agency then rating the 2006 Bonds that the rating borne by such 2006 Bonds immediately prior to such refunding will not be withdrawn or reduced by reason of such advance refunding.

Duties of the Trustee

The Indenture provides that, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Trustee undertakes to perform only such duties as are set forth in the Indenture. In case an Event of Default has occurred which has not been cured or waived, the Trustee is obligated to exercise such of the rights and powers vested in it by the Indenture and to the same degree of care and skill in the exercise of such rights and powers as a prudent man would exercise under the circumstances in the conduct of his own affairs. In general, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants or agreements on the part of the City, the Department or the State Treasurer, but the Trustee may require of the Authority full information and advice as to the performance of such covenants and agreements. Notwithstanding the foregoing, if there is a deficit in the amount deposited in the Debt Service Fund in excess of one month's required deposit, the Trustee shall make inquiry to determine whether there has been an Event of Default by reason of the failure of the City to perform its covenants and agreements in the PICA Tax Ordinance or other ordinance of the City enacting PICA Taxes or of the State Treasurer or the Department to perform their duties under the Act or covenants or agreements contained in the PICA Tax Disbursement Agreement or the Tax Collection Agency Agreement. The Trustee may act upon the opinion or advice of any attorney approved by the Trustee in the exercise of reasonable care and shall not be responsible for any loss or damage resulting from any action or inaction in good faith in reliance upon such opinion or advice received in writing. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance with the provisions of the Indenture or for any loss resulting from any such investment or the sale or disposition of any such investment in accordance with the provisions of the Indenture. The Trustee is not required under the Indenture to give any bond or surety to the performance of its obligations as Trustee.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street 14th Floor Philadelphia, PA 19102

> Re: Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority) of \$89,950,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (the "2006 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L 9, No. 6), as amended (the "Act"), and an Amended and Restated Indenture of Trust dated as of December 1, 1994, (the "Amended and Restated Indenture"), between the Authority and Wachovia Bank, National Association, as successor to Meridian Bank, as Trustee (the "Trustee"), as amended pursuant to the First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture"), the Second Supplement to the Amended and Restated Indenture dated as of April 1, 1999 (the "Second Supplement to the Amended and Restated Indenture"), the Third Supplement to the Amended and Restated Indenture dated as of June 1, 2003 (the "Third Supplement to the Amended and Restated Indenture") and a Fourth Supplement to the Amended and Restated Indenture dated as of June 1, 2006 (the "Fourth Supplement to the Amended and Restated Indenture," and together with the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture, the Third Supplement to the Amended and Restated Indenture and the Amended and Restated Indenture, the "Indenture").

The 2006 Bonds are being issued for the purpose of providing funds, which, together with other available monies, are expected to be used to (i) currently refund the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1996 maturing on and after June 15, 2007, in the aggregate principal amount of \$89,960,000 (the "1996 Bonds") and (ii) pay the costs of issuing the 2006 Bonds (collectively, the "Refunding Project").

As Bond Counsel, as a basis for this opinion, we have examined such matters of law and such documents, certifications, instruments and records as we deemed necessary to enable us to render the opinions set forth herein, including the Act, the relevant provisions of the Constitution and applicable statutes of the Commonwealth of Pennsylvania (the "Commonwealth") and such resolutions of the Authority and ordinances of the City of Philadelphia (the "City") and proceedings relating thereto as are contained in the transcript of proceedings for the 1996 Bonds and for the 2006 Bonds as listed in the transcript index referred to in the following sentence. We have also reviewed and relied upon the proceedings authorizing the issuance of the 2006 Bonds and certain certifications and agreements (including a Tax Compliance Agreement intended to

Pennsylvania Intergovernmental Cooperation Authority June 15, 2006 Page 2

satisfy certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable Treasury Regulations), affidavits, receipts and other documents, agreements, certificates and opinions, all as executed and delivered in connection with the issuance of the 2006 Bonds as listed in the transcript index in respect of the 2006 Bonds filed this date with the Trustee, all as deemed necessary to enable us to express the opinions set forth below. We have also reviewed a specimen of the 2006 Bonds and have relied on the certification of the Trustee as to its authentication of the 2006 Bonds. In rendering this opinion, we have relied on the authenticity, truthfulness and completeness of all documents, certificates and instruments examined as to all matters of fact and law set forth therein.

As expressly stated in the form of the 2006 Bonds and in the Indenture, the 2006 Bonds are limited obligations of the Authority payable solely from the Pledged Revenues (as defined in the Indenture). The 2006 Bonds do not otherwise constitute a pledge of the general credit of the Authority. Further, the 2006 Bonds do not constitute a pledge of the credit of the Commonwealth or any political subdivision thereof (including the City), nor do the 2006 Bonds constitute a pledge of the taxing power of the Commonwealth or any political subdivision thereof (including the City). The Authority has no taxing power. Neither the Commonwealth nor any political subdivision thereof (including the City) is liable for the payment of the principal of, redemption premium, if any, or interest on, the 2006 Bonds.

As to questions of fact material to our opinion, we have relied upon the representations of the Authority contained in the proceedings relating to the issuance of the 2006 Bonds and other certifications furnished to us without undertaking to verify the same by independent investigation.

Based and in reliance upon the foregoing, our attendance at the closing held this day and subject to the caveats, qualifications, exceptions and assumptions set forth herein, it is our opinion that, as of the date hereof, under existing law:

- 1. The Authority is a body corporate and politic validly existing under the laws of the Commonwealth, and has the full power and authority under the Act to undertake the Refunding Project, to execute and deliver the Fourth Supplement to the Amended and Restated Indenture and to issue the 2006 Bonds.
- 2. The Fourth Supplement to the Amended and Restated Indenture has been duly authorized, executed and delivered by the Authority and the obligations of the Authority under the Fourth Supplement to the Amended and Restated Indenture constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms.
- 3. The 2006 Bonds have been duly authorized, executed, issued and delivered by the Authority and are the legal, valid and binding limited obligations of the Authority, entitled to the benefit and security of the Indenture, and are enforceable against the Authority in accordance with their terms.
 - 4. The Indenture creates a valid pledge to the Trustee for the benefit of the

Pennsylvania Intergovernmental Cooperation Authority June 15, 2006 Page 3

holders of the 2006 Bonds of, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture).

- 5. Under the laws of the Commonwealth, as currently enacted and construed, the 2006 Bonds are exempt from personal property taxes in the Commonwealth, and interest on the 2006 Bonds is exempt from the Commonwealth's personal income tax and corporate net income tax. However, under the Commonwealth's laws as presently enacted and construed, any profits, gains or income derived from the sale, exchange or other disposition of the 2006 Bonds will be subject to the Commonwealth's state and local taxes.
- 6. Interest on the 2006 Bonds is excluded from gross income for federal income tax purposes under existing law, as currently enacted and construed. Interest on the 2006 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. Interest on a 2006 Bond 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 alternative minimum tax because of its inclusion in the earnings and profits of the corporate holder. Interest on a 2006 Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

Ownership of the 2006 Bonds may give rise to collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S Corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2006 Bonds. We express no opinion as to such collateral federal income tax consequences.

In providing this opinion, we advise you as follows:

- (a) It may be determined in the future that interest on the 2006 Bonds, retroactive to the date of issuance thereof, will not be excluded from gross income of the owners of the 2006 Bonds for federal income tax purposes if certain requirements of the Code are not met subsequent to the issuance of the 2006 Bonds. The Authority has covenanted to comply with these requirements. Our opinions expressed herein assume continued compliance with these covenants, and we have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2006 Bonds may affect the tax status of interest on the 2006 Bonds.
- (b) The enforceability (but not the validity) of the documents mentioned herein may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter enacted by any state or the federal government affecting the enforcement of creditors' rights generally, or the legal or equitable principles affecting creditors rights and "enforceable in accordance with its (their) terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

This opinion is rendered solely for the benefit of the addressee hereof in connection with the initial issuance of the 2006 Bonds. The addressee may not rely on this opinion letter for any Pennsylvania Intergovernmental Cooperation Authority June 15, 2006 Page 4

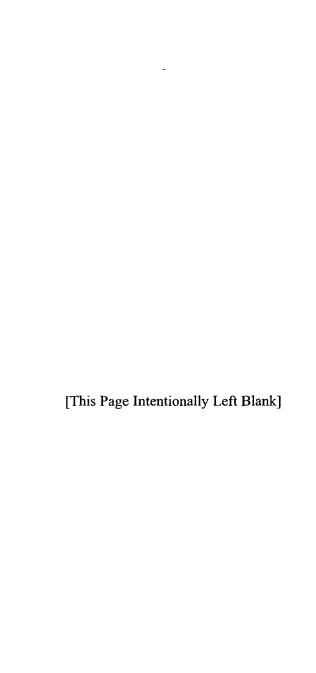
other purpose and no other person may rely on this opinion letter for any purpose without the express written consent of the undersigned. This opinion letter is limited to the matters set forth herein. This opinion is subject to future changes in applicable law and we do not undertake any obligation to update any of the opinions expressed in this letter. No opinion may be inferred or implied beyond the matters expressly stated herein, and our opinions expressed herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth herein. The law covered by the opinions expressed herein is limited to the laws of the Commonwealth and the federal law of the United States of America. We express no opinion herein as to any matter not set forth in the numbered paragraphs herein, including, without limitation, with respect to the accuracy or completeness of the Official Statement prepared in respect of the offering of the 2006 Bonds, and make no representation that we have independently verified the contents thereof.

Very truly yours,

STRADLEY RONON STEVENS & YOUNG, LLP

APPENDIX E

SPECIMEN COPY OF INSURANCE POLICY





Financial Guaranty Insurance Policy

Obligations:

Policy Number:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligon

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement. Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncancelled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Industed duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holden" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is nor carcelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

SEAL

A-

Secretary

Authorized Representative

oroida@

Authorized Officer of Insurance Trustee

Unne G. Gill

Ambac Assurance Corporation One State Street Plaza, 15th Floor New York, New York 10004

Telephone: (212) 668-0340



APPENDIX F

SUMMARY OF CERTAIN PROVISIONS RELATING TO THE AUCTION RATE SECURITIES

The following is a summary of certain provisions of the Indenture, the Auction Agent Agreement, and the Broker-Dealer Agreement relating to the 2006 Bonds which on the date of issuance bear interest at Auction Rates as provided in the Fourth Supplement and the Auction Procedures thereto. This summary does not purport to be complete and is qualified by express reference to the full text thereof. Capitalized terms not defined elsewhere in the Official Statement or defined in this APPENDIX F have the meanings set forth in the Indenture. Copies of the Indenture, Auction Agent Agreement, and Broker-Dealer Agreement may be obtained from the Trustee. See also "THE 2006 BONDS - Auction Rate Securities" in the forepart of this Official Statement for a description of certain other provisions of the documents relating to the ARS and APPENDIX C for a summary of certain other provisions of the Indenture relating to the ARS.

Certain Definitions Relating to the Auction Rate Securities

- "All-Hold Rate" means, on any date of determination, the interest rate per annum equal to 55%, of the Index on such date; provided, that in no event shall the All-Hold Rate be more than the Maximum Lawful Rate.
- "Applicable ARS Rate" means, with respect to the Bonds which are ARS, the rate per annum at which interest accrues on the Bonds for any ARS Interest Period.
- "ARS" means, on any date, the Bonds when bearing interest as auction rate securities as provided in the Indenture and the Auction Procedures applicable thereto.
- "ARS Beneficial Owner" means the Person who is the beneficial owner of ARS according to the records of (i) DTC or its participants or a successor Securities Depository while such ARS are in book-entry form or (ii) the Trustee while such ARS are not in book-entry form.
- "ARS Defaulted Interest" means interest on any ARS which is payable but is not punctually paid or duly provided for on any ARS Interest Payment Date.
- "ARS Interest Payment Date" means, with respect to ARS, the Business Day immediately following each Auction Period.
- "ARS Interest Period" means the period commencing on and including an ARS Interest Payment Date and ending on and excluding the next succeeding ARS Interest Payment Date; provided, that the first ARS Interest Period within each ARS Interest Rate Period shall commence on and include the Closing Date or the Conversion Date, as the case may be.
- "ARS Interest Rate Period" means each period during which the Bonds are ARS.
- "ARS Maximum Rate" means 12% per annum; provided that in no event shall the ARS Maximum Rate be more than the Maximum lawful Rate.
- "ARS Payment Default" means (i) a default by the Authority or the Insurer in the due and punctual payment of any installment of interest on the ARS or (ii) a default by the Authority or the Insurer in the due and punctual payment of any principal of the ARS at stated maturity or pursuant to a mandatory redemption.
- "Auction" means the implementation of the Auction Procedures on an Auction Date.

"Auction Agent" means the Initial Auction Agent unless and until a Substitute Auction Agent Agreement becomes effective, after which "Auction Agent" shall include both the Initial Auction Agent (if it is continuing to act in such capacity under the Indenture with respect to ARS) and each such Substitute Auction Agent so acting.

"Auction Agent Agreement" means, on any date, the Initial Auction Agent Agreement and each Substitute Auction Agent Agreement, relating to the ARS, in each case as from time to time in effect.

"Auction Date" means, with respect to ARS, the Business Day next preceding the first day of each Auction Period, other than (i) each Auction Period commencing after the ownership of such ARS is no longer maintained in book-entry form by a Securities Depository; (ii) each Auction Period commencing after the occurrence and during the continuance of an ARS Payment Default; or (iii) any Auction Period commencing less than two Business Days after the cure or waiver of an ARS Payment Default. The Auction Date determined as provided in this definition may be adjusted as provided in the Indenture.

"Auction Period" means (i) with respect to ARS in a seven-day mode, any of (A) a period, generally of seven days, beginning on and including a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on and including the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (B) a period, generally of seven days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on and including the Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (C) a period, generally of seven days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on and including the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (D) a period, generally of seven days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on and including the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day) or (E) a period, generally of seven days, beginning on and including a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on and including the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day) and (ii) with respect to ARS in a 35-day mode, any of (A) a period, generally of 35 days, beginning on and including a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on and including the fifth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (B) a period, generally of 35 days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on and including the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (C) a period, generally of 35 days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on and including the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (D) a period, generally of 35 days, beginning on and including it Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on and including the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day) or (E) a period, generally of 35 days, beginning on and including a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on and including the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day); provided, however that the initial Auction Period with respect to the Bonds shall begin on and include the Closing Date, and that in the event of a Conversion of the Bonds from another Interest Rate Period to an ARS Interest Rate Period the initial Auction Period with respect to the Bonds following such Conversion shall begin on and include the Conversion Date.

"Auction Procedures" means the provisions set forth in the Auction and Settlement Procedures set forth to Exhibit B to the applicable Auction Agent Agreement.

"Auction Rate" means, with respect to the interest rate on ARS, the rate of interest per annum that results from implementation of the Auction Procedures, and determined as described in the Auction Procedures; provided, however, that the Auction Pate shall not exceed the ARS Maximum Rate. While the Auction Procedures are suspended, the Auction Rate will be determined as otherwise described in the Indenture.

"Authorized Denominations" means with respect to Bonds which are ARS, \$25,000 or any integral multiple thereof.

"Bid" has the meaning provided in the Auction Procedures.

"Bonds" means the 2006 Bonds from time to time Outstanding under the Indenture.

"Broker-Dealer" means RBC Dain Rauscher Inc., or any other broker or dealer (each as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures which (i) is a participant in or member of the Securities Depository as determined by the rules or bylaws of the Securities Depository (or an affiliate of such a participant or member), (ii) has been approved by the Insurer, which approval shall not be unreasonably withheld, (iii) has been appointed as such by the Authority pursuant to the Indenture, and (iv) has entered into a Broker-Dealer Agreement that is in effect on the date of reference. When used at a time when more than one Broker-Dealer is acting under the Indenture, the term "the Broker-Dealer" shall mean, as the context dictates, either all such Broker-Dealers collectively, or only each Broker-Dealer acting with respect to the ARS.

"Broker-Dealer Agreement" means each agreement between the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented with consent of the Insurer. Each Broker-Dealer Agreement shall be substantially in the form of the Broker-Dealer Agreement between the Initial Auction Agent and the initial Broker-Dealer or such other form which conforms to industry standards at the time such Broker-Dealer Agreement is entered into.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in Philadelphia, Pennsylvania or in any other city in which the principal office of the Trustee or the designated office of the Auction Agent or the Insurer is located are required or authorized by law (including executive order) to close or on which the principal office of the Trustee, or the designated office of the Auction Agent is closed for reasons not related to financial condition or (iii) a day on which the New York Stock Exchange is closed.

"Code" means the Internal Revenue Code of 1986, as from time to time amended, and airy regulations promulgated thereunder which are applicable to the Bonds, including without limitation any Treasury Regulations or Temporary or Proposed Regulations, as the same shall from time to time be amended including (until modified, amended or superseded) Treasury Regulations or Temporary or Proposed Regulations under the Internal Revenue Code of 1954, as amended as applicable to the Bonds.

"Conversion" means a conversion of the Bonds from one Interest Rate Period to another Interest Rate Period as provided in the Indenture.

"Conversion Date" means the effective date of a Conversion of the Bonds.

"Existing Holder" means (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the existing owner registry maintained by the Auction Agent at the close of business on the Business Day immediately preceding the Auction Date for such Auction and

(b) with respect to and for the purpose of dealing with a Broker-Dealer in connection with an Auction, a Person who is a beneficial owner of the Bonds.

"Favorable Opinion of Bond Counsel" means, with respect to any action relating to the Bonds, the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel addressed to the Trustee, the Authority, the Insurer and the Remarketing Agent or the Broker-Dealers, as applicable, to the effect that such action is permitted under the Act and the Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation or the exemption of interest on the Bonds from personal income taxation under the laws of the Commonwealth of Pennsylvania (subject to customary exceptions).

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns.

"Hold Order" has the meaning provided in the Auction Procedures.

"Index" means, on any Auction Date with respect to the Bonds in any Auction Period, the One Month LIBOR Rate on such date. If such rate is unavailable, the Index for each Series of Bonds means an index or rate agreed to by all Broker-Dealers and consented to by the Insurer. If for any reason on any Auction Date the Index shall not be determined as provided above, the Index shall mean the Index for the Auction Period ending on such Auction Date.

"Initial Auction Agent" means Deutsche Bank Trust Company Americas, its successors and assigns.

"Initial Auction Agent Agreement" means the Auction Agent Agreement between the Trustee and the Initial Auction Agent, relating to the Bonds, including any amendment thereof or supplement thereto.

"Interest Payment Date" means, with respect to Bonds which are ARS, each ARS Interest Payment Date.

"Interest Rate Period" means each Daily Interest Rate Period, Weekly Interest Rate Period, Short-Term Interest Rate Period, Long-Term Interest Rate Period or ARS Interest Rate Period.

"Maturity Date" has the meaning set forth in the Bond.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, 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 by notice to the Trustee, with the consent of the Insurer.

"Non-Payment Rate" means, on any date of determination, the interest rate per annum equal to 12% per annum; provided, that in no event shall the Non-Payment Rate be more than the Maximum Lawful Rate.

"Notice of ARS Payment Default" means a notice substantially in the form of Exhibit E to the Auction Agent Agreement.

"Notice of Cure of ARS Payment Default" means a notice substantially in the form of Exhibit A to the Fourth Supplement.

"One Month LIBOR Rate" means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 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.

"Order" has the meaning provided in the Auction Procedures.

"Participant" means, with respect to DTC or another Securities Depository, a participant in or member of DTC or such other Securities Depository, respectively.

"Person" means a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

"Potential Holder" means, with respect to any Auction, any Person, including any Existing Holder, who may be interested in acquiring a beneficial interest in ARS subject to such Auction in addition to the ARS, if any, currently owned by such Person.

"Rating Agency" means, as of any date, each of Moody's, if Bonds are then rated by Moody's, Fitch, if Bonds are then rated by Fitch, and S&P, if Bonds are then rated by S&P.

"Record Date" means with respect to any Bonds which are ARS, the second Business Day next preceding each ARS Interest Payment Date.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., a New York corporation, its successors and assigns.

"Sell Order" has the meaning provided in the Auction Procedures.

"Securities Depository" means DTC, or, if applicable, any successor securities depository appointed pursuant to the Indenture.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor thereto.

"Special Record Date" means a special date fixed to determine the names and addresses of holders of ARS for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in the Indenture.

"Submission Deadline" means 1:00 p.m., New York City time on any Auction Date, or such other time on an Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

"Submitted Hold Orders" has the meaning provided in the Auction Procedures.

"Substitute Auction Agent" means the Person with whom the Trustee enters into a Substitute Auction Agent Agreement.

"Substitute Auction Agent Agreement" means an auction agent agreement acceptable to the Insurer containing terms substantially similar to the terms of the Initial Auction Agent Agreement or such other form which conforms to industry standards at the time such Auction Agent Agreement is entered into whereby a Person having the qualifications required by the Indenture agrees with the Trustee to perform the duties of the Auction Agent set forth therein with respect to the Bonds.

"Sufficient Clearing Bids" has the meaning provided in the Auction Procedures.

Payments with Respect to ARS

Interest with respect to ARS shall accrue from and including, as applicable, the Closing Date, the Conversion Date or the most recent ARS Interest Payment Date to which interest has been paid or duly provided for. The Trustee shall determine the aggregate amount of interest payable with respect to ARS on each ARS Interest Payment Date. Interest due on any ARS Interest Payment Date with respect to each \$25,000 in principal amount of ARS shall equal (i) the Applicable ARS Rate, multiplied by (ii) the principal amount of \$25,000, multiplied by (iii) the number of days in the Applicable ARS Interest Period, divided by (iv) 360, and rounding the resultant figure to the nearest cent (a half cent being rounded upward).

Interest on ARS shall be computed on the basis of a 360-day year for the actual number of days elapsed. The applicable ARS Rate with respect to the ARS Interest Period beginning on the Closing Date shall be the interest rate determined by the Underwriter for such initial ARS Interest Period in accordance with the Indenture. The Applicable ARS Rate with respect to ARS for each subsequent ARS Interest Period shall be the Auction Rate; provided that in the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period, except as otherwise contemplated herein, the new Auction Period shall be the same as the preceding Auction Period and the Auction Period for the new Auction Rate shall be the same as the Auction Rate for the preceding Auction Period.

Notwithstanding the foregoing, (x) if the ownership of the ARS is no longer maintained in book-entry form by a Securities Depository, the Applicable ARS Rate for any ARS Interest Period commencing after the delivery of certificates representing the ARS shall equal the ARS Maximum Rate; or (y) if an ARS Payment Default shall have occurred with respect to the ARS, the Applicable ARS Rate for the ARS Interest Period commencing on or immediately after such ARS Payment Default and for each ARS Interest Period thereafter, to and including the ARS Interest Period, if any, during which, or commencing less than two Business Days after, such ARS Payment Default is cured in accordance with the Indenture, shall equal the Non-Payment Rate on the first day of each such ARS Interest Period, provided that if an Auction occurred on the Business Day immediately preceding any such ARS Interest Period, the Applicable ARS Rate for such ARS Interest Period shall be the Non-Payment Rate, or (z) for any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, no Auction will be held and the Auction Rate will be the ARS Maximum Rate.

Medium of Payment. The principal of and interest on the ARS shall be payable in any currency of the United States of America which on the respective dates for payment thereof is legal tender for the payment of public and private debts. The principal of and interest on the ARS (other than at maturity) shall be payable by check mailed on the date due to the registered owner thereof on the Record Date at the address of such registered owner as it appears on the registration books maintained by the Trustee. Interest payable on any ARS Interest Payment Date to a registered owner of ARS in the aggregate principal amount of \$1,000,000 or more may, upon written request by such registered owner received by the Trustee prior to the Record Date preceding such ARS Interest Payment Date, be paid by wire transfer on the date due to a designated account in the United States. Such written request shall remain in effect until rescinded in writing by such registered owner. The principal of each ARS at maturity will be paid upon presentation and surrender thereof at the Principal Office of the Trustee. Unless otherwise requested by the Securities Depository, payments of the principal of ARS, at maturity or upon redemption, and payments of interest on ARS made by wire transfer, shall be made by the Trustee in immediately available funds, provided, however, that such method of payment may be modified by written agreement among the Trustee, the Securities Depository and the Auction Agent.

Computation of Interest Distributable on ARS. The Trustee will calculate the amount of interest distributable to ARS Beneficial Owners in respect of each \$25,000 in principal amount thereof for any ARS Interest Period or part thereof, by applying the Applicable ARS Rate with respect to the ARS, for such ARS Interest Period or part thereof, to the principal amount of \$25,000, multiplying such product by the actual number of days in such ARS Interest Period or part thereof divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upward).

ARS Defaulted Interest. By 2:00 p.m., New York City time, on each ARS Interest Payment Date, the Trustee will determine whether an ARS Payment Default has occurred. If an ARS Payment Default has occurred, the Trustee will send a Notice of ARS Payment Default to the Auction Agent and each Broker-Dealer, not later than 2:30 p.m. New York City time on such Business Day. If such ARS Payment Default is cured, the Trustee will immediately send a Notice of Cure of ARS Payment Default to the Auction Agent and each Broker-Dealer. ARS Defaulted Interest will cease to be payable to the ARS Beneficial Owner on the relevant Record Date by virtue of having been such ARS Beneficial Owner and such ARS Defaulted Interest will be payable to the Person in whose name the ARS are registered at the close of business on a Special Record Date fixed by the Trustee, which will not be more than 15 days and not less than ten days prior to the date of the proposed payment of ARS Defaulted Interest.

Description of Auction

Auction Participants

Existing Holders and Potential Holders. Participants in each Auction will include Existing Holders and Potential Holders.

Auction Agent. The Indenture directs the Trustee to enter into the Initial Auction Agent Agreement with the Initial Auction Agent. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 45 days' notice to the Trustee, the Broker-Dealer, the Authority and the Insurer. The Auction Agent may be removed at any time by the Trustee, upon the written direction of (i) the Authority, with the consent of the Insurer, (ii) the Insurer, or (iii) the ARS Beneficial Owners of 66-2/3% of the aggregate principal amount of the ARS then outstanding with the consent of the Insurer, by an instrument signed by the Trustee and filed with the Auction Agent, the Insurer and the Authority upon at least 30 days' notice. Neither the resignation nor removal of the Auction Agent pursuant to the preceding two sentences shall be effective until and unless a Substitute Auction Agent shall have been appointed and accepted such appointment; provided, however that if a Substitute Auction Agent has not been so appointed within 45 days of the notice of resignation of the Auction Agent, the Auction Agent may petition a court of competent jurisdiction to appoint a Substitute Auction Agent; provided further, that the Auction Agent may terminate the Auction Agent Agreement if, within 30 days after notifying the Trustee, the Authority and the Insurer in writing that it has not received payment of any Auction Agent Fee due it, the Auction Agent does not receive such payment, whether or not a Substitute Auction Agent shall have been appointed and accepted such appointment. The Auction Agent may be removed at any time, at the written request of the Authority with Insurer consent (which consent shall not be unreasonably withheld), for any breach of its obligations under the Indenture or the Auction Agent Agreement. The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under the Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; acts of terrorism; epidemics; riots; interruptions, loss or malfunctions of utilities; computer (software or hardware) or communications services; accidents; labor disputes; acts of civil or military authority or governmental actions; it being understood that tine Auction Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances. In no event shall the Auction Agent be responsible or liable for special, indirect or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), even if the Auction Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

If the Auction Agent shall resign or be removed or be dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body, the Trustee, at the direction of the Authority, will use its best efforts to appoint a Substitute Auction Agent.

Absent willful misconduct, grossly negligent failure to act or gross negligence on its part, the Auction Agent will not be liable for any action taken, suffered or omitted or any error of judgment made by it in the performance of its duties under the Auction Agent Agreement and will not be liable for any good faith error of judgment unless

the Auction Agent shall have been grossly negligent in ascertaining (or failing to ascertain) the pertinent facts. The Trustee will not be liable for any action, omission or error in judgment by the Auction Agent.

Broker-Dealer. The Auction Agent will enter into a Broker-Dealer Agreement with the initial Broker-Dealer. The Authority may, from time to time, approve one or more additional Persons approved by the Insurer (which approval shall not be unreasonably withheld) to serve as Broker-Dealers. Any Broker-Dealer may be removed at any time, at the written request of the Authority, with the written consent of the Insurer (which consent shall not be unreasonably withheld).

Auction Procedures

Submission of Orders

While the ownership of the ARS is maintained in book-entry form, an Existing Holder may sell, transfer or otherwise dispose of ARS only pursuant to a Bid or Sell Order placed in an Auction or through a Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions, such Existing Holder, its Broker-Dealer or its Participant advises the Auction Agent of such transfer. Subject to the provisions of the Indenture, Auctions will be conducted on each Auction Date, if there is an Auction Agent on such Auction Date, in the following manner.

Prior to the Submission Deadline: (a) each Existing Holder of ARS may submit to a Broker-Dealer by telephone or otherwise an Order, consisting of information as to: (i) the principal amount of outstanding ARS, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding ARS Interest Period (a "Hold Order"); (ii) the principal amount of outstanding ARS, if any, which such Existing Holder offers to sell if the Auction Rate for the next succeeding ARS Interest Period shall be less than the rate per annum specified by such Existing Holder (a "Bid"); and/or (iii) the Holder offers to sell without regard to the Auction Rate for the next succeeding ARS Interest Period (a "Sell Order"); and (b) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of ARS which each Potential Holder offers to purchase if the Auction Rate for the next succeeding ARS Interest Period shall not be less than the rate per annum specified by such Potential Holder (also a "Bid").

Each Hold Order, Bid and Sell Order shall be an "Order". Each Existing Holder and each Potential Holder placing an Order is referred to as a "Bidder".

Bids by Existing Holders. Subject to the provisions described below under "Validity of Orders", a Bid by an Existing Holder shall constitute an irrevocable offer to sell, in each case for settlement in same day funds on the next ARS Interest Payment Date therefor at a price equal to 100% of the principal amount thereof: (i) the principal amount of outstanding ARS specified in such Bid if the Auction Rate shall be less than the rate specified in such Bid, (ii) such principal amount or a lesser principal amount of outstanding ARS to be determined as described below in "Acceptance and Rejection of Orders", if the Auction Rate shall be equal to the rate specified in such Bid; or (iii) such principal amount or a lesser principal amount of outstanding ARS to be determined as described below in "Acceptance and Rejection of Orders", if the rate specified therein shall be higher than the ARS Maximum Rate and Sufficient Clearing Bids have not been made.

Sell Orders by Existing Holders. Subject to the provisions described below under "Validity of Orders", a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell, in each case for settlement in same day funds on the next ARS Interest Payment Date therefor at a price equal to 100% of the principal amount thereof: (i) the principal amount of outstanding ARS specified in such Sell Order if Sufficient Clearing Bids exist; or (ii) such principal amount or a lesser principal amount of outstanding ARS as described below in "Acceptance and Rejection of Orders", if Sufficient Clearing Bids have not been made.

Bids by Potential Holders. Subject to the provisions described below under "Validity of Orders", a Bid by a Potential Holder shall constitute an irrevocable offer to purchase, in each case for settlement in same day funds on the next ARS Interest Payment Date therefor at a price equal to 100% of the principal amount thereof: (i) the

principal amount of outstanding ARS specified in such Bid if the Auction Rate shall be higher than the rate specified in such Bid, or (ii) such principal amount or a lesser principal amount of outstanding ARS as described below in "Acceptance and Rejection of Orders", if the Auction Rate is equal to the rate specified in such Bid.

Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and shall specify with respect to each Order: (A) the name of the Bidder placing such Order, and (B) the aggregate principal amount of ARS that are subject to such Order. To the extent that such Bidder is an Existing Holder, each Broker-Dealer shall specify: (i) the principal amount of ARS, if any, subject to any Hold Order placed by such Existing Holder, (ii) the principal amount of ARS, if any subject to any Bid placed by such Existing Holder and the rate specified in such Bid, and (iii) the principal amount of ARS, if any, subject to any Sell Order placed by such Existing Holder. To the extent such Bidder is a Potential Holder, each Broker-Dealer shall specify the rate specified in such Potential Holder's Bid.

If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next higher one-thousandth (.001) of one percent.

If an Order or Orders covering all outstanding ARS held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of outstanding ARS held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

None of the Authority, the Trustee or the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder, nor shall any of the Authority, the Trustee or the Auction Agent be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers.

Validity of Orders

If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of outstanding ARS held by such Existing Holder, such Orders shall be considered valid as follows and in the order of priority described below.

<u>Hold Orders</u>. All Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of outstanding ARS held by such Existing Holder, and if the aggregate principal amount of ARS subject to such Hold Orders exceeds the aggregate principal amount of ARS held by such Existing Holder, the aggregate principal amount of ARS subject to each such Hold Order shall be reduced so that the aggregate principal amount of ARS subject to such Hold Orders equals the aggregate principal amount of outstanding ARS held by such Existing Holder.

Bids. Any Bid shall be considered valid up to and including the excess of the principal amount of outstanding ARS held by such Existing Holder over the aggregate principal amount of ARS subject to any Hold Order referred to above. Subject to the preceding sentence, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of outstanding ARS subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess. Subject to the preceding sentences, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess. In any such event, the amount of outstanding ARS, if any, subject to Bids not valid under the provisions described in this paragraph shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified.

<u>Sell Orders</u>. All Sell Orders shall be considered valid up to and including the excess of the principal amount of outstanding ARS held by such Existing Holder over the aggregate principal amount of ARS subject to Hold Orders and valid Bids referred to in the preceding two paragraphs.

If more than one Bid for ARS is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified. Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of ARS not equal to an Authorized Denomination shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of ARS not equal to an Authorized Denomination shall be rejected.

Any Bid specifying a rate higher than the ARS Maximum Rate will be treated as a Sell Order if submitted by an Existing Holder and will not be accepted if submitted by a Potential Holder. Any Bid submitted by an Existing Holder or on behalf of a Potential Holder specifying a rate lower than the All-Hold Rate shall be considered as valid and shall be selected in the ascending order of their respective rates contained in the Submitted Bids.

Any Order submitted in an Auction by a Broker-Dealer to the Auction Agent prior to the Submission Deadline on any Auction Date shall be irrevocable.

A Hold Order, a Bid or a Sell Order that has been determined valid pursuant to the procedures described above is referred to as a "Submitted Hold Order", a "Submitted Bid" and a "Submitted Sell Order", respectively (collectively, "Submitted Orders").

Determination of Sufficient Clearing Bids and Winning Bid Rate

Not earlier than the Submission Deadline on each Auction Date, the Auction Agent will assemble all Submitted Orders and will determine:

- (a) the excess of the total principal amount of outstanding ARS over the sum of the aggregate principal amount of outstanding ARS subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Series ARS"); and
- (b) from the Submitted Orders whether the aggregate principal amount of outstanding ARS subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the ARS Maximum Rate exceeds or is equal to the sum of (i) the aggregate principal amount of outstanding ARS subject to Submitted Bids by Existing Holders specifying one or more rates higher than the ARS Maximum Rate and (ii) the aggregate principal amount of outstanding ARS subject to Submitted Sell Orders (in the event such excess or such equality exists, other than because all of the outstanding ARS are subject to Submitted Hold Orders, such Submitted Bids by Potential Holders described above shall be referred to collectively as "Sufficient Clearing Bids"); and
- (c) if Sufficient Clearing Bids exist, the lowest rate specified in such Submitted Bids (which shall be the "Winning Bid Rate"), such that if:
 - each such Submitted Bid from Existing Holders specifying such lowest rate and all other Submitted Bids from Existing Holders specifying lower rates were rejected (thus entitling such Existing Holders to continue to hold the principal amount of ARS subject to such Submitted Bids); and
 - (ii) each such Submitted Bid from Potential Holders specifying such lowest rate and all other Submitted Bids from Potential Holders specifying such lower rates were accepted,

the result would be that such Existing Holders described in subparagraph (c)(i) above would continue to hold an aggregate principal amount of outstanding ARS, which, when added to the aggregate principal amount of outstanding ARS to be purchased by such Potential Holders described in subparagraph (c)(ii) above, would equal not less than the Available Series ARS.

Notice of Applicable ARS Rate

Promptly after the Auction Agent has made the determinations described above, the Auction Agent will advise the Broker-Dealer and the Trustee of the All-Hold Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding ARS Interest Period as follows: (a) if Sufficient Clearing Bids exist, that the Auction Rate for the next succeeding ARS Interest Period shall equal the Winning Bid Rate; (b) if Sufficient Clearing Bids do not exist (other than because all of the outstanding ARS are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding ARS Interest Period shall equal the ARS Maximum Rate; or (c) if all outstanding ARS are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding ARS Interest period shall equal the All-Hold Rate.

Acceptance and Rejection of Orders

Existing Holders shall continue to hold the principal amount of ARS that are subject to Submitted Hold Orders. Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

<u>Sufficient Clearing Bids</u>. If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the denomination requirements described below, Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

- (a) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of ARS subject to such Submitted Bids;
- (b) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of ARS subject to such Submitted Bids;
- (c) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted;
- each Existing Holder's Submitted Bid specifying a rate equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of ARS subject to such Submitted Bid, unless the aggregate principal amount of outstanding ARS subject to all such Submitted Bids shall be greater than the principal amount of ARS (the "remaining principal amount") equal to the excess of the Available Series ARS over the aggregate principal amount of ARS subject to Submitted Bids described in subparagraphs (b) and (c) above, in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of ARS subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of ARS obtained by multiplying the remaining principal amount a fraction, the numerator of which shall be the principal amount of outstanding ARS held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of outstanding ARS subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and
- (e) each Potential Holder's Submitted Bid specifying a rate equal to the Winning Bid Rate shall be accepted, but only in an amount equal to the principal amount of ARS obtained by multiplying the excess of the aggregate principal amount of Available Series ARS over the aggregate principal amount of ARS subject to Submitted Bids described in subparagraphs (b), (c) and (d) above by a fraction, the numerator of which shall be the aggregate principal amount of outstanding ARS subject to such Submitted Bid and the denominator of which shall be the sum of

the principal amounts of outstanding ARS subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

<u>Insufficient Clearing Bids</u>. If Sufficient Clearing Bids have not been made (other than because all of the outstanding ARS are subject to Submitted Hold Orders), subject to the denomination requirements described below, Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

- (a) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the ARS Maximum Rate shall be rejected, thus entitling such Existing Holders to continue to hold the aggregate principal amount of ARS subject to such Submitted Bids;
- (b) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the ARS Maximum Rate shall be accepted, and specifying any rate that is higher than tile ARS Maximum Rate shall be rejected; and
- each Existing Holder's Submitted Bid specifying any rate that is higher than the ARS Maximum Rate and the Submitted Sell Order of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the ARS subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of ARS obtained by multiplying the aggregate principal amount of ARS subject to Submitted Bids described in subparagraph (b) above which are accepted by a fraction, the numerator of which shall be the aggregate principal amount of outstanding ARS held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of outstanding ARS subject to all such Submitted Bids and Submitted Sell Orders.

All Hold Orders. If all outstanding ARS are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

Authorized Denomination Requirement. If, as a result of the procedures described above regarding Sufficient Clearing Bids and Insufficient Clearing Bids, any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of ARS that is not equal to an Authorized Denomination, the Auction Agent shall, in such manner as in its sole discretion it shall determine, round up or down the principal amount of ARS to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount of ARS purchased or sold by each Existing Holder or Potential Holder shall be equal to an Authorized Denomination. If, as a result of the procedures described above regarding Insufficient Clearing Bids, any Potential Holder would be entitled or required to purchase less than an Authorized Denomination of ARS, the Auction Agent shall, in such manner as in its sole discretion it shall determine, allocate ARS for purchase among Potential Holders so that only ARS in Authorized Denominations are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any ARS.

None of the Authority, the Trustee, the Broker-Dealer(s) or the Auction Agent shall have any liability in the event that there are not Sufficient Clearing Bids from time to time pursuant to the Auction Procedures.

Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of ARS to be purchased and the aggregate principal amount of ARS to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer Submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of ARS to be sold differs from such aggregate principal amount of ARS to be purchased, determine to which other Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, ARS.

Absent manifest error, any calculation by the Auction Agent or the Trustee of the Applicable ARS Rate and the All-Hold Rate shall be binding on all ARS Beneficial Owners and other parties.

Settlement Procedures

- By approximately 3:00 p.m. New York City time, but not later than the close of business, on each (a) Auction Date, the Auction Agent is required to notify by telephone (or by other means acceptable to the parties) each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of an Existing Holder or Potential Holder of: (i) the Auction Rate fixed for the next ARS Interest Period; (ii) whether there were Sufficient Clearing Bids in such Auction; (iii) if such Broker-Dealer (a "Seller's Broker-Dealer") submitted a Bid or a Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of ARS, if any, to be sold by such Existing Holder; (iv) if such Broker-Dealer (a "Buyer's Broker-Dealer") submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of ARS, if any, to be purchased by such Potential Holder; (v) if the aggregate principal amount of ARS to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted a Bid or a Sell Order exceeds the aggregate principal amount of ARS to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Buyer's Broker-Dealers (and the name of the Participant, if any, of each such Buyer's Broker-Dealer) acting for one or more purchasers of such excess principal amount of ARS and the principal amount of ARS, to be purchased from one or more Existing Holders on whose behalf such Broker-Dealer acted by one or more Potential Holders on whose Behalf each of such Buyer's Broker-Dealers acted; (vi) if the principal amount of ARS to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid exceeds the aggregate principal amount of ARS to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted a Bid or a Sell Order, the name or names of one or more Seller's Broker-Dealers (and the name of the Participant, if any, of each such Seller's Broker-Dealer) acting for one or more sellers of such excess principal amount of ARS and the principal amount of ARS to be sold to one or more Potential Holders on whose behalf such Broker-Dealer acted by one or more Existing Holders on whose behalf each of such Seller's Broker-Dealers acted; and (vii) the Auction Date for the next succeeding Auction.
- On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or (b) Potential Holder shall: (i) advise each Existing Holder and Potential Holder on whose behalf such Broker-Dealer submitted a Bid or Sell Order in the Auction on such Auction Date whether such Bid or Sell Order was accepted or rejected, in whole or in part; (ii) in the case of a Buyer's Broker-Dealer, advise each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Holder's Participant to pay to such Broker-Dealer (or its Participant) through the Securities Depository the amount necessary to purchase the principal amount of ARS to be purchased pursuant to such Bid against receipt of such ARS; (iii) in the case of a Seller's Broker-Dealer, instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Sell Order that was accepted, in whole or in part, or a Bid that was accepted, in whole or in part, to instruct such Existing Holder's Participant to deliver to such Broker-Dealer (or its Participant) through the Securities Depository the principal amount of ARS to be sold pursuant to such Order against payment therefor; (iv) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order and each Potential Holder on whose behalf such Broker-Dealer submitted a Bid of the Auction Rate for the next ARS Interest Period; (v) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order of the next Auction Date; and (vi) advise each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the next Auction Date.
- (c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order in an Auction is required to allocate any funds received by it in connection with such Auction pursuant to paragraph (b)(ii) above, and any ARS received by it in connection with such Auction pursuant to paragraph (b)(iii) above among the Potential Holders, if any, on whose behalf such Broker-Dealer Submitted Bids, the Existing Holders, if any on whose behalf such Broker-Dealer

Submitted Bids or Sell Orders in such Auction, and any Broker-Dealers identified to it by the Auction Agent following such Auction pursuant to paragraph (a)(v) or (a)(vi) above.

- (d) On each Auction Date: (i) each Potential Holder and Existing Holder with an Order in the Auction on such Auction Date shall instruct its Participant as provided in (b)(ii) or (b)(iii) above, as the case may be; (ii) each Seller's Broker-Dealer that is not a Participant of the Securities Depository shall instruct its Participant to (A) pay through the Securities Depository to the Participant of the Existing Holder delivering ARS to such Broker-Dealer following such Auction pursuant to (b)(iii) above the amount necessary to purchase such ARS against receipt of such ARS, and (B) deliver such ARS through the Securities Depository to a Buyer's Broker-Dealer (or its Participant) identified to such Seller's Broker-Dealer that is not a Participant in the Securities Depository shall instruct its Participant to (A) pay through the Securities Depository to Seller's Broker-Dealer (or its Participant) identified following such Auction pursuant to (a)(vi) above the amount necessary to purchase the ARS to be purchased pursuant to (b)(ii) above against receipt of such ARS, and (B) deliver such ARS through the Securities Depository to the Participant of the purchaser thereof against payment therefor.
- (e) On the Business Day following each Auction Date: (i) each Participant for a Bidder in the Auction on such Auction Date referred to in subparagraph (d)(i) above shall instruct the Securities Depository to execute the transactions described under (b)(ii) or (b)(iii) above for such Auction, and the Securities Depository shall execute such transactions; (ii) each Seller's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in subparagraph (d)(ii) above for such Auction, and the Securities Depository shall execute such transactions; and (iii) each Buyer's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in subparagraph (d)(iii) above for such Auction, and the Securities Depository shall execute such transactions.
- (f) If an Existing Holder selling ARS in an Auction fails to deliver such ARS (by authorized book-entry), a Broker-Dealer may deliver to the Potential Holder on behalf of which it submitted a Bid that was accepted a principal amount of ARS that is less than the principal amount of ARS that otherwise was to be purchased by such Potential Holder. In such event, the principal amount of ARS to be so delivered shall be determined solely by such Broker-Dealer. Delivery of such lesser principal amount of ARS shall constitute good delivery. Notwithstanding the foregoing terms of this paragraph (f), any delivery or nondelivery of ARS which shall represent any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or nondelivery in accordance with the provisions of the Auction Agent Agreement and the Broker-Dealer Agreements.

Agreement of Holders

By purchasing ARS, whether in an Auction or otherwise, each prospective purchaser of ARS or its Broker-Dealer will be deemed to have agreed to the provisions for the replacement of the Auction Agent, and each Broker-Dealer as provided in the Indenture, and relevant agreements among the Authority, the Trustee, the Auction Agent and the Broker-Dealer, as appropriate.

Calculation of Certain Rates Relating to an Auction

The Auction Agent will calculate the All-Hold Rate on each Auction Date. If ownership of the ARS is no longer maintained in book-entry form by the Securities Depository, the Auction Agent shall announce the ARS Maximum Rate for such Series on the Business Day immediately preceding each ARS Interest Payment Date after the delivery of certificates representing the ARS pursuant to the Indenture. If an ARS Payment Default shall have occurred, the Trustee will announce the Non-Payment Rate on the first day of (i) each ARS Interest Period commencing on or after the date of the occurrence and during the continuance of such ARS Payment Default and (ii) any ARS Interest Period commencing less than two Business Days after the cure of any ARS Payment

Default. The determination by the Auction Agent of the All Hold Rate shall (in the absence of manifest error) be final and binding upon all ARS Beneficial Owners and all other parties.

Notification of Rates, Amounts and Payment Dates. So long as the ownership of the ARS is maintained in bookentry form by the Securities Depository, the Trustee shall advise the Securities Depository (i) of each Record Date for the ARS at least two Business Days prior thereto and (ii) of each succeeding Interest Payment Date on each Interest Payment Date. On the Closing Date, or as soon as practicable thereafter, and on the Business Day preceding each ARS Interest Payment Date with respect to the ARS, the Trustee shall advise the Securities Depository, so long as the ownership of the ARS is maintained in book-entry form by the Securities Depository, of the amount of interest distributable in respect of each \$25,000 in principal amount of ARS for any ARS Interest Period or part thereof, calculated in accordance with the Fourth Supplement. If any day scheduled to be an ARS Interest Payment Date shall be changed after the Trustee shall have given notice, the Trustee shall, not later than 9:15 a.m., New York City time, on the Business Day next preceding the earlier of the new ARS Interest Payment Date or the old ARS Interest Payment Date, by such means as the Trustee deems practicable, give notice of such change to the Auction Agent, so long as no ARS Payment Default has occurred and is continuing and the ownership of the ARS is maintained in book-entry form by the Securities Depository.

Changes in Auction Period or Auction Date

<u>Changes in Auction Period</u>. The Auction Periods for the ARS Interest Rate Periods commencing on the Closing Date initially shall be a seven day period with the Interest Payment Date generally on a Thursday. The Auction Period with respect to each subsequent ARS Interest Rate Period, if any, initially shall be either a seven-day period or a 35-day period commencing generally on a Monday, generally on a Tuesday, generally on a Wednesday, generally on a Thursday, or generally on a Friday, in each case as announced by the Authority in its notice of the proposed Conversion to such subsequent ARS Interest Rate Period as provided in the Indenture.

Subject to the provisions of the Indenture, during any ARS Interest Rate Period, the Authority, with the consent of the Insurer, may from time to time and on any ARS Interest Payment Date change the length of the Auction Period with respect to all of the Bonds between seven-days and 35-days in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the Bonds. The Authority shall initiate the change in the length of the Auction Period by giving written notice to the Trustee, the Insurer, the Auction Agent, the Broker-Dealer and the Securities Depository that the Auction Period shall change if the conditions described in the Indenture are satisfied and the proposed effective date of the change, at least three Business Days prior to the Auction Date for such Auction Period. Any such changed Auction Period shall be for a period of seven days or 35 days and shall be for all of the Bonds.

No change in the length or the day of commencement of the Auction Period for the Bonds shall be allowed unless Sufficient Clearing Bids exist at the Auction immediately preceding the proposed change and, in the sole discretion of the Broker-Dealer, at the Auction before the date on which the notice of the proposed change was given. For Purposes of the Auction for such first Auction Period only, each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its ARS except to the extent such Existing Holder submits an Order with respect to such ARS.

Changes in Auction Date. During any ARS Interest Rate Period, the Authority may specify an earlier Auction Date for any Business Day earlier (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the ARS. The Authority shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Authority, the Broker-Dealer and the Securities Depository. In the event the Auction Agent specifies an earlier Auction Date, the day of the week on which an Auction Period begins and ends shall be adjusted accordingly.

Conversion to ARS Interest Rate

If the Authority, with the consent of the Insurer, elects that the Bonds shall bear interest at the Applicable ARS Rate, the Authority's written direction to the Trustee, the Tender Agent (if any), the Liquidity Facility Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and each Broker-Dealer (if any) shall specify (A) the proposed effective date of the Conversion to the Applicable ARS Rate, which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a conversion from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; (3) in the case of a conversion from a Term Rate Period, a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced; or (4) in the case of a conversion from a Flexible Rate Period, a day which is the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the 2006 Bonds to be converted, (B) the mandatory tender date for the Bonds to be purchased, which shall be the proposed effective date of the adjustment to the Applicable ARS Rate and (C) the initial Auction Period for the Bonds. In addition, the direction of the Authority shall be accompanied by a form of notice to be mailed to the holders of Bonds by the Trustee as provided in the Indenture. During each ARS Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the Bonds shall be the Applicable ARS Rate.

The Trustee shall give notice by first-class mail of an adjustment to an ARS Interest Rate Period to the holders of the Bonds not less than 30 days prior to the proposed effective date of such ARS Interest Rate Period, stating (A) that the interest rate shall be adjusted to the Applicable ARS Rate unless the Authority rescinds its election to adjust the interest rate to the Applicable ARS Rate as provided in the Indenture; (B) the proposed effective date of the ARS Interest Rate Period; (C) that the Bonds are subject to mandatory tender for purchase on the proposed effective date and setting forth the Tender Price and the place of delivery for purchase of the Bonds; and (D) the information set forth in the Indenture regarding notices of mandatory tender for purchase.

Amendments of ARS Provisions

Notwithstanding any other provision of this Indenture relating to ARS, including without limitation the mandatory tender provisions and the definitions of terms used in the Indenture (including without limitation the definitions of Applicable ARS Rate, All-Hold Rate, ARS Maximum Rate and Non-Payment Rate), the ARS provisions may be amended by the Authority, (i) upon obtaining an Opinion Of Counsel that the same does not materially adversely affect the rights of the ARS Beneficial Owners or (ii) by obtaining the consent of a majority of the ARS Beneficial Owners and, in each case, delivering a Favorable Opinion of Bond Counsel. In the case of clause (ii) above, the Trustee shall mail notice of such amendment to the ARS Beneficial Owners of which it has knowledge, and if, on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed such notice, Sufficient Clearing Bids have been received or all of the ARS are subject to Submitted Hold Orders and if the Insurer has provided written consent by such Auction Date, the proposed amendment shall be deemed to have been consented to by the ARS Beneficial Owners. As an additional condition precedent to any such amendment pursuant to the provisions of this section and without duplication of any other requirement herein, there shall be delivered to the Authority and the Trustee an opinion of Bond Counsel to the effect that such amendment will not adversely affect the validity of the ARS or the exclusion of interest on any of the ARS from gross income for federal income tax purposes. Written notice of each such amendment shall be delivered by the Authority to the Trustee, the Auction Agent and each Broker-Dealer.

Bidding by Initial Broker-Dealer

The Broker-Dealer is permitted, but not obligated, to submit Orders in Auctions for its own account either as a bidder or a seller and routinely does so in the auction rate securities market in its sole discretion. If Broker-Dealer submits an Order for its own account, it would have an advantage over other Bidders because Broker-Dealer would have knowledge of some or all of the other Orders placed through Broker-Dealer in that Auction and, thus, could determine the rate and size of its Order so as to ensure that its Order is likely to be accepted in the Auction

and that the Auction is likely to clear at a particular rate. For this reason, and because Broker-Dealer is appointed and paid by the Authority to serve as a Broker-Dealer in the Auction, Broker-Dealer's interests in conducting an Auction may differ from those of Existing Holders and Potential Holders who participate in Auctions. See "Auction Dealer Fees." Broker-Dealer would not have knowledge of Orders submitted to the Auction Agent by any other firm that is, or may in the future be, appointed to accept Orders pursuant to a Broker-Dealer Agreement.

Broker-Dealer may routinely place one or more Bids in an Auction for its own account to acquire ARS for its inventory, to prevent an Auction Failure Event (which would result in the Auction Rate being set at the ARS Maximum Rate) or an Auction from clearing at a rate that Broker-Dealer believes does not reflect the market for ARS. Broker-Dealer may place such Bids even after obtaining knowledge of some or all of the other Orders submitted through it. When bidding for its own account, Broker-Dealer may also bid outside or inside the range of rates that it posts in its Price Talk. See "Price Talk."

Broker-Dealer also may routinely encourage bidding by others in Auctions, including to prevent an Auction Failure Event or an Auction from clearing at a rate that Broker-Dealer believes does not reflect the market for the ARS. Broker-Dealer may routinely encourage such Bids even after obtaining knowledge of some or all of the other Orders submitted through it.

Bids by Broker-Dealer or by those it may encourage to place Bids are likely to affect (i) the Auction Rate — including preventing the Auction Rate from being set at the ARS Maximum Rate or otherwise causing Bidders to receive a higher or lower rate than they might have received had Broker-Dealer not bid or not encouraged others to bid and (ii) the allocation of ARS being auctioned — including displacing some bidders who may have their Bids rejected or receive fewer ARS than they would have received if Broker-Dealer had not bid or encouraged others to bid. Because of these practices, the fact that an Auction clears successfully does not mean that an investment in the ARS involves no significant liquidity or credit risk. Broker-Dealer is not obligated to continue to place such bids or encourage other Bidders to do so in any particular Auction to prevent an Auction from failing or clearing at a rate Broker-Dealer believes does not reflect the market for the securities. Investors should not assume that Broker-Dealer will do so or that Auction Failure Events will not occur. Investors should also be aware that Bids by Broker-Dealer or by those it may encourage to place Bids may cause unfavorable Auction Rates to occur.

In any particular Auction, if all outstanding ARS are the subject of Submitted Hold Orders, the Auction Rate for the next succeeding Distribution Period will be the All-Hold Rate (such a situation is called an "All Hold Auction"). When an All Hold Auction is likely, Broker-Dealer may, but is not obligated to, advise Existing Holders of that fact, which might facilitate the submission of Bids by Existing Holders that would avoid the occurrence of an All Hold Auction. If Broker-Dealer decides to inform existing holders of the likelihood of an All Hold Auction, it will make that information available to all Existing Holders at the same time.

If Broker-Dealer holds any ARS for its own account on an Auction Date, Broker-Dealer will submit a Sell Order into the Auction with respect to such ARS, which would prevent that Auction from being an All Hold Auction. Broker-Dealer may, but is not obligated to, submit Bids for its own account in that same Auction, as set forth above.

Auction Dealer Fees

For many auction rate securities, Broker-Dealer has been appointed by the issuer of the securities to serve as a dealer for the related auctions and is paid by the issuer for its services. With respect to the ARS in this offering, Broker-Dealer has been appointed to serve as a dealer in the Auctions pursuant to the Broker-Dealer Agreement between the Authority and Broker-Dealer. That Agreement provides that Broker-Dealer will receive from the Authority auction dealer fees at an annual rate of a percentage of the principal amount of the ARS sold or successfully placed through Broker-Dealer. As a result, Broker-Dealer's interests in conducting Auctions may differ from those of investors who participate in Auctions.

Broker-Dealer may share a portion of the auction dealer fees it receives from the Authority with other broker-dealers that submit orders through Broker-Dealer that Broker-Dealer successfully places in the Auction. In general, auction dealers may share with Broker-Dealer a portion of the fees they receive from an issuer when those dealers submit orders for Broker-Dealer (on behalf of Broker-Dealer or its customers) into auctions in which Broker-Dealer does not serve as a dealer. Similarly, with respect to auctions for other auction rate securities for which Broker-Dealer does not serve as a dealer, the other broker-dealers who serve as dealers in those auctions may share auction dealer fees with Broker-Dealer for orders that Broker-Dealer submits through those broker-dealers that those broker-dealers successfully place in those auctions.

"Price Talk"

Before the start of an Auction, Broker-Dealer may, in its discretion, make available to Existing Holders and Potential Holders Broker-Dealer's good faith judgment of the range of likely clearing rates for the Auction based on market and other information. This is known as "Price Talk." Price Talk is not a guaranty, and Existing Holders and Potential Holders are free to use it or ignore it. If Broker-Dealer provides Price Talk, Broker-Dealer will make the Price Talk available to all Existing Holders and Prospective Holders. Broker-Dealer may occasionally update and change the Price Talk based on changes in issuer credit quality or macroeconomic factors that are likely to result in a change in interest rate levels, such as an announcement by the Federal Reserve Board of a change in the Federal Funds rate or an announcement by the Bureau of Labor Statistics of unemployment numbers. Broker-Dealer will make such changes available to all Existing Holders and Potential Holders that were given the original Price Talk.

"All-or-Nothing" Bids

Broker-Dealer does not accept "all-or-nothing" bids (i.e., bids whereby the bidder proposes to reject an allocation smaller than the entire quantity bid) or any other type of bid that allows the bidder to avoid auction procedures that require the pro rata allocation of securities where there are not sufficient sell orders to fill all bids at the clearing rate.

No Assurances Regarding Auction Outcomes

Broker-Dealer provides no assurance as to the outcome of any Auction. Nor does Broker-Dealer provide any assurance that any Bid will be accepted or that the Auction will clear at a rate that a Bidder considers acceptable. Bids may be rejected or may be only partially filled, and the rate on any ARS purchased or retained may be lower than the Bidder expected.

Deadlines/Auction Periods

Each particular Auction has a formal time deadline by which all Bids must be submitted by Broker-Dealer to the Auction Agent. This deadline is called the "Submission Deadline." To provide sufficient time to process and submit customer Bids to the Auction Agent before the Submission Deadline, Broker-Dealer imposes an earlier deadline — called the "Internal Submission Deadline" — by which Bidders must submit Bids to Broker-Dealer. The Internal Submission Deadline is subject to change by Broker-Dealer. Broker-Dealer may allow for correction of clerical errors after the Internal Submission Deadline and prior to the Submission Deadline. Broker-Dealer may submit Bids for its own account at any time until the Auction Submission Deadline. Some auction agents allow for the correction of clerical errors for a specified period of time after the Auction Submission Deadline.

During any Auction Period, the Authority may, pursuant to the terms of the Auction Procedures, change the length of the next Auction Period. See "Changes in Auction Period or Auction Date." In Auctions that are subject to the changed Auction Period, Broker-Dealer may place a bid to buy the ARS that may effectively place an upper limit on the rate that can be set at the Auction at a rate that is below the "maximum" rate. Broker-Dealer may negotiate a separate fee from the Authority in such circumstances.

Existing Holder's Ability to Resell Auction Rate Securities May Be Limited

Existing Holders will be able to sell all of the ARS in an Auction that are the subject of submitted Sell Orders only if there are Bidders willing to purchase all those ARS offered for sale in the Auction.

If sufficient clearing Bids have not been made, Existing Holders that have submitted Sell Orders will not be able to sell in the Auction all, and may not be able to sell any, of the ARS subject to such submitted Sell Orders. As discussed above (see "Bidding By Initial Broker-Dealer"), Broker-Dealer may submit a Bid in an Auction to keep it from failing, but it is not obligated to do so. There may not always be enough Bidders to prevent an Auction from failing in the absence of Broker-Dealer bidding in the Auction for its own account or encouraging others to bid. Therefore, Auction Failure Events are possible, especially if the Authority's credit were to deteriorate, a market disruption were to occur or if, for any reason, Broker-Dealer was unable or unwilling to bid.

Between Auctions, there can be no assurance that a secondary market for ARS will develop or, if it does develop, that it will provide Existing Holders the ability to resell ARS in the secondary market on the terms or at the times desired by an Existing Holder.

Broker-Dealer may, in its own discretion, decide to buy or sell ARS in the secondary market for its own account to or from investors at any time and at any price, including at prices equivalent to, below, or above the par value of the ARS. However, Broker-Dealer is not obligated to make a market in ARS, and may discontinue trading in the ARS without notice for any reason at any time. Existing Holders who resell between Auctions may receive less than par value, depending on market conditions.

The ability to resell ARS will depend on various factors affecting the market for ARS, including news relating to the Authority, the attractiveness of alternative investments, the perceived risk of owning ARS (whether related to credit, liquidity or any other risk), the tax or accounting treatment accorded ARS (including recent clarification of U.S. generally accepted accounting principles as they apply to the accounting treatment of auction rate securities), reactions of market participants to regulatory actions (such as those described in "Securities and Exchange Commission Inquiries," above) or press reports, financial reporting cycles and market conditions generally. Demand for ARS may change without warning, and declines in demand may be short-lived or continue for longer periods.

Resignation of the Auction Agent under the Auction Agent Agreement or the Broker-Dealer under the Broker-Dealer Agreement could Impact the Ability to Hold Auctions

The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 45 days' notice to the Trustee, the Broker-Dealer, the Authority and the Insurer, and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place if the Auction Agent's fee has not been paid for 30 days. The Broker-Dealer Agreement provides that the Broker-Dealer thereunder may resign upon 5 days' notice or immediately, in certain circumstances, and does not require, as a condition to the effectiveness of such resignation, that a replacement Broker-Dealer be in place. For any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, it will not be possible to hold Auctions, with the result that the interest rate on ARS will be determined as described in "Payments with Respect to ARS."



APPENDIX G FORM OF CONTINUING DISCLOSURE AGREEMENT



CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") made as of June 15, 2006, by and between the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Authority") and WACHOVIA BANK, NATIONAL ASSOCIATION, as successor trustee (the "Trustee").

WITNESSETH:

WHEREAS, pursuant to the Bond Purchase Contract dated June ___, 2006, between the Authority and RBC Dain Rauscher Inc., doing business under the trade name RBC Capital Markets (the "Underwriter"), the Authority is selling \$89,950,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (the "Bonds") to the Underwriter; and

WHEREAS, Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), provides that a Participating Underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an Offering (as defined in the Rule) unless the Participating Underwriter has reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent, certain specified financial information and operating data and notices of certain material events; and

WHEREAS, the Authority is the only obligated person with respect to the Bonds for purposes of the Rule; and

WHEREAS, in order to enable the Underwriter to comply with the requirements of the Rule, the Authority desires to undertake to provide the information and notices required by the Rule.

NOW, THEREFORE, in consideration of the premises, the parties hereto, intending to be legally bound hereby, agree as follows:

<u>Section 1.</u> <u>Definitions</u>. In addition to the terms defined in the above recitals, the following terms shall have the meanings specified below:

"Annual Financial Information" shall mean the financial information to be provided annually containing the information specified in <u>Schedule 1</u> hereto, as such schedule may be amended as provided herein.

"Insurer" shall mean Ambac Assurance Corporation.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"NRMSIR" shall mean any nationally recognized municipal securities information repository within the meaning of the Rule. The names and addresses of the current NRMSIRs are listed on Schedule 2 hereto.

"Reportable Event" shall mean any of the events listed on <u>Schedule 3</u> hereto with respect to the Bonds, if material.

"SID" shall mean the state information depository, if any, established for Pennsylvania for purposes of the Rule. As of the date hereof, there is no SID.

Section 2. Covenants of the Authority.

- (a) The Authority covenants to comply with all requirements of the Rule.
- (b) In furtherance of the foregoing, and without limiting the generality thereof, the Authority agrees to provide to each NRMSIR and to the SID, subject however to the provision in the next sentence, the Annual Financial Information within 180 days following the end of each fiscal year beginning with the fiscal year ending June 30, 2006, with a copy to the Trustee, and to provide, in a timely manner, to each NRMSIR, or to the MSRB, and to the SID notice of the occurrence of any Reportable Event. In the event that the Authority's audited financial statements are not available within 180 days following the end of the applicable fiscal year, the Annual Financial Information will contain the Authority's unaudited financial statements, and in such event, the Authority will provide the audited financial statements, as soon as such become available. The financial statements of the Authority to be delivered as part of the Annual Financial Information shall be prepared in accordance with generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board.
- (c) In addition, the Authority covenants to provide notice in a timely manner to each NRMSIR, or to the MSRB, and to the SID of a failure by the Authority to provide the Annual Financial Information as and when specified in the preceding sentences. At the same time that the Authority provides any Annual Financial Information or any notice to a NRMSIR, the MSRB or the SID, the Authority shall provide a copy to the Trustee and the Insurer. Any filing with the MSRB shall be accompanied by the form annexed hereto as Exhibit A.

Section 3. Duties of Trustee.

- (a) If within 15 days prior to the applicable date specified in Section 2 hereof, the Trustee has not received a copy of the applicable Annual Financial Information, the Trustee shall notify the Authority of such fact. The Trustee shall also notify the Authority promptly of the occurrence of any Reportable Event numbered 1, 3, 4, 5, 8, 9 or 10 on Schedule 3 hereto of which the Trustee's Corporate Trust Administration has actual knowledge.
- (b) The Trustee shall retain copies of all Annual Financial Information and notices of Reportable Events until all of the Bonds have been fully paid.
- (c) The Trustee shall have no responsibility or liability in connection with the Authority's filing obligations under this Disclosure Agreement. The Trustee shall have only

those duties specifically set forth in this Disclosure Agreement and the Authority agrees to indemnify and save the Trustee, its officers, directors, employees and agents, harmless against any loss, expense or liability arising out of the performance of its duties hereunder, excluding any loss, expense or liability due to the Trustee's gross negligence or willful misconduct.

- Section 4. Termination of Reporting Obligations. The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Authority's obligations under the Indenture are assumed in full by some other entity, such other entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Authority and the Authority shall have no further responsibility hereunder. In addition, the Authority's obligation to provide information and notices as specified in Section 2 hereof shall terminate (i) at such other times as such information and notices (or any portion thereof) are no longer required to be provided by the Rule as it applies to the Bonds, (ii) in the event of a repeal or recission of the Rule or (iii) upon a determination by a court of final jurisdiction that the Rule is invalid or unenforceable.
- Section 5. Amendment. The Authority and the Trustee may amend this Disclosure Agreement and waive any of the provisions hereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the Authority or the governmental operations conducted by the Authority, (ii) this Disclosure Agreement, as modified by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds, taking into account any amendments or interpretations of the Rule by the Securities and Exchange Commission, and (iii) the amendment or waiver does not materially impair the interests of the registered owners of the Bonds. Evidence of compliance with the foregoing conditions shall be satisfied by delivery to the Trustee of an opinion of counsel having recognized skill and experience in the issuance of municipal securities and federal securities law to the effect that the amendment or waiver satisfies the conditions set forth in the preceding sentence. Notice of any amendment or waiver shall be filed by the Authority with each NRMSIR, the SID, if any, and the MSRB, and shall be sent to the registered owners of the Bonds.
- Section 6. Remedies for Default. In the event of a breach or default by the Authority of its covenants to provide Annual Financial Information and notices as provided in Section 2, the Trustee or any beneficial owner of Bonds shall have the right to bring an action in a court of competent jurisdiction to compel performance by the Authority. No monetary damages may be recovered under any circumstances for any breach or default by the Authority or the Trustee of their respective covenants hereunder. A breach or default under this Disclosure Agreement shall not constitute an event of default under the Indenture, the Bonds, or any other agreement. The Trustee shall be under no obligation to enforce this Disclosure Agreement unless (i) directed in writing by the registered owners of at least 25% of the outstanding principal amount of the Bonds and (ii) furnished with indemnity and security for expenses satisfactory to it.

Section 7. Miscellaneous.

(a) <u>Binding Nature of Agreement</u>. This Disclosure Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and

assigns. In addition, registered owners of the Bonds, which for the purposes of this Section 7 includes the holders of a book-entry credit evidencing an interest in the Bonds, from time to time shall be third party beneficiaries hereof and shall be entitled to enforce the provisions hereof as if they were parties hereto; but no consent of beneficial owners of the Bonds shall be required in connection with any amendment of this Disclosure Agreement, except as required by the Rule.

(b) <u>Notices</u>. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

If to the Trustee:

Wachovia Bank, National Association 123 S. Broad Street, 11th Floor Philadelphia, PA 19102 Attn: Corporate Trust Administration

If to the Authority:

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street Suite 1400 Philadelphia, PA 19102 Attn: Executive Director

If to MSRB:

Municipal Securities Rulemaking Board 1640 King Street Suite 300 Alexandria, VA 22314-2719

Attn: CDI

If to a NRMSIR: to the respective addresses listed on Schedule 2.

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provision of this Section for the giving of notice.

(c) <u>Central Post Office</u>. Notwithstanding anything in this Disclosure Agreement to the contrary, the Authority reserves the right to forward any of the information described in Section 2 which would otherwise go to each NRMSIR and SID to such electronic filing systems and entities as are approved by the Securities and Exchange Commission (the "SEC") by interpretative letter or "no action" letter for receipt of this type of information in order for "participating underwriters" (as defined in the Rule) to be in compliance with the continuing disclosure requirements of the Rule (as used herein any such SEC approved filing entity is

referred to as a "Central Post Office.") Filing of such information with a Central Post Office shall be in lieu of a filing with each NRMSIR and SID, if any, on the part of the Authority and shall relieve the Authority of such obligation. As of the date of this Disclosure Agreement, the only Central Post Office recognized by the SEC is DisclosureUSA whose website address is www.disclosureusa.org and whose address is c/o Municipal Advisory Council of Texas, 600 8th Street, Austin, Texas 78701; Fax: 512-476-6403.

- (d) <u>Execution in Counterparts</u>. This Disclosure Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Disclosure Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.
- (e) <u>Controlling Law</u>. Except with respect to matters of validity and interpretation of the Rule, this Disclosure Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.
- (f) <u>Beneficiaries</u>. This Disclosure Agreement is entered into for the benefit of the registered owners from time to time of the Bonds. For the purposes of this Disclosure Agreement, for so long as the Bonds are registered in the name of Cede & Co. or its nominee, "registered owner" shall mean and include the holder of a book-entry credit evidencing an interest in the Bonds. Holders of book-entry credits may file their names and addresses with the Authority for the purposes of receiving notices or giving direction under the Disclosure Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
By:(Vice) Chairperson
WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee
By:Authorized Signatory

SCHEDULE 1

Annual Financial Information

Pennsylvania Intergovernmental Cooperation Authority Audited Annual Financial Statements.

SCHEDULE 2

Nationally Recognized Municipal Securities Repositories

Bloomberg Municipal Repository 100 Business Park Drive Skillman, NJ 08558

Phone: (609) 279-3225 Fax: (609) 279-5962

http://www.bloomberg.com/markets/rates/municontacts.html

Email: Munis@Bloomberg.com

DPC Data Inc.

One Executive Drive Fort Lee, NJ 07024 Phone: (201) 346-0701 Fax: (201) 947-0107

http://www.dpcdata.com Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Flo

100 William Street, 15th Floor

New York, NY 10038

Phone: 212-771-6999; 800-689-8466

Fax: 212-771-7390 http://www.ftid.com

Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.

55 Water Street 45th Floor

New York, NY 10041 Phone: (212) 438-4595 Fax: (212) 438-3975

www.jjkenny.com/jjkenny/pser descrip data rep.html

Email: nrmsir repository@sandp.com

SCHEDULE 3

Reportable Events With Respect to the Bonds

- 1. Principal and interest payment delinquencies
- 2. Non-payment related defaults
- 3. Unscheduled draws on debt service reserves reflecting financing difficulties
- 4. Unscheduled draws on credit enhancements reflecting financial difficulties
- 5. Substitution of credit or liquidity providers, or their failure to perform
- 6. Adverse tax opinions or events affecting the tax exempt status of the Bonds
- 7. Modifications to rights of holders of the Bonds
- 8. Bond calls
- 9. Defeasances
- 10. Release, substitution or sale of property securing repayment of the Bonds
- 11. Rating changes

EXHIBIT A

MATERIAL EVENT NOTICE COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board (or to all Nationally Recognized Municipal Securities Information Repositories), and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:						
Issuer's Six-Digit CUSIP Number(s):						
or Nine-Digit CUSIP Number(s) to which this material event notice relates:						
Number of Pages of attached material event notice:						
Description of Material Events Notice (Check One):						
1 Principal and interest payment delinquencies 2 Non-Payment related defaults 3 Unscheduled draws on debt service reserves reflecting financial difficulties 4 Unscheduled draws on credit enhancements reflecting financial difficulties 5 Substitution of credit or liquidity providers, or their failure to perform 6 Adverse tax opinions or events affecting the tax-exempt status of the security 7 Modifications to rights of securities holders 8 Bond calls 9 Defeasances 10 Release, substitution, or sale of property securing repayment of the securities 11 Rating changes 12 Failure to provide annual financial information as required 13 Other material event notice (specify)						
Signature:						
Name: Title:						
Employer:						
Addresss:						
City, State, Zip Code:						
Voice Telephone Number: (_)						

Please print the material event notice attached to this cover sheet in 10-point type or larger. The cover sheet and notice may be faxed to the MSRB at (703) 683-1930. Contact the MSRB at (202) 223-9503 with questions regarding this form or the dissemination of this notice.

\$89,950,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM), SERIES OF 2006

TAX COMPLIANCE AGREEMENT

This Tax Compliance Agreement (the "Tax Compliance Agreement") is made and executed this 15th day of June, 2006, by the Pennsylvania Intergovernmental Cooperation Authority, a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania under and by virtue of the Constitution and laws of the Commonwealth of Pennsylvania (the "Authority"), in its capacity as issuer of the 2006 Bonds (defined below), and The City of Philadelphia, Pennsylvania (the "City"), in connection with the Authority's issuance of its \$89,950,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (the "2006 Bonds"), for the purpose of providing the factual basis upon which Stradley Ronon Stevens & Young, LLP (Bond Counsel with respect to the 2006 Bonds), is rendering, on the date hereof, its legal opinion to the effect that interest on the 2006 Bonds will be excluded from gross income for federal income tax purposes by reason of Section 103 of the Code (defined hereinafter). The Authority and the City are also making certain covenants for the benefit of the Bondholders for the purpose of ensuring that interest on the 2006 Bonds will be excluded from gross income for federal income tax purposes and intend to be legally bound hereby.

ARTICLE I: DEFINITIONS

Section 1.1. Definitions

In addition to the definitions contained elsewhere in this Tax Compliance Agreement, the following terms shall have the following meanings. Capitalized terms used herein and not otherwise defined herein, shall have the same meanings set forth in the Indenture.

"Act" means the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended.

"Bond Counsel" means a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Bond Year" means each one-year period (or shorter period commencing on the Issue Date), that ends on the close of business on the day in the calendar year selected by the Authority (which date shall correspond to the last day of a compounding interval used in computing the Yield on the 2006 Bonds). The first Bond Year shall commence on the Issue Date and shall end on June 30, 2006, each subsequent Bond Year shall commence on July 1 and end on June 30, of the subsequent year and the last Bond Year shall end on the date of final payment of principal of or interest on the 2006 Bonds.

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

"Computation Date" means the last day of each Bond Year and the date on which the final Bond is discharged.

"Excess Amount" means the amount calculated pursuant to Section 3.2(b)(i) hereof.

"Gross Proceeds" shall have the meaning ascribed to such term in Section 148 of the Code and Section 1.148-1(b) of the Regulations, which term includes, among other things, original proceeds, investment proceeds, transferred proceeds and any funds (other than the foregoing) that are part of a reserve or replacement fund for the 2006 Bonds.

"Indenture" means the Amended and Restated Indenture of Trust dated as of December 1, 1994, between the Authority and the Trustee, as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996, the Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999, the Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003, and the Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006, between the Authority and the Trustee and as further amended or supplemented from time to time in accordance with the terms thereof.

"Investment Property" means any security or obligation (other than obligations the interest on which is excludable from gross income for federal income tax purposes under Section 103(a) of the Code unless described in Section 148(b)(2)(E) of the Code), any annuity contract or any other investment-type property.

"Issue Date" means June 15, 2006.

"Liquidity Facility" means, without limitation, a letter of credit or line of credit of a commercial bank or a credit facility from a financial institution, a standby bond purchase agreement, surety bond or like collateralization, or a combination thereof, which provides security for payment of the purchase price of the 2006 Bonds (other than ARS tendered for purchase as provided in the Fourth Supplement to the Amended and Restated Indenture) delivered or deemed delivered in accordance with Article III of the Fourth Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"); provided that at all times while any of the 2006 Bonds bear interest at a Variable Rate or a Flexible Rate such 2006 Bonds (other than Bank Bonds) shall be entitled to liquidity support.

"1992 Bonds" means the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992.

"1994 Bonds" means the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994.

"1996 Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996.

"Nonpurpose Investments" shall have the meaning ascribed to such term in Section 148 of the Code and shall mean any Investment Property in which Gross Proceeds are invested which is not acquired to carry out the governmental purpose of the 2006 Bonds, including but not

limited to obligations acquired with Gross Proceeds that are invested temporarily until needed for the governmental purpose of the 2006 Bonds, that are invested in a reasonably required reserve or replacement fund (within the meaning of Regulation §1.148-2(f)), and that are part of any sinking fund.

"Prior Bonds" means, collectively, the 1992 Bonds, the 1994 Bonds and the 1996 Bonds.

"Project" shall have the meaning set forth in Section 2.1(a) hereof.

"Rebate Amount" means the amount required to be remitted to the United States of America from time to time pursuant to Section 148(f)(2) of the Code and computed in accordance with Section 3.2 hereof.

"Rebate Requirement" means the amount calculated pursuant to Section 3.2(b)(ii) hereof.

"Regulations" means the applicable Income Tax Regulations promulgated by the United States Department of the Treasury with respect to the Code, including the applicable Income Tax Regulations promulgated under substantially similar provisions of the Internal Revenue Code of 1954, as amended.

"Trustee" means Wachovia Bank, National Association, or any successor designated in accordance with the Indenture.

"2006 Bonds" mean the Authority's \$89,950,000 aggregate principal amount Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006.

"Yield" shall have the meaning ascribed to such term by Section 148 of the Code and shall mean that discount rate which, when computing the present worth of all payments of principal and interest to be paid on an obligation, produces an amount equal to the purchase price of the obligation.

"Yield Reduction Amount" shall mean any amount paid to the United States to reduce the yield on Investment Property for yield restriction purposes pursuant to Regulation §1.148-5(c).

ARTICLE II: USE OF BOND PROCEEDS AND REPRESENTATIONS REGARDING TAX MATTERS

Section 2.1. Nature of Project

The Authority hereby represents and certifies as follows:

(a) The proceeds derived from the sale of the 2006 Bonds by the Authority, together with other available funds, are to be used to provide funds to finance all or a portion of the costs of: (i) the current refunding of the outstanding 1996 Bonds, and (ii) paying the costs of issuing the 2006 Bonds and of obtaining bond insurance for the 2006 Bonds (collectively, the "*Project*").

- (b) Together with other available funds of the Authority, the 1996 Bonds were issued in the original aggregate principal amount of \$343,030,000 pursuant to a resolution duly adopted by the governing body of the Authority on April 30, 1996 and an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture"), as amended and supplemented by a First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 between the Authority and the Trustee, to (i) provide for the advance refunding of the 1992 Bonds maturing on or prior to June 15, 2002 in the aggregate principal amount of \$304,160,000, (ii) provide for the refunding of the 1994 Bonds maturing on or prior to June 15, 2005 in the aggregate principal amount of \$120,180,00 and pay the redemption price of all outstanding 1994 Bonds, all of which were called for redemption on June 15, 2005, (iii) pay the premium for a debt service reserve fund insurance policy to satisfy the Debt Service Reserve Fund Requirement in respect of the 1996 Bonds, and (iv) pay the costs of issuing the 1996 Bonds.
- (c) The Authority allocated the portion of the 1996 Bonds that were issued to refund the 1992 Bonds to 1996 Bonds maturing on or prior to June 15, 2002. See Section III.10 of that certain Tax Compliance Agreement dated May 30, 1996 and executed by the Authority in connection with the issuance of the 1996 Bonds and Exhibit I attached thereto. Accordingly, the 2006 Bonds are being issued solely to refund a portion of the 1996 Bonds that were issued to refund the 1994 Bonds.
- (d) The 1994 Bonds were issued in the original aggregate principal amount of \$122,020,000, the proceeds of which were used to (i) make grants to the City in the amount of \$106,773,000 to pay the costs of certain capital projects to be undertaken by the City; (ii) make the required deposit to the Debt Service Reserve Fund in respect of the 1994 Bonds; and (iii) pay the costs of issuing the 1994 Bonds.

Section 2.2. Approval of Issue

- (a) Official Action. The Authority approved the issuance and sale of the 2006 Bonds for the purpose of financing the cost of the Project by a resolution adopted by the governing board of the Authority pursuant to the Act on May 16, 2006.
- (b) **Public Approval**. The Authority is an instrumentality of the Commonwealth of Pennsylvania (the "**Commonwealth**"). As the 2006 Bonds are not private activity bonds (see Section 2.3 hereof), the public approval requirements of Code §147 are not applicable.

Section 2.3. Not Private Activity Bonds

- (a) The Authority covenants and represents that, as of the date of this Tax Compliance Agreement, it is a body corporate and politic created as a public authority and instrumentality of the Commonwealth of Pennsylvania.
- (b) The Authority covenants that it will not permit any facilities financed with the proceeds of the 2006 Bonds that are owned or controlled by the Authority to be put to a private business use as defined in Section 141(b)(6) of the Code ("Private Business Use") while

the 2006 Bonds are outstanding if that use will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the 2006 Bonds.

- (c) The Authority covenants that it will not permit the payment of principal or interest on the 2006 Bonds
- (i) to be made, financed or secured by, directly or indirectly, payments or property applied to any Private Business Use,
- (ii) to be secured, directly or indirectly, by (A) interests in property or (B) payments in respect of such property, which property is put to any Private Business Use, or
- (iii) to be derived, directly or indirectly, by payments (whether or not to the Authority) in respect of property or borrowed money, put to any Private Business Use if in each such case such act will adversely affect the federal income tax status of the interest on the 2006 Bonds. With regard to this covenant, the Authority acknowledges that Code §141(b)(2) limits such private payments or security to 10% of the proceeds of an issue and that Code §141(b)(3) limits such private payments or security to 5% of the proceeds of an issue in the case of business use which is not related to the government use of such proceeds and in the case of disproportionate related business use (as defined in Code §141(b)(3)(B)).
- (d) <u>The Grants</u>. The Authority issued the 1994 Bonds, *inter alia*, to provide funds for intergovernmental grants (the "*Grants*") to the City. The Grants were for capital projects of the City and to fund operating deficits of the City.
- (i) The City is not paying or providing any consideration for the Grants, and the City has no obligation (and is not subject to any condition) to directly or indirectly repay any amount to the Authority on account of the Grants.
- (ii) Neither the Authority nor the City is under the control of the other, either directly or indirectly or through any third party, and in accepting the Grants the City is acting in its own behalf and not as agent of the Authority.
- (iii) The City is not liable, either directly or indirectly, for the payment of debt service on the 2006 Bonds and is not liable, either directly or indirectly, for payment of debt service on any other Bonds.
- (iv) The Authority is not receiving any payments, direct or indirectly, which are attributable to the Grants. The property attributable to the Grants is owned by the City without any security interest or other special legal interest in the Authority.
- (v) The Authority was not liable, either directly or indirectly, for payment of debt service on the general obligation bonds of the City which the City defeased with certain of the Grants.
- (vi) In addition to the Grants, the Authority used proceeds of the Prior Bonds to create a debt service reserve fund for the Prior Bonds and to pay the costs of issuance of the Prior Bonds. The proceeds of the Prior Bonds that have been held in the debt service

reserve fund for the Prior Bonds will, upon defeasance of the Prior Bonds, become part of the Debt Service Reserve Fund securing the 2006 Bonds as well as all other outstanding Bonds of the Authority issued under the Indenture.

(vii) All of the unspent proceeds of the 1994 Bonds have become transferred proceeds of the 1996 Bonds and will become transferred proceeds of the 2006 Bonds when proceeds of the 2006 Bonds are applied to retire the 1996 Bonds (the "Unspent Proceeds"). There are no Unspent Proceeds other than amounts in the Debt Service Reserve Fund, approximately \$17,600,000 in the Capital Projects Fund, approximately \$3.8 million in the Encumbered Funds Account and approximately \$123,000 in the Indemnity Fund. The Authority reasonably expects to continue to disburse the Unspent Proceeds (exclusive of amounts in the Debt Service Reserve Fund) for the governmental purposes of the 1994 Bonds. Pending such disbursements, the Authority will restrict its yield on investment of these amounts to the yield on the 2006 Bonds plus one eighth of one percent. This yield restriction may be accomplished through "yield reduction payments" to the federal government under Regulations §1.148-5(c).

Section 2.4. Composite Issues

- (a) There are no other obligations heretofore issued or to be issued by or on behalf of the Commonwealth, the City, the Authority, or any political subdivision of any of the foregoing which
 - (i) are issued at substantially the same time as the 2006 Bonds,
- (ii) are being sold pursuant to the same plan of financing with the 2006 Bonds; and
- (iii) will be paid out of substantially the same source of funds (or have substantially the same claim to be paid out of substantially the same source of funds) as the 2006 Bonds.

Section 2.5. No Federal Guarantees

- (a) The Authority represents that payment of principal and interest with respect to the obligation represented by the 2006 Bonds neither has been, nor will be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) and the obligation has not been issued as part of an issue a significant portion of the proceeds of which either has been or will be (i) used in making loans the payment of principal or interest with respect to which is guaranteed by the United States (or any agency or instrumentality thereof) or (ii) invested, directly or indirectly, in federally insured deposits or accounts, except to the extent that the proceeds of the 2006 Bonds may be invested for an initial temporary period until such proceeds are needed to pay the costs of the Project or in obligations issued by the United States Treasury.
- (b) The Authority covenants that it will not enter into any contracts or agreements with the United States or any agency or instrumentality thereof that would cause the representations set forth in the preceding paragraph to be false.

Section 2.6. Form 8038-G

The Authority agrees to cause a properly completed and executed Treasury Department Form 8038-G with respect to the issuance of the 2006 Bonds and the Project to be timely and properly filed with the Internal Revenue Service not later than August 15, 2006.

Section 2.7. Compliance with Code

- (a) The Authority covenants that it will not make an investment or other use of the proceeds of the 2006 Bonds which would cause the 2006 Bonds to be "Arbitrage Bonds" as that term is defined in Section 148 of the Code, and all applicable regulations promulgated with respect thereto, and that it will comply with the requirements of the Code and Regulations throughout the term of the 2006 Bonds.
- (b) The Authority covenants with the Holders of the 2006 Bonds that it will not take any action, omit to take any action, or permit any other person to take any action or fail to take any action over which it has control, which action or inaction would cause the interest on the 2006 Bonds to be subject to federal income tax to a greater extent than on the date of issuance of the 2006 Bonds.
- (c) The covenants and conditions set forth in this document are based upon the Code and Regulations as they exist on the date hereof and the Authority recognizes that the Code or Regulations may be subsequently interpreted or modified in a manner which is inconsistent with the covenants set forth herein. The Authority agrees that any subsequent modification or interpretation of the Code or Regulations, to the extent applicable to the 2006 Bonds, will be deemed a requirement that must be met pursuant to the general tax covenant set forth in (a) above. If in the opinion of Bond Counsel any such subsequent interpretation or modification renders compliance with any of the procedures set forth in this document unnecessary to assure the continued exclusion from gross income for federal income tax purposes of interest on the 2006 Bonds, this document may be amended to delete that procedure or, if necessary, substitute any other procedures that may be deemed necessary by Bond Counsel to maintain the exclusion from gross income for federal income tax purposes of interest on the 2006 Bonds.

ARTICLE III: REBATE

Section 3.1. Rebate Covenant

The Authority hereby specifically covenants that it will pay or cause to be paid the Rebate Amounts and Yield Reduction Amounts, if any, to the United States of America at the times and in the amounts determined in accordance with the provisions Section 148(f) of the Code. In order to comply with the rebate requirements of Section 148(f) of the Code, the Authority covenants to comply with the provisions of Sections 3.2 and 3.3 hereof until such time, if any, as such provisions are amended pursuant to Section 3.5 hereof.

Section 3.2. Rebate Computations

The Authority shall perform, or shall cause to be performed by its representative (the "Representative"), the following calculations (the "Rebate Calculations" and/ or "Yield Reduction Calculations") in the manner and at the times herein described:

- (a) Within 10 days following any Computation Date, the Authority shall request from the Trustee copies of records prepared by the Trustee concerning investments of any money related to the 2006 Bonds held in all funds and accounts attributable to the 2006 Bonds, which (together with records previously prepared and records of the Encumbered Funds Account) will enable the Authority to track all investments of Gross Proceeds of the 2006 Bonds held in the funds and accounts established pursuant to the Indenture since the Issue Date through the most recent Computation Date. The records shall comply with the requirements of Section 3.4 hereof.
- (b) At any time prior to forty-five (45) days following each Computation Date, the Authority or the Representative shall:
- (i) calculate the Excess Amount and/or the Yield Reduction Amount, if any, in accordance with Regulation §1.148-1 et seq., which shall be the amount by which (A) the future value of all receipts on Nonpurpose Investments with respect to the 2006 Bonds exceeds (B) the future value of all payments on Nonpurpose Investments with respect to the 2006 Bonds. For the purpose of this calculation, the Representative shall not take into account the nonpurpose receipts from the investment of the Gross Proceeds in the Debt Service Fund (as defined in the Indenture) in any Bond Year.
- (ii) calculate the Rebate Requirement, which shall be (A) the Excess Amount less (B) the sum of (1) the future value of any amounts previously remitted to the United States Government, and (2) any computation date credit that may be available under the Regulations on any payment date.
- (c) On or before the 50th day following the Computation Date, the Authority shall have completed the Rebate Calculations and Yield Reduction Calculations, if any. The Rebate Calculations shall include or be accompanied by the following:
- (i) the most recent calculation of the amount in the Excess Amount and/or the Yield Reduction Amount, if any; and
 - (ii) the most recent calculation of the Rebate Requirement.
- (d) Not later than the sixtieth (60^{th)} day after the issuance of the 2006 Bonds, the Authority shall calculate and pay to the United States of America at the IRS Service Center, Ogden, Utah 84201 any required final rebate payment due in connection with investments of proceeds (or transferred proceeds) of the 1996 Bonds.

Section 3.3. Rebate Payments.

The Authority shall remit to the United States of America at the Internal Revenue Service Center, Ogden, Utah 84201, the Rebate Amount and/or the Yield Reduction Amount, if any, which shall be an amount which when added to the future value, as of each fifth Computation Date, of all, previous rebate payments theretofore remitted to the United States equals at least 90% (100% with respect to the final Computation Date) of the Rebate Requirement (exclusive of any Yield Reduction Amount) as of the applicable Computation Date on or before 60 days following each fifth Computation Date (60 days after the final Computation Date). The payment shall be accompanied by any form or forms required to be submitted with the remittance which may include (i) a statement summarizing the determination of the amount required to be paid, (ii) a copy of the Internal Revenue Service Form 8038G filed with respect to the 2006 Bonds (or Form 8038-T or its equivalent); and (iii) the CUSIP number of the 2006 Bonds with the latest maturity for which there is a CUSIP number.

Section 3.4. Books and Records

- (a) The Authority shall retain all records required herein for at least 6 years after the date on which the last of the principal of and interest on the 2006 Bonds has been paid, whether upon maturity, prepayment, redemption, or acceleration thereof.
- (b) The Authority shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement and allocation of the Gross Proceeds of the 2006 Bonds. The records shall specify the account or fund to which each investment (or portion thereof) is to be allocated and shall set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued interest, (d) the amount and dates of any payments made with respect thereto, and (e) the dates of acquisition and disposition or maturity.
- (c) Records Relating to Investments. The Authority shall retain with respect to each item of Investment Property purchased with the Gross Proceeds of the 2006 Bonds such documentation as is required and received by it as evidence to establish that it
- (i) has been acquired and disposed of on an established market in an arm's length transaction at a price equal to its fair market value and no amounts have been used to reduce the yield on the investments, or
- (ii) shall be U.S. Treasury Obligations--State and Local Government Series acquired directly from the United States Treasury.

The determination of the fair market value of each item of Investment Property purchased with the Gross Proceeds of the 2006 Bonds shall be determined in accordance with Section 1.148-5 of the Regulations.

Section 3.5. Amendments

The Authority covenants to comply with the instructions contained in Sections 3.1 through 3.4 above until such instructions are superseded by new instructions, if any, regarding rebate prepared by Bond Counsel to be delivered to the Authority subsequent to the date of this Tax Compliance Agreement in the event that amendments are made to the Code or the Regulations relating to rebate.

Section 3.6. Exception to Rebate

The obligation to pay the Rebate Amount to the United States, as described herein, shall be treated as having been satisfied with respect to the 2006 Bonds if all Gross Proceeds are expended for the governmental purpose of the 2006 Bonds by no later than the date which is six months after the Issue Date and if it is not anticipated that any other Gross Proceeds will arise during the remainder of the term of the 2006 Bonds. For this purpose and for the purpose of Section 3.6 only, Gross Proceeds do not include amounts deposited in a bona fide- debt service fund and amounts contained in a reasonably required reserve fund. If Gross Proceeds are in fact expended by that date, then the Rebate Amount need not be calculated and no payment thereof to the United States need be made with respect to amounts other than those contained in the Debt Service Reserve Fund. It is anticipated that the 2006 Bonds will qualify for this exception to rebate.

ARTICLE IV: ARBITRAGE

Section 4.1. Reasonable Expectations

The undersigned duly authorized officer of the Authority, acting on behalf of the Authority, and being among the officers duly charged with responsibility for issuing the 2006 Bonds, pursuant to Section 1.148-2(b)(2) of the Regulations, hereby certifies that on the basis of the facts, estimates and circumstances in existence on the date hereof, he or she reasonably expects the following, as detailed in Sections 4.2 through 4.12 hereof, with respect to the 2006 Bonds and as to the use of the proceeds thereof. Certain of the expectations of the Authority set forth in this Tax Compliance Agreement are based upon the expectations, representations and covenants of the City contained in Article V of this Tax Compliance Agreement and upon the representation of the representative of the Underwriters (defined hereinafter) contained in Exhibit B attached hereto, which in each case the Authority believes to be reasonable.

Section 4.2. Use of Proceeds

The proceeds derived from the sale of the 2006 Bonds will be used by the Authority to pay a portion of the costs of the Project all as detailed in Exhibit A, Sources and Uses of Proceeds of the 2006 Bonds, hereto.

Section 4.3. No Overissuance

The total proceeds to be received by the Authority from the sale of the 2006 Bonds and allocable to the Project, and any anticipated investment earnings thereon do not exceed the total of the amount necessary for the purposes described above.

Section 4.4. Funds and Accounts

The Indenture creates the following funds: (i) Deficit Fund, (ii) Capital Projects Fund, (iii) Revenue Fund, (iv) Debt Service Fund, (v) Debt Service Reserve Fund, (vi) Bond Redemption Fund, (vii) Rebate Fund, (viii) Settlement Fund and (ix) Bond Purchase Fund. Each of these funds is to be held in trust by the Trustee under the Indenture and, except for the Rebate Fund, which shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder, any Credit Facility Issuer or any other Person, such funds are pledged to secure the obligations to Bondholders and each Credit Facility Issuer under the Indenture. The Trustee is authorized to establish accounts in each fund (other than the Debt Service Reserve Fund) to identify the Series of Bonds providing the source of money in such account or in respect of which money in such account is available to pay debt service. Moneys in accounts in respect of a particular Series shall only be available to pay debt service or the redemption price of the Bonds of such Series, except as may otherwise be provided in the Indenture or in the Supplemental Indenture adopted at or prior to the time of issuance of such Series.

(a) Deficit Fund

At the time of issuance of each Series of Bonds, there shall be deposited in the Deficit Fund such amount as shall be specified in the Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the Deficit Fund constituting proceeds of any Series of Bonds shall be applied as provided in the Indenture or the Supplemental Indenture authorizing such Series of Bonds. If there are insufficient amounts in the Debt Service Fund to make any payment of principal of or interest due on the Bonds and there are no available amounts in the Debt Service Reserve Fund or the Capital Projects Fund for such purpose, the Trustee shall transfer amounts from the Deficit Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency. In addition, if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction, the Trustee shall not transfer any amounts from the Deficit Fund to the City unless it receives an Order from the Supreme Court of Pennsylvania permitting such transfer. No proceeds of the 2006 Bonds are expected to be deposited into the Deficit Fund.

(b) Capital Projects Fund

At the time of issuance of each Series of Bonds, there shall be deposited in the Capital Projects Fund such amount as shall be specified in the Indenture or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the account in the Capital Projects Fund derived from proceeds of a Series of Bonds shall be disbursed only for costs of the capital projects identified in the Indenture or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. The capital projects to be funded from the Capital Projects Fund may be revised by the Authority, with the consent of the City, upon delivery to the Trustee of, among other things, an opinion of Bond Counsel to the effect that such revision is permitted under the Act and will not adversely affect the excludability of interest on any Bonds from gross income for federal tax purposes. Such revision shall not require execution of a Supplemental Indenture and shall not be considered an amendment requiring consent of any Bond Insurer or Bondholders.

The Trustee shall transfer amounts in the applicable account in the Capital Projects Fund to the Encumbered Funds Account upon receipt of a requisition signed by the Authority accompanied by a notice (in the form prescribed in the Indenture) of the City to the Authority to the effect that the City is prepared to award a contract for or commence work on an approved capital project or projects, which notice shall identify in reasonable detail: (i) the capital project or projects, (ii) the amount of the contract to be awarded or the cost of work to be encumbered, and (iii) the proposed date of award of such contract or the proposed date of commencement of The Trustee shall not transfer amounts from the Capital Projects Fund to the Encumbered Funds Account at any time when a suspension of payment from the Commonwealth to the City is in effect as a result of the Authority certifying that the City is not in compliance with an approved financial plan pursuant to provisions of the Act and the Trustee has notice of such suspension. In addition, the Trustee shall not transfer amounts from the Capital Projects Fund to the Encumbered Funds Account if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction, unless the Trustee receives an order of the Supreme Court of Pennsylvania permitting such transfer. Upon completion, termination or abandonment of any capital project with respect to which moneys shall have been disbursed to the Encumbered Funds Account, any unspent moneys deposited therein for such capital project shall, to the extent not approved by the Authority for application to other capital projects being funded from the Encumbered Funds Account, be deposited, at the direction of the Authority and the City, in the Capital Projects Fund.

Amounts remaining in any account in the Capital Projects Fund after completion, termination or abandonment of the capital project or projects to be financed with the proceeds of the related Series of Bonds shall be transferred at the direction of the Authority to the Debt Service Fund for the payment of principal next becoming due on the applicable Series of Bonds or to the Bond Redemption Fund for redemption of Bonds of such Series at the earliest practicable date that Bonds of such Series can be redeemed without a premium unless the Trustee is directed by the Authority at the request of the City to apply such excess for a purpose permitted under the Act and receives an opinion of Bond Counsel that such use is permitted under the Act and will not adversely effect the excludability of interest on any Bonds from gross income for federal income tax purposes.

To the extent that amounts in the Debt Service Fund are insufficient to make any payment of principal of or interest due on the Bonds after all available amount in the Debt Service Reserve Fund have been used, the Trustee shall transfer amounts from the Capital Projects Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency.

No proceeds of the 2006 Bonds are expected to be deposited into the Capital Projects Fund.

(c) Revenue Fund

The Act requires that the Authority Tax be collected by the Department of Revenue of the Commonwealth (the "Pennsylvania Revenue Department") for deposit in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund (the "PICA Tax Fund") established under the Act and held by the Treasurer of the Commonwealth (the "State Treasurer"), as custodian. The State Treasurer is required by the Act to transfer all amounts in the PICA Tax Fund at least

weekly to or upon the order of the Authority. Concurrently with the issuance of the 1992 Bonds, the Authority directed the State Treasurer to transfer all such amounts to the Trustee for deposit in the Revenue Fund established under the Indenture in accordance with the requirements of the Act and for so long as any 1992 Bonds are Outstanding under the Indenture. Similar instructions were given in connection with the issuance of the 1993 Bonds, the 1993 Bonds, the 1994 Bonds, the 1996 Bonds, the 1999 Bonds and the 2003 Bonds. In connection with the issuance of the 2006 Bonds, similar instructions will be given relating to the 1999 Bonds, the 2003 Bonds and the 2006 Bonds so long as any of such bonds are Outstanding under the Indenture. The Act authorizes the Pennsylvania Revenue Department to appoint agents for the collection and enforcement of the Authority Tax. Pursuant to such authority, a letter dated June 28, 1991 from the Pennsylvania Revenue Department and the Pennsylvania Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement, dated as of June 1, 1992 (the "Tax Collection Agreement"), by and between the Commonwealth and the City, the Revenue Department of the City ("City Revenue Department") and the Law Department of the City have been appointed agents of the Pennsylvania Revenue Department for the collection and enforcement of the Authority Tax. The procedures for the collection and transfer of the Authority Tax are prescribed in the Act and are further delineated in the Authority Tax Ordinance and the Tax Collection Agreement.

Promptly after deposit of moneys in the Revenue Fund, the Trustee shall transfer any money in the Revenue Fund to the following funds in the following order and priority:

to the Debt Service Fund, the amount necessary to cause the aggregate amount therein in each month to equal the sum of (i) the aggregate for all Series of Bonds paying interest semiannually of 1/6 (such fraction to be increased or decreased, as appropriate, for a Series to account for any initial or final interest period shorter or longer than six months) of the amount of interest that will be due and payable on each such Series of Bonds on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds paying interest at an interval other than semiannually of an amount equal to the interest that will be due and payable or otherwise accrue on each such Series of Bonds during such month (assuming that interest due on such Bonds will be payable at the maximum interest rate applicable to such Bonds, and taking into account (A) any amounts received from the counterparty to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the 2006 Bonds Swap (defined hereinafter in §4.7), deposited directly into the Debt Service Fund, and (B) any amounts remaining in the Debt Service Fund from prior months' transfers from the Revenue Fund in excess of the amount actually paid or accrued as interest on such Bonds for such prior months), (iii) the aggregate for all Series of Bonds of 1/12 (such fraction to be increased, as appropriate, for a Series to account for any initial or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds (whether upon maturity or mandatory redemption) on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iv) any deficiency in deposits required to be made in prior months under the preceding clauses (i), (ii) and (iii) which has not been eliminated, and (v) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds;

- (ii) to the Debt Service Reserve Fund, the amount necessary to eliminate any deficiency therein (a deficiency being the amount by which the Debt Service Reserve Requirement exceeds the amount required to be on deposit in such Fund);
- (iii) to any Person entitled to payment pursuant to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the Swap Counterparty, an amount equal to the net amount then required to be paid to such person by the Authority pursuant to such an agreement; provided, however, with respect to certain interest rate swap agreements or similar hedge agreements, the Authority may elect to establish a separate account in the Revenue Fund and cause the Trustee to deposit on a monthly basis such amount as is necessary to cause the aggregate amount deposited therein in each month to equal a monthly portion of the amount that will be due to the relevant counterparty on the next payment date;
- (iv) as directed in a certificate of the Authority delivered to the Trustee, to the trustees or other depositories in respect of subordinated debt, if any, payable from Pledged Revenues, the amount necessary to cause the aggregate amount paid in respect of such subordinated debt from all sources to equal the amount then required to be paid in respect of each issue of subordinated debt:
- (v) to the Authority, the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made to equal the operating expenses of the Authority for such fiscal year as set forth in a certificate of the Authority delivered to the Trustee with respect to such fiscal year, to the extent that the amounts transferred from the Debt Service Reserve Fund pursuant to the applicable provisions of the Indenture are not sufficient for such purpose; and
- (vi) to the Rebate Fund, the amounts required to be deposited therein pursuant to the applicable provisions of the Indenture, to the extent that the transfers from the earnings in the Debt Service Reserve Fund pursuant to the applicable provisions of the Indenture are insufficient for such purpose.

Notwithstanding the foregoing order of priority, the Indenture requires that to the extent the Trustee is required to make payment of the Rebate Amount or Yield Reduction Amount to the United States of America pursuant to the Indenture and there are insufficient amounts in the Rebate Fund on the date which is thirty (30) days prior to the due date of such payment, the Trustee shall thereafter transfer moneys from the Revenue Fund to the Rebate Fund prior to making any other transfers of moneys to any other funds until the amount in the Rebate Fund equals the required Rebate Amount and Yield Reduction Amount. Any moneys remaining in the Revenue Fund after all transfers required by paragraphs (a), (b), (c), (d), (e) and (f) have been made shall be transferred by the Trustee to Wachovia Bank, National Association, for deposit to a special account (the "City Account"), in trust for the exclusive benefit of the City, established and created under the Act and the City Account Deposit and Disbursement Agreement, dated as of December 6, 1991, as amended, between the Authority and First Union National Bank (now Wachovia Bank, National Association), Philadelphia, Pennsylvania, as depository. The City Account Deposit and Disbursement Agreement has been acknowledged and agreed to by the City.

(d) Debt Service Fund

On the date of settlement for each Series of Bonds, there shall be deposited in the Debt Service Fund an amount equal to the accrued interest, if any, on such Series of Bonds to the date of settlement therefor and any capitalized interest in respect of such Series. Amounts received by the Trustee pursuant to an interest rate exchange agreement or other agreement permitted by Section 304(10) of the Act in respect of a Series of Bonds shall be credited to the accounts in respect of such Series of Bonds.

Moneys in the Revenue Fund shall be transferred to the Debt Service Fund inaccordance with the provisions detailed above under the discussion of the Revenue Fund. The Trustee shall use the moneys in the Debt Service Fund to pay the principal of and mandatory sinking fund installments and interest on the Bonds as it becomes due and payable and to pay any amount owed to the Credit Facility Issuer in respect of payments made for principal and, interest on Bonds.

The Trustee shall establish as part of the Debt Service Fund Sinking Fund Accounts for the retirement of Term Bonds of each Series of Bonds. The Trustee shall transfer moneys from the Debt Service Fund to the Sinking Fund Accounts in the amounts required to retire the Term Bonds. Notwithstanding the foregoing, the Indenture permits the Trustee, at the direction of the Authority prior to May 1 of each year in which Term Bonds are subject to mandatory sinking fund redemption, to apply amounts deposited in the Sinking Fund Accounts to the purchase of as many Term Bonds as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not exceeding the principal amount thereof, plus interest accrued to such date (which interest shall be paid from amounts in the Debt Service Fund).

The Revenue Fund and the Debt Service Fund allocable to the 2006 Bonds will be used primarily to achieve a proper matching of revenues and debt service on the 2006 Bonds within each 2006 Bond Year. Amounts in such Funds allocable to the 2006 Bonds are expected to be depleted at least once a year except for a reasonable carryover amount (not exceeding one year's earnings on such funds or 1/12 of the annual debt service on the 2006 Bonds). On the basis of a "first-in, first-out" method of calculation, money deposited into such Funds allocable to the 2006 Bonds will be spent within a 13-month period and any amount received from the investment of such Funds allocable to the 2006 Bonds will be spent within a one-year period beginning on the date of receipt thereof.

(e) Debt Service Reserve Fund

There shall be maintained in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement for the Bonds. The Debt Service Reserve Requirement for the Bonds equals an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds outstanding under the Indenture, and (ii) the maximum amount permitted by the Code.

In lieu of such deposit, at the time of issuance of a Series, subject to approval of the Bond Insurer, if any, there may be provided a Liquidity Facility in such amount issued by a Credit Facility Issuer whose credit facilities are such that bonds secured by such credit facilities are

rated in one of the three highest rating categories by Moody's and S&P. To the extent that additional amounts are required to be deposited in the Debt Service Reserve Fund, such moneys shall come from sources other than the proceeds of the Bonds. Moneys in the Revenue Fund shall be transferred to the Debt Service Reserve Fund to the extent necessary to eliminate a deficiency therein. To the extent that there is an excess amount in the Debt Service Reserve Fund as of the date any valuation is required to be made as provided in the Indenture, unless otherwise provided in the Supplemental Indenture authorizing the issuance of such Series, the excess (other than any Investment Earnings) shall be transferred, at the written direction of the Authority, to the Debt Service Fund or the Bond Redemption Fund as provided in the Indenture, or, subject to an approving opinion of Bond Counsel, as directed in writing by the Authority.

Investment Earnings from investments of amounts in the Debt Service Reserve Fund shall be applied by the Trustee as follows:

- (i) the Trustee shall retain in the Debt Service Reserve Fund the amount necessary to eliminate deficiency therein;
- (ii) the Trustee shall transfer to the Rebate Fund in respect of each Bond Year such amount as is certified by the Authority to the Trustee pursuant to the applicable Tax Compliance Agreement as the Rebate Amount and Yield Reduction Amount, if any, for such Bond Year with respect to the 1999 Bonds, the 2003 Bonds, the 2006 Bonds and such additional amount for each other Series of Bonds as may be specified in the Supplemental Indenture authorizing the Series;
- (iii) the Trustee shall transfer to the Authority the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made (together with transfers from the Revenue Fund), to equal the total operating expenses of the Authority for such fiscal year as set forth in the certificate of the Authority filed with the Trustee in respect of such fiscal year, and
- (iv) the Trustee shall transfer any remaining amount to the Revenue Fund.

If there are insufficient moneys to pay the Debt Service Requirement on any Series of Bonds on any Interest Payment Date or maturity date of such Series of Bonds, the Trustee shall transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund.

Upon a redemption or final maturity of all of the Bonds of a Series, moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall be applied as discussed above.

No proceeds of the 2006 Bonds will be deposited into the Debt Service Reserve Fund. However, amounts in the Debt Service Reserve Fund may be allocated to the 2006 Bonds and treated as proceeds of the 2006 Bonds as a result of the transferred proceeds rules and the commingled reserve fund rules. Proceeds of the 2006 Bonds in the Debt Service Reserve Fund will be subject to arbitrage rebate with respect to the 2006 Bonds.

(f) Bond Redemption Fund

The Trustee shall deposit in the Bond Redemption Fund amounts received from any source for redemption of Bonds other than mandatory sinking fund payments.

Moneys deposited into the Bond Redemption Fund shall be used to redeem Bonds or, at the request of the Authority in writing, to purchase Bonds in the open market at a price not in excess of the principal amount thereof plus accrued interest thereon. Upon such deposit, to the extent such moneys are to be used to redeem Bonds, the Trustee shall promptly select and call Bonds for redemption.

Proceeds from the sale of the 2006 Bonds in the amounts detailed in <u>Exhibit A</u> attached hereto are to be deposited into the Bond Redemption Fund and are to be applied on June 15, 2006, to the payment of the redemption price of all then outstanding 1996 Bonds other than those that are scheduled to mature on such date.

(g) Rebate Fund

Amounts shall be deposited in the Rebate Fund in order to comply with Rebate Requirements of Section 148 of the Code and shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder, any Credit Facility Issuer or any other Person. The provisions of the Indenture regarding the Rebate Fund may be amended upon receipt by the Trustee and the Authority of an opinion of Bond Counsel that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any moneys released from the Rebate Fund as a result of any such amendment shall be applied by the Trustee as required or permitted (in which case such application shall be at the written direction of the Authority) by such opinion of Bond Counsel.

The Authority is required to determine the Rebate Amount and Yield Reduction Amount, if any, in respect of each Series of Bonds or cause the same to be determined within 45 days after the end of each Bond Year and upon the retirement of the last Bond of a particular Series and to give written notification of such amounts to the Trustee. Following receipt of such notification, the Trustee is required to transfer first from Investment Earnings on the Debt Service Reserve Fund and then from the Revenue Fund to the Rebate Fund such amount as may be necessary so that the amount in the Rebate Fund shall be equal to the Rebate Amount and Yield Reduction Amount, if any, as of the Computation Date. In the event that as of the first day of any Bond Year in respect of each Series of Bonds, the amount on deposit in the Rebate Fund exceeds the Rebate Amount and Yield Reduction Amount, if any, the Trustee, at the direction of the Authority, shall transfer such excess amount into the Revenue Fund. If any amount shall remain in the Rebate Fund after the Trustee has made the final payment to the United States in respect of each Series of Bonds pursuant to the Indenture, such amount shall be transferred to the Revenue Fund.

(h) Settlement Fund

The Trustee has established a Settlement Fund under the Indenture to hold funds to be applied to the costs of issuance of the Bonds. Upon the payment of the costs of issuance,

moneys in the Settlement Fund with respect to the 2006 Bonds are to be transferred to the Debt Service Fund.

(i) Bond Purchase Fund

The Trustee shall establish or cause the Tender Agent to establish and maintain, so long as the 2006 Bonds are outstanding and have not been converted to a Fixed Rate, a separate fund to be known as the "Bond Purchase Fund" (the "Bond Purchase Fund"), within which there shall be established a Remarketing Proceeds Account and a Liquidity Facility Purchase Account, which shall be held in trust by the Trustee until applied as hereinafter provided.

- (i) Remarketing Proceeds Account. The Trustee or the Tender Agent shall deposit to the credit of the Remarketing Proceeds Account (A) the moneys received upon the remarketing of Tendered Bonds, and (B) the moneys received from the underwriter or purchaser (other than the Authority, any Affiliate, or any Insider) of Tendered Bonds upon the conversion of the interest rate thereon to a Fixed Rate. No moneys other than those described in (A) and (B) shall be deposited into such account.
- (ii) <u>Liquidity Facility Purchase Account</u>. The Trustee or the Tender Agent shall deposit to the credit of the Liquidity Facility Purchase Account all proceeds of drawings under the Liquidity Facility to pay the purchase price of Tendered Bonds (other than Bank Bonds), and no other moneys shall be deposited in such account.

Moneys in the Bond Purchase Fund shall be held in trust for the benefit of and subject to a lien in favor of the owners of Tendered Bonds and shall be used exclusively for the payment of the purchase price of Tendered Bonds; provided, however, that any moneys remaining on deposit in the Liquidity Facility Purchase Account after payment in full of all amounts due on the Tendered Bonds shall be transferred to the Bank.

(i) No Other Sinking or Pledged Funds

Other than the foregoing, there are no other funds or accounts of the Authority which are reasonably expected to be used to pay debt service on the 2006 Bonds or which are pledged as collateral for the 2006 Bonds and for which there is a reasonable assurance that amounts therein or the investment income earned from such funds or accounts will be available to pay debt service on the 2006 Bonds if the Authority encounters financial difficulties.

Section 4.5. Investment Restrictions

The amounts treated as Gross Proceeds of the 2006 Bonds may not be invested at a Yield higher than the Yield on the 2006 Bonds except as follows:

- (a) Proceeds of the 2006 Bonds may be invested at an unrestricted yield for a period of ninety days from the date hereof.
- (b) Amounts allocable to the 2006 Bonds that are deposited into the Revenue Fund and transferred to the Debt Service Fund for the payment of debt service on the 2006

Bonds may be invested at an unrestricted yield for a period not exceeding thirteen months from the date of the first deposit of those amounts to the Revenue Fund.

- (c) Amounts allocable to the 2006 Bonds that are deposited into the Bond Redemption Fund or Bond Purchase Fund and that are reasonably expected to be spent within thirteen months may be invested at an unrestricted yield for a period not exceeding thirteen months from the date of the first deposit of those amounts to such Fund.
- (d) Amounts allocable to the 2006 Bonds that are on deposit in the Debt Service Reserve Fund may be invested at an unrestricted yield to the extent that the aggregate amount on deposit therein (including any surety bond) does not exceed the size limitation under Regulation §1.148-2(f). To the extent the aggregate amount on deposit in the Debt Service Reserve Fund exceeds the size limitation under Regulation §1.148-2(f), investments representing such excess shall not be invested at a yield higher than the Yield on the issue of Bonds to which such investments are allocated.
- (e) Earnings received from investing any amounts may be invested at an unrestricted yield for a period not exceeding one year from the date of receipt thereof.
- (f) An aggregate amount not in excess of \$100,000 may be invested at an unrestricted yield.

Any investments acquired with amounts which must be invested at a restricted yield pursuant to Section 4.5 hereof shall be purchased at prevailing market prices and shall be limited to securities for which there is an established market or shall be United States Treasury Obligations - State and Local Government Series ("SLGS").

Section 4.6. Transferred Proceeds

Upon retirement of the 1996 Bonds, the Unspent Proceeds shall become transferred proceeds of the 2006 Bonds, including certain amounts in the Capital Projects Fund, the Encumbered Funds Account and the Indemnity Fund.

Section 4.7. Yield

For purposes of calculating the yield on the 2006 Bonds, the purchase price of the 2006 Bonds, as represented by RBC Dain Rauscher Inc. d/b/a RBC Capital Markets (the "Underwriter") in Exhibit B hereto, is \$89,950,000 representing the initial offering price of the 2006 Bonds to the public (excluding bond houses, brokers, and other intermediaries). The 2006 Bonds shall initially bear interest from the date of original issuance at the rate the Underwriter determines is necessary to sell the 2006 Bonds at par, prior to the date of delivery. The 2006 Bonds shall initially be issued as ARS and the 2006 Bonds will be payable on the initial ARS Interest Payment Date and thereafter on the day following the end of each Auction Period. The 2006 Bonds maybe converted to bear interest in various interest modes in accordance with the Indenture.

Bond Insurance. A bond insurance premium in the total amount of \$312,550.53 has been treated as an additional interest payment on the 2006 Bonds on the Issue Date because the bond

insurance is a qualified guarantee in accordance with Regulations §1.148-4(f). The Underwriter has represented as set forth in <u>Exhibit B</u> that the present value of the bond insurance premium is less than the present value of the interest reasonably expected to be saved as a result of having the payment of the principal of and interest on the 2006 Bonds insured by a bond insurance policy issued by Ambac Assurance Corporation ("Ambac"). Ambac has represented as set forth in <u>Exhibit C</u> that Ambac's premium is comparable to those which are charged by Ambac in similar transactions not involving the issuance of tax exempt obligations and that such fees have been established in an arm's length transaction, represent a reasonable charge for credit risk, constitute solely a charge for transfer of credit risk and have not been increased to reflect the indirect payment of costs of issuance of the 2006 Bonds.

Qualified Hedging Transaction. The Authority and JPMorgan Chase Bank - New York, or its successors and permitted assigns, as counterparty, have entered into an Option On Interest Rate Swap Transaction executed December 6, 2001 (the "2006 Bonds SWAP") which meets the requirements for a qualified hedge under Regulation §1.148-4(h) in that (a) the Authority identified the 2006 Bonds SWAP within three days of entering into the 2006 Bonds SWAP in accordance with Regulation 1.148-4(h)(2)(viii) and has noted the existence of the 2006 Bonds SWAP on the Form 8038-G to be filed in connection with the issuance of the 2006 Bonds, (b) the floating rate payments under the 2006 Bonds SWAP are determined on the basis of monthly reset dates with monthly payments on or about the fifteenth day of each calendar month, the fixed rate payments under the 2006 Bonds SWAP will be made semiannually and the method of computing interest on the 2006 Bonds is substantially the same as the method of computing the floating rate payments under the 2006 Bonds SWAP, (c) the notional principal amount and amortization schedule of the 2006 Bonds SWAP correspond to the principal amount and amortization schedule of the 2006 Bonds, (d) the upfront option premium paid by the provider of the 2006 Bonds SWAP and the Authority's payments in excess of those that it would make if the contract bore rates equal to the on-market rates for the 2006 Bonds SWAP (determined as of the date the parties entered into the 2006 Bonds SWAP) are separately identified by JPMorgan Chase Bank in its Pricing Certificate dated June 15, 2006, attached hereto as Exhibit D, and will not be treated as payments on the 2006 Bonds SWAP, (e) the Authority's payments to the provider of the 2006 Bonds SWAP will be made from the same source of funds that, absent the 2006 Bonds SWAP, would be used to pay principal and interest on the 2006 Bonds and (f) the Authority has no current expectation that it will change the interest mode of the 2006 Bonds from ARS to some other mode or terminate the 2006 Bonds SWAP. Accordingly, payments to be made and received under the 2006 Bonds SWAP (other than payments described in Regulation 1.148-4(h)(2)(i)(C)(1)) will be taken into account as payments made or received under a qualified hedge in calculating the yield on the 2006 Bonds during each yield computation period.

Section 4.8. No Replacement

No portion of the proceeds of the 2006 Bonds will be used as a substitute for other funds which were otherwise to be used to pay the costs of the Project and which have been or will be used to acquire directly or indirectly securities, obligations, annuity contracts or other investment-type property producing a yield in excess of the yield on the 2006 Bonds.

Section 4.9. No Artifice or Device

The 2006 Bonds are not and will not be part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations, (a) enabling the Authority to exploit the difference between tax exempt and taxable interest rates to gain a material financial advantage and (b) increasing the burden on the market for tax exempt obligations. No device has been or will be employed in connection with the issuance of the 2006 Bonds in order to obtain a material financial advantage (based on arbitrage) apart from savings attributable to lower interest rates.

Section 4.10. Hedge Bonds

No more than 50 percent of the proceeds of the 1992 Bonds or the 1994 Bonds were invested in nonpurpose investments having a substantially guaranteed yield for four years or more (within the meaning of section 149(g)(3)(A)(ii) of the Code). More than 85 percent of the spendable proceeds of the 1992 Bonds and 1994 Bonds (within the meaning of section 149(g)(3)(A)(ii) of the Code) were reasonably expected on the dates of issuance thereof to be expended for governmental purposes within three years of such dates.

The undersigned duly authorized officer of the Authority, on behalf of the Authority, represents that to the best of the undersigned's knowledge, information and belief, the facts, estimates, and circumstances set forth herein are true and correct and that the expectations contained in Article IV of this Tax Compliance Agreement relating to Arbitrage are reasonable.

ARTICLE V: COVENANTS OF THE CITY

Section 5.1. Not Private Activity Bonds

- (a) The City covenants and represents that, as of the date of this Tax Compliance Agreement, it is a political subdivision of the Commonwealth of Pennsylvania.
- (b) The City covenants that it will not permit any facilities under the custody or control of the City financed or refinanced with the proceeds of the 2006 Bonds to be put to a private business use as defined in Section 141(b)(6) of the Code ("Private Business Use") while the 2006 Bonds are outstanding if that use will adversely affect the federal income tax status of the interest on the 2006 Bonds.
- (c) <u>The Grants</u>. The Authority issued the 1994 Bonds, *inter alia*, to provide funds for the Grants. The Grants were for capital projects of the City and to fund certain operating deficits of the City.
- (i) The City has not and is not paying or providing any consideration for the Grants, and the City has no obligation (and is not subject to any condition) to directly or indirectly repay any amount to the Authority on account of the Grants.
- (ii) Neither the Authority nor the City is under the control of the other, either directly or indirectly or through any third party, and in accepting the Grants the City is acting in its own behalf and not as agent of the Authority.

- (iii) The City is not liable, either directly or indirectly, for the payment of debt service on the 2006 Bonds and was not liable, either directly or indirectly, for payment of debt service on the Prior Bonds.
- (iv) The Authority is not receiving any payments, direct or indirectly, which are attributable to the Grants. The property attributable to the Grants is owned by the City without any security interest or other special legal interest in the Authority.

Section 5.2. Compliance with Code

The City hereby covenants with the Authority that it shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the 2006 Bonds shall be excludable from the gross income of the recipients thereof for purposes of federal income taxation and that it will refrain from doing or performing any act or thing that will cause such interest not to be so excludable. The City hereby covenants with the Authority that it will not make any investment or other use of the proceeds (as that term is defined in Section 148 of the Code and all applicable Regulations) of the 2006 Bonds in its custody or control (including investment control) which would cause the 2006 Bonds to be "arbitrage bonds" (as that term is defined in Section 148 of the Code and all applicable regulations promulgated thereunder), and it will comply with the requirements of such Code section and regulations throughout the term of the 2006 Bonds.

Section 5.3. Recordkeeping Obligation

The City shall retain, and provide to the Authority upon reasonable demand records of the investments made with respect to proceeds of the 1992 Bonds, the 1994 Bonds and the 2006 Bonds, if any, held in the City Capital Account or other accounts controlled by the City. Such records will include, but are not necessarily limited to, information regarding the following with respect to each and every investment:

- (i) the purchase price;
- (ii) nominal rate of interest;
- (iii) amount of accrued interest purchased (included in purchase price);
- (iv) par or face amount;
- (v) purchase date;
- (vi) maturity date;
- (vii) amount of original issue discount or premium (if any);
- (viii) type of investment;
- (ix) frequency of periodic payments;

- (x) period of compounding;
- (xi) yield to maturity;
- (xii) date of disposition;
- (xiii) all receipts with respect to such investment;
- (xiv) any brokerage commissions or similar fees;
- (xv) amounts realized on the disposition (including accrued interest);

and

(xvi) market price data sufficient to establish that the purchase price was equal to the fair market value on the date of acquisition or, if earlier, on the date of a binding contract to acquire such investment.

Section 5.4. Private Loan Limitation

The City hereby covenants that not more than the lesser of \$5,000,000 or 5% of the net proceeds of the 1992 Bonds or the 1994 Bonds under the custody or control of the City have been or will be used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

Section 5.5. Non Market Investments

All investment by the City of Gross Proceeds of the 2006 Bonds under the custody or control of the City shall be purchased at prevailing market prices and shall be limited to securities for which there is an established market or shall be United States Treasury Obligations - State and Local Government Series ("SLGS") unless otherwise authorized pursuant to an opinion of Bond Counsel.

Section 5.6. Federal Guaranty Limitation

The City hereby covenants that with respect to investments under its control, interest with respect to the 2006 Bonds is not guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); no portion of the proceeds of the 2006 Bonds received by the City or under its investment control is to be (i) used in making loans the payment of principal or interest with respect to which is to be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof, or (ii) invested (directly or indirectly) in federally insured deposits or accounts except to the extent permitted under Section 149(b)(3) of the Code and Treasury Regulations Section 1.149(b)-1 which provide exceptions, which include (a) investments during any initial temporary period permitted under Section 148 of the Code, such as for certain construction periods, until such proceeds are needed for the purpose for which the 2006 Bonds were issued, (b) investments in a bona fide debt service fund, within the meaning of Section 149(b)(3) of the Code, (c) investments in a reasonably required reserve or replacement fund, within the meaning of Section 148(d) of the Code, (d) investments in bonds issued by the United States Treasury and certain obligations which are added by regulation or (e) investments

that are held in a refunding escrow, as defined in Regulation Section 1.148-1(b); and the payment of principal of or interest on the 2006 Bonds is not otherwise indirectly guaranteed (in whole or in part) by the United States or any agency or instrumentality thereof.

Section 5.7. Expectations of the City with Respect to Grants

(a) The City hereby represents that:

- (i) the fact that the City did not apply for Grants for all of the spendable proceeds of the 1994 Bonds within three years of the issue date of the 1994 Bonds is due to circumstances unanticipated by the City at the time the 1994 Bonds were issued; and
- (ii) the fact that the City has not requisitioned and expended all of the Grants derived from the proceeds of the 1994 Bonds on deposit in the Encumbered Funds Account and the Indemnity Fund is due to circumstances unanticipated by the City at the time the City requested that the Grants be deposited in the Encumbered Funds Account and Indemnity Fund.

(b) The City reasonably expects that:

- (i) the City will exercise due diligence to apply for Grants for the balance of the proceeds of the 1994 Bonds available for Grants from the Capital Projects Fund, and upon receipt of such Grants, expend such amounts for the purposes of those Grants; and
- (ii) the City will exercise due diligence to expend all of the Grants funded or to be funded with proceeds of the 1994 Bonds currently on deposit in the Encumbered Funds Account and the Indemnity Fund for the purposes of those Grants.

Section 5.8. Reliance

To the best of the City's knowledge and belief, the facts, estimates and circumstances included in this Article V are true and correct and there are no facts, estimates or circumstances not expressed herein and known to the City that would materially affect the expectations expressed herein.

The City understands that Bond Counsel and the Authority are relying on its expectations, representations and covenants contained in this Tax Compliance Agreement.

ARTICLE VI: MISCELLANEOUS SECTION

Section 6.1. Survival of Provisions

Notwithstanding any provision of this Tax Compliance Agreement or the Indenture to the contrary, the Authority's obligation to pay the required rebates to the United States under the Indenture and Section III hereof, the City's obligation to maintain necessary records and the covenants of the Authority and the City contained in this Tax Compliance Agreement in connection with the Code shall survive the payment, redemption or defeasance of the 2006 Bonds.

Section 6.2. Authorized Signatories

The undersigned signer on behalf of the Authority is the Chairperson or Vice Chairperson of the Authority and along with other officials of the Authority is charged with the responsibility for issuing the 2006 Bonds and is duly authorized to execute and deliver this Tax Compliance Agreement on behalf of the Authority. The undersigned signer on behalf of the City is the Acting Director of Finance of the City and is duly authorized to execute and deliver this Tax Compliance Agreement on behalf of the City.

Section 6.3. Counterparts

This Tax Compliance Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 6.4. Captions

The captions or headings in this Tax Compliance Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Tax Compliance Agreement.

[Signatures appear on the following page]

IN WITNESS WHEREOF, and intending to be legally bound, the undersigned duly authorized officer of the **Pennsylvania Intergovernmental Cooperation Authority** has caused this **Tax Compliance Agreement** to be executed this 15th day of June, 2006.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

BY: Wice) Chairperson

IN WITNESS WHEREOF, and intending to be legally bound as to the provisions of Article V of this Tax Compliance Agreement, the undersigned duly authorized officer of the City of Philadelphia, Pennsylvania, has caused this **Tax Compliance Agreement** to be executed this 15th day of June, 2006, in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

BY:_		
	Acting Director of Finance	

IN WITNESS WHEREOF, and intending to be legally bound, the undersigned duly authorized officer of the **Pennsylvania Intergovernmental Cooperation Authority** has caused this **Tax Compliance Agreement** to be executed this 15th day of June, 2006.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

BY:			 	
	Chairperson	,		

IN WITNESS WHEREOF, and intending to be legally bound as to the provisions of Article V of this Tax Compliance Agreement, the undersigned duly authorized officer of the City of Philadelphia, Pennsylvania, has caused this **Tax Compliance Agreement** to be executed this 15th day of June, 2006, in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

B 505902v.4

Exhibit A

EXHIBIT A

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY Special Tax Revenue Refunding Bonds

(City of Philadelphia Funding Program) Series of 2006

SOURCES OF FUNDS

 Par Amount of 2006 Bonds
 \$ 89,950,000.00

 Issuer Contribution
 \$ 1,150,388.00

 \$ 91,100,388.00

USES OF FUNDS

Deposit to Bond Redemption Fund, 1996 Bond Account \$89,960,000.00

Deposit to Settlement Fund

Bond Insurance Premium \$312,550.53 Underwriters' Fee \$ 292,337.50 Other costs of issuance \$ 535,499.97

Total Settlement Fund \$1,140,388.00

\$ 91,100,388.00

TOTAL DUE FROM UNDERWRITER

 Bond Proceeds
 \$ 89,950,000.00

 Total Due From Underwriter
 \$ 89,950,000.00

TOTAL DUE FROM ISSUER

Issuer Contribution from Debt Service Reserve Fund\$ 1,140,388.00Issuer Contribution from Revenue Fund\$ 10,000.00Total Due From Issuer\$ 1,150,388.00

Exhibit B

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 2006

CERTIFICATE OF UNDERWRITER

The undersigned authorized officer of RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (the "Underwriter"), as Underwriter under that certain Bond Purchase Contract dated June 14, 2006 (the "Purchase Contract"), between the Pennsylvania Intergovernmental Cooperation Authority and Underwriter, hereby certifies as follows with respect to the purchase of the above-captioned bonds (the "2006 Bonds"):

- 1. The Underwriter has made a bona fide offering of the 2006 Bonds to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the initial offering price of 100%. As of the date of execution of the Purchase Contract, the Underwriter expected to sell the 2006 Bonds to the public at par.
- 2. To the best of my knowledge, information and belief, at least 10% of the principal amount of the 2006 Bonds was sold, or was reasonably expected to be sold, to the initial purchasers thereof (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at a price not greater than the initial public offering price referred to above.
- 3. The 2006 Bonds are insured under a municipal bond insurance policy issued by Ambac Assurance Corporation. In our opinion, the premium for such insurance in the amount of \$312,550.53 is less than the \$866,612.32 estimated present value (using a present value factor equal to the yield on the 2006 Bonds) of the interest expected to be saved as a result of the insurance. We understand that, in accordance with \$1.148-4(f) of the Regulations, the premium has been treated as additional interest on the 2006 Bonds for the purpose of calculating the yield on such Bonds.
- 4. The establishment of the Debt Service Reserve Fund which provides for funding in the amount of the Debt Service Reserve Requirement is a reasonably required condition to obtaining the bond insurance policy issued by Ambac Assurance Corporation on the date hereof.
- 5. For purposes of calculating the yield on the 2006 Bonds, the purchase price of the 2006 Bonds is \$89,950,000 representing the initial offering price of the 2006 Bonds to the public (excluding bond houses, brokers, and other intermediaries).

RBC DAIN RAUSCHER INC.

Vice President

Dated: June 15, 2006

Exhibit C

CERTIFICATE OF BOND INSURER

In connection with the issuance of \$89,950,000 in aggregate principal amount of Pennsylvania Intergovernmental Cooperation Authority (the "Obligor"), Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities), dated their date of delivery (the "Obligations"), Ambac Assurance Corporation ("Ambac") is issuing a Financial Guaranty Insurance Policy (the "Insurance Policy") guaranteeing the payment of principal and interest when due on the Obligations, all as more fully set out in the Insurance Policy.

Ambac

On behalf of Ambac, the undersigned hereby certifies that:

- (i) the Insurance Policy is an unconditional and recourse obligation of Ambac (enforceable by or on behalf of the holders of the Obligations) to pay the scheduled payments of interest and principal on the Obligations in the event of a Nonpayment as defined in the Insurance Policy;
- (ii) the insurance premium of \$312,550.53 was determined in arm's length negotiations in accordance with our standard procedures, is required to be paid as a condition to the issuance of the Insurance Policy and represents a reasonable charge for the transfer of credit risk;
- (iii) no portion of such premium represents a payment for any direct or indirect services other than the transfer of credit risk, including costs of underwriting or remarketing the Obligations or the cost of insurance for casualty of Obligation financed property;
- (iv) we are not co-obligors on the Obligations and do not reasonably expect that we will be called upon to make any payment under the Insurance Policy;
- (v) the Obligor is not entitled to a refund of any portion of the premium for the Insurance Policy in the event that the Obligations are retired prior to their stated maturity; and
- (vi) we would not have issued the Insurance Policy in the absence of a debt service reserve fund of the size and type established by the documents pursuant to which the Obligations are being issued, and it is normal and customary to require a debt service reserve fund of such a size and type in similar transactions.

IN WITNESS WHEREOF, Ambac Assurance Corporation has caused this certificate to be executed in its name on this 15th day of June, 2006, by one of its officers duly authorized as of such date.

AMBAC ASSURANCE CORPORATION

Stephen M. Ksenak
First Vice President and
Assistant General Counsel

Exhibit D

INTEGRATION CERTIFICATE

Re: Floating to Fixed (Synthetic Fixed) Forward Starting
Interest Rate Swaption Agreement

Background. In November 2001 the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") solicited cash bids from potential purchasers of an option to enter an interest rate swap contract with the Authority on June 15, 2006. Bids were submitted on November 16, 2001. The winning bidder was JPMorgan Chase Bank ("Morgan"), which offered a cash payment of \$5,815,000. The option was granted in the form of a Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Swaption Agreement"), which was entered into by the Authority and Morgan on December 6, 2001, at which time Morgan paid the Authority \$5,815,000 in accordance with its bid. Investment Management Advisory Group, Inc. served as bidding agent.

Morgan has exercised its option under the Swaption Agreement, and therefore Morgan and the Authority are entering an interest rate swap contract dated today under which Morgan will make floating rate payments to the Authority at an index rate equal to 67% of the "1 Month LIBOR Index", and the Authority will make fixed rate payments to Morgan at rates provided for in the Swaption Agreement. The fixed rates in the Swaption Agreement correspond to the interest rates on certain fixed rate bonds issued by the Authority in 1996, which will be redeemed today with the proceeds of floating rate refunding bonds in a current refunding. The refunding bonds will be ARS (auction rate securities) insured by Ambac Assurance Corporation.

The Authority has requested this Certificate to assist it in determining the yield on the same maturities, assuming the refunding bonds for federal tax purposes under section 148 of the Internal Revenue Code.

<u>Certification</u>. We believe, based on historic data, that the rate setting methodology used to compute payments on the refunding bonds is substantially the same as the index formula to be used to compute floating rate payments pursuant to the Swaption Agreement so long as the refunding bonds are in the ARS mode. In addition, the floating rate payments under the Swaption Agreement are reasonably expected to be substantially the same as the floating rate payments on the refunding bonds throughout the term of the Swaption Agreement so long as the refunding bonds remain in the ARS mode, and assuming that there will be no material changes in the credit of the refunding bonds, or the federal marginal tax rate.

INVESTMENT MANAGEMENT ADVISORY

GROUP, INC.

Name: David J. Eckhart

Title: President

Dated as of: June 15, 2006

PRICING CERTIFICATE

Re: Floating to Fixed (Synthetic Fixed) Forward Starting
Interest Rate Swaption Agreement

Background. In November 2001 the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") solicited cash bids from potential purchasers of an option to enter an interest rate swap contract with the Authority on June 15, 2006. Bids were submitted on November 16, 2001. The winning bidder was JPMorgan Chase Bank, National Association (formerly known as JPMorgan Chase Bank, "JPMorgan"), which offered a cash payment of \$5,815,000. The option was granted in the form of a Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Swaption Agreement"), which was entered into by the Authority and JPMorgan on December 6, 2001, at which time JPMorgan paid the Authority \$5,815,000 in accordance with its bid. Investment Management Advisory Group, Inc. served as bidding agent.

JPMorgan has exercised its option, and, therefore, an interest rate swap transaction, as amended and restated (the "Swap Agreement") will become effective today, pursuant to which JPMorgan will make floating rate payments to the Authority at a rate equal to 67% of the "I Month LIBOR Index", and the Authority will make fixed rate payments to JPMorgan at rates provided for in the Swap Agreement. The fixed rates payable pursuant to the Swap Agreement correspond to the interest rates on certain fixed rate bonds issued by the Authority in 1996, which, it is our understanding, have been redeemed today with the proceeds of floating rate refunding bonds in a current refunding. The refunding bonds will be weekly tender floating rate bonds insured by Ambac Assurance Corporation.

The Authority has requested this Certificate to assist it in determining the yield on the refunding bonds, which the Authority will treat as "integrated" with the Swap Agreement for federal tax purposes under section 148 of the Internal Revenue Code.

Certification. Our best estimate, in light of the passage of time, is that 4.37% would have been the fixed rate that would have been quoted to other persons, if any, to enter into a reasonably comparable bilateral forward starting interest rate swap with a trade date of November 16, 2001 and an effective date of June 15, 2006, if any, taking into full account the other terms and conditions of the Swap Agreement, and with an entity similarly situated to the Authority, including taxable business corporations and other tax exempt issuers, if any, taking into full account the security and sources of payment provided for the payments to JPMorgan, the risk profile of such an entity, structuring and other terms under the Swap Agreement.

In making this certification, we have assumed that all other terms were as provided in the Swap Agreement.

JPMorgan was requested to provide this certificate for purposes of the Authority's computation of yield on the refunding bonds and does not modify or interpret the Swap Agreement in any respect. JPMorgan makes no representations as to the legal sufficiency of the information set forth in this certificate for purposes of complying with the Internal Revenue Code of 1986, any Treasury Regulation or for any other purpose.

JP MORGAN CHASE BANK, NATIONAL ASSOCIATION

Dated as of: June 15, 2006

Title: Hunaging

Form **8038-G** (Rev. November 2000)

Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate Instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

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	5	City, town, or post office,	state, and ZIP code			6 Date of issue
		Philadelphia, PA 191	102			6/15/2006
				8 CUSIP number 708840HB2		
	9	Special Tax Revenue Refunding Bonds, Series 2006 Name and title of officer or legal representative whom the IRS may call for more information 10 Telephone num				
	3	Rob Dubow, Executiv		e iks may call for more information) 561-9160
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PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006

CLOSING RECEIPT

RECEIPT, executed this 15th day of June, 2006, by the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Issuer"); WACHOVIA BANK, NATIONAL ASSOCIATION (successor in interest to Meridian Bank), as trustee under the Indenture (the "Trustee"); RBC DAIN RAUSCHER INC., doing business under the name RBC CAPITAL MARKETS, as underwriter (the "Underwriter").

WITNESSETH:

As used in this Closing Receipt, the following terms have the indicated meaning:

- INDENTURE: means the Amended and Restated Indenture of Trust dated as of December 1, 1994, between the Issuer and the Trustee, as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996, the Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999, the Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 and a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 between the Issuer and the Trustee and as further amended or supplemented from time to time in accordance with the terms thereof.
- **1996 BONDS:** means the Issuer's \$343,030,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996.
- **2006 BONDS:** means the Issuer's \$89,950,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 2006.
- **PROJECT:** Financing, together with other available funds, the costs of (i) current refunding the outstanding 1996 Bonds and (ii) issuing the 2006 Bonds and of obtaining credit enhancement for the 2006 Bonds.

All other capitalized terms used in this Closing Receipt and not otherwise defined herein shall have the meanings set forth for such terms in the Indenture.

ISSUER hereby:

- (1) acknowledges delivery of the 2006 Bonds to the Trustee;
- requests the Trustees to authenticate the same in accordance with the Indenture and deliver the 2006 Bonds to the UNDERWRITER, but only upon receipt of the amount set forth under the heading TOTAL DUE FROM UNDERWRITER in <u>Schedule I</u> hereto;
- directs the Trustee to deposit the net proceeds from the sale of the 2006 Bonds into the Funds established under the Indenture to pay the costs of the project as specified in Schedule I hereto;
- (4) instructs the Trustee to make the payments of the Financing Fees and Expenses specified

- in Schedule II attached hereto upon receipt of invoices;
- (5) directs the Trustee to transfer the amount listed on <u>Schedule I</u> hereto as the TOTAL AMOUNT DUE FROM ISSUER from funds in the Debt Service Reserve Fund under the Indenture (which funds the Issuer hereby represents to be in excess of the Debt Service Reserve Requirement) to the Bond Redemption Fund for the 1996 Bonds.

TRUSTEE hereby:

- (1) acknowledges receipt of the 2006 Bonds from the Issuer;
- (2) confirms that it has authenticated the 2006 Bonds and has delivered them to the UNDERWRITER in accordance with the foregoing instructions;
- (3) acknowledges receipt of the TOTAL DUE FROM UNDERWRITER as specified in Schedule I hereto on the date hereof;
- (4) acknowledges receipt of the TOTAL DUE FROM ISSUER as specified in <u>Schedule I</u> hereto on the date hereof pursuant to a transfer from the Debt Service Reserve Fund under the Indenture to the Bond Redemption Fund for the 1996 Bonds;
- (5) confirms that the TOTAL DUE FROM UNDERWRITER and the TOTAL DUE FROM ISSUER received at Closing has been deposited and applied as specified in <u>Schedule I</u> hereto; and
- (6) confirms that it has made the fund transfers set forth in <u>Schedule I</u> with respect to existing funds

UNDERWRITER hereby:

- (1) acknowledges receipt from the Trustee this day of the within-described, duly executed, attested and authenticated Bonds;
- (2) acknowledges payment of the amount listed on <u>Schedule I</u> hereto as the TOTAL AMOUNT DUE FROM UNDERWRITER to the Trustee on behalf of the Issuer on the date hereof.

IN WITNESS WHEREOF, the authorized officers of the parties hereto have caused this Closing Receipt to be executed this 15th day of June, 2006.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(Vice) Chairperson

RBC DAIN RAUSCHER INC.

Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION

Authorized Signatory

SCHEDULE I

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006

SOURCES OF FUNDS

Par Amount of 2006 Bonds	\$ 89,950,000.00
Issuer Contribution	\$ 1,150,388.00
	<u>\$ 91,100,388.00</u>

USES OF FUNDS

Bond Insurance Premium	\$ 312,550.53
Underwriters' Discount	\$ 292,337.50
Deposit to Bond Redemption Fund, 1996 Bond Account	\$ 89,960,000.00
Deposit to Settlement Fund	\$ 535,499.97
	<u>\$ 91,100,388.00</u>

TOTAL DUE FROM UNDERWRITER

Bond Proceeds	\$ 89,950,000.00
Total Due From Underwriter	\$ 89 950 000 00

TOTAL DUE FROM ISSUER

Issuer Contribution	<u>\$ 1,150,388.00</u>
Total Due From Issuer	<u>\$ 1,150,388.00</u>

SCHEDULE II

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006

FINANCING FEES AND EXPENSES

Bond Counsel Fee	Stradley Ronon Stevens & Young, LLP	\$	72,500.00
Bond Counsel Expenses	Stradley Ronon Stevens & Young, LLP*	\$	2,500.00
Financial Advisor Fee & Expenses	Access Financial Markets	\$	53,500.00
Financial Advisor Fee & Expenses	Hopkins &Company	\$	40,000.00
Co-Underwriter's Counsel	Cozen O'Connor	\$	50,000.00
Co-Underwriter's Counsel	Dilworth Paxson LLP	\$	50,000.00
OS Printing and Mailing	Universal Printing	\$	12,350.00
Trustee Fee	Wachovia Bank, N.A.	\$	20,000.00
Trustee's Counsel Fee	Leonard Sciolla	\$	15,000.00
Issuer's Counsel Fee & Expenses	Reed Smith LLP	\$	75,000.00
City of Phila. Counsel Fee & Exp.	Blank Rome LLP	\$	30,000.00
PICA Accountant	Isdaner & Company	\$	15,000.00
Rating Fee	Moody's Investors Service	\$	40,000.00
Rating Fee	Standard & Poors	\$	25,000.00
Rating Fee	Fitch IBCA	\$	22,000.00
Miscellaneous/Contingency		\$	12,649.97
• •			\$535,499.97
Underwriters Discount	RBC Dain Rauscher Inc.	\$	292,337.50
Total Costs of Issuance For Tax Purposes		\$	827,837.47
z az hogeg		•	027,037.17
Bond Insurance Premium	Ambac Assurance Corporation	\$	312,550.53
Total Costs of Issuance		\$	1,140,388.00

^{*} Additional expenses to be billed post-closing

Financial Guaranty Insurance Policy No. 25424BE (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006

ORIGINAL

MATURITY DATE ISSUE DATE INTEREST MODE CUSIP NUMBER

June 15, 2020 June 15, 2006 AUCTION RATE 708840 HB 2 R-1

REGISTERED OWNER CEDE & CO.

PRINCIPAL AMOUNT: EIGHTY NINE MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS (\$89,950,000.00)

AS HEREINAFTER DESCRIBED, UNDER CERTAIN CIRCUMSTANCES ON CERTAIN DATES THIS 2006 BOND IS PERMITTED TO BE OR IS REQUIRED TO BE TENDERED FOR PURCHASE TO THE TENDER AGENT AT A PRICE EQUAL TO 100% OF THE PRINCIPAL AMOUNT HEREOF PLUS, INTEREST ACCRUED AND UNPAID HEREON TO BUT NOT INCLUDING THE DATE OF SUCH TENDER. THE OWNER HEREOF WHO ELECTS TO TENDER THIS 2006 BOND OR IS REQUIRED TO TENDER THIS 2006 BOND FOR PURCHASE SHALL BE ENTITLED SOLELY TO THE PAYMENT OF SUCH PURCHASE PRICE AND SHALL NOT BE ENTITLED TO THE PAYMENT OF ANY PRINCIPAL HEREOF OR ANY INTEREST ACCRUED HEREON ON OR AFTER SUCH DATE.

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), for value received, hereby promises to pay in lawful money of the United States of America to the registered owner named above, or registered assigns, on the maturity date stated above, unless this 2006 Bond shall have previously been called for redemption and payment of the redemption price made or provided for, but solely from amounts specified herein, upon surrender hereof, the principal amount specified hereon, and to pay interest on the principal amount in like manner, but solely from amounts specified herein, (i) while the 2006 Bonds are ARS, in accordance with the provisions of Article IIA of the Fourth Supplement to the Amended and Restated Indenture (except as otherwise specifically provided herein or in the Fourth Supplement to the Amended and Restated Indenture), and (ii) when the 2006 Bonds are other than ARS, from and including the Interest Payment Date next preceding the date of Conversion thereof, unless such date of Conversion shall be an Interest Payment Date to which interest on the 2006 Bonds has been paid in full or duly

provided for, in which case they shall bear interest from and including such date of Conversion, until payment of the principal amount, or provision therefor, shall have been made upon redemption, at maturity, or otherwise.

The principal of and premium, if any, on 2006 Bonds shall be payable at the Principal Office of the Trustee, Wachovia Bank, National Association, in Philadelphia, Pennsylvania, upon presentation and surrender of such 2006 Bonds, which presentation and surrender can be made at the Principal Office of the Tender Agent. Payment of principal of any 2006 Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2006 Bonds by wire transfer to such owner on the principal payment date for said 2006 Bonds upon written notice from such owner containing the wire transfer address within the continental United States to which such owner wishes to have such wire directed, which written notice is received not later than the Business Day next preceding the 10th day prior to the principal payment or maturity date applicable to such 2006 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2006 Bonds at the Principal Office of the Trustee or Tender Agent, as applicable, on the principal payment date. Any payment of the purchase price of a Tendered Bond shall be payable at the Principal Office of the Tender Agent, upon presentation and surrender of such 2006 Bond, as hereinafter described.

Subject to the provisions of the Indenture applicable to 2006 Bonds issued in book entry form, interest payments on a 2006 Bond (other than with respect to defaulted interest) shall be made to the registered owner thereof appearing on the 2006 Bond Register as of the close of business on the Record Date; provided, however, that during a Flexible Rate Period such payments shall be payable only upon presentation and surrender of such 2006 Bond to the Tender Agent. Interest on the 2006 Bonds shall, except as hereinafter provided, be paid: (i) during a Flexible or Variable Rate Period or an ARS Interest Rate Period, by check or draft of the Tender Agent mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the 2006 Bond Register or at such other address furnished in writing by such registered owner to the Tender Agent, (ii) during a Flexible or Variable Rate Period or an ARS Interest Rate Period, by wire transfer sent on the Interest Payment Date to the registered owner upon written notice to the Tender Agent from the registered owner containing the wire transfer address (which shall be in the continental United States) to which the registered owner wishes to have such wire directed which written notice is received not later than the Business Day prior to the first Interest Payment Date to which it relates, it being understood that such notice may refer to multiple interest payments; (iii) on or prior to the Fixed Rate Conversion Date, in such other fashion as is agreed upon between the registered owner and the Tender Agent, including, without imitation, by wire transfer upon such prior notice as may be satisfactory to the Tender Agent or (iv) after the Fixed Rate Conversion Date, by check or draft of the Trustee mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the 2006 Bond Register.

While the 2006 Bonds are ARS and except as otherwise specifically provided herein, the provisions of Article IIA of the Fourth Supplement to the Amended and Restated Indenture shall govern the interest rates per annum of the 2006 Bonds and the payment terms of the 2006 Bonds. Interest during a Flexible Rate Period shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed. Interest during a Variable Rate Period shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed except during a Term Rate Period and during a Fixed Rate Period interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

This 2006 Bond is transferable by the registered owner hereof in person or by such owner's attorney duty authorized in writing at the Principal Office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture and upon surrender of this 2006 Bond. Upon such transfer a new Bond or Bonds of like date and tenor: in Authorized Denominations of the same maturity for the aggregate principal amount which the transferee or transferees are entitled to receive will be issued to the transferee or transferees in exchange therefor as provided in the Indenture. The Authority, the Trustee, the Tender Agent, the Remarketing Agent, the Auction Agent, the Bank and any Paying Agent may treat the person in whose name this 2006 Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal, redemption premium, if any, and interest due hereon and for all other purposes, and neither the Authority, the, Trustee nor any paying agent shall be affected by any notice to the contrary. If any 2006 Bond is transferred or exchanged on the 2006 Bond Register by the Trustee after notice of the optional redemption or the optional or mandatory tender of such 2006 Bond has been given, the Trustee shall attach a copy of such notice to the 2006 Bond issued in connection with such transfer or exchange. Subsequent to the Fixed Rate Conversion Date, the Trustee shall not be required to register the transfer of or exchange any 2006 Bond after the mailing of notice calling such 2006 Bond or portion thereof for redemption has

occurred as herein provided, or during the period of fifteen days next preceding the giving of notice calling any 2006 Bond or Bonds for redemption.

DEFINITIONS

To the extent not defined herein, the terms used in this 2006 Bond shall have the same meanings as set forth in the Indenture.

- "All-Hold Rate" means, on any date of determination, the interest rate per annum equal to 55% of the Index on such date; provided, that in no event shall the All-Hold Rate be more than the Maximum Lawful Rate.
- "Alternate Liquidity Facility" means a Liquidity Facility provided in accordance with the Fourth Supplement to the Amended and Restated Indenture (other than (a) an initial Liquidity Facility or (b) a Renewal Liquidity Facility), including, without limitation, a letter of credit or line of credit of a commercial bank or a credit facility from a financial institution, a standby bond purchase agreement, surety bond or like collateralization, or a combination thereof, which provides security for payment of the purchase price of 2006 Bonds (other than ARS tendered for purchase as provided in the Indenture) delivered or deemed delivered in accordance with Article III of the Fourth Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"); provided that at all times while any of the 2006 Bonds bear interest at a Variable Rate or a Flexible Rate such 2006 Bonds (other than Bank Bonds) shall be entitled to liquidity support. Any amendment of a Liquidity Facility which is not a Renewal Liquidity Facility shall be an Alternate Liquidity Facility.
- "Applicable ARS Rate" means, with respect to ARS, the rate per annum at which interest accrues on the 2006 Bonds for any ARS Interest Period.
- "ARS" means, on any date, the 2006 Bonds when bearing interest as auction rate securities as provided in Article 2A hereof and the Auction Procedures applicable thereto.
- "ARS Beneficial Owner" means the Person who is the beneficial owner of ARS according to the records of (i) DTC or its participants or a successor Securities Depository while such ARS are in book-entry form or (ii) the Trustee while such ARS are not in book-entry form.
- "ARS Defaulted Interest" means interest on any ARS which is payable but is not punctually paid or duly provided for on any ARS Interest Payment Date.
- "ARS Interest Payment Date" means, with respect to ARS, the Business Day immediately following each Auction Period.
- "ARS Interest Period" means the period commencing on and including an ARS Interest Payment Date and ending on but excluding the next succeeding ARS Interest Payment Date; provided, that the first ARS Interest Period within each ARS Interest Rate Period shall commence on and include the Closing Date or the Conversion Date, as the case may be.
- "ARS Interest Rate Period" means each period during which the 2006 Bonds are ARS.
- "ARS Maximum Rate" means 12% per annum; provided that in no event shall the ARS Maximum Rate be more than the Maximum Lawful Rate.
- "ARS Payment Default" means (i) a default by the Authority and the Bond Insurer in the due and punctual payment of any installment of interest on ARS or (ii) a default by the Authority or the Bond Insurer in the due and punctual payment of any principal of ARS at stated maturity or pursuant to a mandatory redemption.
- "ARS Rate Conversion Date" means the date on which the 2006 Bonds begin to bear interest an Applicable ARS Rate.

"ARS Rating Agency" means S&P, Moody's or Fitch, or if any of S&P, Moody's or Fitch discontinues its securities rating service, then such other nationally recognized securities rating agency as may be specified by the Broker Dealer with the consent of the Authority.

"Auction" means the implementation of the Auction Procedures on an Auction Date.

"Auction Agent" means the Initial Auction Agent unless and until a Substitute Auction Agent Agreement becomes effective, after which "Auction Agent" shall include both the Initial Auction Agent (if it is continuing to act in such capacity under this Indenture) and each such Substitute Auction Agent so acting.

"Auction Agent Agreement" means, on any date, each Initial Auction Agent Agreement and each Substitute Auction Agent Agreement, in each case as from time to time in effect.

"Auction Agent Fee" has the meaning provided in each Auction Agent Agreement.

"Auction Date" means, with respect to ARS, the Business Day next preceding the first day of each Auction Period, other than (i) each Auction Period commencing after the ownership of such ARS is no longer maintained in bookentry form by a Securities Depository; (ii) each Auction Period commencing after the occurrence and during the continuance of an ARS Payment Default; or (iii) any Auction Period commencing less than two Business Days after the cure or waiver of an ARS Payment Default. The Auction Date determined as provided in this definition may be adjusted as provided in Section 2A10(b) of the Fourth Supplement to the Amended and Restated Indenture.

"Auction Period" means (i) with respect to ARS in a seven-day mode, any of (A) a period, generally of seven days, beginning on and including a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on and including the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (B) a period, generally of seven days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on and including the Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (C) a period, generally of seven days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on and including the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day). (D) a period, generally of seven days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on and including the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day) or (E) a period, generally of seven days, beginning on and including a Friday (or the day following the last day of the 'prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on and including the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day) and (ii) with respect to ARS in a 35-day mode, any of (A) a period, generally of 35 days, beginning on and including a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on and including the fifth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (B) a period, generally of 35 days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on and including the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (C) a period, generally of 35 days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on and including the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (D) a period, generally of 35 days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on and including the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day) or (E) a period, generally of 35 days, beginning on and including a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on and including the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day); in which case ending on and including the next succeeding day which is followed by a Business Day); provided, however, that the initial Auction Period with respect to the 2006 Bonds shall begin on and include the Closing Date, and that in the event of a Conversion of the 2006 Bonds from another Interest Rate Period to an ARS Interest Rate Period the initial Auction Period following such Conversion shall begin on and include the Conversion Date.

"Auction Procedures" means, collectively, the Auction Procedures provisions set forth in Exhibit C to the Auction Agent Agreement and the Settlement Procedures provisions set forth in Exhibit A to the Broker-Dealer Agreement.

"Auction Rate" means, with respect to the interest rate on ARS, the rate of interest per annum that results from implementation of the Auction Procedures, and determined as described in Section Section 1.3 of the Auction Procedures set forth in the Auction Agent Agreement; provided, however, that the Auction Rate shall not exceed the ARS Maximum Rate. While Auction Procedures are suspended, the Auction Rate will be determined as otherwise described herein.

"Authorized Denomination" means (i) during any Daily Rate Period, Weekly Rate Period or Flexible Rate Period, \$100,000 and \$5,000 multiples in excess thereof, (ii) during any Term Rate Period or Fixed Rate Period, \$5,000 and integral multiples thereof, and (iii) during any ARS Interest Rate Period, \$25,000 and integral multiples thereof.

"Bank" means any bank or other financial institution issuing any Liquidity Facility.

"Bank Bonds" means Tendered Bonds purchased with moneys drawn under the Liquidity Facility and registered in the name of the Bank in accordance with the Liquidity Facility.

"Bank Rate" means the per annum rate of interest payable on any Bank Bonds as determined pursuant to the Liquidity Facility (or any reimbursement agreement entered into with respect to a letter of credit that is a Liquidity Facility).

"Bid" has the meaning provided in Section 1.1(b) of the Auction Procedures set forth in the Auction Agent Agreement.

"Bond Insurance Policy" means, with respect to the 2006 Bonds, the financial guaranty insurance policy issued by the Bond Insurer insuring payment when due of the principal of and interest on the 2006 Bonds as provided therein.

"Bond Insurer" means, with respect to the 2006 Bonds, Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor thereto.

"Bond Purchase Fund" means the trust fund so designated which is created and established pursuant to Section 308 hereof.

"Broker-Dealer" means RBC Dain Rauscher Inc. or any other broker or dealer (each as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures which (i) is a participant in or member of the Securities Depository as determined by the rules or bylaws of the Securities Depository (or an affiliate of such a participant or member), (ii) has been approved by the Bond Insurer, which approval shall not be unreasonably withheld, (iii) has been appointed as such by the Authority pursuant to the Indenture, and (iv) has entered into a Broker-Dealer Agreement that is in effect on the date of reference. When used at a time when more than one Broker-Dealer is acting under the Indenture, the term "the Broker-Dealer" shall mean, as the context dictates, either all such Broker-Dealers collectively, or only each Broker-Dealer acting with respect to the ARS.

"Broker-Dealer Agreement" means each agreement between the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented with the consent of the Bond Insurer. Each Broker-Dealer Agreement shall be substantially in the form of the Broker-Dealer Agreement between the Initial Auction Agent and the initial Broker-Dealer.

"Business Day" means, with respect to the 2006 Bonds, any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in Philadelphia, Pennsylvania or in any other city in which the Principal Office of the Trustee or the designated office of the Tender Agent, the Remarketing Agent, the Auction Agent, the Bond Insurer or the Bank is located are required or authorized by law (including executive order) to close or on which the Principal Office of the Trustee, or the designated office of the Tender Agent, the Remarketing Agent, the Auction Agent or the Bank is closed for reasons not related to financial condition or (iii) a day on which the New York Stock Exchange is closed.

"Closing Date" means the date of delivery of the 2006 Bonds to the Underwriter against payment therefor.

"Conversion" means a conversion of the 2006 Bonds from one Interest Rate Period to another Interest Rate Period, as permitted in the Indenture and herein.

"Conversion Date" means each Fixed Rate Conversion Date, Flexible Rate Conversion Date, Variable Rate Conversion Date and ARS Rate Conversion Date.

"Daily Rate Period" means, with respect to the 2006 Bonds, each period from and commencing on a Business Day and including and ending on the first day preceding the first Business Day thereafter.

"Existing Holder" means (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the existing owner registry at the close of business on the Business Day immediately preceding the Auction Date for such Auction and (b) with respect to and for the purpose of dealing with a Broker-Dealer in connection with an Auction, a Person who is a beneficial owner of the Bonds.

"Existing Holder Registry" means (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the existing owner registry at the close of business on the Business Day immediately preceding the Auction Date for such Auction and (b) with respect to and for the purpose of dealing with a Broker-Dealer in connection with an Auction, a Person who is an ARS Beneficial Owner of ARS.

"Favorable Opinion" means, with respect to any action relating to the 2006 Bonds, the occurrence of which requires such an opinion, a written legal opinion of a nationally recognized bond counsel addressed to the Authority, the Bond Insurer, the Remarketing Agent and the Trustee or the Broker-Dealers, as applicable, to the effect that (i) the action proposed to be taken is authorized or permitted by the Act and the Indenture and (ii) such action will not adversely affect the exclusion from gross income of interest on the 2006 Bonds for purposes of federal income taxation or the exemption of interest on the 2006 Bonds from personal income taxation under the laws of the Commonwealth of Pennsylvania (subject to customary exceptions).

"Fixed Rate" means the rate to be borne by the 2006 Bonds from and after the Fixed Rate Conversion Date, which shall be the lowest rate which, in the judgment of the Remarketing Agent, is necessary to enable the 2006 Bonds to be remarketed at the principal amount thereof, plus accrued interest, if any, on the Fixed Rate Conversion Date.

"Fixed Rate Conversion Date" means the date on which the 2006 Bonds begin to bear interest at the Fixed Rate.

"Fixed Rate Period" means the period of time commencing on the Fixed Rate Conversion Date and ending on the Maturity Date.

"Flexible Rate" means the lowest annual rate of interest, expressed as a percentage and rounded to the nearest one thousandth of one percent, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, enable a particular Bond to be remarketed at the principal amount thereof on such Flexible Rate Adjustment Date given the applicable Interest Period for such 2006 Bond (or, if the Remarketing Agent for any reason falls to determine such rate, the rate determined in accordance with the provisions set forth in the Fourth Supplement to the Amended and Restated Indenture).

"Flexible Rate Adjustment Date" means a Business Day on which a Flexible Rate and an Interest Period for a particular Bond commence.

"Flexible Rate Conversion Date" means a date on which the 2006 Bonds begin to bear interest at Flexible Rates.

"Flexible Rate Period" means any period of time commencing on a Flexible Rate Conversion Date and ending on a Variable Rate Conversion Date, a Fixed Rate Conversion Date, an ARS Rate Conversion Date or on the Maturity Date.

"Hold Order" has the meaning set forth in the Auction Procedures.

"Immediate Notice" means notice by telephone, telex or telecopier to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid.

"Index" means, on any Auction Date with respect to Bonds in any Auction Period, the One Month LIBOR Rate on such date. If such rate is unavailable, the Index for the Bonds means an index or rate agreed to by all Broker-Dealers and the Bond Insurer. If for any reason on any Auction Date the Index shall not be determined as provided above, the Index shall mean the Index for the Auction Period ending on such Auction Date.

"Initial Auction Agent" means Deutsche Bank Trust Company Americas, its successors and assigns.

"Initial Auction Agent Agreement" means the Auction Agent Agreement between the Trustee and the Initial Auction Agent, relating to the 2006 Bonds, including any amendment thereof or supplement thereto.

"Interest Component" means the maximum amount stated in the Liquidity Facility (as reduced and reinstated from time to time in accordance with the terms thereof) which may be drawn for the payment of accrued interest on the 2006 Bonds or for the payment of the portion of the purchase price of Tendered Bonds corresponding to interest accrued on the Tendered Bonds.

"Interest Coverage Period" means the number of days for 2006 Bonds bearing interest in a particular interest mode which is used to determine the Interest Component, determined in accordance with the requirements of Section 310(h) of the Fourth Supplement to the Amended and Restated Indenture in a manner consistent with the periods utilized in calculating interest accrued on 2006 Bonds in such interest mode.

"Interest Coverage Rate" means the rate which is used to determine the Interest Component and shall be specified for 2006 Bonds bearing interest in each subsequent mode by the Remarketing Agent in writing to the Trustee at the time such 2006 Bonds commence bearing interest in accordance with such mode, as such rate may be changed from time to time by the Remarketing Agent subject to compliance with Section 310(h) of the Fourth Supplement to the Amended and Restated Indenture. Notwithstanding the foregoing, the maximum Interest Coverage Rate that may be established with respect to the 2006 Bonds shall be 12% per annum.

"Interest Payment Date" means: (i) during a Flexible Rate Period, each Repurchase Date; (ii) during a Variable Rate Period, (A) when used with respect to a Daily or Weekly Rate Period, the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of each calendar month occurring after the Variable Rate Conversion Date with respect thereto and (B) when used with respect to a Term Rate Period, the June 15th or December 15th next succeeding the Variable Rate Conversion Date and the fifteenth day of each sixth month thereafter,; (iii) during an ARS Interest Rate Period, each ARS Interest Payment Date; (iv) each Mandatory Tender Date; (v) after the Fixed Rate Conversion Date, each June 15 and December 15; (vi) the Maturity Date; and (vii) for 2006 Bonds called for redemption, the applicable redemption date.

"Interest Period" means, for each 2006 Bond bearing interest at a Flexible Rate, that period of time beginning on a Flexible Rate Adjustment Date and to but not including the next Flexible Rate Adjustment Date, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, taking into account the Flexible Rate for the particular 2006 Bond being determined on such Flexible Rate

Adjustment Date and the Flexible Rates and Interest Periods then borne by all other outstanding 2006 Bonds, enable the 2006 Bonds as a whole to bear the lowest overall rates achievable in the domestic financial market during the Interest Period selected (or, if the Remarketing Agent for any reason fails to determine such date, the date determined in accordance with the provisions set forth in the Fourth Supplement to the Amended and Restated Indenture).

"Interest Rate Period" means each Variable Rate Period, Flexible Rate Period, or ARS Interest Rate Period.

"Liquidity Facility" means any Liquidity Facility provided in accordance with the Fourth Supplement to the Amended and Restated Indenture, including, without limitation, a letter of credit or line of credit of a commercial bank or a credit facility from a financial institution, a standby bond purchase agreement, surety bond or like collateralization, or a combination thereof, which provides security for payment of the purchase price of 2006 Bonds (other than ARS tendered for purchase as provided in the Indenture) delivered or deemed delivered in accordance with Article III of the Fourth Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"), or any Renewal Liquidity Facility or Alternate Liquidity Facility at the time in effect; provided that at all times while any of the 2006 Bonds bear interest at a Variable Rate or a Flexible Rate such 2006 Bonds (other than Bank Bonds) shall be entitled to liquidity support.

"Mandatory Tender Date" means any date on which a 2006 Bondholder is required to tender any 2006 Bond for purchase in accordance with Sections 302, 303 or 304 of the Fourth Supplement to the Amended and Restated Indenture.

"Mandatorily Tendered Bonds" means the 2006 Bonds required to be tendered for purchase on a Mandatory Tender Date.

"Maturity Date" means, with respect to the 2006 Bonds, June 15, 2020 or, with respect to each 2006 Bond bearing interest at a Fixed Rate which has been assigned a specific maturity date pursuant to Section 205(d) of the Fourth Supplement to the Amended and Restated Indenture, "Maturity Date" means the date so assigned.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law.

"No-Call Period" means the period of time (measured from the Conversion Date) during which the 2006 Bonds in the Fixed Rate Period or the Term Rate Period may not be called for optional redemption as set forth in Section 401(a)(ii) of the Fourth Supplement to the Amended and Restated Indenture.

"Non-Payment Rate" means, on any date of determination, the interest rate per annum equal to 15% per annum; provided, that in no event shall the Non-Payment Rate be more than the Maximum Lawful Rate.

"One Month LIBOR Rate" means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 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.

"Optional Tender Date" means the date specified by a 2006 Bondholder in a Tender Notice for purchase of any 2006 Bond during a Variable Rate Period in accordance with Section 301 of the Fourth Supplement to the Amended and Restated Indenture.

"Optionally Tendered Bonds" means the 2006 Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

"Order" has the meaning provided in the Auction Procedures.

"Outstanding", "Bonds outstanding" or "outstanding Bonds" means, with respect to the 2006 Bonds, as of any given date, all 2006 Bonds which have been duly authenticated and delivered under the Indenture, except:

- (a) 2006 Bonds canceled after purchase in the open market or because of payment at or redemption prior to the Maturity Date;
- (b) 2006 Bonds for the payment or redemption of which cash or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the Maturity Date or redemption date of any such 2006 Bonds) in accordance with Article VII of the Amended and Restated Indenture, as amended by Section 703 of the Fourth Supplement to the Amended and Restated Indenture; provided that if such Bonds are to be redeemed prior to the Maturity Date thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;
- (c) 2006 Bonds in lieu of which others have been authenticated under Section 207 or 208 of the Amended and Restated Indenture;
- (d) after any Optional Tender Date, any Bond for which a Tender Notice was given in accordance with Section 301 of the Fourth Supplement to the Amended and Restated Indenture and which was not so tendered;
- (e) after any Mandatory Tender Date, any 2006 Bond which was required to be tendered on such a Mandatory Tender Date in accordance with Sections 302, 303 or 304 of the Fourth Supplement to the Amended and Restated Indenture and which was not so tendered; and
- (f) after the Fixed Rate Conversion Date, for the purpose of all consents, approvals, waivers and notices required to be obtained or given under the Fourth Supplement to the Amended and Restated Indenture, 2006 Bonds held or owned by the Authority or any Affiliate thereof.
- "Participant" means, with respect to DTC or another Securities Depository, a participant in or member of DTC or such other Securities Depository, respectfully.
- "Person" means a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.
- "Potential Holder" means, with respect to any Auction, any Person, including any Existing Holder, who may be interested in acquiring a beneficial interest in ARS subject to such Auction in addition to the ARS, if any, currently owned by such Person.
- "Principal Office" means, with respect to the 2006 Bonds, (i) the corporate trust office of the Trustee responsible for the administration of the Fourth Supplement to the Amended and Restated Indenture, as designated in Section 11.07 of the Amended and Restated Indenture, as amended by Section 708 of the Fourth Supplement to the Amended and Restated Indenture, and (ii) the respective offices of the Bank, the Tender Agent, the Auction Agent and the Remarketing Agent designated to receive notices required by the Fourth Supplement to the Amended and Restated Indenture, as set forth in Section 708 thereof.
- "Proposed Fixed Rate Conversion Date" means the date indicated in the written notice of the Authority given pursuant to Section 205 of the Fourth Supplement to the Amended and Restated Indenture on which the Authority intends to effect a conversion of the interest rate on the 2006 Bonds to the Fixed Rate.
- "Rating Agency" means each nationally recognized securities rating agency then maintaining a rating on the 2006 Bonds at the request of the Authority, which at the time of issuance of the 2006 Bonds includes S&P, Moody's and Fitch.
- "Record Date" means, with respect to the 2006 Bonds, while the 2006 Bonds bear interest during a Daily Rate Period, a Weekly Rate Period or a Flexible Rate Period, the close of business on the last Business Day preceding an Interest Payment Date, while the 2006 Bonds bear interest in a Term Rate Period or a Fixed Rate Period, the close of business on the last day of the calendar month next preceding an Interest Payment Date, and while the 2006 Bonds are ARS, the second Business Day next preceding each ARS Interest Payment Date.

- "Remarketing Agent" means each Person qualified under Section 502 of the Fourth Supplement to the Amended and Restated Indenture to act as Remarketing Agent for the 2006 Bonds, except while the 2006 Bonds are ARS, and appointed by the Authority from time to time, subject to the approval of the Bond Insurer.
- "Remarketing Agreement" means a Remarketing Agreement between the Authority and the Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent hereunder, as amended from time to time.
- "Renewal Date" means the Interest Payment Date next preceding the Stated Expiration Date of the Liquidity Facility at the time in effect (or the next preceding Business Day if such day is not a Business Day).
- "Renewal Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 of the Fourth Supplement to the Amended and Restated Indenture which has been issued with terms and conditions identical to, and by the same provider of, the Liquidity Facility in substitution for which the Renewal Liquidity Facility is to be provided, except for: (a) an extension of the Stated Expiration Date; (b) an increase or decrease in the Interest Coverage Period; (c) an increase or decrease in the Interest Component; (d) an increase or decrease in the portion of the Liquidity Facility designated to pay premium upon purchase of 2006 Bonds to the extent required or permitted by Section 310(h) of the Fourth Supplement to the Amended and Restated Indenture; (e) changes in the business covenants contained in, the fees payable pursuant to and the interest rate on advances made under the Liquidity Facility; or (f) any combination of (a), (b), (c), (d) and (e).
- "Representation Letter" means that blanket letter from the Authority to DTC with respect to the issuance of 2006 Bonds in book-entry form.
- "Repurchase Date" means, for any 2006 Bond during a Flexible Rate Period, a Business Day determined by the Remarketing Agent on an applicable Flexible Rate Adjustment Date as the date on which such 2006 Bond will be repurchased by the Trustee or the Tender Agent, on behalf of the Authority (or, if the Remarketing Agent for any reason fails to determine such date, the date determined in accordance with the provisions of the Fourth Supplement to the Amended and Restated Indenture).
- "Repurchase Price" means, with respect to each particular 2006 Bond during a Flexible Rate Period, an amount equal to 100% of the principal amount thereof.
- "Sell Order" has the meaning provided in the Auction Procedures.
- "Securities Depository" means DTC, or, if applicable, any successor securities depository appointed pursuant to the Indenture.
- "Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor thereto.
- "Special Record Date" means a special date fixed to determine the names and addresses of holders of the 2006 Bonds for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in the Indenture.
- "Submission Deadline" means 1:00 p.m., New York City time on any Auction Date, or such other time on an Auction Date by which Brokers-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.
- "Submitted Hold Orders" has the meaning provided in the Auction Procedures.
- "Substitute Auction Agent" means the Person with whom the Trustee enters into a Substitute Auction Agent Agreement.
- "Substitute Auction Agent Agreement" means an auction agent agreement acceptable to the Bond Insurer containing terms substantially similar to the terms of the Initial Auction Agent Agreement or such other form which conforms to industry standards at the time such Auction Agent Agreement is entered into whereby a Person having the qualifications required by the Indenture agrees with the Trustee to perform the duties of the Auction Agent set forth therein with respect to the 2006 Bonds.

- "Sufficient Clearing Bids" has the meaning provided in the Auction Procedures.
- "Stated Expiration Date" means the stated date of expiration or termination of the Liquidity Facility, including any extensions thereof.
- "Tender Agent" means that Person appointed pursuant to Section 501 of the Fourth Supplement to the Amended and Restated Indenture to perform those functions with respect to the 2006 Bonds, other than ARS, related to the registration of transfers and exchanges, tenders, redemptions, notices and purchases thereof and payments thereon prior to the commencement of a Fixed Rate Period.
- "Tendered Bonds" means Optionally Tendered Bonds and Mandatorily Tendered Bonds.
- "Tender Notice" means the notice from a 2006 Bondholder to the Tender Agent of an Optional Tender Date in accordance with the provisions set forth in the Fourth Supplement to the Amended and Restated Indenture.
- "Tender Price" means with respect to each Tendered Bond, 100% of the principal amount of any such Tendered Bond plus, if an Optional Tender Date is not an Interest Payment Date, interest accrued and unpaid thereon to, but not including, the Optional Tender Date with respect to such 2006 Bond.
- "Term Rate Period" means any Variable Rate Period from and commencing on the fifteenth (15th) day of a calendar month (or the next succeeding Business Day if the fifteenth is not a Business Day) to but not including the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of the twelfth (or any integral multiple of 12) succeeding calendar month.
- "Variable Rate" means, with respect to the then effective Variable Rate Period, the lowest interest rate which, in the judgment of the Remarketing Agent, would enable the 2006 Bonds to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the Variable Rate Adjustment Date with respect thereto (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in the Fourth Supplement to the Amended and Restated Indenture).
- "Variable Rate Adjustment Date" means the first day of each Variable Rate Period.
- "Variable Rate Conversion Date" means a date on which the 2006 Bonds begin to bear interest at a Variable Rate for (i) a particular Variable Rate Period which is of a different type than the preceding Variable Rate Period, (ii) a Term Rate Period which is of a different length than the preceding Term Rate Period except when shorter by reason of the Maturity Date or (iii) any Variable Rate Period which succeeds a Flexible Rate Period.
- "Variable Rate Period" means each Daily Rate Period, Weekly Rate Period and Term Rate Period.
- "Weekly Rate Period" means any Variable Rate Period from and commencing on Thursday of any calendar week and including and ending on the Wednesday of the next calendar week; provided, however, that any Weekly Rate Period which does not follow another Weekly Rate Period shall commence on the Variable Rate Conversion Date with respect thereto and end on the first or second Wednesday thereafter, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and any Weekly Rate Period which is not followed by another Weekly Rate Period shall commence on the last or second to last Thursday of a calendar month, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and end on the day preceding the final Interest Payment Date for such Weekly Rate Period.

INTEREST RATES

The 2006 Bonds shall bear interest from the date of original issuance at the rate the Underwriter determines is necessary to sell the 2006 Bonds at par, prior to the date of delivery. The 2006 Bonds shall initially be issued as ARS and the 2006 Bonds will be payable on the initial ARS Interest Payment Date and thereafter on the day following the end of each Auction Period. While the 2006 Bonds are ARS and except as otherwise specifically provided herein, the provisions of Article IIA of the Fourth Supplement to the Amended and Restated Indenture shall govern the interest rates per annum of the 2006 Bonds and the payment terms of the 2006 Bonds.

Limits on Interest Periods and Rates. No Interest Period shall be established during a Flexible Rate Period and no Variable Rate Period shall be established which would cause the Interest Coverage Period of the Liquidity Facility to be less than the requirements of Section 310(h) of the Fourth Supplement to the Amended and Restated Indenture. No interest rate on a 2006 Bond shall be established during a Variable Rate Period which exceeds the Interest Coverage Rate. No Interest Period or Flexible Rate shall be established during a Flexible Rate Period which would cause the aggregate amount of all interest which could accrue on the 2006 Bonds bearing interest at the Flexible Rate during such Flexible Rate Period to exceed the Interest Component allocable to such 2006 Bonds. In addition, no Flexible Rate shall be established which exceeds the applicable Interest Coverage Rate and no Interest Period shall be established during a Flexible Rate Period which exceeds 270 days. During each Variable Rate Period, the 2006 Bonds shall bear interest at the lesser of (i) the Interest Coverage Rate or (ii) the Variable Rate. During the Fixed Rate Period, the 2006 Bonds shall bear interest at a Fixed Interest Rate.

<u>Bank Bonds</u>. Notwithstanding anything herein to the contrary, Bank Bonds shall bear interest at the Bank Rate determined in accordance with the provisions of the Liquidity Facility and not the Variable Rate or Flexible Rate that would otherwise be applicable to such 2006 Bonds were they not Bank Bonds.

Conversions. With the consent of the Bond Insurer, the Authority may elect to convert the 2006 Bonds to interest rate modes other than ARS as provided in Sections 203, 204 and 205 of the Fourth Supplement to the Amended and Restated Indenture. Upon such conversion, the 2006 Bonds may accrue interest at such interest rate modes as provided in the Fourth Supplement to the Amended and Restated Indenture. Following conversion from ARS, the 2006 Bonds may once again be converted to the Applicable ARS Rate as provided in Section 2A11 of the Fourth Supplement to the Amended and Restated Indenture. In order to effect such conversion, the Authority shall provide written direction to the Trustee, the Tender Agent (if any), the Auction Agent (if any), the Remarketing Agent (if any) and each Broker-Dealer (if any) of its election to convert the 2006 Bonds to another interest rate mode and comply with the notice, mandatory tender and other provisions set forth in the Fourth Supplement to the Amended and Restated Indenture. In connection with any conversion to or from a Variable Rate Period or a Flexible Rate Period or a conversion to a Fixed Rate Period, in addition to the other conditions to conversion set forth in the Fourth Supplement to the Amended and Restated Indenture, the Trustee must have received written evidence from each Rating Agency then maintaining a rating on the 2006 Bonds that such rating will not be reduced or withdrawn due to such conversion (other than a withdrawal of a short term rating upon a remarketing into a Fixed Rate Period) and the Remarketing Agent (if any) shall have received firm commitments for the purchase of all 2006 Bonds being converted to bear interest in such new rate period on or before such Conversion Date.

VARIABLE RATES; CONVERSIONS TO VARIABLE RATE PERIODS

<u>Determination by Remarketing Agent; Notice of Rates Determined</u>. Except as hereinafter provided, the Variable Rate to be applicable to the 2006 Bonds during any Variable Rate Period shall be determined by the Remarketing Agent and notice thereof shall be given as follows:

- (i) Notice of each Variable Rate shall be available commencing on the Business Day immediately succeeding the date of determination during Daily and Weekly Rate Periods by telephone from the Tender Agent upon request of any owner of a 2006 Bond.
- (ii) If the Remarketing Agent fails for any reason to determine or notify the Tender Agent of the Variable Rate for any Variable Rate Period when required hereunder: (A) for 2006 Bonds in a Daily Rate Period or Weekly Rate Period, the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc. until the Remarketing Agent next determines the Variable Rate as required hereunder; (B) for 2006 Bonds in a Term Rate Period with a duration of one year or less, such 2006 Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc. until the Remarketing Agent next determines the Variable Rate as required hereunder; and (C) for 2006 Bonds in a Term Rate Period with a duration in excess of one year, such 2006 Bonds shall automatically convert to a Term Rate Period of two years and the Variable Rate for such Rate Period shall be equal to the sum of (i) the yield on 2 year "A" rated general obligation 2006 Bonds as published by Municipal Market Data (or any successor entity) on the first Business Day preceding the Variable Rate Adjustment Date plus (ii) 5 basis points unless the Authority has filed with the Trustee and the Tender Agent a Favorable Opinion acceptable to the Trustee

(which opinion may be based upon a ruling or rulings of the Internal Revenue Service) with respect to the conversion of the 2006 Bonds to Variable Rates for Weekly Rate Periods, in which case the 2006 Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc. until the Remarketing Agent next determines the Variable Rate as required hereunder.

(iii) All determinations of Variable Rates shall be conclusive and binding upon the holders of the 2006 Bonds to which such rates are applicable. Failure by the Trustee or the Tender Agent to give any notice as herein provided, any defect therein, and any failure by any 2006 Bondholder to receive any such notice (including without limitation any Immediate Notice) shall not extend the period for making elections, in any way change the rights of the owners of 2006 Bonds to elect to have such 2006 Bonds purchased, in any way change the conditions which must be satisfied in order for such election to be effective or for payment of the purchase price to be made after an effective election or in any way change such owner's obligation to tender the 2006 Bonds for purchase.

<u>Daily Rates and Weekly Rates</u>. A Variable Rate shall be determined by the Remarketing Agent (i) for each Daily Rate Period not later than 10:30 a.m., New York City time, on the commencement date of the Daily Rate Period to which it relates and (ii) for each Weekly Rate Period not later than 10:00 a.m., New York City time, on the commencement date of the Weekly Rate Period to which it relates (or the preceding Business Day if such day is not a Business Day).

<u>Term Rates</u>. A Variable Rate shall be determined by the Remarketing Agent for each Term Rate Period not later than 12:00 noon, New York City time, on the Business Day immediately preceding the commencement date of such period.

<u>Conversions to Variable Rate Periods</u>. At the option of the Authority, and with the consent of the Bond Insurer, the 2006 Bonds may be converted from an ARS Interest Rate Period to a Variable Rate Period as follows:

- (i) The Variable Rate Conversion Date shall be an ARS Interest Payment Date.
- (ii) Not less than thirty (30) days prior to the Variable Rate Conversion Date, the Tender Agent shall mail a written notice of the conversion to the holders of all 2006 Bonds to be converted. Such notice shall specify the Variable Rate Conversion Date and set forth the matters required to be stated pursuant to Section 303 hereof with respect to purchases of 2006 Bonds governed by such Section.
- (iii) The Variable Rate for the Variable Rate Period commencing on the Variable Rate Conversion Date shall be determined by the Remarketing Agent in the manner provided above on the date set forth above applicable to the Variable Rate Period to which the conversion shall be made. Notice of such Variable Rates shall be given or made available on the dates and to the parties specified above in the manner provided above applicable to the Variable Rate Period to which the conversion shall be made.

<u>Conversions between Variable Rate Periods</u>. At the option of the Authority, and with the consent of the Bond Insurer, the 2006 Bonds may be converted from one Variable Rate Period to another and from a Term Rate Period of one length to a Term Rate Period of a different length as follows:

- (i) In any such case, the Variable Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that if the conversion is from a Term Rate Period to a different Variable Rate Period or a Term Rate Period of a different length, the Variable Rate Conversion Date shall be limited to a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced.
- (ii) Not less than thirty (30) days prior to the Variable Rate Conversion Date in the case of conversions between Daily, Weekly and any other Variable Rate Periods, the Tender Agent shall mail a written notice of the conversion to the holders of all 2006 Bonds to be converted. The 2006 Bonds will be subject to mandatory tender for purchase on the Variable Rate Conversion Date.

(iii) The Variable Rate for the Variable Rate Period commencing on the Variable Rate Conversion Date shall be determined by the Remarketing Agent in the manner provided above on the date set forth above applicable to the Variable Rate Period to which the conversion shall be made. Notice of such Variable Rates shall be given or made available on the dates and to the parties specified above in the manner provided above applicable to the Variable Rate Period to which the conversion shall be made.

<u>Conversions from Flexible Rate Periods</u>. At the option of the Authority, and with the consent of the Bond Insurer, the 2006 Bonds may be converted from a Flexible Rate Period to a Variable Rate Period as follows:

- (iv) The Variable Rate Conversion Date shall be the last regularly scheduled interest Payment Date on which interest is payable for any Interest Periods theretofore established for the 2006 Bonds to be converted.
- (v) Not less than fourteen (14) days prior to the Variable Rate Conversion Date if converting to a Daily or Weekly Rate Period and not less than thirty (30) days prior to the Variable Rate Conversion Date if converting to any other Variable Rate Period, the Tender Agent shall mail a written notice of the conversion to all holders of the 2006 Bonds to be converted. The 2006 Bonds will be subject to mandatory tender for purchase on the Variable Rate Conversion Date.
- (vi) The Variable Rate for the Variable Rate Period commencing on the Variable Rate Conversion Date shall be determined by the Remarketing Agent in the manner provided above on the date set forth above applicable to the Variable Rate Period to which the conversion shall be made. Notice of such Variable Rates shall be given or made available on the dates and to the parties specified above in the manner provided above applicable to the Variable Rate Period to which the conversion shall be made.

FLEXIBLE RATES; CONVERSIONS TO FLEXIBLE RATE PERIODS

Flexible Rates. A Flexible Rate for each Interest Period shall be determined as follows:

- (vii) The Interest Periods for each 2006 Bond shall be of such duration, not exceeding 270 days, as may be offered by the Remarketing Agent and specified by the purchaser.
- (viii) The Flexible Rate for each Interest Period shall be effective from and including the commencement date of such period through and including the last day thereof. Each such Flexible Rate shall be determined by the Remarketing Agent in connection with the sale of the 2006 Bond or 2006 Bonds to which it relates.
- (ix) If the Remarketing Agent fails for any reason to determine or notify the Tender Agent of the Interest Period or Flexible Rate when required hereunder, the Interest Period shall be of the shortest permitted duration and the Flexible Rate shall be equal to 135% of the BMA Municipal Swap Index in effect on the first day of such Interest Period.
- (x) All determinations of Flexible Rates and Interest Periods shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, the Bank and the holders of the 2006 Bonds to which such rates and periods are applicable.

<u>Conversions To Flexible Rate Periods</u>. At the option of Authority, and with the consent of the Bond Insurer, the 2006 Bonds may be converted from an ARS Interest Rate Period or a Variable Rate Period to a Flexible Rate Period as follows:

(xi) In the case of conversion from an ARS Interest Rate Period to a Flexible Rate Period, the Flexible Rate Conversion Date shall be an ARS Interest Payment Date. In the case of conversion from a Variable Rate Period to a Flexible Rate Period, the Flexible Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that in the case of a conversion from a Term Rate Period, the Flexible Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced.

(xii) Not less than thirty (30) days prior to the Flexible Rate Conversion Date, in the case of conversions from ARS Interest Rate Periods, conversions from Daily or Weekly Rate Periods, and in all other cases, the Tender Agent shall mail a written notice of the conversion to all holders of 2006 Bonds to be converted, specifying the Flexible Rate Conversion Date. The 2006 Bonds will be subject to mandatory tender for purchase on the Variable Rate Conversion Date.

FIXED RATE CONVERSION AT OPTION OF THE AUTHORITY

At the option of the Authority, and with the consent of the Bond Insurer, the 2006 Bonds bearing interest at an Applicable ARS Rate, a Variable Rate, or Flexible Rates may be converted to bear interest at the Fixed Rate as hereinafter provided. Any such conversion shall be made as follows:

- (a) The Fixed Rate Conversion Date shall be: (i) in the case of a conversion from an Applicable ARS Rate, an ARS Interest Rate Payment Date; (ii) in the case of a conversion from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; (iii) in the case of a conversion from a Term Rate Period, a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced; or (iv) in the case of a conversion from a Flexible Rate Period, a day which is the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the 2006 Bonds to be converted.
- (b) In the event of a conversion from an ARS Interest Rate Period or a Variable Rate Period or a Flexible Rate Period, the Tender Agent shall mail a notice of the proposed conversion to the holders of all Bonds to be converted not less than thirty (30) days prior to the Proposed Fixed Rate Conversion Date and shall inform the 2006 Bondholders of: (i) the Proposed Fixed Rate Conversion Date; and (ii) the other matters required in connection with the mandatory tender of the 2006 Bonds. The 2006 Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date.
- (c) The Fixed Rate(s) established for the 2006 Bonds to be effective on the Fixed Rate Conversion Date shall be set forth in an underwriting or purchase contract and shall equal the minimum interest rate(s) necessary to remarket such 2006 Bonds on the Fixed Rate Conversion Date at an aggregate purchase price of 100% of the principal amount thereof taking into account the fact that such 2006 Bond shall mature or be subject to mandatory sinking fund redemption on a particular June 15 up to and including June 15, 2020, that all 2006 Bonds shall pay interest semiannually on each Interest Payment Date of each year, that all 2006 Bonds maturing on a particular June 15 shall bear interest at the same rate.

The determination of the Fixed Rate(s) shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, if any, the Bank, if any, the Bond Insurer and the holders of the 2006 Bonds to which such rate(s) will be applicable.

ARS PROVISIONS

PAYMENTS WITH RESPECT TO ARS

Interest with respect to ARS shall accrue from and including, as applicable, the Closing Date, the Conversion Date or the most recent ARS Interest Payment Date to which interest has been paid or duly provided for.

The Trustee shall determine the aggregate amount of interest payable in accordance with subsection (e) below with respect to ARS on each ARS Interest Payment Date. Interest due on any ARS Interest Payment Date with respect to each \$25,000 in principal amount of ARS shall equal (i) the Applicable ARS Rate multiplied by (ii) the principal amount of \$25,000 multiplied by (iii) the number of days in the applicable ARS Interest Period, divided by (iv) 360, and rounding the resultant figure to the nearest cent (a half cent being rounded upward). The Trustee shall notify the Securities Depository of its calculations, as provided in Section 2A03(b) of the Fourth Supplement to the Amended and Restated Indenture.

Interest on the ARS shall be computed on the basis of a 360-day year for the actual number of days elapsed. The

Applicable ARS Rate for each ARS Interest Period after the first ARS Interest Period shall be the Auction Rate; provided that in the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period (except as contemplated otherwise in the Fourth Supplement to the Amended and Restated Indenture or herein pursuant to (x), (y) and (z) below), the new Auction Period shall be the same as the preceding Auction Period and the Auction Rate for the new Auction Period shall be the same as the Auction Rate for the preceding Auction Period.

Notwithstanding the foregoing:

- (a) if the ownership of the ARS is no longer maintained in book-entry form by a Securities Depository, the Applicable ARS Rate for any ARS Interest Period commencing after the delivery of certificates representing the ARS pursuant to Section 207(c) of the Fourth Supplement to the Amended and Restated Indenture shall equal the ARS Maximum Rate; or
- (b) if an ARS Payment Default shall have occurred with respect to the ARS, the Applicable ARS Rate for the ARS Interest Period commencing on or immediately after such ARS Payment Default and for each ARS Interest Period thereafter, to and including the ARS Interest Period, if any, during which, or commencing less than two Business Days after, such ARS Payment Default is cured in accordance with this Indenture, shall equal the Non-Payment Rate on the first day of each such ARS Interest Period, provided that if an Auction occurred on the Business Day immediately preceding any such ARS Interest Period, the Applicable ARS Rate for such ARS Interest Period shall be the Non-Payment Rate.
- (c) for any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, no Auction will be held and the Auction Rate will be the ARS Maximum Rate.

Medium of Payment.

The principal of and interest on the ARS shall be payable in any currency of the United States of America which on the respective dates for payment thereof is legal tender for the payment of public and private debts. The principal of and interest on the ARS (other than at maturity) shall be payable by check mailed on the date due to the registered owner thereof on the Record Date at the address of such registered owner as it appears on the registration books maintained by the Trustee.

Interest payable on any ARS Interest Payment Date to a registered owner of ARS in the aggregate principal amount of \$1,000,000 or more may, upon written request by such registered owner received by the Trustee prior to the Record Date preceding such ARS Interest Payment Date, be paid by wire transfer on the date due to a designated account in the United States. Such written request shall remain in effect until rescinded in writing by such registered owner. The principal of each ARS at maturity will be paid upon presentation and surrender thereof at the Principal Office of the Trustee.

Unless otherwise requested by the Securities Depository, payments of the principal of ARS, at maturity or upon redemption, and payments of interest on ARS made by wire transfer, shall be made by the Trustee in immediately available funds, provided, however, that such method of payment may be modified by written agreement among the Trustee, the Securities Depository and the Auction Agent.

<u>Computation of Interest Distributable on ARS</u>. The amount of interest distributable to ARS Beneficial Owners, in respect of each \$25,000 in principal amount thereof for any ARS Interest Period or part thereof, shall be calculated by the Trustee by applying the Applicable ARS Rate with respect to the ARS, for such ARS Interest Period or part thereof, to the principal amount of \$25,000, multiplying such product by the actual number of days in such ARS Interest Period or part thereof divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upward).

ARS Defaulted Interest.

The Trustee shall determine not later than 2:00 p.m., New York City time, on each ARS Interest Payment Date, whether an ARS Payment Default has occurred.

ARS Defaulted Interest shall forthwith cease to be payable to the ARS Beneficial Owner on the relevant Record Date by virtue of having been such ARS Beneficial Owner and such ARS Defaulted Interest shall be payable to the Person in whose name the ARS are registered at the close of business on a Special Record Date fixed therefor by the Trustee, which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of ARS Defaulted Interest. The Trustee shall promptly notify the Authority of the Special Record Date and, at the Authority's expense, mail to each ARS Beneficial Owner of ARS of which it has knowledge pursuant to Section 207(b) of the Fourth Supplement to the Amended and restated Indenture, not less than ten days before the Special Record Date, notice of the date of the proposed payment of such ARS Defaulted Interest.

CALCULATION OF ALL-HOLD RATE

The Auction Agent shall calculate the All-Hold Rate on each Auction Date. If the ownership of the ARS is no longer maintained in book-entry form by the Securities Depository, the Auction Agent shall announce the ARS Maximum Rate on the Business Day immediately preceding each ARS Interest Payment Date after the delivery of certificates representing the ARS pursuant to Section 207(c) of the Fourth Supplement to the Amended and Restated Indenture. If an ARS Payment Default shall have occurred, the Trustee shall announce the Non-Payment Rate on the first day of (i) each ARS Interest Period commencing on or after the date of the occurrence and during the continuance of such ARS Payment Default and (ii) any ARS Interest Period commencing less than two Business Days after the cure of any ARS Payment Default. The determination by the Auction Agent of the All-Hold Rate shall (in the absence of manifest error) be final and binding upon all ARS Beneficial Owners and all other parties. The Auction Agent shall promptly advise the Trustee of the All-Hold Rate.

ADJUSTMENTS WITH RESPECT TO ARS PROVISIONS

Notwithstanding any other provision of the Fourth Supplement to the Amended and Restated Indenture or hereof relating to ARS, including without limitation the mandatory tender provisions and the definitions of terms used in Article 2A of the Fourth Supplement to the Amended and Restated Indenture (including without limitation the definitions of Applicable ARS Rate, All-Hold Rate, ARS Maximum Rate and Non-Payment Rate), the ARS provisions may be amended by the Authority, (i) upon obtaining an opinion of Counsel that the same does not materially adversely affect the rights of the ARS Beneficial Owners or (ii) by obtaining the consent of a majority of the ARS Beneficial Owners and, in each case, delivering a Favorable Opinion of Bond Counsel. In the case of clause (ii) above, the Trustee shall mail notice of such amendment to the ARS Beneficial Owners of which it has knowledge pursuant to Section 207(b) of the Fourth Supplement to the Amended and Restated Indenture, and if, on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed such notice, Sufficient Clearing Bids have been received or all of the ARS are subject to Submitted Hold Orders and if the Bond Insurer has provided written consent by such Auction Date, the proposed amendment shall be deemed to have been consented to by the ARS Beneficial Owners. As an additional condition precedent to any such amendment pursuant to the provisions of Section 2A04 of the Fourth Supplement to the Amended and Restated Indenture and without duplication of any other requirement herein, there shall be delivered to the Authority and the Trustee an opinion of Bond Counsel to the effect that such amendment will not adversely affect the validity of the ARS or the exclusion of interest on any of the ARS from gross income for federal income tax purposes.

AUCTION AGENT

The Trustee is hereby directed to enter into the Initial Auction Agent Agreement with the Initial Auction Agent and to appoint Deutsche Bank Trust Company Americas as the initial Auction Agent.

BROKER-DEALERS

The Auction Agent shall enter into a Broker-Dealer Agreement with RBC Dain Rauscher Inc. as the initial Broker-Dealer for the 2006 Bonds.

Any Broker Dealer may be removed at any time, at the written request of the Authority, with the written consent of the Bond Insurer (which consent shall not be unreasonably withheld).

PROVISIONS RELATING TO AUCTIONS

None of the Authority, the Trustee or the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder, nor shall any of the Authority, the Trustee or the Auction Agent be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers. None of the Authority, the Trustee, the Broker-Dealers or the Auction Agent shall have any liability in the event that there are not Sufficient Clearing Bids from time to time pursuant to the Auction Procedures.

AGREEMENT OF HOLDERS

By purchasing ARS, whether in an Auction or otherwise, each prospective purchaser of ARS and its Broker-Dealer will be deemed to have agreed to the provisions for the replacement of the Auction Agent and each Broker-Dealer as provided in the Fourth Supplement to the Amended and Restated Indenture, and relevant agreements among the Authority, the Trustee, the Auction Agent, and the Broker-Dealer, as appropriate.

CHANGES IN AUCTION PERIOD OR AUCTION DATE

Changes in Auction Period.

The Auction Periods for the ARS Interest Rate Periods commencing on the Closing Date for the 2006 Bonds initially shall be a 7-day period commencing generally on a Thursday. The Auction Period for the 2006 Bonds with respect to each subsequent ARS Interest Rate Period, if any, initially shall be either a seven-day period or a 35-day period commencing generally on a Monday, generally on a Tuesday, generally on a Wednesday, generally on a Thursday or generally on a Friday, in each case as announced by the Authority in its notice of the proposed Conversion to such subsequent ARS Interest Rate Period as provided in Section 2A11 of the Fourth Supplement to the Amended and Restated Indenture.

Subject to the consent of the Bond Insurer, during any ARS Interest Rate Period, the Authority may from time to time and on any ARS Interest Payment Date, change the length of the Auction Period between seven-days and 35-days in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the 2006 Bonds.

Any such changed Auction Period shall be for a period of seven days or 35 days and shall apply for all of the 2006 Bonds.

The change in length of the Auction Period for the 2006 Bonds shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for the first such Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its ARS except to the extent such Existing Holder submits an Order with respect to such ARS. If the condition referred to in the first sentence of this clause (iv) is not met, the Auction Rate for the next Auction Period shall be the ARS Maximum Rate, and the Auction Period shall be the Auction Period already in effect.

<u>Changes in Auction Date</u>. During any ARS Interest Rate Period, the Authority may specify an earlier Auction Date for any Business Day earlier (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the ARS. The Authority shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Broker-Dealer, the Auction Agent and the Securities Depository, which will, in turn, notify the Holders. In the event the Auction Agent specifies an earlier Auction Date, the day of the week on which an Auction Period begins and ends shall be adjusted accordingly.

<u>Conditions Precedent</u>. No change in the length or the day of commencement of the Auction Period for the 2006 Bonds (as provided in subsection (a) or (b), as applicable) shall be allowed unless Sufficient Clearing Bids exist at

the Auction immediately preceding the proposed change and, in the sole discretion of the Broker-Dealer, at the Auction before the date on which the notice of the proposed change was given.

CONVERSION OF A SERIES OF BONDS TO APPLICABLE ARS RATE

Conversion to Applicable ARS Rate. Subject to Sections 203, 204 and 205 of the Fourth Supplement to the Amended and Restated Indenture, the Authority may, from time to time and with the consent of the Bond Insurer, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Facility Provider (if any), and the Remarketing Agent (if any), elect that the 2006 Bonds shall bear interest at the Applicable ARS Rate. The direction of the Authority shall specify (A) the proposed effective date of the Conversion to the Applicable ARS Rate, which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a conversion from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; (3) in the case of a conversion from a Term Rate Period, a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced; or (4) in the case of a conversion from a Flexible Rate Period, a day which is the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the 2006 Bonds to be converted, (B) the Mandatory Tender Date for the 2006 Bonds to be purchased, which shall be the proposed effective date of the adjustment to the Applicable ARS Rate and (C) the initial Auction Period. In addition, the direction of the Authority shall be accompanied by a form of notice to be mailed to the Holders of such 2006 Bonds by the Trustee as provided in Section 2A11(b) of the Fourth Supplement to the Amended and Restated Indenture. Additionally, the Authority shall have appointed an Auction Agent and Broker-Dealer, and shall have furnished to the Trustee an Auction Agent Agreement and a Broker-Dealer Agreement conforming to then-current industry standards. During each ARS Interest Rate Period for the 2006 Bonds commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the 2006 Bonds shall be the Applicable ARS Rate.

(b) Notice of Conversion to Applicable ARS Rate. The Trustee shall give notice by first-class mail of an adjustment to an ARS Interest Rate Period to the Bondholders of the 2006 Bonds not less than 30 days prior to the proposed effective date of such ARS Interest Rate Period. Such notice shall state (A) that the interest rate shall be adjusted to the Applicable ARS Rate unless the Authority elects to revoke its election to make such Conversion by providing written notice of such revocation to the Trustee, the Tender Agent (if any), the Liquidity Facility Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and each Broker-Dealer (if any) on or prior to 10:00 a.m. on the second Business Day preceding the proposed effective date of such Conversion; (B) the proposed effective date of the ARS Interest Rate Period; (C) that such 2006 Bonds are subject to mandatory tender for purchase on the proposed effective date and setting forth the Tender Price and the place of delivery for purchase of such 2006 Bonds; and (D) the information required pursuant to Section 303 of the Fourth Supplement to the Amended and Restated Indenture.

PURCHASE OF THE 2006 BONDS OPTIONAL TENDERS DURING VARIABLE RATE PERIODS

Optional Tender Dates. The holders of 2006 Bonds bearing interest at Variable Rates may elect to have their 2006 Bonds or portions thereof in whole multiples of Authorized Denominations purchased at the Tender Price of such 2006 Bonds (or portions), on the following Optional Tender Dates and upon the giving of the following oral (which may be by telephone) or written (which may be by telecopy or facsimile communication) notices meeting the further requirements below:

- (xiii) <u>Daily Rate Period</u>. During a Daily Rate Period, 2006 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender given to the Tender Agent not later than 10:00 a.m., New York City time, on the Optional Tender Date;
- (xiv) <u>Weekly Rate Period</u>. During a Weekly Rate Period, 2006 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date; and

(xv) <u>Term Rate Period</u>. During a Term Rate Period, 2006 Bonds may be tendered for purchase on the first Business Day following such Term Rate Period upon delivery of a written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date.

Notice of Tender. Each notice of tender (i) shall, in the case of a written notice, be delivered to the Tender Agent at its Principal Office and be in form satisfactory to the Tender Agent; (ii) shall, whether delivered orally or in writing, state (A) the name and address of such 2006 Bondholder and the principal amount of the 2006 Bond to which the notice relates, (B) that the 2006 Bondholder irrevocably demands purchase of such 2006 Bond or a specified portion thereof in a whole multiple of an Authorized Denomination, (C) the Optional Tender Date on which such 2006 Bond or portion is to be purchased and (D) the payment instructions with respect to the Tender Price; and (iii) shall automatically constitute, whether delivered orally or in writing (A) an irrevocable offer to sell the 2006 Bond (or portion thereof) to which the notice relates on the Optional Tender Date to any purchaser selected by the Remarketing Agent, at a price equal to the Tender Price of such 2006 Bond (or portion thereof), (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such 2006 Bond (or portion thereof) upon payment of the Tender Price to the Tender Agent on the Optional Tender Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the 2006 Bond to be purchased in whole or in part for other 2006 Bonds in an equal aggregate principal amount so as to facilitate the sale of such 2006 Bond (or portion thereof to be purchased), and (D) an acknowledgment that such 2006 Bondholder will have no further rights with respect to such 2006 Bond (or portion thereof) upon payment of the Tender Price thereof to the Tender Agent on the Optional Tender Date, except for the right of such 2006 Bondholder to receive such Tender Price upon surrender of such 2006 Bond to the Tender Agent.

The determination of the Tender Agent as to whether a notice of tender has been property delivered pursuant to the foregoing shall be conclusive and binding upon the owner of such 2006 Bond.

<u>Delivery of 2006 Bonds</u>. All 2006 Bonds to be purchased on any Optional Tender Date shall be required to be delivered to the Principal Office of the Tender Agent by (i) 12:00 noon, New York City time, on the Optional Tender Date with respect to Bonds during a Daily or Weekly Rate Period; or (ii) 5:00 p.m., New York City time, on the second Business Day prior to the Optional Tender Date with respect to 2006 Bonds during Term Rate Periods.

Tenders During Flexible Rate Periods

<u>Repurchase Dates</u>. Each 2006 Bond bearing interest at a Flexible Rate shall be subject to mandatory tender for purchase on each Repurchase Date at the Repurchase Price.

Remarketing of Tendered Bonds. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2006 Bonds required to be purchased on the Repurchase Date. In remarketing the 2006 Bonds, the Remarketing Agent shall offer and accept purchase commitments for the 2006 Bonds for such Interest Periods and at such Flexible Rates as it deems to be advisable in order to minimize the net interest cost on the 2006 Bonds under prevailing market conditions. The foregoing notwithstanding, no Interest Period may be established which exceeds the shortest of (A) 270 days, (B) the remaining number of days prior to any Mandatory Tender Date occurring as a result of a proposed conversion, or (C) the remaining number of days prior to each date on which 2006 Bonds are subject to optional or mandatory sinking fund redemption, if and to the extent necessary to enable the Tender Agent to make such purchases on or before such date.

<u>Payments by the Tender Agent</u>. By 3:00 p.m., New York City time, on the Repurchase Date and upon receipt by the Tender Agent of 100% of the aggregate Repurchase Price of the Tendered Bonds, the Tender Agent shall pay the Repurchase Price of such 2006 Bonds to the holders thereof at its Principal Office or by bank wire transfer. Such payments shall be made in immediately available funds. If sufficient funds are not available for the purchase of all Tendered Bonds, no purchase shall be consummated.

<u>Delivery of 2006 Bonds</u>. All Bonds to be purchased on any Repurchase Date shall be required to be delivered to the Principal Office of the Tender Agent by 1:00 p.m., New York City time, on the Repurchase Date.

Mandatory Tender Upon Conversions among Variable Rate Periods and Flexible Rate Periods

<u>Variable Rate Conversions</u>. 2006 Bonds which are subject to conversion on any Variable Rate Conversion Date shall be subject to mandatory tender for purchase on the Variable Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be.

<u>Flexible Rate Conversions</u>. 2006 Bonds which are subject to conversion on any Flexible Rate Conversion Date are subject to mandatory tender for purchase on the applicable Flexible Rate Conversion Date at the Tender Price.

<u>Notice to Bondholders</u>. Any notice of a conversion given to Bondholders shall state that the 2006 Bonds to be converted will be subject to mandatory tender for purchase on the Variable Rate Conversion Date or Flexible Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be, and will specify the time at which 2006 Bonds are to be tendered for purchase.

<u>Delivery of 2006 Bonds</u>. (A) <u>During a Variable Rate Period</u>. All 2006 Bonds to be purchased shall be required to be delivered to the principal corporate trust office of the Tender Agent by (i) 1:00 p.m., New York City time, on the Mandatory Tender Date with respect to 2006 Bonds during a Daily or Weekly Rate Period; or (ii) 5:00 p.m., New York City time, on the second Business Day prior to the Mandatory Tender Date with respect to Bonds during Term Rate Periods. (B) <u>During a Flexible Rate Period</u>. All Bonds shall be required to be delivered to the principal corporate trust office of the Tender Agent by 1:00 p.m., New York City time, on the Mandatory Tender Date.

Mandatory Tender Upon Fixed Rate Conversion or Substitution or Termination of Liquidity Facility

- (xvi) <u>Proposed Fixed Rate Conversion Date</u>. The 2006 Bonds to be converted to bear interest at the Fixed Rate pursuant to Section 205 of the Fourth Supplement to the Amended and Restated Indenture shall be subject to mandatory tender for purchase on a Proposed Fixed Rate Conversion Date at a price equal to the Tender Price or the Repurchase Price, as the case may be.
- (xvii) <u>Substitution of the Liquidity Facility with an Alternate Liquidity Facility</u>. The 2006 Bonds (other than Bank Bonds and 2006 Bonds bearing interest at the Fixed Rate) are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or the Repurchase Price, as the case may be, on the regularly scheduled Interest Payment Date immediately preceding the effective date of any substitution of the Liquidity Facility with an Alternate Liquidity Facility in accordance with the provisions of Section 310 of the Fourth Supplement to the Amended and Restated Indenture.
- (xviii) No Renewal Liquidity Facility. The 2006 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or Repurchase Price, as the case may be, on any Renewal Date if by the tenth day preceding such Renewal Date the Trustee has not received a Renewal Liquidity Facility.
- (xix) <u>Default under the Liquidity Facility</u>. The 2006 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or Repurchase Price, as the case may be, on the fifteenth day (or the next preceding Business Day if such day is not a Business Day) after receipt by the Trustee of notice from the Bank of the occurrence of a default under the Liquidity Facility and that such Liquidity Facility shall be terminated; provided that (i) the Mandatory Tender Date shall be at least five days prior to the termination of the Bank's obligation to honor draws under the Liquidity Facility and (ii) no purchase shall be required if prior to the Mandatory Tender Date the Trustee receives written notice from the Bank to the effect that the default has been cured in accordance with the provisions of the Liquidity Facility and such Liquidity Facility is, as of the date of such notice to the Trustee, in full force and effect and will not terminate as a result of such termination notice from the Bank.

<u>Notice to Bondholders</u>. The Tender Agent shall mail notice to Bondholders of any mandatory tender as follows: (i) pursuant to (i) above, not less than thirty (30) days prior to the Mandatory Tender Date; (ii) pursuant to (ii) or (iii) above, not less than fifteen (15) days prior to the Mandatory Tender Date, and (iii) pursuant to (iv) above, on the Business Day next succeeding receipt by the Trustee of the notice from the Bank described therein.

In the case of a notice pursuant to (i) above, such notice will state, among other things, the Proposed Fixed Rate Conversion Date, that the 2006 Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be, and the time at which the 2006 Bonds are to be tendered for purchase.

<u>Delivery of 2006 Bonds</u>. All 2006 Bonds to be purchased on any Mandatory Tender Date shall be required to be delivered to the Principal Office of the Tender Agent by (i) 12:00 noon, New York City time, on the Mandatory Tender Date with respect to Bonds during a Daily or Weekly Rate Period; or (ii) 5:00 p.m., New York City time, on the second Business Day prior to the Mandatory Tender Date with respect to Bonds during Term Rate Periods.

<u>Purchase of Tendered Bonds</u>; <u>Payments by the Tender Agent</u>. By 3:00 p.m., New York City time, on the Optional Tender Date or Mandatory Tender Date set for purchase of tendered Bonds and upon receipt by the Tender Agent of 100% of the aggregate purchase price of the Tendered Bonds, the Tender Agent shall pay the purchase price of such 2006 Bonds to the holders thereof at its Principal Office or by bank wire transfer. Such payments shall be made in immediately available funds. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase shall be consummated.

Effect of Failure to Surrender Bonds. If the owner of any 2006 Bond (or portion thereof) that is subject to purchase fails to deliver such 2006 Bond to the Tender Agent for purchase on the Optional Tender Date or Mandatory Tender Date and if the Tender Agent is in receipt of the purchase price therefor, such 2006 Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such 2006 Bond (or portion thereof) shall be transferred to the purchaser. Any 2006 Bondholder who fails to deliver a 2006 Bond for purchase as required above shall have no further rights thereunder except the right to receive the purchase price thereof upon presentation and surrender of sold 2006 Bond to the Tender Agent. Such delivery shall be a condition to payment of the purchase price by the Tender Agent on the Optional Tender Date or Mandatory Tender Date.

Failed Conversion. If on an ARS Rate Conversion Date or a Variable Rate Conversion Date, Flexible Rate Conversion Date or Proposed Fixed Rate Conversion Date, any condition precedent to such conversion required under the Indenture shall not be satisfied, such conversion shall not occur, the mandatory tender shall remain effective and if the Authority has filed with the Trustee and the Tender Agent a Favorable Opinion acceptable to the Trustee with respect to the conversion of the 2006 Bonds to Variable Rates for Weekly Rate Periods, the 2006 Bonds shall bear interest at the Variable Rate determined by the Remarketing Agent on the failed Conversion Date for a Weekly Rate Period, and thereafter shall bear interest at Variable Rates for Weekly Rate Periods until an ARS Rate Conversion Date or a Variable Rate Conversion Date, Flexible Rate Conversion Date or Fixed Rate Conversion Date, provided, however, that if the 2006 Bonds were ARS immediately prior to such proposed conversion, then the 2006 Bonds shall remain ARS and shall bear interest at the ARS Maximum Rate for the immediately ensuing ARS Interest Period and shall continue to bear interest at the ARS Maximum Rate until such time that either (i) a successful conversion occurs or (ii) a subsequent Auction is conducted.

Inadequate Funds for Tenders. If the funds available for purchases of 2006 Bonds pursuant to Article III of the Fourth Supplement to the Amended and Restated Indenture are inadequate for the purchase of all 2006 Bonds required to be purchased on any purchase date, the Tender Agent shall immediately: (i) return all Tendered Bonds to the holders thereof, (ii) return all moneys received for the purchase of such 2006 Bonds to the Persons providing such moneys; and (iii) notify all Bondholders in writing (A) that an Event of Default has occurred, and (B) of the rate to be effective pursuant to following provisions. If the funds available for purchases of 2006 Bonds pursuant to Article III of the Fourth Supplement to the Amended and Restated Indenture are inadequate for the purchase of all 2006 Bonds required to be purchased (i) on a proposed Conversion Date, such conversion shall be deemed to have failed and the provisions above shall apply; (ii) in all other cases, the Remarketing Agent shall determine the applicable interest rate in accordance with the provisions of Article II of the Fourth Supplement to the Amended and Restated Indenture.

Tender Agent. The Trustee may, at all times on or before the Fixed Rate Conversion Date, appoint a Tender Agent with the power to act, on or prior to such Conversion Date, on the Trustee's behalf and subject to its direction in the authentication and delivery of the 2006 Bonds and in connection with registration of transfers and exchanges, tenders, redemptions, notices and purchases thereof and payments thereon, as fully to all intents and purposes as though the Tender Agent had been expressly authorized under the Fourth Supplement to the Amended and Restated

Indenture to authenticate, deliver, pay, transfer and exchange 2006 Bonds, receive tender notices, purchase tendered 2006 Bonds and make payments on the 2006 Bonds. As of the original issue date of the 2006 Bonds, the Trustee will not appoint a Tender Agent.

Remarketing Agent. Following Conversion from ARS to a Variable Rate Period, the Authority shall appoint a Remarketing Agent for the 2006 Bonds. The Remarketing Agent may be replaced in accordance with the provisions of the Fourth Supplement to the Amended and Restated Indenture.

Effect of Notices. Failure by the Trustee or the Tender Agent to give any notice, or any defect therein, shall not extend the period for making elections or in any way change the rights of the owners of such 2006 Bonds to elect to have their 2006 Bonds purchased on any Optional Tender Date or Mandatory Tender Date. Any notice mailed as provided in the Fourth Supplement to the Amended and Restated Indenture shall be conclusively presumed to have been given, whether or not the owner of such 2006 Bonds receives the notice.

REDEMPTION

Optional Redemption.

- (xx) <u>ARS Interest Rate Period</u>. During an ARS Interest Rate Period, the 2006 Bonds shall be subject to redemption prior to maturity at the option of the Authority, in whole or in part (and if in part in an Authorized Denomination) on any ARS Interest Payment Date, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date, without premium.
- (xxi) <u>Flexible Rate Period or a Variable Rate Period</u>. During a Flexible Rate Period or a Variable Rate Period, the 2006 Bonds shall be subject to redemption prior to maturity at the option of the Authority, in whole or in part (and if in part in an Authorized Denomination) on any Repurchase Date applicable thereto during a Flexible Rate Period or on any Interest Payment Date during a Variable Rate Period (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot), at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.
- (xxii) <u>Term Rate Period</u>. On or prior to the Fixed Rate Conversion Date, 2006 Bonds in a Term Rate Period may be redeemed by the Authority, in whole or in part (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot in such manner as shall be determined by the Trustee), (A) at any time on and after the No-Call Period described below, at a redemption price of 100% of the principal amount of 2006 Bonds called for redemption, plus accrued interest to the date fixed for redemption, and (B) on the day after the end of each Term Rate Period at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption:

Length of Term Rate Period	Commencement of Redemption Period
Greater than or equal to 15 years	10 th Anniversary of the commencement of the Term Rate Period
Less than 15 years and greater than or equal to 10 years	8 th Anniversary of the commencement of the Term Rate Period
Less than 10 years and greater than or equal to 8 years 6th Anniversary of the commencement of Rate Period	
Less than 8 years	Not subject to optional redemption until commencement of next Term Rate Period

Notwithstanding the foregoing, the No-Call Periods specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2006 Bonds to a Term Rate Period is to the effect that such change will not

have an adverse effect on the validity of the 2006 Bonds or any exemption from federal income taxation to which interest on the 2006 Bonds would otherwise be entitled.

(xxiii) <u>Fixed Rate</u>. After the Fixed Rate Conversion Date, the 2006 Bonds may be redeemed by the Authority in whole on any date, or in part on any Interest Payment Date (and, if in part, by lot in such manner as shall be determined by the Trustee), after the No-Call Period described below at a redemption price of 100% of the principal amount of 2006 Bonds called for redemption, plus accrued interest to the date fixed for redemption:

Length of Fixed Rate Period	Commencement of Redemption Period	
Greater than or equal to 15 years	10th Anniversary of the commencement of the Fixed Rate Period	
Less than 15 years and greater than or equal to 10 years	8th Anniversary of the commencement of the Fixed Rate Period	
Less than 10 years and greater than or equal to 8 years	6th Anniversary of the commencement of the Fixed Rate Period	
Less than 8 years	Not subject to optional redemption	

Notwithstanding the foregoing, the No-Call Periods and redemption prices specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2006 Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2006 Bonds or any exemption from federal income taxation to which interest on the 2006 Bonds would otherwise be entitled.

Special Optional Redemption. Any 2006 Bonds which are Bank Bonds shall be subject to redemption in whole or in part prior to the Maturity Date at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day while such 2006 Bonds are Bank Bonds at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

Mandatory Sinking Fund Redemption. The 2006 Bonds are subject to mandatory redemption prior to maturity in part by lot, as selected by the Trustee, on June 15 of each year as set forth below, in the respective principal amounts listed opposite each such year from moneys in the Debt Service Fund, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

Redemption Date (June 15)	Principal Amount	Redemption Date (June 15)	Principal Amount
2007	\$ 4,450,000	2014	\$ 6,450,000
2008	4,675,000	2015	6,800,000
2009	4,925,000	2016	7,175,000
2010	5,200,000	2017	7,575,000
2011	5,475,000	2018	8,000,000
2012	5,800,000	2019	8,425,000
2013	6,100,000	2020*	8,900,000

^{*} Final Maturity

Notwithstanding the foregoing, so long as the 2006 Bonds are ARS, if any June 15th is not an ARS Interest Payment Date, the mandatory sinking fund redemption will occur on the ARS Interest Payment Date immediately preceding such June 15th. Notwithstanding the foregoing, on and after the Fixed Rate Conversion Date, if the Authority shall file a certificate pursuant to Section 205(d) of the Fourth Supplement to the Amended and Restated Indenture in connection with the conversion of the 2006 Bonds to the Fixed Rate containing an alternate schedule of mandatory redemption dates and amounts to be effective with respect to the 2006 Bonds on and after the Fixed Rate Conversion Date, in lieu of the mandatory sinking fund redemption schedule detailed above, the Authority shall redeem 2006 Bonds maturing on such dates and in the such amounts from moneys in the Debt Service Fund as shall be set forth in such certificate, if any, filed in connection with the conversion of the 2006 Bonds to the Fixed Rate, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

In the event of any partial optional or special optional redemption of the 2006 Bonds, the mandatory sinking fund redemption payments shall be reduced in such order as the Authority shall elect prior to such redemption or, if no such election is made, in the inverse order thereof. The Trustee shall (in such manner as it in its sole discretion shall choose) adjust the amount of each such reduction in required mandatory redemption payment, so that each such required mandatory sinking fund redemption payment is made in Authorized Denominations.

General Provisions Regarding Redemptions. No redemption of less than all of the 2006 Bonds outstanding shall be made unless in Authorized Denominations. Any redemption of less than all of the 2006 Bonds Outstanding shall be made first from Bank Bonds. Any redemption of less than all of the 2006 Bonds Outstanding shall be made in such a manner that all Bonds Outstanding after such redemption are in Authorized Denominations.

Notice of Redemption. 2006 Bonds may be called for redemption by the Trustee (other than pursuant to the Special Optional Redemption provisions above, which require Immediate Notice to the Bank prior to the redemption date) (A) in the case of 2006 Bonds during a Variable Rate Period other than a Term Rate Period, upon receipt by the Trustee at least 15 days prior to the redemption date of a written request of the Authority requesting such redemption or (B) in all other cases, upon receipt by the Trustee not less than 30 days prior to the redemption date identified in the written request of the Authority requesting such redemption. A copy of the notice of the call for any redemption identifying the 2006 Bonds to be redeemed shall be given by the Trustee to the 2006 Bondholders by first class mail, postage prepaid, which notice shall specify the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue on the 2006 Bonds which are the subject of such notice and shall include such other information as the Trustee shall deem appropriate or necessary at the time such notice is given to comply with any applicable law, regulation or industry standard. If at the time of mailing of any notice of redemption with respect to any redemption other than a mandatory redemption pursuant to Section 401(c) of the Fourth Supplement to the Amended and Restated Indenture the Authority shall not have deposited with the Trustee moneys sufficient to redeem at the 2006 Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and shall be of no effect unless such moneys are so deposited.

Failure to give notice in the manner prescribed hereunder with respect to any 2006 Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2006 Bond with respect to which notice was properly given. Upon the happening of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the 2006 Bonds to be redeemed and to pay interest due thereon and premium, if any, the 2006 Bonds thus called shall not after the applicable redemption date bear interest, be protected by the Indenture or be deemed to be Outstanding under the provisions of the Indenture.

GENERAL

This 2006 Bond is one of a duly authorized issue of Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 issued in the aggregate principal amount of \$89,950,000 (the "2006 Bonds"). The 2006 Bonds are issued to enable the Authority to refund certain of its outstanding bonds and for other purposes permitted by the Act and thereby to accomplish the public purposes set forth in the Act.

The 2006 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on May 16, 2006 (the "Resolution") and under an Amended and Restated Indenture of Trust dated as of December 1, 1994, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996, a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999, a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement to the Amended and Restated Indenture") and a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplement to the Amended and Restated Indenture" and collectively, the "Indenture"), between the Authority and the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i) all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues"). Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

The executed counterparts of the Indenture are on file at the principal corporate trust office of the Trustee.

THIS 2006 BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS 2006 BOND. THIS 2006 BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

The owner of this 2006 Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in, the Indenture. THIS 2006 BOND IS NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT. Modifications or alterations of the Indenture or any trust indenture supplemental thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

This 2006 Bond shall not be entitled to any right, security or benefit under the Indenture or be valid or become obligatory for any purpose until this 2006 Bond shall have been authenticated by the Trustee, the Auction Agent, if any, or the Tender Agent, if any, by execution of the certificate of authentication inscribed hereon.

The 2006 Bonds have been issued by the Authority to accomplish the public purposes of the Act, and all acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of the 2006 Bonds in order to make them legal, valid and binding obligations of the Authority in accordance with their terms, and the execution of the Indenture have happened, exist and have been performed as so required; the Authority has received payment in full for the 2006 Bonds; and no limitation of indebtedness, either statutory or constitutional, has been exceeded in the issuance of the 2006 Bonds.

This 2006 Bond, notwithstanding the provisions for registration of transfer stated herein and contained in the Indenture, at all times shall be and shall have been understood to be an investment security within the meaning of and for all the purposes of the Uniform Commercial Code of Pennsylvania. This 2006 Bond is issued with the intent that the laws of the Commonwealth of Pennsylvania shall govern its construction.

[Remainder of this Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this 2006 Bond to be executed with the manual or facsimile signature of its Chairperson or Vice Chairperson and its official seal or a facsimile thereof to be imprinted hereon and attested with the manual or facsimile signature of its Secretary or Assistant Secretary.

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(Assistant) Secretary

[SEAL]

CERTIFICATE OF AUTHENTICATION

This 2006 Bond is one of the 2006 Bonds described in the aforementioned Indenture. The text of the opinion attached hereto is the text of the opinion of 2006 Bond counsel, Stradley Ronon Stevens & Young, LLP, Philadelphia, Pennsylvania, dated and delivered on the date of delivery of and payment for the 2006 Bonds, an executed counterpart of which is on file with the Trustée.

WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee
By: Much Matter Authorized Signatory
V
ASSIGNMENT
hereby sells,, assigns and transfers
the within Bond issued by the ation Authority and all rights thereunder, hereby irrevocably appointing to transfer said 2006 Bond on the 2006 Bond Register.
ation Authority and all rights thereunder, hereby irrevocably appointing to transfer said 2006 Bond on the 2006 Bond Register, nises.
by a member of an approved Signature Guarantee Medallion Program.
ssignment must correspond with the name as it appears upon the face of alteration or any change whatever.
included of any change whatever.
en used in the inscription on the face of the within Bond, shall be construed cording to applicable laws or regulations:
on ireties
ght of survivorship and not as tenants in common
Custodian
(Minor) a Gifts to Minors Act (State)

CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") made as of June 15, 2006, by and between the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Authority") and WACHOVIA BANK, NATIONAL ASSOCIATION, as successor trustee (the "Trustee").

WITNESSETH:

WHEREAS, pursuant to the Bond Purchase Contract dated June 14, 2006, between the Authority and RBC Dain Rauscher Inc., doing business under the trade name RBC Capital Markets (the "Underwriter"), the Authority is selling \$89,950,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (the "Bonds") to the Underwriter; and

WHEREAS, Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), provides that a Participating Underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an Offering (as defined in the Rule) unless the Participating Underwriter has reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent, certain specified financial information and operating data and notices of certain material events; and

WHEREAS, the Authority is the only obligated person with respect to the Bonds for purposes of the Rule; and

WHEREAS, in order to enable the Underwriter to comply with the requirements of the Rule, the Authority desires to undertake to provide the information and notices required by the Rule.

NOW, THEREFORE, in consideration of the premises, the parties hereto, intending to be legally bound hereby, agree as follows:

<u>Section 1.</u> <u>Definitions</u>. In addition to the terms defined in the above recitals, the following terms shall have the meanings specified below:

"Annual Financial Information" shall mean the financial information to be provided annually containing the information specified in <u>Schedule 1</u> hereto, as such schedule may be amended as provided herein.

"Insurer" shall mean Ambac Assurance Corporation.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"NRMSIR" shall mean any nationally recognized municipal securities information repository within the meaning of the Rule. The names and addresses of the current NRMSIRs are listed on Schedule 2 hereto.

"Reportable Event" shall mean any of the events listed on <u>Schedule 3</u> hereto with respect to the Bonds, if material.

"SID" shall mean the state information depository, if any, established for Pennsylvania for purposes of the Rule. As of the date hereof, there is no SID.

Section 2. Covenants of the Authority.

- (a) The Authority covenants to comply with all requirements of the Rule.
- (b) In furtherance of the foregoing, and without limiting the generality thereof, the Authority agrees to provide to each NRMSIR and to the SID, subject however to the provision in the next sentence, the Annual Financial Information within 180 days following the end of each fiscal year beginning with the fiscal year ending June 30, 2006, with a copy to the Trustee, and to provide, in a timely manner, to each NRMSIR, or to the MSRB, and to the SID notice of the occurrence of any Reportable Event. In the event that the Authority's audited financial statements are not available within 180 days following the end of the applicable fiscal year, the Annual Financial Information will contain the Authority's unaudited financial statements, and in such event, the Authority will provide the audited financial statements, as soon as such become available. The financial statements of the Authority to be delivered as part of the Annual Financial Information shall be prepared in accordance with generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board.
- (c) In addition, the Authority covenants to provide notice in a timely manner to each NRMSIR, or to the MSRB, and to the SID of a failure by the Authority to provide the Annual Financial Information as and when specified in the preceding sentences. At the same time that the Authority provides any Annual Financial Information or any notice to a NRMSIR, the MSRB or the SID, the Authority shall provide a copy to the Trustee and the Insurer. Any filing with the MSRB shall be accompanied by the form annexed hereto as Exhibit A.

Section 3. Duties of Trustee.

- (a) If within 15 days prior to the applicable date specified in Section 2 hereof, the Trustee has not received a copy of the applicable Annual Financial Information, the Trustee shall notify the Authority of such fact. The Trustee shall also notify the Authority promptly of the occurrence of any Reportable Event numbered 1, 3, 4, 5, 8, 9 or 10 on Schedule 3 hereto of which the Trustee's Corporate Trust Administration has actual knowledge.
- (b) The Trustee shall retain copies of all Annual Financial Information and notices of Reportable Events until all of the Bonds have been fully paid.
- (c) The Trustee shall have no responsibility or liability in connection with the Authority's filing obligations under this Disclosure Agreement. The Trustee shall have only

those duties specifically set forth in this Disclosure Agreement and the Authority agrees to indemnify and save the Trustee, its officers, directors, employees and agents, harmless against any loss, expense or liability arising out of the performance of its duties hereunder, excluding any loss, expense or liability due to the Trustee's gross negligence or willful misconduct.

Section 4. Termination of Reporting Obligations. The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Authority's obligations under the Indenture are assumed in full by some other entity, such other entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Authority and the Authority shall have no further responsibility hereunder. In addition, the Authority's obligation to provide information and notices as specified in Section 2 hereof shall terminate (i) at such other times as such information and notices (or any portion thereof) are no longer required to be provided by the Rule as it applies to the Bonds, (ii) in the event of a repeal or recission of the Rule or (iii) upon a determination by a court of final jurisdiction that the Rule is invalid or unenforceable.

Section 5. Amendment. The Authority and the Trustee may amend this Disclosure Agreement and waive any of the provisions hereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the Authority or the governmental operations conducted by the Authority, (ii) this Disclosure Agreement, as modified by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds, taking into account any amendments or interpretations of the Rule by the Securities and Exchange Commission, and (iii) the amendment or waiver does not materially impair the interests of the registered owners of the Bonds. Evidence of compliance with the foregoing conditions shall be satisfied by delivery to the Trustee of an opinion of counsel having recognized skill and experience in the issuance of municipal securities and federal securities law to the effect that the amendment or waiver satisfies the conditions set forth in the preceding sentence. Notice of any amendment or waiver shall be filed by the Authority with each NRMSIR, the SID, if any, and the MSRB, and shall be sent to the registered owners of the Bonds.

Section 6. Remedies for Default. In the event of a breach or default by the Authority of its covenants to provide Annual Financial Information and notices as provided in Section 2, the Trustee or any beneficial owner of Bonds shall have the right to bring an action in a court of competent jurisdiction to compel performance by the Authority. No monetary damages may be recovered under any circumstances for any breach or default by the Authority or the Trustee of their respective covenants hereunder. A breach or default under this Disclosure Agreement shall not constitute an event of default under the Indenture, the Bonds, or any other agreement. The Trustee shall be under no obligation to enforce this Disclosure Agreement unless (i) directed in writing by the registered owners of at least 25% of the outstanding principal amount of the Bonds and (ii) furnished with indemnity and security for expenses satisfactory to it.

Section 7. Miscellaneous.

(a) <u>Binding Nature of Agreement</u>. This Disclosure Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and

assigns. In addition, registered owners of the Bonds, which for the purposes of this Section 7 includes the holders of a book-entry credit evidencing an interest in the Bonds, from time to time shall be third party beneficiaries hereof and shall be entitled to enforce the provisions hereof as if they were parties hereto; but no consent of beneficial owners of the Bonds shall be required in connection with any amendment of this Disclosure Agreement, except as required by the Rule.

(b) <u>Notices</u>. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

If to the Trustee:

Wachovia Bank, National Association 123 S. Broad Street, 11th Floor Philadelphia, PA 19102 Attn: Corporate Trust Administration

If to the Authority:

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street Suite 1400 Philadelphia, PA 19102 Attn: Executive Director

If to MSRB:

Municipal Securities Rulemaking Board 1640 King Street Suite 300 Alexandria, VA 22314-2719

Attn: CDI

If to a NRMSIR: to the respective addresses listed on Schedule 2.

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provision of this Section for the giving of notice.

(c) <u>Central Post Office</u>. Notwithstanding anything in this Disclosure Agreement to the contrary, the Authority reserves the right to forward any of the information described in Section 2 which would otherwise go to each NRMSIR and SID to such electronic filing systems and entities as are approved by the Securities and Exchange Commission (the "SEC") by interpretative letter or "no action" letter for receipt of this type of information in order for "participating underwriters" (as defined in the Rule) to be in compliance with the continuing disclosure requirements of the Rule (as used herein any such SEC approved filing entity is

referred to as a "Central Post Office.") Filing of such information with a Central Post Office shall be in lieu of a filing with each NRMSIR and SID, if any, on the part of the Authority and shall relieve the Authority of such obligation. As of the date of this Disclosure Agreement, the only Central Post Office recognized by the SEC is DisclosureUSA whose website address is www.disclosureusa.org and whose address is c/o Municipal Advisory Council of Texas, 600 8th Street, Austin, Texas 78701; Fax: 512-476-6403.

- (d) Execution in Counterparts. This Disclosure Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Disclosure Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.
- (e) <u>Controlling Law</u>. Except with respect to matters of validity and interpretation of the Rule, this Disclosure Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.
- (f) <u>Beneficiaries</u>. This Disclosure Agreement is entered into for the benefit of the registered owners from time to time of the Bonds. For the purposes of this Disclosure Agreement, for so long as the Bonds are registered in the name of Cede & Co. or its nominee, "registered owner" shall mean and include the holder of a book-entry credit evidencing an interest in the Bonds. Holders of book-entry credits may file their names and addresses with the Authority for the purposes of receiving notices or giving direction under the Disclosure Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(Vice) Chairnerson

WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee

Authorized Signatory

SCHEDULE 1

Annual Financial Information

SCHEDULE 2

Nationally Recognized Municipal Securities Repositories

Bloomberg Municipal Repository 100 Business Park Drive Skillman, NJ 08558

Phone: (609) 279-3225 Fax: (609) 279-5962

http://www.bloomberg.com/markets/rates/municontacts.html

Email: Munis@Bloomberg.com

DPC Data Inc.

One Executive Drive Fort Lee, NJ 07024 Phone: (201) 346-0701 Fax: (201) 947-0107

http://www.dpcdata.com Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR

100 William Street, 15th Floor

New York, NY 10038

Phone: 212-771-6999; 800-689-8466

Fax: 212-771-7390 http://www.ftid.com

Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.

55 Water Street

45th Floor

New York, NY 10041 Phone: (212) 438-4595 Fax: (212) 438-3975

www.jjkenny.com/jjkenny/pser descrip data rep.html

Email: nrmsir repository@sandp.com

SCHEDULE 3

Reportable Events With Respect to the Bonds

- 1. Principal and interest payment delinquencies
- 2. Non-payment related defaults
- 3. Unscheduled draws on debt service reserves reflecting financing difficulties
- 4. Unscheduled draws on credit enhancements reflecting financial difficulties
- 5. Substitution of credit or liquidity providers, or their failure to perform
- 6. Adverse tax opinions or events affecting the tax exempt status of the Bonds
- 7. Modifications to rights of holders of the Bonds
- 8. Bond calls
- 9. Defeasances
- 10. Release, substitution or sale of property securing repayment of the Bonds
- 11. Rating changes

EXHIBIT A

MATERIAL EVENT NOTICE COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board (or to all Nationally Recognized Municipal Securities Information Repositories), and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or	Other Obligated Person's Name:
Issuer's Six-Di	igit CUSIP Number(s):
or Nine-Digit (CUSIP Number(s) to which this material event notice relates:
Number of Pag	ges of attached material event notice:
Descr	ription of Material Events Notice (Check One):
2	Principal and interest payment delinquencies Non-Payment related defaults Unscheduled draws on debt service reserves reflecting financial difficulties Unscheduled draws on credit enhancements reflecting financial difficulties Substitution of credit or liquidity providers, or their failure to perform Adverse tax opinions or events affecting the tax-exempt status of the security Modifications to rights of securities holders Bond calls Defeasances Release, substitution, or sale of property securing repayment of the securities Rating changes Failure to provide annual financial information as required Other material event notice (specify) ment that I am authorized by the Issuer and/or other Obligated Person as an agent of either to distribute this blicly:
Signature:	
Name:	Title:
Employer:	
Addresss:	
City, State, Zip	Code:
Voice Telepho	ne Number:(_)

Please print the material event notice attached to this cover sheet in 10-point type or larger. The cover sheet and notice may be faxed to the MSRB at (703) 683-1930. Contact the MSRB at (202) 223-9503 with questions regarding this form or the dissemination of this notice.



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Pennsylvania Intergovernmental Cooperation Authority

14th Floor - 1429 Walnut Street, Philadelphia, PA 19102 Telephone 215-561-9160 Fax 215-563-2570

June 15, 2006

The Honorable Robert P. Casey, Jr.
Treasurer of the Commonwealth of Pennsylvania
Office of the State Treasurer
129 Finance Building
Harrisburg, PA 17120

Dear Mr. Casey:

On June 16, 1992, the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") issued \$474,555,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") pursuant to the provisions of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act No. 6 of June 5, 1991) (as such act has been or may be amended from time to time, the "Act") and an Indenture of Trust dated as of June 1, 1992 (the "Original Indenture") between the Authority and CoreStates Bank, N.A., as trustee.

The Original Indenture was amended and supplemented by a First Supplemental Indenture of Trust dated as of June 22, 1992 and a Second Supplemental Indenture of Trust dated as of July 15, 1993 (the Original Indenture, as so amended and supplemented, is referred to herein as the "Amended Indenture").

On July 29, 1993, the Authority issued \$643,430,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds") pursuant to the Act and the Amended Indenture. On September 14, 1993, the Authority issued \$178,675,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") pursuant to the Act and the Amended Indenture, as amended and supplemented by a Third Supplemental Indenture of Trust dated as of August 15, 1993. On December 15, 1994, the Authority issued \$122,020,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") pursuant to the Act and the Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "Amended and Restated Indenture"), between the Authority and

Meridian Bank (successor to CoreStates Bank, N.A.), as Trustee, which amended and restated the Original Indenture as theretofore amended.

On May 30, 1996, the Authority issued \$343,030,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 Bonds") pursuant to the Amended and Restated Indenture, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture") between the Authority and Meridian Bank, N.A., as Trustee. On April 15, 1999, the Authority issued \$610,005,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 (the "1999 Bonds") pursuant to the Amended and Restated Indenture, as amended and supplemented by a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplement to the Amended and Restated Indenture") between the Authority and First Union National Bank (successor to Meridian Bank), as Trustee. On June 16, 2003, the Authority issued \$165,895,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds") pursuant to the Amended and Restated Indenture, as amended and supplemented by a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement to the Amended and Restated Indenture").

The Authority is now issuing \$89,950,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (the "2006 Bonds") pursuant to the Amended and Restated Indenture, as amended and supplemented by a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplement to the Amended and Restated Indenture" and, collectively with the Amended and Restated Indenture, the First Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture, the "Indenture") between the Authority and Wachovia Bank, National Association (successor to First Union National Bank), as Trustee (the "Trustee").

Pursuant to Section 601 of the Act, the City of Philadelphia (the "City"), by Ordinance (Bill No. 1437) approved June 12, 1991, enacted a tax of one and one-half percent (1-1/2%) on salaries, wages, commissions and other compensation earned by residents of the City and on the net profits earned in businesses, professions or other activities conducted by residents of the City (the "PICA Tax") to provide revenues for the purposes of the Authority. Pursuant to the Act, the PICA Tax is to be collected by the Department of Revenue of the Commonwealth of Pennsylvania (the "Department") and remitted by the Department to the Treasurer of the Commonwealth of Pennsylvania (the "Treasurer"), which is then to hold, invest and disburse such moneys as provided in the Act.

Pursuant to Section 603(a) of the Act, the Treasurer is custodian of the Pennsylvania Intergovernmental Cooperation Authority Tax Fund (the "PICA Tax Fund"), which shall be subject to the provisions of law applicable to funds listed in Section 302 of the Fiscal Code (Act of April 9, 1929, P.S. 343, No. 176). Pursuant to Section 603(a) of the Act, the PICA Tax collected by the Department and paid to the Treasurer is to be credited to the PICA Tax Fund not less frequently than every two weeks and, during any period prior to the credit of

moneys to the PICA Tax Fund, interest earned on the PICA Tax paid to the Treasurer by the Department shall be deposited into the PICA Tax Fund. The Act also provides that moneys in the PICA Tax Fund shall not lapse or be transferred to any other fund, but shall remain in the PICA Tax Fund and shall at all times be the property of the Authority. Pending their disbursement to the Authority, moneys received by the Treasurer on behalf of or deposited into the PICA Tax Fund are to be invested or reinvested as are other funds in the custody of the Treasurer in the manner provided by law and all earnings received from the investment or deposit of such funds are to be credited to the PICA Tax Fund.

Pursuant to the Indenture, the Authority has assigned and pledged to the Trustee all of its right, title and interest in and to the PICA Tax for the equal and ratable benefit of the owners from time to time of the 1999 Bonds, the 2003 Bonds and the 2006 Bonds outstanding under the Indenture. The Indenture provides for the disbursement of the PICA Tax received by the Trustee in accordance with the provisions of the Act. Section 603(b) of the Act requires the Treasurer to disburse the total amount of moneys which are, as of the close of business of the previous week, contained in the PICA Tax Fund as a result of the tax imposed pursuant to Section 601 of the Act to or upon the order of the Authority and as provided in Section 312 of the Act. The Authority hereby directs that the weekly disbursements to be made by the Treasurer pursuant to Section 603(b) of the Act shall be made to the Trustee so long as any 1999 Bonds, 2003 Bonds or 2006 Bonds are outstanding under the Indenture. Such direction shall not be subject to modification by the Authority unless consented to by the Trustee so long as any 1999 Bonds, 2003 Bonds or 2006 Bonds are outstanding under the Indenture. The Treasurer shall continue to make such disbursement to the Trustee until it receives written notice from the Authority and the Trustee that the 1999 Bonds, 2003 Bonds and 2006 Bonds are no longer outstanding under the Indenture. The Treasurer is hereby notified that the 1992 Bonds, the 1993 Bonds, the 1993A Bonds, the 1994 Bonds and the 1996 Bonds are no longer outstanding under the Indenture.

Please indicate your acknowledgement and agreement with the foregoing by signing and dating the enclosed copy of this letter and returning it to the Authority.

Very truly yours,

PENNSYLVANIA INTERGOVERNMENTAL

COOPERATION AUTHORITY

Robert Dubow

Executive Director

Acknowledged and Agreed:

Treasurer of the Commonwealth of Pennsylvania

Dated: Fune 15, 2006 6/13/06

Proof of Publication in The Philadelphia Inquirer Under Act. No 160, P.L. 877, July 9, 1976

STATE OF PENNSYLVANIA COUNTY OF PHILADELPHIA

Anna Dickerson being duly sworn, deposes and says that **The Philadelphia Inquirer** is a daily newspaper published at Broad and Callowhill Streets, Philadelphia County, Pennsylvania, which was established in the year 1829, since which date said daily newspaper has been regularly published and distributed in said County, and that a copy of the printed notice of publication is attached hereto exactly as the same was printed and published in the regular editions and issues of said daily newspaper on the following dates:

May 22, 2006

Affiant further deposes and says that he is an employee of the publisher of said newspaper and has been authorized to verify the foregoing statement and that he is not interested in the subject matter of the aforesaid notice of publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.

Copy of Notice of Publication

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Sworp to and subscribed before me this 22nd day of

Notar Public

My Commission Expires:

NOTARIAL SEAL Mary Anne Logan, Notary Public City of Philadelphia, Phila. County My Commission Expires March 30, 2009

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

\$89,950,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006

CERTIFICATE OF THE ASSISTANT SECRETARY OF THE AUTHORITY

This certificate is made in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of the 2006 Bonds described below. As used herein the following terms have the indicated meanings:

"Act" means the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended.

"Bond Resolution" means collectively, the resolutions of the Authority adopted on May 16, 2006 authorizing and approving, among other things, the issuance of the 2006 Bonds, as defined below.

"Indenture" means the Amended and Restated Indenture of Trust dated as of December 1, 1994 between the Authority and the Trustee, as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996, the Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999, the Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003, and the Fourth Supplement to the Amended and Restated Indenture of Trust dated Trust dated as of June 1, 2006, pursuant to which the 2006 Bonds are issued.

"2006 Bonds" means the \$89,950,000 aggregate principal amount Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 2006, authorized to be issued under the Indenture.

"Official Statement" means the Official Statement dated June 7, 2006 of the Authority relating to the 2006 Bonds.

"Purchase Contract" means the Bond Purchase Contract dated June 14, 2006, between the Authority and RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets.

All terms not defined herein shall have the meanings set forth in the Indenture or the Act.

I, THE UNDERSIGNED ASSISTANT SECRETARY OF THE AUTHORITY, HEREBY CERTIFY THAT AT ALL PERTINENT TIMES:

- 1. The Authority is a body corporate and politic created by and validly existing under the Act, with full legal right, power and authority to execute and deliver the Indenture, to issue, sell and deliver the 2006 Bonds, and to carry out and consummate the transactions contemplated by the Indenture, the Purchase Contract and the Official Statement.
- 2. The voting members of the Board of the Authority and the office held by each such member are set forth below and, if a signature is set opposite the name of any such member, such signature is a genuine specimen of such member's signature:

Name
Office
Specimen Signature

Lauri A. Kavulich, Esquire
Chairperson
William J. Leonard, Esquire
Vice Chairperson
Gregg R. Melinson, Esquire
Secretary/Treasurer

Michael A. Karp
Member

3. The individuals named above constitute all of the voting members and officers of the Board of the Authority, each of such individuals is and was at all times pertinent hereto duly appointed or elected, qualified and acting as such member and officer.

Member

James Eisenhower, Esquire

- 4. Attached hereto as Exhibit A is a true, correct and complete copy of the bylaws of the Authority, which by-laws are in full force and effect on the date hereof and were in full force and effect on all dates that action was taken with respect to the transactions contemplated by the Indenture, the Purchase Contract, and the Official Statement.
- 5. Attached hereto as Exhibit B is a true, correct and complete copy of the Bond Resolution; the Bond Resolution was duly adopted by a Qualified Majority at a public meeting of the Authority after notice thereof had been duly given in accordance with all requirements of law and procedural rules of the Authority; and, except as provided therein, the Bond Resolution has not been repealed, amended, rescinded or modified since its adoption and is in full force and effect on the date hereof. At all times since the date of adoption of the Bond Resolution, a true and correct copy of the Bond Resolution has been on file for public inspection at the offices of the Authority at 1429 Walnut Street, 14th Floor, Philadelphia, Pennsylvania.

- 6. Attached hereto as Exhibit C is a true, correct and complete copy of the resolution of the Authority approving the Intergovernmental Cooperation Agreement; such resolution was duly adopted by a Qualified Majority at a public meeting of the Authority after notice thereof had been duly given in accordance with all requirements of law and procedural rules of the Authority, and said resolution has not been repealed, amended, rescinded or modified since its adoption and is in full force and effect on the date hereof.
- 7. Attached hereto as Exhibit D are true, correct and complete copies of the letters of appointment of the voting members of the Board of the Authority; and none of said letters have been repealed, amended, rescinded or modified since their delivery and are in full force and effect on the date hereof.
- 8. Attached hereto as Exhibit E are true, correct and complete specimens of the form of the Issuer's 2006 Bonds, which 2006 Bonds are in substantially the form approved by the Bond Resolution. The signatures of the Vice Chairperson and the Assistant Secretary of the Issuer signed on the Bonds are original signatures of the individuals who hold said offices on the date of this Certificate. The seal which was impressed or otherwise reproduced on said specimens is the legally adopted official corporate seal of the Issuer.
- 9. Attached as Exhibit F is a true, correct and complete copy of the Certification of the Bond Committee of the Authority with respect to the 2006 Bonds.
- 10. Each of the 2006 Bonds delivered at the Closing held this day was duly executed on behalf of the Authority by the manual signatures of the Vice Chairperson and an Assistant Secretary; the seal of the Authority impressed on each of the 2006 Bonds is the genuine and only corporate and common seal of the Authority.

11. The Fourth Supplement to the Amended and Restated Indenture delivered to the Trustee at the Closing held this day in respect of the 2006 Bonds was duly executed, acknowledged and delivered on behalf of the Authority by the Vice Chairperson, and was duly sealed and attested on behalf of the Authority by an Assistant Secretary; the signatures of said officers thereon are their respective genuine signatures; the seal thereunto affixed is the genuine corporate and common seal of the Authority; and the Fourth Supplement to the Amended and Restated Indenture is in substantially the form approved by the Bond Resolution.

Signature appears on the following page

IN WITNESS WHEREOF, I have hereunto set my signature as Assistant Secretary of the Authority and affixed hereto the seal of the Authority this 15th day of June, 2006.

Rob Dubow, Assistant Secretary

I, William Leonard, Vice Chairperson of the Authority, do hereby certify that as of the date hereof, Rob Dubow is the duly elected Assistant Secretary of the Authority.

William Leonard, Vice Chairperson

Exhibit A

Exhibit A

(By-laws of the Authority)

Wed Jul '20 15:27:30 1994

BYLAWS

OF THE

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(As Amended Through July 18, 1994)

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BYLAWS OF THE

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

ARTICLE I

GENERAL POWERS: INTERPRETATION OF BYLAWS

- 1.01 <u>General Powers</u>. The general powers of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") shall be as set forth in the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act of June 5, 1991, P.L. 9, No. 6 (the "Act"), as amended from time to time hereafter.
- 1.02 <u>Interpretation of Bylaws</u>. All words, terms and provisions of these bylaws of the Authority (the "Bylaws") shall be interpreted and defined by and in accordance with the Act, as amended from time to time hereafter. All references in these Bylaws to statutory provisions shall be deemed to incorporate amendments to such provisions and to corresponding provisions of any subsequent law.

ARTICLE II

OFFICES

- 2.01 <u>Principal Office</u>. The principal office of the Authority shall be located at such place as the governing board of the Authority (the "Board") may designate. The Board may establish such other office or offices as may be necessary for the purpose of performing the Authority's duties and functions.
- 2.02 <u>Books and Records</u>. Except as otherwise provided for by resolution or as the business of the Authority may require, the corporate seal and all books and records of the Authority shall be kept at the principal office designated in Section 2.01.

ARTICLE III

GOVERNING BODY

- 3.01 <u>Membership</u>. The powers of the Authority shall be exercised by the Board which shall be composed of five (5) appointed members, who shall not be elected public officials, and two (2) ex officio members. The members of the Board shall be as follows:
- (a) One member appointed by the Governor of the Commonwealth of Pennsylvania;

- (b) One member appointed by the President pro tempore of the Senate of the Commonwealth of Pennsylvania;
- (c) One member appointed by the Minority Leader of the Senate of the Commonwealth of Pennsylvania;
- (d) One member appointed by the Speaker of the House of Representatives of the Commonwealth of Pennsylvania;
- (e) One member appointed by the Minority Leader of the House of Representatives of the Commonwealth of Pennsylvania;
- (f) The Secretary of the Budget of the Commonwealth of Pennsylvania as an ex officio member; and
- (g) The Director of Finance of the City of Philadelphia as an ex officio member.
- All members of the Board shall be residents of the Commonwealth of Pennsylvania and, except for the Secretary of the Budget, shall either be residents of the City of Philadelphia or have their primary places of business or employment in the City of Philadelphia.
- 3.02 <u>Terms</u>. The term of a Board member shall begin on the date of appointment. A member's term shall extend not more than sixty (60) days beyond the current term of office of the appointing authorities from the House of Representatives or until on his or her successor is appointed, whichever shall first occur. 7/18/94)
- 3.03 <u>Vacancies</u>. A vacancy shall occur upon the death, resignation, disqualification, removal or expiration of the term of a member. Whenever such a vacancy occurs on the Board, on whether prior to or on the expiration of a term, the appointing authority designated in Section 3.01 which originally appointed the Board member whose seat has become vacant is required, pursuant to Section 202(b) of the Act, to appoint a successor member within thirty (30) days of the occurrence of the vacancy. A member appointed to fill a vacancy occurring prior to the expiration of a term shall serve the unexpired term.
- 3.04 <u>Removal</u>. A member shall serve at the pleasure of his or her appointing authority.
- 3.05 Ex Officio Members. The ex officio members of the Board may not vote and shall not be counted for purposes of establishing a quorum. The ex officio members may designate in writing a representative of their respective offices to attend meetings of the Board on their behalf and such representatives shall retain such authority until the authority is expressly revoked by the appropriate ex officio member.

- 3.06 Qualified Majority. All actions of the Board shall be taken by a majority of the Board unless specific provisions of the Act, as may be amended from time to time hereafter, require that such action be taken by a "Qualified Majority", which shall be defined as a majority of the Board which includes four (4) of the five (5) members appointed pursuant to Sections 3.01(a), (b), (c), (d) and (e).
- 3.07 <u>Compensation</u>. The members of the Board shall serve without compensation or remuneration for their services but shall be entitled to reimbursement of all reasonable and necessary actual expenses.
- 3.08 <u>Liability</u>. The rights of creditors of the Authority shall be solely against the Authority and no member of the Board shall be liable personally on any obligations of the Authority, including, without limitation, bonds of the Authority. Any and all rights granted pursuant to this Section 3.08 shall be in addition to any rights granted to members of the Board pursuant to the sovereign immunity provisions of Section 9.01.
- Finance Committees. The Board shall initially have a Finance Committee, a Legal Affairs Committee, and a Personnel Committee. The Board may designate by resolution one or more additional standing or special committees, each committee to consist of three (3) or more members appointed by the Chairperson of the Board (the "Chairperson"). The respective committees shall supervise and monitor the execution of various aspects of the Authority's activities and policies as determined by the Board and, at the request of the Board, shall gather facts in their respective areas of concern, present alternatives to the Board for deliberation and decision by the Board, and implement Board decisions as directed by the Board. No committee is authorized to take any official action on behalf of the Board or the Authority.

ARTICLE IV

MEETINGS

- 4.01 <u>Place of Meetings</u>. The Board may hold its publicly advertised meetings at the principal office of the Authority or at such other place as may be determined by the Board, provided that all meetings shall be held at a location accessible to the public.
- 4.02 <u>Regular Meetings</u>. The Board shall meet as frequently as it deems appropriate, but at least once during each quarter of the Authority's fiscal year.
- 4.03 <u>Annual Meeting</u>. The annual meeting of the Authority shall be the first regular meeting of each fiscal year of the Authority.

- 4.04 <u>Special Meetings</u>. Special meetings of the Board shall be held if a request for such a meeting is submitted to the Chairperson by at least two (2) members of the Board. Such a request shall state the general nature of the business to be transacted at such special meeting.
- 4.05 <u>Notice of Meetings</u>. At its first regular meeting of each fiscal year, the Board shall establish a schedule of its remaining regular meetings for the fiscal year. No further notice of such regularly scheduled meetings need be given to any member of the Board, except that any member not in attendance at the meeting at which the schedule was adopted shall be notified in writing of such schedule at least three (3) days prior to the next regular meeting. Written notice of any special meeting shall be given to each member of the Board at least twenty-four (24) hours prior to the day named for the special meeting.
- 4.06 <u>Participation in Meetings by Conference Telephone</u>. To the extent permitted by law, any member may participate in any meetings of the Board or of any committee, may be counted for the purpose of determining a quorum thereof, and may exercise all rights and privileges to which he or she might be entitled were he or she personally in attendance (including the right to vote) by means of conference telephone or similar communications equipment by means of which all persons attending the meeting can hear each other.
- Public Notice of Meetings. 4.07 All meetings of the Board shall be open to the public. As soon as practical following the first regular meeting of each fiscal year, but in no event later than three (3) days prior to the next regularly scheduled meeting, the Secretary of the Board (the "Secretary") shall give public notice, in the manner hereinafter provided, of the remaining regularly scheduled meetings of the Board for the fiscal year. The Secretary shall also give public notice of each special meeting and rescheduled regular or special meeting at least twenty-four (24) hours prior to the time thereof, showing the date, time and place thereof. Public notice shall consist of the (a) publishing such notice in a newspaper of general circulation in the political subdivision where the meeting will be held, and (b) posting a copy of such notice prominently at the principal office of the Authority, or, if a meeting is to be held other than at such principal office, at the public building in which the meeting is to be held, provided that such posting may be given at both the principal office and at the actual place of meeting. The Secretary shall provide a copy of all public notices to any newspaper, radio station and/or television station which may request the same. Nothing herein, however, shall prevent the Board from holding executive sessions to which the public is not admitted, but no official action shall be taken nor official policy adopted at any such executive session, except as otherwise permitted by law.

- 4.08 Quorum. A majority of the Board shall constitute a quorum for the purpose of conducting business of the Board and for all other purposes. The ex officio members of the Board shall not be counted for purposes of establishing a quorum. All actions of the Board shall be taken by a majority of the Board unless specific provisions of the Act require that action be taken by a Qualified Majority.
- 4.09 Computing Time Periods. In computing the number of days during any period for purposes of these Bylaws, such period shall be computed so as to exclude the first and include the last day of such period. All days shall be counted, including Saturdays, Sundays, or any day made a legal holiday by the laws of the Commonwealth of Pennsylvania or of the United States (a "Holiday"); provided, however, that if the final day of any time period falls on a Saturday, Sunday or Holiday, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or Holiday. In computing the number of days for the purpose of giving notice of any meeting, the date upon which the notice is given shall not be counted but the day set for the meeting shall be counted. Notice given twenty-four (24) hours before the time set for a meeting shall be deemed one day's notice.

ARTICLE V

OFFICERS

- 5.01 Officers. The officers of the Authority shall be the Chairperson, the Vice Chairperson, the Secretary, the Treasurer, the Executive Director, one or more Assistant Secretaries, and such other officers as the Board may determine. The members of the Board shall elect from among themselves a Chairperson, Vice Chairperson, Secretary, Treasurer, and such other officers as they may determine. A Qualified Majority of the Board shall appoint and may remove the Executive Director. The Board may elect or appoint such other officers, assistant officers, agents, and employees as the needs of the Authority may require, who need not be members of the Board. A member of the Board may hold more than one office of the Board at any time.
- Director, all officers who are members of the Board shall be elected at the annual meeting and shall hold office for one year and until their respective successors shall have been duly elected or until they have ceased to be members of the Board. Except for the Executive Director, officers who are not members of the Board may be elected or appointed at any meeting of the Board and shall serve at the pleasure of the Board. The Executive Director shall serve at the pleasure of a Qualified Majority of the Board for a term ending sixty (60) days beyond the current term of office of the appointing authorities from the House of Representatives or until his or her successor is

(amended on 7/18/94) retained pursuant to the Act, whichever shall first occur. A person named to fill a vacancy occurring in the office of Executive Director occurring prior to the expiration of the Executive Director's term shall serve the unexpired term.

- 5.03 <u>Chairperson</u>. The Chairperson shall have a general management role over the affairs of the Authority, shall conduct all meetings of the Board, and shall, in general, perform all duties incident to the office of the Chairperson and such other duties as may be assigned by the Board.
- 5.04 <u>Vice Chairperson</u>. The Vice Chairperson shall have all powers and duties of the Chairperson in the absence of the Chairperson and shall perform such other duties as may be assigned by the Board. Should both the Chairperson and Vice Chairperson be absent from any meeting of the Board, the members present shall appoint a Chairperson pro tempore.
- 5.05 Secretary. The Secretary shall act as clerk of all meetings of the Board, shall record all the proceedings of such meetings in a book for that purpose, shall give such notice as may be required of all meetings, shall record all votes and shall have custody of all books and records of the Authority, except those kept by the Treasurer, and shall, in general, perform all duties incident to the office of the Secretary and such other duties as may be assigned by the Board.
- 5.06 <u>Treasurer</u>. The Treasurer shall keep the financial records of the Authority, provide for the custody of the funds and other properties of the Authority, and shall perform all other duties incident to the office of the Treasurer and such other duties as may be assigned by the Board.
- 5.07 Executive Director. The Executive Director, who shall be appointed by a Qualified Majority of the Board, shall be the full-time chief operating officer of the Authority and, subject to the supervision and control of the Board, shall have general supervision and direction of the business affairs of the Authority. He or she may execute on behalf of the Authority contracts entered into in the ordinary course of business and any other duly authorized contracts, and shall have such other powers and perform such other duties as may be delegated to him or her by a Qualified Majority of the Board.
- 5.08 Assistant Secretary. The Board may appoint one or more Assistant Secretaries who need not be members of the Board. The Assistant Secretary, or the Assistant Secretaries designated in the resolution by the Board if there is more than one, shall have all the powers and duties of the Secretary in the absence of the Secretary. Should the Secretary and the Assistant Secretary or Assistant Secretaries be absent from any meeting of the Board, the members present shall appoint a secretary of the meeting.

- Other Officers. Such other officers as may from time to time be elected or appointed by the Board shall perform such duties as may be specifically assigned to them by the Board.
- Removal of Officers. Except for the Executive Director, any officer of the Authority may be removed by a majority of the Board. If an officer who is a member of the Board loses his or her membership on the Board for any reason, such officer shall cease to hold his or her office; provided, however, that the Board shall not be precluded from reappointing such officer provided that the office held is not one for which membership on the Board is a prerequisite.
- Vacancies. A vacancy in any office shall occur upon the death, resignation, disqualification, removal or expiration of the term of an officer. A majority of the Board (amended shall have the power to fill any vacancies occurring for whatever reason in any office, except for a vacancy in the Executive 7/18/94) Director's office which shall require a Qualified Majority of the Board. All vacancies shall be filled as soon as practicable.

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ARTICLE VI

EMPLOYEES

Other Employees and Professional Services. Board may employ such other agents, employees, technical experts, legal counsel and consultants as it may from time to time determine, to serve at the will of the Board and for such compensation as the Board may direct; provided that a Qualified Majority of the Board must approve any contract for professional services.

ARTICLE VII

AUDITS, FISCAL YEAR, MONIES OF THE AUTHORITY

Audit. The Authority shall file an annual report with the Chairperson and the Minority Chairperson of the Appropriations Committee of the Senate of the Commonwealth of Pennsylvania and the Chairperson and the Minority Chairperson of the Appropriations Committee of the House of Representatives of the Commonwealth of Pennsylvania, which annual report shall make provisions for the accounting of revenues and expenses of the Authority. The Authority shall have its books, accounts and records audited annually in accordance with generally accepted auditing standards by an independent auditor who shall be a certified public accountant, and a copy of the audit report shall be attached to and be made a part of the Authority's annual report. A concise financial statement shall be published annually in the Pennsylvania Bulletin. The Chairperson and Minority Chairperson of the Appropriations Committee of the Senate of the

Commonwealth of Pennsylvania and the Chairperson and Minority Chairperson of the Appropriations Committee of the House of Representatives of the Commonwealth of Pennsylvania shall have the right to examine, from time to time and at any time, the books, accounts and records of the Authority.

- 7.02 <u>Fiscal Year</u>. The fiscal year of the Authority shall end on June 30 of each year.
- 7.03 Monies of the Authority. All monies of the Authority, from whatever source derived, shall be paid to the Treasurer of the Authority. The Board shall invest the funds of the Authority in a manner consistent with sound business practice, subject to the restrictions contained in the Act and any other applicable statute or regulation.

ARTICLE VIII

CORPORATE SEAL

8.01 <u>Corporate Seal</u>. A seal with the words "Pennsylvania Intergovernmental Cooperation Authority, Pennsylvania Corporate Seal - 1991" upon it shall be the common and corporate seal of the Authority. Such seal may be used by causing it to be impressed upon, affixed to, or reproduced in fact similarly or otherwise to any documents or other writing.

ARTICLE IX

SOVEREIGN IMMUNITY: INDEMNIFICATION

- 9.01 Sovereign Immunity. The Authority and its members, officers, officials and employees shall enjoy sovereign and official immunity, as provided in 1 Pa. Cons. Stat. Ann. § 2310 (relating to sovereign immunity reaffirmed; specific waiver), and shall remain immune from suit except as provided by and subject to the provisions of 42 Pa. Cons. Stat. Ann. § 8501 (relating to definitions) through § 8528 (relating to limitations on damages). Notwithstanding the provisions of 42 Pa. Cons. Stat. Ann. § 8525, the Authority, through its legal counsel, shall defend actions brought against the Authority or its members, officers, officials and employees when acting within the scope of their official duties.
 - 9.02 <u>Indemnity</u>. The Authority shall indemnify any member or officer of the Authority who was or is an "Authorized Representative" of the Authority (which shall mean, for purposes of this Article IX, a member or officer of the Authority, including the Executive Director, or such person serving at the request of the Authority as a director, officer, partner, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise) and who was or is a "party" (which shall include for purposes of this

Article IX the giving of testimony or similar involvement) or is threatened to be made a party to any "proceeding" (which shall mean for purposes of this Article IX any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the Authority of otherwise) by reason of the fact that such person was or is an Authorized Representative of the Authority to the fullest extent permitted by law, including without limitation indemnification against expenses (which shall include for purposes of this Article IX attorneys' fees and disbursements), damages, punitive damages, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such proceeding, unless the act or failure to act giving rise to the claim is finally determined by a court to have constituted willful misconduct or recklessness. If an Authorized Representative is not entitled to indemnification in respect of a portion of any liabilities to which such person may be subject, the Authority shall nonetheless indemnify such person to the maximum extent permitted by law for the remaining portion of the liabilities.

- 9.03 Advancement of Expenses. The Authority shall pay the expenses (including attorneys' fees and disbursements) actually and reasonably incurred in defending a proceeding on behalf of any person entitled to indemnification under Section 9.02 in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Authority as authorized in this Article IX. The financial ability of such Authorized Representative to make such repayment shall not be a prerequisite to the making of an advance.
- 9.04 Employee Benefit Plans. For purposes of this Article IX, the Authority shall be deemed to have requested a member or officer to serve as fiduciary with respect to an employee benefit plan where the performance by such person of duties to the Authority also imposes duties on, or otherwise involves services by, such person as a fiduciary with respect to the plan; excise taxes assessed on an Authorized Representative with respect to any transaction with an employee benefit plan shall be deemed "fines"; and action taken or omitted by such person with respect to an employee benefit plan in the performance of duties for a purpose reasonably believed to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the Authority.
- 9.05 <u>Security for Indemnification Obligations</u>. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the Authority may maintain insurance, obtain a letter of credit, act as self-insurer, create

-9-

a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the Authority, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the Board shall deem appropriate.

- 9.06 <u>Reliance Upon Provisions</u>. Each person who shall act as an Authorized Representative of the Authority shall be deemed to be doing so in reliance upon the rights of indemnification provided in this Article IX.
- 9.07 Amendment or Repeal. All rights of indemnification under this Article IX shall be deemed a contract between the Authority and the person entitled to indemnification under this Article IX pursuant to which the Authority and each such person intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not limit, but may expand, any rights or obligations in respect of any proceeding whether commenced prior to or after such change to the extent such proceeding pertains to actions or failures to act occurring prior to such change.
- 9.08 Scope of Article. The indemnification, as authorized by this Article IX, shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any statute, agreement or otherwise, both as to action in an official capacity and as to action in any other capacity while holding such office. The indemnification and advancement of expenses may be provided under any statute, agreement or otherwise, both as to action in an official capacity and as to action in any other capacity while holding office. The indemnification and advancement of expenses provided in, or granted pursuant to, this Article IX shall continue as to a person who has ceased to be a member or an officer in respect of proceedings pertaining to actions or failures to act occurring while such person was serving as a member or an officer, and shall inure to the benefit of such person's heirs, executors and administrators.

ARTICLE X

CONFLICTS OF INTEREST

employees of the Authority shall be subject to the provisions of the Act of October 4, 1978, P.L. 883, No. 170, referred to as the Public Official and Employee Ethics Law, and the Act of July 19, 1957, P.L. 1017, No. 451, known as the State Adverse Interest Act. For the purposes of application of such acts, employees of the Authority (including, but without limitation, the Executive Director) shall be regarded as public employees of the Commonwealth of Pennsylvania, and members and officers of the

Authority shall be regarded as public officials of the Commonwealth of Pennsylvania, whether or not they receive compensation.

ARTICLE XI

WAIVER OF NOTICE

11.01 <u>Waiver of Notice</u>. Any notice required to be given under these Bylaws may be effectively waived by the person entitled to such notice by written waiver signed before or after the meeting to which such notice related or by attendance at such meeting otherwise than for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

ARTICLE XII

AMENDMENT OF BYLAWS

12.01 <u>Amendments</u>. These Bylaws may be altered, amended or repealed, and new Bylaws may be adopted, by a Qualified Majority of the Board, at any meeting after fifteen (15) days' prior written notice of such an intention has been provided by the Secretary to each member of the Board; provided further, that no amendment may be made in contravention of the Act or any other applicable statute or regulation.

Exhibit B

AUTHORIZATION OF SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM), SERIES OF 2006

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Resolution No. 2006 - 07 May 16, 2006

AUTHORIZING THE ISSUANCE AND SALE OF A **NEW SERIES OF REFUNDING BONDS OF THE** AUTHORITY TO REFUND THE OUTSTANDING SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM), SERIES OF 1996 OF THE AUTHORITY; AUTHORIZING THE EXECUTION AND DELIVERY OF A FOURTH SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST, A BOND PURCHASE CONTRACT AND OTHER AGREEMENTS AND **DOCUMENTS NECESSARY OR APPROPRIATE IN** CONNECTION WITH THE ISSUANCE OF THE BONDS AND THE REFUNDING; AUTHORIZING THE PREPARATION, DISTRIBUTION AND EXECUTION OF AN OFFICIAL STATEMENT RELATING TO THE **BONDS; DETERMINING THAT A PRIVATE** NEGOTIATED SALE OF THE BONDS IS IN THE BEST INTEREST OF THE AUTHORITY: APPROVING THE SALE OF THE BONDS; AUTHORIZING THE APPLICATION FOR MUNICIPAL BOND INSURANCE WITH RESPECT TO THE BONDS; AUTHORIZING THE USE OF SURPLUS FUNDS IN THE DEBT SERVICE RESERVE FUND IN CONNECTION WITH THE REFUNDING; AUTHORIZING ADDITIONAL INTEREST RATE HEDGING TRANSACTIONS WITH RESPECT TO THE BONDS; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS DEEMED **NECESSARY OR APPROPRIATE FOR THE** CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION.

WHEREAS, pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") is

authorized to issue its bonds for the purpose of, among other things, refunding any outstanding indebtedness of the Authority; and

WHEREAS, on December 6, 2001, the Authority and JPMorgan Chase Bank (the "Swap Counterparty") entered into a \$89,960,000 notional amount (amortizing) interest rate swaption transaction (the "Swaption Transaction") relating to the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 Bonds"); and

WHEREAS, the Authority has been notified that the Swap Counterparty has exercised its option to cause the interest rate swap that is the subject of the Swaption Transaction to become effective on or about June 15, 2006; and

WHEREAS, in light of the foregoing, the Authority desires to issue and sell its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (the "Bonds") to refund the entire outstanding aggregate principal amount of the 1996 Bonds (the "Refunding"); and

WHEREAS, the Authority has determined that the public interest will be best served and that the purpose of the Act can be most advantageously achieved by the Authority's issuance of the Bonds in order to obtain funds to be used for the Refunding; and

WHEREAS, the Authority has determined that, because of the complexity of this financing, a private negotiated sale of the Bonds is in the best interest of the Authority; and

WHEREAS, the Authority deems it necessary, in connection with the issuance, sale and delivery of the Bonds, to authorize and direct the execution and delivery of the Bonds and to authorize the execution and delivery of all such other agreements, instruments, certificates, documents and papers and the performance of all such other acts as may be necessary or appropriate in connection with the issuance and sale of the Bonds and the implementation of this Resolution and the transactions authorized hereby;

NOW, THEREFORE, BE IT RESOLVED BY THE PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY AS FOLLOWS:

Section 1. In addition to the words and terms defined in the recitals above, the following words and terms used in this Resolution shall have the following respective meanings:

"Amended and Restated Indenture" means the Amended and Restated Indenture of Trust, dated as of December 1, 1994, as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust, dated as of May 15, 1996, as further amended and supplemented by the Second Supplement to the Amended and Restated Indenture of Trust, dated as of April 1, 1999, and as further amended and supplemented by the Third Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2003, each between the Authority and the Trustee (or a predecessor trustee).

"Board" means the governing board of the Authority.

"Bond Committee" means the Executive Director, the Chairperson and the Treasurer of the Authority, acting unanimously.

"Bond Purchase Contract" means the Bond Purchase Contract to be entered into between the Authority and the Underwriters (or a representative of the Underwriters), providing for the sale and purchase of the Bonds.

"Chairperson" means the Chairperson of the Board, including any official authorized to carry out the duties of the Chairperson in the Chairperson's absence (including without limitation any acting Chairperson or temporary Chairperson).

"City" means the City of Philadelphia, Pennsylvania.

"Commonwealth" means the Commonwealth of Pennsylvania.

"<u>Debt Service Reserve Fund</u>" means the fund of that name held by the Trustee under the Indenture.

"Executive Director" means the Executive Director of the Authority, including any official authorized to carry out the duties of the Executive Director in the Executive Director's absence (including without limitation any acting Executive Director or the Deputy Executive Director).

"Fourth Supplement to the Amended and Restated Indenture" means the Fourth Supplement to the Amended and Restated Indenture to be entered into between the Authority and the Trustee, amending and supplementing the Amended and Restated Indenture.

"<u>Indenture</u>" means the Amended and Restated Indenture, as amended and supplemented by the Fourth Supplement to the Amended and Restated Indenture.

"Official Statement" means the final official statement (or other appropriate form of securities disclosure document) of the Authority with respect to the Bonds.

"Resolution" means this Resolution.

"Secretary" or "Assistant Secretary" means the Secretary or Assistant Secretary of the Board or any official authorized to carry out the duties of the Secretary or the Assistant Secretary in the Secretary's or the Assistant Secretary's absence (including, without limitation, any acting Secretary or acting Assistant Secretary of the Authority).

"<u>Treasurer</u>" means the Treasurer of the Authority, including any official authorized to carry out the duties of the Treasurer in the Treasurer's absence (including without limitation any acting Treasurer or Assistant Treasurer).

"<u>Trustee</u>" means Wachovia Bank, National Association, as trustee under the Indenture, and its successors and assigns as such trustee.

"<u>Underwriters</u>" means the underwriters party to, or named in, the Bond Purchase Contract, to be selected by the Authority.

"<u>Vice Chairperson</u>" means the Vice Chairperson of the Board, including any official authorized to carry out the duties of the Vice Chairperson in the Vice Chairperson's absence (including without limitation any acting Vice Chairperson or temporary Vice Chairperson).

Section 2. The Authority hereby finds and determines that the issuance and sale of the Bonds under the Indenture and the use of the proceeds of the Bonds for the Refunding is in furtherance of the public purposes set forth in the Act and is in compliance with the provisions of the Act.

Section 3. The sale of the Bonds to the Underwriters at a private negotiated sale is hereby determined to be in the best interest of the Authority and the Commonwealth, to best fulfill the objectives of the Act and to be necessary and appropriate in light of the circumstances under which the financing for the Refunding is being arranged. A public or invited sale of the Bonds is hereby determined to be impracticable and inadvisable. The complexity of the Refunding and the Bonds, the existence of the Swaption Transaction, and the corresponding necessity of careful and thorough disclosure in the Official Statement in connection with the offering and the sale of the Bonds will necessitate the ongoing participation of the Underwriters and their counsel in the planning and structuring of the financing for the Refunding and in the preparation of the Official Statement and the other financing documents and in the marketing of the Bonds. Such participation cannot be obtained in the absence of a commitment by the Authority to sell the Bonds to the Underwriters at a private negotiated sale.

Section 4. The Bond Committee is hereby expressly granted and delegated the full power and authority, for and on behalf of the Board, to review and approve the final terms, conditions and details of the Bonds and the issuance, sale and delivery thereof, pursuant to the Act and in accordance with and subject to the terms, conditions and limitations established in this Resolution, such approval to be conclusively evidenced by the execution and delivery of the Bonds at the closing therefor in the manner provided herein, provided, however, that the aggregate principal amount of the Bonds shall not exceed \$92,000,000, the final maturity date for the Bonds shall not be later than June 15, 2020, and the Underwriters' discount or fee in connection with the purchase of the Bonds shall not exceed three percent (3.00%) of the aggregate principal amount of the Bonds. The Bonds shall be designated generally as "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006." The proceeds of the Bonds shall be used for the Refunding and to pay all or a portion of the costs and expenses incurred by the Authority in connection with the issuance of the Bonds, including without limitation costs of credit and liquidity enhancement and deposits to any reserve funds.

Section 5. The Bonds shall be issued in fully registered form. The Bonds shall be dated; shall mature in such principal amounts on such dates; shall bear interest at such floating, variable, auction, adjustable or fixed rates of interest; shall be subject to redemption or mandatory or optional tender for purchase prior to maturity; and shall otherwise be subject to such additional terms, conditions and provisions, all as are approved by the Bond Committee and specified in the Bond Purchase Contract or the Fourth Supplement to the Amended and Restated Indenture. The form of the Bonds set forth in the Fourth Supplement to the Amended and Restated Indenture is hereby incorporated herein by this reference, subject to appropriate insertions and revisions in order to comply with the provisions of the Fourth Supplement to the Amended and Restated Indenture, and the provisions for the signatures, authentication, payment, place of payment, medium of payment, transfer, exchange, registration, number, denominations and other provisions thereof, to the extent not provided herein, shall be as set forth in the Fourth Supplement to the Amended and Restated Indenture, as finally executed, and are hereby approved and incorporated herein by this reference. The Bonds, when the same shall be executed on behalf of the Authority in the manner contemplated by the Fourth Supplement to the Amended and Restated Indenture and this Resolution, shall represent the approved form of the Bonds.

Section 6. The Chairperson or Vice Chairperson is hereby authorized and directed to execute the Bonds in the name and on behalf of the Authority by his or her manual or facsimile signature, and the Secretary or Assistant Secretary is hereby authorized and directed to affix the corporate seal of the Authority or a facsimile thereof to the Bonds when so executed and to attest the same by his or her manual or facsimile signature, and each such officer is hereby authorized and directed to deliver the Bonds to the Trustee for authentication pursuant to the Fourth Supplement to the Amended and Restated Indenture.

Section 7. The Bonds are and shall be limited obligations of the Authority payable by the Authority solely from the sources specified or described in the Fourth Supplement to the Amended and Restated Indenture. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER. NO MEMBER OF THE BOARD SHALL BE LIABLE PERSONALLY ON THE BONDS OR ON ANY DOCUMENT OR INSTRUMENT EXECUTED IN CONNECTION THEREWITH.

Section 8. The Authority is hereby authorized to enter into the Fourth Supplement to the Amended and Restated Indenture. The Chairperson or Vice Chairperson is hereby authorized and directed to execute and deliver the Fourth Supplement to the Amended and Restated Indenture in the name and on behalf of the Authority, such document to be in such form and to contain such terms and conditions (not inconsistent with any of the other requirements of this Resolution) as shall be approved by either such officer with the advice of the Authority's legal counsel and financial advisors, such approval and the approval of the Board to be conclusively evidenced by the execution of the Fourth Supplement to the Amended and Restated Indenture by either such officer.

Section 9. The Authority is hereby authorized to enter into the Bond Purchase Contract and to sell the Bonds by private negotiated sale to the Underwriters pursuant thereto. The Chairperson or Vice Chairperson is hereby authorized and directed to execute and deliver the Bond Purchase Contract in the name and on behalf of the Authority, such document to be in such form and to contain such terms and conditions (not inconsistent with any of the other requirements or conditions of this Resolution) as shall be approved by the Chairperson or Vice Chairperson with the advice of the Authority's legal counsel and financial advisors, such approval and the approval of the Board to be conclusively evidenced by the execution of the Bond Purchase Contract by either such officer.

Section 10. By virtue of this Resolution and without further authorization from the Authority, the Trustee shall be authorized, directed and requested to apply the proceeds of the Bonds pursuant to the terms of the Indenture and to invest and reinvest, at the direction of the Authority, all moneys which by the terms of the Indenture may be invested, or to deposit and redeposit such moneys in such accounts as may be permitted by the Indenture, all subject to the terms and limitations contained in the Indenture.

Section 11. The Chairperson, the Vice Chairperson or the Executive Director is hereby authorized to negotiate on behalf of the Authority and, if such officer determines that they will be beneficial to the Authority, to accept in the name and on behalf of the Authority, commitments for the issuance of a policy of municipal bond insurance with respect to the Bonds, an insurance policy, surety bond or other credit facility for all or a portion of any reserve fund for the Bonds, and a credit facility providing liquidity support for the Bonds. The Chairperson, the Vice Chairperson or the Executive Director is hereby authorized, in the name and on behalf of the Authority, to execute and deliver all such documents, instruments and agreements as any such officer may deem to be necessary or appropriate in connection with any such policy, surety bond or credit facility, such documents to be in such form and to contain such terms and conditions (not inconsistent with any of the other requirements of this Resolution) as shall be approved by any such officer with the advice of the Authority's legal counsel and financial advisors, such approval and the approval of the Board to be conclusively evidenced by the execution of such documents by any such officer.

Section 12. The preparation and distribution of the Official Statement is hereby authorized and approved in connection with the marketing, sale and delivery of the Bonds. The

Chairperson or Vice Chairperson is hereby authorized and directed to execute the Official Statement in such form and as shall be approved by the officer executing the same with the advice of the Authority's legal counsel and financial advisors, such approval and the approval of the Board to be conclusively evidenced by the execution of the Official Statement by either such officer. Any appropriate officer of the Authority is hereby authorized to represent and warrant that the Official Statement has been "deemed final" as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended.

Section 13. The Authority is hereby authorized to enter into such remarketing agreements, escrow deposit agreements, auction agency agreements, market agent agreements, broker-dealer agreements, standby bond purchase agreements, continuing disclosure agreements, tax compliance agreements, agreements with the Commonwealth or the State Treasurer or any other department or agency of the Commonwealth, agreements with the City or any department or agency of the City, agreements providing for the registration of the Bonds to be maintained in the name of a securities depository or its nominee pursuant to a book entry-only system, and all other agreements relating to or concerning the Bonds, the Refunding, and any liquidity support or credit enhancement for the Bonds, all as may be required under the Bond Purchase Contract or as may otherwise be necessary or appropriate for the proper, lawful and efficient consummation of the transactions contemplated by this Resolution. The Chairperson, the Vice Chairperson or the Executive Director is hereby authorized, in the name and on behalf of the Authority, to execute and deliver any and all such documents, which documents shall be in form and substance as shall be approved by any such officer with the advice of the Authority's legal counsel and financial advisors, such approval and the approval of the Board to be conclusively evidenced by the execution of such documents by any such officer.

Section 14. The Authority hereby authorizes the use of any surplus funds currently in the Debt Service Reserve Fund as an additional source of funds for the Refunding and the payment of the costs and expenses incurred by the Authority in connection with the issuance of the Bonds, including without limitation costs of credit and liquidity enhancement. Any appropriate officer of the Authority is hereby authorized to execute and deliver such documents, directions, certificates or other instruments, and to take such other action, as may be necessary or appropriate to transfer surplus funds from the Debt Service Reserve Fund and to apply such funds for these authorized purposes.

Section 15. The Authority is hereby authorized to enter into one or more additional interest rate swap, cap, floor, collar, basis cap or similar interest rate hedging agreements or one or more amendments or supplements to the Swaption Transaction (collectively, "Additional Hedge Transactions"), as the Bond Committee may determine to be necessary or appropriate in connection with the Bonds and in the best financial interest of the Authority in managing the interest costs of the Authority with respect to the Bonds. The Bond Committee is hereby authorized and directed to approve all terms and details relating to such Additional Hedge Transactions, including without limitation identity of counterparty, interest rates, term, notional amount, amortization, collateral security and options as to commencement and termination of payments. The Chairperson, the Vice Chairperson or the Executive Director is hereby authorized, in the name and on behalf of the Authority, to execute and deliver all such documents, instruments and agreements as any such officer may deem to be necessary or appropriate in connection with any such Additional Hedge Transactions, such documents to be in such form and to contain such terms and conditions (not inconsistent with any of the other requirements of this Resolution) as shall be approved by any such officer with the advice of the Authority's legal counsel and financial advisors, such approval and the approval of the Board to be conclusively evidenced by the execution of such documents by any such officer.

Section 16. The Chairperson, the Vice Chairperson, the Secretary, the Assistant Secretary, the Treasurer and the Executive Director are each hereby authorized and directed to execute, deliver and file any and all other documents, instruments, agreements, certificates and other papers of any kind whatsoever, and to do any and all other acts or things, that are necessary or appropriate in order to effect the issuance and sale of the Bonds, the Refunding, the investment of the proceeds of the Bonds, the execution, delivery and performance by the Authority of the Bond Purchase Contract, the Fourth Supplement to the Amended and Restated Indenture and the other financing documents relating to the Bonds, and to carry out the intent and purposes of this Resolution and the transactions contemplated hereby, including but not limited to the amendment, modification, restatement or the making of any other changes to any existing investment agreements or any documents relating to the Swaption Transaction that are necessary or appropriate to effectuate fully the issuance of the Bonds, the Refunding and the other transactions contemplated hereby. The Secretary or the Assistant Secretary is hereby authorized and directed, when requested, to affix the official corporate seal of the Authority to any and all documents, instruments, agreements and certificates executed on behalf of the Authority pursuant to this Resolution and to attest said seal. The Executive Director is hereby appointed as an Assistant Secretary of the Authority.

Section 17. The proper officers of the Authority are hereby directed to file a copy of this Resolution for public inspection in the office of the Authority and in the office of the Chief Clerk of the Council of the City and to publish in a newspaper of general circulation published or circulating in the City a notice containing the information specified in Section 303(b)(1) through (4) of the Act.

Section 18. To the extent not paid from the proceeds of the Bonds or from other sources of funds available under the Indenture, the Treasurer is hereby authorized to pay all costs and expenses relating to the issuance and sale of the Bonds and the Refunding, including without limitation fees and costs for credit enhancement and liquidity support and deposits to funds under the Indenture, from the general funds of the Authority, including without limitation moneys previously received by the Authority from the Swap Counterparty under the Swaption Transaction.

Section 19. All prior resolutions or parts of prior resolutions inconsistent with this Resolution are hereby repealed, rescinded, cancelled and annulled insofar as they conflict herewith. Subject to the foregoing sentence, the Authority hereby ratifies and confirms any and all prior actions taken by or on behalf of the Authority consistent with the intent of this Resolution.

Section 20. This Resolution shall take effect immediately.

APPROVED: Yes Qualified Majority Required: Yes X No				
Vote:	Yes	<u>No</u>	Abstain	Absent
Eisenhower	<u>X</u>			
Leonard	<u>X</u>		*	
Karp	<u>X</u>			
Kavulich	<u>X</u>		***************************************	
Melinson			_	X

MOVED:

SECONDED:

Mr. Karp

Mr. Leonard

Exhibit C

INTERGOVERNMENTAL
COOPERATION
AGREEMENT

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Resolution No. 1992 - <u>02</u> January <u>8</u>, 1992

WHEREAS, there has been submitted to this meeting a form of an Intergovernmental Cooperation Agreement (the "Intergovernmental Cooperation Agreement") between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and the City of Philadelphia (the "City"); and

WHEREAS, Section 203(d) of the Pennsylvania
Intergovernmental Cooperation Authority Act for Cities of the
First Class (Act of June 5, 1991, P.L. 9, No. 6) provides that the
Authority shall have the power and its duty shall be to enter into
such intergovernmental cooperation agreements with cities of the
first class as are approved by a qualified majority of the
governing board of the Authority.

NOW THEREFORE, BE IT RESOLVED:

- 1. The Authority hereby authorizes and approves the execution, delivery and performance by the Authority of the Intergovernmental Cooperation Agreement substantially in the form submitted to this meeting and attached hereto as Exhibit "A". The Chairperson or Vice-Chairperson of the Authority is hereby authorized and directed to execute the Intergovernmental Cooperation Agreement in the name and on behalf of the Authority; the Secretary or the Assistant Secretary of the Authority is hereby authorized and directed to affix the seal of the Authority to the Intergovernmental Cooperation Agreement when so executed and to attest the same; and the said officers of the Authority are hereby authorized and directed to deliver the Intergovernmental Cooperation Agreement to the City.
- 2. The Authority hereby ratifies and confirms any and all prior actions taken by or on behalf of the Authority consistent with the intent of this Resolution.
- 3. All resolutions or parts of resolutions not in accordance with this Resolution are hereby repealed insofar as they conflict herewith.

MOVED:	Carol G. Carroll			
SECONDED:	John J. Egan, Jr.			
APPROVED:	Yes			
Qualified N	Majority Required:	Y <u>x</u>	N	-
Vote:		YES	NO	ABSTAIN
	Anderson			
	Andes			
	Carroll		************	-
	Egan [.]	x		

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EXHIBIT "A"

Exhibit D

22ND DISTRICT
ROBERT J. MELLOW
SENATE BOX 203022
THE STATE CAPITOL
HARRISBURG, PA 17120-3022
PHONE: (717) 787-8481
FAX: (717) 783-5186

\$24 MAIN STREET PO. BOX B PECKVILLE, PA 19452 PHONE: (570) 488-0336 PHONE: (570) 344-3721 FAX: (570) 363-3170

102 POCOND BLVD. MOUNT POCONO, PA 16344 PHONE: (670) 639-4812 FAX: (670) 639-4816



Senate of Pennsylvania January 25, 2005 COMMITTEES

RULES AND EXECUTIVE NOMINATIONS MINORITY CHAIRMAN ETHICS, MINORITY CHAIRMAN APPROPRIATIONS 1-800-364-1881 (TT)

Ms. Lauri A. Kavulich 1150 1st Avenue, Suite 250 King of Prussia, PA 19406

Dear Ms. Kavulich:

As Democratic Leader of the Senate, I am reappointing you to the Pennsylvania Intergovernmental Cooperation Authority (PICA).

I am sure you will continue to make a positive contribution to the Authority.

Sincerely,

ROBERT J. MELLOW The Democratic Leader

RJM/kac

Cc: Honorable Mark R. Corrigan Secretary of the Senate

Mr. Joseph C. Vignola
PA Intergovernmental Cooperation Authority



COMMONWEALTH OF PENNSYLVANIA OFFICE OF THE GOVERNOR HARRISBURG

THE GOVERNOR

December 22, 2005

Mr. James J. Eisenhower, III 7919 Lincoln Drive Philadelphia, PA 19118

Dear Mr. Eisenhower:

It is with pleasure that I reappoint you as a member of the Pennsylvania Intergovernmental Cooperation Authority.

Your commission and oath of office are being prepared by the Department of State and will be mailed to you promptly. The commission, issued under my signature under the Great Seal of the Commonwealth, memorializes your appointment. The oath of office is required by the Constitution of Pennsylvania to be taken by all civil officers. It is important that you act promptly to swear and subscribe to the written oath of office. You cannot perform any powers or duties of your public office until the oath has been taken.

You are also required to file the Statement of Financial Interests with the State Ethics Commission. You are required under § 1104(a) of the Public Official and Employee Ethics Act (65 Pa. C.S. § 1104(a)) to file by May 1, of each year a position is held, as well as the year following termination of service.

Please accept my best wishes for success in your continued responsibilities and appreciation for your dedicated service to the Commonwealth.

Sincerely,

Edward G. Rendell

Governor

H. WILLIAM DEWEESE THE MINORITY LEADER



THE STATE CAPITOL HARRISBURG, PA 17120-2020 PHONE: (717) 783-3797

HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA HARRISBURG

February 9, 2005

William J. Leonard, Esquire
Obermayer Rebmann Maxwell & Hippel LLP
One Penn Center, 19th Floor
1617 JFK Boulevard
Philadelphia, PA 19103

RECEIVED FEB 1 4 2005 WJL

Dear Mr. Leonard:

This is to inform you that I have reappointed you to serve as a member to the PA intergovernmental Cooperation Authority for the 2005-2006 Legislative Sessions of the General Assembly.

i am pleased to make this reappointment and wish you continued success in this enteavor.

Sincerely,

The Minority Leader

HWD/kcw



HOUSE OF REPRESENTATIVES COMMONWEALTH OF PENNSYLVANIA HARRISBURG

January 24, 2005

Joseph C. Vignola, Executive Director
Pennsylvania Intergovernmental Cooperation Authority
14th Floor
1429 Walnut Street
Philadelphia, PA 19102

Dear Mr. Vignola:

Please be advised that I am hereby reappointing Michael Karp to the Pennsylvania Intergovernmental Cooperation Authority (PICA) for the 2005-2006 Legislative Sessions of the General Assembly.

Please do not hesitate to contact me if you have any questions concerning this appointment.

Sincerely,

John M. Perzel The Speaker

m Pengel

JMP/lal

cc: Michael Karp

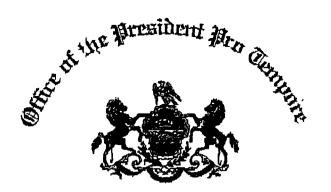
Joint State Government Commission

Governor's Office of Boards and Commissions

Kathy Carl

ROBERT C. JUBELIRER

SENATE BOX 203030
THE STATE CAPITOL
HARRISBURG, PA 17120-3030
(717) 787-8480
(717) 787-9091 (FAX)



PARK VIEW CENTER

PARK VIEW CENTER

TWELVE SHERATON DRIVE
P.O. BOX 2023

ALTOONA, PA 16503

814-942-3485

814-945-7268 (FAX)

Senate of Pennsylvania

February 15, 2005

Gregg R. Melinson, Esquire Drinker, Biddle & Reath, LLP One Logan Square 18th and Cherry Streets Philadelphia, PA 19103-6996

Dear Mr. Melabson:

Pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, as President Pro Tempore of the Senate, I am pleased to reappoint you to the governing board of the Pennsylvania Intergovernmental Cooperation Authority.

Thank you for your willingness to continue to represent the Senate in this capacity as the effort to select your successor is completed.

Sincerely,

ROBERT C. JUBELIRER PRESIDENT PRO TEMPORE

RCJ/bbk

cc: Secretary of the Senate
Executive Director, PA Intergovernmental
Cooperation Authority
Governor's Office on Boards and Commissions

Exhibit E

Exhibit E

Form of Bond

See Tab B 9

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

\$89,950,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006

CERTIFICATE OF AUTHORITY PURSUANT TO THE BOND PURCHASE CONTRACT AND SECTION 2.11(f) OF THE INDENTURE

This certificate is made in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of the above-referenced bonds (the "2006 Bonds") as required by Sections 9(e)(ii) and 9(e)(x) of the Bond Purchase Contract dated June 14, 2006 (the "Purchase Contract") between the Authority and RBC Dain Rauscher Inc., and as required by Section 2.11(f) of the Amended and Restated Indenture of Trust, dated as of December 1, 1994, as amended and supplemented, between the Authority and Wachovia Bank, National Association, as trustee. Terms used but not defined herein shall have the meanings set forth in the Purchase Contract.

WE, THE VICE-CHAIRPERSON AND ASSISTANT SECRETARY OF THE AUTHORITY, HEREBY CERTIFY AS FOLLOWS:

- 1. Each of the Bond Documents to which the Authority is a party which has been executed and delivered prior to the date hereof is currently in full force and effect and no default on the part of the Authority, or event which with notice or upon lapse of time, or both, would constitute such a default, has occurred thereunder.
- 2. To the best of our knowledge after reasonable investigation, the Resolution is in full force and effect as of the date hereof and has not been amended or supplemented since the date of its adoption except as specifically provided therein.
- 3. To the best of our knowledge after reasonable investigation, the representations and warranties of the Authority contained in the Purchase Contract are true and correct as of the date hereof.
- 4. To the best of our knowledge after reasonable investigation, the Official Statement, except for information furnished by or with respect to the City, the Bond Insurer, Financial Guaranty Insurance Company or any of its affiliates and DTC, as to which no representation is made, does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- 5. To the best of our knowledge after reasonable investigation, no litigation is pending against the Authority (i) to restrain or enjoin the issuance or delivery of any of the 2006 Bonds or the pledge or collection of revenues pledged under the Indenture, (ii) in any way contesting or affecting any authority for the issuance of the 2006 Bonds or the validity of the 2006 Bonds, the Bond Documents or the Purchase Contract, or the validity of the Resolution, or (iii) in any way contesting the existence or powers of the Authority.
- 6. To the best of our knowledge after reasonable investigation, no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used, or which it is necessary to disclose

therein in order to make the statements and information therein, in light of the circumstances under which they were made, not misleading.

- 7. To the best of our knowledge after reasonable investigation, the Authority has complied with all agreements, and satisfied all conditions, on its part to be performed or satisfied at or prior to the issuance and sale of the 2006 Bonds.
- 8. Based solely on the verification report of Isdaner & Company, LLC, independent certified public accountants, attached as Exhibit A hereto (the "Accountant Verification"), we hereby certify as follows:
 - a. The PICA Taxes (as defined in the Indenture) consisting solely of the Income Tax (as defined in the Indenture) collected with respect to the 12 month period detailed in the Accountant Verification (which period is a period of 12 consecutive months during the 15 month period preceding the date of issuance of the 2006 Bonds) equaled at least one hundred seventy-five percent (175%) of the Maximum Annual Debt Service Requirement (as defined in the Indenture) on Bonds (as defined in the Indenture) to be Outstanding (as defined in the Indenture) after the issuance of the 2006 Bonds.
 - b. Based upon the projections contained in the City of Philadelphia's most recent Financial Plan approved by the Authority, the PICA Taxes (consisting solely of the Income Tax) projected to be collected during the 12 month period following the issuance of the 2006 Bonds will equal at least one hundred seventy-five percent (175%) of the Debt Service Requirement (as defined in the Indenture) during such 12 month period on Bonds to be Outstanding after the issuance of the 2006 Bonds.

IN WITNESS WHEREOF, we have executed this Certificate this 15th day of June 2006.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

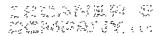
Assistant Secretary

Exhibit A



PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

REPORT ON APPLYING AGREED-UPON PROCEDURES





INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Pennsylvania Intergovernmental Cooperation Authority Philadelphia, Pennsylvania

We have performed the procedures enumerated in the Appendix attached, which were agreed to by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), solely to assist the Authority in evaluating its compliance with the requirements of Section 2.11(f) of the Amended and Restated Indenture of Trust dated as of December 1, 1994, as amended and supplemented, between the Authority and Wachovia Bank, National Association (the "Indenture"). The Authority's management is responsible for the Authority's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the Appendix either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are summarized in the Appendix to this report.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the requirements of Section 2.11(f) of the Indenture. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Pennsylvania Intergovernmental Cooperation Authority's management and parties to the Indenture and should not be used by anyone other than these specified parties.

Asdam & Conjuny, LLC

June 7, 2006

Attachments - Appendix - Exhibit 1

APPENDIX

Our procedures and findings are summarized as follows:

- 1. We obtained the Certificate of Maximum Annual Debt Service in accordance with Section 2.11(f) of the Indenture of Trust (the "Certificate") attached as Exhibit 1, from the Authority's management. We compared the amounts shown on the Certificate as "PICA Taxes Collected" for the months from April 2005 through March 2006 to the monthly totals on a supporting schedule prepared by the Authority's management of individual PICA tax receipts received from the Treasurer of the Commonwealth of Pennsylvania and found such amounts to be in agreement. We recalculated such monthly totals and did not note any exceptions.
- 2. We confirmed the individual PICA Tax receipts listed on the supporting schedule obtained in (1) directly with the Bureau of Fiscal Review for the Treasury Department of the Commonwealth of Pennsylvania and did not note any exceptions.
- 3. We compared the individual PICA Tax receipts listed on the supporting schedule obtained in (1) to the Authority's monthly bank statements obtained from the Authority's management and did not note any exceptions.
- 4. We confirmed the amounts shown on the Certificate as "PICA Taxes Projected to be Collected" for the four quarters from July 2006 to and including June 2007 directly with the Office of the Director of Finance for the City of Philadelphia and did not note any exceptions.
- 5. We recalculated the amounts shown as "Total" on the Certificate and did not note any exceptions.
- 6. We recalculated the amount shown on the Certificate as "Maximum Annual Debt Service Limit" and did not note any exceptions.
- 7. We recalculated the amount shown on the Certificate as "Maximum Debt Service Limit for Corresponding Period" and did not note any exceptions.
- 8. We compared the amounts shown on the Certificate under the heading "Total Debt Service" for each of the years shown to a schedule received directly from the Underwriters to the Authority with respect to the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 and did not note any exceptions.
- 9. We compared the amount shown on the Certificate as "Maximum Annual Debt Service Limit" to amounts shown on the Certificate under the heading "Total Debt Service" for each year and noted that each of the amounts shown under the heading "Total Debt Service" was less than the amount shown as "Maximum Annual Debt Service Limit."
- 10. We compared the amount shown as "Maximum Debt Service Limit for Corresponding Period" to the amount shown on the Certificate under the heading "Total Debt Service" for each year and noted that each of the amounts shown under the heading "Total Debt Service" was less than the amount shown as "Maximum Debt Service Limit for Corresponding Period."

EXHIBIT #1

Pennsylvania Intergovernmental Cooperation Authority Certificate of Maximum Annual Debt Service In Accordance with Section 2.11(f) of the Indenture Trust

PICA Taxes Collected:

April	2005	\$ 32,834,890
May	2005	30,144,400
June	2005	22,122,307
July	2005	28,781,108
August	2005	24,439,074
September	2005	23,970,643
October	2005	23,315,052
November	2005	25,010,703
December	2005	24,281,783
January	2006	26,100,213
February	2006	22,199,892
March	2006	24,038,436

Maximum Annual Debt Service Limit (1)

\$175,564,858

PICA Taxes projected to be collected (Fiscal Year 2007):

Quarter	Year	
3	2006	\$ 57,406,272
4	2006	59,066,784
1	2007	60,490,080
2	2007	60,252,864
		\$237,216,000

Maximum Debt Service Limit for Corresponding Period (2)

\$135,552,000

(1) As set forth in Section 2.11(f) of the Indenture, the total amount for "PICA Taxes Collected" must equal at least 175% of the Maximum Annual Debt Service Limit. The limit is calculated by dividing total PICA taxes collected by 1.75.

\$307,238,501

(2) As set forth in Section 2.11(f) of the Indenture, the total amount for "PICA Taxes Projected to be Collected" must equal at least 175% of the Debt Service Limit for the corresponding 12-month period. The limit is calculated by dividing total PICA taxes projected to be collected by 1.75.

EXHIBIT #1 (Continued)

Pennsylvania Intergovernmental Cooperation Authority Certificate of Maximum Annual Debt Service In Accordance with Section 2.11(f) of the Indenture Trust

Annual Debt Service Requirements After Issuance of Special Tax Revenue Refunding Bonds, Series 2006

Year Ended June 30	Total Debt Service*	
2007	\$ 102,991,450	
2008	96,596,550	
2009	87,219,750	
2010	79,627,900	
2011	75,127,975	
2012	74,261,313	
2013	73,314,975	
2014	72,341,225	
2015	71,304,038	
2016	70,212,075	
2017	69,071,525	
2018	58,777,788	
2019	48,797,688	
2020	47,513,413	
2021	36,744,013	
2022	35,909,363	
2023	35,032,300	

^{*}Calculated using the maximum interest rate of 12% for the Series 2003 and 2006 Bonds



Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street 14th Floor Philadelphia, PA 19102

We consent to the use in the Official Statement dated June 7, 2006, prepared in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006, of our report dated October 27, 2005 on our audit of the financial statements for the year ended June 30, 2005 of the Authority included in Appendix A of the above listed document.

Asdance & Company, whe

June 7, 2006



Pennsylvania Intergovernmental Cooperation Authority

14th Floor - 1429 Walnut Street, Philadelphia, PA 19102 Telephone 215-561-9160 Fax 215-563-2570

June 15, 2006

Vincent J. Jannetti, Acting Director of Finance City of Philadelphia 1401 JFK Blvd. MSB - Room 1330 Philadelphia, PA 19102-1693

Re: Consent of the City of Philadelphia Regarding the Fourth Supplement to

the Amended and Restated Indenture of Trust

Dear Mr. Jannetti:

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and Wachovia Bank, National Association, as successor Trustee ("Trustee"), intend to enter into a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006, in the form attached in hereto as Exhibit A (the "Fourth Supplement to the Amended and Restated Indenture") in connection with the issuance by the Authority of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006, which will amend and supplement the Amended and Restated Indenture of Trust dated as of December 1, 1994 by and between the Authority and the Trustee (the "Amended and Restated Indenture") and in accordance with Section 10.03 of the Amended and Restated Indenture, the Authority hereby requests the consent of The City of Philadelphia, Pennsylvania (the "City"), to the execution and delivery of the Fourth Supplement to the Amended and Restated Indenture.

Please sign below and return this letter to the Authority at the above address (to the attention of the undersigned) as evidence of the City's consent to the execution and delivery of the Fourth Supplement to the Amended and Restated Indenture.

Sincerely,

Rob Dubow, Executive Director

CONSENTED TO BY THE CITY OF PHILADELPHIA, PENNSYLVANIA

This 15th day of June, 2006

Vincent J. Japnetti, Acting Director of Finance

THE LANGE PLANTS

ISDANER & COMPANY, LLC CERTIFIED PUBLIC ACCOUNTANTS

IBSANEP A

Consent of Independent Auditors

We consent to the inclusion in the Official Statement dated June 7, 2006, relating to the Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) to be issued by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of the financial statements of the Authority as of June 30, 2005, and for the year then ended and our report appearing therein.

ISDANER & COMPANY, LLC

pv.

Title

June 7, 2006

\$89,950,000

Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities)

Certificate of Incumbency and Signatures of City Officials

The undersigned, Chair, Corporate Group, of the Law Department of the City of Philadelphia, Pennsylvania (the "City"), hereby certifies that the persons named below are duly appointed or elected, qualified and acting incumbents of the respective offices of the City set out to the left of their names, and that the signatures set out to the right of their names are the genuine signatures of said officers:

SIGNATURE

OFFICE

NAME

City Solicitor

ROMULO L. DIAZ, JR.

Director of Finance

VINCENT J. JANNETTI

Revenue

June, 2006.

Commissioner

NANCY KAMMERDEINER

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the City this 15th day of 2006.

CITY OF PHILADELPHIA, PENNSYLVANIA

[SEAL]

DANIEL W. CANTÚ-HERYZLER

Acting Chair, Corporate Group and Tax Group Law Department of the City of Philadelphia,

Pennsylvania

\$89,950,000

Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities)

Certificate of Acting Director of Finance of the City of Philadelphia, Pennsylvania

This Certificate is provided pursuant to Section 9(e)(viii) of the Bond Purchase Contract, dated June 14, 2006 (the "Purchase Contract"), between the Pennsylvania Intergovernmental Cooperation Authority and RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets. Terms used but not defined herein shall have the meanings set forth in the Purchase Contract. The undersigned Acting Director of Finance of the City of Philadelphia, Pennsylvania (the "City"), hereby certifies as follows:

- 1. To the best of my knowledge, the representations and warranties of the City in the Letter of Representations are true and correct in all material respects.
- 2. The information concerning the City contained in the Official Statement does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- 3. There has been no material adverse change in the financial condition of the City since the date of the Official Statement which has not been disclosed in the Official Statement.

CITY OF PHILADELPHIA, PENNSYLVANIA

> VINCENT Y ANNETTI, Acting Director of Finance

Dated: June 15, 2006

\$89,950,000

Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities)

Certificate as to Financial Plan

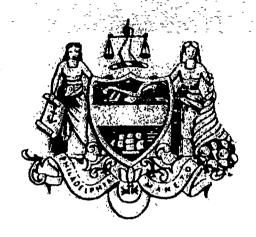
The City of Philadelphia, Pennsylvania (the "City"), hereby certifies, in connection with the issuance and sale of the Pennsylvania Intergovernmental Cooperation Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities), in the aggregate principal amount of \$89,950,000, that attached hereto is a true, correct and complete copy of the current five-year financial plan of the City.

IN WITNESS WHEREOF, the City has executed this Certificate this 15th day of June, 2006.

CITY OF PHILADELPHIA, PENNSYLVANIA

VINCENT (DANNETTI, Acting Director of Finance

City of Philadelphia



Five-Year Financial Plan

Fiscal Year 2006 - Fiscal Year 2010 (including Fiscal Year 2005)

Fourteenth Five-Year Plan for the City of Philadelphia pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act

Presented by the Mayor, January 25, 2005 Approved by City Council, June 16, 2005 Approved by PICA, July 21, 2005

CITY OF PHILADELPHIA

MAYOR

John F. Street

MAYOR'S CABINET

Joyce S. Wilkerson	Chief of Staff
Pedro Ramos	Managing Director
	Acting Secretary of Financial Oversight/Director of Finance
George Burrell	Secretary of External Affairs
	Director of Commerce/City Representative
	City Solicitor
	Executive Director of City Planning Commission
Sylvester Johnson	Secretary of Public Safety/Police Commissioner
	Secretary of Education
	Secretary of Housing and Neighborhood Preservation

Budget Director Dianne E. Reed

COMMISSIONERS AND AGENCY HEADS

Lloyd Ayers Fire Commissioner

Karen Borski
Interim Executive Director, Fairmount Park Commission

Bernard Brunwasser Water Commissioner

Julia Danzy
Director, Division of Social Services

Joan Decker Records Commissioner

John Domzalski Health Commissioner

Arthur C. Evans
Director, Office of Behavioral Health/Mental Retardation Svcs.

William Gamble Procurement Commissioner

William Grab
Director, Office of Labor Relations

Rob Hess Director of Adult Services

Charles Isdell
Aviation Director

Nancy Kammerdeiner Revenue Commissioner

Leon A. King Prisons Commissioner James Muller

Deputy Managing Director, Fleet Management

John Nacchio City Treasurer Lynda Orfanelli

Personnel Director

Cheryl Ransom-Garner
Acting Human Services Commissioner

Victor N. Richard III Recreation Commissioner

Joan Schlotterbeck Acting Public Property Commissioner

Barry Scott
Acting Director, Risk Management

Elliot Shelkrot
President and Director, Free Library of Philadelphia

Patricia L. Smith
Director of Neighborhood Transformation

Robert Solvibile
Acting Licenses and Inspections Commissioner

Clarena Tolson Streets Commissioner

Richard Tustin Director, Capital Program Office

CITY OF PHILADELPHIA FIVE-YEAR FINANCIAL PLAN

TIVE-TEAK THVAICEAE TEAU				
Introd	luction	i		
Maint	aining Fiscal Health			
Imple	menting Neighborhood Transformation and Blight Elimination	34		
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П.	Departmental Five Year Obligations Summary	÷		
Ш.	Enterprise Funds:			
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IV.	Long-Term Obligations			
V.	Other Statutory Requirements - General Fund			
VI.	Other Statutory Requirements - Cash Flows			
VII.	Base Obligation Methodology	•		
VIII.	Capital Program and FY2006 Capital Budget			
IX.	Acronym Dictionary			



Introduction

Introduction

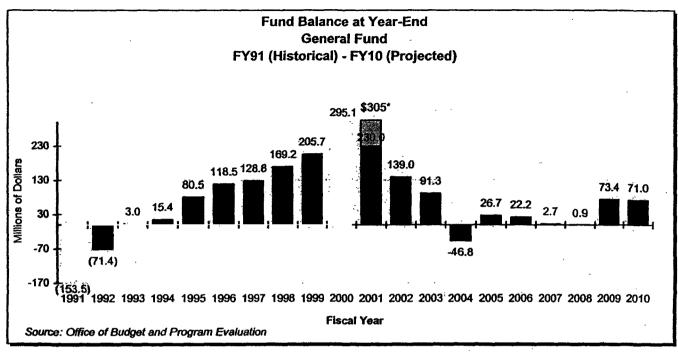
Overview

The commitments and investments the City has made in the areas of public safety, education, social services, economic development, and neighborhood transformation and blight elimination have added a new vitality and strength to the city. The FY04 annual Citizen Survey reflects the highest satisfaction levels with many City services ever recorded in the Survey's history. Operation Safe Streets has effectively reduced the open-air drug trade. With the City's leadership, the School District of Philadelphia has gone from a deficit-producing entity to one where continuous educational and financial progress is being made, attracting exciting investments from outside partners like Microsoft. The Division of Social Services established by the Mayor helps agencies to attack problems of self-sufficiency, drug and alcohol abuse, and child welfare in a systemic, coordinated way. Annual tax reductions have been implemented, which by the end of FY05 will have returned over \$1 billion to the taxpayers. The Neighborhood Transformation Initiative and the annual tax reductions have effectively raised property values in all city neighborhoods, as evidenced by dramatic increases in real estate transfer tax revenue and housing sale prices.

Protecting the City of Philadelphia's real and measurable progress requires a delicate balancing act among competing needs. Faced with a declining fund balance, dramatic increases in pension, health, and medical costs, an archaic City Charter that impedes sound management practices, an aggressive tax reduction scheme, and state intrusions on Home Rule and local governance, the City has been forced to take drastic action over the past year. In FY05, with a fund balance projection of just over \$1 million and a looming deficit projection of \$40 million for FY06, the City had no other choice but to reduce the budget through position eliminations and employee layoffs, since labor is our largest expenditure category. The July 1, 2005 budgeted workforce compliment of 22,914 leaves many City departments at their lowest staffing levels in 40 years.

In this revised FY06-FY10 Five Year Plan, the City describes the actions planned to support the Mayor's objectives, enhance Philadelphia's world-class status, and manage with less while continuing to propel the city into the future. We also recognize that significant challenges remain.

. With tax cuts all but locked in over the next decade and pension obligations escalating by an average of over \$30 million each year, the Five-Year Plan is tenuously balanced, as shown in the chart on top of the next page.



^{*} The Fund Balance reduction in FY01 was primarily a result of a one-time adjustment imposed by the Government Accounting Standards Board in its Statement 33, requiring the use of the full-accrual accounting method starting that year. Without this adjustment, the fund balance would have been \$305 million.

The \$46.8 million General Fund deficit at the end of FY04 was the City's first negative fund balance in twelve years. While the deficit is primarily attributable to a delay in receiving state reimbursement for human service program costs, it is nonetheless a sign of the increasingly limited room for error in City finances. Even after the employee reduction initiative that included layoffs, the fund balance, not including the reserves identified below, is projected to be \$26.7 million and \$22.2 million in FY05 and FY06, respectively – roughly 0.6 percent of General Fund revenues. Subsequent to the passage of the FY06 budget by City Council, at the request of PICA, the City made a technical modification to revenues. The City added a revenue line item called "Revenues Reserved for PICA Concerns" that reserves an additional \$7 million in FY06 and FY07, as a contingency against shortfalls in payments from the Philadelphia Parking Authority. While the City expects to receive \$25 million of full funding, the reserve reduces the fund balance in those fiscal years, as well as cumulatively during the Plan.

The fund balance is projected to fall to \$0.9 million in FY08. Rating agencies seek, and GFOA recommends, fund balances in the 5 percent (\$100 million) to 15 percent range. The fund balance improves in FY09, due to the anticipated repayment of a \$45 million loan made to the Philadelphia Gas Works (PGW) in FY01, and restoration of PGW's customary annual \$18 million payment to the City.

The sections that follow show how the Administration will accomplish its goals with the resources at hand.

Mayor Street's Objectives

In January 2000, when Mayor John F. Street first came into office, he identified five primary objectives for his Administration:

- Maintain fiscal health
- Implement neighborhood transformation and blight elimination
- Promote economic development
- Provide high quality public education and comprehensive, coordinated social services for children, adults and families
- Enhance public safety and quality of life for all communities

The investments made over the past several years in these areas have made a remarkable impact on the city. Results from the FY04 annual Citizen Satisfaction Survey demonstrate that Administration efforts have resulted in record high satisfaction levels for core service areas, such as street repair, trash collection, library services, recreation programs, and police protection. Recent accomplishments related to these objectives include:

- Unprecedented growth in city real estate market. The City collected 89 percent more from the realty transfer tax in FY04 than it did before this Administration took office. Based on current trends, this tax increased another 38 percent in FY05, when revenue from this tax was four times as high as it was when the City began the tax reduction program in 1995. This growth is based on the improvement of real estate values in the City. For example, the average sale price of homes in Philadelphia increased by nearly 18 percent from 2001 to 2003. The level and value of real estate activity are proof that people want to invest and live in Philadelphia, and that the City's Neighborhood Transformation Initiative, targeted investment in neighborhood development programs and the strategic focus of City services are working.
- Significant expansion of cultural developments on the Benjamin Franklin Parkway. In FY05, the Barnes Foundation received approval to move from its current location in Merion, Pennsylvania to the Benjamin Franklin Parkway. This collection of 9,000 pieces of original artwork will join other arts and culture institutions on the Parkway, including the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, the Academy of Natural Sciences, the Moore College of Art and Design, and a sculpture garden that will pave the way for the Calder Museum. Additionally, the City also moved forward with a financing plan for the expansion of the Central Library. Internationally celebrated architect Moshe Safdie will design a modern, light-filled building that will not only significantly improve library service, but also will provide the city with a major new landmark and an anchor on the revitalized Benjamin Franklin Parkway.

• Initiated plans for the Thurgood Marshall Center. In FY05, Philadelphia moved closer to achieving a two-decades-old goal to relocate the Youth Study Center (YSC) from its current structure at 20th Street and the Parkway, to a new, state-of-the-art building. Built in 1952, the YSC is no longer suitable for the provision of appropriate security, management, or care to the juveniles housed there. The new center, named the Thurgood Marshall Center, will include high-tech improvements, such as keyless doors, as well as facility space to encourage arts and recreation programs for the residents. To be built on five acres of land at 4601 Market St. in West Philadelphia, a design team has been selected and construction is expected to be complete by 2007.

These recent developments, combined with those that follow, show that Philadelphia is reaching its goal of becoming a place in great demand, attracting people to work, live, and play.

Highlighted priorities of the administration for FY06 include:

- Tax reform. The revenue-neutral proposal offered by the Administration to provide accelerated business tax relief was not adopted by City Council. City Council with the support of the Administration instead chose to enact billboard fees, fines and an excise tax, as well as close a valet parking tax loophole in the parking tax, in order to make selected program restorations to the Fire Department and Free Library, at a budget neutral level of \$7 million. In addition, the Administration recommends that if PGW repays the \$45 million loan to the City in FY09, this funding should be put towards the reduction of the net income portion of the BPT beginning in FY10. In concert with the planned eventual elimination of the gross receipts portion of the tax, this would place the City on a path to drastically reduce the burden of the BPT in a fiscally responsible manner.
- Moving forward with Wireless Philadelphia. The City's Wireless Philadelphia initiative aims to provide wireless internet access throughout the city. The project successfully cleared a hurdle in November 2004, when the City and the incumbent telephone company worked together to resolve a potential barrier presented by a newly enacted state law requiring municipalities to give a right of first refusal to the incumbent before offering wireless service to the public for compensation. The project is now free to proceed consistent with the statute. Wireless Philadelphia will work to create a digital infrastructure for open-air Internet access and help citizens, businesses, schools, and community organizations make effective use of this technology to achieve their goals while providing a greater experience for visitors to the City. The Mayor has convened the Philadelphia Wireless Executive Committee, and charged it with helping to develop a public and private partnership to extend this service to all the areas of the city by late 2006. The total cost of this initiative is \$10 million for infrastructure, and \$39 million in operating costs over the first five years, with all funding generated from private sources and revenue generation from the operating of the network. A business financing plan has been completed, and the organization begins its start-up phase early in FY06.

- Initiating New River City. The City is transforming the Delaware and Schuylkill river areas by turning acres of underutilized land into new communities of residential and commercial investment on the waterfront. Investment will increase awareness of the waterfront, stimulate economic activity, and improve the quality of life for the city and the region. In FY06, the City will purchase a surety bond to replace part of the Water Sinking Fund Reserve currently held for the water revenue bonds, and use these water capital funds for the initiative. The City will make the initial selection of New River City infrastructure projects based on allocations that maximize private sector investment, funding from other government sources, job creation, and the highest and best use of the land. In June 2005, City Council, with the support of the Administration, enacted a new, less restrictive zoning framework to support development of projects along the North Delaware River.
- Improving the inmate re-integration process. Several hundred immates are returned to our neighborhoods each week. Inmates are people who have made mistakes and paid their debt to society. However, when they are returned to their communities, there are many job prohibitions and other restrictions, but few support networks to assist them in refashioning their lives as productive members of our community. Working with faith-based organizations, and focusing available social services safety net programs, such as substance abuse prevention programs and job training, the City will dedicate over \$3.5 million to decreasing recidivism and helping former inmates maintain themselves as productive and contributing members of their families and neighborhoods in FY06, using existing funding streams.
- Revitalizing the Navy Yard. In FY04, a master plan was unveiled that focuses on development of more than 500 acres of land and buildings at the eastern end of the Navy Yard. This plan calls for mixed-use development, offering business, housing, recreational, retail and restaurant space and will help bring a new vitality to South Philadelphia. Containing 1,200 acres of land, the Navy Yard is as large as Center City and provides a unique suburban campus feel, while also offering all the amenities of the city. The Master Plan outlines the long-term goal for development, creating the potential for 30,000 jobs and up to 5,000 residential units. The realization of the master plan will generate more than \$2 billion in private investment.

Initiatives for the FY06-FY10 Budget

Initiatives for FY06 are grouped under three main headings: Management improvements, revenue enhancements, and cost savings. New initiatives are included at the top of each section, and initiatives in progress follow, with a status update.

Management Improvements

One focus for the next few years will be how to manage at a significantly lower staffing level, while maintaining high quality City services, preparing for uncontrollable costs, and establishing the framework for the city's future. As part of the position elimination process, operating

departments reorganized their management structures, eliminating potential duplicative functions and underutilization of staff. Among the principal departmental reorganization strategies are:

New initiatives

- Consolidation of selected Streets Department functions, as follows:
 - Consolidate highway districts from 6 to 3, thereby not only reducing the number of management layers, but also achieving greater efficiency in administrative functions and highway inspection functions.
 - Consolidate the survey districts from 6 to 5, to streamline the management team.
 - Transfer the role of the drawbridge operators to the Bridge Maintenance Unit, resulting in a five-position reduction. In FY03, the operators operated the two bridges for which they had responsibility 65 times; and in FY04, the two bridges were only operated 100 times. The Department has coordinated the process with the Coast Guard, and as a result, no delays will occur even with the addition of a third bridge to operate in the coming months.
- Consolidation of Police bureaus and units, resulting in an increased span of control among the higher tiers of management in the department. The functions for three deputy commissioner positions were folded into the responsibilities of the Deputy Commissioner of Operations, reducing the number of deputy commissioners from six to four. FY06 positions for chief inspector, inspector, staff inspector, and captain will be reduced by 27 percent from July 1, 2003, consolidating the functions and responsibilities among the remaining positions. The reduction in positions will not affect the patrol function: Non-patrol staff will be redeployed to patrol as needed. No FY05 recruit hiring will be conducted to allow attrition to reduce the overall size of the police force.
- Fire Department reduction of uniformed administrative positions, and transfer of uniformed personnel into field positions. Reductions were achieved by consolidating functions under a single job title, increasing spans of control, and consolidating units to pool resources. The graphic arts unit and the visual communications unit were consolidated, resulting in a firefighter filling a vacant field position. One Deputy Chief assumed the duties of the Battalion Chief, who moved into a vacant field position.
- Recreation Department consolidation of program districts from 10 to 7. Program and
 management consolidations within the Fairmount Park Commission (FPC) have allowed
 administrative staff reductions and reduction in service costs while improving quality.
 Recently, six recreation centers and three pools were transferred from FPC to the Department
 of Recreation, resulting in greater concentration on core functions within both agencies. In
 addition, all turf maintenance will be assumed by the Park, in order to capitalize on their
 expertise.

- Licenses and Inspections pooling of clerical support across units to manage timeliness of processing documentation and compliance activities.
- Implementation of a Personnel Human Resources Information System (HRIS). The City currently employs over 400 staff who complete and route over 70 paper forms used to establish and maintain employee status records. Forms are manually entered into Central Personnel's HRIS system, which is over 25 years old and does not allow for real-time updates. In addition, many departments have stand-alone systems that do not link to Central Personnel's system. As a result, data take an average of 27 days to post, making transactions neither timely nor accurate. In FY06, Personnel will move forward with plans to replace these antiquated systems with a new Citywide HRIS system.
- Continuing to replace paper-intensive processes with automation. The City will expand use of business process automation software in FY06, deploying the system to support the Law and Revenue departments' collection efforts. The first pilot will integrate the Revenue Department's TIPS Payment Agreements into the business tax practice of the Law Department. This initial effort is estimated to cost less than \$50,000 to implement, and can be put in place in slightly over one month. Other points of business integration between the Revenue Department and the Law Department are also being considered for business automation. The improvement should result in increased revenue and payments to the City. The business process automation tool will also be integral in NTI's Vacant Property Management Information System processes for acquisition and disposition of property (for more details, please see the chapter on Implementing Neighborhood Transformation and Blight Elimination). The number of parcels of land acquired and disposed through NTI has significantly increased the workload of the Redevelopment Authority (RDA), which must manually complete the required forms under strict state redevelopment laws. Automation of these processes using the "eworks" business process automation tools will significantly improve work flow and efficiency and give the RDA greater capacity to meet the increased demand created by NTI.
- Better managing overtime costs. Beginning in FY04, the Managing Director's Office began an initiative to better control overtime through focused management approaches and by examining and addressing the drivers of overtime. One initiative has been more efficient deployment of officers called to testify at court. Through improved cooperation and coordination between the Managing Director's Office, the Police Department, the District Attorney's Office, and the court system, the City has been better able to manage and control overtime costs. In FY06, the City will fund a courtroom-based officer attendance tracking system with the potential to achieve additional savings.
- Centralizing enterprise services. For many years, the City has taken a department-based approach to information technology, resulting in stand-alone systems and scattered departmental IT staff. Support of the City's numerous IT systems can be costly and sometimes inefficient. In FY05, MOIS received a \$325,000 productivity grant to fund the preparation of detailed strategies and implementation plans for consolidation of network and

server administration, desktop support, and helpdesk service. Upon review of the plans, the City will prioritize the areas for implementation, beginning in FY06.

• Increasing efficiency through cross-training. Historically, staff in Procurement responsible for purchasing focus solely on one of two areas: (1) Services, supplies, and equipment bids, or (2) public works bids. The practice is not efficient, as it does not allow for reallocation of staff resources when fluctuations in workload between the two units occur. To improve operations, in FY05, the Procurement Department began to cross-train buyers to enable them to work across units. Cross-training will allow for a greater pool of buyers to handle bids, resulting in decreases in bid processing time. Training occurred in FY05, with staff working across units beginning in FY06.

The reduction in force of approximately 1,300 positions that accompanied the management restructuring will also result in some service reductions. Efforts were made to minimize the service impact of the reductions, with departments selecting to reduce or eliminate functions that would not present a threat to public safety or greatly reduce quality of life in the city. However, some service reductions could not be avoided and are detailed below:

- Standardization of the trash collection schedule. A small portion of the city receives trash collection twice a week. This service is costly and inefficient. Beginning in FY06, the service will be reduced to once a week, impacting 25,000 households, saving \$300,000 annually.
- Reduction of the number of buildings the Clean and Seal Unit can address. Reducing the number of units by 108, the program is expected to serve 1,100 in FY05 and FY06.

In progress

- Consolidation of Department of Public Health (DPH) laboratories. In an effort to streamline the delivery of laboratory services by combining some management and administrative functions, DPH is currently in the process of consolidating the management of its three laboratories: The Public Health Laboratory, Forensic Toxicology, and Air Management. The consolidation is projected to net an approximate savings of \$224,500 annually beginning in FY06, by eliminating three full-time equivalent positions, reducing waste disposal costs, reducing supply expenses, and reducing expenses relating to purchasing and procurement.
- Consolidation of facilities maintenance. There are over 350 City employees who perform facility maintenance. One-third of the maintenance workers are in the Department of Public Property (DPP); most are scattered throughout various departments, maintaining recreation centers, health centers, libraries, fire stations, and other public facilities. Departments included in the consolidation will begin shifting resources and responsibility to DPP during FY06. Centralization and more efficient deployment of staff is expected to save \$1.7 million through FY10.

- Centralization of warehousing and implementation of citywide inventory system. A study of warehouse and inventory management found that facility consolidation and improved inventory control has the potential to achieve a 5 percent to 10 percent reduction in inventory-related (Class 300) expenditures annually. During FY05, the City pursued plans to reorganize the function using a centralization model, and explore implementation of just-in-time purchasing. In FY06, the City will select the implementation strategy, and begin to create a centralized warehouse serving the entire city. A savings of \$4.95 million is expected through FY10.
- Implementation of a water billing system. The Water Revenue Bureau is using the Oracle 11i Enterprise Business Suite to build and support a new Customer Information System at a cost of approximately \$9 million. The implementation of the new system, known as Project Ocean, will allow the WRB to address inefficiencies in the 25-year-old billing and enforcement system. The goal is to streamline and standardize core business processes and obtain productivity efficiencies. The Revenue Department expects the billing system to be online by the end of 2005.
- Expansion of electronic bill payment through e-government transactional applications. In FY05, the City deployed an electronic bill payment tool and, for the first time, allowed residents and businesses to conduct transactions online. Currently, a visitor to www.phila.gov can use the Internet to pay water bills and school and property taxes, order and pay for copies of accident reports and property deeds from the Records Department, and obtain some types of building permits from L&I. In FY06, this enterprise capability will be further deployed in city and departmental applications. Since the capability has been deployed there have been 5,900 transactions resulting in payments to the City of \$591,000. Increased payment offerings and increased citizen awareness should increase the number of annual transactions to 30,000 in FY06, resulting in payments of \$3.0 million.
- Improvement of efficiency and customer service through L&I's implementation of software solution. By the end of FY06, the Department of Licenses and Inspections will complete the LICA project and fully implement the Hansen software application that will automate many of the currently paper-intensive processes for issuing licenses and permits. Full implementation of the LICA system will provide many efficiencies to the Department, including: Faster and more effective response to citizen complaints; better management of resources due to readily available productivity data for each employee; increased efficiencies in providing public safety and code enforcement due to reduction in lag time from inspection to entry of inspection data; and efficiencies gained from elimination of double data entry by inspectors and office staff. The total cost of the project is \$3.6 million, of which \$719,000 will be spent in FY06.

Revenue Enhancements

Revenue enhancements chiefly include the continuation of initiatives begun in FY05. The City will:

New initiative

- Provide incentives to promote citizen recycling. In October 2004, the Streets Department partnered with a non-profit organization, RecycleBank, to launch a pilot program in the Northwest section of the city aimed at increasing recycling tonnage by providing incentives to citizens who recycle. The pilot also includes the addition of plastic and corrugated cardboard to the curbside collection for approximately 6,000 homes. The program provides \$5 coupons to local stores for every 10 pounds of recycled material received per month per household. The distribution of 35-gallon wheeled containers, weighing the material, and issuing coupons to local corporate sponsors began in February 2005. If the program is implemented citywide, the City anticipates additional processing costs to be adequately covered by the following factors: An increase in recycling materials collected, thus diverting material from trash disposal; and reduced operating costs for recycling and rubbish collection, due to greater efficiencies.
- Improve regulation of billboards. Beginning in FY06, the City plans to impose licensing fees on billboard owners in order to better regulate the billboard industry and reduce the number of illegal and unlicensed billboards in the city. A new license fee will help fund the Department of Licenses and Inspections' costs for improved inspections and enforcement of billboard activity. Fees and fines will generate \$0.9 million in FY06 and \$6 million through FY10. In addition, the City will also enact a new excise tax of 7 percent on the transaction price paid by an advertising company to a sign company for the billboard advertising. The tax is projected to generate \$4.0 million in FY06, and \$21.0 million over the life of the Plan.
- Close valet parking loophole. Due to a technicality, valet parking has not been subject to the City's parking tax. Beginning in FY06, the City will close this loophole and valet parking will be subject to the same taxes as all other paid, non-metered parking in the city. Closing this loophole will generate an addition \$2.2 million in FY06, and \$11.6 million over the life of the Plan.

In progress

- Implement strategic marketing partnerships. The City is currently working with a consulting team to develop a citywide strategic marketing plan to maximize the value of private partnerships and increase revenue for City programs. Partnerships have the potential to take a variety of forms, including sponsorships, exclusivity agreements, and leasing of City assets, among others. Preliminary estimates by the City's consulting team support a revenue projection of \$23.1 million from FY06 to FY10.
- Generate revenue from surplus City properties. The City has received expressions of
 interest for a number of properties that should not be retained, either because another entity
 could better provide services at that facility, services have been eliminated at the site, or the

property is underutilized or abandoned. Based on those initial expressions of interest, the City believes that it can generate \$2 million in FY05, and an additional \$24 million through FY08.

- Increase fees to cover costs. The Administration is pursuing a variety of fee adjustments through legislation, including:
 - A gun permit fee. The City currently issues an average of 7,830 gun permits per year but has been permitted to charge only \$19 per permit. Of this amount, the state receives \$12.50 and the City receives \$6.50. The Police Department performed an analysis of the costs involved in processing a permit—including fingerprinting, computer checks, and multiple reviews and approvals—and found the actual activity cost is closer to \$118 per permit. The City is pursing state approval to adjust the permit cost accordingly, which would result in an additional \$300,000 in revenues annually.
 - A right-of-way ordinance. During the first half of FY05, the Managing Director's Office, Streets Department, Department of Public Property, and Law Department worked with area utility and telecommunications companies to draft a Right-of-Way Ordinance that will provide regulation as well as cost recovery for managing street openings and occupancy of street rights-of-way by telecommunications and other service providers. Through the adoption of a comprehensive right of way management program, the City will be able to minimize utility street cuts; improve coordination between street maintenance and utility construction; conserve limited public right of way capacity; recover administrative, inspection and street replacement costs; and assure that the City maintains a planned, organized and efficient use of its public rights of way. This bill was approved by City Council in spring 2005 and should help the City recover \$830,000 annually.
- Seek more stringent fines. In FY05, the City obtained authority from the General Assembly to increase maximum potential fines for violations of The Philadelphia Code in general, and specific increased potential fines and other penalties for "short dumping" violations. The general fine authority increase allows the City to increase maximum fine levels (previously a \$300 maximum) by \$400 each year, up to a \$2,000 maximum. The enabling legislation also increases the potential penalties for some of the most serious violations of The Philadelphia Code, such as serious property maintenance violations (e.g., imminently dangerous buildings) and Fire Code violations (e.g., fire protections systems out of service). These changes to The Philadelphia Code will allow the City to ask the courts to impose higher fines where appropriate. In spring 2005, City Council passed enabling legislation that will implement the short dumping authorization by allowing the City to seek penalties of up to \$5,000 for, and forfeitures of any vehicle used in connection with, short dumping.
- Seek appropriate reimbursements for Department of Human Services (DHS) costs. The Administration is strongly advocating for two pieces of legislation that would result in substantial revenue increases for the City. The first bill requires both federal and state legislation, and would increase reimbursements for salaries and benefits of social workers

from 80 percent to 100 percent. The City expects full reimbursement to occur beginning in FY08, which will generate \$57.9 million through FY10. The second bill increases reimbursements for adoption subsidies and legal custodian services from 80 percent to 100 percent. The City expects to begin receiving 100 percent reimbursement beginning in FY06, which will generate \$26.1 million in revenue over the life of the Plan.

• Receive Medicaid Reimbursements for hospitalization of immates. One of the fastest growing areas in the City's budget is the cost of medical care for immates in the Philadelphia Prison System. The Prison System's health contract has increased from under \$24 million in FY00 to over \$46 million in the FY05 budget, a 93 percent increase. One of the costs within the contract that is hardest to control is the cost of hospitalizing immates. The US Department of Health and Human Services issued a letter indicating that hospitalization costs for immates may be eligible for MA reimbursement, as long as it is not precluded by state law. Therefore hospitalization costs for immates could be eligible for reimbursement. To this end, the City has requested an opinion from the Commonwealth to confirm its understanding of state law and is working with the Commonwealth to implement this initiative. The plan assumes \$2 million annually from such reimbursements.

Cost Savings

The City will continue with many of the cost savings initiatives discussed in previous Five Year Plans. In FY06, the City will:

New initiatives

- Realign Medical Assistance (MA). Through FY06, DHS expects to transfer the responsibility to fund approximately \$45 million of treatment services to OBH/MRS which will be reimbursed through HealthChoices Medicaid. For FY05, as a first step, DHS, working in conjunction with the state Department of Public Welfare (DPW) and OBH/MRS, identified provider agencies that are already MA enrolled and that have an existing relationship with OBH/MRS. Costs associated with these placements were transferred to OBH/MRS, effective January 1, 2005 resulting in a significant cost savings to DHS. For FY06, DHS will examine transferring the next level of program costs. This will include programs such as drug and alcohol, mental retardation and other behavioral health programs not included in phase one that are potentially reimbursable through MA.
- Reallocate Medicaid funded intensive residential services. In FY06, funding that currently supports two existing Residential Inpatient Non-hospital Treatment (RINTs) facilities will be transitioned to Medicaid Health Choices reimbursement. This funding shift is projected to offset \$3.3 million in operating costs that are currently supported with state and City funds. These services are targeted to persons with severe behavioral health and chronic addiction issues. The ability to fund LTSRs and RINTs via Health Choices will provide greater flexibility in the development of community living supports that promote recovery and independent living. This will result in the ability to redirect county funding to

additional infrastructure and service needs, such as residential development, training, and staff recruitment and retention initiatives.

In progress

- Encourage independently elected officials to adopt cost-reduction efforts. With the help of City Council, the Administration was successful in seeking \$8.3 million in budget reductions for the First Judicial District (FJD), court-related agencies, and independently elected officials. The savings represents the independent entities' share of the overall City 5 percent reduction goal for the FY06 budget.
- Better address demands on the Fire Department. In the FY05-FY09 Plan as approved by PICA, the Administration proposed to adjust Fire Department resources to better reflect the needs of citizens, by adding eight medic units and reducing the number of engine and ladder companies by four units each, without closing any fire stations. Such changes allow the Department to better respond to the increased demand on medic units, and reflects a longterm decrease in the number of fires. In FY04, demand for medic units increased to 200,849 runs, an increase of 3 percent from FY03 and 50 percent from FY95. During the same time period, the number of structural fires declined 23 percent. The restructuring plan provided an annual cost savings of \$6.8 million to the General Fund, without the closure of any fire stations, layoffs of uniformed personnel, or impairment of fire protection services, while enhancing emergency medical services. The Department's plan was challenged in Court by the local firefighters union, IAFF Local 22, and an injunction was entered to maintain the status quo pending the outcome of grievance arbitration proceedings. An Arbitrator decided the grievance in favor of the City, and the Pennsylvania Labor Relations Board has deferred to the Arbitrator. The Union has appealed the Arbitrator's award to the Court of Common Pleas and this appeal is pending. The City filed a Motion to Dissolve the Injunction and that motion is also pending. Consistent with the current state of the case and the change in appropriations for FY06, the Fire Department is reviewing the redeployment plan.
- Provide disability insurance and reduce sick days accrued by five. Currently, City employees receive 15-20 days of sick leave annually, and may accrue up to 200 sick days. High sick leave usage results in overtime costs to cover for absent employees. In FY06, the City will implement a short-term disability program for all newly hired non-represented and exempt employees, reducing the number of sick days to six, and the maximum sick day accumulation to 18. Members of District Council 47 and District Council 33 will have the opportunity to participate in the program, which permits employees to earn two-thirds of their salary while on short-term disability leave, instead of relying on accumulated sick days, which may be insufficient to cover the length of leave required. Employees covered by the short-term disability program will receive annual sick leave benefit of six days, with a maximum accumulation of 18 days. This program is anticipated to save the City \$2.3 million each year in overtime savings.
- Implement insurance reform. Base health insurance costs are projected to grow 10 percent each year through FY10. The Administration believes that administrative reforms can be made to reduce the size of this cost increase during the Plan period. The Plan assumes that

the City will mitigate health insurance cost increases by \$5.6 million in FY07 and \$46 million over the life of the Plan by implementing reforms such as self-insurance, or consolidating prescription drug purchases. By becoming self-insured, the City would eliminate health insurance companies' administrative fees for processing medical claims from health plan recipients, while consolidating purchases would lower the City's costs by achieving volume discounts and improved terms.

- Switch from a defined pension benefit to a defined pension contribution. Under the current defined benefit system, the City guarantees a certain level of benefit to employees. The City's contribution is tied to actuarial analysis of the performance of pension fund investments and the retirement demographics of the workforce. Under a defined contribution plan, the City would set the amount of the contribution it would make for each employee, and allow the employee to choose how to invest the contribution, similar to a 401(K) plan. A study of the defined contribution and defined benefit plans began in FY05. Although the change would not result in savings in FY06, a decision to seek a defined contribution plan would resolve one of the City's long-standing structural problems.
- Transfer highway patrol function to the Commonwealth. The Commonwealth of Pennsylvania patrols state highways in every county except Philadelphia. To protect motorists within City limits, the Police Department has deployed officers to fulfill the state's responsibility. The Commonwealth has committed to assume responsibility for patrolling state highways, resulting in a savings of \$5.6 million annually. Depending on the pace of implementation by the Commonwealth, the City can fully fund the requisite number of officers during FY06.
- Continue to form Administrative Service Centers. An Administrative Service Center (ASC) consolidates administrative staffs to serve a number of related departments, known as a cluster. Instead of each department having its own personnel dedicated to administrative, personnel, and budgetary functions, department clusters "share" staff assigned to these areas. Additionally, new business process automation tools streamline paper and clerical-intensive processes, enabling departments to be served with fewer employees overall. In FY04, the first ASC was formed, consolidating the departments of Finance, Procurement and Personnel, the Office of the Treasurer and MOIS. This ASC will absorb the Revenue Department's administrative functions in early FY06. The second ASC, consisting of the Recreation Department and Fairmount Park, was also completed in FY05. Formation of the third ASC, which will include the Department of Public Property, the Capital Program Office, and the City Planning Commission, is scheduled for completion in FY06. The ASCs are projected to save \$35 million over the life of the Plan.
- Help obtain health insurance coverage for a larger percentage of Health Center
 patients. Many of the uninsured patients at City Health Centers are eligible for coverage but
 are not enrolled. In FY02, in an effort to increase the number of patients who receive health
 coverage, DPH increased the number of benefits counselors available to assist patients with
 Medical Assistance, Adult Basic, Private HMO, and Children's Health Insurance Program
 enrollment. In FY04, 17 percent of uninsured patients who received benefits counseling

were successfully enrolled in an insurance program. In FY05, one health center initiated a pilot program (self-declaration of income) with the state Department of Public Welfare and the Office of Medical Assistance that allows DPH to enroll a family in Medicaid more efficiently. It is hoped that the DPW will expand this initiative to other centers in FY06. Since FY03, the Department has decreased the number of uninsured visits to all District Health Centers from approximately 64 percent to approximately 53 percent, as of November 2004. In FY05, the department also increased the emphasis on pediatric patient coverage. since a higher percentage of children are eligible for coverage. These efforts will continue in FY06. In addition, more extensive multicultural resources will be put into place, to establish insurance coverage opportunities for patients with limited English proficiency. As a result, DPH expects the percentage of uninsured visitors to drop from 64 percent in FY02 to 51 percent by the end of FY06 and 30 percent by FY09, saving the City approximately \$4 million per year.

Optimize recreation facility expenditures. The Recreation Department currently manages 159 staffed recreation facilities, 81 pools, 5 older adult centers, and 5 ice rinks, and supports sports and cultural programs in 120 elementary, middle and high schools. In order to reduce operating costs with minimal service impact, the Department has begun an initiative to transfer, lease, or sell selected properties to interested outside parties. Properties lacking facilities or recreational use are being assessed for possible transfer or sale. To date, one facility has been transferred to a non-profit organization, which will assume responsibility for utilities costs, repairs and maintenance. Other transactions are pending. Sales are included in the City's overall asset sales portfolio.

An additional operating cost reduction strategy is the replacement of pools with "spraygrounds," which offer water recreation without standing water. A sprayground costs approximately \$125,000 to build, with operating costs that are less than half those of a pool. The Department is currently working with City Councilmembers to determine optimal locations for spraygrounds, and plans to open at least three spraygrounds during the 2005 summer season. These changes are expected to produce \$1 million annually.

- Manage the prison population. Over the past several years, the Philadelphia Prison System has worked in partnership with numerous court-related organizations to develop alternatives to sentencing people to the prison. A variety of programs have been used to divert offenders from prison to treatment and lower inmate recidivism, such as electronic monitoring, community service, drug treatment, and the Forensic Intensive Recovery program. Studies have documented that these alternatives can deter a participant's progress to more serious crimes. With the cost of housing one prisoner averaging \$87 per day, diversion programs have the potential for substantial savings. Based on current trends, the growth rate for the prison census is estimated to be about 4 percent from FY06 to FY10.
- Contain costs by continuing fleet reduction program. The City has completed the first phase of the Citywide Fleet Reduction and Containment Project. During FY05, City departments relinquished over 300 vehicles, providing annual savings of \$0.9 million, through lower fuel costs, reduced maintenance costs, nonrecurring vehicle auction revenues,

and lower parking costs. To meet employee need for access to vehicles, Fleet developed several alternative transportation programs, including mileage reimbursement, a vehicle allowance program, and the innovative car-sharing program. The fleet initiative will save a total of \$4.5 million over the next five years.

• Reconfigure programs to make them more efficient and cost-effective. The City continues to enhance service provision in order to provide programs as efficiently and effectively as possible. For example, in FY05, the methadone maintenance program treating male and female inmates addicted to heroin was transferred from the Philadelphia Prison System to OBH/MRS. This functional transfer resulted in cost reduction of about \$100,000 while the program was expanded to serve approximately 50 additional patients. Analysis has shown that providing a continuum of care for patients receiving methadone treatment helps to reduce inmate recidivism. The program reinforces the reintegration of inmates when they return to the community and resume attendance at community clinics.

Update on Strategies to Close the FY05-FY09 Budget Gap

Several initiatives were completed in FY05 that will continue to provide financial benefits to the Plan, including the following.

- Increased fees to cover costs. The City conducted a comprehensive assessment of the fees it charges for services, and has made adjustments in instances in which activity costs are not adequately covered. Adjustments include the following:
 - Increased ditch permit fees. City Council passed a ditch permit fee increase in June 2004, allowing better recovery of costs caused by increased cost of materials and labor associated with the inspection and restoration of the excavations. The fee increase is expected to provide \$305,000 in additional revenue annually.
 - Updated Emergency Management Services (EMS) fees. In FY04, the Administration increased the EMS transport fee from \$400 to \$500, to reflect the increased cost of the activity. This increase will generate \$2.3 million annually in additional revenue, and is generally paid by insurance companies.
 - Increased fees for Police incident reports. Beginning in Spring 2005, citizens were be able to access police traffic accident reports and certain types of incident reports, such as burglaries and thefts and traffic accident photographs, via www.phila.gov. To help offset the costs of providing this information, the Department of Records plans to increase fees for reports, which is expected to generate an additional \$500,000.
 - Changed food licenses fees. Beginning in FY05, the food license fee charged to food establishments was increased, generating additional revenues of \$400,000 annually.
 - Adjusted environmental health fees for licenses and services. In FY05, City
 Council approved adjustments to fees levied for certain services and the issuance of

certain licenses and permits under Health and Air Management Codes. The revised fees cover the Health Department's cost and increase revenues by approximately \$800,000.

- Enhanced code enforcement efforts. The departments of Streets and Licenses and Inspections (L&I) increased code enforcement activity in FY05. Two ordinances approved by City Council enabled this increased enforcement: The minimum fine associated with a code violation notice was increased from \$25 to \$75, and reinspection fines are now levied after the second reinspection and for all subsequent reinspections when a property owner fails to remediate a Code violation. The ordinances will enable an increase in fine revenues by \$600,000 annually.
- Fees for maps. The Philadelphia City Planning Commission formerly provided maps for developers and private interests without charge. Starting in FY05, the Commission began charging for the work performed, and expects to generate \$60,000 in revenues.
- Expansion of the Accelerated Permit Review program. The Accelerated Permit Review program allows individuals to receive expedited permits by paying an additional fee to cover the overtime cost for Department employees who review permit applications. Accelerated permits are issued within three working days, rather than an average of three to four weeks. In FY05, the Department increased the fees charged for the current activity, and expanded the accelerated service to include sprinkler, ductwork, single-family dwelling, foundation, preliminary, and use permits. An additional 700 accelerated permit review applications are expected from the program expansion, allowing for an increase in revenue of \$1.9 million in FY05.
- Securing a one-time payment from Department of Public Welfare (DPW) for Medical Assistance (MA) visits. As noted above, over the last 18 months, the Department of Public Health (DPH) has been actively working to ensure that patients at the City's health care centers sign up for the health insurance programs for which they are eligible. When clients enroll in MA, they are capitated to a physician at a health care center through a Health Management Organization (HMO), under the Commonwealth's MA managed care plan, known as HealthChoices. However, for the first 30 to 60 days, depending on the date of enrollment, clients are covered under MA fee-for-service. The City must bill the DPW directly for these costs. DPW has approved a one-time retroactive billing for all fee-for-service costs, including those which may exceed the DPW established six-month billing deadline, for which DPH may not have billed. The billing is expected to generate an estimated \$1 million in FY05.

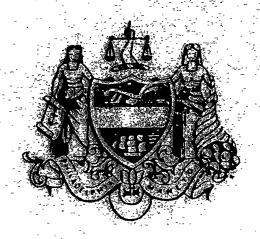
Organization of the Five-Year Plan

The FY06-FY10 Five Year Financial Plan has been restructured to highlight how City departments have aligned activities to support Administration goals. A chapter is dedicated to each of the major goals:

- Maintaining fiscal health
- Implementing neighborhood transformation and blight elimination
- Promoting economic development
- Providing high quality public education and comprehensive, coordinated social services for children, adults and families
- Enhancing public safety and quality of life for all communities

The work of all departments in the City is coordinated to achieve and support the Mayor's objectives, and this Plan documents those efforts.

City of Philadelphia



Five-Year Financial Plan

Fiscal Year 2006 - Fiscal Year 2010 (including Fiscal Year 2005)

Fourteenth Five-Year Plan for the City of Philadelphia pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act

Presented by the Mayor, January 25, 2005 Approved by City Council, June 16, 2005 Approved by PICA, July 21, 2005

CITY OF PHILADELPHIA

MAYOR

John F. Street

MAYOR'S CABINET

Joyce S. Wilkerson	,
Pedro Ramos	Managing Director
Vincent J. Jannetti	Acting Secretary of Financial Oversight/Director of Finance
	Secretary of External Affairs
Stephanie Naidoff	
Romulo Diaz	Director of Commerce/City Representative
Richard Lombardo	Acting Secretary of Strategic Planning and Initiatives/
1.5	Executive Director of City Planning Commission
Sylvester Johnson	Secretary of Public Safety/Police Commissioner
Debra Kahn	Secretary of Education
Dianah Neff	Chief Information Officer
	Secretary of Housing and Neighborhood Preservation

Budget Director Dianne E. Reed

COMMISSIONERS AND AGENCY HEADS

Lloyd Ayers
Fire Commissioner

Karen Borski
Interim Executive Director, Fairmount Park Commission

Bernard Brunwasser Water Commissioner

Julia Danzy
Director, Division of Social Services

Joan Decker Records Commissioner

John Domzalski Health Commissioner

Arthur C. Evans
Director, Office of Behavioral Health/Mental Retardation Svcs.

William Gamble Procurement Commissioner

William Grab
Director, Office of Labor Relations

Rob Hess Director of Adult Services

> Charles Isdell Aviation Director

Nancy Kammerdeiner Revenue Commissioner

Leon A. King Prisons Commissioner James Muller
Deputy Managing Director, Fleet Management

John Nacchio City Treasurer

Lynda Orfanelli Personnel Director

Cheryl Ransom-Garner
Acting Human Services Commissioner

Victor N. Richard III Recreation Commissioner

Joan Schletterbeck
Acting Public Property Commissioner

Barry Scott
Acting Director, Risk Management

Elliot Shelkrot President and Director, Free Library of Philadelphia

Patricia L. Smith
Director of Neighborhood Transformation

Robert Solvibile
Acting Licenses and Inspections Commissioner

Clarena Tolson Streets Commissioner

Richard Tustin Director, Capital Program Office

CITY OF PHILADELPHIA FIVE-YEAR FINANCIAL PLAN

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Introduction

Introduction

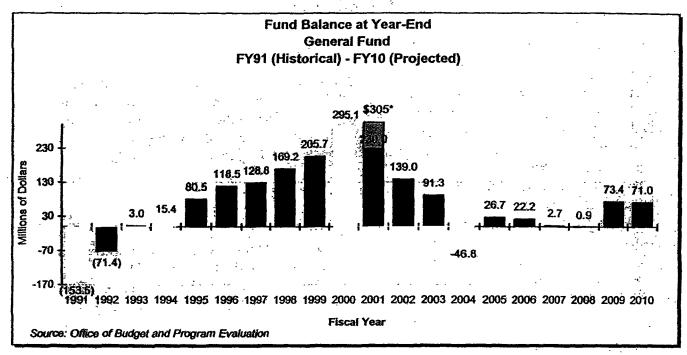
Overview

The commitments and investments the City has made in the areas of public safety, education, social services, economic development, and neighborhood transformation and blight elimination have added a new vitality and strength to the city. The FY04 annual Citizen Survey reflects the highest satisfaction levels with many City services ever recorded in the Survey's history. Operation Safe Streets has effectively reduced the open-air drug trade. With the City's leadership, the School District of Philadelphia has gone from a deficit-producing entity to one where continuous educational and financial progress is being made, attracting exciting investments from outside partners like Microsoft. The Division of Social Services established by the Mayor helps agencies to attack problems of self-sufficiency, drug and alcohol abuse, and child welfare in a systemic, coordinated way. Annual tax reductions have been implemented, which by the end of FY05 will have returned over \$1 billion to the taxpayers. The Neighborhood Transformation Initiative and the annual tax reductions have effectively raised property values in all city neighborhoods, as evidenced by dramatic increases in real estate transfer tax revenue and housing sale prices.

Protecting the City of Philadelphia's real and measurable progress requires a delicate balancing act among competing needs. Faced with a declining fund balance, dramatic increases in pension, health, and medical costs, an archaic City Charter that impedes sound management practices, an aggressive tax reduction scheme, and state intrusions on Home Rule and local governance, the City has been forced to take drastic action over the past year. In FY05, with a fund balance projection of just over \$1 million and a looming deficit projection of \$40 million for FY06, the City had no other choice but to reduce the budget through position eliminations and employee layoffs, since labor is our largest expenditure category. The July 1, 2005 budgeted workforce compliment of 22,914 leaves many City departments at their lowest staffing levels in 40 years.

In this revised FY06-FY10 Five Year Plan, the City describes the actions planned to support the Mayor's objectives, enhance Philadelphia's world-class status, and manage with less while continuing to propel the city into the future. We also recognize that significant challenges remain.

With tax cuts all but locked in over the next decade and pension obligations escalating by an average of over \$30 million each year, the Five-Year Plan is tenuously balanced, as shown in the chart on top of the next page.



^{*} The Fund Balance reduction in FY01 was primarily a result of a one-time adjustment imposed by the Government Accounting Standards Board in its Statement 33, requiring the use of the full-accrual accounting method starting that year. Without this adjustment, the fund balance would have been \$305 million.

The \$46.8 million General Fund deficit at the end of FY04 was the City's first negative fund balance in twelve years. While the deficit is primarily attributable to a delay in receiving state reimbursement for human service program costs, it is nonetheless a sign of the increasingly limited room for error in City finances. Even after the employee reduction initiative that included layoffs, the fund balance, not including the reserves identified below, is projected to be \$26.7 million and \$22.2 million in FY05 and FY06, respectively – roughly 0.6 percent of General Fund revenues. Subsequent to the passage of the FY06 budget by City Council, at the request of PICA, the City made a technical modification to revenues. The City added a revenue line item called "Revenues Reserved for PICA Concerns" that reserves an additional \$7 million in FY06 and FY07, as a contingency against shortfalls in payments from the Philadelphia Parking Authority. While the City expects to receive \$25 million of full funding, the reserve reduces the fund balance in those fiscal years, as well as cumulatively during the Plan.

The fund balance is projected to fall to \$0.9 million in FY08. Rating agencies seek, and GFOA recommends, fund balances in the 5 percent (\$100 million) to 15 percent range. The fund balance improves in FY09, due to the anticipated repayment of a \$45 million loan made to the Philadelphia Gas Works (PGW) in FY01, and restoration of PGW's customary annual \$18 million payment to the City.

The sections that follow show how the Administration will accomplish its goals with the resources at hand.

Mayor Street's Objectives

In January 2000, when Mayor John F. Street first came into office, he identified five primary objectives for his Administration:

• Maintain fiscal health
• Implement neighborhood transformation and blight alimination

- Implement neighborhood transformation and blight elimination
- Promote economic development
- Provide high quality public education and comprehensive, coordinated social services for children, adults and families
- Enhance public safety and quality of life for all communities

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The investments made over the past several years in these areas have made a remarkable impact on the city. Results from the FY04 annual Citizen Satisfaction Survey demonstrate that Administration efforts have resulted in record high satisfaction levels for core service areas, such as street repair, trash collection, library services, recreation programs, and police protection. Recent accomplishments related to these objectives include:

- Unprecedented growth in city real estate market. The City collected 89 percent more from the realty transfer tax in FY04 than it did before this Administration took office. Based on current trends, this tax increased another 38 percent in FY05, when revenue from this tax was four times as high as it was when the City began the tax reduction program in 1995. This growth is based on the improvement of real estate values in the City. For example, the average sale price of homes in Philadelphia increased by nearly 18 percent from 2001 to 2003. The level and value of real estate activity are proof that people want to invest and live in Philadelphia, and that the City's Neighborhood Transformation Initiative, targeted investment in neighborhood development programs and the strategic focus of City services are working. Land to the state of the state of
- Significant expansion of cultural developments on the Benjamin Franklin Parkway. In FY05, the Barnes Foundation received approval to move from its current location in Merion, Pennsylvania to the Benjamin Franklin Parkway. This collection of 9,000 pieces of original artwork will join other arts and culture institutions on the Parkway, including the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, the Academy of Natural Sciences, the Moore College of Art and Design, and a sculpture garden that will pave the way for the Calder Museum. Additionally, the City also moved forward with a financing plan for the expansion of the Central Library. Internationally celebrated architect Moshe Safdie will design a modern, light-filled building that will not only significantly improve library service, but also will provide the city with a major new landmark and an anchor on the revitalized Benjamin Franklin Parkway.

• Initiated plans for the Thurgood Marshall Center. In FY05, Philadelphia moved closer to achieving a two-decades-old goal to relocate the Youth Study Center (YSC) from its current structure at 20th Street and the Parkway, to a new, state-of-the-art building. Built in 1952, the YSC is no longer suitable for the provision of appropriate security, management, or care to the juveniles housed there. The new center, named the Thurgood Marshall Center, will include high-tech improvements, such as keyless doors, as well as facility space to encourage arts and recreation programs for the residents. To be built on five acres of land at 4601 Market St. in West Philadelphia, a design team has been selected and construction is expected to be complete by 2007.

These recent developments, combined with those that follow, show that Philadelphia is reaching its goal of becoming a place in great demand, attracting people to work, live, and play.

Highlighted priorities of the administration for FY06 include:

- Tax reform. The revenue-neutral proposal offered by the Administration to provide accelerated business tax relief was not adopted by City Council. City Council with the support of the Administration instead chose to enact billboard fees, fines and an excise tax, as well as close a valet parking tax loophole in the parking tax, in order to make selected program restorations to the Fire Department and Free Library, at a budget neutral level of \$7 million. In addition, the Administration recommends that if PGW repays the \$45 million loan to the City in FY09, this funding should be put towards the reduction of the net income portion of the BPT beginning in FY10. In concert with the planned eventual elimination of the gross receipts portion of the tax, this would place the City on a path to drastically reduce the burden of the BPT in a fiscally responsible manner.
- Moving forward with Wireless Philadelphia. The City's Wireless Philadelphia initiative aims to provide wireless internet access throughout the city. The project successfully cleared a hurdle in November 2004, when the City and the incumbent telephone company worked together to resolve a potential barrier presented by a newly enacted state law requiring municipalities to give a right of first refusal to the incumbent before offering wireless service to the public for compensation. The project is now free to proceed consistent with the statute. Wireless Philadelphia will work to create a digital infrastructure for open-air Internet access and help citizens, businesses, schools, and community organizations make effective use of this technology to achieve their goals while providing a greater experience for visitors to the City. The Mayor has convened the Philadelphia Wireless Executive Committee, and charged it with helping to develop a public and private partnership to extend this service to all the areas of the city by late 2006. The total cost of this initiative is \$10 million for infrastructure, and \$39 million in operating costs over the first five years, with all funding generated from private sources and revenue generation from the operating of the network. A business financing plan has been completed, and the organization begins its start-up phase early in FY06.

- Initiating New River City. The City is transforming the Delaware and Schuylkill river areas by turning acres of underutilized land into new communities of residential and commercial investment on the waterfront. Investment will increase awareness of the waterfront, stimulate economic activity, and improve the quality of life for the city and the region. In FY06, the City will purchase a surety bond to replace part of the Water Sinking Fund Reserve currently held for the water revenue bonds, and use these water capital funds for the initiative. The City will make the initial selection of New River City infrastructure projects based on allocations that maximize private sector investment, funding from other government sources, job creation, and the highest and best use of the land. In June 2005, City Council, with the support of the Administration, enacted a new, less restrictive zoning framework to support development of projects along the North Delaware River.
- Improving the inmate re-integration process. Several hundred inmates are returned to our neighborhoods each week. Inmates are people who have made mistakes and paid their debt to society. However, when they are returned to their communities, there are many job prohibitions and other restrictions, but few support networks to assist them in refashioning their lives as productive members of our community. Working with faith-based organizations, and focusing available social services safety net programs, such as substance abuse prevention programs and job training, the City will dedicate over \$3.5 million to decreasing recidivism and helping former inmates maintain themselves as productive and contributing members of their families and neighborhoods in FY06, using existing funding streams.
- Revitalizing the Navy Yard. In FY04, a master plan was unveiled that focuses on development of more than 500 acres of land and buildings at the eastern end of the Navy Yard. This plan calls for mixed-use development, offering business, housing, recreational, retail and restaurant space and will help bring a new vitality to South Philadelphia. Containing 1,200 acres of land, the Navy Yard is as large as Center City and provides a unique suburban campus feel, while also offering all the amenities of the city. The Master Plan outlines the long-term goal for development, creating the potential for 30,000 jobs and up to 5,000 residential units. The realization of the master plan will generate more than \$2 billion in private investment.

Initiatives for the FY06-FY10 Budget

Initiatives for FY06 are grouped under three main headings: Management improvements, revenue enhancements, and cost savings. New initiatives are included at the top of each section, and initiatives in progress follow, with a status update.

Management Improvements

One focus for the next few years will be how to manage at a significantly lower staffing level, while maintaining high quality City services, preparing for uncontrollable costs, and establishing the framework for the city's future. As part of the position elimination process, operating

departments reorganized their management structures, eliminating potential duplicative functions and underutilization of staff. Among the principal departmental reorganization strategies are:

New initiatives

- Consolidation of selected Streets Department functions, as follows:
 - Consolidate highway districts from 6 to 3, thereby not only reducing the number of management layers, but also achieving greater efficiency in administrative functions and highway inspection functions.
 - Consolidate the survey districts from 6 to 5, to streamline the management team.
 - Transfer the role of the drawbridge operators to the Bridge Maintenance Unit, resulting in a five-position reduction. In FY03, the operators operated the two bridges for which they had responsibility 65 times; and in FY04, the two bridges were only operated 100 times. The Department has coordinated the process with the Coast Guard, and as a result, no delays will occur even with the addition of a third bridge to operate in the coming months.

- Consolidation of Police bureaus and units, resulting in an increased span of control among the higher tiers of management in the department. The functions for three deputy commissioner positions were folded into the responsibilities of the Deputy Commissioner of Operations, reducing the number of deputy commissioners from six to four. FY06 positions for chief inspector, inspector, staff inspector, and captain will be reduced by 27 percent from July 1, 2003, consolidating the functions and responsibilities among the remaining positions. The reduction in positions will not affect the patrol function: Non-patrol staff will be redeployed to patrol as needed. No FY05 recruit hiring will be conducted to allow attrition to reduce the overall size of the police force.
- Fire Department reduction of uniformed administrative positions, and transfer of uniformed personnel into field positions. Reductions were achieved by consolidating functions under a single job title, increasing spans of control, and consolidating units to pool resources. The graphic arts unit and the visual communications unit were consolidated, resulting in a firefighter filling a vacant field position. One Deputy Chief assumed the duties of the Battalion Chief, who moved into a vacant field position.
- Recreation Department consolidation of program districts from 10 to 7. Program and
 management consolidations within the Fairmount Park Commission (FPC) have allowed
 administrative staff reductions and reduction in service costs while improving quality.
 Recently, six recreation centers and three pools were transferred from FPC to the Department
 of Recreation, resulting in greater concentration on core functions within both agencies. In
 addition, all turf maintenance will be assumed by the Park, in order to capitalize on their
 expertise.

- Licenses and Inspections pooling of clerical support across units to manage timeliness of processing documentation and compliance activities.
- Implementation of a Personnel Human Resources Information System (HRIS). The City currently employs over 400 staff who complete and route over 70 paper forms used to establish and maintain employee status records. Forms are manually entered into Central Personnel's HRIS system, which is over 25 years old and does not allow for real-time updates. In addition, many departments have stand-alone systems that do not link to Central Personnel's system. As a result, data take an average of 27 days to post, making transactions neither timely nor accurate. In FY06, Personnel will move forward with plans to replace these antiquated systems with a new Citywide HRIS system.
- Continuing to replace paper-intensive processes with automation. The City will expand use of business process automation software in FY06, deploying the system to support the Law and Revenue departments' collection efforts. The first pilot will integrate the Revenue Department's TIPS Payment Agreements into the business tax practice of the Law Department. This initial effort is estimated to cost less than \$50,000 to implement, and can be put in place in slightly over one month. Other points of business integration between the Revenue Department and the Law Department are also being considered for business automation. The improvement should result in increased revenue and payments to the City. The business process automation tool will also be integral in NTI's Vacant Property Management Information System processes for acquisition and disposition of property (for more details, please see the chapter on Implementing Neighborhood Transformation and Blight Elimination). The number of parcels of land acquired and disposed through NTI has significantly increased the workload of the Redevelopment Authority (RDA), which must manually complete the required forms under strict state redevelopment laws. Automation of these processes using the "eworks" business process automation tools will significantly improve work flow and efficiency and give the RDA greater capacity to meet the increased demand created by NTI.
- Better managing overtime costs. Beginning in FY04, the Managing Director's Office began an initiative to better control overtime through focused management approaches and by examining and addressing the drivers of overtime. One initiative has been more efficient deployment of officers called to testify at court. Through improved cooperation and coordination between the Managing Director's Office, the Police Department, the District Attorney's Office, and the court system, the City has been better able to manage and control overtime costs. In FY06, the City will fund a courtroom-based officer attendance tracking system with the potential to achieve additional savings.
- Centralizing enterprise services. For many years, the City has taken a department-based approach to information technology, resulting in stand-alone systems and scattered departmental IT staff. Support of the City's numerous IT systems can be costly and sometimes inefficient. In FY05, MOIS received a \$325,000 productivity grant to fund the preparation of detailed strategies and implementation plans for consolidation of network and

server administration, desktop support, and helpdesk service. Upon review of the plans, the City will prioritize the areas for implementation, beginning in FY06.

• Increasing efficiency through cross-training. Historically, staff in Procurement responsible for purchasing focus solely on one of two areas: (1) Services, supplies, and equipment bids, or (2) public works bids. The practice is not efficient, as it does not allow for reallocation of staff resources when fluctuations in workload between the two units occur. To improve operations, in FY05, the Procurement Department began to cross-train buyers to enable them to work across units. Cross-training will allow for a greater pool of buyers to handle bids, resulting in decreases in bid processing time. Training occurred in FY05, with staff working across units beginning in FY06.

The reduction in force of approximately 1,300 positions that accompanied the management restructuring will also result in some service reductions. Efforts were made to minimize the service impact of the reductions, with departments selecting to reduce or eliminate functions that would not present a threat to public safety or greatly reduce quality of life in the city. However, some service reductions could not be avoided and are detailed below:

- Standardization of the trash collection schedule. A small portion of the city receives trash collection twice a week. This service is costly and inefficient. Beginning in FY06, the service will be reduced to once a week, impacting 25,000 households, saving \$300,000 annually.
- Reduction of the number of buildings the Clean and Seal Unit can address. Reducing the number of units by 108, the program is expected to serve 1,100 in FY05 and FY06.

In progress

- Consolidation of Department of Public Health (DPH) laboratories. In an effort to streamline the delivery of laboratory services by combining some management and administrative functions, DPH is currently in the process of consolidating the management of its three laboratories: The Public Health Laboratory, Forensic Toxicology, and Air Management. The consolidation is projected to net an approximate savings of \$224,500 annually beginning in FY06, by eliminating three full-time equivalent positions, reducing waste disposal costs, reducing supply expenses, and reducing expenses relating to purchasing and procurement.
- Consolidation of facilities maintenance. There are over 350 City employees who perform
 facility maintenance. One-third of the maintenance workers are in the Department of Public
 Property (DPP); most are scattered throughout various departments, maintaining recreation
 centers, health centers, libraries, fire stations, and other public facilities. Departments
 included in the consolidation will begin shifting resources and responsibility to DPP during
 FY06. Centralization and more efficient deployment of staff is expected to save \$1.7 million
 through FY10.

- Centralization of warehousing and implementation of citywide inventory system. A study of warehouse and inventory management found that facility consolidation and improved inventory control has the potential to achieve a 5 percent to 10 percent reduction in inventory-related (Class 300) expenditures annually. During FY05, the City pursued plans to reorganize the function using a centralization model, and explore implementation of just-in-time purchasing. In FY06, the City will select the implementation strategy, and begin to create a centralized warehouse serving the entire city. A savings of \$4.95 million is expected through FY10.
- Implementation of a water billing system. The Water Revenue Bureau is using the Oracle 11i Enterprise Business Suite to build and support a new Customer Information System at a cost of approximately \$9 million. The implementation of the new system, known as Project Ocean, will allow the WRB to address inefficiencies in the 25-year-old billing and enforcement system. The goal is to streamline and standardize core business processes and obtain productivity efficiencies. The Revenue Department expects the billing system to be online by the end of 2005.
- Expansion of electronic bill payment through e-government transactional applications. In FY05, the City deployed an electronic bill payment tool and, for the first time, allowed residents and businesses to conduct transactions online. Currently, a visitor to www.phila.gov can use the Internet to pay water bills and school and property taxes, order and pay for copies of accident reports and property deeds from the Records Department, and obtain some types of building permits from L&I. In FY06, this enterprise capability will be further deployed in city and departmental applications. Since the capability has been deployed there have been 5,900 transactions resulting in payments to the City of \$591,000. Increased payment offerings and increased citizen awareness should increase the number of annual transactions to 30,000 in FY06, resulting in payments of \$3.0 million.
- Improvement of efficiency and customer service through L&I's implementation of software solution. By the end of FY06, the Department of Licenses and Inspections will complete the LICA project and fully implement the Hansen software application that will automate many of the currently paper-intensive processes for issuing licenses and permits. Full implementation of the LICA system will provide many efficiencies to the Department, including: Faster and more effective response to citizen complaints; better management of resources due to readily available productivity data for each employee; increased efficiencies in providing public safety and code enforcement due to reduction in lag time from inspection to entry of inspection data; and efficiencies gained from elimination of double data entry by inspectors and office staff. The total cost of the project is \$3.6 million, of which \$719,000 will be spent in FY06.

Revenue Enhancements

Revenue enhancements chiefly include the continuation of initiatives begun in FY05. The City will:

New initiative

- Provide incentives to promote citizen recycling. In October 2004, the Streets Department partnered with a non-profit organization, RecycleBank, to launch a pilot program in the Northwest section of the city aimed at increasing recycling tonnage by providing incentives to citizens who recycle. The pilot also includes the addition of plastic and corrugated cardboard to the curbside collection for approximately 6,000 homes. The program provides \$5 coupons to local stores for every 10 pounds of recycled material received per month per household. The distribution of 35-gallon wheeled containers, weighing the material, and issuing coupons to local corporate sponsors began in February 2005. If the program is implemented citywide, the City anticipates additional processing costs to be adequately covered by the following factors: An increase in recycling materials collected, thus diverting material from trash disposal; and reduced operating costs for recycling and rubbish collection, due to greater efficiencies.
- Improve regulation of billboards. Beginning in FY06, the City plans to impose licensing fees on billboard owners in order to better regulate the billboard industry and reduce the number of illegal and unlicensed billboards in the city. A new license fee will help fund the Department of Licenses and Inspections' costs for improved inspections and enforcement of billboard activity. Fees and fines will generate \$0.9 million in FY06 and \$6 million through FY10. In addition, the City will also enact a new excise tax of 7 percent on the transaction price paid by an advertising company to a sign company for the billboard advertising. The tax is projected to generate \$4.0 million in FY06, and \$21.0 million over the life of the Plan.
- Close valet parking loophole. Due to a technicality, valet parking has not been subject to
 the City's parking tax. Beginning in FY06, the City will close this loophole and valet
 parking will be subject to the same taxes as all other paid, non-metered parking in the city.
 Closing this loophole will generate an addition \$2.2 million in FY06, and \$11.6 million over
 the life of the Plan.

In progress

- Implement strategic marketing partnerships. The City is currently working with a consulting team to develop a citywide strategic marketing plan to maximize the value of private partnerships and increase revenue for City programs. Partnerships have the potential to take a variety of forms, including sponsorships, exclusivity agreements, and leasing of City assets, among others. Preliminary estimates by the City's consulting team support a revenue projection of \$23.1 million from FY06 to FY10.
- Generate revenue from surplus City properties. The City has received expressions of
 interest for a number of properties that should not be retained, either because another entity
 could better provide services at that facility, services have been eliminated at the site, or the

property is underutilized or abandoned. Based on those initial expressions of interest, the City believes that it can generate \$2 million in FY05, and an additional \$24 million through FY08.

• Increase fees to cover costs. The Administration is pursuing a variety of fee adjustments through legislation, including:

A gan permit fee. The City currently issues an average of 7,830 gun permits per year but has been permitted to charge only \$19 per permit. Of this amount, the state receives \$12.50 and the City receives \$6.50. The Police Department performed an analysis of the costs involved in processing a permit—including fingerprinting, computer checks, and multiple reviews and approvals—and found the actual activity cost is closer to \$118 per permit. The City is pursing state approval to adjust the permit cost accordingly, which would result in an additional \$300,000 in revenues annually.

- A right-of-way ordinance. During the first half of FY05, the Managing Director's Office, Streets Department, Department of Public Property, and Law Department worked with area utility and telecommunications companies to draft a Right-of-Way Ordinance that will provide regulation as well as cost recovery for managing street openings and occupancy of street rights-of-way by telecommunications and other service providers. Through the adoption of a comprehensive right of way management program, the City will be able to minimize utility street cuts; improve coordination between street maintenance and utility construction; conserve limited public right of way capacity; recover administrative, inspection and street replacement costs; and assure that the City maintains a planned, organized and efficient use of its public rights of way. This bill was approved by City Council in spring 2005 and should help the City recover \$830,000 annually.
- Seek more stringent fines. In FY05, the City obtained authority from the General Assembly to increase maximum potential fines for violations of The Philadelphia Code in general, and specific increased potential fines and other penalties for "short dumping" violations. The general fine authority increase allows the City to increase maximum fine levels (previously a \$300 maximum) by \$400 each year, up to a \$2,000 maximum. The enabling legislation also increases the potential penalties for some of the most serious violations of The Philadelphia Code, such as serious property maintenance violations (e.g., imminently dangerous buildings) and Fire Code violations (e.g., fire protections systems out of service). These changes to The Philadelphia Code will allow the City to ask the courts to impose higher fines where appropriate. In spring 2005, City Council passed enabling legislation that will implement the short dumping authorization by allowing the City to seek penalties of up to \$5,000 for, and forfeitures of any vehicle used in connection with, short dumping.
- Seek appropriate reimbursements for Department of Human Services (DHS) costs. The Administration is strongly advocating for two pieces of legislation that would result in substantial revenue increases for the City. The first bill requires both federal and state legislation, and would increase reimbursements for salaries and benefits of social workers

from 80 percent to 100 percent. The City expects full reimbursement to occur beginning in FY08, which will generate \$57.9 million through FY10. The second bill increases reimbursements for adoption subsidies and legal custodian services from 80 percent to 100 percent. The City expects to begin receiving 100 percent reimbursement beginning in FY06, which will generate \$26.1 million in revenue over the life of the Plan.

• Receive Medicaid Reimbursements for hospitalization of inmates. One of the fastest growing areas in the City's budget is the cost of medical care for immates in the Philadelphia Prison System. The Prison System's health contract has increased from under \$24 million in FY00 to over \$46 million in the FY05 budget, a 93 percent increase. One of the costs within the contract that is hardest to control is the cost of hospitalizing immates. The US Department of Health and Human Services issued a letter indicating that hospitalization costs for immates may be eligible for MA reimbursement, as long as it is not precluded by state law. Therefore hospitalization costs for immates could be eligible for reimbursement. To this end, the City has requested an opinion from the Commonwealth to confirm its understanding of state law and is working with the Commonwealth to implement this initiative. The plan assumes \$2 million annually from such reimbursements.

Cost Savings

The City will continue with many of the cost savings initiatives discussed in previous Five Year Plans. In FY06, the City will:

New initiatives

- Realign Medical Assistance (MA). Through FY06, DHS expects to transfer the responsibility to fund approximately \$45 million of treatment services to OBH/MRS which will be reimbursed through HealthChoices Medicald. For FY05, as a first step, DHS, working in conjunction with the state Department of Public Welfare (DPW) and OBH/MRS, identified provider agencies that are already MA enrolled and that have an existing relationship with OBH/MRS. Costs associated with these placements were transferred to OBH/MRS, effective January 1, 2005 resulting in a significant cost savings to DHS. For FY06, DHS will examine transferring the next level of program costs. This will include programs such as drug and alcohol, mental retardation and other behavioral health programs not included in phase one that are potentially reimbursable through MA.
- Reallocate Medicaid funded intensive residential services. In FY06, funding that currently supports two existing Residential Inpatient Non-hospital Treatment (RINTs) facilities will be transitioned to Medicaid Health Choices reimbursement. This funding shift is projected to offset \$3.3 million in operating costs that are currently supported with state and City funds. These services are targeted to persons with severe behavioral health and chronic addiction issues. The ability to fund LTSRs and RINTs via Health Choices will provide greater flexibility in the development of community living supports that promote recovery and independent living. This will result in the ability to redirect county funding to

additional infrastructure and service needs, such as residential development, training, and staff recruitment and retention initiatives.

In progress

- Encourage independently elected officials to adopt cost-reduction efforts. With the help of City Council, the Administration was successful in seeking \$8.3 million in budget reductions for the First Judicial District (FJD), court-related agencies, and independently elected officials. The savings represents the independent entities' share of the overall City 5 percent reduction goal for the FY06 budget.
- Better address demands on the Fire Department. In the FY05-FY09 Plan as approved by PICA, the Administration proposed to adjust Fire Department resources to better reflect the needs of citizens, by adding eight medic units and reducing the number of engine and ladder companies by four units each, without closing any fire stations. Such changes allow the Department to better respond to the increased demand on medic units, and reflects a longterm decrease in the number of fires. In FY04, demand for medic units increased to 200,849 runs, an increase of 3 percent from FY03 and 50 percent from FY95. During the same time period, the number of structural fires declined 23 percent. The restructuring plan provided an annual cost savings of \$6.8 million to the General Fund, without the closure of any fire stations, layoffs of uniformed personnel, or impairment of fire protection services, while enhancing emergency medical services. The Department's plan was challenged in Court by the local firefighters union, IAFF Local 22, and an injunction was entered to maintain the status que pending the outcome of grievance arbitration proceedings. An Arbitrator decided the grievance in favor of the City, and the Pennsylvania Labor Relations Board has deferred to the Arbitrator. The Union has appealed the Arbitrator's award to the Court of Common. Pleas and this appeal is pending. The City filed a Motion to Dissolve the Injunction and that motion is also pending. Consistent with the current state of the case and the change in appropriations for FY06, the Fire Department is reviewing the redeployment plan.
- Provide disability insurance and reduce sick days accrued by five. Currently, City employees receive 15-20 days of sick leave annually, and may accrue up to 200 sick days. High sick leave usage results in overtime costs to cover for absent employees. In FY06, the City will implement a short-term disability program for all newly hired non-represented and exempt employees, reducing the number of sick days to six, and the maximum sick day accumulation to 18. Members of District Council 47 and District Council 33 will have the opportunity to participate in the program, which permits employees to earn two-thirds of their salary while on short-term disability leave, instead of relying on accumulated sick days, which may be insufficient to cover the length of leave required. Employees covered by the short-term disability program will receive annual sick leave benefit of six days, with a maximum accumulation of 18 days. This program is anticipated to save the City \$2.3 million each year in overtime savings.
- Implement insurance reform. Base health insurance costs are projected to grow 10 percent each year through FY10. The Administration believes that administrative reforms can be made to reduce the size of this cost increase during the Plan period. The Plan assumes that

the City will mitigate health insurance cost increases by \$5.6 million in FY07 and \$46 million over the life of the Plan by implementing reforms such as self-insurance, or consolidating prescription drug purchases. By becoming self-insured, the City would eliminate health insurance companies' administrative fees for processing medical claims from health plan recipients, while consolidating purchases would lower the City's costs by achieving volume discounts and improved terms.

- Switch from a defined pension benefit to a defined pension contribution. Under the current defined benefit system, the City guarantees a certain level of benefit to employees. The City's contribution is tied to actuarial analysis of the performance of pension fund investments and the retirement demographics of the workforce. Under a defined contribution plan, the City would set the amount of the contribution it would make for each employee, and allow the employee to choose how to invest the contribution, similar to a 401(K) plan. A study of the defined contribution and defined benefit plans began in FY05. Although the change would not result in savings in FY06, a decision to seek a defined contribution plan would resolve one of the City's long-standing structural problems.
- Transfer highway patrol function to the Commonwealth. The Commonwealth of Pennsylvania patrols state highways in every county except Philadelphia. To protect motorists within City limits, the Police Department has deployed officers to fulfill the state's responsibility. The Commonwealth has committed to assume responsibility for patrolling state highways, resulting in a savings of \$5.6 million annually. Depending on the pace of implementation by the Commonwealth, the City can fully fund the requisite number of officers during FY06.
- Continue to form Administrative Service Centers. An Administrative Service Center (ASC) consolidates administrative staffs to serve a number of related departments, known as a cluster. Instead of each department having its own personnel dedicated to administrative, personnel, and budgetary functions, department clusters "share" staff assigned to these areas. Additionally, new business process automation tools streamline paper and clerical-intensive processes, enabling departments to be served with fewer employees overall. In FY04, the first ASC was formed, consolidating the departments of Finance, Procurement and Personnel, the Office of the Treasurer and MOIS. This ASC will absorb the Revenue Department's administrative functions in early FY06. The second ASC, consisting of the Recreation Department and Fairmount Park, was also completed in FY05. Formation of the third ASC, which will include the Department of Public Property, the Capital Program Office, and the City Planning Commission, is scheduled for completion in FY06. The ASCs are projected to save \$35 million over the life of the Plan.
- Help obtain health insurance coverage for a larger percentage of Health Center patients. Many of the uninsured patients at City Health Centers are eligible for coverage but are not enrolled. In FY02, in an effort to increase the number of patients who receive health coverage, DPH increased the number of benefits counselors available to assist patients with Medical Assistance, Adult Basic, Private HMO, and Children's Health Insurance Program enrollment. In FY04, 17 percent of uninsured patients who received benefits counseling

were successfully enrolled in an insurance program. In FY05, one health center initiated a pilot program (self-declaration of income) with the state Department of Public Welfare and the Office of Medical Assistance that allows DPH to enroll a family in Medicaid more efficiently. It is hoped that the DPW will expand this initiative to other centers in FY06. Since FY03, the Department has decreased the number of uninsured visits to all District Health Centers from approximately 64 percent to approximately 53 percent, as of November 2004. In FY05, the department also increased the emphasis on pediatric patient coverage, since a higher percentage of children are eligible for coverage. These efforts will continue in FY06. In addition, more extensive multicultural resources will be put into place, to establish insurance coverage opportunities for patients with limited English proficiency. As a result, DPH expects the percentage of uninsured visitors to drop from 64 percent in FY02 to 51 percent by the end of FY06 and 30 percent by FY09, saving the City approximately \$4 million per year.

• Optimize recreation facility expenditures. The Recreation Department currently manages 159 staffed recreation facilities, 81 pools, 5 older adult centers, and 5 ice rinks, and supports sports and cultural programs in 120 elementary, middle and high schools. In order to reduce operating costs with minimal service impact, the Department has begun an initiative to transfer, lease, or sell selected properties to interested outside parties. Properties lacking facilities or recreational use are being assessed for possible transfer or sale. To date, one facility has been transferred to a non-profit organization, which will assume responsibility for utilities costs, repairs and maintenance. Other transactions are pending. Sales are included in the City's overall asset sales portfolio.

An additional operating cost reduction strategy is the replacement of pools with "spraygrounds," which offer water recreation without standing water. A sprayground costs approximately \$125,000 to build, with operating costs that are less than half those of a pool. The Department is currently working with City Councilmembers to determine optimal locations for spraygrounds, and plans to open at least three spraygrounds during the 2005 summer season. These changes are expected to produce \$1 million annually.

- Manage the prison population. Over the past several years, the Philadelphia Prison System has worked in partnership with numerous court-related organizations to develop alternatives to sentencing people to the prison. A variety of programs have been used to divert offenders from prison to treatment and lower inmate recidivism, such as electronic monitoring, community service, drug treatment, and the Forensic Intensive Recovery program. Studies have documented that these alternatives can deter a participant's progress to more serious crimes. With the cost of housing one prisoner averaging \$87 per day, diversion programs have the potential for substantial savings. Based on current trends, the growth rate for the prison census is estimated to be about 4 percent from FY06 to FY10.
- Contain costs by continuing fleet reduction program. The City has completed the first phase of the Citywide Fleet Reduction and Containment Project. During FY05, City departments relinquished over 300 vehicles, providing annual savings of \$0.9 million, through lower fuel costs, reduced maintenance costs, nonrecurring vehicle auction revenues,

and lower parking costs. To meet employee need for access to vehicles, Fleet developed several alternative transportation programs, including mileage reimbursement, a vehicle allowance program, and the innovative car-sharing program. The fleet initiative will save a total of \$4.5 million over the next five years:

• Reconfigure programs to make them more efficient and cost-effective. The City continues to enhance service provision in order to provide programs as efficiently and effectively as possible. For example, in FY05, the methadone maintenance program treating male and female inmates addicted to heroin was transferred from the Philadelphia Prison System to OBH/MRS. This functional transfer resulted in cost reduction of about \$100,000 while the program was expanded to serve approximately 50 additional patients. Analysis has shown that providing a continuum of care for patients receiving methadone treatment helps to reduce inmate recidivism. The program reinforces the reintegration of inmates when they return to the community and resume attendance at community clinics.

Update on Strategies to Close the FY05-FY09 Budget Gap

Several initiatives were completed in FY05 that will continue to provide financial benefits to the Plan, including the following.

- Increased fees to cover costs. The City conducted a comprehensive assessment of the fees it charges for services, and has made adjustments in instances in which activity costs are not adequately covered. Adjustments include the following:
 - Increased ditch permit fees. City Council passed a ditch permit fee increase in June 2004, allowing better recovery of costs caused by increased cost of materials and labor associated with the inspection and restoration of the excavations. The fee increase is expected to provide \$305,000 in additional revenue annually.
 - Updated Emergency Management Services (EMS) fees. In FY04, the
 Administration increased the EMS transport fee from \$400 to \$500, to reflect the
 increased cost of the activity. This increase will generate \$2.3 million annually in
 additional revenue, and is generally paid by insurance companies.
 - Increased fees for Police incident reports. Beginning in Spring 2005, citizens were be able to access police traffic accident reports and certain types of incident reports, such as burglaries and thefts and traffic accident photographs, via www.phila.gov. To help offset the costs of providing this information, the Department of Records plans to increase fees for reports, which is expected to generate an additional \$500,000.
 - Changed food licenses fees. Beginning in FY05, the food license fee charged to food establishments was increased, generating additional revenues of \$400,000 annually.
 - Adjusted environmental health fees for licenses and services. In FY05, City Council approved adjustments to fees levied for certain services and the issuance of

certain licenses and permits under Health and Air Management Codes. The revised fees cover the Health Department's cost and increase revenues by approximately \$800,000.

- Enhanced code enforcement efforts. The departments of Streets and Licenses and Inspections (L&I) increased code enforcement activity in FY05. Two ordinances approved by City Council enabled this increased enforcement: The minimum fine associated with a code violation notice was increased from \$25 to \$75, and reinspection fines are now levied after the second reinspection and for all subsequent reinspections when a property owner fails to remediate a Code violation. The ordinances will enable an increase in fine revenues by \$600,000 annually.
- Fees for maps. The Philadelphia City Planning Commission formerly provided maps for developers and private interests without charge. Starting in FY05, the Commission began charging for the work performed, and expects to generate \$60,000 in revenues.
- Expansion of the Accelerated Permit Review program. The Accelerated Permit Review program allows individuals to receive expedited permits by paying an additional fee to cover the overtime cost for Department employees who review permit applications. Accelerated permits are issued within three working days, rather than an average of three to four weeks. In FY05, the Department increased the fees charged for the current activity, and expanded the accelerated service to include sprinkler, ductwork, single-family dwelling, foundation, preliminary, and use permits. An additional 700 accelerated permit review applications are expected from the program expansion, allowing for an increase in revenue of \$1.9 million in FY05.
- Securing a one-time payment from Department of Public Welfare (DPW) for Medical Assistance (MA) visits. As noted above, over the last 18 months, the Department of Public Health (DPH) has been actively working to ensure that patients at the City's health care centers sign up for the health insurance programs for which they are eligible. When clients enroll in MA, they are capitated to a physician at a health care center through a Health Management Organization (HMO), under the Commonwealth's MA managed care plan, known as HealthChoices. However, for the first 30 to 60 days, depending on the date of enrollment, clients are covered under MA fee-for-service. The City must bill the DPW directly for these costs. DPW has approved a one-time retroactive billing for all fee-for-service costs, including those which may exceed the DPW established six-month billing deadline, for which DPH may not have billed. The billing is expected to generate an estimated \$1 million in FY05.

Organization of the Five-Year Plan

The FY06-FY10 Five Year Financial Plan has been restructured to highlight how City departments have aligned activities to support Administration goals. A chapter is dedicated to each of the major goals:

- Maintaining fiscal health
- Implementing neighborhood transformation and blight elimination
- Promoting economic development
- Providing high quality public education and comprehensive, coordinated social services for children, adults and families
- Enhancing public safety and quality of life for all communities

The work of all departments in the City is coordinated to achieve and support the Mayor's objectives, and this Plan documents those efforts.



Fiscal Health

Maintaining Fiscal Health

Since the City's brush with fiscal crisis in the early 1990s, Philadelphia has taken major steps toward addressing its fiscal challenges. The City has significantly increased the efficiency of service delivery. Taxes have been reduced to spur economic development. State and federal reimbursement for the cost of redistributive social services has increased dramatically. Strategic investments in neighborhoods, cultural institutions, the tourism sector, and waterfronts have begun to pay off. Despite these achievements, however, the basic structural nature of the City's financial challenge remains: A weak tax base, a high tax burden, escalating costs, high service responsibilities, and low state financial support.

The City's \$46.8 million General Fund deficit at the end of FY04 was the first negative fund balance in twelve years. While this deficit was primarily attributable to a delay in receiving state reimbursement for human service program costs, the negative General Fund balance was nonetheless a sign of the increasingly limited room for error in City finances. The City is currently projecting a positive fund balance of \$26.7 million at the end of FY05, an amount less than 0.8 percent of total General Fund revenues. The FY06-10 Plan projects positive balances at the end of each fiscal year, but these balances are small in comparison to the large surpluses the City achieved during the economic boom of the late 1990s. Since it is unlikely that the City will experience revenue growth significantly above inflation during the life of the Plan, particularly when growth is offset by annual tax rate reductions that accelerate in FY10, it is clear that budget balance can only be maintained if creative cost-cutting initiatives are implemented and tight spending controls remain in place.

The discussion of the City's fiscal health in this chapter is organized as follows. The first section describes the causes of the City's current fiscal stress. The second section describes factors that pose a risk to the City's ability to achieve budgetary balance over the life of the Plan. The third section contains an analysis of the structural roots of the City's financial challenges. The fourth section contains an analysis of each of the City's major tax revenue sources, with revenue projections for each source for FY06 through FY10.

Causes of the City's Current Fiscal Stress

The principal causes of the City's fiscal distress are weak economic growth, rapidly escalating pension costs, increasing labor costs, increasing criminal justice costs, and legally obligatory and accelerating tax reductions, as discussed below.

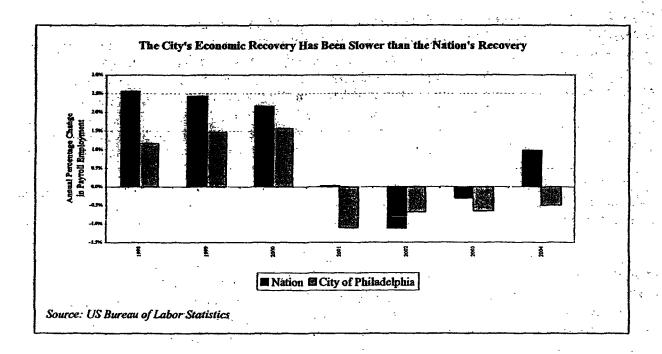
Weak Economic Growth

After three years of positive employment growth in 1998, 1999, and 2000, Philadelphia employment has declined each year since, with declines of 1.1 percent in 2001, 0.7 percent in 2002, and 0.7 percent in 2003, according to the US Bureau of Labor Statistics. Data available through November of 2004 suggest that Philadelphia employment will decline an additional 0.5 percent in 2004. The downturn in the city's economic performance since 2000 has resulted in

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modest revenue growth for most of the City's major tax sources. Low tax revenue growth over the past four years is a primary source of the City's current fiscal stress.

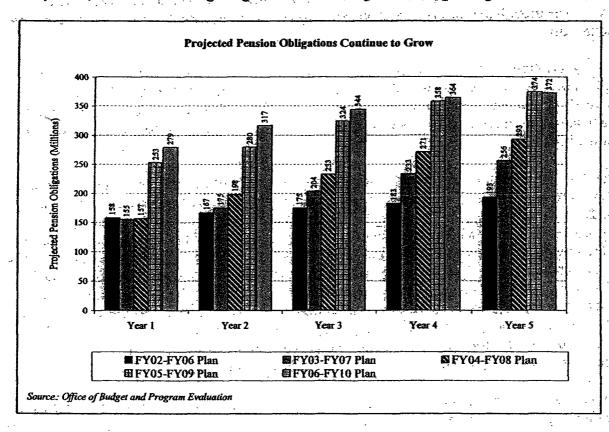
Over the past three decades, Philadelphia employment growth has lagged national employment growth. Since 1998, however, the city's employment performance has more closely tracked national employment trends, with the annual gap between city and national employment growth never exceeding 1.5 percentage points. This represents a considerable improvement over prior trends. Nonetheless, Philadelphia's recovery from the national recession that began in early 2001 has been less rapid than the national recovery. The city's employment trend in 2004, in particular, failed to improve significantly, despite a significant improvement at the national level.



Rapidly Escalating Pension Costs

The slowdown in the economy has also indirectly had a negative effect on the City's pension costs. The New York Stock Exchange Index dropped by 33 percent from September 2000 to March 2003, when a sustained recovery began. This precipitous loss in equity values has forced the City to contribute significantly more from its General Fund in order to meet its pension obligations. The sustained downturn in the market prevented the City's pension fund from attaining its earnings assumptions of 9 percent in each of the past four completed fiscal years. The value of the City's pension fund lost 6 percent in FY01 and another 5.2 percent in FY02 before earning 2.9 percent in FY03, still well below the 9-percent goal. While the fund had a 16.6 percent return on market value of assets in FY04, the actuarial value of assets increased only 1.3 percent, due to recognition of prior year asset losses. As a result of lower than expected average earnings over the past four fiscal years, the City must contribute more from the General Fund to the pension fund to ensure that it can make payments to retirees and maintain a relatively flat stream of payments.

The City shifted its funding policy for the FY04-FY08 Plan to the "minimum municipal obligation" (MMO) required by state law to meet future unfunded pension liabilities. At that time, the shift to the MMO policy reduced the amount the City's actuary projected that the General Fund would have to contribute to the pension fund by \$245 million from FY04 through FY08. Nevertheless, the poor earnings of the past several years have caused the General Fund pension contribution to escalate dramatically, and forced severe cuts in more discretionary General Fund expenditures. The figure below shows the increase in projected pension obligations that has occurred between the FY02-FY06 Plan and the current Plan. Even maintaining the shift to the MMO funding policy for the current Plan, the City is projecting \$800 million more in pension obligations in the FY06-FY10 Plan than was projected in the FY02-FY06 Plan, before the earnings target was consistently missed beginning in FY01



The dramatic increase in pension obligations effectively decreases the City's ability to provide funding for other services while maintaining a tax reduction program. Pension obligations represented 6.9 percent of General Fund revenues in FY02. By FY10, total pension obligations, including debt service on bonds issued in 1999 to pay off the unfunded accrued pension liability, will represent 12.4 percent of projected General Fund revenues. The proportion of General Fund revenues allocated to pension and health and medical obligations is projected to increase from 13.4 percent in FY02 to 22.5 percent in FY10, an increase of more than 9 percentage points. The rapid growth in employee benefit costs, which is largely outside the control of City

policymakers, represents a significant fiscal constraint. The 9 percentage point increase in the share of the budget allocated to employee benefits significantly reduces the level of revenue available to fund other programs, compared to the funding level that would have been available if the growth in the cost of employee benefits had not exceeded overall General Fund revenue growth.

Increasing Labor Costs

Personnel costs account for 58.2 percent of the FY05 General Fund budget. Increasing peremployee compensation costs in recent years have presented a serious problem for City finances. From FY01 through FY05, the average annual increase in compensation per General Fund employee is estimated at 5.4 percent, well in excess of inflation and General Fund revenue growth. The growth in employee compensation has been driven largely by growth in employee benefits costs.

The City negotiated new four-year contracts with AFSCME District Councils 33 and 47 in FY01. Those costs were manageable at the time they were negotiated, within the context of historical tax revenue growth and pension costs. Since FY01, however, depressed tax revenue growth and sharp increases in pension costs have made it more difficult to accommodate labor contract increases.

The FY03-FY04 contract awarded to the Fraternal Order of Police (FOP) included a 3 percent salary increase in FY03 and a 3.5 percent increase in FY04. In addition, the arbitration panel awarded an unprecedented 37 percent increase in the City's required health and medical contribution for FY03, with an additional 10 percent increase for FY04. The arbitration award for the International Association of Firefighters (IAFF) for FY03-FY05 included salary increases of 3 percent in FY03, 3.5 percent in FY04, and 3 percent in FY05. Again, the health benefits provisions of the IAFF award were more costly to the City, with a 37 percent increase in the monthly per employee health benefits contribution in FY03, and 10 percent increases in FY04 and FY05. In addition, the collective bargaining agreements with District Councils 33 and 47 for FY05-FY08 include, for FY05, a \$750 per employee one-time bonus, as well as a 10 percent increase in the per employee contribution to union health care funds.

These contract awards, primarily the provisions regarding employee benefits, have resulted in significant growth in per employee compensation over the past five fiscal years, and significantly impact the City's ability to maintain service levels and financial stability in the context of a slow-growing revenue base.

Increasing Criminal Justice Costs

The increasing cost of providing criminal justice services has outpaced the growth of the General Fund as a whole from FY96 to FY05. Obligations for the District Attorney, Juvenile Justice Services, the Police Department, the Philadelphia Prison System, and the Sheriff's Office have increased by 59.9 percent, from \$516.8 million in FY96 to an estimated \$826.4 million in FY05,

while the rest of the General Fund has increased by only 35.4 percent, from \$1.9 billion in FY96 to an estimated \$2.6 billion in FY05. This dedication of resources was partially spurred by the addition of 753 on-street police officers through the 1994 federal Crime Bill, which required the City to gradually assume the full cost of all Crime Bill officers by FY02.

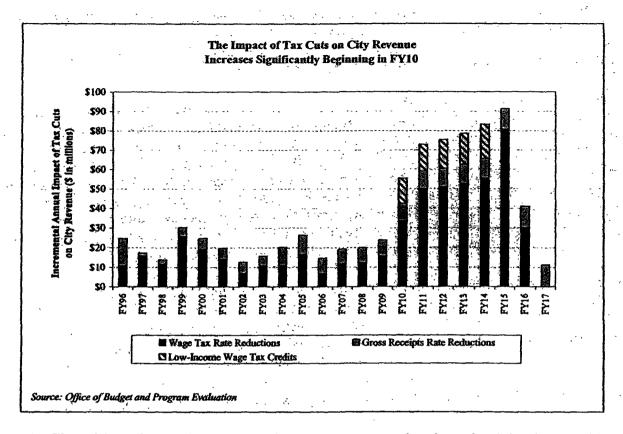
In recent years, the successes of increased law enforcement activity have caused rippling effects throughout the criminal justice system. Increased arrests resulted in increased court costs and court-related overtime for police, and a skyrocketing prison population. The average prison census increased 34 percent from FY97 to FY02. Much of the increase in the prison census has been due to increased arrests and enforcement in narcotics. Operation Safe Streets was designed to improve the quality of life in city neighborhoods by permanently removing drug dealers from city streets and reducing drug-related crimes. Operation Safe Streets has resulted in increased police expenditures and drug and alcohol treatment in the short term, but the long-term goal is to focus on crime prevention and reduce the costs of enforcement and incarceration.

Reductions in prisons admissions since the inception of Operation Safe Streets in May 2002 suggest that the program is having its intended effect: prison admissions declined from 35,559 in FY02 to 32,311 in FY04, reflecting a reduction in admissions for drug-related offenses. The City is projecting annual growth in the prison population of 4.8 percent over the life of the Plan, a reduction from past trends. Lower growth in the prison population will result in substantial cost savings in salaries and overtime, food service, and prison health care costs. The Administration has also taken steps to reduce the growth of criminal justice costs through reductions in police overtime.

Legally Required and Accelerating Tax Reductions

Wage and business privilege tax rates were reduced in FY05, the tenth consecutive fiscal year of City wage and Business Privilege Tax (BPT) reduction. At the time the tax reduction program was initiated in FY96, the intention was that the City would plan to enact annual, incremental tax cuts that were credible and not threatening to the City's hard-won fiscal stability or service levels. Since that time, the annual wage tax and BPT cuts have remained at a scale that the City could manage, even within the context of a slow-growing, recessionary economy. The incremental impact of each year's tax cuts on City revenues through the current fiscal year has generally been between \$15 and \$30 million per year.

However, as a result of Bill 040397, enacted June 10, 2004, and Bill 040607, enacted July 1, 2004, future tax cuts and credits will have a far more substantial impact on City revenue collections beginning in FY10. In each fiscal year from FY10 to FY15, the incremental impact of wage and BPT reductions is projected to exceed \$70 million, more than twice the maximum annual impact of tax reductions in any year up to this point. The increased annual impact results from two factors: Much more rapid reductions in the wage tax rate than have occurred to this date, and the implementation of a wage tax credit program for low-income city residents. The dramatic increase of the pace of tax reductions that will result from the 2004 legislation is a severe financial challenge to the City, as shown in the figure below.



The City will continue to be challenged by revenue constraints in maintaining balanced budgets and delivering services at the current level, in the face of the dramatic curtailment of the revenue base that the 2004 wage tax legislation creates.

In this context, it is relevant to note that the average annual increase in City tax revenue between FY00 and FY04 was \$63 million. The incremental impact of tax cuts mandated under current law from FY10 to FY15 could exceed \$70 million each year. Thus, tax cuts mandated under current legislation could lead to a nominal revenue decline in some or all fiscal years during the FY10 through FY15 period. In light of the many rapidly growing expenditure obligations, such as debt service and health and pension obligations, such a scenario, if occurring, would be fiscally insupportable.

The combined result of these impacts on the City's fiscal health, most of which lie outside the Administration's control, is operating deficits in four years of the Plan: FY06, FY07, FY08, and FY10. These financial constraints, given mandated tax cuts, mean that the City has little latitude for financial contingencies and may well have to continue workforce reductions and other significant cost savings initiatives, if it is to avert another negative fund balance and maintain financial health.

Risks to the Plan

Risks to the Plan include potential additional tax reductions, future health and medical costs, SEPTA's unresolved systemic financial difficulties, the fiscal challenges of PGW, and the necessity of continuing to identify target budget reductions.

Potential Additional Tax Reductions

The wage tax reductions and credits mandated under Bills 040607 and 040397 will improve the competitiveness and the equity of the City's tax system, but they also pose a major challenge to the City's fiscal stability. Any further significant reductions beyond those already legislated and included in this Plan have the potential to turn a challenging situation into an untenable one. The potential for further legislated tax reductions represents a major risk to the Plan. The City's position is that any further tax reductions must be fully funded by specific new sources of revenue or changes in the City's service responsibilities. Further unfunded tax reductions are simply not justified at this time. Should changes occur that significantly improve the City's financial condition, the Administration would support tax reductions that go beyond those currently contained in the Plan. However, without a significant increase in the current and projected General Fund balance, the Administration does not support tax reductions that are not offset by specific actions to reduce expenditures and increase revenues from the level in the current Plan.

Consistent with this position, the Administration's original FY06 budget recommendation included a proposal to accelerate previously planned reductions in the rate of the gross receipts portion of the BPT, with the revenue losses from this tax reduction fully offset by increased revenues from a proposed increase in the parking tax rate from 15 percent to 20 percent. The Administration believes that this proposal was sound strategy to improve the competitiveness of the City's tax structure without threatening the fiscal stability of City government. The budget finally adopted by City Council on June 2, 2005 does not include this proposal. As a result, the BPT gross receipts tax reductions in this Plan are projected to continue at the same pace as in the FY05-FY09 Plan. Under this schedule of rate reductions, the gross receipts portion of the BPT is on track for elimination by 2020.

The FY06-FY10 Plan does include additional tax revenue from two tax initiatives that were adopted by City Council, with the support of the Administration. These initiatives expand the base of the parking tax to include valet parking and impose a new excise tax on outdoor advertising. The revenue from these tax initiatives will be utilized to fund selected Free Library and Fire Department program restorations. The combined package of additional tax revenue and program restoration is budget neutral.

The Administration remains committed to fiscally responsible approaches to reducing the burden of the BPT. A recent proposal for more aggressive BPT reductions, Bill 040767A, was not supported by the Administration because it was not coupled with proposals to generate additional tax revenue to offset the fiscal impact of the Bill. Given the City's current and projected financial condition, additional tax cuts that are not accompanied by offsetting revenue pose an

unacceptable risk to the City's financial stability, absent a significant improvement in the City's current and projected fund balance.

Future Health and Medical Costs

Uncertainty surrounds the cost of employee health and medical benefits during the Plan period. In the most recent arbitration panel award to the FOP, salary increases were fixed through FY08, while health benefit costs were determined for only the first year of the four-year contract award. Under the award, FOP health care costs are fixed at \$898 per employee per month in FY05, but future costs will be determined by reopening bargaining for the FY06-FY08 period. During this re-opener, strategies for containing health care costs are being considered, as well as the City's ability to pay. Similarly, contracts recently negotiated with AFSCME District Councils 33 and 47 also specify salary increases through FY08, while the cost of employee health care is determined for only the first two years of the four-year contracts. Health care costs for DC 33 and DC 47 for FY07 and FY08 will be determined only after further negotiation, which are to include similar considerations as stated above for the Police. There is also uncertainty regarding health benefit costs for the City's unionized firefighters, with the current IAFF contract expiring at the conclusion of FY05.

The result is substantial uncertainty regarding the cost of health care benefits over the term of the Plan. Given the rapid rate of annual increases in health care costs, which is a national phenomenon, the lack of fixed agreements concerning per-employee contributions to union health care funds is a risk to the Plan.

SEPTA's Financial Crisis

Recurring financial problems at the Southeastern Pennsylvania Transportation Authority (SEPTA) pose a serious risk to Philadelphia's economy, the tax base, and the financial stability of City government. SEPTA service is critical to the economy of Center City, whose attractiveness as a business location is due, in part, to a comprehensive network of public transportation service linked to points throughout the region. Philadelphia's health care and hospitality sectors, both increasingly important components of the city economy, are heavily dependent on the access provided by SEPTA for their workers and customers. SEPTA service is also essential to the quality of life of city residents, bolsters the value of residential property throughout Philadelphia, and promotes self-sufficiency for thousands of city residents who depend on public transportation to access employment opportunities.

In fall 2004, SEPTA proposed to address a \$70 million deficit in the FY05 operating budget through drastic service cuts and fare increases. These measures would have seriously harmed SEPTA's revenue base and the economy of the city and region. SEPTA's proposals, fortunately, were not implemented due to additional state funding announced by Governor Rendell in February. The Governor made available to state transit agencies an additional \$412 million for FY05 through FY07 as a result of higher than expected federal appropriations and additional state funding. SEPTA is expected to receive an additional \$265.7 million over the period as a result of the Governor's action. This new funding allowed SEPTA to avoid service cuts and fare

increases in FY05, and should be sufficient to allow the Authority to maintain service and fare levels for the immediate future.

Nonetheless, to ensure the financial stability of SEPTA and other transit agencies across the Commonwealth over the long term, new sources of dedicated transit funding are required. Unless the state acts to address the long-term funding problems at SEPTA, the potential for reductions in service and fare increases remains a risk to the economy of Philadelphia and the financial stability of City government.

SEPTA's fares are already among the highest in the nation. In comparison to other major public transportation agencies, SEPTA's base cash fare for subways, light rail, and bus service is the highest in the country. Any significant fare increase would not only place Philadelphia even further out of step with transit fare levels in other cities, it would also be counterproductive in the long run to SEPTA. Research on SEPTA's regional rail system by economist Richard Voith suggests that in the long run a 1 percent increase in fares leads to an approximate 1 percent decrease in ridership. The implication is that in the long run, SEPTA may realize no net increase in revenue by increasing fares.

The City urges state policymakers to enact a package of new, dedicated funding sources that will provide needed revenue to transit providers across the state. Funding sources should be adequate to meet current needs and designed to increase with inflation so that they provide a long-term financial solution. Given the City's current and projected fiscal condition, any public transportation funding solution developed in Harrisburg should have no net impact on the level of City financial support for SEPTA.

Financial Difficulties of the Philadelphia Gas Works

The Philadelphia Gas Works (PGW), the largest municipally owned gas utility in the nation, encountered cash flow problems and long-term financial uncertainty in recent years as a result of numerous internal and environmental challenges. Problems included management instability and poor customer service, costly and inflexible labor agreements, and failure to receive timely and adequate rate relief from the Pennsylvania Public Utility Commission (PUC). As a result, the City was forced to loan PGW \$45 million in FY01 in order to provide sufficient cash for operations until PUC rate relief took effect. In 2004, the City also agreed to release PGW from its legal obligation to pay the General Fund \$18 million per year, for five years from FY04 through FY09, to help improve the financial situation at the Gas Works.

In recent years, stable, effective management, enhancements to customer service and the billings and collections systems, as well as improved labor agreements, have contributed to improved finances and cash flows at PGW. Bill collection rates improved in FY05 as a result of collections process reengineering and the mild winter weather to date, which has resulted in lower gas consumption and billings. In addition, natural gas prices, which surged from FY02 to FY04, dropped considerably in early 2005, reducing PGW costs. The Plan assumes that PGW's annual \$18 million payment to the General Fund will resume in FY09, and that PGW will also repay its

\$45 million loan in FY09. PGW's ability to make these payments is dependent on the continuation of recent improvements in management and financial performance.

The Challenge of Continuing to Identify Target Budget Reductions

The current Plan continues the City's recent practice of including, over the last four years of the Plan, future budget reductions not tied to savings from specific initiatives. The City has successfully implemented future "target" reductions for eleven years now, but it is increasingly difficult to accomplish the reductions without impacting services. Most departments cut their personnel budgets by 1.5 percent in both FY01 and FY02 and by 2.5 percent in FY04. In FY05, departmental personnel budgets were cut by an additional 5 percent. Departmental personnel costs have been reduced by 5 percent again as part of the FY06 budget proposed as part of this Plan. Continuing to achieve unspecified future budget reductions while maintaining services to the citizens of Philadelphia is a \$60 million risk in the current Plan.

Structural Financial Challenges

The array of public responsibilities the City is obligated to meet, in comparison to the typical local government in this country, or even the typical large city, is far from ordinary. The City faces the responsibility to provide basic local government services, as well as a significant array of social services that are typically the responsibility of state government. At the same time, Philadelphia's needed level of services, both basic municipal services and social services, is elevated as a result of high crime and poverty rates. Philadelphia's high tax burden and current financial challenges are rooted in the City's broad service responsibilities, limited state funding, and relatively weak tax base.

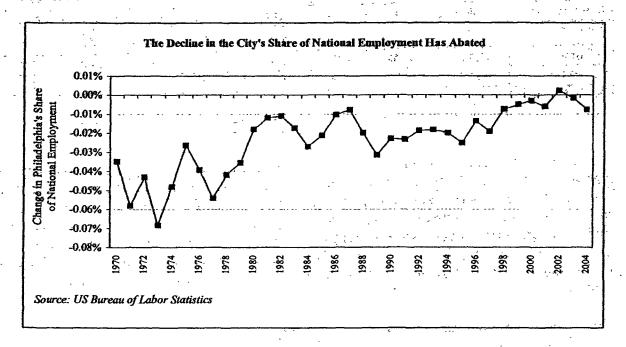
The City's structural financial challenge is evident from demographic and economic trends, comparisons with other large cities, comparisons with other Pennsylvania counties, and long-term workforce trends, which are discussed in the sections below.

Demographic and Economic Trends

While Philadelphia's population and employment levels have declined substantially in recent decades, the rate of decline has gradually moderated. According to the US Census Bureau, the city's population declined 13.4 percent in the 1970s, 6.1 percent in the 1980s, and 4.3 percent in the 1990s. This gradual improvement in performance is also characteristic of city employment trends. US Bureau of Labor Statistics (BLS) data indicate that, after declining by 15.1 percent in the 1970s, Philadelphia-based employment declined only 4.5 percent in the 1980s and 6.8 percent in the 1990s. The most recent data show the city's population declining 2.5 percent from 2000 to 2003; and employment declined 2.4 percent over the same period. While these trends suggest an increase in the rate of job and employment loss over the average annual declines of the 1990s, the increase is likely due to the recessionary trends of the period, and is not a reversal of the trend over the past three decades toward lower annual rates of population and employment decline. The overall trend of improving performance since 1970 suggests that Philadelphia may

soon arrive at a period of population and employment stability. Long-term trends do provide a basis for cautious optimism about Philadelphia's economic future.

The positive overall trend in the Philadelphia's economy is evident by tracking the annual change since 1970 in the city's share of national payroll employment, as estimated by BLS. While the city's share of national employment has generally declined over the period, the pace of decline has gradually improved over the past 34 years. In fact, annual reductions in the city's share of US employment since 1998 have been below 0.01 percentage points, as shown in the chart below.



While the data do not show growth, they do suggest that the city is approaching a period of stability. The long-term trend suggests that Philadelphia is regaining its competitiveness as a residential and business location.

Nonetheless, the population of Philadelphia remains economically disadvantaged. As shown in the table below, the median household income in Philadelphia declined, after adjusting for inflation, by 9.3 percent between 1989 and 2002, and remains below the level in nearby suburban counties, the state and the nation. The city's 2002 poverty rate of 20.3 percent did decline slightly from the 1989 level, but remains well above state and national rates.

	1990 Population (000s)	2003 Population (000s)	% Change	1989 Median Household Income	2002 Mediau Household Inçonse	% Change	1989 Poverty Rate	2002 Poverty Rate
Philadelphia	1,586	1,479	-6.7%	32,554	29,540	-9.3%	20.9%	20.3%
Bucks County	541	613	13.3%	61,374	61,230	-0.2%	4.0%	4.9%
Chester County	376	457	21.5%	59,168	67,790	14.6%	5.2%	4.8%
Delaware County	548	554	1.2%	51,748	49,981	-3.4%	6.6%	8.0%
Montgomery County	678	771	13.7%	58,532	64,808	10.7%	4.0%	4.9%
Pennsylvania	11,882	12,365	4.1%	41,541	42,043	1.2%	10.4%	10.0%
United States	248,710	290,789	16.9%	41,937	42,409	1.1%	12.8%	12.1%

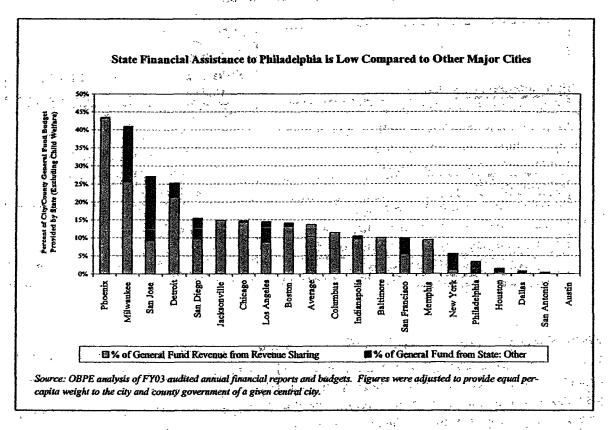
High poverty, low household income, and gradual population and employment losses have been a primary cause of the City's financial stress in recent years. High poverty rates result in high need for a variety of social services that the state mandates the City to provide. Low household income levels result in a weak tax base. The City's high overall tax burden reflects the combined impact of high service needs, state mandates to provide a wide range of services, and a weak tax base. Despite the gradual improvement in the city's basic demographic and economic indicators, Philadelphia's continuing economic disadvantage relative to the state and the nation remains an obstacle to the City's fiscal stability.

Philadelphia's Structural Fiscal Challenges Compared to Other Large Cities

Philadelphia's relatively weak tax base is put under pressure by high service needs and low state fiscal support. A 2004 Brookings Institution report noted, "In short, both the revenue-raising capacity and the expenditure needs of cities are powerfully shaped by state policies." Much attention has been paid in recent years to Philadelphia's relatively high local tax rates, but far less attention has been paid to the conditions that create it. Philadelphia's tax rates are determined in large part by demographics and fiscal institutions, including service responsibilities and intergovernmental financial aid. As the same Brookings report stated, "In their definitive analysis of urban fiscal conditions, Ladd and Yinger (1989) differentiate between the fiscal health of cities based on their socioeconomic condition and their 'actual' fiscal health taking into account fiscal institutions, which are mostly determined by state laws."

Comparing Philadelphia, a combined city and county government, to the other largest cities and their overlapping county government, illustrates that Philadelphia is challenged both by its socioeconomic condition and by its fiscal structure, including the challenges posed by high service needs and low state fiscal support. Analysis of the financial reports of the 20 largest cities and their overlapping county governments illustrates that Philadelphia has the widest range of service mandates by the state government and the lowest amount of general revenue sharing

support among its peers. Among Philadelphia's peers in these cities, Pennsylvania and Texas are the only states that do not provide any general revenue sharing to local governments. Even Illinois, which has a low income tax rate comparable to Pennsylvania's, manages to share a fixed portion of state income and sales taxes with local jurisdictions such as Chicago. When excluding child welfare revenue (because it is a local government responsibility in only five of the cities analyzed), only 3 percent of the City's General Fund revenue is received from the state, compared to a nationwide average of 14 percent, as shown in the chart below. Here too, only the cities in Texas ranked lower. The data clearly indicate that local tax burdens would have to be higher in Philadelphia, to compensate for a comparative lack of state fiscal support for service delivery, even if the service responsibilities were the same across these cities.



However, despite this low state fiscal support, Philadelphia's local service responsibilities are actually broader than average. Pennsylvania is one of only 12 states to have county-administered child welfare programs, rather than state administration. Although the cost of programs in Philadelphia is primarily reimbursed by the state, the City carries over \$40 million in local expenditures for these services each year, in addition to the long-term pension obligations for over 1,800 employees. These are costs that 15 of Philadelphia's peer cities do not bear at all at the local level. Pennsylvania's legislature continues to ignore the directive of the state Supreme Court that the court system should be state-administered and state-funded, costing Philadelphia over \$117 million per year in net local expenditures, including benefits. New York City and the City of Boston, in contrast, operate under state-administered and state-funded unified court

systems, and therefore avoid these expenditures. Philadelphia's peers in Baltimore and Boston are also fortunate enough to have their local prison systems funded by the state, which would save Philadelphia roughly \$210 million per year, including benefits.

The City could reduce tax rates dramatically if inequities in state fiscal support and service responsibilities were addressed. If Philadelphia received the average general revenue sharing enjoyed by its peers on a per-capita basis, it would receive over \$235 million per year, and be able to largely eliminate the business privilege tax. The following table illustrates the financial impact of policy changes that would more closely align Philadelphia's service and financial responsibilities with other cities, and the impact on City taxes.

Risçal Support Category	Net Impact to City of Philadelphia Budget	Peer Cities that Receive this Support
State General Revenue Sharing (1)	\$236,758,055	
State-Administered Child Welfare System	40,540,000	
State Funded Unified Court System		New York, Boston
State-Funded Local Jails/Prisons		Baltimore, Boston
Total Fiscal Support	604,478,262	
Possible Allocation of Fiscal Support		;
Elimination of the Business Privilege Tax	315,113,000	
20 Percent Reduction in Wage Tax Rates	289,365,262	• • • • • • • • • • • • • • • • • • • •
Total Allocation of Fiscal Support	604,478,262	

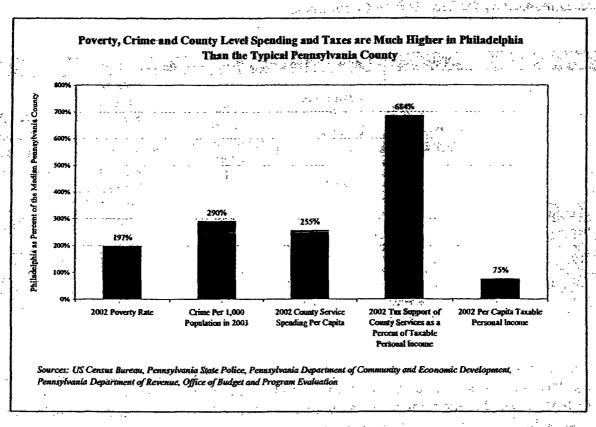
⁽¹⁾ At comparable per-capita average of \$156

Philadelphia's Structural Fiscal Challenges Compared to Other Counties in Pennsylvania

Pennsylvania gives local governments a high level of service responsibility but limited financial support. Counties are required to administer not only local judicial and corrections systems, but also an array of social programs including child welfare, juvenile justice, and public health services. Funding for many of these programs is minimal, and if significant, is not explicitly targeted to reduce fiscal disparities. In addition, state funding supports a relatively low share of the costs of public education. The state-local fiscal structure in Pennsylvania works to the detriment of urban areas across the state. But the impact is greatest by far in the Commonwealth's largest urban center, the City of Philadelphia.

Philadelphia, as the only city-county in the Commonwealth, is uniquely disadvantaged by the state's fiscal structure. Philadelphia is the only entirely urbanized county in the Commonwealth, according to the US Census Bureau's definition of urbanized area. Throughout the rest of Pennsylvania, the burden of financing county level services is spread widely across areas of high and low social need and fiscal capacity. Only in Philadelphia are the burdens of financing county level services concentrated entirely on the urban population.

According to the Census Bureau, Philadelphia's 2002 poverty rate of 20.3 percent is 197 percent of that in the median county in the state. According to Pennsylvania State Police uniform crime reports, there were 54.5 Part I crimes per 1,000 residents in Philadelphia in 2002, nearly three times the level of the median Pennsylvania county. Philadelphia's high poverty and crime rates translate into a higher need for county level services. Based on county expenditure data compiled by the state Department of Community and Economic Development (DCED), and an analysis by the Philadelphia Office of Budget and Program Evaluation (OBPE), the City spent \$1,555 per resident in FY02 for county level services, 255 percent of the median Pennsylvania county, as shown in the chart below.



Because state funding for county provided services is limited and not designed to equalize county tax burdens, Philadelphia's higher county service expenditures are reflected in a high level of local tax support for these services. Based on county tax collection data from DCED and state Department of Revenue data on taxable personal income, OBPE estimates that in FY02, Philadelphia tax collections supporting county services were 6.57 percent of personal income, nearly seven times (684 percent) the median county in Pennsylvania.

Philadelphia's relatively weak tax base also serves to increase its effective tax rate required to support county level services. According to state Department of Revenue data, Philadelphia's taxable personal income per capita in 2002 was only 75 percent of the median Pennsylvania county.

The implications of Philadelphia's high tax burden to support county level services are significant. If Philadelphia's county level tax burden in FY02 had been at the median of the other 66 counties in the state, the City would have been able to reduce taxes by \$882 million, or 40 percent. In this case, the City could have eliminated the Business Privilege Tax and reduced the resident and non-resident wage, earnings, and net profits taxes by 45 percent. The resident wage tax rate could have been reduced to 2.5 percent, and the non-resident rate to 2 percent. The City could have adopted a tax structure that is significantly more competitive than even that recommended by the Tax Reform Commission.

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	Poverty Rate (2002)	Crime Per 1,000 Population (Part 1 Offenses, 2003)	County Service Spending Per Capita (2002)	County Service- Related Taxes as a Percentage of Taxable Personal Income (2002)	Taxable Personal Income Per Capita (2002)
Philadelphia	20.3%	54.5	\$1,555	6.57%	\$10,568
Pennsylvania C	ounties Other than P	hiladelphia			
Minimum	4.8%	9.2	\$236	0.55%	\$11,226
Median	10.3%	18.8	\$610	0.96%	\$14,147
Maximum	15.2%	38.5	\$1,147	2.03%	\$32,022

Source: US Census Bureau, Pennsylvania State Police, Pennsylvania Department of Community and Economic Development, Pennsylvania Department of Revenue, Office of Budget and Program Evaluation.

The explanation for much of the tax disparity between Philadelphia and other locations within the state and across the county is structural. High tax rates result in large part from the city's high poverty and crime rates, weak tax base, as well as state policy mandating significant service responsibility to counties with limited financial support.

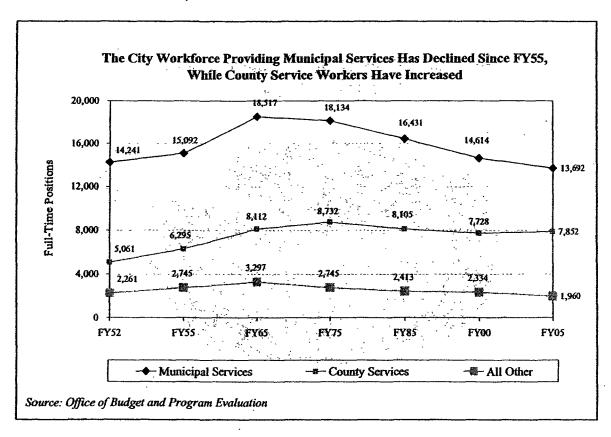
Managing the Size of the City's Workforce

The City's current fiscal condition has required difficult decisions to reduce services and cut the workforce when cost savings through greater efficiencies were not possible. The City's General Fund workforce as of September 30, 2004 was 23,542, lower than it had been for much of the past fifty years, and 3.6 percent below FY02. This reduction has been achieved through a hiring freeze, cuts to departmental budgets, and the DROP retirement program. The City projects full-time General Fund positions will be further reduced to 22,639 by the end of FY05.

Historical analysis of the City's workforce indicates that the City has successfully controlled expenditures and staffing for basic municipal services over time. The number of full-time General Fund employees providing direct municipal services declined 9.3 percent from FY55 to FY05, with a decrease of 39.3 percent over this period, excluding Police positions. The number of municipal service positions per 1,000 residents has increased from 7.3 in FY55 to 9.2 in FY05. However, the increase has primarily been driven by increases in per capita Police Department positions. When Police positions are excluded, total full time positions providing municipal services decreased from 4.9 per 1,000 residents in FY55 to 4.1 per 1,000 residents in FY05.

Staffing and expenditures for county functions, which are less discretionary than municipal functions due to federal and state mandates and increasing joblessness and poverty rates, have been more difficult to control. The number of full-time General Fund employees providing direct county services increased by 24.7 percent from FY55 to FY05. This represents an increase from 3.0 positions per 1,000 residents in FY55 to 5.3 positions per 1,000 residents in FY05.

The number of full-time positions in all other agencies, including central administrative services, decreased by 28.6 percent from FY55 to FY05. This decline has kept pace with the decrease in the city's population, with the number of positions per 1,000 residents decreasing slightly from 1.35 in FY55 to 1.32 in FY05, as shown in the chart below.

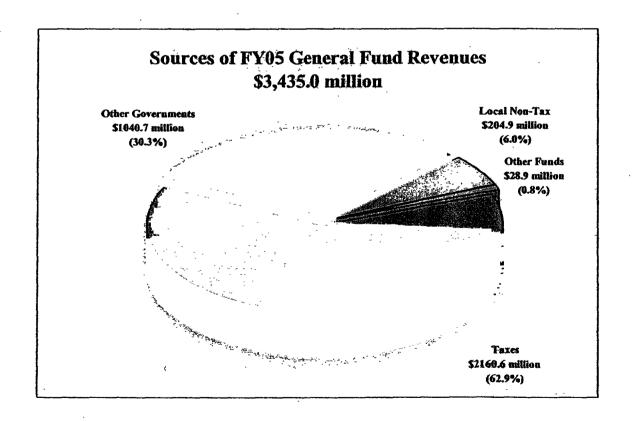


One key to the City's ability to handle budgetary pressure is the health of its revenues. The remainder of this chapter will discuss General Fund revenues.

General Fund Revenues

The General Fund projected FY05 revenues of \$3,435.0 million are divided into four major categories, as shown in the chart below:

- Taxes (62.9 percent of the estimated FY05 total).
- Revenues from other governments (30.3 percent), which consist primarily of federal and state reimbursements for the costs of social service programs and the Pennsylvania Intergovernmental Cooperation Authority (PICA) City Account revenues. PICA City Account revenues are monies collected from the PICA wage, earnings, and net profits tax, after deductions for PICA debt service and expenses.
- Locally generated non-tax revenues (6.0 percent), which include various fees, fines, and charges assessed by the City.
- Revenues from other funds (0.8 percent), which are primarily payments to the General Fund by the Water and Aviation funds, for services performed by other City agencies.

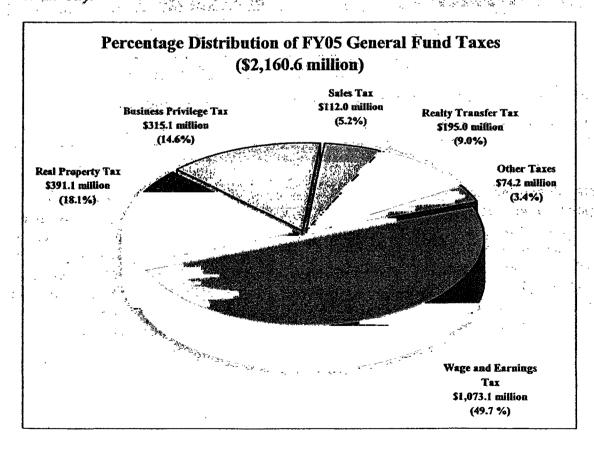


General Fund revenue growth exceeded inflation in every fiscal year since FY92, with the exception of FY02, after adjusting for the effects of deductions for PICA debt service and nonrecurring revenues. Revenues, excluding the effects of PICA debt service and non-recurring revenues, increased by an average of 4.2 percent from FY91 through FY04, well above the regional inflation rate of 2.5 percent. A major reason that revenue growth exceeded inflation over that period was a significant increase in revenue from other governments, mainly from the federal Temporary Assistance for Needy Families Block Grant and state and federal child 一、一块的工作的特殊强强 网络马克姆姆 welfare funding programs. Statement South

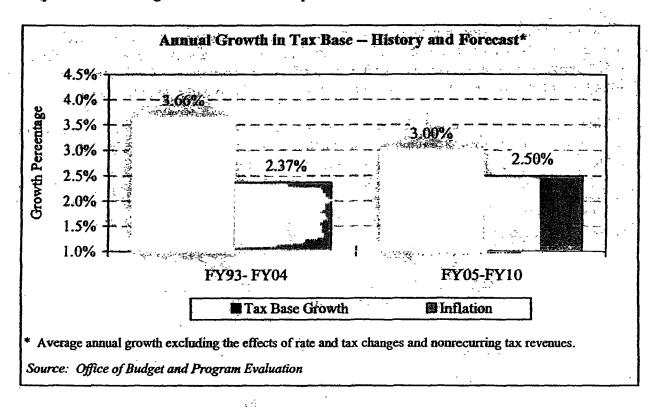
Taxes

The City's principal taxes are the wage and earnings tax, the real property tax, the business privilege tax, the sales tax, and the real estate transfer tax. The wage tax alone, not including the PICA portion of the tax, accounts for 50 percent of tax revenues and, as the following chart indicates, the five principal taxes together generate over 96 percent of total tax revenues.

Additionally, the City received \$285.0 million in FY04 from the PICA tax, which is a portion of tax collections equaling 1.5 percent of wages and net profits earned by city residents. Monies remitted to the City for the PICA wage and earnings and net profits tax are not considered City tax revenues, but are classified as revenue from other governments. The revenues of the PICA tax secure the debt PICA incurred when it borrowed money on the City's behalf in FY91, FY92 and FY93, and covers PICA debt service and operating expenses, with the remaining funds paid to the City.



Philadelphia's tax base – its tax revenues adjusted for rate and tax changes and non-recurring tax revenue – grew from FY93 to FY04 at an average annual rate of 3.66 percent. The growth rate was greater than the 2.37 percent regional rate of inflation during the same period, likely as a result of the sustained national economic expansion and a surge in realty transfer tax revenue at the end of the period. As the following chart shows, this Five-Year Plan assumes that the tax base will grow slightly better than inflation, averaging 3.0 percent from FY06 to FY10, compared to an average inflation rate of 2.5 percent.



The Plan assumes that tax revenue growth will average 1.9 percent annually over the FY04-FY10 period, a rate considerably below the assumed inflation rate of 2.5 percent. The relatively low rate of tax revenue growth over this period reflects a projected slight decline in tax revenue in FY06 and slow growth in FY10. In FY06, tax revenues are projected to decline slightly from the FY05 level, due to the impact of wage tax cuts and the expectation that realty transfer tax collections will decline to a level more consistent with the historical base. In FY10, tax revenue is projected to increase by only 0.3 percent, due to a particularly large projected wage tax rate reduction, and the implementation of a new wage tax credit for low-income city residents.

Wage and Earnings Tax

The wage and earnings tax is the City's largest source of tax revenue, projected to account for approximately 50 percent of total tax revenue in FY05. It consists of a 2.831 percent tax on the wages of city residents — who also pay the 1.5 percent PICA wage tax for a total wage tax rate of 4.331 percent — and a 3.8197 percent tax on non-residents working inside Philadelphia. These rates were reduced on January 1, 1996, on each July 1st from 1996 through 2003, and on January 1, 2005, as the first ten steps in the City's incremental tax reduction program. Prior to January 1, 1996, the rate was 4.96 percent for city residents (including the PICA tax) and 4.3125 percent for non-residents.

The Plan takes into account the continuation of the City's incremental wage tax reduction plan through FY10, under Bill 040607. This legislation requires that the resident wage tax rate be further reduced to 4.301 percent and the non-resident rate be reduced to 3.7716 percent, effective January 1, 2006. The wage tax rate will be further reduced to 4.0158 percent for residents and 3.6046 percent for non-residents by fiscal year 2010, as shown in the table below.

		idents	Non-P	lesidents
Fiscal Year ²	Rate	Change from FY95 Rate	Rate .,	Change from FY95 Rate
1995	4.9600%	e 15,50	4.3125%	
1996	4.8600%	-2.02%	4.2256%	-2.02%
1997	4.8400%	-2.42%	4.2082%	-2.42%
1998	4.7900%	-3.43%	4.1647%	-3.43%
1999	4.6869%	-5.51%	4.0750%	-5.51%
2000	4,6135%	-7.00%	4.0112%	-7.00%
2001	4.5635%	-8.00%	3.9672%	-8.00%
2002	4.5385%	-8.50%	3.9462%	-8.50%
2003	4.5000%	-9.27%	3.9127%	-9.27%
2004	4.4625%	-10.03%	3.8801%	-10.03%
2005	4.3310%	-12.68%	3.8197%	-11.42%
2006	4.3010%	-13.29%	3.7716%	-12,54%
2907	4.2600%	-14.11%	3.7557%	-12.91%
2008	4.2190%	-14.94%	3.7242%	-13.64%
2009	4.1690%	-15.95%	3.6850%	-14.55%
2010	4.0158%	-19.04%	3.6046%	-16.42%
Total Reduction, 1995-2010		-19.04%	- 5, 55	-16.42%

^{1.} Projected rates for 2006-2010 are based on legislated reductions under Bill 040607. They do not include the potential additional wage tax rate reductions made possible by state fiscal assistance for tax reform.

² The FY96 reductions took effect January 1, 1996. The reductions for fiscal years 1997 through 2004 took effect on the first day of the fiscal year, July 1. The reduction for fiscal year 2005 took effect on January 1, 2005. Reductions for fiscal years 2006 through 2010 will take effect on January 1 of each fiscal year.

On July 4, 2004, the Governor approved HB2330 and SB100, which will provide funding for the implementation of statewide tax reform that will have a dramatic impact on the City's wage tax rate, helping Philadelphia become more competitive. The following table shows the projected wage tax rate assuming \$101.1 million in annual funding to the City for tax reduction beginning in 2007. This funding is essential for the City's overall tax reform strategy. It will provide for additional wage tax cuts beyond the level legislated under Bill 040607.

	Res	<u>idents</u>	Non-Residents			
Fiscal Year	Rate (Proposed FY07-FY10)	Change from FY95 Rate	Rate (Proposed FY07-FY10)	Change from FY95 Rate		
2007	3.8475%	-22.43%	3.6400%	-15.59%		
2008	3.8105%	-23.18%	3.6094%	-16.30%		
2009	3.7653%	-24.09%	3.5714%	-17.18%		
2010	3.6269%	-26.88%	3.4935%	-18.99%		
Total Reduction, 1995-2010		-26.88%		-18.99%		

Due to uncertainty surrounding the timing of state tax reform aid, the Plan's revenue projections do not assume any additional wage tax rate reductions due to state tax reform aid, or the corresponding state aid that will make these reductions possible. This assumption does not impact the total Plan revenue projections. Any state tax reform aid received by the City for wage tax reduction is to be revenue neutral, due to the requirement that the City reduce the wage tax in an amount corresponding to the additional state tax reform aid received.

The following table illustrates how employment and average wage per employee – the two key variables considered in formulating the City's revenue forecasts – changed in FY04, from FY99 through FY04, and from FY94 through FY04.

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	FY03-04	FY99-04	FY94-04			
Wage and Earnings Tax Base (1)	4.50%	3.40%	3.70%			
Non-agricultural Payroll Employment (Phila. city)	-0.80%	-0.10%	-0.20%			
Average Wage/Employee (Phila. city)	5.30%	3.50%	3.90%			
Consumer Price Index (Phila. region)	2.70%	2.50%	2.30%			

1. The PICA wage tax is included in the base for comparative purposes. The base is also adjusted to reflect changes in tax rates.

Source: U.S. Bureau of Labor Statistics and Pennsylvania Department of Labor and Industry

Payroll employment declined by an average of 0.2 percent per year from FY94 through FY04. Annual declines occurred in most fiscal years over the past decade, with the exception of FY98, FY99, and FY00. Since FY00, fiscal year average employment has again begun to decline, with losses from FY01 to FY04. The average wage per employee increased by 5.3 percent in the last

year, 3.5 percent per year over the past five years, and by 3.9 percent per year over the past ten years. These wage increases have offset declining employment, leading to an increase in the wage tax base over the past decade. The wage tax base increased at an average annual rate of 3.7 percent over the FY94-04 period. Between FY03 and FY04, the wage tax base increased at a relatively high 4.5 percent. The growing wage tax base has helped to reduce the revenue impact of the incremental wage tax cuts over the period.

The following table shows the assumptions underlying the Plan's wage tax forecast. Average wage-per-employee growth is projected at 3.5 percent in FY06, 3.75 percent in FY07, and 4.0 percent annually from FY08 through FY10. Employment is projected to remain unchanged over the FY06-FY10 period. Accordingly, the base of the wage tax—wages and salaries of Philadelphia residents and Philadelphia-based employees—is projected to grow by between 3.5 percent and 4.0 percent annually over the life of the Plan. This level is consistent with the average annual growth over the FY94-FY04 period. The table below also presents the impact of future tax cuts under Bill 040607 on the tax base.

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		FY06.5	TY07;	- TV08	TCY/19	AY10
	Avg. Wage/Employee Growth	3.5%	3.75%	4.0%	4.0%	4,0%
4:	Employment Change	0.0%	0.0%	0.0%	0.0%	0.0%
=	Gross Growth Forecast	3.5%	3.75%	4.0%	4.0%	4.0%
-	Effect of Tax Cut	-2.22%	<u>-1.10%</u>	-1.12%	<u>-1.37%</u>	-3.89%
=	Net Growth Forecast	1.28%	2.65%	2.88%	2.63%	0.11%

After accounting for the impact of Bill 040607, current wage tax revenues are projected to grow between 1 and 3 percent annually during the FY06-FY09 period, and 0.11 percent in FY10. Actual wage tax collections for FY01 through FY04, as well as projected collections through FY10, are presented in the table below.

	Hist	ory				-	Forec	ast		·				
	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10				
PICA Wage Tax	262.5	268.1	273.4	276.8	286.5	296.5	307.6	319.9	332.7	346.0				
City Wage Tax	1,047.2	1,006.0	1,013.4	1,049.6	1,073.1	1,086.7	1,114.9	±1,146.5	1,176.1	1,164.4				
Total Wage Tax	1,309.7	1,274.1	1,274.1	1,326.4	1,359.6	1,383.2	1,422.5	1,466.4	1,508.8	1,510.4				
Growth		-2.7%	0.0%	4.1%	2.5%	1.7%	2.8%	3.1%	2.9%	0.1%				
Tax Rates	· · · · · · · · · · · · · · · · · · ·		·			• • • • • • • • • • • • • • • • • • • •			***************************************					
Resident	4.56%	4.54%	4.50%	4.46%	4.33%	4.30%	4.26%	4.22%	4.17%	4.02%				
Non-resident	3.97%	3.95%	3.91%	3.88%	3.82%	3.77%	3.76%	3.72%	3.69%	3.60%				

Actual wage tax collections, including both the City and PICA wage tax, declined 2.7 percent in FY02. Taking into account the impact of one-time accruals in FY01, actual wage tax collections growth was 1.2 percent on an adjusted basis, still well below historical patterns, and reflective of the weak FY02 economy and the impact of tax cuts. Wage tax collections were unchanged between FY02 and FY03, again a reflection of the economic recession. Collections in FY04, however, increased 4.1 percent, an indication of the gradually recovering Philadelphia economy.

Based on actual collections through the first six months of FY05, collections are projected to increase 2.5 percent in FY05. The Plan projects that total City and PICA wage tax collections will increase by an average annual rate of 2.2 percent from FY04 to FY10. This average growth rate reflects the impact of particularly low rates of growth in FY06 and FY10, due to a particularly large impact of tax cuts in those years.

Real Property Tax

The real property tax is the General Fund's second largest source of tax revenue, accounting for an estimated \$391.1 million in FY05, or 18.1 percent of total tax revenue. The tax is levied on behalf of both the School District and the City's General Fund at a combined rate of 8.264 percent of the assessed value of residential and commercial property. Of this rate, for FY02 and prior years, the General Fund's share was 3.745 percent and the School District's was 4.519 percent. For FY03 through FY09, the General Fund share is 3.474 percent and the School District with \$25 million of the \$45 million in additional annual funding the City pledged to provide to the District as part of its School District agreement with the state.

Residential assessments, including condominiums, account for approximately two-thirds of all real property tax revenue, while commercial assessments provide the remaining third. Each November, the Board of Revision of Taxes (BRT) certifies what it believes the assessments will be in the upcoming tax year. As the year progresses, BRT adjusts the assessments because of additions to the tax rolls and reductions in assessments that it grants in response to requests from commercial and residential property owners, as well as Court of Common Pleas decisions on assessment appeals. The Revenue Department's net billings for each year reflect these adjustments. As the following table shows, real estate net billings have steadily increased in recent years.

	1999	2000	2001	2002	2003	2004	2005
Certified Assessments	9,241	9,452	9,741	10,159	10,621	10,946	11,031
Growth Over Prior Year	+0.4%	+2.3%	+3.1%	+4.3%	+4.5%	+3.1%	+0.8%
Adjustments	(61)	(70)	(62)	(160)	(235)	(250)	N/A
Net Billings	9,180	9,382	9,679	9,999	10,386	10,696	N/A
Growth Over Prior Year	+1.0%	+2.2%	+3.2%	+3.3%	+3.9%	+3.0%	N/A

Since 1999, the real estate market has seen dramatic increases in value in many locations throughout Philadelphia. Low mortgage interest rates, and increased investor confidence in the city, have contributed to increased property demand and value. The City's Neighborhood Transformation Initiative has also contributed to the citywide increase in property values through its strategically targeted investments in neighborhoods throughout Philadelphia. The BRT has increased assessments since 1999 to keep pace with market conditions and to achieve its mandate to place fair and equitable market values on every property in the city.

The table below presents actual real property tax collections from FY01 to FY04, and projected collections through FY10.

		Real	Property	day Re	venue Hisi	ory and	and the second second		<u> </u>	
	Maryanas neggi i 19 gi 10	Histo	ry				Forec	ast		BOTH STEELS
	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Current.1	325.8	333.2	329.4	332.6	337.1	346.3	359.6	368.4	377.4	385.8
Prior ²	37.6	40.4	31.7	45.1	: 4 54.0	48.0	48.0	48.0	48.0	48.0
Total	363.4	373.6	361.1	377.7	391.1	394.3	407.6	416.4	425.4	433.8
Growth		2.8%	-3.3%	4.6%	3.5%	0.8%	3.4%	2.2%	2.2%	2.0%

The decline in current collections from FY02 to FY03 is due to the School District millage transfer.

Structured tax lien sale proceeds are included in prior year history as follows: FY01 \$9.0 million and FY02 \$7.9 million.

Source: Office of Budget and Program Evaluation

Collections in FY02 increased 2.8 percent, a reflection of the 3.3 percent increase in net billings in 2002, shown above. Revenues decreased 3.3 percent in FY03, despite a 3.9 percent increase in net billings in 2003, due to the transfer of a portion of the real estate tax rate from the City to the School District of Philadelphia. Real estate tax revenues returned to positive growth in FY04, reflecting the continued increase in adjusted assessments.

The Plan projects that current real estate tax collections will increase at an average annual rate of 2.5 percent over the FY04-FY10 period, consistent with the Plan's assumed inflation rate. Prior collections are projected to increase significantly in FY05, due to a joint collections project of the Law and Revenue departments. As a result of the continuation of this project, prior year collections are projected to continue a historically high level of \$48 million annually during the FY06-FY10 period. However, collections are not expected to reach the level projected for FY05 due to the anticipated receipt of a number of unusually large real estate tax settlements during the current fiscal year. The Plan projects that combined current and prior real estate tax revenues will increase at an annual average rate of 2.3 percent for the period from FY04 to FY10.

Business Privilege Tax

The business privilege tax (BPT) is the General Fund's third largest tax revenue source, contributing an estimated \$315.1 million in FY05, or 14.6 percent of tax revenue. The BPT is a composite tax on net income and gross receipts, which varies depending on industry classification. The current standard rates are 0.19 percent on gross receipts and 6.5 percent on net income, although there are numerous exceptions. Regulated industries, such as financial institutions and public utilities, are taxed at the lesser of either 0.19 percent of receipts or 6.5 percent of net income. Non-regulated industries — such as manufacturers, wholesalers, and retailers — can opt for an alternative tax on receipts that permits subtracting certain product and labor costs from receipts, for purposes of their tax calculation.

As part of the first ten phases of the City's multi-year incremental tax reduction program, the rate on the gross receipts portion of the BPT was reduced annually, from 0.325 percent before the program started in FY96 to 0.19 percent in FY05. In addition, in 1996 the tax cut program also changed the methodology for calculating a firm's tax liability by double-weighting the gross receipts factor in the BPT's net income calculation. This change in methodology has reduced the liability of firms located in Philadelphia. There are three factors used in determining the percentage of net income attributable to Philadelphia operations: Property, payroll, and receipts. Before January 1, 1996, each factor was equally weighted. The revised calculation was particularly beneficial to firms that have large property holdings and large employee contingents in the city.

The City's Regional Economic Models, Inc. (REMI) model, a survey conducted by the Commerce Department, and discussions with economists show that the gross receipts portion of the business privilege tax is onerous. The gross receipts tax imposes an extra burden on city businesses, particularly small businesses and new companies struggling for profitability. As a general rule, the tax cannot be "shifted" onto firm customers, since those customers can always purchase the good or service from a non-Philadelphia business, with the exception of some retail and service businesses that can shift the tax to low-income and senior citizen consumers with relatively little mobility. High-volume, low-margin businesses are particularly penalized, as the tax can represent a significant portion of pre-tax profit margin, a higher proportion than that imposed by the net income tax. The changes in the gross receipts tax rate from FY95 to date, and as proposed under this Plan through FY10, are shown in the table below.

April 1990	Business Privilege Tax (BPT) Rate Reductions :- Actual & Proposed							
Fiscal Year	Gross Receipts Rate (FY95-FY10)	Change from FY95 Gross Receipts Rate	Reduction in Total BPT Burden**					
1995	0.3250%	The second secon						
1996	0.3000%	-7.69%	-5.14%					
1997	0.2950%	-9.23%	-5.85%					
1998	0.2875%	-11.54%	-6.90%					
1999	0.2775%	-14.62%	-8.28%					
2000	0.2650%	-18.46%	-10.00%					
2001	0.2525%	-22.31%	-10:70%					
2002	0.2400%	-26.15%	-12.88%					
2003	0.2300%	-29.23%	-16.23%					
2004	0.2100%	-35.38%	-18.11%					
2005	0.1900%	-41.54%	-21.27%					
2006	0.1750%	-46.15%	-23.63%					
2007	0.1625%	-50.00%	-25.60%					
2008	0.1500%	-53.85%	-27.39%					
2009	0.1375%	-57.69%	-29.54%					
2010	0.1250%	-61.54%	-31.51%					
	EDUCTION 1995-2010	-61.54%	-31.51%					

^{*} The Business Privilege Tax consists of a tax on gross receipts combined with a tax on net income. The proposed rate reductions affect only the rate of the gross receipts portion of the tax.

Source: Office of Budget and Program Evaluation

The Plan cuts the gross receipts tax rate to 0.175 percent in FY06, and to 0.125 percent by FY10, a reduction of 61.5 percent from the FY95 level. The current Plan's pace of gross receipts tax rate reductions puts the gross receipts tax on a schedule for elimination by 2020.

The Administration's original FY06 budget proposal included an acceleration in the pace of gross receipts tax reductions, combined with an increase in the parking tax rate, a revenue neutral tax shift that was designed to improve the City's tax competitiveness with no net financial loss to the General Fund. This proposal was not included in the final budget adopted by City Council. However, the FY06 budget and FY06-10 Plan does include additional revenue from a new tax on outdoor advertising and an expansion of the base of the parking tax to cover valet parking. The additional revenue from these new tax initiatives will be utilized to fund program restoration. These initiatives are discussed further in the Parking Tax and Outdoor Advertising Tax sections below.

^{**} This percentage includes the effects of (1) the reductions in the gross receipts portion of the BPT and (2) the double weighting of the sales factor in calculating the net income portion of the BPT.

The table below presents actual BPT collections from FY01 to FY04, and projected collections through FY10.

	History					Forecast						
	FY01	FY02	FY03	FY04	FY05	FY06	F¥07	FY08	FY09	FY10		
Current	275.5	273.8	238.7	269.9	271.1	274.2	278.0	281.6	284.5	287.3		
Prior	38.5	22.0	. 47.4	39.2	44.0	42.0	42.0	42.0	42.0	42.0		
Total	314.0	295.8	286.1	309.2	315.1	316.2	320.0	323,6	326.5	329.3		
Growth		-5.8%	-3.3%	8.1%	1.9%	0.3%	1.2%	1.1%	0.9%	0.8%		

BPT collections declined in both FY02 and FY03, a reflection of recessionary conditions in the city that impacted the growth of business receipts and earnings. In FY02, the BPT base grew by an estimated 1 percent. However, actual BPT revenue declined 5.8 percent in FY02, due to the impact of tax cuts and an accounting change mandated by GASB 33 that resulted in the inclusion of \$4.5 million in one-time accruals in FY01. In FY03, BPT collections again declined, by 3.3 percent, due to continued corporate losses.

A filing process change initiated in FY03 that was intended to simplify the process for new business filers led to some initial confusion, resulting in large overpayments by some taxpayers. FY03 actual collection results were adjusted and do not include those overpayments, which were partially refunded during FY04. In FY04, BPT collections increased 8.1 percent over the prior year, a reflection of improving economic trends.

Of all City taxes, the BPT is probably the most volatile and difficult to predict. An accurate projection of each fiscal year's results is not possible until the end of April. In addition, about 60 percent of BPT collections are derived from the net income component, which fluctuates depending on corporate profits and the use of net losses that businesses are allowed to carry forward into a succeeding year to offset tax liabilities. Based on the significant increase in FY04 collections, and evidence that the city's economy is recovering from the recessionary conditions of FY02 and FY03, the Plan projects the BPT base will grow at an annual rate of 4.0 percent from FY05 through FY10, 1.5 percentage points above the assumed rate of inflation. After the effects of tax cuts are included, BPT collections are projected to increase at rates between 0.3 percent and 1.2 percent during the FY06-FY10 period.

Sales Tax

The sales tax is the General Fund's fifth largest tax revenue source, accounting for 5.2 percent of all tax revenues in FY05. The state legislature authorized imposition of a local 1 percent sales-and-use tax under the PICA Act of 1991, and the tax was first collected in October 1991. The

local sales tax is collected by the state and remitted to the City monthly. The table below shows the FY01-FY04 trend in actual sales tax collections, as well as the projected collections through FY10.

A CONTRACTOR	N. S. A. S.	Trickson		\$2.2.(\$.ln	Similans		Forec			
	FY01	History FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Collections	111.3	108.1	108.0	108.0	112.0	114.8	117.7	120.6	123.6	
Growth	•	-2.9%	-0.1%	0.0%	3.7%	2.5%	2.5%			.,

Actual sales tax collections declined 2.9 percent in FY02, and were essentially flat from FY02 to FY04, reflecting the impact of recessionary economic conditions and employment losses on retail sales in the city. Sales tax revenues are projected to increase by 3.7 percent in FY05, based on actual collections through the first six months of FY05. The solid increase in collections in FY05, as well as the gradually improving city economic trends in 2004, suggest that sales tax collections will continue to show modest growth over the Plan period. The Plan projects sales tax collections to grow by 2.5 percent annually from FY06 to FY10, a growth rate equal to the assumed inflation rate over the period.

Realty Transfer Tax

The realty transfer tax (RTT) is a tax on the sale of real property in the city. In FY05, the RTT is projected to generate 9.0 percent of General Fund tax revenue. The current rate is 3.0 percent on the value of property transferred. The table below presents actual RTT collections from FY01 to FY04, and projected RTT collections through FY10.

Growth	77.0	25.6%	6.9%	36.7%	38.0%	-19.2%	-1.0%	2.3%	0.7%	2.3%	
Collections	FY01 77.0	FY02 96.7	FY03 103.4	FY04 141.3	FY05 195.0	FY06 157.5	FY07 156.0	FY08 159.6	FY09 160.8	FY10	
		story			Forecast						
			calty Ir	THE WEST STREET	x Histor millions	yand Fo					

Revenues from the RTT have skyrocketed over the past several years, driven by increasing property values and a higher volume of transactions. FY02 collections increased 25.6 percent over the prior year, with large commercial transactions contributing to the increase. Two transactions involving Liberty Place accounted for \$8 million of RTT revenue. Collections increased 6.9 percent and 36.7 percent, respectively, in FY03 and FY04. RTT cash collections through the first twelve months of FY05 suggest another significant increase in revenue in FY05, with the current projection set at \$195 million.

In response to a recommendation by the Tax Reform Commission, City Council passed Bill 040019 on June 10, 2004. This legislation was designed to eliminate a loophole that previously allowed parties involved in large commercial real estate transactions to avoid the RTT. Prior to the legislation, a buyer could acquire a property by purchasing the land, while entering into a long-term lease for the value of the building. The party could legally pay RTT solely on the value of the land, not the value of the building, at the termination of the lease. Bill 040019 eliminated this loophole, and broadened the base of the tax.

The Plan projects that RTT revenue will decline in FY06 to a level more consistent with the historical base for this tax. From FY06 through FY10, collections are projected to increase at an average annual rate of 1.1 percent, slightly below the assumed annual rate of inflation over this period.

Parking Tax

The parking tax is a tax on the gross receipts from all parking transactions. In FY05, it is projected to generate \$44 million, 2.0 percent of total General Fund tax revenue. Since 1987, the rate is 15 percent of gross parking receipts.

The Administration's proposed FY06 budget included a proposal to increase the rate of the parking tax to 20 percent, with the associated increased revenue dedicated to fund an acceleration in planned reductions in the rate of the gross receipts portion of the BPT. This proposal was not adopted by City Council. The adopted FY06 budget and the FY06-10 Plan, however, do reflect an expansion of the base of the parking tax to include valet parking.

Due to a technicality, valet parking has not been subject to the City's parking tax. In FY06, City Council passed Bill 050452, which closed this loophole, so that valet parking transactions are included in the base of the tax in the same manner as all other paid, non-metered parking in the city. This new revenue source is estimated to generate an additional \$2.2 million in parking tax revenue in FY06, and a total of \$11.6 million in additional revenue over the Plan period. The additional revenue generated from this initiative will be utilized to fund restoration of critical citizen services. The table below presents actual parking tax collections from FY01 to FY04 and projected collections from FY05 through FY10.

			Parkin		story an millions	d Foreca	s f				
A CA De Compagned and Comme	Hi	story	THE LAW TO THE WOOD	1	Forecast						
	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	
Collections	39.0	37.9	38.7	42.5	44.0	47.3	48.5	49.7	50.9	51.6	
Growth		-2.8%	2.1%	9.8%	3.6%	7.5%	2.5%	2.5%	2.5%	1.3%	
Source: Office of	Budget and Pr	ogram Evalı	uation								

Actual parking tax collections declined 2.8 percent in FY02, a reflection of recessionary economic conditions. In FY03 and FY04, collections increased 2.1 percent, and 9.8 percent,

respectively, an indication of the City's economic recovery. The City is projecting a further increase of 3.6 percent in Parking Tax collections in FY05, based on collections to date.

The Plan projects a 7.5 percent increase in collections in FY06, due to expansion of the base of the tax to include valet parking, combined with normal inflationary growth in the tax base. For the FY07-FY10 period, the Plan projects annual increases between 1.3 percent and 2.5 percent, which are generally consistent with the assumed inflation rate of 2.5 percent.

Outdoor Advertising Tax

In FY05, City Council passed Bill 050451, which institutes a 7 percent excise tax on the transaction price paid for billboard advertising, effective July 1, 2005. The City believes that an excise tax on these transactions, because they are exempt from the state and City sales tax, are lawful, and will generate much needed revenue without inhibiting job creation or growth in Philadelphia. The table below presents projected revenue from this tax over the life of the Plan.

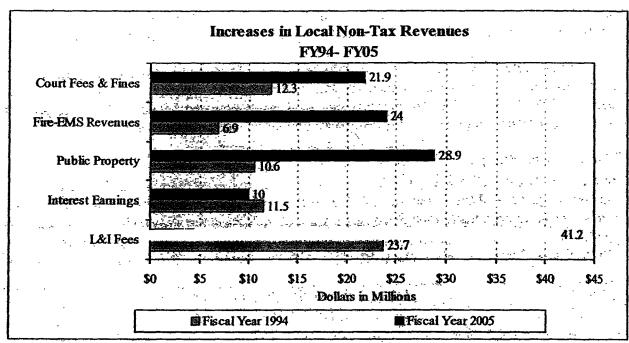
	Signal Association			*** (\$3n	millions					
	Hi	story					-			
	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY16
Collections	0.0	0.0	0.0	0.0	0.0	4.0	4.1	4.2	4.3	4.4
Growth				_			2.5%	2.4%	2.4%	2.3%

The Outdoor Advertising tax is projected to generate \$4.0 million in FY06 and \$21.0 million over the FY06-FY10 period.

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Non-Tax Revenues

Local non-tax revenue collection initiatives have played an important role in increasing the City's revenues since FY94. Initiatives have included: Improved license and permit fee enforcement and Department of Licenses and Inspections fee increases; the Public Property Department's cable television franchise fee; improved EMS collection efforts; and increased court fees. The impact of these initiatives on General Fund revenues is shown in the chart below.



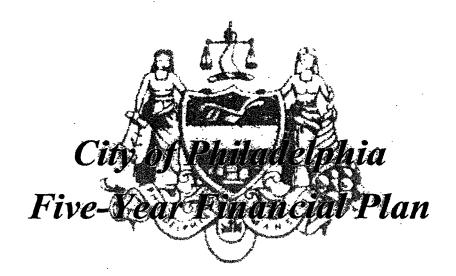
Source: Office of Budget and Program Evaluation

In part because of these initiatives, total local non-tax revenues have increased by 30 percent from \$157.3 million in FY94 to an estimated \$204.9 million in FY05.

FY06 revenues are projected to increase to \$239.3 million because a series of fee increases designed to cover the City's costs and revenues from initiatives like increased enforcement and the City's strategic marketing initiative. The initiatives and fee increases include the following:

- Strategic marketing partnerships. The City is currently working with a consulting team to develop a citywide strategic marketing plan to maximize the value of private partnerships, including sponsorships, exclusivity agreements, and leasing of City assets. The experience of New York City with a similar initiative, and a preliminary estimate by the City's consulting team, support an estimate of \$23.1 million in new revenue over the FY06-FY10 period.
- Updated L&I and public health fees. In FY05, City Council gave approval to the
 Department of Licenses and Inspections for fee increases for food licenses and to the
 Department of Public Health for fee increases for environmental health licenses and permits.
 The fees, which had not been updated since 1993, are expected to generate \$1.2 million
 annually, and are tied to the cost of providing inspections and other services.
- Updated records fees. In FY05, the Department of Records increased the fees charged for Police accident reports and document recording to more accurately reflect the cost of these services. These fee increases will generate an additional \$1.1 million annually.

- Updated EMS fees. In FY04, the Administration increased EMS fees from \$400 to \$500.
 The increase will generate \$2.3 million annually in additional revenue to the City, and is generally paid by insurance companies. The new fee more accurately reflects the ever-increasing costs associated with emergency transport and provides better cost recovery for this service, although it does not fully reimburse the City for all of the costs of the emergency medical system.
- Increased fines and fees from outdoor advertising. The City has long struggled with illegal, unlicensed billboards blighting Philadelphia neighborhoods. In FY05, City Council approved Bill 050453, which will expand the City's efforts to regulate outdoor advertising. This ordinance, which is similar to those in the rest of the state, enables the City to collect license fees that will offset the cost of improved inspections and enforcement of billboard activity. Under the ordinance, an annual license fee of \$650 per sign will be imposed. The ordinance also increases the fines imposed on illegal billboards. The City's expanded outdoor advertising licensing and code enforcement efforts are expected to generate \$6 million in new license and fine revenue over the life of the Plan.



Neighborhood Transformation and Blight Elimination

Implementing Neighborhood Transformation and Blight Elimination

Overview

In April 2001, Mayor Street unveiled his Neighborhood Transformation Initiative (NTI), a strategy to preserve and rebuild Philadelphia's neighborhoods as thriving communities with clean and secure streets, vibrant retail, recreational and cultural outlets, and quality housing. Through NTI, the City and its operating departments are taking a multi-faceted, comprehensive approach to addressing every aspect of neighborhood preservation and development. The Initiative also increases opportunities for government and citizens to work together, restoring civic pride and building community spirit.

FY06 will be a pivotal year for NTI. The critical challenge going forward is to sustain the positive changes that NTI has brought to our neighborhoods: Demolishing dangerous buildings and removal of dead trees that were safety hazards, cleaning and greening debris-filled vacant lots, building affordable housing, providing home improvement grants and low-cost loans to thousands of Philadelphians, and acquiring more than 5,500 properties for future development.

Another important NTI goal was to bring about a fundamental change in how the City does business to ensure that the multitude of services provided to Philadelphia's residents are coordinated in a way that supports healthy neighborhoods and communities. To that end, NTI has made significant changes across government, including: Fostering interagency cooperation, improving technology, and streamlining processes and systems. Thus, a true measure of NTI's success will be whether the strategic changes that have occurred in the processes and systems of government during the early years of the initiative become "business as usual" for the City. The Administration will achieve this objective in FY06 by incorporating NTI principles into its emergency demolition program, code enforcement activities, blight removal programs, vacant property data management, development strategy, and developer services.

Objectives

- Neighborhood Planning
 - Facilitate and support community-based planning and the development of area plans that reflect citywide and neighborhood visions.
- Blight Elimination
 - Eradicate blight caused by dangerous buildings, debris-filled lots, abandoned cars, litter, and graffiti, to improve the appearance of Philadelphia streetscapes.
- Blight Prevention
 - Advance the quality of life in Philadelphia neighborhoods with a targeted and coordinated blight prevention program.

- Land Assembly Improve the City's ability to assemble land for development.
- Neighborhood Investments
 Stimulate and attract investment in Philadelphia neighborhoods.
- Leveraging Resources
 Leverage resources to the fullest extent possible and invest them in neighborhoods strategically.

Neighborhood planning

• Link plans to implementation strategies. In FY05, staff of the Philadelphia City Planning Commission (PCPC) in collaboration with area residents, community stakeholders, and elected officials will complete draft plans for 16 neighborhoods. The neighborhood plans address: Housing, commercial development, transportation, open space, community heritage, and arts and culture. The information gathered is used to formulate a vision for the neighborhood and devise goals, strategies, and recommendations. Recommendations are linked to implementation strategies and earmarked as near term or long term, to ensure that the neighborhood vision and implementation action plans are thought through strategically and clearly defined.

The 34 NTI neighborhood planning areas include: Nicetown, Tioga, Mt. Airy, Germantown, Olney, North Central, Strawberry Mansion, Brewerytown/Sharswood, Francisville, Fairmount, Fairhill/St. Hugh, Hawthorne, South of South, Point Breeze, Grays Ferry, Jefferson Square/7th Street, Kingsessing/West Shore, Mantua, West Powelton/Saunders Park, Wynnefield, West Parkside, Overbrook/Carroll Park/Haddington, Frankford, Wissinoming, Upper Holmesburg, Fox Chase, Burholme, Upper Northwood, Lawndale/Lawncrest, Parkwood, and Callowhill/Chinatown North. Planning areas that extend along commercial and transit corridors include: North Broad Street from City Hall to Glenwood Avenue, Lancaster Avenue between 52nd to 63nd streets, and the AMTRAK rail corridor from county line to county line.

In FY06, PCPC will focus on completing plans for the remaining NTI neighborhoods and devising implementation strategies for completed plans. Implementation strategies will engage community-based organizations as well as City, state and federal agencies. The goal of this phase will be to integrate planning and operation protocols and weave them into the fabric of municipal government.

Blight elimination

• Continue to reduce the number of dangerous vacant properties through demolition.

NTI and the Department of Licenses and Inspections (L&I) work in partnership to rid the City of dangerous buildings through demolition. Three types of demolitions are funded by the City: 1) Targeted demolitions are completed in NTI neighborhoods and are identified through analysis of condition of structures, level of vacancy, proximity to schools and other neighborhood characteristics; 2) curbside demolitions, or emergency demolitions, are

conducted in non-NTI neighborhoods and address buildings identified as imminently dangerous; and 3) vacant commercial buildings are demolished based on the development potential of the buildings.

- Targeted demolition. By the end of FY06, the City will have completed the demolition of approximately 4,000 residential properties, through the NTI targeted demolition program. Since FY03, NTI bond funds have paid for these emergency demolitions. In the period from FY03 to FY05, L&I will demolish more than 1,200 residential properties in support of NTI. This brings the total FY03 to FY06 NTI demolitions to approximately 5,200.
- Curbside demolition. Starting in FY06, emergency demolition will be funded from the
 General Fund; the City will demolish approximately 400 dangerous residential buildings
 per year. In addition, L&I will continue to improve its systems for tracking dangerous
 buildings, scheduling re-inspections of vacant properties, and contracting for curbside
 demolitions.
- Demolition of vacant commercial buildings. In FY03, the Commerce Department, with City Council input, researched and developed a list of 60 large vacant commercial and industrial properties for demolition over the next five years. Properties were prioritized for demolition based on dangerous condition level, existing Code violations, and potential for redevelopment. During FY03 and FY04, the City demolished 13 large vacant buildings and by the end of FY06, will use NTI funds to demolish between 20 and 25 more high-priority buildings. Other buildings have been removed from the original list as owners have come forward to remediate Code violations and, in some cases, convert previously abandoned properties to other commercial or residential use.
- Conclude the NTI stabilization program. Stabilization involves sealing and protecting vacant buildings to prevent deterioration. Stabilizing a recently vacant property increases the likelihood that it will be acquired and rehabilitated rather than demolished. Stabilization work costs approximately \$10,000 per property, with the exact amount depending on the amount of work required. The City prioritizes stabilization properties that are either in strong real estate markets, on blocks with low vacancy rates, or lack significant environmental or soil problems. By FY05, the City will complete approximately 450 stabilizations. However, the program will not continue in FY06. In FY06, the City will either condemn properties for future disposition and rehabilitation or sell them through Sheriff's Sale.
- Repair dangerous retaining walls. Retaining walls are private property or "private infrastructure." State and local law require abutting property owners to cover the cost of the maintenance and reconstruction of retaining walls and other private infrastructure. However, the high cost of these repairs is a deterrent for some property owners. In certain cases where private retaining walls have become a public safety hazard, the City intervenes. In FY03, the Streets Department surveyed and estimated the repair costs of more than 60 retaining walls in need of repair citywide. The City budgeted \$2.2 million in NTI bond funds from FY03-FY05, and is using the funds to repair only the most dangerous walls included in the survey.

In FY06, the City will complete the final retaining wall projects, which will bring the total number of walls repaired over the three years to eight. By law, the City can assess the abutting property owners, depending on linear feet of frontage on the wall. The City expects to recoup \$137,000 on the first three walls it repaired; assessments will be completed for other walls as repair projects are completed.

- Maintain ongoing streetscape improvement programs. Since the beginning of the Street
 Administration, the City has deployed operating departments in a vigorous effort to keep
 streets and properties clean and attractive, through the abandoned auto removal, anti-graffiti,
 lot-cleaning, and mural arts programs.
 - Abandoned Auto Removal. Mayor Street's first major clean-up initiative was the removal of 40,000 abandoned cars from City streets in FY01. This initiative continues, with the Police Department's Neighborhood Services Unit removing abandoned cars from the streets and responding to all complaints within 48 hours. In both FY05 and FY06, the unit anticipates removing 25,000 abandoned vehicles. Over 215,000 abandoned cars have been removed since the program's inception.
 - Anti-Graffiti Network. Graffiti defaces neighborhoods, diminishes property values, and can create a sense of hopelessness. Since FY01, the Managing Director's Graffiti Abatement Teams have removed graffiti from an average of 80,000 properties per year. In FY04, 91,110 properties and street fixtures were cleaned of graffiti. As a result of budget cuts, the number of properties and street fixtures cleaned of graffiti will be reduced to approximately 85,000 each year in FY05 and FY06.
 - Mural Arts Program. Murals bring art to the cityscape by transforming graffiti-scarred walls into scenic views, portraits of community heroes, and abstract art. In FY04, the acclaimed Mural Arts Program completed 112 murals throughout the City. In FY05, approximately 100 murals will be completed, including work along the Market Frankford El, I-95, and Schuylkill Expressway. In FY06, the Mural Arts Program will match this production, and will continue to transform community spaces by working with lot clean-up crews, the Pennsylvania Horticultural Society, and the School District.
- Continue removing debris from vacant lots. The vacant lot program under the Managing Director's Office supports NTI's greening efforts by preparing lots for greening activities. In FY02, City crews coordinated and cleaned all of Philadelphia's more than 31,000 vacant lots and removed more than 25,000 tons of debris. In FY03, City work crews cleaned 12,186 vacant lots, removing approximately 8,000 tons of debris. In FY04, 11,139 vacant lots were cleaned, and City crews removed 7,470 tons of debris. Due to budget constraints, City crews will clean only 7,000 lots by the end of FY05; the same production levels are anticipated for FY06. However, despite the reduction in effort from City forces, the overall maintenance of vacant lots should not change. The City has successfully transitioned the maintenance of over 3,000 vacant lots to community groups and will continue with this effort.

 Approximately 1,000 lots are in the process of being removed from the public maintenance inventory through: Transfer to community organizations for redevelopment for new houses,

open space or commercial uses; and to private homeowners for use as "side yards." In addition, the Philadelphia Horticultural Society (PHS), which has greened over 5,100 vacant lots in the City, assumes subsequent maintenance and cleaning responsibilities after greening. The transition should reduce the reliance on City crews to clean lots.

• Remove dangerous street trees and enhance pruning efforts. Dead trees and falling limbs pose a threat to public safety, and are a form of neighborhood blight. In FY02, the City had a backlog of 8,500 dead and dangerous street trees, with an additional 2,500 becoming dangerous each year. Responding to this challenge, crews from the Fairmount Park Commission removed 3,600 trees in FY02, 4,700 in FY03, and 4,610 in FY04. The City will remove 4,300 more trees in FY05, and will eliminate the backlog in FY06 by removing an additional 3,200 street trees. On average, crews also have pruned about 13,000 trees a year between FY02 and FY04. In FY05, 14,500 trees will be pruned. By the end of FY06, when crews have eliminated the backlog of dead and dangerous trees, the City will be able to reduce the street tree pruning cycle from 17 years to 10 years.

Blight prevention

• Continue to implement the Green City Strategy. In early 2000, many City parks and commercial corridors were showing signs of neglect. Since the launch of NTI, PHS' Philadelphia Green Program has implemented the Green City Strategy by working with the Mayor's NTI staff, the Managing Director's Neighborhood Services Unit, the Empowerment Zone, the Office of Housing and Community Development, Fairmount Park, the Water, Streets and Recreation departments, and numerous community organizations. The Strategy calls for a targeted approach to maintenance of Philadelphia's vacant land and green infrastructure, from its parks, public spaces and gateways, to community gardens, tree-lined streets, and vacant lots. In FY06, 3,000 vacant lots will receive high level greening treatment, including grass, trees and fencing. Through community groups, PHS, and City forces, over 18,000 lots will been maintained in FY06. The goal, however, is to increase the number of regularly maintained vacant lots to approximately 22,000, and to continue to reduce the public inventory by conveying vacant land for private development and/or use as privately owned and maintained green space.

In FY05, a consulting firm hired by PHS and the City made recommendations for a long-term vacant land maintenance plan. In addition, a study released by the University of Pennsylvania indicates a direct relationship between greening and increased real estate values. Therefore, in the next two to five years, a major fundraising effort will be launched to support the NTI Green City Strategy. In January 2005, the William Penn Foundation awarded a two-year, \$2 million grant to PHS for greening and community organizing efforts. Several corporations already have pledged support for park improvements and commercial corridor projects. Private supporters include: Citizens Bank, which has supported improvements in 10 neighborhoods from Vernon Park in Germantown to Jefferson Square and Wharton Square Parks in South Philadelphia; and Moon Nurseries, which donated labor and materials to green a traffic island on Ogontz Avenue in West Oak Lane. Federal grants totaling approximately \$550,000 supported vacant land maintenance and tree planting in

FY05. In FY06, this effort will be funded by \$2 million from the General Fund and additional federal grants.

- Expand "Growing the Neighborhood" program. In FY04, the Fairmount Park Commission and Fairmount Park Conservancy announced the launch of the "Growing the Neighborhood" program. This initiative is designed to work with community members to select and implement privately funded capital improvements in neighborhood parks throughout the Park system. The program is currently funded to a level of \$300,000, through \$100,000 grants from the William Penn Foundation, ACE INA, and NovaCare Rehabilitation. Working with Friends groups and interested citizens in Palmer, Kemble, and Fernhall parks in FY04, Commission staff completed projects such as entranceway plantings, tree removal, landscaping, and fencing. In FY05, a total of \$75,000 will be spent on similar improvement projects at Cloverly and Fisher parks. In FY06 and FY07, an additional \$75,000 will be spent each year in parks that meet the project criteria and complete the competitive selection process. Projects are considered annually and reviewed by a panel with representation from the Fairmount Park Commission, NTI, the Fairmount Park Conservancy, the Pennsylvania Horticultural Society, and funding organizations. In the first two years of the program, an additional \$200,000 has been leveraged from City Council and Friends groups to complement the investment in these community parks. The program is scheduled to run through FY07, and will utilize additional funds raised by the Conservancy from the Philadelphia business community.
- Promote regional greening efforts through "Tree-Vitalize" Program. The Pennsylvania Départment of Conservation and Natural Resources, the School District of Philadelphia, the Philadelphia Eagles, and the Fairmount Park Commission have teamed up in a public-private partnership to restore the greenscape in parks and on streets in Philadelphia and the surrounding suburbs. The Tree-Vitalize program targets neighborhoods in cities and townships where the tree cover (percentage of land shaded by trees and shrubs) is less than 25 percent. A total of \$8 million has been raised for this program, with over \$1 million to be spent in Philadelphia. Tree-Vitalize is designed to revitalize older communities, improve the air and water quality in those communities and enhance the quality of life for citizens living in urbanized areas. A recent study conducted by the Wharton School of Business found that tree plantings showed a significant positive effect on housing prices, with an increase in value of approximately 9 percent. Ultimately, the program will plant more than 20,000 shade trees and create 1,000 acres of forested riparian buffers (the channel on both sides of a waterway, including the banks of that waterway) in the five-county Philadelphia region. Through this program, 2,400 street trees will be planted in 16 Philadelphia neighborhoods by the Fall of 2007. As many as 30,000 trees and shrubs will be planted in the forested riparian buffers.
- Expand the City's efforts to combat predatory lending. Predatory lending practices exploit homeowners and buyers by charging unfair fees or excessively high interest rates or engaging in other abusive lending tactics in making home improvement and mortgage loans. These practices drain equity from communities and often force homeowners into foreclosure, which increases vacancy rates throughout the City. Under NTI, the City has made a

substantial commitment to the fight against predatory lending.

- The City launched a "Don't Borrow Trouble" hotline (215-523-9520) to provide information to people borrowing money and resources to victims of predatory lending. The hotline receives approximately 2,000 calls per year, and refers more than 800 callers to housing counseling agencies. The City spends approximately \$4.2 million in Community Development Block Grant (CDBG) dollars on housing counseling and anti-predatory lending activities per year.
- In FY03, the City used \$500,000 in NTI bond funds to create new loan programs designed to address predatory lending. In collaboration with eight participating banks and local housing counseling agencies, the Greater Philadelphia Urban Affairs Coalition (GPUAC) administered the PHIL-Plus and Mini-PHIL loan programs, providing approximately \$2.6 million in loans to borrowers with blemishes on their credit reports. By December 2004, about 70 homeowners had borrowed money through the program. By the end of FY06, GPUAC anticipates that the City will make approximately 160 PHIL-Plus and Mini-PHIL loans.
- In FY04, the Homeownership Counseling Association of the Delaware Valley and partner agencies began work on the Home Equity Loan Preservation Program (HELPP), funded with \$250,000 in NTI bonds and \$250,000 from the Reinvestment Fund, and designed to help victims of predatory lending to refinance their bad loans. By December 2004, seven re-financings for \$115,000 had been approved. In FY06, the City will work with the Pennsylvania Housing Finance Agency and the Reinvestment Fund to determine future funding availability for HELPP.
- In FY05, the City launched an advertising campaign entitled "Protected by Knowledge," to promote the "Don't Borrow Trouble" hotline and the City's anti-predatory lending activities. The campaign is being funded with a five-year \$150,000 grant from Citizens Bank.
- Increase code enforcement through Operation KICK. In February 2004, the Law Department's Neighborhood Transformation Unit launched "Operation KICK" (Keep It Code Klean) in an attempt to collect hundreds of thousands of dollars in nuisance liens. Operation KICK covers liens from 1990 through 2002 that arose from unpaid work performed or contracted by L&I on behalf of negligent property owners, such as demolitions, property "clean and seals," and a variety of repairs performed to stabilize properties. Because unpaid liens never show up on the property owner's credit report, they may sit indefinitely until the owner refinances or sells the property. Operation KICK is aimed at accelerating transactions by obtaining personal judgments if debtors do not pay. In FY06, the unit will continue the attempt to collect unpaid nuisance liens and judgments with the assistance of a collection agency. In 2004, the unit was able to collect \$1.9 million in liens and judgments, up from the prior fiscal year figure of \$1.3 million. The goal is to cause property owners to maintain their properties and understand that the City will be aggressive in collecting fines from those who do not comply with the Code.

Land assembly

- Assemble land for future development. The Redevelopment Authority (RDA) is using NTI bond funds to acquire land both for specific known development projects and for future projects. To ensure an effective use of NTI resources, the Interagency Review Team, comprised of representatives from City Planning, RDA, Office of Housing and Community Development (OHCD), the Commerce Department, Empowerment Zone and Mayor's Office, was established in FY03 to review proposed acquisition requests and provide recommendations to Council members. To date, the Administration has received City Council approval for the acquisition of 5,678 parcels of land. The land is being acquired for land banking, affordable housing developments, market rate housing developments, open space or side yard projects, and commercial development or institutional uses. In FY04, the City increased the NTI five-year acquisition budget from \$74 million to \$89 million to accommodate increased demand for acquisition. The additional \$15 million will be funded through a swap of NTI funds with Community Development Block Grant (CDBG) dollars. By December 2004, the City filed declarations of taking for 1,357 of the more than 5,334 properties approved for acquisition in FY03. In FY06, the RDA will continue processing the City's approved acquisitions. To ensure ongoing funding for land assembly for redevelopment, the City executed a Recycling Agreement with OHCD that directs a portion of the tax revenue recovered from condemned parcels into a fund that will support additional acquisitions.
- Aggressively market vacant land for redevelopment. Philadelphia's real estate values have risen more than 30 percent since 2000. This has brought a surge in development activities for both market rate and affordable housing. The Office of Housing and Neighborhood Preservation (OHNP) receives numerous requests from private residential developers and businesses seeking to purchase property for fair market value, without City subsidy. Disposing of land at fair market value will increase development activity by generating sales proceeds to fund additional acquisition activities. At the same time, OHNP continues to work with the Philadelphia Housing Development Corporation (PHDC) and Public Property to aggressively market available parcels to the development community, and determine sites that can be assembled from a review of the inventory of land in the combined public ownership. OHNP recently released *Housing Market Development Trends*, which demonstrates the growing activity in Philadelphia's real estate market and highlights the areas where the City has assembled land for development. In FY05, OHNP will launch an interactive website that will further promote development opportunities and services available to facilitate the development of vacant land. The City plans to establish a Land Bank entity in FY06. The Land Bank will facilitate the timely disposition of publicly held properties and those acquired through NTI.
- Implement the Unified Land Records System across City departments. Accurate street address information is critical to almost all data used by City agencies. In the past, separate agencies maintained "stand-alone" databases, which were unable to communicate or easily share information with one another. Starting in FY03, the City committed \$3 million in NTI bond funds over five years to upgrade the City's mapping and data sharing capabilities through a single system known as the Unified Land Records System (ULRS). Managed by

the Mayor's Office of Information Services (MOIS), ULRS links property-specific data among the major City departments using a common address model and the City's geographic information system (GIS). The principal components of the system include an accurate and up-to-date parcel map developed from the property registry maps maintained by the Department of Records and a Citywide enterprise address management system. In FY04, MOIS converted 5,000 land registry maps maintained by the Department of Records to GIS format. In FY05, the City launched a central data warehouse, which will give ULRS users access to the City's principal land records databases through the Master Address System. In FY06, the City will continue to refine tools to facilitate interagency data sharing through ULRS and expand the number of departments actively using the system.

- Ensure seamless map coverage by edge-matching City maps. In FY06, the Records Department will begin a project to "edge-match" 4,200 electronic tax parcel maps. Edge-matching will eliminate gray areas that currently exist from the edge of one map to the beginning of another. When this project is completed in January 2006, the tax parcel maps will be seamlessly integrated, containing property addresses, map and parcel numbers, rights-of-way and easements, and the exact measurements of properties. The \$900,000 cost of this project will be paid through NTI funds.
- Develop a Vacant Property Management Information System. To efficiently track the acquisition, assembly and disposition of property, the City is developing a Vacant Property Management Information System (VPMIS). The City is expending \$3.5 million in NTI bond funds on this activity between FY03 and FY07. VPMIS will streamline land acquisition/ disposition processes by: (1) providing an online method for users to research, assemble, and request parcels for projects; (2) streamlining and automating the Redevelopment Authority's acquisition and disposition processes; (3) marketing inventory of surplus City-owned property by creating an electronic property inventory; (4) improving communication during all project phases by allowing property requesters to view project status and receive notifications about milestones and deadlines; (5) creating an electronic document repository for each project and enabling Agency staff to electronically track project progress; and (6) empowering policymakers, administrators, and managers with enhanced decision-making tools. During FY04, detailed business processes for acquisition and disposition were completed, and a baseline acquisition tracking system for managing information generated by new land acquisition activities was implemented. In FY05, a Project Director was hired and a consultant team completed the conceptual design for the system. Based on the conceptual design, development of the major components of the system will be deployed in phases to be completed by the end of FY06.

Neighborhood investments

Reorganize housing agencies under the Office of Housing and Neighborhood
Preservation (OHNP). Today, residential developers are receiving development services
that include coordinated project review team meetings, support for residential rezoning
efforts, and assistance in assembling parcels. OHNP has become the single point of
accountability for designing, articulating, and implementing an overall housing and
neighborhood preservation strategy for the City. This coordination is the first step towards

an overall reorganization of the City's housing entities. During FY05, department heads are undergoing an assessment of the skills and functions necessary to the mission of the new housing organization, and are working in conjunction with union leadership to define job responsibilities and departmental functions.

In FY05, through a competitive bidding process, OHCD selected a consultant team to manage the reorganization planning and implementation strategy. The reorganization will focus on the housing and neighborhood preservation functions principally carried out by OHCD, RDA, and the Philadelphia Housing Development Corporation. The purpose of the reorganization is to improve the quality and efficiency of the delivery mechanisms for housing and neighborhood preservation services. The reorganization process is divided into three phases: Phase I will assess existing conditions; Phase II will design the new structure: and Phase III will implement the new structure. Phase I will be completed by the end of FY05. Local 1971 of AFSCME District Council 33 represents the bargaining unit employees of all three agencies. Union officials will be a part of the planning process; while contract negotiations are separate from the reorganization process, new labor contracts will be overlaid on the final reorganization plan. The reorganization and renegotiation of the union contract is scheduled for completion by the close of FY06.

- Ensure that 3,500 new affordable housing units exist by the end of FY07. The City of Philadelphia is committed to providing quality, affordable housing for its most vulnerable citizens: low- and moderate-income, elderly, and special needs populations. The Administration set a goal of creating 3,500 new units of affordable housing under NTI. From January 1, 2000, through June 30, 2004, 2,806 affordable housing units were completed. As of July 1, 2004, an additional 672 units were under construction. The City has committed NTI, CDBG, and HOME Investment Partnerships Program funds to finance the development of 1,674 additional affordable units, which should be under construction by the end of FY07.
- Create an affordable housing trust fund. The City of Philadelphia is experiencing escalating demand for affordable housing and diminishing community development resources from the federal government. In an effort to generate new local resources for affordable housing development, the Administration supports the establishment of an Affordable Housing Trust Fund. The Trust Fund will be funded primarily by revenue generated through increases in local document recording fees. In addition, the City allocated \$1.5 million in FY05 NTI bond funds to the Trust Fund. Establishing the Trust Fund will require state enabling legislation, City Council action, and a Mayoral Executive Order. The Administration has worked closely with housing advocates and community development corporations in drafting the necessary legislation. Current projections indicate that the City could raise between \$9 and \$11 million annually by doubling mortgage-recording fees. Pending legislative approval, the City will be able to begin allocating Housing Trust Fund resources in FY06, as part of the City's annual consolidated community development plan.
- Support construction of 2,000 housing units within large-scale developments by the end of FY07. NTI's demolition and land assembly activities present numerous opportunities to create new communities through large-scale development. These new communities can

jumpstart neighborhood housing markets and offer residents a variety of housing options: rental, homeownership, affordable and market rate. The City will surpass the NTI five-year goal of creating 2,000 new units in new urban communities. As of December 31, 2004, 4,844 units in large-scale developments (2,907 market rate and 1,937 affordable) are either completed, under construction, or are carrying out pre-development activities. These large-scale development projects are occurring in various neighborhoods throughout the City, and are influencing real estate markets in the surrounding areas.

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- Promote construction of 6,000 units of market rate housing by the end of FY07. From the outset, NTI envisioned market forces and market rate construction as key ingredients in the creation of healthy, stable neighborhoods and a competitive city. Data on market rate conversions of older office and commercial buildings indicate that more than 5,000 new units of market rate housing have come on line since January 2000. In addition, infill construction and renovation are taking place in all corners of the City. An indicator of this market rate development activity is the number of successful tax abatement applications. From January 2000 to December 2003, Philadelphia awarded 1,015 real estate tax abatements for the construction and rehabilitation of homes and the conversion of other structures for residential use. Another indicator of the growing interest and confidence in Philadelphia's residential real estate market is the purchase of 148 acres of formerly vacant and industrial land on the North Delaware riverfront by residential developers. During FY05 and FY06, OHNP will continue to work with the various developers in the North Delaware area to plan and prepare sites for construction.
- Promote the City's Home Buy Now program to local employers. Home Buy Now, an employer assisted housing program, is a partnership between the City and GPUAC. Home Buy Now is an innovative way for the public and private sectors to work together to strengthen Philadelphia neighborhoods. The City has pledged \$1 million in NTI bond funds to match employer contributions of up to \$3,000 per employee, to help employees become homeowners in Philadelphia. Grant funds go to settlement costs and down payment assistance. The program also includes options for home inspection, housing counseling and home improvement training. By December 2004, seven employers had enrolled in the program. The first closings are anticipated early in calendar 2005. GPUAC will continue marketing the program to local employers of all sizes in FY06; future funding for Home Buy Now grants will be determined by the program's rate of expenditure for the first 100 homebuyers.
- Finance repair and rehabilitation of 4,500 existing homes by the end of FY07. Capital investments are required to preserve Philadelphia's older housing stock to ensure it remains occupied or can be sold to new homebuyers. Preservation activities take two forms: Subsidies to rehabilitate vacant properties and assistance with the repair and improvement of homes. Under NTI, the City pledged to invest in the preservation of at least 4,500 homes. Since January 2000, the City has more than tripled this goal, making 13,962 preservation investments in the form of basic system repairs, adaptive modifications, settlement grants, homeownership rehabilitation projects, and Philadelphia Home Improvement Loans. NTI funds are supporting a number of City programs that achieve this end:

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- Philadelphia Home Improvement Loans (PHIL). Three participating lenders—Citizens Bank, PNC, and Wachovia Bank—lend up to \$25,000 at 3 percent and 5 percent rates to existing homeowners, regardless of income, with no equity requirements. Between FY00 and FY03, the PHIL program averaged 80 loans per year for a total of \$1.5 million. In FY03, \$2 million in NTI bond funds were used to expand the program. The RDA also launched an extensive marketing campaign, including billboards, transit advertising and water bill stuffers. In FY04, the PHIL program more than doubled the average from the three preceding years, closing 207 loans for \$4.1 million. In the first half of FY05, the banks closed 79 loans totaling \$1.63 million.
- Targeted Basic Systems Repair Program (TBSRP). TBSRP helps homeowners with essential systems repairs (plumbing, heating, electrical and roofing), as well as exterior facade improvements, including porch and cornice repairs; painting and sidewalk and step replacement. The City holds contracts with eight provider agencies that work in geographically targeted areas. Agencies assist homeowners to determine the repairs needed, secure qualified contractors, provide grants, and obtain matching loans to fund the repairs. Inspections are conducted by PHDC. The program was funded with \$2 million in NTI bond proceeds in FY03 and \$1 million in NTI bond proceeds in FY04. As of January 2005, \$2 million worth of work is under contract, with an additional \$250,000 committed to the Brewerytown neighborhood, and approximately 120 TBSRP projects are in progress.
- Basic Systems Repair Program (BSRP), Tier-II. Under the Tier II category of BSRP, an eligible homeowner may receive up to \$12,500 of rehabilitation assistance through BSRP. Typical Tier II repairs include heating system replacement, plumbing and drainage system replacement, wiring, roof replacement, and structural systems repairs (floors, ceilings, walls, etc.). Eligible homeowners receiving Tier II services also may receive up to \$2,000 per property in weatherization assistance. Because many properties require more than one repair, the average cost of repairs per property is \$5,492. In FY04, the City added \$5 million in NTI bond proceeds to this program. As of June 30, 2004, City-funded contractors completed 2,533 repairs at a total cost of \$10.4 million. In FY05, the Administration funded the program at FY03 levels of \$7.3 million. In FY06, this program will be funded with CDBG funds.
- Homeownership Rehabilitation Program (HRP). The City will continue to allocate funds to the Homeownership Rehabilitation Program, which provides an average subsidy of \$35,000 per property for the acquisition and moderate rehabilitation of vacant houses for sale to low and moderate-income first-time homebuyers. From FY03 to FY05, a total of \$9 million has been committed to HRP (\$5 million in NTI bond funds and \$4 million in CDBG funds). To encourage maximum production, the expanded program is now available to nonprofit and forprofit developers. The program was previously available only to nonprofit developers.

Leveraging resources

- Issue bonds to invest in the redevelopment of Philadelphia's neighborhoods. The City anticipates issuing \$275 million in bonds over the life of the NTI program. NTI Bond funds support the following activities: Blight elimination (\$138 million), land assembly (\$74 million), housing and neighborhood preservation (\$57.5 million) and technology improvements (\$6.5 million). The RDA issues NTI bonds on behalf of the City, leveraging up to \$20 million in annual debt service payments to invest more than \$275 million in the city's neighborhoods. As of December 2004, the City has spent \$139 million of the \$142 million issued in the first tranche of NTI bonds. The City will issue bonds to fund the balance of the program budget in January 2005. A mix of taxable, Qualified Redevelopment, and tax-exempt bonds will comprise the 2005 tranche; the City's ability to raise funds will depend on market conditions.
- Leverage Empowerment Zone and Renewal Community resources. Philadelphia is home to an Empowerment Zone (EZ) and a Renewal Community (RC). Both of these federal programs offer powerful tax credits and tax deductions to stimulate economic growth in designated areas. The EZ provides additional incentives, such as business loans, grants, and other community development programs. In FY04, three EZ Community Lending Institutions made 25 loans totaling over \$3.4 million to 23 enterprises to foster economic growth and create job opportunities. A number of key EZ/RC initiatives, which began in FY05, will continue in FY06. The Girard Coalition, Inc. received a \$1.1 million Redevelopment Capital Program Grant from the commonwealth, which will match City funds to begin streetscape improvements on the Girard Avenue commercial corridor. The North Central EZ provided nearly \$800,000 in funding for a "Neighborhood Revitalization Collaborative" to address quality-of-life issues in the neighborhood; and the West Philadelphia EZ provided \$1.5 million to implement a comprehensive commercial corridor improvement strategy. The EZ/RC office is working on land assembly and the identification of an operator to bring a supermarket to 27th and Girard, and the RC will continue to award Commercial Revitalization Deductions (CRD) to emerging and expanding businesses within the boundaries of the RC. From FY02-FY04, the RC awarded \$36 million in federal tax deductions to 27 businesses for projects ranging from start-up enterprises to the development of large retail complexes and the expansion of manufacturing concerns. The RC will have \$12 million in CRD deductions to allocate per year through 2009. In FY06, the City will have the opportunity to expand the geographic coverage of the RC program.
- Build opportunities for disadvantaged firms and workers. The primary objective of the NTI demolition program is to eliminate dangerous buildings in Philadelphia neighborhoods. However, the infusion of City resources into demolition work has created numerous business and employment opportunities for those carrying out the demolitions. NTI has established goals for participation in demolition contract work: 35 percent minority-owned firms, 12 percent women-owned firms, and 2 percent disabled-owned firms. The City also asks contractors to employ a workforce that meets these two additional goals: The total work hours for each trade is to be performed by at least 75 percent minority and 10 percent female employees; and 80 percent of all employees are to be Philadelphia residents. Accordingly, minority-owned firms were awarded 48.7 percent, or \$15.7 million, of demolition contracts

through the end of FY04; minority workers account for 72 percent of the 276,391 hours logged by 917 workers on NTI demolition sites; and Philadelphia residents account for 77 percent of those hours worked. The City also works with the African-American Chamber of Commerce on the Emerging Contractor Program and the Diversity Apprenticeship program, to prepare workers to work on NTI and other construction/demolition-related jobs.

- Revitalize neighborhoods through public housing redevelopment. Over the past five years, the Philadelphia Housing Authority (PHA), the agency responsible for developing, acquiring, leasing and operating affordable housing for City residents with limited incomes, has reshaped Philadelphia neighborhoods through the demolition and rebuilding of outmoded public housing facilities. Through redevelopments at Tasker (554 units), Martin Luther King (247 units), Richard Allen (408 units), and Cambridge (124 units), PHA has leveraged Hope VI and other funding streams to recreate its public housing stock. PHA is currently developing the 627-unit Lucien E. Blackwell Homes, on the site of the former Mill Creek high rises in West Philadelphia. The City is supporting the development with demolition and acquisition NTI funds. Together these efforts are changing the face of Philadelphia neighborhoods.
- Improve public education and recognize school quality as a strategy for neighborhood transformation. Integral to meeting NTI's aim of transforming Philadelphia neighborhoods are efforts to improve the quality of education and build and renovate schools so that they attract and retain families. The Philadelphia School Reform Commission has established ambitious performance goals for academic achievement, school climate and finances. Higher test scores, a new standardized curriculum, new instructional materials, expansion of afterschool programs, and student assessments are highlights of the past year. Efforts to achieve better results in teacher recruitment and retention also are under way, along with a new labor agreement that permits wider use of school-based selection of teachers. The School District may explore additional incentives, including some form of housing assistance for teachers. In addition, the School District is working to implement a \$1.5 billion capital improvement plan to build several new schools and make significant renovations to other school buildings. Through NTI, the City will continue to provide land assembly, demolition information and analysis to support the process of selecting sites for new and renovated schools.



Economic Development

Promoting Economic Development

Background

Major Industry Sectors

Philadelphia's economic outlook closely resembles the national economic outlook, and in some respects Philadelphia has performed comparatively better than similar U.S. cities during the recent recession. The employment base has undergone a gradual shift over the last decade, most notably marked by growth in information and education and health services sector employment.

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Sector	1999	2000	2001	2002	2003	2004	%Change
	1.1	112.5			:	Estimated	from 1999
Construction & Mining	12.2	12.5	13.4	12.3	11.7	11.8	-3.3%
Manufacturing	43.9	43.2	39.9	37.8	36.3	31.6	-28.0%
Trade, Transportation & Utilities	102.9	102.9	98.8	97.5	96.4	96.7	-6.0%
Information	16.1	16.8	17	17	16.9	18.0	12.1%
Financial Activities	52.4	53	52.2	50.9	49	50.0	-4.5%
Professional & Business Services	87.9	89	87.5	87.2	87.6	83.7	-4.8%
Education & Health Services	169.6	173.7	176.6	178.1	179.7	189.2	11.6%
Leisure & Hospitality	54.1	56.5	56	53.8	53.3	52.2	-3.6%
Other Services	28.9	28.9	29	29.7	30.1	30.1	4.1%
Government	117.2	119.6	118	118.6	118	112.4	-4.1%
Total	685.2	695.9	688.2	682.8	679	675.7	-1.4%

Source: Bureau of Labor Statistics

Despite the continued lack of a sustained national employment recovery following the 2001 recession, Philadelphia's employment in 2004 remained relatively stable, with some bright spots. Employment in Philadelphia's Information sector increased by 12.1 percent from 1999 to 2004. In addition, the Education and Health Services sector experienced growth of 11.6 percent, while Other Services captured a more modest growth of 4.1 percent. This growth has been key to stabilizing the local economy, and these sectors will continue to play a large role in Philadelphia's future.

In the early 1990s, the City focused on capitalizing on its existing, yet underdeveloped, hospitality and tourism assets as a means of replacing some of the manufacturing jobs lost in previous decades. The completion of the Pennsylvania Convention Center in 1993 spurred a surge of hotel development and new visitor destination developments. The City is in the midst of another substantial enhancement of its cultural assets, including the Kimmel Center for the Performing Arts, the Independence Visitor Center, the National Constitution Center, the new Lincoln Financial Field, and Citizens Bank Park. The pending relocation of the Barnes Foundation to Benjamin Franklin Parkway and the proposed development of a Calder Museum, coupled with the Free Library and Convention Center expansion projects, will enhance Philadelphia's position as a world-class city.

One sector of the economy that shows great promise is the "knowledge industry," also referred to as the "new economy" or "knowledge economy." In the knowledge industry, which relies on the supply of new college graduates, companies apply new and 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. The City is participating in the recently formed Knowledge Industry Partnership (KIP), which is a broad-based coalition of Greater Philadelphia civic, business, governmental, and higher education leaders working together to maximize the impact of the region's knowledge industry on Philadelphia's competitive future.

Within the knowledge economy is another sector of great importance to Philadelphia and the region, the life sciences, which includes health care, research, biotechnology and pharmaceuticals. The Innovation Philadelphia/Chamber of Commerce "Roadmap" report identified, among other things, the region's opportunity to become an incubator for research generated by life sciences and educational institutions. Several sites could foster new incubator opportunities in the future, including the Navy Yard, the former Civic Center site in West Philadelphia, and the site of the postal lands along the west bank of the Schuylkill River.

Philadelphia's Competitive Advantages

Philadelphia's competitive advantages as a business location are based on size, strategic location, relative affordability, cultural and recreational amenities, and its growing strength in key knowledge industries. The City of Philadelphia, the fifth-largest city in the U.S. with the third largest downtown population, is at the center of the sixth largest metropolitan region. Our region includes the fourth-largest retail sales market in the nation, as well as a diverse network of business suppliers and complementary industries.

The City's marketplace is at the center of a densely populated, affluent region along the Atlantic Coast, a region which stretches from Boston through New York and Philadelphia to Baltimore and Washington, DC. Philadelphia is in a key position to access regional markets, due to the transportation infrastructure centered here, including Philadelphia International Airport, AMTRAK's Northeast Corridor service, major interstate highway access, and regional SEPTA service. The capacity of Philadelphia's transportation infrastructure is demonstrated by its median commuting time, which is 19 percent lewer than the national metropolitan average. Center City is at the center of the region's transportation network, and downtown employers benefit from the large concentration of professional and business service firms located there. Recent analysis has shown that employees benefit too: Commuters to suburban firms, nearly all of whom drive to work, spend almost \$7,000 per year in vehicle expenses. By contrast, 70 percent of downtown office workers use public transit to get to work, and the annual cost of a SEPTA regional rail pass is just \$1,774.

As a major urban center with a rich historical legacy, Philadelphia is increasingly gaining national recognition for its cultural and recreational advantages. The many tourism assets of the region—overwhelmingly concentrated in Philadelphia itself—include Independence National Historical Park, the Philadelphia Art Museum, and the Franklin Institute. Recent developments, such as the construction of the stunning Kimmel Center for the Performing Arts and the Center City restaurant and retail revitalization, 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, are adding to this array.

Yet Philadelphia remains uniquely affordable when compared to its peers. The National Association of Realtors Affordability Index ranks the Philadelphia region as the 22nd most affordable housing market out of 180 sampled in the U.S. According to a study by The Reinvestment Fund, a household with median income can afford a home in 79 percent of the region, with this proportion even higher within the City limits. The 2003 fourth quarter ACCRA Cost of Living Index rates Philadelphia as significantly more affordable than its regional peers. New York City is approximately 80 percent more expensive, Washington, DC, is 15 percent more expensive, and Boston is approximately 13 percent more expensive. In fact, among 20 U.S. regions with greater than 2 million inhabitants, Philadelphia has the third-lowest cost of living.

These advantages equip Philadelphia to continue to build its knowledge industries. A January 2002 report by the Philadelphia Federal Reserve Bank found that Philadelphia ranked first among a comparison group of 14 major metropolitan areas (the nine largest metro areas and five others in the Northeast with populations above two million) in its concentration of Education sector employment, and third in life, physical, social sciences and healthcare professionals. Philadelphia houses a predominant share of the regional educational employment and enrollment, based on its major colleges and universities. The Education sector not only provides a stable support to the local economy; it also generates a steady supply of potential knowledge workers. Philadelphia has a strong core of knowledge-based industries, but the City must capitalize on these advantages to ensure future growth and dynamism.

Contrary to some commonly held perceptions, the Philadelphia region retains a strong share of its graduates (64 percent) and an even greater share of graduates who are originally from the region (86 percent). There is room for improvement, however, as the region retains only 29 percent of non-native graduates.

Philadelphia has experienced a decline in the 24-35 year-old demographic of more than double the national trend and a decline in college-educated 24-35 year olds despite a 10 percent increase nationally in this group. The region loses more 24-35 year olds than it attracts from 39 of the nation's 50 metropolitan areas, including its "competitor" regions.

Nevertheless, on average, young adults in Philadelphia are better educated (with four-year college degrees) than those in other metropolitan areas across the U.S. (33 percent vs. 30 percent). The number of Philadelphia's 18-24 year olds who are enrolled in college or university also exceeds the national average (37 percent vs. 33 percent).

In FY04-FY05, the City successfully retained 84 of 85 major commercial office tenants. This remarkable record was the result of a concerted retention campaign involving the combined efforts of the City, the Philadelphia Industrial Development Corporation, the Center City District, the Greater Philadelphia Chamber of Commerce, and the Commonwealth. Despite these important successes, in a number of cases, tenants signed leases for less space, and there have been few new major office tenants attracted to the City, resulting in a break-even outcome in recent years.

The success of minority businesses is crucial for sustained economic growth in Philadelphia. However, recent research shows that Philadelphia's 15,532 minority businesses (24.7 percent of all Philadelphia businesses) and the region's 28,973 minority businesses (10.6 percent of all businesses in the region) generate just 2.2 percent and 1.6 percent, respectively, of the City and regional gross business receipts. Minority firms that are well funded and managed have experienced sales growth at an average rate of 34 percent per year. However, studies show that funding is hard to obtain for minority businesses, which, for example, receive just two percent of all private-equity investments and only three percent of the federal government's Small Business Investment Corporation dollars. During 2001, 44,449 businesses in minority census tracts (where more than 50 percent of the residents are minority) received 7,110 loans—just 16 percent of the businesses in those census tracts. This makes Philadelphia the city with the lowest percentage of businesses in minority census tracts receiving loans among the 100 largest metropolitan areas during 2001 (the average of which was 33 percent). Additionally, in Philadelphia, just 17 percent of the businesses in low- and moderate- income tracts received loans, making Philadelphia second to last among the 100 largest metropolitan areas (the average of which is 33 percent). We can do better than that.

Mission

The goal of the City's economic development strategy is to create, maintain, and develop: 1) jobs by fostering an improved business environment, 2) increases in population, and 3) enhanced quality of life within the City of Philadelphia—all in order to grow the City's tax base.

The Role of the Economic Development Summit and Blueprint

In April 2004, the Department of Commerce initiated a planning process for the City of Philadelphia's economic development—a process that was intended to result in a strategic plan to be known as the "Economic Development Blueprint." The Department's mission was to create a plan that would contain the Administration's broad agenda for Philadelphia's economic development future, as well as guide the City's economic development investments, projects, and initiatives. At the two-day Economic Development Summit in September 2004, nearly 200 of the City's most involved, pragmatic, and resourceful citizens gathered to help think about, focus, and design the City's economic development goals and priorities.

The initiatives presented below represent the City's ongoing efforts to address the challenges to economic development in Philadelphia. Growing the population, improving the business environment and improving quality of life will all contribute to sustained economic growth in the City. All of these objectives will be analyzed in greater depth and prioritized in the Mayor's Economic Development Blueprint, which he will address more specifically at the end of February. The Blueprint, in its entirety, is included below.

Overview

At the two-day Economic Development Summit in September 2004, nearly 200 of the City's most involved, pragmatic and resourceful citizens gathered to help us think about, focus and design an Economic Development Blueprint. The Administration has spent the intervening months considering the input received at the Summit and reexamining its accomplishments in light of its stated priorities, its agenda, and its vision for the future. The result is a set of ten objectives, which will frame the actions of the Administration in the area of economic development in its remaining years. Among these, the first four we believe have significant new initiatives to be implemented over the next three years. They are:

Objective: Expand the Knowledge Industry

Objective: Support Civic and Cultural Development

Objective: Make Philadelphia a National Model for MBE/WBE Participation in the Local

Economy

Objective: Continue the Successful Development of Philadelphia's 38 Miles of Waterfront

Remaining Objectives

The City's economic development priority objectives cannot be realized in a vacuum. There are other factors that contribute to Philadelphia's viability as the location of choice, and the policy choices the Administration makes regarding additional business objectives and quality-of-life issues will continue to play an important role. The economic development priority objectives will be supported and enhanced by a series of important companion objectives. They are:

Objective: Sustain advances in Neighborhood Economic Development.

Objective: Make City government incentive programs more predictable, objective and

equitable.

Objective: Continue business attraction and expansion efforts.

Objective: Continue to reduce the cost of and barriers to doing business in Philadelphia.

Objective: Increase educational opportunity and access to literacy services.

Objective: Maintain fiscal responsibility through strategic tax allocation and tax reduction.

While progress will certainly be made in other ways, Philadelphia's economic development resources will be devoted to achieving these objectives and to benchmarking our activities in these areas.

Introduction

Philadelphia has a long and proud history. It was this nation's first great city and yearns to be so again. We have made great strides in the last five years. We are revitalizing our neighborhoods, improving our schools, reducing our taxes and now are seeing an explosion of market rate housing and the creation of new office space for the first time in decades. But our goal is to make Philadelphia THE city of choice for new and expanding businesses, for young people including the students attending Philadelphia's great colleges and universities, for immigrants seeking new opportunities, for artists attracted by its flourishing cultural life, and for families who choose it because it is a city with a lively urban life and enormous economic opportunity.

At the two-day Economic Development Summit in September 2004, nearly 200 of the City's most involved, pragmatic and resourceful citizens gathered to help us think about, focus and design an Economic Development Blueprint. One of the participants' important contributions was the establishment of a clear, if broadly phrased, set of goals which were embodied in an imaginary newspaper headline ten years from now: "Market and People Friendly Philadelphia is Now the Location of Choice for Individuals and Business."

The Administration has spent the intervening months considering the input received at the Summit and reexamining its accomplishments in light of its stated priorities, its agenda, and its vision for the future. The job of the Blueprint, then, is to translate these deliberations into goals – goals that reflect the sense of excitement and possibility that underlies them - and then put all that into day-to-day governance terms. The result is a set of ten objectives, which will frame the actions of the Administration in the area of economic development in its remaining years. These will be the touchstones for our actions and decisions. Scarce flexible resources, both financial

economic development tools and personnel, will be targeted to these objectives. With rare exception, the City will no longer offer financial incentives that are not aligned with the goals set forth in the Blueprint.

Among these, the first four we believe have significant new initiatives to be implemented over the next three years. We will focus on these established priorities but not to the exclusion of other opportunities that may materialize. The Administration will be receptive to new ideas and diligent in searching for new opportunities. The results of this focus, however, is that we believe that we will be able to make great strides in achieving the vision we hold for the future of a Philadelphia that is the LOCATION OF CHOICE FOR INDIVIDUALS AND BUSINESS.

OBJECTIVE: EXPAND THE KNOWLEDGE INDUSTRY

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The Administration's vision is to make Philadelphia a vibrant and competitive global city. To get there, Philadelphia will capitalize on the City's and the region's current market strengths in the Knowledge Industry, the new economy of the 21st century, and aggressively work to attract and retain our best and brightest young people, in order to capture a competitive edge in the jobs of the next decade. This sector of the economy includes education, health care, life sciences, technology, telecommunications, financial/professional services and occupations where creative service is key.

Strategies:

- A) Continue to attract/retain Philadelphia's best and brightest students and young professionals
- B) Provide knowledge economy skills to Philadelphia's existing workforce
- C) Attract, retain and grow knowledge-based organizations and businesses

Tactics:

- Increase the City's funding and commitment to the Knowledge Industry Partnership. The City of Philadelphia's student retention initiative, established two years ago, the Knowledge Industry Partnership (KIP), works to: 1) attract new students to attend college here; 2) encourage the nearly 300,000 students attending colleges here to explore the rich quality of life of this great City; and 3) works to retain those students in our workforce after they graduate from our colleges and universities. The City of Philadelphia will expand its role with KIP and will make a financial commitment of \$1,000,000 to support these efforts over the next three years.
- Broaden effort to retain and grow the young professional population. A dynamic young adult population is critical to the development of a prosperous competitive city, and is the building block of Philadelphia's future. Between 1990 and 2000, Philadelphia experienced a 19 percent loss in its young adult population (25 to 34 year-olds). To reverse this decline and build the knowledge workforce necessary to grow, the City of Philadelphia will: 1) support targeted marketing initiatives promoting Philadelphia's quality-of-life assets to this population; 2) develop and implement a campaign to promote job opportunities to young professionals who have moved out of Philadelphia and entice them to return; and 3) create a comprehensive

housing assistance program that would act as a local clearinghouse and information delivery system for first-time creative class homebuyers in Philadelphia.

- Create a targeted program to attract and retain international knowledge workers. By carefully targeting a program to attract highly skilled immigrants, we can supplement the existing knowledge-based workforce. The City currently attracts 12,000 international students annually and has seen an increase in its number of Asian and Hispanic 25 to 34 year-old young professionals. In order to increase the numbers of international knowledge workers, the City of Philadelphia will: 1) Support the strategy to attract international students and knowledge-based workers as outlined in the Greater Philadelphia Global Partners (GP2) Global Plan, 2) Support efforts through KIP's international student attraction campaign and through closer coordination with City's marketing organizations that target the attraction and retention of educated immigrants and 3) Promote language and cultural diversity needed to attract and retain knowledge workers.
- Use Philadelphia's workforce readiness infrastructure to improve, update, and broaden existing workforce skills. The City of Philadelphia will actively pursue public resources to support training for incumbent workers so they can be prepared to increase the productivity of their current employers, as well as support the growth of the Knowledge Industry. For those individuals not in the labor force, the Street Administration will continue to strengthen career preparation and job access services so that all Philadelphians have the opportunity to contribute to the economy. Finally, the City will continue to work with the Philadelphia Workforce Investment Board to aggressively align public job training investments in support of key growth clusters, including identifying and pursuing new sources of capital to support economic development objectives.
- Implement Wireless Philadelphia. Bridging the digital divide and enhancing economic development in neighborhoods will have multiple benefits across all segments of the economy and civic life. Philadelphia proposes to capitalize on this potential by leading an effort to create a wireless network that gives all citizens affordable access to the Internet through high-speed, broadband wireless connectivity.
- Develop greater access to venture capital and other forms of financing needed by emerging companies. Make financing information and capital more abundantly available to all businesses, including minority and women-owned businesses. Four leading technology-based organizations already exist within the City, positioning Philadelphia as a global leader for technology-based economic development. The City has encouraged these organizations to work together, creating a cooperative environment and allowing businesses enhanced access to services. As part of the foundation for this objective, Innovation Philadelphia has helped to successfully launch the Mid-Atlantic Angel Group Fund I. This angel fund will assist in bridging the gap between angel funding and institutional venture capital in the City and region.

- Develop and implement strategies for the Creative Economy. A goal of the Administration is to consider developing a Creative Convergence Center that will bring together our world-class assets in business, arts, and education, and brand the City of Philadelphia and the Greater Philadelphia Region as an international center of arts, business, and technology. Another goal is to hold an Annual Global Creative Economy Conference in Philadelphia, highlighting Philadelphia's many creative assets to the world.
- Package financial incentive tools to assure that space is available and affordable for knowledge economy companies. The City must fully utilize all federal and state programs including the Keystone Innovation Zone (KIZ) program to link our academic centers with the region's business resources in order to realize the full potential of the knowledge economy. For example, with the development of the University City KIZ, West Philadelphia has the opportunity to become the "Cambridge on the Schuylkill" a global leader in the Knowledge Economy. Several other university-driven opportunities exist throughout the City including the redevelopment of the Navy Yard for the creation of a single or multi-user research and development campus driven by the physical and/or life sciences.

Outcomes:

 Attract 20,000 additional students to Philadelphia universities and create 5,000 new internships, with a goal of retaining 50 percent of internship-placed students after graduation.

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- Increase the number of international students by 4 percent as well as increase the percentage of educated immigrants in the city by 3 percent.
- Identify workforce development service gaps, and coordinate the pursuit of additional resources to fill those gaps, resulting in a 20 percent increase in flexible federal and state workforce development funds invested in Philadelphia.
- Connect 10,000 unemployed Philadelphians to work.
- Support the post-secondary attainment of 2,500 adult residents who never completed their degrees.
- Catalyze the creation of \$300 million of new seed, venture, and innovative funds/tools and assist academic/research institutions and corporations in attracting additional federal research funding, creating new knowledge-based jobs, and stimulating the establishment of new knowledge-based companies.
- As a result of our role in the BIO 2005 convention and other marketing efforts, attract 5 new knowledge industry companies to locate in Philadelphia.
- Implement Wireless Philadelphia, which will increase access to the Internet to all Philadelphians by leveraging \$10 million of non-City based capital.

OBJECTIVE: SUPPORT CIVIC AND CULTURAL DEVELOPMENT

With significant investments already made in our tourism and hospitality sector, and some exciting major developments immediately on the horizon, the City's job is to stimulate the prompt completion of projects that will further our strength as a destination of choice for residents and visitors alike.

Strategies:

- A) Support the next generation of civic/cultural infrastructure such as the expansion of the Convention Center, the expansion of the assets on the Parkway and the creation of a new Entertainment District on the Avenue of the Arts
- B) Influence gaming options and coordinate retail expansion
- C) Assist in finding dedicated regional funding for Arts and Culture support

Tactics:

- Provide support and cooperation for all land acquisition activities related to
 Convention Center expansion. Facilitation of land acquisition, permitting and other
 site preparatory work are important components of our commitment to this project.
 City Departments will work closely with the Pennsylvania Convention Center
 Authority as needed to complete this project.
- Assist with planning, siting and financing Parkway and Avenue of the Arts projects and encourage vibrancy of public spaces. Like our four-facility Stadium complex, an expanded Parkway and Avenue of the Arts offers Philadelphia the chance to host a centrally located collection of cultural and entertainment resources almost unparalleled in the United States. Parkway destinations the City will focus on include the relocation of the Barnes Collection to the current Youth Study Center site, expansion of the Free Library, possible reuse of the Family Court facility and the eventual creation of a Calder Museum. In addition, the City embraces efforts to enliven the public greenspaces along the Parkway. To reinforce the City's investment in the Avenue of the Arts, we will also help determine the viability of a proposed Entertainment District in the area of Broad and South Streets.
- Creation of Gaming and Retail Advisory Boards. The introductions of gaming and expanded retail choices are poised to affect the quality of life experienced by residents and the perception of Philadelphia taken home by visitors. Philadelphia's Gaming Advisory Task Force will offer an opportunity for municipal influence on location decisions that impact short- and long-term City development plans. In response to increases in residential population and improved market strength in certain areas, the City will also form a Retail Advisory Board to improve the retail mix and quality of retail options in the central business district.
- Enhance and support transportation infrastructure such as SEPTA and the Airport. A strong and widely dispersed public transportation system and an easily

accessible Airport are essential regional assets that contribute significantly to the City's perceived advantages locally and abroad. The City is committed to municipal ownership of the Airport, expanded runway capacity to improve on-time performance, and to policies that keep ticket costs low and keep the quality of experience and destination options for users high. While the SEPTA fiscal crisis demands a solution at the State level, the City will continue to advocate for a responsible funding solution tied to permanent, stable and adequate sources of dedicated operating and capital funding.

• Mayor's leadership of efforts to determine appropriate arts and culture funding models. Philadelphia has a rich cultural fabric that is broader in scope than cities of comparable size. The City believes that long-term, stable funding for our arts and cultural resources is key to their continued success. Through the Mayor's leadership of an inclusive and collaborative approach, the City will develop a strategy for and implement a regional public-private cultural funding partnership.

Outcomes:

- As the release of State funding permits, facilitate the Convention Center land acquisition process on time and on budget.
- On the Parkway:
 - 1. Complete relocation of the Youth Study Center, as well as parcel assembly and transfer to the Barnes Foundation, by end of 2005.
 - 2. Issue bonds to fund Free Library expansion.
 - 3. By 2006, determine the feasibility of potential reuse ideas for Family Court, including residential and retail.
 - 4. Facilitate the renovation of Three Parkway Plaza (located diagonally across from Love Park) as well as completion of the proposed Skateboard Park near the Museum of Art.
 - 5. Form an Administration working group to monitor and facilitate needed infrastructure improvements for all proposed new development on the Parkway.
- Help develop and fund a feasibility study to determine the viability of a proposed Entertainment District in the area of Broad and South Streets, and assist in the relocation and growth of the Rhythm and Blues Foundation.
- Successfully influence gaming site choices in Philadelphia.
- Increase square footage of retail space by 10 percent; increase retail options/mix to include name brand and successful regional retailers, as well as a new anchor Department store, by 2010.
- Resolve roles and funding responsibility for growth, long-term funding stability, and corresponding governance issues, for Philadelphia International Airport.
- Direct development to locations near public transit so that economic investments leverage existing infrastructure and encourage ridership.

In the next three years, create a regional funding plan for arts and culture.

MAKE PHILADELPHIA A NATIONAL MODEL FOR MBE/WBE **OBJECTIVE:** PARTICIPATION IN THE LOCAL ECONOMY

The success of MBE/WBE businesses is crucial for sustained economic growth in Philadelphia, a City where over half of the population is identified as minority. The City embraces the notion that economic integration is a vital component of broader social and civic integration, and will strive to bring the diverse buying needs of government to the attention of women and minorityowned businesses, as well as encourage meaningful participation of these businesses whenever possible.

Strategies:

- Use the power of government to encourage minority business development and **A)** economic integration
- B) Enhance Minority Business Enterprise Council's (MBEC's) monitoring programs and capabilities
- Enhance access to capital by minority and women-owned businesses C)

Tactics:

- Through Executive Order, enhance MBEC certification and monitoring programs, as well as the enforcement of City procurement policies. The Mayor's Executive Order sets forth City-wide antidiscrimination policies relating to City contracts. Pursuant to this Executive Order, MBEC will proceed to: 1) provide a strong compliance and enforcement arm for its vendors, 2) initiate appropriate tracking tools to ensure proper "good faith efforts" on behalf of all City and private sector entities engaging in business within the City of Philadelphia; and 3) introduce a streamlined and less restrictive certification process to encourage minority and women-owned firms to conduct business with the City of Philadelphia.
- Create a Banker's Task Force to develop a Revolving Loan Fund for MBE/WBE programs. To increase the number of WBE/MBE firms in Philadelphia, the Department of Commerce will spearhead an effort to create a funding pool that will provide financial assistance for the start-up and expansion of minority- owned businesses. Task Force members will craft a program that will provide, among other things, low interest loans for business priorities such as working capital and equipment purchase. In addition, the Task Force will determine appropriate underwriting criteria and program administration and monitoring responsibilities.
- Enhance efforts to provide targeted technical assistance and business plan support to minority firms, and improve access to City financing opportunities. Through targeted outreach to minority firms and in conjunction with organizations offering MBE/WBE resources, the Department of Commerce will strive to coordinate services to meet the needs of new and emerging small businesses. Targeted services

to address include: 1) business plan development and feasibility analysis; 2) business owner readiness to obtain credit and manage capital; 3) access to available financing opportunity; and 4) a comprehensive and accessible small business information referral system.

Outcomes:

- Maximize and maintain the number of MBE/WBE companies in the MBEC database
- Increase the number of City contracts awarded to MBEC-certified firms by 25 percent
- Expand the Emerging Contractor's program and introduce new financing options for MBE/WBE firms
- Increase the number and total amount of loans to MBE/WBE firms
- Increase the number of prime contracting opportunities for MBEC-certified firms by enhancing their access to capital for financing and increased bonding capabilities

OBJECTIVE: CONTINUE THE SUCCESSFUL DEVELOPMENT OF PHILADELPHIA'S 38 MILES OF WATERFRONT

Since Mayor Street announced his visionary "New River City" initiative one year ago, the Administration's public investment in planning, site assemblage and infrastructure has helped to stimulate widespread private investment along our waterfront. The results, to date, have been impressive:

The Navy Yard: Since 1,000 acres of this 1,200-acre property was conveyed to the City by the Department of Defense in 2000, public investment in infrastructure and utilities have helped to attract diverse employers like Kvaerner (shipbuilding), Liberty Property Trust (real estate), AppTec (biotechnology), Urban Outfitters (retailing) and fifty-five other private companies which employ over 6,000 people. During 2004, the Mayor and the Philadelphia Industrial Development Corporation (PIDC) announced the completion of a Master Plan which envisions mixed use on the 500 acres east of Broad Street with potential for \$2 billion of private investment and 25,000 new jobs.

Lower Schuylkill River: The Mayor's focus on this section of the "New River City" has been in partnership with the Schuylkill River Development Corporation (SRDC) and its impressive stakeholders, including the University of Pennsylvania, Drexel University, Brandywine Realty Trust and Amtrak. The SRDC Master Plan, a newly constructed River Park and Trail, and plans for soon-to-be-realized infrastructure improvements have been catalysts for a dynamic roster of development projects along the river. A host of new residential projects, the 700,000 square foot Cira Centre office tower scheduled to open in 2005, and redevelopment plans for the Civic Center and Post Office sites are all examples of the dramatic improvement slated for this corridor.

North Delaware: This riverfront zone extends eleven miles north from the Betsy Ross Bridge and was the subject of a master plan by the Philadelphia City Planning Commission (PCPC). The central vision is to convert up to 3,500 acres of decaying industrial land to residential,

recreational and commercial uses at a total cost of \$1.5 billion. Public funding for environmental remediation and a riverfront trail/road/park system is in process. Brownfield reclamation is underway on several major sites and private developers are moving ahead with at least three important residential projects.

Central Delaware: With limited public involvement, market driven residential and retail development is booming along the Delaware from Port Richmond to Packer Avenue. Numerous waterfront sites in this area are also under discussion as possible gaming locations. In addition, existing industrial infrastructure for our Ports and utilities are being strengthened, as evidenced by PGW's plans to expand a LNG facility at its Port Richmond operation and the proposed new Food Distribution Center in South Philadelphia.

Strategies:

- A) Pursue the redevelopment of the Navy Yard in accordance with PIDC's mixed-use Master Plan
- B) Continue to support SRDC in the implementation of its mixed-use Master Plan
- C) Cooperate with the stakeholders in the North Delaware region and identify an appropriate City role in implementation of PCPC's Master Plan
- D) Coordinate development of the Central waterfront district as a residential, commercial and entertainment destination, and expand the infrastructure necessary to support industrial activities surrounding the port

Tactics:

- Assist in the acquisition of land to enhance waterfront open space and to
 facilitate land assemblage for market rate uses. While the majority of land
 acquisition and development will be by private interests, the City will provide
 assistance by acquiring open space along the water's edge which will assure public
 access and accommodate amenities such as parks, pathways, roadways and docks.
 Similarly, the City will assemble development sites for market rate development, with
 particular focus on brownfield properties that may require significant publicly funded
 environmental remediation.
- Commit \$125 million to appropriate New River City infrastructure, which will leverage maximum private and other public funding. The City's commitment, to be obtained by unlocking the water and sewer bond reserve funds, will be augmented by State (e.g. Business in Our Sites, Industrial Sites Reuse, Pennvest, IDP) and Federal (e.g. EDA, EPA, DOT, Army Corps of Engineers) resources to address the standard public responsibilities of planning, land assemblage, environmental remediation, demolition and infrastructure. This investment will create opportunities for private developers to commit significantly greater levels of capital in anticipation of market rate returns.

- Oversee, coordinate and manage the completion of infrastructural work to be funded with public resources through creation of the New River City Task
 Force. Convened by the Director of Commerce, this Task Force will bring together the various entities that are managing waterfront development, and will be a forum for communication and strategic implementation. Members will include representatives from PIDC, SRDC, Penn's Landing Corporation, the Planning Commission, the Philadelphia Water Department, and the Pennsylvania Environmental Council, among others.
- Select strategic partners to develop City-owned properties. As the Department of Commerce, in concert with PIDC, has selected private entities to develop the City's industrial parks and sections of the Navy Yard, similar processes will occur for all City-owned properties along the waterfronts. Selection criteria typically include the quality of the proposed development plan, overall experience, financial capacity, MBE/WBE participation and business terms.
- Institutionalize waterfront development guidelines and controls to assure public access and responsible environmental stewardship. Given the wide diversity of conditions that exist along the full range of Philadelphia's riverfronts, the PCPC will lead an effort to standardize zoning classifications, development guidelines and other controls. Continuity of permitted uses and design requirements will assure developers, users and communities of consistent waterfront policies and standards.
- Promote the Development Services Committee to facilitate approval and permitting of waterfront development initiatives. This valuable forum was created by the Department of Commerce a number of years ago and regularly convenes representatives of City Departments and local agencies impacted by development to provide preliminary review of projects in their earliest stage. This practical tool will be adapted to address the variety of riverfront development opportunities.

Outcomes:

- Navy Yard: During the next three years, approximately 750,000 square feet of office space with 2500 new jobs, and 650 residential units will be developed, with a total investment of \$250 million. The public contribution will be \$30 million, primarily for street, open space and utility upgrades.
- Schuylkill River: By 2008, SRDC anticipates that the Schuylkill River Trail and park will be completed to South Street Bridge, with trail sections completed to Southwest Philadelphia (Bartram's Garden). Also anticipated is the construction of docks at Bartram's Garden and Chestnut Street and improved bridges and roadways. These projects will represent public and private investments of more than \$35 million in capital projects. Cira Centre and several University of Pennsylvania and Drexel University projects will be completed, representing approximately 1.5 million square feet of new space and a private investment of \$400 million, with the potential to be occupied by 5,000 new employees.

- North Delaware: Approximately \$20 million of the remediation and infrastructure work will be funded and completed by 2008 and, given current market activity, up to 1,000 residential units will be delivered by private developers making an estimated investment of \$200 million in that time period.
- Central Delaware: \$250 million in public and private resources will be invested to
 expand the infrastructure necessary to support industrial activities surrounding the
 port, including the development of new Produce and Seafood Terminals and the
 expansion of the PGW facility to provide capacity to receive ships delivering
 liquefied natural gas (LNG), expand the emerging residential opportunities on the
 central waterfront by 2000 units, and fully revitalize the public assembly and
 recreation areas at Penn's Landing.

REMAINING OBJECTIVES

OBJECTIVE: SUSTAIN ADVANCES IN NEIGHBORHOOD ECONOMIC DEVELOPMENT

The Neighborhood Transformation Initiative (NTI) has gained national prominence as one of the most comprehensive neighborhood revitalization strategies a city has ever attempted. NTI has established a framework for making neighborhoods cleaner and safer, investing in communities and transforming the business of government when it comes to housing, community, and economic development. NTI has stemmed the spread of blight and has been the essential vehicle that now enables all sections of Philadelphia to utilize many of the City's commercial corridor support programs. With the addition of non-city resources, the City's funding for commercial corridors can be greatly enhanced. Our blight removal efforts are restoring confidence in Philadelphia neighborhoods and have contributed to a 30 percent appreciation in real estate values over the past five years.

The critical challenges going forward are to secure sufficient resources to sustain the positive changes that NTI has brought to our neighborhoods, to focus increased attention to neighborhood commercial centers and corridors, and to ensure that City services and housing and economic development resources are coordinated and delivered in a way that supports the continued growth of healthy neighborhoods, including the commercial districts associated with those neighborhoods.

Strategies:

- A) Coordinate existing City resources and leverage other resources to improve delivery of neighborhood economic development services
- B) Increase attention to and investment in neighborhood commercial corridors
- C) Sustain the advances achieved under the Neighborhood Transformation Initiative
- D) Remain committed to the preservation of historic assets

Tactics:

• Review and align community and economic development resources. The City supports community and economic development through a variety of loan and grant programs, tax

incentives, funding of technical assistance providers and capital improvement programs. To achieve maximum impact, the City will coordinate the use of existing resources and position itself to secure available state resources, such as the Main Street Program, Elm Street Program, Hometown Streets and Redevelopment Assistance Capital Programs, and align these programs with City resources. The City will expand its own revitalization efforts by forging new financial partnerships with other levels of government and with neighborhood-based organizations like Community Development Corporations (CDCs) and business associations to support neighborhood economic development.

- Develop a system to attract and retain neighborhood businesses and build their capacity. In order to strengthen small and neighborhood-based businesses, the City, through its economic development agencies, will improve information and service delivery as well as access to capital for new and existing neighborhood businesses. This will be achieved by creating better connections between small businesses and traditional lending institutions, providing technical assistance to enable small businesses to meet lenders' requirements, and determining the need to use public resources to develop more flexible lending products. The City will market Philadelphia's Empowerment Zone, Renewal Community, and Keystone Opportunity Zone tax incentives to attract new businesses and assist them in realizing these benefits. In addition, the City will improve coordination of technical assistance and business planning services for disadvantaged firms and neighborhood-based businesses, determine gaps in service, and develop programs to address unmet needs.
- Strengthen neighborhood commercial corridors and districts. Vibrant commercial corridors are the heart of healthy neighborhoods. The City will develop strategies for strengthening commercial corridors by improving land use, facilitating the re-use of vacant parcels and historic buildings, and, where appropriate, consolidating corridors to the strongest remaining blocks. To support this work the City will use available data to analyze land use, sales activity, and market activity on neighborhood commercial corridors. Working in partnership with CDCs and other community based organizations and business associations, the City will focus resources on selected commercial corridors to achieve appropriate streetscape improvements, improved perceptions of safety and cleanliness, and strategies to achieve sustainability, such as neighborhood improvement districts.
- Improve delivery of services for commercial and residential development. Through NTI, the City is streamlining its land acquisition and disposition processes, supporting development activity and creating conditions for reinvestment in neighborhoods. The City will reorganize housing and neighborhood activities to improve services to developers of commercial and housing projects. It will also complete the Unified Land Records database and Vacant Property Management Information System to improve public access to information about available land and development. These improvements will support commercial and housing development projects, by both private sector and non-profit developers.

- Continue to create a clean, safe, welcoming environment for new investments. Under NTI, the City is making an unprecedented investment in the physical environment of Philadelphia neighborhoods. By demolishing dangerous buildings, removing graffiti, cleaning and greening debris-filled vacant lots, and assembling land for development, NTI has improved both the perception and the reality of safety and made the City more attractive for commercial and housing investments. The City will continue lot cleaning and greening, graffiti removal and mural arts programs; coordinate targeted code enforcement and sanitation activities with other neighborhood improvement activities; and carry out streetscape and lighting improvements along strategic commercial and transit corridors. As part of this strategy, the City will work with public and private sector partners to adapt older industrial and commercial buildings for reuse through brownfield remediation, strategic land assembly, and marketing.
- Remain committed to the principles of historic preservation. Philadelphia has a rich
 cultural legacy expressed through an amazing variety of architectural assets in residential
 neighborhoods and in commercial districts. Well-preserved historic properties increase
 neighborhood and location desirability, and the Administration believes that careful
 consideration of historical assets should continue to guide neighborhood and commercial
 corridor redevelopment efforts.

Outcomes:

- A framework and mechanism within the City to guide resource allocation and coordination of services for neighborhood economic development
- Implement successful commercial corridor improvements by attracting at least \$5 million in additional state and federal money dedicated to support commercial corridors and neighborhood economic development
- A 5 percent increase in the number of businesses accessing government incentive programs, such as the City's Empowerment Zone, Renewal Community, and Keystone Opportunity Zone
- A streamlined system for the delivery of neighborhood-based and small business technical assistance
- Improved data collection on land use and market activity on selected neighborhood commercial corridors
- Improved public access to information about available land and development opportunities

OBJECTIVE: MAKE CITY GOVERNMENT INCENTIVE PROGRAMS MORE PREDICTABLE, OBJECTIVE AND EQUITABLE

Incentives are tools the City has to encourage certain types of business activity, such as job creation, improvement to real property or historic preservation. While the costs, usually in terms of foregone tax revenue, are relatively quantifiable, City government has been criticized for its record in measuring outcomes, such as job growth and tax revenues. To overcome this

perception and improve the transparency of Philadelphia's economic development incentive delivery system, the City will work to strengthen performance measures and incentive information delivery.

Strategies:

- A) Institute change within City government to improve the implementation and measure the outcome of the City's incentive programs and other economic development activities.
- B) Use analysis of existing incentives to make government incentive programs more predictable, objective and equitable to the business community.

Tactics:

- Initiate an Economic Development Incentive Programs Study. The Administration will study current economic development incentive programs administered through the Department of Commerce, the Philadelphia Industrial Development Corporation and the Philadelphia Commercial Development Corporation. This study will determine the effectiveness of available incentives, measure the outcomes from each program and establish performance measures to evaluate City investments and incentives over time. The Department of Commerce will review and analyze the study, and will develop a series of recommendations to ensure investment and incentive determinations are objective, transparent, fair and provide equal access.
- Conduct an Organizational Analysis of City Economic Development Delivery.
 The Department of Commerce will study the organizational structure of the City's
 economic development agencies to determine whether existing and future programs
 may be delivered in a more efficient manner.
- Coordinate the creation of a centralized resource for information on public business incentive programs. In order to ensure easy and reliable access to information, and to advise and educate the business community about financing tools available to them, the City will develop a web-based, centralized information delivery system for all available economic incentives.
- Increase public access to a wider array of economic development performance measures. In addition to those annually published in the 5-Year Plan, the Department of Commerce will address performance measures in a more comprehensive way. Compilation and dissemination of an annual economic development performance report that addresses performance across public or quasi-public economic agencies will clarify the role and allocation of public funds.

Outcomes:

- Develop transparent performance measures that quantify the benefits of effective economic development incentive awards

- Reorganize service delivery to promote efficiency and to eliminate duplicative services
- Through increased knowledge of opportunity, increase the accuracy and timeliness of settled transactions and related job retention and creation statistics
- Implement an integrated incentive information delivery system
- Initiate an annual report on economic development incentives

OBJECTIVE: CONTINUE BUSINESS ATTRACTION AND EXPANSION EFFORTS

The City has successfully retained over 98 percent of the major commercial office tenants with office leases that expired over the past several years. This remarkable record was the result of a concerted approach to tenant retention involving the combined efforts of the Business Attraction and Retention (BAR) team: the Department of Commerce, PIDC, the Chamber of Commerce, Center City District, Innovation Philadelphia, PECO and the Governor's Action Team. In order to build on this retention success, the City will focus its efforts on helping local businesses remain here and grow. The City will also work with regional leaders to market Philadelphia's competitive advantages through an effective national and international attraction process. To succeed in capturing a competitive edge in the jobs of the next decade, the City must increase the number of opportunities to make its case, put together a responsive incentive package, and effectively compete for new business.

There are several other Objectives that contribute to business attraction and expansion efforts. Strategies and Tactics for small businesses, commercial corridors, knowledge-industry firms and MBE/WBE participation are located elsewhere in this Blueprint.

Strategies:

- A) Promote the region's economic and quality of life assets in order to grow current firms and attract new firms
- B) Collaborate with the business community in its effort toward business attraction
- C) Make Philadelphia the premier choice for conventions and tradeshows and use these events as marketing opportunities to bring businesses here
- D) Help local businesses expand to international markets

Tactics:

- Continue the City's firm-retention effort. This tremendously successful program, led by the BAR team, will continue to respond as needed to the needs of existing Philadelphia firms that are considering relocation.
- Support the effort of Select Greater Philadelphia for business attraction. The City has
 committed \$1 million to Select Greater Philadelphia over the next 4 years. Consistent with
 Select Greater Philadelphia's mission, the City will utilize Select as the City's primary point

- of contact for outbound marketing programs and inbound requests for marketing material.

 The City also will utilize Select as the City's clearinghouse for referrals.
- Continue the City's team approach to business lead response. The City's primary "sales executive" or "fulfillment center" after leads surface will continue to be the BAR team. This team approach will serve as the single point of contact for ongoing data dissemination to target companies and for organization of executive meetings and tours for those interested in growing or moving to Philadelphia.
- Put Philadelphia "on the map" in the minds of business leaders. The City will collaborate with others to attract and leverage opportunities that draw company decision-makers to experience Philadelphia firsthand.
- Increase international trade opportunities. Philadelphia must better position itself as a primary East-coast port of entry and exit for importers and exporters to effectively compete in the global economy. In addition to markets in Europe and Canada, the Region should set its sights on increasing trade relationships with the dynamic, emerging economies of Asia, Africa, and Latin America. By continuing to offer support to the Region's trade organizations, the various bilateral trade organizations and business chambers will be better able to compete in the global economy. A new emphasis will be placed on our expanded service economy, in order to grow our exports not only around manufactured goods, but also education, history/heritage, architectural and engineering, medical, legal and other professional services.

Outcomes:

- Maintain corporate retention rate above 90 percent
- Work with Select Greater Philadelphia, which will undertake a comprehensive promotional campaign that highlights the City's many business amenities including through such diverse outlets as its website, within all of its national and international media advertising, through familiarization ("fam") tours for corporate site selectors, and at all trade shows
- Sustain positive net absorption of office and industrial users
- Coordinate and align client services databases maintained by economic development agencies
- Create three major event opportunities to showcase Philadelphia to business decisionmakers by 2008
- Increase international trade and distribution agreements and increase total volume (tonnage and dollar value) of imports and exports through Philadelphia ports

OBJECTIVE: CONTINUE TO REDUCE THE COST OF AND BARRIERS TO DOING BUSINESS IN PHILADELPHIA

In the fall of 2002, the Managing Director's Office (MDO) established a task force to study the City of Philadelphia's business regulatory process and compile a list of recommendations for process improvement. The study encompassed all aspects of business regulation, but specifically focused on improving the City's development climate for the construction of new single-family dwellings. In addition to an internal review, the MDO task force invited builders, engineers, architects and other stakeholders to "focus group" meetings so that they could share with City officials their experiences, expectations, and ideas.

As a result of one of the focus group meetings, the homebuilders made a commitment to commission a professional study of the regulatory process as it pertains to the specific needs of the homebuilding community. The Building Industry Association of Philadelphia (BIA) received a grant to hire a consultant who interviewed more than 60 building industry and government professionals and extensively researched streamlining innovations of peer cities. The Department of Licenses & Inspections participated extensively in the process and provided unprecedented access to internal documents and employees. To date, extensive progress has been made on many of the recommendations set forth in the March 2003 MDO task force report and in the October 2004 BIA final report, and the Administration will work to continue that progress.

Strategies:

- A) Make it easier and less expensive to do business in the City
- B) Improve knowledge of and access to City regulations, programs, and assistance
- C) Streamline City processes for development and construction and create a greater level of transparency in these processes
- D) Improve communication and conflict resolution between the Administration, developers and the building trades

Tactics:

- Consolidate business start-up information delivery. The Administration will
 create and give wide publicity to and dissemination of new publications, web sites
 and other information outlets that explain clearly and in one place what needs to be
 done to begin or expand a business in the City, including permits, licenses, and
 zoning. The ultimate goal is to consolidate City services related to business
 development into a simplified, more transparent process.
- Initiate a business education campaign. The Administration will train and deploy government service representatives to neighborhood organizations, civic groups, trade associations, etc. to explain regulatory requirements and guide small entrepreneurs through new business start-up process.

- Expand the mandate of the Office of Labor Standards. To identify and explore labor-related issues that, if improved, could benefit the City and the region, the Administration will enhance the services provided by the Office of Labor Standards. The Office will examine the feasibility of a partnership structure between City government and labor representatives to address problems that arise on an ad hoc basis and for joint review of issues of mutual interest. The Office will also consider appointing a Labor Ombudsman and creating a model facilitation approach to labor-related issues between building trades and developers in Philadelphia.
- Create "One-Stop Shopping" process for permitting major developments. To address the City's current residential building boom, the Administration has already begun to implement many of the recommendations of the 2004 BIA report. To facilitate the day-to-day needs of large development projects consisting of 50 units or more, the Administration formed a permitting committee under the direction of the Managing Director's Office. This committee serves as a single point of contact for large developments, and is comprised of high-level representatives from the City's operating departments. The committee serves to reduce the time, expense and redundancies that major builders encounter when seeking project reviews from City operating departments. Committee responsibilities include coordination and accountability when the permit and review process begins.
- Continue to provide services online rather than inline. To save businesses and
 citizens time and money the Department of Licenses and Inspections will provide
 more online services. In addition to simple building permits, the Department will
 work with the Mayor's Office of Information Services to provide plumbing and
 electrical permits and certifications online.
- Address Zoning Simplification. Utilize the City's partnership with the Chamber of Commerce to assess the impact of the current zoning system and build support in the business community for needed adjustments.

Outcomes:

- Publish a development manual outlining comprehensive and specific direction for business and permitting processes by the end of 2005 and make it available online.
- Enhance call center capabilities to allow efficient business and other taxpayer access to all city services, including tax information maintained by the Board of Revision of Taxes
- Offer training to business service representatives on new, online business capabilities and educate appropriate business audiences on these features.
- Form a collaborative labor relations partnership by 2007
- Reduce the processing time of construction-specific permits by automating various applications
- Reduce the in-person visits to obtain permits through increased online permit utilization

- Create a simplified and common sense application of the Zoning Code. These changes will be reflected as:
 - 1. Changes through legislation. Where needed, adjust definitions and applications to better reflect current trends and practices and eliminate archaic requirements.
 - 2. Changes in interpretation. Where necessary, eliminate conflicts between various sections of the code, such as setback and height limitations for mixed-use construction in Center City.
 - 3. Availability of updated zoning classification maps online. L&I and the City Planning Commission will continue to collaborate to regularly update and provide access to zoning classification maps.
 - 4. Adjustments in the clarity of zoning language guiding single-family dwellings. L&I will compress difficult zoning language concerning the construction and alteration of single family dwellings into an easy to read and understand chart.

OBJECTIVE: INCREASE EDUCATIONAL OPPORTUNITY AND LITERACY SERVICES

Quality schools are essential to the economic development of the City for their power to attract and retain families and prepare young people for college and the 21^{st} century workforce. The Philadelphia region is home to a range of strong parochial and distinguished independent schools that are valued for the important pre-K-12 options they offer city residents. With more than 70 percent of the City's school-age children enrolled in public schools, the Street Administration has made a major commitment to improving the quality of public education. City government will continue to work in partnership with the Commonwealth and the School District to increase educational opportunity and achievement through enhanced academic standards and instruction, safety, community involvement and financial stability.

Strategies:

- A) Provide instruction, programming and facilities to enable students to raise performance levels
- B) Deliver support services that promote student achievement
- C) Offer choices that broaden the appeal of public schools and city living
- D) Maintain financial stability for the long-term
- E) Ensure Philadelphia's adults have the basic skills they need to compete in the Knowledge economy

Tactics:

- Implement education reforms designed to help students attain high standards. Philadelphia public school students have made significant gains over the past few years. but achievement levels still lag Pennsylvania averages. The School District has identified and is in varying stages of planning and implementing a multitude of school and classroom improvements, consistent with state of the art reforms in urban public education, aimed at raising performance levels for educators and students. The list of reforms includes: extended day and summer instruction, standardized curriculum, new books and materials, more technology, training and support for teachers, leadership development for principals, smaller class sizes, expanded pre-school, eliminating middle schools in favor of K+8 configurations, educational enhancements for gifted and talented students, smaller high schools with more rigorous college and career preparation and selective use of private nonprofit and for-profit managers to operate low-performing schools. Through the City's representatives on the School Reform Commission (SRC). and regular interaction with the School District's management team, the Administration participates in shaping the policy and supporting the execution of these quality educational improvements. 化氯化镍铁矿 感应证 化放应
- Provide health and social services to children and families that remove barriers to learning and foster academic achievement. City government is an active partner with the School District in meeting the physical and behavioral health needs of children, operating after school programs to keep children safe and supplement their education, and delivering other supports to facilitate school success. The City and School District will formalize these relationships, commit to joint planning, blend resources and streamline and upgrade services to help create the most cost-effective and conducive conditions in which students can learn.
- Manage Operation Safe Schools to engage students, parents and community members in reducing violence in and around schools. Achieving safe school environments is the first priority to promote learning and provide families with a sense of security and confidence in public schools. This new Police Department intelligence unit brings together City, School District and community resources in an effort to collect information and provide interventions to prevent violence in and around schools. This work will be supplemented by regular police patrols in school neighborhoods, targeted initiatives to identify and support youth at-risk of being victims or perpetrators of violence, and use of alternative schools to place disruptive students in an educational environment where they may be more likely to succeed.
- Align and coordinate School District capital investments with other public and
 private investments and developments in neighborhoods. School facility
 improvements and new buildings should be designed and located to enhance educational
 opportunities as well as to maximize their economic development potential. The
 Administration is collaborating with a master planning process initiated by the SRC to
 right-size the School District's infrastructure for projected enrollment, explore options

for utilizing its real estate resources, complement residential and economic development initiatives and identify priority areas for capital investment. The Administration also supports development of a guiding policy for charter schools that balances educational, enrollment, economic development and financial factors to set priorities for their approval and siting.

- Support marketing, community engagement, program improvements and school choice initiatives to enhance public school enrollment. Quality improvements are being made in public schools throughout the city so that all children have the opportunity to achieve. Consistent with the economic development goal of growing the City's population of 25-34 year olds—an age group that includes parents of young children—the Administration will support targeted efforts to raise awareness and enhance the attractiveness of public schools, especially where these schools are under-utilized by neighborhood residents. The initiative launched by the Center City District to market and strengthen public school options can serve as a model for other neighborhoods where the availability of quality public school choices can help sustain housing markets and encourage population growth.
- Pursue long-term financial stability through public advocacy for adequate school funding, aggressive resource development, rigorous accountability and disciplined spending. Through the partnership agreement reached between the Street Administration and the Commonwealth in 2001, additional state and local revenue and deficit financing have enabled the School District to avoid bankruptcy and implement quality improvements needed to help students reach high performance standards. But the financial stability is temporary, as the School District continues to run operating deficits most years and deficit bond proceeds are projected to run out in FY 2009. The Administration will support the SRC in monitoring finances and in promoting Philadelphia's interests through advocacy and action by a broad coalition of public school stakeholders to prevent a return to financial chaos and allow educational progress to continue.
- Support the Knowledge Economy goal of raising educational attainment levels for the City's population by successfully continuing the College Opportunity Resources for Education (CORE) Philly Scholarship program. Mayor Street, School District CEO Paul Vallas and Congressman Chaka Fattah launched this initiative in 2004, making Philadelphia the only city in the nation to offer every high school graduate a freshman year college scholarship. The CORE scholarship is both an incentive and a reward for Philadelphia high school students to stay in school and pursue higher education. The City and School District have committed to fund the program for its first four-years of operation (graduating classes 2004-07) and Congressman Fattah has pledged to lead a fundraising campaign for an endowment to support the program going forward. In its first semester of operation, 1977 students were awarded CORE scholarships of up to \$3,000 each to attend one of 19 public colleges and universities in Pennsylvania. Philadelphia lags other major cities with only 18 percent of adults holding a college degree. CORE Philly will work to close this gap by expanding outreach and

- communication to prospective applicants, working to obtain permanent funding and supporting retention of scholarship recipients in college until they earn their undergraduate degrees.
- Create a targeted initiative to increase adult literacy. Strong foundation skills are critical to success in Knowledge Economy jobs. Therefore, the City will significantly increase its efforts to provide access for adults to literacy programs. This end will be achieved through Excel Philadelphia, an initiative of the Philadelphia Workforce Investment Board in partnership with the Mayor's Commission on Literacy and the Philadelphia Literacy Coalition. 1966年1月1日 1966年1日 1966年1月1日 1966年1日 1

- The transfer of the second of The national No Child Left Behind Act requires all students to demonstrate academic proficiency by 2014.
- The SRC has adopted a Declaration of Education with goals to be achieved by 2008. These include:
 - 85 percent of all high school students will graduate
 - Achievement disparity based on race, ethnicity, gender and socioeconomic status will be less than 10 percent on all academic measures

· "我们就是我们的,我们就是我们的,我们就是我们的,我们就是我们的,我们就是这个人。"

- 100 percent of all high schools will offer honors and Advanced Placement courses
- 95 percent of survey respondents will indicate that they feel safe at school
- 85 percent of all students entering kindergarten will have participated in a formal preschool experience
- 100 percent of teachers will be "highly qualified"
- 100 percent of schools will have active partnerships with community organizations and institutions
- Annual balanced budgets
- the second Students in all elementary schools will have access to a quality after-school program
- Double the college enrollment rate of high school graduates
- Reverse the trend of declining public school enrollment
- Increase the number of adult literacy program slots in Philadelphia by 20 percent, and achieve a consistent standard of 90 percent utilization

OBJECTIVE: MAINTAIN FISCAL RESPONSIBILITY THROUGH STRATEGIC TAX ALLOCATION AND TAX REDUCTION

Absent from prioritization is further tax reduction. Tax reductions in isolation will not grow the City's economy. Further tax reductions will only serve to decimate quality City services that economists caution are as important as a competitive tax structure. Tax reform must embrace more than simply tax reduction.

If the City is to become competitive and maintain essential City services, we must pursue a strategy that shifts away from a dependence on onerous business taxes and balances the burden more evenly across parking taxes, property and other revenue sources. The Administration supports such a shift provided adequate legislative measures are first put in place to protect senior citizens and homeowners put at risk by such a shift between taxes. Our position is further outlined below.

Where we are

The Administration recognizes that tax policy plays a significant role in the achievement of the overall goal of making Philadelphia the "location of choice." So do many other factors, including the investment market's assessment of the City's credit-worthiness, residents' expectations for delivery of reliable and "world-class" City services, the ability to make strategic investments to capitalize on key industries and active markets, and creating a customer-service-oriented regulatory environment.

This is the essence of fiscal responsibility—the ultimate reality in which the factors above must be balanced. The level and form of taxation is but one characteristic in the "market basket" of characteristics that individuals and businesses consider when deciding whether to live, work, or expand businesses in Philadelphia. Although many of these characteristics are products of Philadelphia's rich history, or aspects of a dynamic, diverse citizenry and economy, others are the City's responsibility to steward. The City cannot over-emphasize this one characteristic at the expense of others—public safety, quality of life in neighborhoods, access to sound public education and social services for our children, and the fiscal health and stability necessary to provide them. The Administration is committed to continuing to ease the burden imposed by local taxation in Philadelphia in a prudent, responsible manner that weights all available evidence and serious scholarship.

By the end of FY05, the City had returned over \$1.1 billion to the taxpayers through tax rate reductions under its unique and unprecedented tax reduction program, which began in FY96. This amount includes over \$200 million in FY05 alone. No other state or local government in America can lay claim to this record of sustained annual tax reductions. The City's resident wage tax rate is almost 13 percent lower today than it was before the reduction program started in 1996, and the non-resident wage tax rate is over 11 percent lower. The gross receipts portion of the business privilege tax is over 40 percent lower today than it was before the program started in 1996. The City has focused on reducing these two taxes based on competitive analysis

and economic study indicating that these are comparatively the highest, most economically disruptive taxes imposed in Philadelphia.

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Where we are going

Under the FY06-FY10 Plan, the gross receipts portion of the BPT will be reduced from 1.9 mills in FY05 to 1.25 mills in FY10, a reduction of 34 percent in the rate of this tax. The resident wage tax rate will decline from 4.331 percent in calendar 2005 to 4.0158 percent in calendar 2010, and the non-resident wage tax rate will decline from 3.8197 percent to 3.6046 percent over the same period. These substantial reductions represent a further, significant investment in economic development on top of the over \$1.1 billion investment already made since the inception of the tax reduction program in FY96.

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,	Residents		Non-Residents	
Fiscal Year ²	Rate	Change from FY95 Rate	Rate	Change from FY95 Rate
1995	4.9600%		4.3125%	
1996.	4.8600%	-2.02%	4.2256%	-2.02%
1997	4.8400%	-2:42%	4.2082%	-2.42%
1998	4.7900%	-3.43%	4.1647%	-3.43%
1999	4.6869%	-5.51%	4.0750%	-5.51%
2000	4.6135%	-7.00%	4.0112%	-7.00%
2001	4.5635%	-8.00%	3.9672%	-8.00%
2002	4.5385%	-8.50%	3.9462%	-8.50%
. 2003 . a. 19 1. 1. 1. 1.	4.5000%	-9.27%	3.9127%	-9.27%
2004	4.4625%	-10.03%	3.8801%	-10.03%
2005	4.3310%	-12.68%	3.8197%	-11.42%
2006	4.3010%	-13.29%	3.7716%	-12.54%
2007	4.2600%	-14.11%	3.7557%	-12.91%
2008	4.2190%	-14.94%	3.7242%	-13.64%
2009	4.1690%	-15.95%	3.6850%	-14.55%
2010	4.0158%	-19.04%	3.6046%	-16.42%
Total Reduction, 1995,2010		-19.04%		-16.42%

^{1.} Projected rates for 2006-2010 are based on legislated reductions under Bill 040607. They do not include the potential additional wage tax rate reductions made possible by state fiscal assistance for tax reform.

In addition to fostering job growth through annual tax rate reductions in order to make Philadelphia more competitive, the City also has several business privilege tax credit programs to provide incentives for job creation and community development. A tax credit for job creation against business privilege tax liability was originally passed in 2002 to provide \$1,000 per new job created in Philadelphia and maintained for a five-year period. Eligibility for the credit is based on the eligibility requirements for the Commonwealth's Job Creation Tax Credit program. In 2004, the Administration and City Council modified the program to provide a credit worth 2 percent of the annual salary of the new job created, which provides a better incentive for the

² The FY96 reductions took effect January 1, 1996. The reductions for fiscal years 1997 through 2004 took effect on the first day of the fiscal year, July 1. The reduction for fiscal year 2005 took effect on January 1, 2005. Reductions for fiscal years 2006 through 2010 will take effect on January 1 of each fiscal year.

creation of high-wage jobs. As of March 15, 2005, a total of 1,433 new jobs had been approved for credits, with an additional 190 pending. The modification of the program is leading to significant new interest that should result in even more jobs created in 2005 through this program. The City also provides a \$100,000 BPT credit per year to businesses that provide an equivalent contribution to a partner Community Development Corporation each year for ten years. City Council has authorized 25 such partnerships.

The City is committed to additional tax reduction and reform for years, and billions of dollars, to come. The 2004 passage of two new wage tax ordinances will significantly expand the total of taxes returned to the taxpayers. Bill 040607 adopted an aggressive, accelerating wage tax reduction schedule that, unless amended, locks in annual reductions through 2016. The resident and non-resident wage tax rates would both be 3.25 percent at the end of that period, excluding the potential impact of state-funded wage tax relief, and potentially under three percent including state relief. Bill 040397 provides wage tax credits to low-income workers beginning in FY10, based on the Commonwealth's Personal Income Tax Forgiveness Program. Reductions in the gross receipts portion of the BPT through FY08 are scheduled under current law. The Plan assumes the continuation of the annual BPT gross receipts rate reductions into their fourteenth and fifteenth years in FY09 and FY10, at the same pace as the FY06-FY08 scheduled tax reductions. Based on these laws and the assumed continuation of the Administration's annual gross receipts rate reductions, the City will return over \$2.4 billion to the taxpayers through FY10, when compared to the City's FY95 tax code.

The City's tax reduction efforts will soon be buttressed by Commonwealth-funded wage tax relief through gaming legislation passed in July 2004. When the City receives the full annual value of wage tax relief projected by state analysts after slots parlors are constructed in Philadelphia and around the state, potentially in 2007, there will be an immediate, dramatic cut of almost 10 percent in the resident wage tax rate. The resident wage tax rate would then be under four percent for the first time in 30 years.

The impact of currently legislated tax reductions and credits is projected to be so large in each year beginning in FY11 that they will exceed the growth in the tax base. In other words, the City is likely to collect less tax revenue each year than it did before, beginning in FY11. The effect of these ordinances is already felt in FY10, the last year in this Plan, when tax revenue is projected to grow by only \$8 million. Since taxes provide 62 percent of the City's General Fund revenue and 88 percent of its unrestricted revenue, by FY11 the City will be left with almost no ability to fund increases in the cost of wages, health insurance, or pension benefits for its workers, let alone expand services, respond to emergencies, or meet inflationary cost increases for services and goods. The Street Administration has reservations about the wage tax laws passed in 2004 out of concern for this long-term problem, which will impact the next mayoral administration deeply. It is this same concern that leads the Administration to oppose additional multi-year tax reduction programs beyond those already in law without offsetting revenue increases, as they will simply accelerate the impending revenue implosion.

Plans for getting there

The City's proposed FY06-FY10 Five-Year Financial Plan is tenuously balanced from FY05 through FY08, with projected year-end fund balances that equal less than one percent of expenditures. The Governmental Finance Officers Association (GFOA) recommends that a government maintain undesignated reserves representing five to fifteen percent of expenditures, far higher than the City is projected to achieve. Furthermore, the City finished FY04 with a negative fund balance, the first negative fund balance in twelve years. The City was also forced to impose layoffs in FY05 as it struggled to achieve a workforce reduction of over 11 percent from FY03 budgeted levels, leaving the City with its lowest workforce levels since the 1950s. The City faces significant risks and challenges in maintaining a balanced budget while implementing the tax reductions already planned.

The City's ten-year program of incremental wage and BPT reductions was begun on the premise that moderate tax reductions each year could be incorporated into a balanced City budget that maintains service levels by generating efficiencies and taking advantage of economic growth. Former Mayor Rendell and Council President Street adopted this premise after consultation with Professor Robert Inman of the Wharton School of Business, who has performed numerous studies of the impact of the City's tax structure. In his latest analysis, "Local Taxes and the Economic Puture of Philadelphia: 2004 Report," Professor Inman reiterated that:

For the Plan's proposed rate reductions to be credible to City residents and firms, however, they must be part of a balanced City budget. Tax reductions financed by a current period deficit signal future tax rate increases or service cuts, both of which can undo the initial economic benefits of the original tax rate reductions.

In other words, tax reductions that lead to City service cuts undermine the very value of the tax reduction, by depleting Philadelphia's "market basket" of characteristics.

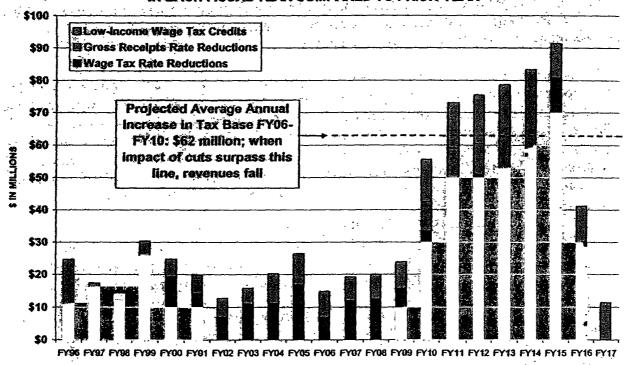
Professor Imman's report also addressed the issue of "supply side" benefit from local tax reductions, the notion that economic growth spurred by the reductions might offset revenue losses:

Lower City tax rates will mean less City revenues. Philadelphia is not in the range of tax rate reductions where lower rates so stimulate business activity and property values that City revenues actually rise following the cut in rates. The FY05-FY09 Five-Year Financial Plan's proposed reductions in the City's gross receipts tax rates and resident and non-resident wage tax rates will stimulate additional business activity and new city jobs, but the resulting increases in tax base will lead to additional revenues which are likely to offset only 15 to 20 percent of the projected decline in revenues over the life of the Plan.

The proposition that tax cuts will pay for themselves is a fallacy. The most reputable, independent, longstanding analyst of Philadelphia's taxes and their economic impact has estimated that while there is some offsetting revenue benefit to tax reductions, it only

compensates for 15 to 20 percent of the revenue loss. This means that the other 80 to 85 percent can only be paid for by efficiency improvements, service reductions, or unbalancing the budget. The City's previous tax reduction program was manageable and could be offset by efficiency improvements. The upcoming tax reductions and credits, which will cost three to four times as much per year as the largest cuts of the old program, will likely only be funded through service reductions or unbalancing the budget—eliminating any value from the tax reductions in making Philadelphia a more attractive location.

INCREMENTAL IMPACT OF LEGISLATED AND PROPOSED TAX CUTS IN EACH FISCAL YEAR COMPARED TO PRIOR YEAR



The marginal, offsetting benefit to tax reductions identified by Professor Inman already is reflected in the aggressive tax base growth rates assumed in the FY06-FY10 Five-Year Plan. The wage and BPT growth rates assumed in this Plan are the highest assumed in any of the City's 14 Five-Year Plans. Projecting even higher growth rates is not supported by economic opinion or recent trends after nine years of tax reductions, and would leave the City's finances at great risk in the event of another recession.

Therefore, the Administration's plan for responsible tax reform is to:

FY03 collections adjusted for the School District millage shift.

- Carry out the wage tax rate reductions, real estate tax abatements, and wage and business privilege tax credits currently in law
- Continue to implement the seven Tax Reform Commission recommendations currently in progress

For the reasons outlined above, further tax reductions beyond those currently scheduled in legislation are not justified absent changes that significantly improve the City's fiscal outlook. The Administration supports fiscally responsible approaches to tax reform, such as proposals to shift the burden of taxation in a way that can reduce the economic disruption created by local taxes without threatening the City's fiscal stability. The Administration's original FY06 budget proposal included such a revenue neutral tax "shift" that would have accelerated the pace of reductions in the gross receipts portion of the Business Privilege Tax while replacing the lost revenue through an increase in the Parking Tax rate. This proposal was not adopted by Council and is not included in this Five Year Plan. Nonetheless, the Administration would support future initiatives that would restructure the City's tax burden to promote economic competitiveness without damaging City fiscal stability.

Conclusion

The Administration has outlined ten objectives that we believe are critical to shaping the City's future over the next three years:

- 1) Expand the Knowledge Industry.
- 2) Support Civic and Cultural Development.
- 3) Make Philadelphia a National Model for MBE/WBE Participation in the Local Economy.
- 4) Continue the Successful Development of Philadelphia's 38 Miles of Waterfront
- 5) Sustain advances in Neighborhood Economic Development.
- 6) Make City government incentive programs more predictable, objective and equitable.
- 7) Continue business attraction and expansion efforts.
- 8) Continue to reduce the cost of and barriers to doing business in Philadelphia.
- 9) Increase educational opportunity and achievement for elementary and secondary school students and access to literacy services for adults.
- 10) Maintain fiscal responsibility through strategic tax allocation and tax reduction.

While progress will certainly be made in other ways, Philadelphia's economic development resources will be devoted to achieving these objectives and to benchmarking our activities in these areas. The document speaks to our assets, challenges, and goals in a way that recognizes the role of City government to positively impact economic growth in Philadelphia.

Taken together, these objectives are the Administration's strategic vision for the economic development of Philadelphia. This vision, in turn, provides the necessary framework to coordinate our efforts, both within City government and through public-private partnerships, for maximum impact. These policy priorities will contribute to Philadelphia's lasting viability as a location of choice for residents, businesses, students, and visitors.

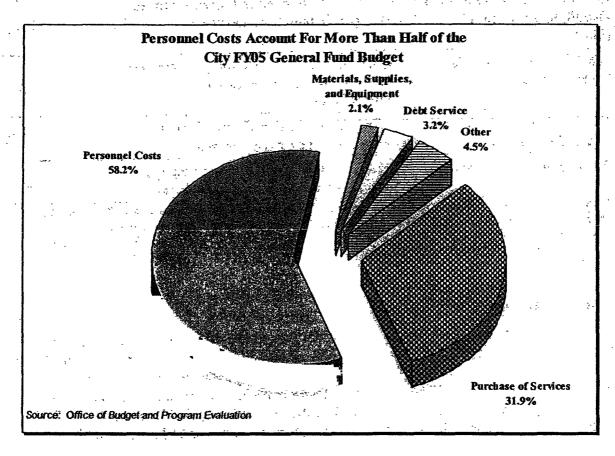


City Workforce

City Workforce

Overview

It is the people who work for municipal government who respond to medical emergencies, provide safe streets, repair potholes, collect the trash, investigate child abuse and neglect, maintain parks and libraries, and deliver all the other public services that make the City of Philadelphia work. As a labor-intensive enterprise, City government's single largest expense is employee wages and benefits—representing 58.2 percent of the FY05 General Fund budget at a cost of almost \$2.0 billion.



More than 90 percent of employees are represented by the City's four major collective bargaining units, as detailed in the following chart. Therefore, contract negotiations and effective labor-management relations are a large part of the challenge of controlling the cost and managing the effectiveness of the City workforce.

City Workforce as a Union	Linty 2004 ¹ (All Fonds Excinding Court En Description	uployees) # of City It apployees
AFSCME District Council 33 (DC 33)	Labor, trades, and clerical employees, including first-line supervisors	10,419
AFSCME District Council 47 (DC 47)	Professional and technical employees such as engineers, accountants, and social workers, including first-line supervisors	3,486
International Association of Fire Fighters, Local 22 (IAFF)	Uniformed fire fighters and paramedics, all ranks up to Deputy Commissioner	2,293
Fraternal Order of Police, Lodge 5 (FOP)	Sworn police officers including prosecution detectives, all ranks up to Deputy Commissioner	6,943
Fraternal Order of Police, Lodge 5 (Sheriffs)	Uniformed deputy sheriffs and clerical employees of the Register of Wills	224
Not Union Represented	Exempt employees, civil service managers, and higher-level civil service supervisors	2,758

While the Administration is responsible for negotiations with the City's four unions, over 3,100 of the 22,650 employees included in the FY06 General Fund Budget do not report to the Mayor. These employees report to independently-elected officials: the City Controller, City Council, the City Commissioners, the Clerk of Quarter Sessions, the District Attorney, the First Judicial District, the Register of Wills, and the Sheriff.

Collective Bargaining 2004

In 2004, the Street Administration concluded a new round of collective bargaining with three of the four major unions that represent City workers. Four-year contracts were reached with AFSCME District Councils 33 and 47, and a four-year interest arbitration award was issued covering the Fraternal Order of Police (FOP). Because the fourth major bargaining unit, the uniformed Fire employees, represented by Local 22 of the International Association of Firefighters (IAFF), had received a three year award in 2002, their contract does not expire until June 30, 2005.

The key issues for the AFSCME district councils in FY04 negotiations were health insurance contributions, wage increases, and job security for represented employees. The volatility of the health insurance market created a high degree of uncertainty for the parties in addressing what has become the most challenging issue in most labor negotiations in this region. Additionally, each of the AFSCME district councils receives health insurance contributions that are substantially less than the uniformed employees in the Police and Fire Departments. In FY04, the AFSCME district councils received \$620.51 per member per month, while the FOP received \$847 and the Fire Fighters received \$905.90. Since the Fire Fighters contract included a 10 percent increase in health contributions for FY05, the \$285 disparity between the IAFF and AFSCME would grow to \$375 unless the AFSCME district councils received significant increases in health contributions.

Similarly, the AFSCME district councils had received a bonus in the first year of their 2000-2004 contract, while the FOP and IAFF had received general wage increases in each year over the same time period. This created an additional pressure point for negotiations, particularly since the IAFF contract included a 3 percent general increase effective 7/1/2004.

For the FOP, the key issues included stability in City contributions for health insurance and wage improvements. Although the contribution of \$847 per member per month was substantially higher than that paid to AFSCME, there was concern over the projected costs of benefits in future years. As with the AFSCME district councils, the FOP also pointed to the higher contribution received by the IAFF, and to the July 1, 2004 3 percent general wage increase that had already been awarded to the Fire Fighters. The 2004 FOP panel awarded the FOP a 6 percent increase in health insurance contribution in the first year of the contract to \$898. The 2004 panel also reiterated what the 2002 panel had stated regarding the efforts of the FOP to contain costs. It again directed the Joint Board to "undertake a serious analysis and consideration of cost containment strategies for the medical plans and the dental, optical, and prescription plans, with the objective of identifying, among other things, plan design and benefit structure modifications which will lead to a reduction in City costs for providing health benefits." The AFSCME District Council 33 and District Council 47 settlements provided for a 10 percent increase in the Health and Welfare Contribution for FY05. This reduced the gap between AFSCME and the FOP.

The pressures detailed above were made more challenging by the lack of funding for wage increases available in the FY05-FY09 Five-Year Financial Plan approved by PICA on July 2, 2004, and more especially by the accelerated program of tax reduction approved by City Council. The Mayor made clear during the process of negotiation that he expected cooperative efforts with all three unions to address the problem of ever-increasing health insurance costs. The Mayor established that the City would provide fair and reasonable wage increases to its workers, but that these increased costs, combined with the effects of the accelerated tax reduction program, would result in a reduction in the size of the workforce.

In addition to the direct economic issues of wages and benefit costs, the Administration also recognized the need to reduce costs through improved control of absenteeism, and to increase accountability with a comprehensive drug and alcohol policy. To improve accountability, the City and the AFSCME unions negotiated a comprehensive Drug and Alcohol Policy that calls for random testing of safety-sensitive positions, training for supervisors, counseling and treatment for employees, and strict standards such as those mandated by the federal government for the holders of commercial driver's licenses.

In the FY05-FY09 Five-Year Plan, the City proposed to introduce a disability insurance program and, in return, reduce not only the number of sick days allocated per employee (15-20 days, depending on when the employee was hired), but also the maximum sick day accumulation from 200 or more days. The excessive number of sick days currently allowed has resulted in an average usage of 12 to 13 sick days per City employee per year, more than double the average in the private sector. This has resulted in service disruptions, as well as high overtime costs, to cover the unplanned absenteeism. During negotiations, the City and AFSCME unions agreed to a substantial change in the sick leave benefit. With input from the unions, the City will design a

short-term disability insurance plan that will provide employees who have legitimate serious illnesses with a safety net, for the first time. Rather than being dependent on the number of unused sick days "in the bank," employees will be able to receive two-thirds of their salary until their medical problem is resolved. All employees hired after the plan is implemented will receive this insurance, as well as 12 sick days per year for less serious illness episodes, accruable up to a maximum of 90 days. Employees hired prior to plan implementation may enroll in the program at their option.

The major economic provisions of the current agreements are detailed in the following chart:

	**************************************	JAPE	FOR
Term	4 Years	3 Years	4 Years
Wages	FY05: 2.3% one-time bonus	FY03: 3%	FY05: 3%
	(\$750)	FY04: 3.5%	FY06: 3%
	FY06: 2%	FY05: 3%	FY07: 3%
*	FY07: 3%	ا جه این اور در دو از در دارد دارد در دارد در دارد در در دارد در دارد در دارد در د	FY08: 4%
	FY08: 4%	Salary progression for new	
		hires restructured to match	
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Longevity	Unchanged.	Unchanged	Changed to a percentage of
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	the specific and the specific section	La training the first training to	third year to 5.8% after thirty
A secondaria de la compansión de la comp	The second property of		years.
THE STATE OF COMMENTS AND A		Ole in the Control of the Control	
Health Benefits	City contribution rates	City contribution set at:	City contribution increased
	increased by 10% per year	FY03 - \$823.37 (37%	to \$898 per month in FY05
	over the initial two years of	increase)	(a 6% increase). Future
w	the four-year term.	FY04-\$905.90 (10%	contributions to be
	。 (nangangan terminakan dan dan dan dan dan dan dan dan dan d	increase)	determined by reopening
	FY05 - \$682.56 (10% incr.)	FY05 - \$996.27 (10%	bargaining for the periods
	FY06 - \$750.82 (10% incr.)	increase)	FY 06-07 and FY 08
			•
	Later contributions to be	\$1.7 million lump sum	
	determined by reopening	payments in FY03,	
	bargaining for the period of	04 and 05	
	FY 07 through FY 08	و الله الله الله الله الله الله الله الل	Post-retirement City
/ TA 1975	the first provide the second	Increase post-retirement City	contribution remains 5 years.
	Post-retirement City	contribution from 4 to 5 years.	Conditional Continues 5 yours.
,	contribution is for 5 years, and	Contraction from 4 to 2 years.	Employees permitted to
			trade sick leave at retirement
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. 41.	deferred.	Permit employees to trade sick	for additional post-retiremen
		leave at retirement for	health insurance coverage
1	Permit employees to trade sick	additional post-retirement	based on pay level at
	leave at retirement for	health insurance coverage.	retirement.
•	additional post-retirement		. ,
	health insurance coverage on a		_*
	dollar for dollar basis.		
Pensions	Unchanged.	Payments to Union Health	Payments to Union Health
•		Fund to supplement retiree	Fund to supplement retiree
	The state of the s	health insurance of \$1,007,000	health insurance of \$3.25
, 1.4°		in FY03 and FY04. In FY05,	million in FY05, \$3.5 M in
	-	payment is \$1.5 million.	FY06, \$3.75 M in FY07 and
		раушен в ф1.5 ишион.	
Chi. T	City to the state of the state	TT 1J	\$4 M in FY08.
Sick Leave	City empowered to initiate a	Unchanged.	Unchanged.
	Short Term Disability	7 1 2 1	• •
* 1	Program Employees hired	,	1 M
1	after implementation will earn		
	atics implementation will carn		
	12 days/year up to a maximum		
	12 days/year up to a maximum		

Reduction in Force

Due to the position level reductions required in FY05 and FY06 to balance the FY05-FY09 Plan, exacerbated by the need to offset increased compensation costs from the labor contracts and arbitration awards, the City initiated a reduction in force in FY05. This program included reductions from attrition, layoffs and other initiatives.

While the effects of the reduction in force have been felt across the City, and while AFSCME district councils and the Fraternal Order of Police have been experiencing these effects, the Fire Fighters represented by the IAFF have resisted the process. For the Fire Department, the reduction in force began with a plan to reduce the number of engine and ladder companies across the City in FY05, while keeping every existing station open and increasing the number of Emergency Medical Services units, to meet a growing demand. The City's plan to reduce the number of engine and ladder companies reflects long-term downward trends in the number of structural fires, and was designed to preserve safety and emergency response times. Local 22 of the IAFF has challenged the proposal through a court action, unfair practice charge, and grievance arbitration. Hearings before the arbitrator have now been completed, and the parties anticipate a ruling by the middle of March 2005.

Contract Negotiations 2005

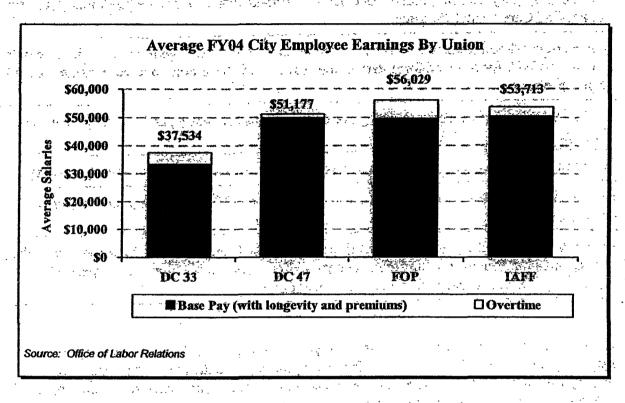
In calendar year 2005, the City will negotiate with Local 22 of the IAFF for a successor agreement to the 2002 settlement, to commence July 1, 2005. Contract proposals between the parties were exchanged in December 2004, consistent with the requirements of state law. Once more, the issues that appear key to the parties are health insurance and wages. The City's inability to implement the redeployment plan for the closing of engine and ladder companies has added additional pressure to contract economic factors, while highlighting the dispute between the City and the Union over the City's need to maintain flexibility in managing the fire service. The AFSCME negotiations have also provided a precedent for redesigning IAFF sick leave benefits and making changes to existing post-retirement health insurance options. The 2002 Fire Interest Arbitration Award relaxed some longstanding sick leave control measures for Fire Fighters. As changes were implemented, the Fire Department saw an increase in short term sick leave usage that resulted in an increase in overtime. The City's proposal to re-institute sick leave controls, combined with the AFSCME sick leave and short term disability precedents, is designed to reduce the cost of sick leave while increasing protection for employees who have lower levels of seniority.

In addition to full negotiations with the Fire Fighters, the City will negotiate over health insurance issues with the FOP, including cost containment measures and the level of contributions for FY06 and FY07.

A Review of the Current City Compensation Package

In general, Philadelphia City workers receive a highly competitive wage and benefit package. The following are among the highlights of the City's current compensation package.

In addition to providing benefits and job security superior to those generally found in the private sector. City jobs provide good wages. Both base pay and overtime earning opportunities for City employees are highly competitive. For FY04, the average District Council 33 member earned over \$37,000, the average District Council 47 member earned over \$51,000, the average police officer earned over \$56,000, and the average firefighter earned over \$53,000, as shown in the table below.



Health Benefits

Nonunion City employees receive a first-rate health and welfare plan, which is administered by the City. The plan provides a choice among a health maintenance organization (HMO) managed care plan; a Point of Service plan providing full family medical coverage for a small employee contribution; and a more expensive Preferred Provider Organization plan requiring a larger employee contribution. The plan also provides: Dental, vision, and prescription plans, requiring no employee premium contributions; free life and accidental death and dismemberment insurance; and annual cash bonuses for low sick leave usage. Through competitive bidding for covered services and a shift from traditional indemnity coverage into more cost-effective managed care, the City has been able to maintain the high quality of its health plan, while keeping costs at an affordable level.

Benefits under the City-Administered 2004 Flex Plan

- An HMO managed care health plan (Keystone HPE) and a Point-of-Service Plan (Keystone POS) requiring a small employee contribution, or a more expensive plan requiring a larger employee contribution (Blue Cross/Blue Shield Personal Choice Option 210)
- Delta Dental Plan, including 100 percent coverage for preventive dentistry, periodontal care, and oral surgery, and 80 percent coverage for orthodontics; or Humana Healthnet Affiliates Managed Care Dental Program
- Prescription Plan, requiring a co-pay of \$5 for each new or refill generic prescription with a co-pay of \$10 for covered formulary brand-name and \$16 for non-covered formulary brand prescriptions
- Vision Services Plan, fully covering eye examinations and lenses, and partially covering frames
- Free life insurance coverage in the amount of \$15,000, with options to increase coverage
- Free accidental death and dismemberment coverage of \$15,000, with options to increase coverage
- A bonus for low sick leave usage, options to purchase Dependent Life Insurance and Salary Continuation Benefit for Survivors, and the option to establish before-taxes spending accounts for additional medical or day care expenses

Union members receive health benefits through plans designed and administered by their respective union. Benefits are largely financed by monthly contributions for each covered employee paid by the City. Although the plans are ostensibly administered by joint boards, the City has only minority representation on the various boards and no real say in how the funds are spent. The City's level of contribution is now set by negotiation or by interest arbitration award at a flat rate for each year of the contract. As of July 2004, the City's monthly contribution was set at \$682.56 per employee for AFSCME, \$898.00 for the FOP, and \$996.27 for the IAFF. Both the FOP and the AFSCME contract language calls for the re-opening of negotiations on the City's contribution rate in the out years of the contract.

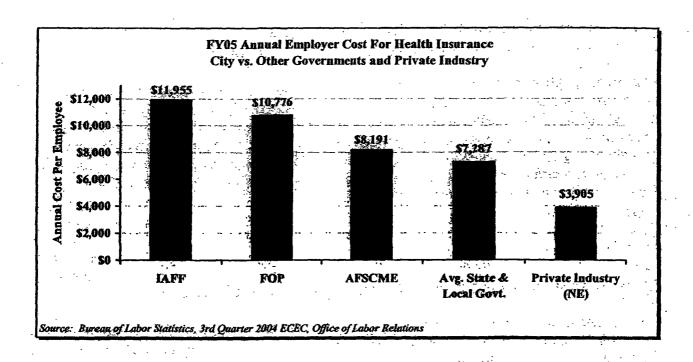
While the City provides a set contribution per employee per month to purchase coverage, the actual costs of benefits may be more or less than the City's contribution. If benefit costs are less than the City's contribution, the unions retain the difference. If benefit costs exceed the City's contribution, the unions must make up the difference, redesign the plans, or institute an employee contribution. For example, District Council 47, which currently offers the same preferred provider plans as the City-administered health program, has realized that funding these plans required an employee contribution. If a DC 47-represented employee chooses the union's Personal Choice plan, a biweekly contribution is required. However, the Police and Fire unions continue to fund the entire

cost of members' health benefits from City contributions and reserves in their respective funds, without requiring any employee contribution even for the Personal Choice plan.

The small number of City employees making a contribution toward their own health coverage premiums contrasts sharply with national trends. According to Kaiser/HRET, overall health care premium costs for 2003 increased 13.9 percent over the previous year, and were projected to rise another 15 percent in 2004. The employer's share of health care costs increased more slowly, rising 10.2 percent in 2003, according to the 2003 Mercer National Survey of Employer-Sponsored Health Plans. According to Mercer, the reason for the difference between the growth in overall costs and the employer's share of costs was "an unprecedented wave of plan design change," whereby employers shifted costs to employees. Among the plan design changes reported, employers raised deductibles, added three-tier copayments for prescription drugs, and raised out-of-pocket maximums. The Mercer survey reflects what the 2003 Segal Health Plan Cost Trend Survey recommended, namely, cost-sharing with employees. Segal reports that "plan design is one of the most controllable factors that influence health plan costs."

In response to benefit cost increases, most other employers have adopted higher levels of employee contribution, plan redesigns, higher deductibles, higher medical copayments and tiered prescription copayments. According to the Mercer Survey, 89 percent of employers require an average employee contribution of \$792 annually for Preferred Provider Organization (PPO) individual health coverage, while 96 percent require an average employee contribution of \$2,688 per month for PPO family coverage, which is around 33 percent of the total per-employee cost.

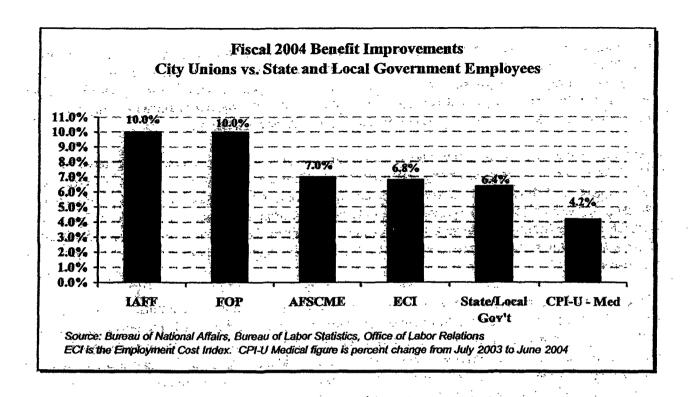
In evaluating the City's health benefits contributions, it is instructive to compare the amount paid by the City to its unions to the amount typically contributed for health coverage by other employers. According to the Bureau of Labor Statistics, the City contribution level for FY05 for FOP and IAFF members is well in excess of an average government benefit and almost triple the average private sector employer's share of health insurance costs, as shown in the table below.



Not only does the City contribute a relatively high employer cost, the funding level is also higher than the average full cost of health insurance in this region. According to a Business and Legal Reports survey of more than 3,800 employer-sponsored health plans, the annual 2004 employer's benefit cost per employee averaged \$5,197 for employers in the Mid-Atlantic region and \$5,061 nationally. In FY04, the City contribution to its four unions will average \$9,440, not including lump sum payments. Unless the uniformed unions undertake some serious reforms and introduce cost containment measures, the gap of more than \$4,000 between the average Mid-Atlantic employer and the City will continue to grow.

The benefits dollars spent by the City also continue to increase at a higher rate than the average for State and Local Government employees and the Employment Cost Index (ECI)¹. As illustrated in the chart below, as a percentage increase, the benefits increases to the uniformed unions far outstripped those provided to the AFSCME unions, which were only slightly higher than the ECI. The FOP and IAFF received percentage increases in the City contribution rate that were more than 230 percent of the consumer price index for urban consumers (CPI-U) for medical costs during that period.

¹ The Employment Cost Index (ECI) is a measure of the change in the cost of labor, free from the influence of employment shifts among occupations and industries. The compensation series includes changes in wages and salaries and employer costs for employee benefits. The wage and salary series and the benefit cost series provide the change for the two components of compensation.



As illustrated by the delayed redesign of health and welfare plans in response to changes in negotiated funding levels over the past ten years, the unions typically have difficulty responding to changing market conditions, while few markets have been more volatile in recent years. With health care cost increases outstripping inflation, it is imperative that the City be able to respond quickly to contain costs while continuing to offer competitive benefit provisions. The City should follow the pattern prevalent in private industry—true joint administration of health and welfare benefits—to better answer the needs of the employees while responsibly managing costs.

Leave Benefits

A reasonable level of leave usage for holidays, vacation, illness, and personal emergencies is needed to maintain a productive and positive work environment. The City, however, provides high levels of leave in almost every category, resulting in an overall paid leave package, and overall leave usage, well in excess of competitive norms. When the City benchmarks its costs against those of the private sector—for example, when considering whether to contract out a municipal service—the City's leave benefit is consistently a key factor in making City operations more costly and its workforce less competitive.

On top of generous vacation benefits, military leave, and funeral leave, City employees also receive 11 paid holidays annually and four personal days or "floating holidays," for a total of 15. According to the 2003 Hay Benefits Report, the average number of fixed and floating holidays provided nationally is only 10.3. More than three-quarters of government survey respondents provide two or fewer personal days, with one-third providing none at all.

City employees hired before the implementation of the short-term disability plan receive 15 or 20 sick days per year, an extraordinary benefit that drives high leave usage and overtime costs. The 2003 Hay Group survey found that only 6 percent of employers provided as many as 15 days per year, and only 4 percent provided more than 15 days. Of 488 employers allowing uniform accumulation of sick leave, 87 percent provide 12 or fewer days per year.

Although incentive schemes have been developed to address excessive use of sick leave, the City's research and experience suggests that the simplest approach would be the most effective. If the number of days available were reduced, there would be less opportunity for excessive use. In fact, in 1992 collective bargaining, the City and its unions took the first step toward this principle by reducing earned sick leave for new employees from 20 days per year to 15. While 15 days continues to be a generous benefit, this reduction appears to be helping to rein in overuse.

The City seeks to restructure the sick leave benefit further, including the addition of short-term illness and accident insurance to replace the protection that high levels of sick leave accrual now afford to employees who do not use excessive sick leave. Several other measures might be considered, as well. For example, sick-leave abuse could be minimized by tightening the criteria for approval, regardless of whether doctors' notes are provided for absences. Similarly, it would encourage and reward good attendance if the rate of accrual of personal days were linked to attendance. A best practice standard common in the private sector is elimination of sick leave altogether, folding it into annual leave. The practice eliminates the need for administration of sick leave accountability.

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Wages	Average FY04 earnings of \$37,534 for DC 33 and \$51,177 for DC 47.	Average FY04 earnings of \$56,029. FY04 earnings do not reflect 3 percent general increase received after July 1, 2004.	Average FY2004 earnings of \$53,713. FY04 earnings do not reflect 3 percent general increase received after July 1, 2004.	Average earnings for full time City unionized employees in FY 2004 were \$46,776 compared to calendar 2003 average wage per job for workers in Philadelphia of \$36,181 according to Bureau of Economic Analysis. Average wage increases nationally for State and Local Government through first three quarters of 2004 are 2.0 percent (based on the Employment Cost Index published October 2004).
Health	City funds union plan at cost of \$8,191 per employee in Fiscal 2005.	City funds union plan at cost of \$10,776 per employee in Fiscal 2005.	City funds union plan at cost of \$11,955 per employee in Fiscal 2005.	All union plans funded by the City at levels more than double the average northeast employer contribution level for 2004 of \$3,905 (based on Employer Costs for Employee Compensation September 2004).
Retiree health	City provides five years of free post-retirement coverage to all pension-eligible employees. Employees can use accumulated sick leave to purchase additional retiree healthcare at retirement.	City provides five years of free post-retirement coverage to all pension-eligible employees. Employees can use accumulated sick leave to purchase additional retiree healthcare at retirement.	City provides five years of free post-retirement coverage to all pension-eligible employees. Employees can use accumulated sick leave to purchase additional retiree healthcare at retirement.	According to the most recent Business & Legal Reports national survey (2003 data), only 15 percent of employers offer retiree health coverage to employees under age 65. This has declined from 46 percent in 1993. In contrast, City has increased coverage from four to five years.
Disability	City Injured-On-Duty (IOD) system pays 75 percent of pre-injury pay, tax-free, and continues family medical coverage, sick leave accrual, and pension credits.	City Injured-On-Duty (IOD) system pays 100 percent of pre-injury pay, tax-free, and continues family medical coverage, sick leave accrual, and pension credits.	City Injured-On-Duty (IOD) system pays 100 percent of pre-injury pay, tax-free, and continues family medical coverage, sick leave accrual, and pension credits.	Workers' Compensation pays only 66 2/3 percent of pre-injury pay, tax-free, and does not continue general medical benefits, sick leave accrual, or pension credits.

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CONTROL WAY	ATSOME	e Por Service	La Company	Comparisons
Pension	Under the current 1987 City plan, AFSCME members can retire at age 60, earning benefits accrued at 2.2 percent per year for ten years and 2 percent per year thereafter (for example, 72 percent of average final compensation after 35 years of service, with no offset for Social Security). Veteran workers remain in older City plans with even more favorable formulas (e.g., retirement at age 55).	Under the current 1987 City plan, police officers can retire at 50 and accrue benefits at a straight 2.2 percent per year. Veteran workers remain in older City plans with even more favorable formulas (e.g., retirement at age 45). In addition, the City contributed \$2.5 million in FY01, FY02, FY 03, and FY 04 and will pay \$3.25M in FY 04, \$3.5 M in FY 05, 3.75 M in FY 06 and \$4 M in FY 07 to a union fund for supplemental retiree benefits.	Under the current 1987 City plan, firefighters can retire at 50 and accrue benefits at a straight 2.2 percent per year. Veteran workers remain in older City plans with even more favorable formulas (e.g., retirement at age 45). In addition, the City contributed \$1 million in FY01, FY02, FY03, and FY04 to a union fund for supplemental retiree benefits. Contributions for FY05 are \$1.5 million.	The City's retirement plans are extremely generous relative to most employers', offering a defined benefit (instead of the increasingly common defined contribution), a relatively early age for retirement, and no social security offset. Changes to Pension Plan permit employees to begin receiving pension payments as deferred compensation while still working, for up to four years. Additionally, Pension Adjustment Fund provides for possible sharing of investment earnings with current retirees.
Paid leave	Eleven paid holidays, four annual personal days, 15 to 20 sick days per year, 10 to 25 vacation days, plus paid funeral and military leave.	Eleven paid holidays, four annual personal days, 15 to 20 sick days per year, 10 to 25 vacation days, plus paid funeral and military leave.	Eleven paid holidays, four annual personal days, 15 to 20 sick days per year, 96 to 192 vacation hours, plus paid funeral and military leave.	Combined 15 paid holidays and personal days exceeds national average of 10.3 found in 2003 Hay Benefits Report.
Legal	Free legal coverage funded by the City at a cost of \$12 per- employee per month.	Free legal coverage funded by the City at a cost of \$24 per-employee per month.	Free legal coverage funded by the City at a cost of \$19 per-employee per month.	Legal benefits rarely provided in either the public or private sectors.
Miscellaneous	Uniform and tool allowances are provided where jobrelated.	Free uniforms are supplied to new employees, and a total of \$800 each year provided in cash uniform allowances. Life and accidental	Free uniforms are supplied to new employees, and a total of \$775 each year provided in cash uniform allowances. Life and accidental death	Varies. Generally, City benefits are competitive and often more than competitive.
	Life insurance benefits provided.	death and dismemberment insurance benefits provided.	and dismemberment insurance benefits provided.	



Education and Social Services

Providing High Quality Public Education and Comprehensive, Coordinated Social Services

Overview

The Street Administration is committed to promoting long-term economic growth for the City and productive, fulfilled lives for all of our citizens. One of the most effective ways to achieve these connected goals is to provide our children with a first-rate education while ensuring that the health and social needs of our children, adults and families are being met at the same time.

It has been more than three years since the Administration took action to set the School District of Philadelphia on the right course, after years of financial and political turmoil. Those actions worked to establish an effective state-City governing partnership, achieve financial stability with record new funding and recruit an innovative chief executive, whose reform efforts have brought change to nearly every aspect of public education in Philadelphia. The Administration continues to work closely with the District to foster educational progress, while District finances remain stable.

Five years ago, the Street Administration created the Division of Social Services within the Managing Director's Office to improve the quality of social services delivered to Philadelphia's children, adults and families. By integrating and coordinating the work of all City departments, agencies and commissions that deliver social services, the Division of Social Services can more effectively anticipate, plan for and respond to the health and social needs of our citizens.

Objectives

- Support the Philadelphia School District to provide high quality-public education
- Invest in programs that support family structures
- Invest in programs to support youth and maximize their potential to become self-sufficient adults
- Ensure that adults have the supports and tools to become and remain self-sufficient
- Ensure that Philadelphians have the earliest possible access to treatment

Support the Philadelphia School District to provide high quality public education

students in the School District of Philadelphia must improve, in FY04 the School Reform Commission (SRC) established comprehensive new goals to be achieved by June 2008. Embodied in the SRC's "Declaration of Education," the goals set specific targets for improving early literacy, academic achievement, equity, safety, community involvement, school support services, and financial performance. The Declaration goals augment the national performance targets set under the federal No Child Left Behind (NCLB) Act, which requires that all students demonstrate academic proficiency by 2014. The School District continues to budget for and carry out a series of educational reforms designed to help students and schools meet the high standards.

• School District: Improve test scores. School District students showed continuing progress on the Pennsylvania System of School Assessment (PSSA), which was taken by fifth, eighth, and eleventh graders in Spring 2004. Overall, the percentage of students scoring at the proficient and advanced levels in reading rose 6 percentage points, from 27.6 percent to 33.6 percent. Math scores increased 7 percentage points, rising from 21.6 percent to 28.6 percent at the proficient and advanced levels. While scores for Philadelphia students were still below Pennsylvania averages, the rate of improvement by District students, including those attending privately managed schools, outpaced state averages for gains in five of six categories.

Test results and other improvements translated into Philadelphia's public schools making significant advances on the Adequate Yearly Progress (AYP) measure used to monitor performance under NCLB. For 2004, Pennsylvania required proficiency levels of 45 percent in reading and 35 percent in math to earn this distinction. Local performance nearly tripled—from 58 to 160 schools—achieving the AYP goal. School Assistance Teams are assigned to the remaining schools, as well as others that have historically been low performers, to help them make the mark in FY05 and FY06.

NCLB also requires school districts to disaggregate performance data and close the achievement gap between white students and students of color, and between economically disadvantaged students and those who are better off. Performance gaps between black and Latino students and white students in reading and math ranged from 26 to 29 percentage points in 2004.

- School District: Evaluate partnership schools. A signature approach to school reform in Philadelphia has been the use of a variety of for-profit and nonprofit providers to manage public schools. Four Education Management Organizations (EMOs) and two universities hold contracts to operate 45 elementary, middle and high schools, with a combined enrollment of 25,318, or about 12 percent of all District students. The partnership contracts are built on a per pupil payment, ranging from \$450 to \$750, on top of regular school budgets. Contracts contain performance targets that are evaluated annually by the SRC and School District management. The independent Accountability Review Council, appointed by the SRC pursuant to the partnership agreement and state law, will help guide the cost-benefit analysis to determine the future direction of the partnership initiative.
- School District: Implement a new standardized curriculum. Beginning in the 2003-2004 school year, the School District has mandated the use of a locally developed standardized core curriculum in literacy, mathematics, social studies, and science in kindergarten through grade 11, to afford all students the opportunity to learn at proficient levels and apply what they have learned. To support implementation of the standardized curriculum, the District invested \$26 million in the 2003-2004 school year in core texts in literacy and mathematics, as well as other instructional materials, and enhanced professional development for teachers in the first year of the curriculum roll-out. The District invested an additional \$27 million in

the 2004-2005 school year to implement the core curriculum in additional grades and subjects.

The 2005-2006 school year will see the completion of the curriculum rollout in all four core subjects in grade 1 through grade 11, at an additional one-time cost of \$15 million. Implementation of the standardized curriculum is also backed by the use of blocks of extended "time on task" and a computerized benchmark assessment system that provides student information to guide needed instructional changes. Additionally, a computerized database that provides curriculum and instructional resources to teachers, principals and administrators is expected to be in place in all schools by the end of FY06.

• School District: Conduct educational reorganization. The District is continuing to phase out most middle schools, converting the buildings to small high schools or K-8 schools, and expanding elementary schools into K-8 grade schools where space permits. Local and national research has shown that students attending K-8 schools fare better than their middle school counterparts, through improved attendance, higher test scores and fewer disciplinary problems.

The School District completed four conversions in FY05 and will complete an additional 18 in FY06. Reorganization is funded through 2008, at which time the District will have decreased the number of middle/intermediate schools from 43 to 12. The total multi-year capital cost for middle school conversions and elementary school expansions is projected to be \$60 million.

• School District: Strengthen instruction. Class size reduction in primary (K-3) grades and middle (4-8) grades is a significant reform that makes classrooms more manageable for teachers and helps students receive the instructional attention they need to succeed. As of FY05, the School District has hired 532 new K-3 teachers, helping reduce class size in nearly 2,200 classrooms. The School District also has begun reducing class sizes in the middle grades. Currently, average class size is 23 students in grade K-3 classrooms and 26 students in grade 4-8 classrooms.

To ensure that struggling students receive more support during the school year, the District has continued its Extended Day program. From October through April, over 31,000 students performing below grade level in grades 3-9 received two extra 75 minute blocks of instruction in reading and math, four days per week. The annual cost is \$14.2 million. An evaluation of the program is ongoing in order to maximize cost-effectiveness.

Efforts to improve academic performance continue year-round in Philadelphia. In 2004, the District opened a Summer Program, which for the first time was mandatory for students who failed a core subject or scored in the bottom quartile (below the 26th percentile) on the TerraNova Test. The Summer Program allows high school students to earn credits towards graduation, and offers struggling students the opportunity to increase their reading and math skills. Nearly 60,000 students in grades 1-10 were eligible for the program and an additional

30,000 were eligible to participate in school readiness and optional enrichment programs at eight camps. The Summer School Program costs \$19.3 million annually.

- School District: Provide early childhood education. To ensure that students are prepared to learn when they enter kindergarten, the School District has been expanding pre-school programs, the largest of which is the Head Start Program. The comprehensive pre-school program is free to three- and four- year old children whose families fall below the poverty line. In FY05, the School District expanded the number of slots by over 500 to 5,455. Head Start is funded by a \$45 million grant from the federal government and a \$4.4 million grant from the Commonwealth of Pennsylvania. A variety of other pre-K opportunities also have been added.
- School District: Foster safe schools. Safe, orderly environments are essential for effective teaching and learning. An important part of the School District's reform effort has been developing alternative programs for students who have committed serious violations of the Student Code of Conduct; who are returning from court-ordered placement; or who are overage, under-achieving, and seeking a high school diploma. During FY05, the District added four new programs, increasing its capacity to serve 3,500 middle and high-school age students (up from 2,800 in FY04).

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The School District has taken additional steps to foster safer schools. In FY05, school police officers were assigned to every elementary school (high schools already had school police deployed), at a cost of \$2 million. The District continues to operate the \$1.8 million Saturday Morning Alternative Reach and Teach (SMART) program that offers an alternative to expulsion for frequently suspended students and their parents and the \$2.2 million Attendance & Truancy Intervention/Prevention Supports (ATIPS) initiative, through which Parent Truancy Officers make home and school contacts aimed at boosting school attendance.

The School District is also working in collaboration with the City to address safety concerns in and around schools. Operation Safe Schools was created as a new intelligence unit in the Police Department, to collect, analyze, and act on information about student conflicts and disputes before matters escalate. At the same time, pedestrians in school zones have been made much safer through a concerted effort to improve traffic engineering, enforcement and pedestrian education. There has been a 25 percent reduction in the number of students injured by automobiles as they walk to and from school so far in the 2004-2005 school year compared to the previous school year.

School District: Offer charter school options. Strong, vibrant charter schools support the
School District's reform efforts by offering families a choice among public educational
programs, helping to relieve overcrowding in elementary schools, and depopulating large
high schools. Fifty-two charter schools are now operating, with an enrollment of over 24,000
students.

Like all educational reforms, charter schools come at a cost. The School District has been successful in securing additional reimbursement from the Commonwealth to alleviate the annual gross cost to the School District, which is projected to be \$182.5 million for FY05. The SRC is formulating a policy to guide the growth and placement of charter schools in the coming years.

• School District: Prepare students for work and higher education. The School District initiated the Secondary Education Movement (SEM) to ensure that all graduates of School District Schools are prepared for employment and/or post-secondary education. The Career and Technical Education (CTE) program is improving the work-readiness of graduates. Nearly 15,000 students in 34 high schools are now participating in an array of quality, state-approved career preparation programs, integrating occupational and academic coursework. At the same time, the SEM is working to increase the rate of graduating seniors who go on to post-secondary institutions by offering more rigorous academics, such as advanced placement classes and SAT preparation. Other college readiness programs include GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs), a federally funded, \$7.4 million mentoring and college guidance program; and the College Excel Dual Enrollment Program, under which the School District will cover the cost of tuition and textbooks for up to 1,000 students in 2004-2005.

Efforts to promote college attendance were given a big boost at the beginning of the FY03-04 school year, when Mayor Street, Congressman Chaka Fattah, and School District CEO Paul Vallas launched the College Opportunity Resources for Education (CORE) Philly scholarship program. Open to graduates of public, charter, parochial, and private high schools, CORE Philly offers freshman year "last dollar" scholarships of up to \$3,000 to students who attend one of 19 public colleges in Pennsylvania. Last dollar scholarships cover the gap between tuition costs and financial-aid packages. Philadelphia is the first city in the nation to offer system-wide scholarship assistance to every graduating senior.

High school graduates of the class of 2004 were the first students eligible to apply. For the fall semester, 1,977 students (nearly 80 percent of whom are public school alumni) were awarded scholarships averaging \$2,498 (annualized). Scholarship costs were shared by the City (40 percent) and the School District (60 percent) for public school graduates and funded 100 percent by the City for private school students. The City pledged up to \$4 million annually from FY05-FY08, while the School District pledged up to \$6 million for each of those same years, contingent upon the availability of grant funding. After FY08, it is anticipated that the program will be supported through a privately funded endowment.

• School District: Develop the District's human capital. Perhaps the most essential path to improving student achievement is success in recruiting, retaining, developing and deploying quality educators and school principals. Two years ago, the School District kicked off the Campaign for Human Capital to strengthen its competitive position and guide investments, totaling \$7 million annually in this highly competitive effort. New recruitment activities include "Live, Learn and Teach in Philadelphia," a multi-media recruitment drive, personal outreach through "Roll Out the Red Carpet" candidate visits, and enlisting new sources, such

as Teach for America, to boost recruitment results. Year-round professional development and school-based coaches also have combined to improve retention.

At the start of the 2004-2005 school year, the SRC and the Philadelphia Federation of Teachers (PFT) reached agreement on a new four-year contract. Chief among the changes is a significant expansion of school-based teacher selection rather than assignment by seniority. This puts Philadelphia more in step with other school districts attempting to match teacher abilities with student needs and correct the teacher experience imbalance that exists in lower performing schools.

Effective school principals are critical for school performance and teacher retention, so the School District has launched a Principals' Leadership Academy to identify current assistant principals and teachers to train for future principal positions. Seminars, summer workshops, and independent summer "principalships" are provided as part of the Leadership Academy. A total of \$15.8 million will be dedicated to the Academy over the course of three years, more than half of which is expected to be covered by private sources.

School District: Implement a capital improvement program. Recognizing that
meaningful school reform must include improvements and updates to the environments in
which teaching and learning occur, the District is in the midst of a \$1.8 billion capital
improvement program to build new schools, create additions to existing schools, make major
renovations to school buildings, and expand and upgrade facilities and school grounds
throughout the City.

The capital project that has drawn perhaps the greatest public attention is a state-of-the-art "School of the Future," being developed through a unique partnership with Microsoft Corporation, to be built on land leased by the Fairmount Park Commission to the School District and expected to open in September 2006. The new high school promises to incorporate the latest research and technology to enhance the teaching and learning experience. Students from across the city will have the opportunity to attend the new school.

The District is continuing to assess the condition of all school buildings to make capital allocation decisions. To provide further direction and support for the capital program, the SRC has initiated a master planning study to ensure that the School District maximizes its real estate opportunities, rightsizes its infrastructure for expected enrollment and uses its capital investments not only to enhance educational opportunities, but also to complement City and private economic development initiatives.

• School District: Maintain financial stability. The School District continues to maintain the financial stability achieved through the partnership agreement between the City and Commonwealth. The agreement has yielded more than \$75 million in additional annual funding from the Commonwealth and \$45 million from the City. Part of the local contribution was applied to paying down debt service on a \$317 million bond used to cover an accumulated deficit as well as annual operating deficits.

FY04 ended with an operating deficit of \$97.2 million and a fund balance of \$78.5 million. For FY05, the District adopted a \$1.9 billion operating budget. It currently appears that the combined net effect of operating surpluses and deficits for FY05 and FY06 will be negligible with significant operating deficits recurring in FY07

The deficit financing proceeds were originally projected to last from three to five years. The School District's most recent five-year plan now forecasts the proceeds providing coverage through FY09, when the District will have a \$55 million operating deficit and a small negative fund balance. Despite growth in the annual operating budget to support education reforms and satisfy labor agreements, this stronger financial picture is the result of several factors including: Increased local revenues, new commonwealth and federal funding, management savings, an early retirement incentive, and the use of financing mechanisms to generate cash and reduce and extend borrowing costs. In FY06, the School District will consolidate administrative personnel in new headquarters at 440 North Broad Street and sell the buildings previously used to house personnel performing administrative functions. The Five-Year Plan incorporates \$25 million in new revenue, spread over five years, through the sale of current buildings.

Local tax revenues earmarked for public schools are projected to reach \$669 million in FY05. While the City maintains a strong commitment to funding public education and to fiscal discipline, the Street Administration has always held that a substantially bigger commonwealth commitment would be needed to give our schools the chance to succeed. The City is beginning to receive the benefits of this advocacy.

Total commonwealth funding for the School District is budgeted at approximately \$1.19 billion for FY05. The Governor's aggressive push to improve the quality of public education throughout the Commonwealth generated increases for Philadelphia in FY05 of over \$100 million. Growth occurred in the basic education grant, as well as for designated purposes, including charter schools and disciplinary programs. FY05 also marked the start of the commonwealth's new \$250 million accountability grant program, through which Philadelphia realized \$40 million.

• School District: Enhance City support for schoolchildren. Children cannot take advantage of better academic opportunities offered by the School District unless they are safe and have their physical and emotional health needs met. City government is rising to the challenge, working in cooperation with the School District, to deliver a range of services that protect and nurture children and families, improve the quality of life, and foster students' success in school. In these collaborative efforts, the City and School District jointly identify needs and obstacles to learning, blend resources and carry out essential tasks to create better opportunities for children. In addition to the City's partnership with the School District, the City has direct responsibility for providing hundreds of millions of dollars for social services. DSS will continue to provide comprehensive, coordinated social services with the following major objectives and new initiatives.

Invest in programs that support family structures

DHS: Support reunification by providing comprehensive support services. While the Department of Human Services (DHS) and its provider network offer an array of services to support the children in foster care, the Department has found that their parents often need additional assistance to address the challenges preventing them from regaining custody of their children. To better support parents in overcoming barriers to timely reunification with their children and to help them achieve self-sufficiency, DHS and the Philadelphia Workforce Development Corporation (PWDC) have designed a new one-stop service delivery model, the Achieving Reunification Center. The Center will provide services to parents with children in placement who have a "permanency goal" of reunification, and to other caregivers who have been identified as the reunification resource for a child in placement. The Center will use existing DHS and PWDC resources to provide parents with more intensive support in obtaining housing and employment, a full range of health and social services, specialized visitation programs with their children, parenting skills enhancement programs, and other practical supports. The Center will provide services to parents with children in placement who are motivated to seek reunification, as well as other caregivers who have been identified as reunification resources. On average, there are over 2,000 families with one or more children in out-of-home placement for whom reunification is the goal.

In FY06, DHS will dedicate approximately \$2.5 million specifically for the operations of the Center. Additionally, the Department's community-based network of prevention services will be redirected as needed, to give priority access to these families. The Center began operations in January 2005. The goal for the Center in its initial calendar year of operation is to serve 500 families with at least one child in placement. Goals for future years will be based on review of operations in the first year.

- AS/OBH/MRS: Implement a "Housing First" Program for families in emergency shelter with high levels of behavioral health needs. Adult Services (AS) and the Office of Behavioral Health and Mental Retardation Services (OBH/MRS) are partners in the Family Shelter Support Team (FaSST) program, which provides behavioral health assessments, coordination with current service providers, and referrals and links to other providers offering services to families in AS shelters who have a high level of behavioral health needs. To augment this program, AS will use nearly \$2 million in federal grant funds for permanent housing for 45 of these families at any one time, enabling them to live in the community while they continue to receive the high level of services they need to maintain stability. In FY06, DHS' Prevention Division will join the FaSST partnership by providing social service support to DHS-involved families who have achieved reunification when they move into their permanent housing. The FaSST Housing program is expected to begin in FY06.
- DHS: Enhance family preservation-housing support. Among the services provided to keep families intact and prevent the unnecessary separation of children from their families are those provided to the vulnerable population in crisis due to a lack of housing. Of the children who entered placement in FY04, inadequate housing was identified as the sole reason for 9.8 percent. Services are provided in a family's current living arrangement to

assist with immediate needs and help meet the goals of: Safe, decent, permanent housing, family preservation; and family self-sufficiency. These family preservation support services, while intensive interventions, cost substantially less than foster care.

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In FY06, DHS will allocate an additional \$4.31 million to provide housing support services to keep families intact, and prevent the unnecessary separation of children from their families, serving an additional 264 families with approximately 680 children.

• DHS: Target Parenting Collaborative services. Approximately 6,000 parents will be served annually through the Parenting Collaborative, the first organized effort to support and expand the existing network of parenting education and support programs in Philadelphia. Parents are referred to the programs by DHS social workers, provider agency social workers, and Family Court. Other referrals come from the Division of Community-Based Prevention Services (DCBPS) service network, calls to 215-PARENTS, and neighborhood outreach. In FY06, plans are to redirect services to target more parents with children in foster care and parents of delinquent youth. The same number of families will be served, but services will be directed to those families whose need is more aligned with DHS' goals of reunifying and preserving families. Services will be directed at families to help prevent truancy, which, if unresolved, often results in placement of the youth in out-of-home placement.

During FY05, DHS is convening a workgroup of the major organizations serving fathers in Philadelphia, to assist in the development of a focused effort aimed at re-engaging the absent fathers of youth in care, and supporting fathers so that they can remain a positive factor in the lives of their children. Increased training offerings on "Engaging Fathers" will be provided to staff through the Philadelphia Regional Training Center (the regional center of the Department of Public Welfare's statewide competency-based child welfare training program). The plan developed with these groups in FY05 will influence allocations for parenting-related programs by DHS in FY06.

Invest in programs to support youth and maximize their potential to become self-sufficient adults

• Continue unprecedented investments in afterschool, youth development, and family support programs. The Children's Investment Strategy (CIS) is a broad initiative of Mayor Street to improve the outcomes for the City's 360,000 children and youth, as indicated in the Children's Report Card 2004. The Report Card tracks childhood health, safety and positive development indicators so that progress can be measured ensuring that children live in stable, supportive families; children and youth are involved in healthy behaviors and do not engage in high risk behaviors; children live in safe and supportive communities and environments; and children and youth achieve in school and make successful transitions to adulthood. Efforts to improve the outcomes for children and youth include expanding afterschool and other youth development opportunities during non-school hours and redirecting more resources to DHS' prevention services to strengthen the relationship between parents and children.

Since the inception of CIS in 2000, through June 30, 2005, youth development and family

support programs will have expanded their respective capacity to serve an additional 47,850 children and their families. "Youth development" offerings include afterschool programs; Beacon Schools; various DHS programs, such as truancy-related programs, delinquency programs, and programs specifically targeted towards 12-18 year olds; Recreation Department programs, such as afterschool programs and Teen Centers; and Workforce Development programs. "Family Support" programs include DHS' intensive home visiting, parenting programs, and school-based case management programs.

In FY05, CIS refined the strategies for targeting youth who possess characteristics which suggest that without such targeted, preventive attention, would be more likely to enter the DHS system of care. By FY05 a total of \$88.7 million in new or redirected dollars will be targeted for prevention programs under CIS. Of this amount, \$67.8 million is towards the expansion of "youth development" programs and another \$20.9 million is for expanding "family support programs."

The primary sources of CIS funding have been the federal government through Temporary Assistance for Needy Families (TANF) and the Commonwealth through the Human Services Development Fund (HSDF). The City's FY06 budget includes an additional \$19.5 million, again, with a primary origin of federal and state sources. The realization of this continued growth, however, is contingent upon appropriate levels of funding from other governmental agencies.

- DHS/OBH/MRS: Direct School-based Case Management (SBCM) at truancy. A school/community collaboration aimed at ensuring the provision of family supports that address the barriers related to a child's truancy will result in improved school attendance and participation. This service is available to DHS-involved and at-risk youth and their families on a full- or part-time basis at all Philadelphia public elementary and middle schools, by referral from DHS or provider case manager and through the individual school's Comprehensive Student Assistance Program. SBCM services also are coordinated with the OBH/MRS's School-Based Behavioral Health Initiative in those schools where both services are available. Over 3,000 families will receive services in FY05. In FY06, the DHS will allocate \$2 million to serve 2,400 additional chronically truant youth and their families. Families will receive short-term intensive case management services addressing behavior that has resulted in the youth's failure to attend school. The DHS will fund an additional 31 school-based case managers to provide these services in public middle schools and high schools in FY06.
- DHS: Address truancy by improving tutoring and mentoring services to public schoolchildren. In FY05, the School District reorganized the process through which Philadelphia public school children with school attendance problems are identified and linked to services. Beginning in FY06, chronically truant public school children will be linked to support services provided by DHS' network of providers. Previously, these children were referred to agencies outside the DHS network, making the children's attendance difficult to monitor. As a result of this change, DHS projects an increased demand for services from neighborhood-based networks of child and family supports for

these youth. The services expected to be most in demand include individualized academic tutoring, literacy training for both children and their parents to better prepare parents to assist their child with homework and to support their child's academic achievement, and mentoring services. Current projections, based on the expansion of school-based case management services planned for FY06, indicate that approximately 4,000 youth will benefit from these services in FY06. Based on these projections, DHS intends to allocate \$2 million for tutoring, literacy programs, mentoring and other supports for chronically truant youth.

• OBH: Provide behavioral health school-based services to public schoolchildren. OBH provides for the coordination and integration of behavioral health, educational, and human services via supports delivered to children and adolescents in public schools. These services are targeted to children who need assistance in managing their behavior in educational settings. As of December 2004, assistance has been provided to 592 students in 31 elementary and middle schools in Philadelphia. School-based services will be expanded with the addition of a pilot program in one high school in FY06. The pilot program will last at least one full year.

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- DHS: Enhance social service supports for aging-out youth. In FY06, DHS, PWDC, and providers will use funding from the U.S. Department of Housing and Urban Development (HUD) to fund a transitional living program to serve 81 youth who are "aging out" of the foster care system but do not have a stable housing arrangement. DHS, AS and provider agencies, will provide ongoing health and social support services in addition to life skills training, rental subsidies, and other supports to youth in the program. In order to provide these services, DHS intends to allocate \$1 million to provide case management, life skills training, and other supports to these youth. The programs, developed in FY05, will become operational in FY06.
- DHS: Augment employment and training services for aging out youth. Employment that provides a sufficient income for sustainable independence is a critical factor in the ability of aging-out foster youth to succeed after discharge from the child welfare system. Provision of dedicated job readiness and employment training programs designed specifically for aging-out youth, along with appropriate social service supports and aggressive job placement efforts, will help them obtain and sustain full-time employment.

In collaboration with the Philadelphia Youth Network and PWDC, DHS will expand job placement options for youth in care, and develop of new skills training programs with area employers. In FY06, DHS intends to allocate \$1 million to establish a minimum of three employment training and placement programs for aging-out foster youth. Through this mechanism, DHS expects to connect 240 additional Achieving Independence Center (AIC) youth to full-time employment at or above minimum wage, over the course of the fiscal year. Together with the expansion of the Independence Café, a skills training program that is an essential component of the AIC, the program will increase the number of aging-out youth receiving employment and training support by 300 in FY06.

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- DHS: Implement performance-based contracting for congregate care. According to the most recent available state data, DHS' use of group home and institutional placements is higher than the statewide average. Current controls and supports are not adequate to assist and encourage social workers to use less restrictive placement alternatives. To help children in group home and institutional settings to "step-down" to more appropriate levels of care and achieve more timely permanency, DHS plans to move forward with the development of a performance-based contracting system in FY06. Learning from key FY05 activities, such as national Child and Adolescent Needs and Strengths (CANS) tool review of children in congregate care settings to increase understanding of the unique needs of these youth and site visits, will help determine which level of care will be addressed first, and inform the planning process for contractual change.
- DHS: Increase efficiency of sex abuse investigations. To improve investigation of sex abuse cases and avoid further trauma to young victims, DHS is planning to co-locate the Intake Sex Abuse Investigation Units with the Philadelphia Police Special Victims Unit and the Philadelphia Children's Alliance. Co-location will allow an integration of investigative resources so that each of the three partners can perform unit functions with minimum additional trauma to the child victim. DHS has applied for a loan from the Productivity Bank to assist with the costs involved in renovating the space. DHS expects to move into the new location by mid-FY06.
- Library: Collaborate with the School District to prepare children for kindergarten. The Free Library is working closely with the School District's Kindergarten Transition Collaborative, whose mission is to help prepare children for kindergarten so that they are ready to learn. As part of core efforts to support reading readiness and literacy in FY06, the Library will continue hosting information sessions, begun in FY04, for parents preparing their children for kindergarten. The School District reimburses the Library for program-related expenses. Library staff are now working on a "Kindergarten Mixer," an opportunity for kindergartners and their families to meet teachers and others and to learn about resources available to them, to be held at the Please Touch Museum in August 2005. In addition, the Library will create a publication or website to serve as an additional resource for parents whose children will be entering kindergarten.
- Library: Continue family literacy programs. In cooperation with the School District's Even Start Program, the Free Library presents "School Success Workshops" for students grades K-3 and their parents. Parents attending the workshops learn skills to help their students with homework and become more successful in school. Students get tips on dealing with school problems. Families receive a school backpack filled with books and school supplies. In FY05, the School District of Philadelphia is providing \$25,000 in funding for the workshops, which are held at the Central Library and seven branch libraries throughout the city. Future plans include expanding family literacy programs, including a possible early literacy initiative.

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• Library: Evaluate afterschool programs. On a weekly basis, approximately 85,000 children and teens participate in the Library's LEAP afterschool program, held in every

branch library, five days a week. The City contributes \$1.3 million annually for LEAP staffing, supplies, and give-away books; the Library raises an additional \$100,000-150,000 in private funds for program components. In the Spring of FY05, LEAP will develop a specific program to measure outcomes related to its goals of increasing literacy and library use, and will begin collecting data on the impact of LEAP and its effectiveness in connection with the Associate Leaders and the Teen Leadership Assistant Program. The program design will be revised according to the results of the \$30,000 evaluation.

- Library: Extend the Unlimited Writing Project. Begun in Summer 2004 as a pilot project funded by the School District of Philadelphia to help improve students' writing skills. the Unlimited Writing Project will be expanded in Summer 2005, based on the program's success in improving student achievement in writing. The Library plans to hire six Summer Outreach Specialists, who, over the course of six weeks, will present the Unlimited Writing Project in the Central Library, three regional libraries, and the Rodriguez and South Philadelphia Branches. Specialists, who include teachers, school librarians or graduate students in education, will receive special training for this project. The Summer Outreach Specialists will work 20 hours per week on the Project: Ten hours will be spent in the library working with students, who will bring in writing work, and with summer reading game participants, who will be encouraged to start writing. The remaining 10 hours will be spent in outreach, encouraging camps, recreation centers, and summer schools to participate in the Unlimited Writing Project and summer reading. All students will be offered the opportunity to participate in the project, but special attention will be given to incoming sixth and minth graders. At the libraries, students will be offered the choice of talking to the specialist about their writing or using LEAP Online (Tutor.com), an interactive online homework assistance program. The School District will fund the \$25,000 cost of this project.
- MCOL: Strengthen literacy services. The Mayor's Commission on Literacy (MCOL) was moved physically and organizationally to the Free Library in Fall 2004. Beginning in FY06, the Free Library plans to combine MCOL with its Reader Development Program (RDP) for more seamless delivery of literacy training. As part of the reorganization, RDP services will be incorporated into the training MCOL conducts for literacy service providers. The combination of programs also should allow for better delivery of RDP literacy materials from RDP to the literacy providers served by MCOL, which in turn will make for a more efficient delivery of literacy materials to target audiences.

Ensure that adults have supports and tools to become and remain self-sufficient

- AS/OBH/MRS: Enhance outreach efforts. AS continues to assist persons living on the streets with finding safe, supportive alternatives to living in outdoor public spaces. In FY06, AS will work with OBH/MRS to expand behavioral health services to this population through two targeted initiatives:
 - Collect behavioral health information. Over the past six months, data matching with Behavioral Health, Criminal Justice, the Department of Human Services, and the Outreach Coordination Center, has enabled AS to develop detailed information on

persons who have been living on the Parkway. Two new outreach staff were added to Project HOME's teams, whose primary responsibility is to focus outreach efforts on those living on the Parkway. People who have been living on the Parkway for more than three months, despite repeated interaction with outreach workers, are being assigned a dedicated outreach worker who will visit with them at least three times a week, ascertaining what they need to move indoors and encouraging them to use the services available to them. AS will continue to support the additional outreach staff in FY06, at an approximate cost of \$100,000 in grant funds.

- Provide psychiatric services. Starting in calendar year 2005, AS will have a psychiatrist available to spend time "on the streets" offering assessments, access to medications, and encouragement to persons to seek treatment. Outreach workers have sometimes been handered by the inability to bring psychiatric services directly to the people on the streets who refuse to go indoors for the kind of treatment that ultimately could help them secure shelter. The service will be funded through OBH/MRS.
- AS: Support households with employment and training opportunities. Beginning in FY06, AS and PWDC will jointly support households that are in housing crisis to regain and maintain stability. In the first component of this partnership, AS will provide short-term housing support (funds for furniture and leased apartments) to households participating in PWDC-sponsored employment programs that are in housing crisis. PWDC contributes first month's rent, security deposit, and supportive services; AS provides rental subsidies for up to 20 apartments at a time, paying rent for the next five months. The maximum length of the housing support is six months; accordingly, this program will serve a minimum of 40 households in FY06. Housing support will enable households that are close to achieving employment to maintain permanent housing. AS support for this project will be approximately \$240,000 (expected to be grant funds) in FY06.

Beginning in FY06 under a Memorandum of Understanding arrangement with AS, PWDC will provide employment assessments for approximately 20,000 adults who enter emergency shelter each year, and based on those assessments will make referrals for appropriate employment training programs in the PWDC training network. This training support will allow AS to move toward making work or participation in work training a condition of receiving emergency shelter for those able to work or participate in training. The more households are supported in securing adequate employment, the more successful they will be in maintaining permanent housing and ending their homelessness.

AS/OBH/MRS: Reach full capacity in New Keys and Home First homeless services. Beginning October 1, 2002, a collaboration between OBH/MRS and AS received funding from the federal Substance Abuse and Mental Health Services Administration (SAMHSA) to begin "Housing First" programs, which offer an Assertive Community Treatment Team and rental subsidies to chronically homeless individuals with behavioral health needs. The first program, New Keys, targeted persons living on the streets of Philadelphia who were suffering from both severe behavioral health and addiction disorders. As of December 2004, 46 people had been housed in their own apartments, with significant clinical support.

Another five people are living in group homes or other programs and awaiting apartments. The program is expected to reach full capacity in FY06, when it will serve 60 people who formerly were living on the street.

In October of 2003, \$3.3 million was awarded to the City of Philadelphia, as one of 11 federal Interagency Council on Homelessness grants. The project, a collaboration among the City of Philadelphia, Horizon House, 1260 Housing Development Corporation, Philadelphia Health Management Corporation and the local Veteran's Administration, is called Home First. As of December 2004, 55 people with behavioral health care needs who are living in shelters have been identified. Thirty-four have been placed in permanent housing with intensive clinical team supports. The City was recently notified that Horizon House will be the recipient of a federal earmark request for an additional \$75,000, and will likely be able to serve an additional 10 consumers. Along with the original grant dollars, the new funds will result in services to between 80 and 90 individuals in FY06.

The projected annualized cost of these programs is \$1.4 million, the majority of which will likely be covered by federal McKinney-Vento grants of approximately \$1.15 million a year for at least five years. As program renewals, these programs will be highly ranked and are expected to be funded as long as they remain successful. The federal services grant for New Keys is three years, and will be completed on September 30, 2005. Horizon House, as the SAMHSA grantee, is expected to have significant funds still available, and has approached SAMHSA regarding rolling over funding into the next federal fiscal year. The services grant for Home First is also fully funded through September 30, 2005; 75 percent of the original grant is expected to be funded through FY06. New Keys yearly services budget is \$670,000, while Home First's yearly budget for Behavioral Health services is \$750,000.

- AS: Expand Emergency Shelter's management information system to cover transitional and permanent supportive housing and a variety of related social services. AS is in the process of implementing a new Homeless Management Information System (HMIS) using a three-year federal grant with one-year renewal for a total of \$640,000 and City matching funds of \$350,000. This funding will support Philadelphia's provision of a continuum of homeless services by requiring every provider who receives federal homeless funding to participate in the system so that comprehensive information can be collected and reported. A file will be created for every client entering shelter that "follows" clients as they move through the continuum of programs, and documents services over time and through providers. The system has been tested, and implementation has begun. By the end of FY06, the system will be functional at all family, single female, and single male shelters; all transitional housing programs; and all permanent supportive housing programs.
- AS: Support efforts to end homelessness in Philadelphia using technology. In FY06, AS will develop and implement initiatives funded by a federal grant from the Department of Commerce's Technology Opportunity Program (TOP). Three initiatives will support the City's goal to end homelessness in Philadelphia by: (1) Providing a "Community of Practice" to electronically link service providers to each other and to the management information system, where they are required to perform assessment and access client-level

data; (2) giving mobile computer technology to street outreach and emergency relocation workers, to aid them in identifying client histories and current case managers or existing shelter or housing arrangements for persons they encounter; and (3) offering an electronic resource, Benefits Bank, to homeless persons as well as case managers and volunteer counselors, in five locations. The Bank will help individuals and families apply for a range of tax and public benefits quickly and effectively. The three-year federal grant of \$527,358 is matched by a City commitment of \$531,138 of funds and in-kind resources. Philadelphia's award was one of 27 nationally, in a competition among 494 applications.

• OBHAMRS: Develop a supports coordination system that will improve the quality of mental retardation services. In FY05, a new supports coordination system for Mental Retardation Services became operational. The system significantly restructured supports coordination to meet state and federal mandates, as well as the needs of citizens of Philadelphia. Services are provided to over 12,000 individuals and families, including registering, planning, locating, coordinating, and monitoring services. The old system was inconsistent, inefficient, and did not meet the Commonwealth's "conflict-free" requirement. The restructured system contracts out support coordination services to agencies that do not provide other services. To implement the restructured system, OBH/MRS offered 8,000 individuals and their families their choice of support coordination agencies. Of these, 2,500 individuals chose a support coordination provider.

Restructuring has been cost-neutral, with funds redeployed to reduce caseloads, lower supervisor-to-staff ratios, and add supports to provide timely and quality services. In addition to administrative efficiency, key benefits to consumers include the opportunity to choose a supports coordination agency, greater individual attention, an extensive focus on responsiveness, and staff training to ensure a higher level of quality and accountability.

Ensure that Philadelphians have the earliest possible access to treatments

• DPH: Continue childhood lead poisoning intervention initiatives. In FY06, DPH will continue efforts to reduce lead from homes and school buildings. The backlog of housing units awaiting lead hazard reduction work was reduced from 1,400 in FY02 to 250 in FY05 due to the combined impact of the expanded lead hazard reduction capacity of the Childhood Lead Poisoning Prevention Program (CLPPP), the Lead Abatement Strike Team (LAST), and Lead Court. During FY06, DPH will target 1,400 housing units to receive lead hazard reduction services. City crews will provide lead hazard reduction services on 650 of these dwellings, with the balance of the dwellings being treated by owners and their contractors, or HUD. In FY05 and FY06, DPH has been awarded \$477,100 from the Environmental Protection Agency Congressional grant project, Lead Safe Communities. Using these funds, DPH will increase outreach to at-risk children, targeting Hispanic and Asian communities. Through increased outreach efforts in FY06, CLPPP will monitor lead levels of 1,575 children with elevated blood lead levels, stabilize the blood lead level of 350 children, and decrease the blood lead level of 1,200 children in FY06.

A 2003 change in the City Building and Occupancy Code required that DPH certify school buildings to be in substantial compliance with applicable lead paint requirements. Forty-

three schools with 123 classrooms had passed in the pre-kindergarten category and 61 schools having 166 rooms had passed in the kindergarten category by December 2004. It is expected that this program will continue indefinitely as annual certification is required by the Code. This program cost \$30,000 in EY05, and is projected to cost \$40,000 in FY06. Schools will continue to be inspected annually, with remediation performed as necessary to comply with applicable provisions of the Code.

- DPH: Expand public high school STD testing. DPH has aggressively expanded its program of voluntary, confidential, on-site screening for students in all 54 public high schools in the City, coupled with appropriate sexually transmitted disease (STD) treatment arrangements. The goal is to screen, identify, and treat infected students, and ultimately eliminate the chlamydia/gonorrhea epidemic in schools. In FY05, DPH enhanced the program to include a contact notification system offering testing and treatment for sexual contacts of students who test positive. This expansion also entails offering a second test three to four months after initial treatment. To help offset the program expenses, students who are insured by a Medicaid managed care organization are being asked to consent to insurance billing; procedures have been established to ensure reimbursement. It is expected that payments totaling \$140,000 per year will be received annually in FY05 and FY06. The total cost of the program is approximately \$900,000 a year. In FY05 and FY06, DPH intends to serve 18,000 high school students each year, up from 17,019 in FY04.
- OBH/MRS: Establish New Directions halfway house for single women. A new halfway house program for women with addictions and behavioral health problems will be opening in the Spring of 2005. At any one time, the new program will house 22 women for three to six months as part of a licensed therapeutic community that focuses on rehabilitation, recovery and the building of skills needed for more independent living. Educational, vocational, psychiatric and medical care will be available at the site, as well as a case manager to assist with longer term housing and a broader network of family and neighborhood supports. Establishing this halfway house will provide many benefits, including reducing the chance for homelessness, reducing the probability that these women will further injure themselves, as well as serving to strengthen families and neighborhoods.

Over the course of a 12-month period, approximately 70 women will receive therapeutic services in a safe, secure environment. The cost of this new service will be borne by a combination of federal and state funds and there will be no City General Fund obligation. The projected FY06 cost for the halfway house is \$737,154.

OBH/MRS: Enhance behavioral health services for individuals who are deaf or hard of hearing. A fuller range of services is needed to adequately provide behavioral health care for persons who are deaf or hearing impaired. The projected annualized cost for all four initiatives detailed below is \$2.9 million. The projected total cost for FY06 is \$1.7 million to be provided through the HealthChoices Behavioral Health Program (HealthChoices) under Medical Assistance through OBH/MRS.

Outpatient individual and family therapy for children and adults. Plans are under way to develop one or more satellite outpatient offices to increase behavioral health treatment services for persons who are deaf or hearing impaired. With the license for the first satellite approved, it is anticipated that the outpatient clinic will open in Germantown by June 2005 and serve 10 to 20 individuals per week. A second site will be developed if it is deemed necessary to respond to unmet needs elsewhere in the City. The hourly rate for the service will be \$75.

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- Adult mental health residential services within community treatment team model. This new service integrates treatment, case management and related supports for persons living in apartment settings with other residents who are deaf or hard of hearing. One person already has moved into the adult residential program. The number of residents is expected to grow to five by the conclusion of FY06.
- Behavioral Health Rehabilitative Services (BHRS). OBH/MRS has worked with several treatment providers during the past decade to provide comprehensive, "wrap-around" services to children and/or parents who are deaf or hard of hearing. Services are flexible and comprehensive, allowing mental health professionals to work with children and families in their homes, schools, and other community settings. Service providers will be selected via a formal review process concluding in early FY06. At least one program will be implemented during FY06 that will benefit 15 to 30 children.
- AS: Implement Medicaid-funded intensive residential services. During FY05 and FY06, two new Long-Term Structured Residential programs (LTSRs) will be developed. One 16-bed program will be located in Chester County, and will admit consumers from the five-county Philadelphia area. The facility is expected to open during the first quarter of FY06. The second new LTSR will be an eight-bed, medically enhanced Philadelphia facility that will become operational in July 2006. Both programs are designed to serve adults with challenging and persistent behavioral healthcare needs in settings that provide intensive staffing and treatment supports. Program costs will be transitioned to HealthChoices during FY06, and will be designated as supplemental Medicaid services. The 16-bed LTSR will have an annual operating budget of \$1.9 million. The eight-bed facility is projected to cost approximately \$1.2 million annually
- OBH/MRS: Initiate strategic planning initiative. The first step in the Strategic Planning process was implemented in FY04 with Mayor Street's Executive Order creating the Office of Behavioral Health and Mental Retardation Services (OBH/MRS). The order brought the Office of Mental Health (OMH), the Coordinating Office for Drug and Alcohol Abuse Programs (CODAAP), Community Behavioral Health (CBH, a City created non-profit agency responsible for the HealthChoices program), and the Office of Mental Retardation Services (OMR) together in one organizational structure. The FY05 process involved more than 200 stakeholders (including provider agencies, recipients of service, family members and advocates) who have contributed to the development of an action plan to dramatically improve the service delivery system and expand capacity.

OBH/MRS expects the following initiatives to be fully operational by the conclusion of FY07:

- Develop a greater range and variety of day programs. To better target the needs of adults who require behavioral health care, long-term Partial Hospitalization Programs (PHPs) will be converted to a variety of day service programs. Some PHPs will be converted to short-term, acute care programs intended to stabilize clients who are being discharged or diverted from psychiatric inpatient hospitals or crisis services. It is expected that the reconfigured day programs will provide services to 1,500 adults annually. The projected cost for FY06 is \$2.6 million, with full year costs projected to be \$5.1 million.
- Develop a pool of funds to respond to specialized placement needs. Funds will allow for the rapid development of specialized services for persons whose behavioral healthcare needs overlap with conditions such as mental retardation, brain injuries, deafness/hearing impairments, or serious physical illnesses. The projected annualized cost of this program is \$3.2 million. The projected cost for FY06 is \$1.6 million. While no savings are expected, there may be lowered costs related to the provision of appropriate service alternatives to costly inpatient treatment. Some of the specialized services provided via the pool of funds may require considerable funding, but they are expected to result in better recipient outcomes. OBH/MRS will fund this initiative through HealthChoices.
- Increasing the rate of payment for outpatient behavioral health providers. Increasing the outpatient reimbursement rate paid by CBH will strengthen the agencies that provide these essential services, and will decrease the length of time consumers wait to access these resources. Current consumers typically experience wait times ranging from one week to one month. The increased rate is expected to expand staffing and reduce waiting periods to a maximum of five days.
- Develop a reinvestment plan to create additional services. Through effective clinical and financial management of the HealthChoices behavioral healthcare program, OBH/MRS has been able to accrue savings which will be used to improve services to special-need populations, enhance supports to persons who are homeless, increase school-based behavioral health prevention activities, and divert selected juveniles and adults from prison. The projected annualized cost of this program is \$20.2 million. The projected cost for FY06 is \$10.1 million.
- Implement statewide initiatives designed to reorganize the mental retardation service system to be more responsive to its constituents. OBH/MRS is in a multi-year plan to implement standardized client and financial management processes and measure effectiveness, to be completed in FY09. These changes, developed by DPW, meet requirements to ensure consistent application of the Medicaid Waiver. The Waiver enables the City to divert approximately \$240 million (95 percent) of funds previously allocated to support people in institutions to support services in the community. The commonwealth's Office of Mental Retardation (OMR) has underwritten the technology costs to support the

changes in business practice. OBH/MRS must address restructuring of our administrative resources to meet the demands of changing OMR requirements within the available dollars.

In FY05, billing for agencies providing supports coordination is done through data entry into the Home and Community Services Information System (HCSIS), eliminating the need and cost for a separate billing system. In FY04, supports coordinators began entering individual support plans into HCSIS; this process is intended to be complete by the end of FY06 for all Medicaid Waiver recipients. HCSIS, when fully operational, will be a comprehensive data system with information for all individuals who use mental retardation services.

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In FY06, MRS will participate in a pilot program using PROMISe, through which service data reporting and billing will occur, linking HCSIS and PROMISe. In FY08, MRS will implement PROMISe for billing of all services. This redesigned system will assist consumers and families to make decisions based on cost and effectiveness of services.



Public Safety and Quality of Life

Enhancing Public Safety and Quality of Life for all Communities

Overview

Since 2000, unprecedented commitments have been made to improve public safety and enhance quality of life for all Philadelphia citizens. Improvements in public safety have resulted in a significant reduction in serious crimes since the beginning of this Administration. Part One offenses, the most serious crimes as defined by the Federal Bureau of Investigation, have declined by 22 percent from the last full year before Mayor Street took office through 2004. These commitments have remained strong despite fiscal challenges, which have created a need to manage and reduce staffing levels. The City has responded to these challenges by redeploying off-street police officers to on-street duties, reorganizing management ranks, and better managing overtime for public-safety agencies. However, the City's fiscal challenges remain for the foreseeable future and the City must be allowed to make the management decisions necessary to operate with the lowest impact on City services.

Objectives

- Ensure safe streets
- Invest in programs to address and prevent further delinquency in youth
- Invest in programs that reduce recidivism

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- Enhance quality of life
- Use technology to address public-safety issues

Ensure safe streets

PPD/School District: Implement Operation Safe Schools. On December 6, 2004, the PPD initiated a proactive community policing effort designed to gather timely information and mobilize resources to combat youth violence in and around schools. Through close collaboration among the PPD, SEPTA, Temple University, the University of Pennsylvania, and Philadelphia Housing Authority Police, and the District Attorney's Office, Office of Probation and Parole, faith-based partners, community-based organizations, and the School District of Philadelphia, the goal of Operation Safe Schools is to reduce opportunities for criminal and antisocial activities involving young people. The approach incorporates modern community-policing strategies, including intelligence gathering and data analysis, an extraordinary effort that transcends the boundaries of established mandates to make communities and schools safer. The taskforce is comprised of nine employees from the Police Department, two officers from the School District of Philadelphia, a representative from Juvenile Probation and Parole, and a representative from Town Watch Integrated Services, all working under the direction of the Police supervisors. A 24-hour tip line (215-299-SAFE) has been established to address issues related to school safety. The Operation Safe Schools initiative will significantly aid the course of action taken by the School District

Office of School Climate and Safety in fulfilling its safety obligations in schools, as well as the ability of the Philadelphia Police Department to ensure community safety.

The Neighborhood Services Unit of PPD has also assumed additional duties related to school safety and currently has three radio patrol cars each assigned to Lincoln High School and Germantown High School during the afternoon dismissal. Assigned officers patrol the immediate neighborhood to ensure the peaceful return of students to their homes while protecting homes and businesses along exit routes from schools. The numbers of officers deployed for these assignments as well as the targeted schools and neighborhoods can be adjusted as warranted. Progress will be monitored during the remainder of FY05 and course corrections will be made in FY06, as appropriate.

• PPD: Create Major Crimes Gun Violence Squad to combat gun violence in high-drug areas. In FY05, the PPD's Major Crimes Gun Violence Squad was established, consisting of one lieutenant, three sergeants, 10 detectives, and four police officers who work in conjunction with local, state and federal law enforcement agencies to reduce incidents of gun violence through High Intensity Drug Trafficking Areas (HIDTA). HIDTA partnerships are designed to confront drug trafficking in areas with significant narcotics threats. The group assesses regional drug problems, designs strategies to combat threats, and implements the strategies to address threats. Areas with high levels of gun violence are targeted for intensified warrant service, plainclothes response, and increased debriefing in an effort to put pressure on the most persistent and violent offenders. Since the inception of the unit, there have been 577 attempts to locate suspects wanted on warrants, with 126 individuals captured/arrested and 21 others located in various institutions.

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• PPD: Continue to monitor and patrol high-crime areas with Operation Safe Streets (OSS). The Operation Safe Streets initiative began with aggressive patrolling of drugplagued areas of the City. As the characteristics of the drug trade in the city have changed, the Philadelphia Police Department (PPD) has responded by modifying the strategies to keep OSS successful. In FY05, OSS targeted gun violence by deploying officers to priority corners and by continuing the Gun Recovery Reward Information Program (GRRIP).

Priority corners are street intersections that have experienced drug-related shootings or other violent crimes that receive a heavy amount of police surveillance and patrol. In addition to increased police presence at the priority corners, PPD, the District Attorney's Office, and federal law enforcement agencies meet weekly to analyze data on victims, suspects, connections to other illegal activities, potential motives, and other neighborhood crime in order to prevent future occurrences.

Now in its second year, GRRIP has been successful in reducing the number of illegal handguns on the streets, while curtailing narcotics distribution and associated crimes. GRRIP was implemented in July of 2003, in response to the large number of illegal firearms in the city. GRRIP disburses cash rewards of up to \$1,000 through the Citizen's Crime Commission to citizens who furnish the Department with information that leads to the arrest

of persons who illegally possess and/or traffic in firearms. A 24-hour hotline (215-683-GUNS) is dedicated to receiving anonymous tips from citizens, who are then given a confidential identification number to collect the reward. From the inception of GRRIP in July 2003 through December 2004, \$31,600 in awards has been authorized, and the PPD has received 487 phone calls resulting in 338 arrests and the confiscation of 136 firearms, 22 vehicles, \$93,306 in cash, and over \$381,838 in drugs.

- Streets Department: Install safety tools around schools. The Streets Department, with a \$1 million loan from the School District, is preparing to install school flashers at 41 schools, with work scheduled for completion in FY06. The Department also has applied for state safety funds in the amount of \$1 million to install traffic control devices around schools. This will include flashers, signs, and markings. The preparation work is starting in FY05, and work is scheduled for completion in FY06.
- Fire Department/L&I: Improve public safety through the Zero Fire Deaths Taskforce. During FY04 and FY05, the Department of Licenses and Inspections (L&I) and the Fire Department worked together to identify and inspect housing that is specific to the older population in the city for Code and fire code violations. There were 120 buildings identified which primarily housed senior citizens. In FY06, a commercial and industrial fire inspector and firefighter will inspect the properties to identify any hazardous or precarious situations. For the first time in Philadelphia history, the inspectors also will look for unseen defects behind covered ceilings.
- Management Taskforce. L&I and the Philadelphia Water Department (PWD) are working on improving storm water management practices in new single-family developments. New homes are being developed on sites that are sloped or susceptible to flooding. Regulating development of this nature will improve water quality and reduce local flooding. In addition, guidelines will be instituted requiring developers to institute modern methods of drainage, to alleviate the dumping of silt into waterways. PWD will work with developers to ensure that they comply with these new regulations. L&I will initiate enforcement actions based on the expertise and efforts of the PWD if developers do not comply. PWD will inspect all properties, and L&I will enforce through its normal enforcement procedures depending on the severity of the violation. The Water Department will introduce legislation to City Council in spring 2005 to enact more stringent guidelines about stormwater runoff from new construction.
- Streets Department/DPP: Implement Right-of-Way (ROW) ordinance. In response to the Telecommunications Act of 1996, the City examined its regulatory structure concerning the use and occupancy of its public rights of way and discovered that the City's ordinances and regulations were outdated and inadequate. This results in excessive utility excavations, inefficient utility coordination, diminishing underground capacity, street life degradation, lengthy work processes, and lost revenue. A comprehensive right-of-way management program will enable the City to minimize utility street cuts, improve coordination between

street maintenance and utility construction, conserve limited public right-of-way capacity, recover administrative, inspection and street replacement costs, and ensure that the City maintains organized and efficient use of the public rights of way. The ordinance will provide policy and regulations and cost recovery for managing street openings and occupancy of street rights-of-way by telecommunications and other service providers. The City will present the right-of-way ordinance to City Council in Spring 2005. Passage of the ordinance will enable cost recovery of \$13.1 million over the next five years.

- Streets Department: Implement red light traffic signal camera enforcement. In order to reduce the number of traffic accidents caused by drivers running red lights, the Pennsylvania General Assembly enacted a law permitting the City to pilot a program utilizing cameras to enforce red light traffic signals. The law specifically assigned the program to the Philadelphia Parking Authority (PPA) and required the passage of a City ordinance and an agreement between the City and the PPA. The Streets Department is partnering with PPA to implement the project, in which cameras are strategically placed on signals in areas where there is a high incidence of traffic accidents. The state legislation and City ordinance defined ten intersections for the pilot. Three intersections along Roosevelt Boulevard (Grant Avenue, Cottman Avenue and Red Lion Road) have been chosen to start the pilot. Cameras at these intersections will photograph the license plate of vehicles that enter the intersection during a red light. The photographs will include the elapsed time of the red signal indication. Confirmation of the violation will be done first by technicians and then a police officer, who will issue the ticket.
 - The operation of the cameras at the first three intersections started in February 2005. A total of 12 cameras should be installed by June 2005. The PFA will reimburse the City for costs associated with installation and operation of the cameras. Any revenue earned over cost will be directed to the Commonwealth for its transportation enhancement grant program. The Department hopes to replicate the success of cities like New York, which reduced the incidence of traffic accidents at intersections with cameras, as well as intersections surrounding those outfitted with the cameras. An additional deterrent at the selected locations is the required posting of signs notifying drivers that the cameras are present. Such signs have contributed to the reduced number of accidents in other cities.
- Streets Department: Upgrade traffic signals. In FY05, the Streets Department will upgrade 80 traffic signals, for a total of 980 traffic signals replaced as part of a program begun in 1992 to upgrade the oldest traffic signals in Center City and along arterial streets. In FY06, the Streets Department expects to complete an additional 91 intersections. Once a signal has been modernized, it can be linked into a centralized control center. The centralized control center allows the Department to modify traffic signal timing remotely in order to improve traffic flow and alerts the Department about needed repairs. The Department anticipates that all Center City intersection upgrades will be completed by FY07. Eighty percent of this ongoing \$34 million capital project is federally funded.
- Streets Department: Improve traffic control. The City is participating in the development of regional Intelligent Transportation Systems (ITS). The Streets Department is a major

stakeholder, participant and technical advisor in Philadelphia Regional Integrated Multimodal Information Sharing (PRIMIS), the Delaware Valley's framework for sharing transportation information across jurisdictions and creating an ITS. An ITS uses advanced technology to disseminate information on travel conditions and improve transportation operations. Currently under design, the first phase of PRIMIS consists of inventorying the software, hardware, signal timing, and transportation infrastructure of the regional entities and creating a dialogue on information sharing. The Delaware Valley Regional Planning Commission (DVRPC) is currently seeking grant funding for the second of three project phases, which would enable more regional entities to link to the I-95 Corridor Coalition's Information Exchange Network, a wide-area computer network connecting transportation management centers from Maine to Virginia.

In addition to PRIMIS, the Streets Department is working on other aspects of ITS. The Department is currently working with Montgomery County to synchronize traffic signals across jurisdictional boundaries on I-76 alternate routes. Started in FY04 and completed in FY05, the Department and PennDOT upgraded signals on Holme, Frankford, and Torresdale Avenues in the northeast section of the City to improve I-95 alternate routes for ITS rerouting. These signal upgrades were completed with \$3.9 million in state and federal funds. PennDOT has two traffic signal synchronization projects under design in FY05 with construction to occur in either FY06 or FY07. These projects are Broad Street from Clearfield Street to Grange Street and Aramingo/Harbison Avenues from York Street to Hellerman Street.

- DPH: Ensure bioterrorism and emergency preparedness. To ensure the public health infrastructure is equipped to respond to bioterrorism events and other public health emergencies, federal homeland security legislation awarded the City \$1.4 million in additional resources in FY05. In FY06, an additional \$1.3 million in federal funding will be used to further enhance the public health infrastructure, improve surveillance and provide additional bioterrorism-related staff training. The funds will be dedicated to the Cities Readiness Initiative, a federal requirement for select cities to plan for provision of emergency prophylactic antibiotics to all city residents within 48 hours of a bioterrorism attack. The City will identify 80 sites to serve as points of distribution, and will develop detailed plans on staffing, security, training, communication, and risk communication.
- Library: Provide a safe environment in City libraries. The Free Library's branches continue to provide a safe haven in many neighborhoods, especially for children after school hours. The Security Taskforce report, issued in October 2004, following a tragic accident in one branch, identified security needs for library locations. Beginning in FY05, several security improvements have been implemented, including: Securing restroom doors by lock or buzzer, Replacing or repairing locks on interior doors; conversion of exit door alarms to a library-wide standard; providing walkie-talkies to improve internal communication; and extending hours of contract guards.

Approximately \$39,000 in additional upgrades will be made in FY05. These upgrades include the adoption of system-wide eviction procedures, the purchase of additional silent

panic alarms and security mirrors, and the implementation of a new staff security badge system.

Invest in programs to address and prevent delinquency in youth

- DHS: Expand youth development services. Youth at high risk of dependency and/or delinquency as a result of environmental factors, such as poverty, exposure to drugs and violence, and poor monitoring and supervision, who are provided with constructive activities are less likely to become formally involved with the dependent and/or delinquent systems. Accordingly, DHS has allocated an additional \$10 million for the expansion of youth development services for FY06. The Department has identified the 13-17 year age group as particularly at risk for being referred for formal services and lacking sufficient alternative and diversionary opportunities. These additional funds will provide services to this at-risk group during the out-of-school hours and help bring the total number of Beacon Schools to 25. Beacon schools are school-based community centers providing afterschool, youth development and family support activities, to serve an additional 1,200 at-risk children and targeted interventions for up to 3,000 additional older youth. The goals are deterring the need for placement and providing step-down services and community supports to assist youth to leave placement and return home successfully. At an average annual cost of about \$2,500 per child, these services cost just a fraction of the \$18,250 average annual expense for out-ofhome placement, and are a cost-effective means of reducing risk behaviors leading to dependency, delinquency, and out-of-home placement.
- DHS: Expand intensive truancy and delinquency prevention services. In FY03, DHS
 established a specialized network of intensive delinquency prevention (IDP) services to
 provide community-based alternatives to placement. This system of care has become the
 primary placement alternative used by Family Court for chronically truant, first-time
 offender, "informally adjusted" and "willful" youth.

Intensive daily youth development programs involving academic support, family counseling, recreational activities, occupational and career counseling, victim awareness programs, and anger management programs are effective in reducing recidivism among juvenile first-time offenders and improving school attendance for chronically truant youth. The number of IDP program slots will be increased by 400 in FY06, increasing available capacity to serve a total of 1,300 youth. An additional allocation of \$3.5 million will be required to meet the increased need for services.

• DHS: Provide aftercare services to reintegrate adjudicated delinquent youth. In FY05, DHS is providing supportive reintegration services to all adjudicated youth returning from residential delinquent placement. The new community reintegration process will begin implementation through a one-year pilot program. On an average monthly basis, approximately 96 adjudicated delinquent youth return from residential care to Philadelphia, resulting in about 800 youth in aftercare on any given day. Despite the efforts of Philadelphia's juvenile justice community, about 30 percent of these youth re-offend within six months to a year. The Department plans to increase its Juvenile Justice Service In-Home

and Intake program expenditures by \$1.7 million in FY06 to serve an additional 106 delinquent youth.

The community reintegration program is based on a three-tiered approach to community reintegration with each youth being assigned to one of three levels of aftercare at disposition based on level of need and degree of risk to the community.

Carlo Spilos

Invest in programs that reduce recidivism

• PPS: Enhance programs to reduce inmate recidivism. Prisoners face numerous barriers to successful reintegration into the community, such as difficulties finding safe, affordable housing and steady jobs upon release from custody. When former prisoners are unable to successfully reintegrate, the likelihood of reverting to a life of crime is high. Communities pay the costs in terms of high public-safety costs, victimization, reduced economic opportunity, and quality-of-life problems. In mid-FY03, the Philadelphia Prison System (PPS) developed a baseline recidivism rate, which showed that 58 percent of sentenced inmates return to PPS custody within two years with a new sentence or a probation/parole violation. A second study conducted in January 2004 showed that the rate of recidivism had been reduced, modestly, to an unacceptably high 56 percent. Successful prisoner reentry into the community is critical to further reducing this recidivism rate and ultimately reducing the prison population.

Recognizing that reducing the inmate population and the prison budget will require a multi-faceted approach, PPS initiated in FY04 a series of efforts to manage the prison population and to improve reentry services in order to reduce recidivism. Improving reentry services and reducing recidivism has the potential to reduce the budgets of all the criminal justice agencies, including the Police, the Courts and the District Attorney. The initiatives discussed below detail the strategies PPS is implementing to reduce the inmate population.

- Coordinate reentry efforts through Oversight Board. In January 2004, a Reentry Oversight Board was formed to coordinate, educate, and organize City departments and local groups that are interested in assisting the PPS with reducing the population through the provision of reentry services, including housing and employment. The group's membership includes researchers, practitioners, academics, legislators, religious leaders, and community members as well as representatives of PPS, the Mayor's Office, the Managing Director's Office, the Court of Common Pleas Department of Probation and Parole, the Office of Emergency Shelter and Services, the District Attorney's Office, the Police Department, the Defenders Association, and the Department of Public Health.
- Expand community-based Forensic Intensive Recovery (FIR) program. FIR is an early parole and re-parole program designed to provide community-based drug and alcohol treatment as an alternative to incarceration. The goals of the program are threefold—to reduce prison overcrowding, to decrease recidivism, and to enhance community safety. The program, which began in 1993, consists of more than 50 drug

and alcohol programs that provide clinical evaluation, residential treatment, or intensive outpatient treatment services as well as follow-up care to FIR clients. Each client is assessed individually and may progress through multiple levels of care ranging from intensive inpatient to outpatient treatment. The program includes intensive group counseling, individual counseling, educational and vocational programming, job placement, and a variety of social service interventions. An initial independent evaluation conducted during 1997 found that FIR clients who had undergone at least six months of treatment were reconvicted within 18 months of release from prison at a rate that was 66 percent less than a control group that received no treatment. In 1999-2000, a second independent evaluation with a 48month observation window showed that FIR participants who had completed at least six months of treatment were 44 percent less likely than a control group to be convicted of a new crime. The number of clients diverted to FIR increased by 13.1 percent from 2,474 in FY03 to 2,799 in FY04 with the number of clients projected at 2,480 in FY05 and 2,527 in FY06. By diverting clients from prison during FY04 alone, the FIR program saved 465,975 prison days. Reductions in rearrests and reconvictions, based on crime prevented, saved millions more in costs associated with criminal proceedings and incarceration. Projections for the number of prison days saved as a result of the FIR program are 485,392 in FY05 and 486,545 in FY06. Despite fewer inmates projected to participate in FIR in FY05-06, an increase in saved prison days is anticipated. Studies have shown that longer participation in the FIR program yields reduced rates of recidivism. In FY05 and FY06, it is expected that clients will participate for a longer period of time and will be less likely to reenter custody. As the single inmate program proven effective in rehabilitating drug and alcohol abusers and decreasing inmate recidivism, FIR is a cost-effective means of reducing prison overcrowding as well as future incarceration costs.

Expand inmate participation in JOBS Project. The JOBS Project was implemented in FY04 to provide vocational training in environmental maintenance, building maintenance, word processing, and customer service to PPS immates. JOBS also includes a partnership with the Department of Records that teaches inmates computer skills and techniques for photograph archiving. The JOBS Project is different from other vocational training programs in that it brings job training, job readiness, and employment services together with life skills training, discharge planning, addictions treatment, GED preparation, and a full workshop curriculum to provide integrated and holistic training and treatment to participants. The JOBS Project involves six community-based reentry partnerships with agencies that connect with inmates prior to release and provide post-release job training, placement, and counseling, transportation, housing assistance, parenting and childcare services as well as case-management services to participants. Specialized programs prepare female inmates for gender non-traditional blue-collar jobs and provide entrepreneurial training to offenders in starting small businesses. The JOBS Project is expected to serve about 600 sentenced inmates in FY05 and FY06 with estimated expenditures of \$600,000 in each of the years for contracts with the reentry partners. This project is funded from the Community Service Block Grant (CSBG), \$250,000 earmarked by

the City for prisoner reentry efforts, and from the \$2 million Jackson v. Hendrick (1971) Settlement Fund. Jackson v. Hendrick (1972) was a state class-action lawsuit concerning conditions of confinement. The Settlement Fund was established when Jackson was settled in June 2002 to evaluate, enhance, and expand vocational, educational, work-release, and post-release training programs and to help inmates find transitional housing upon release from prison custody.

- Continue to implement reentry project. The PPS allocated \$175,000 of the Jackson v. Hendrick Settlement Funds to finance a reentry project by the Urban Institute, a nonprofit policy research organization based in Washington, DC. The Urban Institute has provided its draft Profile of Prisoner Reentry in Philadelphia, which details the challenges faced by the city from returning prisoners, such as large concentrations of immates returning to particular neighborhoods upon release. The Profile also provides an assessment of the preparation for reentry and a performance measurement system for evaluating and improving the chances of successful reintegration. In cooperation with PPS, the Urban Institute held a roundtable with stakeholders of a targeted Philadelphia community in March 2005 to develop a network of services in FY06 in a community with a high concentration of exoffenders. The roundtable will serve to strengthen existing community resources and to develop new resources to provide post-release job training, placement, and counseling, addiction treatment, housing assistance, childcare services, and case-management services.
- Redirect treatment resources toward sentenced inmates and those programs proven to aid successful prisoner reentry. In January 2004, CORESTAR (Correctional Outcomes Reentry Ethics Security Treatment and Accountability Review) was implemented. Patterned after the Police Department's CompStat process and the successful TEAMS management system implemented by the New York City Department of Corrections, CORESTAR systematically examines each aspect of prison operations. As part of this process, new outcome and performance measures are being developed for inmate programs, and a plan was developed to redirect treatment resources to the sentenced and predictably long-term population. In addition, modifications will be made to the Inmate Work Desktop of Lock&Track, PPS' integrated jail management system, in order to measure recidivism by program so that resources can be directed toward those programs that are most successful in reducing recidivism. Modifications to Lock&Track began in January 2005, and the project is targeted for completion by the end of FY05. The cost for necessary modifications to Lock&Track is \$51,000.

Use technology to address public-safety issues

• PPD: Implement "AlertPhila" in Center City. In January 2005, the Philadelphia Police Department and the Center City District (CCD), a business improvement district located in Center City, launched a pilot program to test AlertPhila, a first-alert program with Center City businesses. Using Remote Secure Alert Network (RSAN) technology, PPD will be able

to communicate with participating businesses regarding crime patterns, traffic congestion and terrorist alerts utilizing text messaging through cellular phones, pagers, and the Internet. The AlertPhila project is funded equally through a Local Law Enforcement Block Grant and CCD at a total cost of \$50,000. The pilot consists of approximately 200 Center City businesses.

• PPD: Use DNA technology to solve rape cases. Using a federal grant of \$68,000, the PPD Forensic Laboratory, working in conjunction with the PPD Special Victims Unit, submitted DNA from 70 rape cases to BODE for analysis. "No Suspect DNA Backlog Reduction Grant" was established to reduce DNA backlogs across the nation. The results of these analyses have brought forth three serial rapists operating over the past several years and five hits linked to convicted offenders.

Contract to the second

A second grant, the Forensic Casework DNA Backlog Reduction Formula Grant, will provide over \$1,000,000, allowing PPD to send out approximately 1,200 more forensic samples for analysis. As the number of evidence analyses increase, more cases will be linked together, and more offenders will be identified.

- PPD: Improve 911 recording system. In January 2005, the PPD began implementing a state-of-the-art 911 recording system. This system will permit voice recording and allow for search and replay operations of radio and telephone traffic. This new recording system, at a cost of \$425,000, records calls on a primary and a backup recorder unlike the current system, which does not allow for backup recording. It will provide the capability to search numerous fields thus increasing the efficiency and speed of any investigation regarding emergency calls. The digital technology will replace bulky tapes with CDs, thus facilitating investigations through use of digital review.
- PPD: Implement Phase One/Phase Two wireless technologies. With the increase in the use of cellular telephones by the public, it has become apparent that there will be a significant use of cellular phones (38 percent of all calls in 2004) to place emergency phone calls to the Police Department. Under the current technology employed by the department, however, there is no means to identify the call by name or location when the caller is using a cellular phone. Such information is critical, not only for genuine emergencies, but also to address the problem of "crank" 911 emergency calls.

The department has a two-phase plan to provide comprehensive emergency call service and to combat crank cell phone calls. Under Phase One technology, using satellite technology, Police Communications will allow dispatchers to receive the call back number of the wireless caller, the address of the tower that delivered the call, and the name of the wireless company. Installation of Phase One was completed in February 2005. Costs for the Phase One technology (provided through 911 funding) are estimated to be under \$100,000.

Under Phase Two technology, the PPD will obtain the capability, via triangulation, to receive the latitude and longitude of a wireless caller, ultimately allowing the call taker to determine the approximate location of the caller and to track callers as they move. Phase Two is

expected to begin within the next few years. Costs for the Phase Two technology will range from \$400,000 to \$500,000. Upon completion of Phase Two technology, the 911 Emergency Call Center will be able to track more than one million cellular phone calls each year.

- PPD/Fire Department/DPP: Implement computer-aided dispatching (CAD). The PPD together with the departments of Public Property and Fire is in the process of installing a new \$4.4 million computer-aided dispatch system. The CAD system sits at the heart of older 911 systems employed by the Police and Fire departments. Under the current CAD system, an automatic call distributor connects 911 callers to one of three systems: The Police 911 dispatcher unit, the Fire 911 dispatcher unit, or the City Hall switchboard. Because these systems are not linked, departments cannot simultaneously communicate with one another. The new CAD system will link the Fire, Police, and Department of Public Property's systems, thereby allowing each dispatcher to enter information into a computer system that dispatchers from all three departments can access. This will eliminate the current system inefficiencies and redundancies and allow for speedier deployment of police or fire units. It also will enable the Police and Fire departments to share and access much more information. Implementation of the project is anticipated to be completed by June 2006.
- MOIS: Implement a new business continuity and recovery plan for City services and agencies. Recent events, such as the September 2001 terror attacks and the major power grid failure of August 2003, have highlighted the City's need to be prepared to maintain computerized operations following a catastrophic event. Currently, the City is equipped to provide backup mainframe data center operations and maintain basic financial and other IT functions for a period of 72 hours following a terrorist attack, natural disaster, or other systemic disruption of information technology operations.

Many critical departmental applications are now supported by server technology. These servers are increasingly being relocated from department offices to the data center at MOIS where they can be administered, backed up and maintained centrally. This is a major goal of the City's server consolidation effort. As a result, the existing emergency backup generating capacity at the data center must be expanded to meet this new demand. Expanding the generating capacity at the data center will cost \$1,400,000 in capital funding in FY06.

Even with server consolidation, there is a need to develop a comprehensive disaster recovery plan addressing all of the business needs of the departments and MOIS. In FY05, MOIS is conducting a risk analysis to identify current gaps in providing a secure and safe operating environment in the event of a disaster. Recovery and emergency response strategies for key functions are being developed. In FY06, MOIS will begin to plan and implement elements of the recovery strategy. The FY05 planning is estimated to cost \$500,000, and the total implementation is estimated to cost \$1 million. This project is being funded through the capital program.

• PPD: Implement Police Integrated Information Network (PIIN). Nearly fully implemented, the Police Integrated Information Network (PIIN) was first introduced in 1996 when the PPD entered into a federal consent decree which compelled the Department to

develop a Records Management System (RMS), or PIIN as called here. The consent decree directed the Department to acquire an RMS that would facilitate easier access to Departmental records on investigations and officer conduct, while also tracking statistical data and generating reports. The system, which was funded by an \$8.5 million Productivity Bank loan in FY00, consists of two integrated, automated case-management subsystems: The Incident Reporting System, for use throughout the entire Department, and the Internal Affairs Bureau (IAB) System for use by the Department's IAB. The \$1.2 million IAB case management system was successfully implemented in April 2004.

In June 2004, the South Police Division was chosen to pilot the base version of the Records Management System (RMS). Additional functionality needs identified through the pilot are currently being developed and tested. The remainder of the Department is being added incrementally beginning February 2005 and extending over the next 18 months. When fully implemented, this system will support the Department's efforts to reduce crime through more efficient deployment of officers and a principled police force that upholds the highest standard of conduct.

Enhance Quality of Life

- MDO: Continue quality-of-life improvement programs. The MDO's Community Life Improvement Program (CLIP) was designed to improve the quality of life in the City's neighborhoods through public education, code enforcement, and abatement of quality-of-life violations. The violations addressed by CLIP include high weeds, dumping on private property and noncompliance with the trash collection schedule. Since CLIP's inception in FYO2, over 25,000 L&I violations have been issued which include mostly exterior property maintenance violations. In addition, 9,500 Streets Department sanitation violations have been issued for infractions, such as unclean sidewalks and trash set out early. Since FYO2, compliance rates for nuisance violations have increased from 34 percent to 83 percent in the second quarter of FYO5. Citywide, from FYO1 to FYO3, over 157,000 quality-of-life code violations were issued by various City agencies according to information received from the Bureau of Administrative Adjudication. In FYO3, over 65,000 code violations were issued. In addition to CLIP, the West Philadelphia Improvement Program (WPIP) continues to enhance the quality of life in West Philadelphia through education, enforcement and beautification.
- DPH: Increase the childhood immunization rates. In accord with the goals of Health People 2010, DPH is working to increase childhood immunization rates to 90 percent across the City. As of calendar year 2003, the childhood immunization rate for Philadelphia was 81 percent. Using a strategy of community-based outreach to children living in geographic areas of the City with poor immunization rates, the objective is to first improve immunization rates in selected zip codes and then to achieve improvements citywide. A goal of 90 percent for the childhood immunization rate was proposed as the FY06 target. Outcome data to assess effectiveness will be available in CY08. By the end of FY05, 345 pediatric providers, of approximately 360 that administer childhood immunizations in Philadelphia, will be reporting data into KIDS, the DPH childhood immunizations registry database. The

- childhood immunization program is funded by a CDC grant of \$3.4 million in 2005. This level of funding is expected to remain consistent through 2010.
- DPH: Continue STEPS to a Healthier U.S. In 2003, the City was awarded a \$14 million grant from the Department of Health and Human Services and the national Centers for Disease Control for the STEPS to a Healthier U.S. programs. Of the \$14 million, \$9.2 million is remaining. The Department of Public Health is responsible for development, fiscal administration, and monitoring of the City's STEPS programs. The goals of STEPS are to develop a coordinated system that engages and links health and community resources for maximum efficacy; to reduce the burden of diabetes, obesity, and asthma; and to address three related risk factors—physical inactivity, poor nutrition, and tobacco use—in targeted high-risk areas. Using the STEPS grant, the Department has engaged 40 health and human service providers and community/faith-based organizations through development of a planning consortium. Programs will target both children and adults throughout the community and in schools. To operationalize the goals of STEPS, 18 direct service providers were funded in the following service categories: Diabetes awareness and self management education; asthma self-management and education; disease care coordination and physician practice standardization and improvement; school-based chronic disease self management; community-based physical activity; school-based physical activity and nutrition; communitywide social marketing campaign; building healthy environments; increasing access to nutritious foods; building a healthy school environment; and addressing tobacco and other 马马马来说 医聚戊二氏管外 医氯化钠 医耳样反抗 environmental triggers
 - STEPS programming implemented in FY05 included: Educational programs for diabetes and asthma self-management taught in English and other languages; afterschool programs focused on juvenile diabetes, asthma, and obesity management health clubs; expansion of the Philadelphia Fun, Fit and Free program; creation of a healthy environment collaborative to ensure that social and physical health considerations are included in planning, construction, and retrofitting of buildings; and courses on safe bicycling as a healthy alternative mode of transportation. An array of additional programs is planned for FY06.
- DPH: Develop plan for universal healthcare. In November 2003, DPH was mandated by the voters of Philadelphia to prepare a health-care plan that provides all City residents with comprehensive healthcare services. Since that date, the Department has worked toward the goal of creating a realistic and practical plan to provide quality healthcare services for every citizen. To understand the current fragmented and tenuous system of healthcare services, DPH sought the participation and involvement of a variety of stakeholders in a series of community meetings and information gathering sessions to assess the full universe of problems with the current system. Each aspect of the current system was identified and evaluated for its impact on the system as a whole in order to determine what, if any, changes must be made. To accurately accomplish such a complicated analysis, DPH retained the services of a physician with both clinical experience and policy and advocacy experience to examine these issues in light of local, state and federal limitations. The consultant is assisting the DPH in developing a practical strategy for making universal health care available to all Philadelphia residents. A final report was issued in February 2005. The

General Fund cost to the Department in FY04 was \$24,200. The FY05 cost through January 2005 is \$30,000, and depending on the outcome of the report, additional costs for Departmental activities related to the original mandate may be necessary in FY05 after the report is issued, and possibly in FY06.

- AS: Implement "Housing First" programs for families and single women with skills/income. In FY05, AS developed two initiatives that aim to move households out of emergency shelter who have the income, or the income potential to be realized after completing employment training, that enables them to support themselves in permanent housing within six months. These two initiatives are part of AS' efforts to support households in their steps toward self-sufficiency and to reduce the number of people in emergency shelter. When fully implemented in FY06, the Prime Initiative will serve 100 families over the year (50 at one time) and the TJ Properties Initiative will serve 60 single women over the year (30 at one time). The Housing First programs will cost approximately \$1.8 million for housing and services in FY06, paid by grant funds.
- OBH/MRS: Implement OBH/MRS regional pilot project for older adults. Older adults often do not receive behavioral services due to the stigma related to mental health treatment, the limited availability of services, and complicated insurance coverage benefits. In response to City Council's request for a plan for improving behavioral health services to older adults, the City created a taskforce composed of representatives from the Philadelphia Behavioral Health System, the Philadelphia Corporation for Aging (PCA) the Medicare HMOs, advocates, consumers, and providers. The regional pilot project recommended by the taskforce brings together OBH/MRS, PCA, AmeriChoice, Independence Blue Cross, Aetna, the Pennsylvania Department of Public Welfare (DPW) and the Pennsylvania Department of Aging (DOA) to improve access to care for older adults and achieve significant cost savings in inpatient and emergency care, allowing dollars to be reinvested in services.

The goal of the project is to reduce the need for physical healthcare costs by lessening the isolation of older adults and increasing access to mental health services. About 2,000 seniors will be enrolled in the project. Care managers will assess, refer, and track the progress of these individuals regardless of their insurance coverage for three years. Obstacles to service will be addressed directly with each insurance company. In addition, access to in-home treatment, outpatient services, and social services will be expanded. The \$396,500 cost of these services to Philadelphia citizens will be paid for by state and federal funds and through contributions from PCA and the Medicare HMOs. The initiative will begin in late FY05 and will be operational by FY06.

• OBH/MRS: Increase life-sharing and in-home services. OBH/MRS is committed to ensuring that people with mental retardation remain in community services, rather than return to large institutions. Institutionalization is not supported in current philosophy or practice and is not cost effective. In FY06-FY10, OBH/MRS will develop services that are less reliant on costly long-term care outside the home, including providing additional support services to enable individuals to remain in their home and developing options for living with another family. Community living programs do not depend on paid staff and promote

community inclusion, which cannot be achieved in a living arrangement operated by an agency. MRS projects 25 people each year could choose life-sharing and another 25 could receive less intensive supports. During FY04, the net number of people in less intensive settings increased by 13, rather than the projected 25, but the number is expected to increase more in future years as providers use this model to a greater degree. The number of people in institutional settings continues to decrease each year.



Appendices



Appendix I Key Performance Measures

Key Performance Measures

The City's performance measurement program, which began in late FY94, has become an increasingly important part of the City's resource allocation process. By helping focus attention on the services departments provide and how well the services are provided, the performance measurement program helps broaden discussion about departments beyond departmental spending. The measures have been used by departments to justify requests for increased funding as well as a way to ensure that departments are able to sustain or increase services with the same or decreasing amounts of resources.

Measurement	FY02	FY03	FY04	FY05	FY05	FY06
	Actual	Actual	Actual	Target Projection	Current Projection	Projected
Homeless Services/OESS	, ,					
Average Daily Number of Emergency						
Shelter Beds	2,011	2,109	2,412	2,200	2,500	2,500
% of Beds Occupied	105%	123%	110%	100%	110%	110%
Number of Households Receiving						-
Prevention Services 2	N/A	2,526	1,179	100	840	882
Number of Placements into Transitional	7.0		5			_
Housing	615	458	489	600	467	490
Number of Placements into Permanent	ī			-	,	
Housing (Subsidized or Unsubsidized)	268	67	399	528	584	- 584
Number of Enrollees in Employment and						
Training Programs 3	502	302	357	50	70	70
Number of Employment and Training						
Participants Placed in Jobs 4	157	118	118	150	54	54
Point in Time Count of Homeless Living on			5.36、毛基			
Street ⁵	370	421	280	451	261	258
Riverview	· ·		<i>.</i>			
Average Daily Census 6	226	225	231	252	180	145
Admissions	191	254	79	254	60	50
,	-					
Readmissions w/in One Year of Discharge	22	17	8	17	8	5
Readmissions as a % of Total Admissions	12%	7%	10%	7%		10%
Discharges	155	187	125	187	145	125

Average Daily Number of Emergency Shelter Beds. Because OESS does not turn away any eligible person or family that requests emergency shelter, supply of beds equals the demand. A prolonged poor economy continues to fuel the growing ² Prevention Services. The FY05/06 projections are based on prevention activities performed solely by OESS's Relocation Unit. Prior fiscal year data included activities from the Relocation Unit as well as contracted prevention providers, which are not presently in place. Prevention activities have been redefined to include any intervention that prevents clients from becoming homeless. Activities can include interventions with landlords or families, special need transitional housing ^{3 and 4} Enrollees in Employment and Training Programs/Employment and Training Participants Placed in Jobs. The FY05/06 reduction reflects the phasing out of the HUD-funded employment training programs due to grant expiration at the end of FY05. These numbers represent the Ready, Willing and Able (RWA) program exclusively, which trains participants for 18

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⁵ Point-in-Time Count of Unsheltered Homeless. The City's housing first programs, New Keys and Home First, funded to house 130 individuals experiencing chronic homelessness, as well as a 140-bed low-demand shelter, have helped Adult Services continue to implement new and innovative strategies to reach the remaining individuals who live on the streets of ⁶ Riverview Average Daily Census. Riverview seeks to continue to reduce the current census by assisting residents in obtaining benefits and suitable housing. Riverview plans to make available one additional cottage (~60 beds) for temporary, emergency use by the Office of Emergency Shelter and Services.

Division of Aviation

Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Projected
# of Emplaning (Departing) Passengers	12,652,900	11,715,114	12,078,000	13,150,000	14,000,000	14,500,000
Total # of Aircraft Operations 1	483,401	456,879	454,428	475,000	475,000	490,000
Air Cargo Activity (in tons)2	622,593	576,265	589,691	624,000	624,000	640,000
Number of Aircraft Gates	103	120	120	120	120	120
Gross Concession Development Program						
Révenue (in millions)4	\$80.90	\$83.20	\$88.00	\$93.00	\$106.30	\$116.50

^t Total # of Aircraft Operations. An aircraft operation is either a takeoff or landing.

Fairmount Park Commission

Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Total Acres of Grass Cut ¹	22,578	17,980	24,420	32,000	29,580	22,345
Weeks between Cuts-Frequency	2.60	3.26	2.00	2.00	2.00	2.00
Street Trees Removed - Contractual	-					·
Services and Park Crews ²	4,255	5,548	4,610	4,300	4,300	3,200
Street Trees Pruned - Contractual Services		, ,			-	, F. 4.
and Park Crews	13,886	14,311	11,839	14,500	14,500	12,800
Street Trees Planted	196	999	741	1500	958	800
Park Trees Removed	2,512	2,858	1,643	1,600	1,600	1,600
Park Trees Pruned	2,908	2,523	2,471	2,350	2,000	2,300
Volunteer Park Cleanups	569	414	442	350	450	425
Number of Ballfields Maintained ³	802	599	509	600	440	440
Number of Ballfields Renovated ³	143	109	. 116	120	105	105
Citizen Survey: Percent Satisfied with						
Fairmount Park	81.2	78.1	77.2	80	80	81
Citizen Survey: Percent Satisfied with						
Neighborhood Park	71.6%	71.6%	71.3%	75%	75%	76%

² Air Cargo Activity. Airfreight and mail combined

Number of Aircraft Gates. In FY03, the new International Terminal complex provided 13 new gates, and the expansion of Terminal D provided four new gates for the Airport.

⁴ Gross Concession Development Program Revenue. This revenue consists of the total sales for food, beverage and retail sales within the Terminal building. Revenue from concessions has been increasing for various reasons including airlines not offering food onboard planes, causing passengers to buy at the Airport. In addition, passengers are arriving earlier at the Airport to reduce wait times in line, enabling longer periods of time to make purchases.

Total Acres of Grass Out. Fairmount Park mows approximately 2,000 acres, generally 15 times each season. During FY05, total acres of grass cut includes a portion of Department of Recreation mowing responsibilities during September and October 2004. The FY06 projection is less because the full assumption of PDR turf management by FPC has not occurred. Street Trees Removed. Street tree removals include operating and capital dollars. Fewer prunings and removals will occur in FY06 based on anticipated budget reductions for these services.

³ Ballfields Maintained and Renovated. The reduction in the target projection for ballfields maintained and renovated is directly related to anticipated reductions in available staff to perform this work.

Fire Department

Fire Department		-: :		FY05	FY05	FY06
	FY02	FY03	FY04	Target	Current	Target
Measurement	Actual	Actual	Actual	Projection	Projection	Projection
Number of Fixes	11,657	10,077	9,832	11,210	9,790	9,790
Structural	2,526		2,330	2,500	2,300	2,300
Non-Structural ¹	8,873	7,416	7,310	8,500	7,300	7,300
Vacant Buildings	258	196	192	210	190	190
Average Response Time	• •		, • > ·		*	
(minutes: seconds)	4:19	4:28	4:32	4:30	4:30	4:30
Fire Deaths (Civilians)	38	33	40	45	41	42
Fire Prevention Activities	11,177	17,007	22,028	12,000	12,000	12,000
EMS Runs	188,200	195,504	200,849	210,642	210,642	221,000
EMS Average Response Time				, -	e 3	
(minutes: seconds) ²	5:54	6:35	6:41	7:00	6:39	6:39
Citizen Survey: Percent Satisfied with Fire		, , ,				
Protection	89%	88%	87%	90%	90%	90%
Citizen Survey: Percent Satisfied with EMS						
Response	91%	89%	8.7%	89%	89%	89%

Non-Structural Fires. In FY03, the Department modified its method for counting non-structural fires, making the counts ² EMS Average Response Time. FY06 projection assumes addition of eight additional medic units beginning 7/1/05.

Fice: Management

Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Total Number of Vehicles in the Fleet	5,970	6,440	6,200	6,000	5,900	5,855
Percent of Patrol Cars Required Actually			,			· 4.4
Provided	100%	100%	100%	100%	100%	100%
Percent of Compactors Required Actually						
Provided	100%	100%	100%	100%	100%	100%
Fleet Downtime - Citywide	10%	10%	10%	11%	11%	11%
Fleet Downtime - District Radio Patrol Cars	11%	11%	10%	11%	. 10%	10%
Fleet Downtime - Curbside Compactors	21%	21%	22%	21%	22%	20%
Fleet Downtime - Medic Units	13%	13%	13%	12%	13%	10%
Fuel Cost per Gallon - Unleaded	\$0.78	\$0.86	\$1.08	\$1.08	\$1.43	\$1.43
Fuel Cost per Gallon - Diesel	\$0.72	\$0.80	\$1.10	\$1.10	\$1.41	\$1.41

¹ Total Number of Vehicles in the Fleet. The City's fleet reduction initiative successfully reduced the number of City cars beginning in FY04.

Fice Library

Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Visits to Library [‡]	6,226,316	6,440,990	6,216,973	5,200,000	5,814,621	5,642,364
Items Borrowed ²	7,024,391	7,056,608	6,963,935	5,800,000	6,830,000	6,429,463
Library Hours	110,772	110,852	107,874	108,665	106,214	95,380
Number of Volunteer Hours	94,493	102,192	100,874	102,000	96,000	88,314
Worldwide Web Hits	41,960,124	59,996,052	67,784,632	72,000,000	55,000,000	52,000,000
Citizen Survey: Percent Satisfied with Library Services	79,1%	76.9%	81.4%	75%	80%	80%
Citizen Survey: Percent Satisfied with Hours of Operation	79.7%	80,6%	78.8%	70%	78%	78%
Citizen Survey: Availability of Recently Released/New Materials	75.9%	76.4%	78.5%	70%	78%	78%
Citizen Survey: Percent Satisfied with Availability of Computers	69.7%	74.6%	76.8%	70%	76%	76%

Visits to Library. Beginning in FY03, the Library had fewer visitors due to emergency closings caused by staffing

Human Services

Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Children & Youth						dwar du diele
	15,					
Child Protective Services (Abuse) Reports	4,635	4,643	4,661	4,679	4,550	4,500
General Protective Services (Neglect)		, ,				
Reports	10,160	11,354	12,151	13,003	12,500	13,000
General Reports		637	729	834	900	950
Total Children Receiving Services	22,900	23,543	25,087	25,500	25,500	26,000
Total Children Receiving Non-Placement						3 Talk
Services	11,498	11,544	12,845	12,902	12,202	12,300
Total Children in Placement	7,786	7,895	7,668	7,500	7,500	7,200
# of Children in Institutional Placements	1,415	1,422	1,487	1,450	1,450	1,400
Children in Care More than Two Years	4,024	3,922	3,548	3,500	3,350	3,200
# of Adoptions Finalized	472	654	759	750	750	750
Adoption Subsidies	3,616	4,104	4,574	5,098	5,000	5,500
Subsidized Legal Guardians		6	330	520	700	1,000

² Items Borrowed. The number of items borrowed dropped in FY04 and is also expected to drop in FY05 due to the number of emergency branch closings resulting from staffing shortages and less funds available to purchase new materials.

² Volunteer Hours. The number of volunteer hours is expected to decline in FY05 due to emergency branch closures, long-

Volunteer Hours. The number of volunteer hours is expected to decline in FY05 due to emergency branch closures, long-term closing of one regional and two branch libraries for HVAC replacement, and fewer branch Saturday hours throughout the system. FY06 volunteer hours will be dependent on branch schedules.

Worldwide Web Hits. Each WebPage can receive multiple "hits" depending on the design of the various page sections.

Although actual Free Library website use continues to increase, the number of "hits" is dropping due to design changes to the

Human Services	· .		ì .		l	
				FY05	FY05	FY06
	FY02	FY03	FY04	Target	Current	Target
Measurement	Actual	Actual	Actual	Projection	Projection	Projection
Community-based Prevention Services					35 . 1 . 1 . 1	, , , , , , , ¹³ *
	100	:				
Children Enrolled in DHS Afterschool and	10000	20.204	26.502	44 202	44.220	40,000
Positive Youth Development Programs Parents/Caregivers Participating in	16,966	29,304	36,502	44,222	44,222	49,000
Parenting Education/Support Groups	978	5,808	5,385	6,000	6,000	6,000
First-time Mothers Receiving Intensive	3/0	3,606	2,363	0,000	0,000	0,000
Home Visiting Services		282	392	400	400	400
Families Diverted by DHS to Community-	:	202				400
based Case Management Services	267	1,587	1,679	1,500	1,500	1,500
Families Diverted by DHS to Other						1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Community-based Services		1,384	1,631	1,400	1,400	1,400
		34 75 23		- 1 7 1 1 1 1 1 1 1		
Families Receiving Diversion Case				Specification of		
Management Services (Non-DHS Referred)		3,131	2,477	1,500	1,500	1,500
Chronic Truants and First-time Offenders						
Diverted from Placement at						
Truancy/Definquency Courts	1.2 <u>8</u>	- 3 <u>2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 </u>	760	700	700	1,400
Participants in SCOP Youth Development	· ·					-
Activities		79,058	₃ 74,609	75,000	75,000	75,000
Pre-hearing Home Visits to Families of		- 4 44				الممم غير
Youth Scheduled for Truancy Court		2,269	2,888	2,000	2,000	2,000
Youth Referred to Community-based	i di	2 002	2,942	3,000	3,000	3,000
Services by Truancy Court Community School Attendance Stakeholder		2,992	2,942	3,000	3,000	3,000
Meetings Convened		9ŝ	94	96	96	96
Unduplicated Youth Receiving School-						70
based Case-management Services		3,225	3,093	3,000	3,000	4,000
· ·			-,	2,333		7,350
Youth Serviced in Crisis Nursery Programs		701	748	750	750	750
Youth Participating in Teen Court						- 1
Prevention Program		282	432	400	400	400
Family Services Provided to Children of	*** .					
Women in Substance-abuse Treatment	, 	· · · · · · · · · · · · · · · · · · ·	455	450	450	450
Juvenile Justice Services	·	15,	28 27 7	1.1	· ************************************	-
Youth Study Center Admissions ²	6,007	5,944	5,875	5,775	5,650	5,600
Youth Study Center (YSC) Average Daily			•	are a girth	1 1 1 1 1	
Population	112	91	101	94	95	95
Average Number of Delinquent Youth in						
Placement	1,146	1,295	1,369	1,511	1,462	1,450
Average Number of Delinquent Youth						
Served in Home	1,327	1,550	1,583	1,650	1,770	1,805
Average Number of Delinquent Youth			,			
Placed out of State	137	109	120	106	140	125

¹ Total Children Receiving Non-Placement Services. The method of calculating the number of children receiving non-placement services was altered starting in FY05 causing a variance between the target and current projections.

² Youth Study Center Admissions. Arrests of juveniles declined by nearly 7 percent from 12,015 in calendar year 2003 to 11,222 in calendar year 2004.

	FY02	FY03	FY04	FY05 Target	FY05 Current	FY06 Target
Measurement	Actual	Actual	Actual	Projection	Projection	Projection.
Open Cases, All Litigation Units	1,662	1,621	1,500	1,500	1,500	1,500
New Suits Filed during the FY	1,577	1,545	1,496	1,500	1,500	1,500
Number of Cases Closed	1,818	1,624	1,540	1,500	1,500	1,500
Number Closed, No Payment	1,020	981	806	840	840	840
Percent Closed, No Payment	56.1	60.4	53.4	56	56	56
Indemnities Cost (S million)	30.0	24.2	24.5	25.1	27.1	25.1
Average Cost of Closed Cases	\$16,502	\$14,868	\$14,439	\$16,743	\$16,573	\$18,667
# of Contracts Conformed	887	909	849	850	850	850
Average Days to Conformance	103	119	111	110	110	110
Average Days in Law Department	34	28	25	25	25	. 25
Regulatory Affairs Collections	\$544,759	\$851,319	\$1,592,559	\$1,000,000	\$1,600,000	\$1,200,000
Revenue Collected (\$ million) ¹	\$123.90	\$120.60	\$102.60	\$100.60	\$100.60	\$100.60

Revenue Collected. Revenues projected to be collected in FY05 exclude approximately \$12 million in collections for the Gas Liens project, which was discontinued as of 7/1/04. PGW will collect those revenues, and will report them separately. The Law Department projects an increase of more than \$10 million over FY04 levels for all other revenues that it collects.

Baiwayses and Inspections

	FY02	FY03	FY04	FY05 Target	FY05 Current	FY06 Target
Measurement	Actual	Actual	Actual	Projection	Projection	Projection
Permits Issued	37,479	35,409	34,437	33,650	40,500	33,650
Business Compliance Inspections	49,101	41,690	46,126	44,780	42,800	44,780
Housing	n/a	n/a	159,229	110,750	150,000	110,750
Licenses Issued	119,787	116,473	120,992	120,000	120,000	120,000
Clean and Seal - Buildings Treated	1,769	1,475	1,514	1,240	1,100	1,240
Clean and Seal - Lots Treated	1,080	792	213	0	100	0
Tickets Issued ²	2,314	4,103	4,811	7,250	3,600	7,250
Citizen Survey: Percent Satisfied with L&I						
Services .	41.3%	50.1%	48.7%	50%	50%	50%

Clean and Seal - Lots Treated. Prior to FY04, workers from a first offender program supplemented the City's efforts to clean vacant lots. The Courts eliminated funding for this program, and the projected number of vacant lots cleaned is expected to decrease. In addition, the MDO also administers a vacant lot program, and the numbers are not included in L&P's numbers. For more information on the MDO program, please see NTI chapter.

² Tickets Issued. Legislation allowing the issuance of tickets for multiple types of violations was passed in 1999, thus increasing the number of tickets written.

MOIS						
		1		FY05	FY05	FY06
gradient gewone by the contract of	FY02	FY03	FY04	Target	Current	Target
Measurement	Actual	Actual	Actual	Projection	Projection	Projection
Number of Helpdesk Queued Calls	34,091	27,859	34,243	26,000	24,000	35,000
Number of E-Mails for Service (Trouble	n/a	n/a	20,833	10,000	2,500	25,000
Tickets & Service Requests)	1	. 1		r is a mark		
Number of Trouble Tickets Created	7,684	12,029	10,838	15,500	15,000	17,000
Number of Calls Resolved Immediately	833	3,560	1,640	3,000	2,500	3,000
Percent of Trouble Tickets Closed within 5	67.0%	99.0%	76.0%	65.0%	65.0%	
Days ²	, , , , ,					
Number of Service Requests Created	2,845	2,040	2,974	2,500	2,500	3,000
Number of Service Requests Completed	48.0%	55.0%	87.0%	84.0%	88.0%	83.3%
within 10 Days	ા સ્કેટી	. N.	g awar gar a saga	, , , , , , , , , , , ,	20.	
Number of IT Outage Hours across	5,339	1,937	2,492	2,300	2,100	2,100
Departments	· I		1 4/2		, , , , , , , , , , , , , , , , , , ,	
Number of IT Outages	582	. 578	277	450	500	280

Helpdesk Queued Calls. In FY06, MOIS will begin providing service and tracking application incidents from MOCS, BRT, Prisons, and Personnel, which will increase the number of calls to the MOIS helpdesk.

² Percent of Trouble Tickets Closed within 5 Days. Lower staffing levels have affected MOIS' ability to close trouble tickets within 5 days. This trend is expected to continue in FY06.

³ Number of Service Requests Completed within 10 Days. Lower staffing levels have affected MOIS' ability to close service requests within 10 days. This is expected to continue in FY06.

Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Residential Rehabilitation			_			
Transition Planning to Facilitate Continuing Fare - % of Consumers who Keep Appointments within 30 Days of Discharge	ji/a	32.0%	41.0%	41.0%	41.0%	43.0
Vetaxification			,.			
Transition Planning to Facilitate Continuing are - % of Consumers who Keep			-	182-1		
Days of Discharge	n/a	41.8%	42.0%	42.0%	42,0%	44.09
sycklatric (nputient				-		
ransition Planning to Facilitate Continuing are -% of Consumers Who Keep appointments for Continuing Care within 30		·				
Days of Discharge	n/a	60.6%	61.0%	61.0%	61.0%	62.0
risis Evaluation and Triage				,		
tecidivism %of Consumers with a CRC Visit within 30 Days of Discharge from a RC	n/a	19.0%	19.0%	18.0%	18.0%	17.0
orensic Intensive Recovery (FIR)		12.074	12.076	10,070	10.020	17.0
of Treatment Admissions	n/a	2,474	2,799	2,480	2,480	2,52
of Prison Days Saved by Having Clients in			-,,,,,	2,400		2
realiment	n/a	480,189	465,975	485,392	485,392	486,54
ODAAP Housing Initiative (CHI)			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		, ,	
6 of Available Housing Slots Filled	n/a	86%	87.5%	86%	86%	88
Iental Retardation Services						
arly Intervention - # Served in Year	n/a	3,851	3,806	3,840	3,840	4,00
Receiving Community Integrated imployment services	n/a	1,016	1,009	1,077	1,077	1,07

¹ Data used for these indicators is taken from administrative data sets that have a six-month time lag due to a 180 day service billing window.

Personne	, -, -		, ,,		* * *	
Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Number of Hiring Lists Due!	560	520	494	500	490	400
Percent of Hiring Lists Produced on Time or				, .	44.5	
Early ²	93%	96%	93%	95%	95%	90%
Number of Job Design Recommendations						1.1.4
Duc	387	384	355	380	385	310
Job Design Recommendations Produced on		2				- 1 kg 1 kg
Time of Early	100%	98%	96%	98%	98%	90%
Percent of Critical Job Classes with Active		,				the good
Hiring Lists	95%	93%	89%	96%	96%	92%
Average Number of Days between Exam						
Announcement and Hiring List	Ì	1				
Establishment	85	81	86	75	75	90

Number of Hiring Lists Due. The availability of layoff lists and other staff-reduction activities caused a reduction in the number of eligible lists produced.

³ Average Number of Days between Exam Announcement and Hiring List Establishment. Additional appeal periods were introduced with the new application processing fee, causing delays in list establishment.

Types and the second se						
Police of the state of the Skett state of the		elegyő eg vegér és j				
` '				FY05	FY05	FY06
	FY02	FY03	FY04 -	Target	Current	Target
Measurement	Actual	Actual	Actual	Projection	Projection	Projection
Number of Homicides	318	308	344	321	324	324
Avg. No of Police in On-Street Bureaus	5,986	5,898	5,855	5,968	5,834	5,564
Percent of Police in On-Street Bureaus	87.4%	87.0%	86.9%	87.0%	87.2%	87.0%
Priority Response Time (in min:sec)	6:07	6:15	6:19	6:20	6.22	6:21
Number of Abandoned Vehicles Towed	53,813	38,810	29,398	31,000	24,327	24,400
Number of Recovered Stolen Vehicles	13,306	11,797	11,172	12,500	10,551	11,000
Number of Arrests	77,701	66,083	68,486	66,691	67,642	67,600
Major Crimes Statistics	90,149	80,998	83,066	81,070	80,902	80,840
Citizen Survey: % Satisfied with Police			,			
Protection	64.7%	61.1%	71.5%	67%	72%	73%
Citizen Survey: % Reporting Police Visibly			* *			,-
Patrol My Neighborhood	69.0%	65.2%	67.3%	69%	69%	70%

² Percent of Hiring Lists Produced on Time or Early. Internal staff reductions and the lack of workforce planning impacted

Prisons		_			_	
				FY05	FY05	FY06
	FY02	FY03	FY04	Target	Current	Target
Measurement	Actual -	Actual	Actual	Projection	Projection	Projection
Average Daily Inmate Census	7,637	7,631	7,738	7,832	8,174	8,566
Escapes/Walk-aways 1				. :		
From Confinement (including Erroneous						
Discharges)	3	. 2	. 3	0	0	0
From Trustee Status	2	. 1	.0	0	Ó	. 0
From Work-release Program	55	63	68	55	65	55
Immates Participating in Work-release		-		-		
Program (Average Monthly Total)	378	336	316	325		325
Inmates Participating in Vocational		*				
Training ²	·	1				
		4 554				
Jewish Employment & Vocational Service	1,619	1,833	1,553		1,323	1,323
JOBS Project	N/A	N/A	203		560	760
Cambria Employment Project	91	356	1,020	675	675	500
Immates Receiving GED/High School	1					
Diplomas ³	242	261	319	330	330	340
Inmales Participating in Substance-abuse		,				
Treatment	J	- 1		•		
In-house OPTIONS Program (Average						
monthly total)4	818	855	855	925	933	
Community-based Forensic Intensive			1.	90 1 75 1		
Recovery Program	1,926	2,474	2,799	2,408	2,480	2,527
Inmale Days Saved						
Forensic Intensive Recovery (FIR)	411,059	480,189			485,382	486,545
Earned Time/Good Time	51,783	42,339	28,195	43,000	35,000	38,000

Becapes/Walk-aways. To date, 93 percent of the inmates who escaped or walked away during FY02 have been returned to custody, 86 percent of the inmates who escaped or walked away during FY03 have been returned to custody, and 68 percent of the immates who escaped or walked away during FY04 have been returned to custody. Inmates are sentenced to participate in the work release program by the Court of Common Pleas. In an effort to reduce the number of walk-aways from that program, the PPS is creating criteria for immate participation in work release. The PPS will request that the Court and the

Inmates Participating in Vocational Training. Effective July 1, 2003, in an effort to foster post-release job placement and to reduce immate recidivism, most JEVS programs were expanded from 2-2.5 hours per day for 4 or 5 weeks to 5-6 hours per day for 6 or 12 weeks. Due to a reduction in the Cambria Employment Project contract, the aftercare and creative arts programs were eliminated, causing a reduction in the number of immates participating in FY05 and FY06.

Innates Receiving GED/High School Diplomas. In January 2004, the PPS began implementing CORESTAR (Correctional Outcomes Reentry Ethics Security Treatment and Accountability Review), a performance measurement system for the collection of timely and accurate data to evaluate the quality and effectiveness of programs and services. One of the primary goals of the CORESTAR program is to improve inmate participation in the Pennypack House School. With the implementation of CORESTAR, there was a renewed focus by security staff on increasing attendance rates at the school. As a result of that focus, attendance of GED classes has improved beginning in FY04 and continuing in FY05, and the number of GEDs and high-school diplomas awarded to students has risen by nearly one quarter.

⁴ Inmates Participating in In-house OPTIONS Program. Inmate participation in the OPTIONS program will decrease in FY06 due to the consolidation of the two OPTIONS units at the Philadelphia Industrial Correctional Center (PICC) into one unit pursuant to the relocation of the female population from PICC to the newly opened Riverside Correctional Facility. In addition, the social worker running the OPTIONS unit at the Cambria Community Center (CCC) will be retiring in February. The CCC OPTIONS program may be disbanded without approval to fill the resultant staff vacancy.

Procurement	nga kalendara					garan kepada
	FY02	FY03	FY04	FY05 Target	FY05 Current	FY06 Target
Measurement	Actual	Actual	Actual	Projection	Projection	Projection
Supplies & Equipment						
Number of Services, Supplies and	` · · ·					
Equipment (SSE) Contracts Completed	743	503	375	450	450	350
Total Dollar Amount of Contracts	134,250,740	110,953,354	107,682,972	110,000,000	110,000,000	110,000,000
Processing Time (Days) from Receipt of	44)	<u>'</u> ' 14,			ž.	4 min 1 40
Requisition to Bid Award ²	117	103	131	121	121	112
Processing Time (Days) from Request to			,			
Posting of Purchase Order (Existing	is in the			ได้เกิด		
Requirements Contract)	5	5	4	· 5	 	5
Processing Time (Days) from Bid Award to	, i				1 (23)	
Contract Conformance	70	56	57	60	60	. 55
Number of Small-order Purchases	1,315	934	948	1,100	1100	850
Total Dollar Amount of Small-order						
Purchases	4,999,982	3,935,914	5,181,833	5,000,000	5,000,000	4,200,000
Public Works		3			Salata Salata	
Number of Public-works Awards Made	250	240	211	250	175	210
Total Dollar Amount of Public-works	(,,					
Contracts	210,213,722	173,506,366	131,391,427	220,000,000	125,000,000	175,000,000
Processing Time (Days) from Bid Initiation	* :		,	*		: (1.15명) (1.15명) [기기
to Award ³	87	84	103	85		85
Processing Time (Days) from Bid Award to					,	
Contract Conformance	63	. 46	54	60	55	.55

Number of SSE contracts completed. A Charter change approved in the November election changed the minimum dollar value of a purchase to require a contract, raising the level from \$15,000 to \$25,000.

² Processing Time (Days) from Receipt of Requisition to Bid Award. Improvements in automation will enable the number of days to be reduced to 121 in FY05.

³ Processing Time (Days) from Bid Initiation to Award. In FY04, processing time increased due to decreased staffing. In FY05, capital budget approval delays extended the award processing time, causing processing time to increase from an original projection of 85 days to a current projection of 115 days for FY05. Assuming timely budget approval, processing time will decrease back to 85 days in FY06.

	FY02	FY03	FY04	FY05 Target		
Measurement	Actual	Actual	Actual	Projection	Projection	Target Projection
Infant Mortality Rate: Deaths/1,000 ^t		10.4	9.7	9.4	10	
% of Women Who Receive Inadequate	10.3	10.4	9.7	9.4	10	9.8
Prenant Care	6.7%	6.6%	6.4%	15.0%	15:0%	14.5%
# of Children with Confirmed Elevated	0.770	0:074	0.476	13.076	13:076	14.5%
Blood Levels	690	578	406	350	350	.300
Incidence of Vaccine-Preventable Disease	020		700	3,50	3.00	
aniong Children < 15	18	61	75	72	. 91	7.
New Cases of Infectious Gonorrhea	7,989	6,923	4,921	5,900		4,97
Surveillance, Byaluation, Follow-Up-New	.,,,,,,					***
TB Cases/Suspects	236	208	202	200	200	200
New Reported AIDS Cases	1,160	1,126	1,022	1,097	1,097	1,06
Foud Controls Investigated	3,068	3,298	2,766	3.000	3,000	2.77
Average interval Between Food		9,296	. 2,7,40	,2,,000	2,000	30 SENT
The Association of the State of	10.6		1.4.6		140	
Establishment Inspections (Months) % of All Homicides Having Rinal	18.5	18.2	14.6	14.3	14.3	15.7
Examiner's Report Completed within 8	4	1	2			
Weeks	75%	74%	62%	65%	65%	85%
Noising Home (Census (Average)	431	433	429	437	431	43
Air Quality	734		, n. e	7	731	7. 140A
	75%	78%	58%	53%		530
Percent of Days with Good Air Quality	./3%	78%	79%	33%	53%	539
Percent of Days with Moderate Air Quality	23%	17%	40%	43%	44%	43%
Percent of Days with Unhealthful Air	2370	12.20	40.70	4370	44.70	437
Quality Quality	2%	5%	. 2%	4%	3%	49/
District Health Centers	270		279	470		72
	242 243	200:023	010101	777 000	· · · · · · · · · · · · · · · · · · ·	220.00
Total Patient Visits ⁷ Uninsired Visits	342,742	320,833	317,184		327,000	330,000
Percent of Visits Uninsured	218,327	193,783 #60%	170,327 54%	175,435 54%	173,310 53%	169,29: 51%
	64%				600,000	
Pharmacy Prescriptions Percent of Appointments Made within 3	553,075	572,965	588,616	000,000	000,000	620,000
Weeks of Request	70%	76%	62%	70%	70%	75%
Percent of Evening Sessions Available	89%	81%	98%	100%		100%
Citizen Survey: Percent Satisfied with	07/0	.01/0	2070	10070	10076	1007
Services Received at Health Center	73.6%	69.4%	80.7%	75.0%	80.0%	80.0%
Citizen Survey: Percent of Health Center	/3.0/0	U2.470	00.170	13.070	. 00.030	00,07
Clients Reporting a Wait of Three Weeks or	1	4				
More between Request for Appointment and	Į	1		Ì		
Date of Appointment	33.4%	53.0%	36:3%	20.0%	30.0%	25.0%
vi zapovatenio	JJ.770	33.070	20,270	20.070	30,070	

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Infant Mortality. This data is provided by the State Department of Health and is collected on a calendar year basis, up to 12 months after the end of each calendar year. Therefore, the statistic presented here for FY03 covers 2001, FY04 covers 2002, etc.

² Inadequate Prenatal Care. In FY05 Maternal, Child, and Family Health used a more expanded definition for determining the number of women with inadequate pre-natal care. This new definition will mean a higher number of women will be defined as having inadequate pre-natal care.

³ Infant Mortality. This data is provided by the State Department of Health and is collected on a calendar year basis, up to 12 months after the end of each calendar year. Therefore, the statistic presented here for FY03 covers 2001, FY04 covers 2002,

⁴ New Reported AIDS Cases. The FY05 increase is calculated using a formula that is based upon FY04 data.

⁷ Health Center Visits. At the end of FY03, the Department responded to appointment delays by transferring appointment calls for three health centers to the City's consolidated call center. During FY04, the remaining five health center calls were transferred, allowing patients to schedule appointments at any center and reduce wait times.

Public Property Weasurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Building Services Division		1	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	and the second of the second o		age of the same
Work Order Requests Generated	9,638	9,733	9,594	11,000	11,000	11,000
Work Order Requests Completed	8,051	7,636		8,000	9,348	9,350
Contracted Services						
Work Order Requests Generated	25,702	22,757	24,091	25,500	24,362	24,368
Work Order Requests Completed	24,654	19,849	23,427	24,500	21,830	21,836
Communications Division						
Constituent Call Center: Calls Received	1,495,000	1,444,549	1,512,702	1,770,000	1,336,154	1,403,000
Percent of Calls Answered	85%	89%	75%	93%	77%	85%
# Communications Work Orders Requested	10,127	13,057	12,439	12,175	9,430	10,690
# Communication Work Orders Completed	8,764	9,936	11,380	11,000	8,942	9,895

Work Order Requests Generated. The number of work order requests generated in the building service division is expected in increase in FY05 because the division assumed responsibility for additional facilities.

Interval between Food Establishment Inspections. Sanitarians recently began using a newly developed handheld computerized reporting system (FBIMS). The Department expects this system to facilitate reporting and decrease the time between inspections.

⁶ Air Quality. In FY04, Air Management incorporated a more stringent ozone standard that includes fine particulate measurement, adopted by the U.S. EPA. The use of this new standard affects the data but does not necessarily represent deterioration in Philadelphia's air quality.

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				FY05	FY05	FY06
1 전체 기계 :	FY02	FY03	FY04	Target	Current	Target
Measurement	Actual	Actual	Actual	Projection	Projection	Projection
Number of Documents Recorded	198,352	217,591	258,126	267,400	266,668	266,668
Number of Scanned Images of Recorded						
Documents ¹	1,439,086	1,689,347	. 2,144,669.	2,184,826	2,145,672	2,145,672
Turnsround Time on Recorded Documents						
(Days)	2	2	2	. 2	2	. 2
Document Recording Fees/Taxes Collected				,		
(\$000\s) ²	\$ 136,146	\$ 150,076	\$ 205,804	\$ 193,631	\$ 206,118	\$ 206,618
# of Archives/Records Center Reference			2.5	1 7 1 1 1 1	适于136年,	3 1 1 1
Services	16,739	18,432	23,091	17,617	23,376	23,376
Records Center Materials Handled (Cubic	1					
Foct)	9,726	13,055	6,070	6,696	10,344	10,844
Police Accident Reports Copied	54,890	59,553	60,516	60,200	.60,360	60,360
# Control Duplicating Services Provided	32,561,569	30,483,114	29,652,148	31,901;898;	29,652,144	29,652,144

Number of Scanned Images of Recorded Documents. The number of documents recorded and scanned, as well as tax and fee revenues collected, is affected by broad local and national economic factors, such as interest rates and general real-estate market conditions.

² Document Recording Fees/Taxes Collected. Fees collected are increasing in FY04, FY05 & FY06 due to an increasing number of documents recorded as well as higher fees.

	FY02	FY03	FY04	Target	Current	Target
Measurement	Actual .	Actúal	Actual	Projection	Projection	Projection
Athletic Program Attendance	554,653	578,957	592,890	575,000	575,000	570,000
Cultural Program Attendance	70,148	79,246	85,506	80,000	80,000	85,000
Afterschool Program Attendance	2,567	2,457	2,176	2,151	2,151	2,151
Ice-rink Attendance	51,006	52,787	51,189	56,000	56,000	56,000
Special Events Participants	63,006	89,977	83,945	80,000	80,000	90,000
Percent of Centers in Compliance with						
Recreation Standards	61%	66%	68%	70%	70%	66%
Percent of Centers Providing Programmed Usage in at Least 60% of Operating Hours	73%	73%	7.1%	65%	65%	65%
Percent of Programs that Maintain Monthly Participation Rates of at Least 70% of Registered Participants	86%	84%	85%			,
Citizen Survey: Percent Satisfied with Neighborhood Recreation Services	46%	47.4%	51. 0%	49%	49%	51%
Citizen Survey: Percent Satisfied with Neighborhood Recreation Center (of Those Who Visited)	77%	78.9%	73.0%	80%	80%	80%
Citizen Survey: Percent Satisfied with Afterschool Programs (of those who						
Participated)	90%	94.9%	86.0%	96%	96%	96%
Citizen Survey: Percent Satisfied with						
Physical Condition	58.5%	66.4%	67.2%	74.0%	74.0%	74.0%

Revenue Measurement	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Target Projection	FY05 Current Projection	FY06 Target Projection
Number of Incoming Calls	426,544	500,943	510,228	550,000	650,000	700,000
Response Rate for Incoming Calls (Percent of Calls Answered)	72%	67%	55.4%	40.0%	30.0%	30%
Number of Walk-in Taxpayers Served ²	42,018	43,832	42,241	48,000	55,000	60,000
Average Waiting Time for Walk-In Customers (minutes: seconds) ²	10:06	13:35	16:23	24:00	35:00	· 如宝春
Ratio of Returned Mail to Outgoing Mail	4.3%	5.6%	6.4%	6.0%	6.0%	6.0%
Value of Audit Assessments (in Thousands of Dollars)	\$11,009	\$22,762	\$13,661	\$12,000	\$12,000	\$12,000

Incoming Calls. The lower percentage of incoming calls answered in FY05 and FY06 is attributed to both the decrease in the number of calls that could be answered and the increase in the number of incoming calls. The loss of customer representatives without replacement in the call center limited the number of calls that could be answered. Moreover, recent legislative tax reforms increased the number of taxpayers calling with inquiries. The longer hold times made some taxpayers abandon the call and then call back, which also increases the number of incoming calls.

Risk Management

FY02	FY03	FY04	FY05 Target	FY05 Current	FY06 Target
Actual	Actual	Actual	Projection	Projection	Projection
	-		· **		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
				3 .	7)
458	516	553	500	644	600
	•				
264	295	205	295	280	280
19,133	25,595	13,336	20,000	32,000	25,000
	-			,	
1,421,988	861,129	515,750	500,000	200,000	500,000
52	26	43	40	50	50
\$ 382,164	\$ 333,097	\$ 577,954	\$ 500,000	\$ 800,000	\$ 640,000
	Actual 458 264 19,133 1,421,988	Actual Actual 458 516 264 295 19,133 25,595 1,421,988 861,129 52 26	Actual Actual Actual 458 516 553 264 295 205 19,133 25,595 13,336 1,421,988 861,129 515,750 52 26 43	Actual Actual Actual Projection 458 516 553 500 264 295 205 295 19,133 25,595 13,336 20,000 1,421,988 861,129 515,750 500,000 52 26 43 40	Actual Actual Actual Projection Projection 458 516 553 500 644 264 295 205 295 280 19,133 25,595 13,336 20,000 32,000 1,421,988 861,129 515,750 500,000 200,000 52 26 43 40 50

Workers' Compensation Recipients: Number of Employees Receiving Total Disability Benefits. Risk Management expects the Heart and Lung benefit to increase the number of recipients in FY05 and FY06.

² Walk-in Taxpayers. The increase in the number of walk-in taxpayers served in FY05 and FY06 can be attributed to the legislative tax reforms and the difficulties in getting questions answered via phone. The longer waiting time for walk-in taxpayers can be attributed to the increase in the number of customer representatives available.

² Average Number of Employees on "Limited Duty" Injured-on-Duty Status. Risk Management expects the Heart and Lung benefit to increase the number of limited duty employees in FY05 and FY06.

³ Workers' Compensation-related Revenues Subrogation/ Supersedeas. Subrogation refers to recovery from third parties that negligently cause injury to City employees. Supersedeas refers to collections made from a state fund if the City wins a case on appeal or successfully files to stop ongoing benefits. Supersedeas reimbursements fluctuate annually based on judges' rulings and total funds available annually by the state to replenish this fund.

⁴ Third-Party Recovery. Third-party recovery refers to dollars recovered from insurance companies when citizens damage city property. Beginning in FY05, Risk Management worked with the Traffic Engineering Division of the Streets and Police Departments to increase documentation of these damages with the hopes of recovering a larger amount of money.

Streets				•		
		ŕ		FY05	FY05	FY06
	FY02	FY03	FY04	Target	Current	Target
Measurement	Actual	Actual	Actual	Projection	Projection	Projection
4.64					in the Control	
Street Resurfacing by City Crews (sq. yards)	1,780,912	1,616,842				
Potholes - Number Repaired	11,593	24,182	23,179	25,000	25,000	25,000
Response Time-Peak (Days) - February,						
March, April	3.7	4.0	4.0	4.0		4.0
Response Time-Off Peak (days)	3.9	4.0	4.0	4.0		
Ditch Restorations - Number Closed	7,294	4,830		7,500		
Ditch Restoration Backlog	252	2,165				
Percent Closed on Time	94%	85%	83%	90%	90%	90%
Tons of Refuse Disposed	761,664	755,293	787,670	756,146	777,400	762,868
Annual Property of the Control of th				اد مصنع		
Percent of Refuse Collected by End of Shift	96%	94%				96%
Household Recycling Collected (Tons)	38,724	45,697	44,261	49,962	47,381	50,972
Percent of Recycling Collected on Time	99%	93%	94%	97%	98%	. 97%
Street Cleaning-Mechanical (Miles)	82,601	77,491	90,466	83,000	82,791	83,000
Street Cleaning-Manual (Miles)	7,080	2,199				3,750
Tons of Refuse per Sanitation Crew	13.88	14.3	14.64			
Line Striping (Sq. Ft.)	824,991	634,103	540,280	750,000	750,000	750,000
Street Crack Sealing (Sq. Ft.) ²	966,855	130,778	189,376	1,008,000	763,055	504,000
Citizen Survey: Percent Satisfied with						
Street Repair on City Roads	32.6%	29.2%		35%	35%	35% 35%
Cruzen Survey: Percent Satisfied with			(#/A) (A)		Spec. 7 Se	18 1 Sept. 18
Trash Collection	66.9%	67.9%	77.0%	70%	78%	78%
Citizen Survey: Percent Satisfied with					,	
Recycling Collection	77.4%	81.2%	84.8%	82%	86%	87%
Citizen Survey: Percent Satisfied with						
Street Cleaning	37.1%	33.4%	45.7%	40%	46%	46%

¹ Street Cleaning. As a result of reductions in staffing, the miles of streets cleaned in FY05 and FY06 will be less than in previous years.

² Street Crack Sealing (sq. ft.). Crack sealing measures decreased in FY03 and FY04 due to a combination of severe winter weather, the Department's focus on pothole repairs, and faulty, outdated equipment. However, beginning in FY05, staffing shortages have caused a reprioritization in work, resulting in fewer street cracks being repaired.

Water Denaitment

	FY02	FY03	FY04	FY05 Target	FY05 Current	FY06 Target
Measurement	Actual	Actual	Actual	Projection	Projection	Projection
Millions of Gallons of Treated Water	98,818	100,505	97,993	100,375	99,280	100,010
Percent of Time Philadelphia's Drinking	100%	100%	100%	100%	100%	100%
Water Met or Surpassed State & Federal Standards						
Miles of Pipeline Surveyed for Leakage	1,313	1,420	1,168	1,420	1,420	1,298
Water Main Breaks Repaired ²	497	988	794	737	737	747
Avg. Time to Repair a Water Main Break upon Crew Arrival at Site (Hrs.)	7.9	7.5	7.3	8	8	7.6
Percent of Hydrants Available	98.50%	98.90%	97.50%	99.00%	96.50%	97.80%
Number of Storm Drains Cleaned	91,853	92,457	86,975	93,382	93,382	95,085
Citizen Survey: Percent Satisfied with Overall PWD Services	74.30%	74.80%	78.00%	79%	79%	80%
Citizen Survey: Percent Satisfied with Water Overall Quality	70.20%	72.80%	74.00%	75%	75%	76%

¹ Miles of Pipeline Surveyed for Leakage. Miles of pipeline surveyed has decreased due to vacancies in staffing.

Water Revenue Burcau

	FY02	FY03	FY04	FY05 Target	FY05 Current	FY06 Target
Measurement	Actual	Actual	Actual	Projection	Projection	Projection
Percent of Customers Who Pay on Time						
(within 31 Days)	59.2%	60.4%	60.8%	60.9%	60.9%	60.0%
Number of Incoming Calls ¹	474,195	512,299	567,860	539,664	539,664	550,000
Response Rate for Incoming Calls (Percent						
of Calls Answered) ¹	78.4%	75. 2 %	50.7%	55.0%	55.0%	55.0%
Number of Walk-in Customers Served ²	71,359	71,320	80,447	72,500	72,500	80,000
Average Waiting Time for Walk-in						
Customers (minutes:seconds) ²	4:05	4:44	4:08	5:00	5:00	5:16
Citizen Survey: Percent Satisfied Water and						
Sewer Billings and Collections	70.0%	67.3%	72.0%	75%	75%	75%
Percent of Bills Based on Actual Reads	84.3%	88.8%	88.7%	88.0%	88.0%	88.0%

¹ Incoming Calls. The lower percentage of incoming calls answered in FY05 and FY06 is attributed to both the decrease in number of calls that could be answered and the increase in the number of incoming calls. The loss of customer representatives without replacement in the call center limited the number of calls that could be answered. In addition to that, the longer hold time made some water customers abandon the call and then call back, which also increases the number of incoming calls.

² Water Main Breaks Repaired. Yearly variations in main breaks are due primarily to the severity of winter weather conditions.

² Walk-in Customers. The increase in the number of walk-in customers served in FY05 and FY06 can be attributed to the difficulties in getting questions answered via phone. The longer waiting time for walk-in taxpayers can be attributed to the increase in the number of walk-in taxpayers and the decrease in the number of customer representatives available.



Appendix II Departmental Five Year Obligations Summary

Departmental Five Year Obligations Summary

City Treasurer

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 00	FY 10
Class 100 - Wayes / Benefits Class 200 - Controlots Flasses Class 100 - Supplies, Equipment Class 100 - Indicabilies / Contributions	625,411 82,992 26,980	663,916 79,901 24,224	624,257 79,901 24,224	577,134 79,901 24,224	591,448 79,901 24,224	611,105 79,901 24,224	611,105 79,901 24,224	611,105 79,901 24,224
Class 700 - Debt Sarvice Class 800 - Payments to Other Funds Class 900 - Advances / fillsc. Payments Total	735,383	768,041	728,362	681,259	695,573	715,230	715,230	715,230

Fairmount Park

Expenditure Class	FY 04 Actual	FY 85 Adopted Budget	FY 05 Current Target	FY.06	FYET	FY 66	FY 09	FY 10
Class 100 - Wages / Benefits Class 200 - Contracts / Leases Class 100/400 - Supplies, Equipment Class 500 - Benefites / Contributions Class 700 - Debt Service	9,906,230 3,929,618 616,635 850,900	9,283,198 2,742,509 618,621 850,000	9,533,178 2,742,509 618,621 850,000	8,917,919 2,742,509 618,621 850,000	8,893,417 2,742,509 618,621 650,000	9,263,768 2,742,509 618,621 850,000	9,230,755 2,742,509 618,621 850,000	9,230,755 2,742,509 618,621 850,000
Class 800 - Payments to Other Funds Class 800 - Advances / Misc. Payments Total	14,402,683	13,494,328	13,744,308	13,129,049	13,304,547	13,474,898	13,441,885	13,441,885

Fire

Expenditure Class	FY 04 Actual	FY 65 Adopted Budget	FY 05 - Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits Class 200 - Contracts / Leases Class 360/400 - Supplies, Equipment Class 560 - Indomntiles / Contributions	151,895,781 4,733,671 5,558,301	146,070,409 5,229,583 7,723,819	152,680,599 5,229,583 7,842,415	151,638,881 5,274,583 5,428,819	158,359,255 5,199,583 5,428,819	164,668,414 5,199,583 5,426,819	164,668,414 5,199,583 5,426,819	164,868,414 5,199,583 5,428,819
Class 700 - Debt Service Class 800 - Payments to Other Funds Class 800 - Advances / Misc. Payments Total	7,652,573 169,740,326	7,579,000 166,602,611	7,579,000 173,331,597	7,579,000 169,921,283	7,579,000	7,579,000 182,875,816	7,579,000 182,875,816	7,579,000 182,875,816

Fleet Management

		· / · >5 -71		-				
Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 00	FY 10
llass 100 - Wages / Bonefits llass 200 - Contracts / Leases	17,010,161 4,313,390	16,818,434 4,819,000	16,652,270 4,819,000	15,653,328 4,819,000	15,784,422 4,819,000	16,219,023 4,819,000	18,975,361 4,819,000	16,075,361 4,819,000
lass 300/400 - Supplies, Equipment lass 300 - Indemnifies / Contributions	17,851,563	17,255,400	20,553,604	18,277,272	17,777,272	17,277,272	17,277,272	17,277,272
Jass 700 - Detit Saryice Jass 800 - Paymonts to Other Funds	er systemet		÷ .	, ,				
Class 909 - Advancës / Misc. Payments Total	39,175,114	38,892,834	42,024,874	38,749,600	38,380,694	38,315,295	38,171,633	38,171,633

Fleet Management - Vehicle Purchases

r root rizumeoritoric	A OTHICIO T	mi orium c	_					
Expenditure Class	FY 64 Actual	FY 95 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 66	FY 09	FY 10
Class 100 - Wages / Bonetits Class 200 - Contracts / Lasses Class 200/100 - Supplies, Equipment Class 500 - Indensities / Contributions Class 700 - Debt Service	6,699,661	2,180,090	2,180,000	6,480,000	4,680,000	5,180,000	12,000,000	12,000,000
Class 600 - Payments to Other Funds Class 600 - Advances / Misc. Payments Total	6.699.661	2,180,000	2,180,000	6,480,000	4.680.000	5,160,000	12,000,000	12,009,000

Free Library

Expenditure Class	FY 04 Actual	FY 85 Adopted Budget	FY 65 Current Target	FY 66	FY 07	FY 06	FY 99	FY 10
Class 180 - Wages / Benefits	32,190,337	31,293,066	31,893,365	33,534,607	34,017,857	34,348,594	34,108,660	34,198,660
Class 200 - Contracts (Leases Class 200 400 - Supplies, Equipment	1,512,184	1,352,202	1,407,102	1,352,202 3,880,808	1,352,202 3,860,808	1,352,202 3,660,608	1,352,202	1,352,202
Jass 549 - Indemnities : Contributions Jass 766 - Dubt Bervice	2,356,361	3,860,808	3,977,672	3,000,000	3,000,000	3,000,000	3,880,808	3,880,808
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments	<u> </u>	`-					/	
Total	36,057,882	36,526,075	37,278,139	38,767,617	39,250,867	39,581,604	39,341,670	39,341,670

Human Services

	FY 64 Actual	FY 05 Adopted	FY 05 Current	FY 06	FY 07	FY \$8	FY 86	FY 10
Expenditure Class		Budget	Target					
Class 100 - Wages & Benefits	86,802,456	91,700,402	85,489,211	85,357,763	87,918,495	91,435,234	91,435,234	91,435,234
Class 200 - Contracts / Leases	493,654,524	543,585,744	517,181,755	564,997,893	582,105,292	600,725,914	618,875,154	639,159,771
Class 300/400 - Supplies, Equipment	4,706,861	5,470,615	5,318,018	5,219,435	5,219,435	5,219,435	5,219,435	5,219,435
Class 500 - Indumities / Contributions	20,849	64,376	29,326	29,326	29,326	29,326	29,326	29,326
Class 700 - Debt Service	·						14	
Class 800 - Payments to Other Funds	_						* •	
Class 900 - Advances / Misc. Payments								· · ·
Total	585, 184,690	640,801,137	608,018,310	655,604,417	675,272,548	697,408,909	715,559,149	735,843,766

Law

Expeciditure Class	FY 64 Actual	FY #5 Adopted Budget	FY 05 Current Target	FY 06	F¥ 07	FY 08	FÝ 00	FY 10
Class 180 - Wages / Benefits Class 200 - Contracts / Leases	9,951,168 6,696,908	9,581,235 5,302,947	9,647,986 5,302,947	9,394,567 4,202,947	9,625,029 4,202,947	9,828,900 4,2 02,947	9,810,584 4,202,947	9,810,584 4,202,947
Class 300/100 - Supplies, Equipment Class 500 - Indemnities / Contributions	271,249	250,024	250,024	250,024	250,024	250,024	250,024	250,024
Class 700 - Debt Service Class 800 - Payments to Other Funds Class 900 - Advances / Misc. Payments							-	
Total	16,829,325	15,134,206	15,200,958	13,847,536	14,078,000	14,281,871	14,263,555	14,263,555

Licenses & Inspections

are driver of michaelin			1				· · · · <u>· </u>	
-	FY 04	FY 05	"FY 05	FY 06	FY 07	FY 98	FY 09	FY 10
	Actual	Adopted	Current					
Expenditure Class		Budget	Target				;	<u> </u>
Class 100 - Wages / Benefits	17,294,915	17,425,427	17,253,054	16,726,117	16,947,506	17,270,380	16,997,433	16,997,433
Class 200 - Contracts / Leases	5.985,492	3.256,634	3,256,034	3,506,034	3,506,034	3,506,034	3,506,034	3,506,034
Class 300/400 - Supplies, Equipment	595,780	768,698	768,698	623,198	623,198	623,198	623,198	623,198
Class 500 - Indempities / Contributions	,	,	,			-4	2	
Class 700 - Debt Service	•	•					· 5.4	
Class 800 - Payments to Other Funds			0			•	2 × × < 44 ;	
Class 900 - Advances / Misc. Payments						1.5	242 182 18	
Total	23,876,187	21:450,159	21,277,786	20,856,349	21,076,738	21,399,612	21,126,665	21,126,665
≢ ئىلىش ئا ئالىكى يىلىكى يىلىكى	-							

Licenses & Inspections – Demolitions

micorroso oo miopoottomo		TOTTOTAL						
Expenditure Class	FY 04 Actual	.FY 05 Adopted Budget	FY 05 Current Target	FY 06	FÝ 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits					. ~		-5 % 4*	9 18 2 2 2 2 2 2 1 2 1 1 1 1 1 1 1 1 1 1
Class 200 - Contracts / Leases		· · · 0°	· · 0	8,000,000	8,000,000	000,000,8	8,000,000	8,000,000
Class 300(400 - Supplies, Equipment		• •	-,	- '	- ' -	***	- 1 · · · ·	The part of
Class 500 - Indemnities / Contributions						* *	1. 1.	•
Class 700 - Debt Service							`	
Class 800 - Payments to Other Funds								` ` ,
Class 900 - Advances / Misc. Payments							,	
Total	0	. , 0	0	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
								-

Mayor's Office of Information Services

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Člass 100 - Wages (Senefits	6,994,694	6,265,767	6,312,267	6,450,291	6,563,146	6,562,749	6,388,709	6,388,709
Class 200 - Contracts / Leases	5,474,390	4,760,853	5,138,853	4,750,853	4,750,853	4,750,853	4,750,853	4,750,853
Class 300/400 - Supplies, Equipment	198,245	162,634	162,634	162,634	162,634	162,634	162,634	162,634
Class 500 - Indemnities / Contributions	•							
Class 700 - Debt Service								- 1
Class 800 - Payments to Other Funds	93,614	Q	G	0	0	a	0	. 0
Class 900 - Advances / Misc. Payments	· ·							
Total	12,760,943	11,179,254	11,613,754	11,363,778	11,476,633	11,476,236	11,302,196	11,302,196

Office of Behavioral Health and Mental Retardation Services

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits Class 200 - Contracts / Leases Class 3004400 - Bupplies, Equipment Class 500 - Indemnities / Contributions	0	2,563,804 12,128,834	2,590,804 12,128,834	2,483,123 12,128,634	2,557,616 12,128,834	2,659,921 12,128,834	2,659,921 12,128,834	2,659,921 12,128,834
Class 700 - Debt Service Class 809 - Payments to Other Funds Class 900 - Advances / Misc. Payments Total	<u> </u>	14,692,638	14,719,638	14,611,957	14,686,450	14,788,755	14,788,755	14,788,755

Office of Emergency Shelter and Services

	Chronicar	with the			1	the second of the second	, , , , , , , , , , , , , , , , , , , ,	
Expenditure Class	FY'01 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 96	FY 07	FY 68	FY 09	FY 18
								
Class 100 - Wages / Benefits	3,428,224	2,901,789	7,280,584	6,534,818	6,677,980	6,829,016	6,817,954	6,817,954
Class 200 - Contracts / Leasure	11,782,784	12,503,653	13,362,202	10,952,222	10,952,222	10,952,222	10,952,222	10,952,222
Class 300/400 - Supplies, Equipment	150,434	135,880	429,368	387,060	387,960	387,060	387,060	387,060
Xxxx 500 - indemnifies I Contributions			35,050	35,050	35,050	35,050	35,050	35,050
lass 700 - Dobt Service						•	17.7	
lass 400 - Payments to Other Funds	•					1 Tag	1.	
Jack 900 - Advances I Misc. Payments						<u> </u>		· · · · · · · · · · · · · · · · · · ·
Total	15,341,442	15,541,322	21,107,204	17,909,150	18,052,312	18,203,348	18,192,286	18,192,286
TO THE REPORT OF THE PERSON OF	** * ****** * * * * * * * * * * * * *							

Personnel

r. Or GOTTANOT								
	FY 04 Actual	FY 65 Adopted	FY 95 Current	£7.06	FY-67	FY #6	FY 89	FY 10
Experience Laboratory		Budget	Target				<u> </u>	<u> </u>
Clase 360 Water / Bernitts	4,158,272	4,124,932	4,181,162	3,972,817	3,9(9,263	3,666,972	3.666.072	3,888,972
Class 200 Contracts (Lastes	104,050	362,630	362,530	362,530	362,530	362,530	362,630	382-630
Clase 300(100, Supplies, Equipment	75,799	80,609	80,609	55,009	55,609	55,609	65,60 9	65,600
Claim 500 - Successibles P Contributions				•		``^ ''	and the	
Class 30 - Paragents to Other Funds								1 17 S
Class #00 Advances Misc. Payments					-		محمد عاسمانات	, , , , , , , , , , , , , , , , , , ,
Total	4,838,130	4,568,071	4,624,321	4,390,956	£4,337;392	4,307,111	4,307,411	4.307.111
	1 1 1 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	, 4	7 7 7					4.5.4.5

Police

				2 2000 .	<u> </u>			,
Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 45 Cumons Target	FY 06	FF-07	FYX	EX #0	FY 10
Class 805 Majos (Benefits Class 800 Contracts / Lates C Class 300/400 - Supplies, Equipment Class 500 Visitounities / Contributions	475,523,727 7,476,824 7,651,014	455,496,292 7,425,445 7,584,765	455,496,292 7,425,445 7,564,765	465,097,585 7,425,445 7,432,070	478,405,347 7,425,445 7,432,070	496,504,865 7,425,445 7,432,070	495,736,392 7,432,070	495,736,392 7,425,445 7,432,070
Class 700 - Detri Service Class 400 - Payments to Other Funds Class 400 - Advances / Misc. Payments	2,196,056	a	•	275,653	123,841	0	. 0	·
Total	492,847,621	470,508,502	470,506,502	480,230,753	493,386,703	511,362,480	510,593,907	510,593,907

Prisons

description		TARKEL		<u> </u>	<u> </u>			
1.00	FY.44	47/85	FY 05	FY 86	FY-07	FY 08	FY 00	FY 10
	Actual	Adopted	Current			•		•
Expenditure Class	n.	Bedget	Current					· · · · · · · · · · · · · · · · · · ·
and the second second	, #"	-Ea-		"		1.		
Class 160 - Wages / Benefits	98,461,068	99,839,739	103,350,239	102,002,824	104,580,723	106,981,863	106,536,315	106,536,315
Class 200 - Contracts / Leases	80,855,513	75,429,094	78,959,094	79,273,591 3,630,209	79,473,591	79,833,591	80,133,591	80,133,501
tass 300/400 Supplies, Equipment	4,068,922	3,630,200	3,650,744	3,630,209	3,630,209	3,630,209	3,630,209	3,630,200
class 500 - Indomnities / Contributions	984,795	1,026,757	1,026,757	1,026,757	1,026,757	1,026,757	1,026,757	1,026,757
taes 700 - Debt Service								
Class 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments	-							
Total	184,370,288	179,925,799	187,005,834	186,613,381	188,711,280	191,472,420	191,326,872	191,326,872
and the second s				***************************************	,			

Procurement

Expenditure Class	FY 64 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 68	FY 69	FY 10
Class 100 - Wages / Benefits	3,034,226	3,003,636	2,957,492	2,814,617	2,844,705	2,847,681	2,847,681	2,847,681
Class 200 - Contracts Lisases	2,104,737	1,320,918	1,458,787	1,458,787	1,458,787	1,458,787	1,458,787	1,458,787
Class 300/400 - Supplies, Equipment	77,621	74,443	74,443	74,443	74,443	74,443	74,443	74,443
Sass 500 - Indemnities / Contributions	-	•	-			2 4 4		
lace 700 - Debt Service						-	-	
tass 800 - Payments to Other Funds							*	
Jass 960 - Advances / Misc. Payments						24"	er e jedi	
.Total	5,216,584	4,396,997	4,490,722	4,347,847	4,377,935	4,380,911	4,380,911	4,380,911

Public Health

Expenditure Class	FY 64 Actual	FY 05 Atlapted Budget	FY 05 Current Target	FY 06	FY 07	FY 66	FY 00	FY 10
Class 100 - Wagris I Benefits Class 210 - Contracts I Leases Class 300400 - Sepplies, Equipment Class 500 - Individual Contributions Class 700 - Debt Service	41,963,662 68,929,357 3,231,724 0	39,141,994 60,445,579 4,697,244	39,737,669 60,445,579 4,176,060 0	38,117,575 63,850,309 4,072,244 0	40,043,803 63,800,309 4,943,150 0	41,380,331 63,600,309 4,003,150 6	40,877,773 63,600,309 3,973,150	40,877,773 63,600,309 3,973,150 0
Class 800 - Payments to Other Funds Class 900 - Advances / Misc. Payments	1,666,309	2,100,000	2,100,000	0	0		.0	7-4.0
Total	115,791,072	105,784,817	106,459,308	107,040,128	107,687,262	108,983,790	108,451,232	108,451,232

Public Property

condius Class	FY 04 Actual	FY 05 Adopted Budget	FY-05 Current Target	FY 06	FY 07	FY 06	FY 09	FY 10
Jass 100 - Wages / Benefits	9,085,302	8,604,742	8,745,742	8,079,493	8,469,200	8,229,223	8,183,631	8,183,631
less 200 - Contracts / Leases	23,356,743	21,757,592	21,400,392	23,143,592	23,964,088	24,801,146	25,181,181	25,894,617
lass 300/400 - Supplies, Equipment	1,019,882	909,177	928,856	909,177	909,177	909,177	909,177	909,177
lass 500 - Indemnities / Contributions lass 700 - Debt Service				3.		* 1		
lass 800 - Payments to Other Funds lass 800 - Advances / Misc. Payments	15,817,451	14,000,000	14,200,000	14,000,000	14,000,000	14,060,000	14,000,000	14,000,000
Total	49,279,378	45,271,511	45,274,990	46,132,262	47,342,465	47,939,546	48,273,989	48,987,42

Public Property - SEPTA Subsidy

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits Class 200 - Contracts / Leases Class 300/400 - Supplies, Equipment Class 300 - Indemnities / Contributions Class 700 - Debt Service Class 800 - Payments to Other Funds	0	57,034,000	57,834,000	59,216,000	60,263,000	61,601,000	63,066,000	64,717,000
Class 990 - Advances / Misc. Payments Total	0	57,034,000	57,834,000	59,216,000	60,263,000	61,601,000	63,066,000	64,717,000

Public Property - Space Rentals

Expenditure Class Budget Target	FY 10	FY 09	FY 08	FY 07	FY 06	FY 05 Current	FY 65 Adopted	FY 04 Actual	
Class 200 - Contracts (Leases 13,842,113 13,677,177 14,312,640 14,462,759 14,610,811 14,728,258 15,110,650 Class 3504400 Supplies, Equipment Class 350 - Individual Class 350 - Payments to Other Funds						Target	Budget		xpenditure Class
Class 900/400 Supplies, Equipment Lass 900 - Indemplies / Contributions Lass 900 - Daid Service Lass 900 - Payments to Other Funds				-					lass 100 - Wages / Benefits
Ness 500 - Indemnities / Contributions Ness 700 - Debt Service Ness 800 - Payments to Other Funds	15,945,980	15,110,650	14,728,258	14,610,811	14,462,759	14,312,640	13,677,177	13,842,113	lass 200 - Contracts / Leases
Nais 700 - Debt Service Nais 800 - Payments to Other Funds	, -		℃ .						lass 300/400 - Supplies, Equipment
Miss 809 - Payments to Other Funds	*								lass 500 - Indemnities / Contributions
		10 No. 20							lass 700 - Debt Service
Long 400 Arlichness / Micr. Promonic		and the second							lass 800 - Payments to Other Funds
	*** * . *					•			lace 900 - Advances / Misc. Payments
Total 13,842,113 13,677,177 14,512,640 14,462,769 14,619,611 14,729,258 15,119,650	15,945,980	15,110,650	14,728,258	14,510,811	14,462,759	14,312,640	13,677,177	13,842,113	Total

Public Property – Telecommunications

Expenditure Class	FY 64 Actual	FY 85 Adopted Budget	FY 65 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Ches 100 - Wages / Benefits Class 200 - Confracts / Lesses Class 200/400 - Supplies, Equipment Class 500 - Indepnilities / Contributions Class 700 - Dalif Service	12,138,124	10,631,500	10,631,500	12,962,098	13,584,094	13,813,414	13,668,350	14,068,350
Class 800 - Payments to Other Funds Class 100 - Advantoe / Olisc. Payments, Total	12,138,124	10,631,500	10,631,500	12,982,098	13,584,094	13,813,414	13,868,350	14,088,350

Public Property – Utilities

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 65 Current Target	. FY 06	FY 07	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits Class 200 - Cojtiničis / Leases Class 300/400 - Süğpiles, Equipment	28,223,837	26,389,036	26,389,036	26,468,000	27,638,000	28,648,000	29,028,000	29,158,000
Aiss 500 - Indepenties / Contributions Aiss 700 - Debit Service Aiss 800 - Payments to Other Funds			-		_	-	v *	<u>}</u>
Tass 900 - Advances / Misc. Payments Total	28,223,837	26,389,036	26,389,036	26,466,000	27,638,000	28,648,000	29,028,000	29,158,000

Records

Expenditure Class	FY'64 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 67	FY 08	FY 09	FY 10
Class 100 - Wages / Benefits	3,536,172	3,681,812	3,738,812	3,535,248	3,602,061	3,573,833	3,558,108	3,558,108
Class 200 - Contracts / Leases	3,149,466	3,141,084	3,141,084	3,779,714	3,758,115	4,094,609	4,094,609	4,094,609
Class 300/400 - Supplies, Equipment	635,595	452,607	452,607	452,607	498,607	162,607	162,607	162,607
Class 500 - Indemnities / Contributions Class 700 - Debt Service	1,345	1,456	1,456	1,456	1,456	1,458	1,456	1,458
Class 200 - Payments to Other Funds Class 200 - Advances / Misc. Payments	1,129,515			. 0	. 0	0	0	. 0
Total	8,452,093	7,276,959	7,333,959	7,769,025	7,860,239	7,832,505	7,816,780	7,816,780

Recreation

Expenditure Class	FY 04 Actual	FY 05 Adopted Budget	FY 05 Current Target	FY 06	FY 07	FY 08	FY 09	FY 10
Class 106 - Wages / Benefits	31,336,369	30,758,928	29,943,837	27,339,616	27,279,853	27,337,711	27,105,831	27,105,831
Class 200 - Contracts / Leases	2,169,980	1,339,076	2,166,812	2,706,201	2,706,201	2,706,201	2,706,201	2,706,201
Class 300/400 - Supplies, Equipment	1,494,248	1,390,069	1,390,069	1,390,069	1,390,069	1,390,069	1,390,069	1,390,069
Class 500 - Indemnities / Contributions Class 700 - Debt Service	1,800,000	3,800,000	1,800,000	1,900,000	1,800,000	1,800,000	1,800,000	1,800,000
Clase 800 - Payments to Other Funds								
Class 900 - Advances / Misc. Payments								
Total	36,800,597	37,288,073	35,300,718	33,335,886	33,176,123	33,233,981	33,002,101	33,002,101

Revenue

Expenditure Class	FY 04 Actual	FY 65 Adopted Budget	FY 05 Corrent Target	FY 96	FY 07	FY 05	FY 09	FY 10
2								
Class 100 - Wages / Bonefits	11,818,853	13,423,341	13,607,841	13,347,531	13,132,754	12,759,290	12,566,031	12,566,031
Class 200 - Contracts / Leases	4,026,703	3,595,774	3,595,774	3,575,774	3,575,774	3,575,774	3,575,774	3,575,774
Class 300/400 - Supplies, Equipment	736,445	739,971	739,971	689,971	689,971	689,971	689,971	689,971
Class 500 -Indemnities / Contributions								
Class 700 - Debt Service								
Class 800 - Payments to Other Funds	0	44,883	44,883	44,883	44,883	44,883	44,883	44,883
Class 100 - Advances / Misc. Payments			•					•
Total	16,582,001	17,803,969	17,988,469	17,658,159	17,443,382	17,069,918	16,876,659	16,876,659

Streets

		Adopted	Current		FY 07	FY 08	FY 69	FY 10
xpenditure Class		Budget	Target					
Class 100 - Wages / Benefits	15,520,097	13,215,863	13,460,463	13,712,273	14,123,641	14,688,587	14,632,743	14,632,743
lass 200 - Contracts / Leases	12,314,419	12,158,606	12,185,756	12,158,606	12,158,606	12,158,606	12,158,606	12,158,606
lass 300/400 - Supplies, Egulpment	4,905,516	2.392.721	2,501,665	2,392,721	2,392,721	2,392,721	2,392,721	2,392,721
lass 500 - Indemnities / Contributions	14,061	30,000	30,000	30,000	30,000	30,000	30,000	39,000
lass 700 - Debt Service		•	•		•		•	·
Hass 800 - Payments to Other Funds								
lass 100 - Advances / Misc. Payments								
Total	32,754,093	27,797,190	28,177,884	28,293,600	28,704,968	29,269,914	29,214,070	29,214,070

Streets - Sanitation

47,497,073 41,616,890 1,213,102	45,921,665 41,461,628 1,333,929	47,201,185 42,561,628	44,832,269 47,935,286	45,233,605 49,177,871	45,754,604 50,475,568	45,308,649 51,816,867	45,306,649 53,136,693
41,616,890	41,461,628	42,561,628	47,935,286	49,177,871			
					50,475,568	51,816,867	53,136,693
1.213.102	1 222 020	4 000 450					
	1,343,828	1,363,406	1,333,929	1,333,929	1,333,929	1,333,929	1,333,929
48,171	48,171	48,171	48,171	48,171	48,171	48,171	48,171
							•
90,375,236	88,765,413	91,174,390	94,149,656	95,793,576	97,812,272	98,505,416	99,825,442
	90,375,236	90,375,236 88,765,413	90,375,236 88,765,413 91,174,390	90,375,236 88,765,413 91,174,390 94,149,656	90,375,236 88,765,413 91,174,390 94,149,656 95,783,576	90,375,236 88,785,413 91,174,380 94,149,656 95,783,576 97,812,272	90,375,236 88,765,413 91,174,390 94,149,656 95,783,576 97,812,272 98,595,416

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Appendix III Enterprise Funds

Philadelphia Water Department

Mission

The Philadelphia Water Department (PWD) and Water Revenue Bureau serve the greater Philadelphia region by providing integrated water, wastewater, and storm water services. The utility's primary mission is to plan for, operate, and maintain both the infrastructure and the organization necessary to purvey high-quality drinking water, to provide an adequate and reliable water supply for all household, commercial, and community needs, and to sustain and enhance the region's watersheds and quality of life by managing wastewater and storm water effectively. The PWD operates three water plants treating an average of nearly 300 million gallons of Delaware and Schuylkill river water each day, three wastewater plants cleaning over 450 million gallons per day of sewage, a 73-acre biosolids recycling facility, a sophisticated testing laboratory, and a range of technical and administrative support services. In addition, the Department maintains 3,300 miles of water mains, 3,000 miles of sewers, 75,000 storm water inlets, over 27,500 fire hydrants, and extensive related infrastructure. The Water Revenue Bureau (WRB) of the Department of Revenue manages water and sewer billings and collections for the Water Department.

Organizational Objectives and Targeted Initiatives

Provide high-quality drinking water to promote public health and achieve all regulatory standards, while ensuring a reliable and cost-effective water supply

- Participate in the EPA's voluntary Partnership for Safe Water program. Philadelphia's drinking water meets or surpasses the requirements of state and federal standards 100 percent of the time. Since voluntarily joining the U.S. Environmental Protection Agency's (EPA) Partnership for Safe Water in 1998 (a joint program of the EPA and the water industry), the PWD has committed itself to reduced "turbidity," an industry standard measure of water purity. In FY05, the turbidity of Philadelphia's water (.06 ntu) is 80 percent less than the amount required by state and federal regulations and 40 percent less than the Partnership's turbidity goal of 0.1 ntu. Going forward, from FY06 to FY10, the PWD has set its sights on achieving the Partnership's highest honor, the Phase IV "Excellence in Water Treatment" award. This award is earned by those few water treatment plants in the country that have overcome all obstacles to excellence in water treatment and can demonstrate their capability to maintain that level of performance by achieving a treated water quality that is consistent with the Partnership's highest goals. In order to meet this goal, the Department must control turbidity levels at its three water treatment plants so that they do not exceed 0.1 ntu for more than 15 minutes at any time. In FY05, the Queen Lane Plant will be evaluated on its ability to maintain plant performance levels consistent with the Phase IV award. The Belmont and Baxter Plants will require the completion of capital modifications to their respective filtration systems. The design phase of these projects is expected to begin in FY06, with construction in FY07.
- Conduct pilot plant research. PWD has been able to stay one step ahead of drinking water regulations through the operation of a pilot plant research program initiated in FY98. The

pilot plants are essentially miniature water treatment plants that allow the Department to study and test the impact of modifications to water treatment procedures prior to moving forward with system-wide changes. In FY06 and FY07, pilot plant studies will focus on the effectiveness of coagulants other than ferric chloride, which PWD has used as a coagulant in the water treatment process. Coagulants bind to organic particles in the source water and cause these particles to fall out of the water treatment process by virtue of the coagulant's weight. Due to changes in the coagulant marketplace, it has become important for the PWD to evaluate alternative coagulants and determine their suitability in comparison to ferric chloride on the basis of performance and cost. In FYO6 PWD will also continue with an international multi-utility study to further the understanding of the occurrence of manganese (Mn) in drinking water: Although Mn is currently undetectable in Philadelphia's drinking water other proposed changes in the treatment process may produce a level of Mn that could be of aesthetic concern (known as black water because the color of the water changes to brown black and clothes are often stained with small black dots). The pilot plant study will help the PWD avoid mangariese problems that may result from treatment modifications that are under consideration. The annual cost for operation of the pilot plant is \$970,000.

Implement on-line drinking water quality monitoring. To further ensure the safety and quality of the City's drinking water, the PWD will continue to expand its "Water Quality Monitoring Network" in FY06. This system provides the Department with the ability to track real-time water quality conditions at selected locations throughout the City's water distribution system and to monitor any variations should they occur. Data is transmitted from each site to PWD's central laboratory where technicians check for early warning signs of water quality deterioration and document any unforeseen changes. Initially, in FY04, the on-line system was installed at the City's three water treatment facilities. In FY05, PWD began expanding the range of the system to critical points in the water distribution system. By the end of FY05, equipment will be installed at eight locations in the distribution system, including: the East Park reservoir, the Oak Lane reservoir, the Somerton tank, the central lab, the Queen Lane raw water pumping station, Queen Lane raw water basin, the Roxborough tanks and the Roxborough high service pumping station. From FY06 to FY10, the Department will track the performance of the monitoring system at current locations while continuing to investigate alternative technology for further installations at wholesale customer interconnects, additional standpipes and pumping stations. The monitoring system costs approximately \$30,000 for each location.

Help preserve and enhance the water quality in the region's watersheds through effective wastewater and storm water services, planning and acting in partnership with other stakeholders to achieve a sensible balance between cost and environmental benefit

• Develop and implement regional source water protection (SWP) plans. In FY05, PWD will complete a source water protection plan for the Schuylkill River. The information developed in the Schuylkill plan is being integrated with the Schuylkill Action Network (SAN), a larger group of state and federal regulators, water suppliers, conservation districts and watershed groups working to integrate and coordinate regulatory and restoration efforts to protect the Schuylkill River as the premier drinking water resource for the region. In FY05, PWD, the Partnership for the Delaware Estuary, and the SAN received a \$1.15 million

Targeted Watershed Initiative Grant from the US EPA. PWD and its partners will use these funds to begin implementation of priority elements of the Schuylkill Plan. Initial projects to be implemented in FY06 will address abandoned mine drainage (AMD) in the headwaters of the Schuylkill River. Projects will be designed and implemented for three major AMD discharges. Funds in FY06-FY10 will also be dedicated to addressing contamination from agriculture through the installation of vegetated buffers and fencing along impaired streams to reduce runoff and keep livestock out of the streams. Urban and suburban storm water runoff will be addressed through a series of projects aimed at reducing runoff at sensitive locations through the installation of swales, retention basins and buffers and outfall retrofits. Finally, a significant portion of the grant will be dedicated toward educating the public on source water protection issues and their role in protecting our region's drinking water supply. The Delaware River Plan will be developed in FY05 and FY06. This information will be shared with the Delaware River Basin Commission, whose member utilities are working towards similar goals. Employing a SWP Program and Plan will help PWD avoid potential regulatory requirements for the construction of advanced water treatment technologies using ozone and ultraviolet light treatment that could cost over \$40 million in capital costs and additional millions in electrical operating costs.

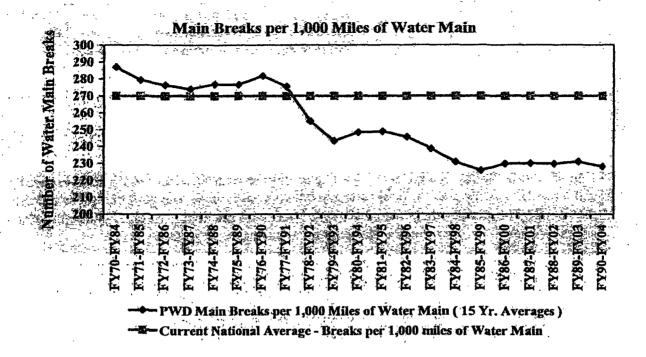
- Expand Early Warning System (EWS). In FY04, the PWD began operation of an early warning system for regional water supplies on the Schuylkill and Delaware Rivers (the Delaware Valley EWS). The purpose of the system is to improve communication and notification between water suppliers and emergency agencies as well as to provide tools and information to aid and enhance decision making during source water contamination events. Expansion begun in FY05 will continue in FY06, including additional on-line monitoring capabilities to provide greater spatial coverage and to pilot the use of developing technologies for on-line contaminant monitoring. In addition, the website and telephone system will be optimized for speed and user friendliness. EWS is part of an overall statewide initiative to enhance the protection of the region's water supplies and rivers. A US EPA grant to develop the "RiverCast" System will enable use of EWS to predict the safety and water quality of the Schuylkill River from Boathouse Row to Manayunk in FY06. Similar to the "Ozone Warning Days" used for air quality, Rivercast information will be available in FY06 to allow the public to make informed decisions for recreation in the Schuylkill River.
- Implement a local Waterways Restoration Program. In FY04, the PWD created the Waterways Restoration Team, which consists of a crew devoted to removing trash and large debris from the streams and tributaries that define our neighborhoods. The team also performs restoration work around PWD's storm and combined sewer outfalls. In its first two years of operation, the team removed over 500 tons of debris from Philadelphia's streams. From FY06 to FY10, the team will work in partnership with the Fairmount Park Commission and related Friends' groups to bolster a public/private partnership that is essential to sustaining the effectiveness of this project. The cost for this program in FY06 will be \$600,000 and is expected to remain in this range through FY10.

Section Section 1

Responsibly maintain, renew, and replace the public's investment in water, wastewater, and storm water infrastructure, optimizing useful life and system integrity

The PWD maintains and operates six large water and wastewater treatment facilities and a biosolids recycling center. These systems are highly complex to operate and require a large portion of the Department's operating and capital resources to maintain. Integrated with these plants is an extensive network of underground infrastructure that delivers water to a population of over 15 million, and carries sewage for treatment from a population of almost 2.2 million, through retail service in Philadelphia and wholesale water and wastewater contracts in the subtries.

- Develop Sewer Infrastructure Assessment Program. Completed in FY05, a \$6 million pilot sewer assessment program evaluates the condition of sewer system infrastructure using video technology to inspect many miles of sewers, and populating a database and ranking system to prioritize needed improvements. Trained PWD personnel will continue the sewer assessment surveys from FY06 to FY10. In FY06, the Department will begin the analysis of data to determine needed sewer reconstruction and repair, and will schedule this work in the capital and operating budgets. This project has already helped to identify sewers that were in immediate need of repair, and it is anticipated that over time this project will result in a reduction of costly and disruptive emergency sewer repairs, such as those that occur when a sewer collapses. In FY06, \$600,000 has been budgeted to continue the video inspections and to perform additional excavations and repairs.
- Revelop the Geographic Information System (GIS). Completed in FY05 at a cost of \$7 million, the full-scale conversion of citywide water and sewer assets into its GIS database will progress into the maintenance phase in FY06. PWD's trained GIS staff will maintain and manage data changes. The GIS system will spatially display PWD infrastructure, and link at to operations, maintenance, engineering, and construction data, providing a fully integrated asset management system. Quick access to utility infrastructure data through the GIS system will allow timely management decisions, thereby increasing productivity and reducing risk.
- Optimize water and sewer main replacement. From FY06 to FY10, the Department intends to replace 22 miles of water main per year. The effectiveness of this effort is illustrated by the 15-year average for main breaks, which tends to smooth out the effect of weather variations: The current PWD level of 228 breaks per 1,000 miles is better than the national average (240 to 270 breaks), as shown on the table below.



Finance the critical operations of the department through the development of an increasingly strong and reliable revenue base, effectively and consistently collecting fees and charges in a timely manner, under a fair, equitable and community-sensitive rate structure, while relentlessly pursuing both outstanding receivables and appropriate new sources of revenue

• Increase rates to maintain fiscal stability. In December 2004, the Water Department announced an update to the rate filing that was originally announced in January 2004. Accordingly, the Water Department proposed a supplemental increase to water and sewer (including storm-water) rates beginning in February 2005, based on the outcomes of a rate hearing process. Proposed rates will cover a 3.5-year period from mid-FY05 through FY08. Rate relief is needed due to seven major cost factors that will impact the Department from FY05 to FY08: Increased debt service (\$72.25 million); coverage-based required contributions to the Residual Fund (\$67.6 million); loss of state subsidy for wastewater operations (\$32.0 million); increased personnel costs (\$28.37 million); decreased interest earnings (\$25.4 million); inflation on material, supplies, equipment and contracted costs (\$19.5 million); and additional security and related costs (\$8.9 million). A typical residential customer's monthly bill is anticipated to increase to \$48.24, an increase of \$6.48 or 15.5 percent. Proposed Rate changes for subsequent years are as shown in the following table.

Fiscal Year	Percentage Increase of Monthly Bill	Additional Monthly Water & Sewer Charge	Total Monthly Bill
2005	15.5	\$6.48	\$48,24
2006	3.2	\$1.53	\$49.77
2007	7.7	\$3.83	\$53.60
2008	7.5	\$4.00	\$57.60

As shown on the following table, the PWD currently provides services at the least expensive residential rates in the region. PWD's water rates continue to be less than half those charged by most neighboring investor-owned utilities. Even with the higher rates, Philadelphia water and sewer charges will continue to be among the lowest in the region.

2004 Regional Residential* Water and Sewer Charges							
	Monthly Water Bill	Monthly Sewer Bill					
Pennsylvania American Water+	\$47.23	N/A					
Philadelphia Suburban Water+	\$45.75	N/A					
New Jersey American Water+	\$35.15	N/A					
North Wales Water Authority +	\$26.44	NA.					
North Penn Water Authority +	\$25.61	N/A ***					
Doylestown Township	\$25.40	\$36.67					
CCMUA (Camden County) **	N/A	\$26.25					
Trenton	\$18.12	\$27.37					
Philadelphia Water Department	\$17.27	\$17.50					

Rates in effect on November 16, 2004. Storm water charges are excluded from

Source: Philadelphia Water Department

• Investigate operations efficiency and cost savings at the Biosolids Recycling Center (BRC). In FY05, the City's evaluation team reviewed submissions from pre-qualified vendors to design, build, own and operate a new Biosolids processing facility at the City's current location and to take over current operations during the interim period. It is likely that a negotiated contract would be presented to City Council in the fall of FY06. The overall intent of the project remains to construct a new facility that will use new technology to produce Class A biosolids. The new facility is expected to also achieve long-term operations efficiency, to improve the overall aesthetics, and to reduce odors associated with the current operation.

^{*}Calculations based on 6230 gallons/month (833 cu.ft.)

^{**} Sewer-only utility.

⁺ Water-only utilities.

• Implement revenue recovery program. In FY04, the Water Department recovered an additional \$2 million through the operation of its highly successful Revenue Protection Program. Now in its fourth year of operation, this program addresses billing discrepancies uncovered, in part, as a result of the implementation of the Department's Automatic Meter Reading (AMR) program. Through FY04 this proactive revenue enhancement program has recovered billings in excess of \$13 million. Projections for revenue recovery are \$2 million annually in FY05 and FY06.

PROJECTED REVENUE AND REVENUE REQUIREMENTS RATES EFFECTIVE FEBRUARY 1, 2005

(in thousands of dollars)

No.					iding June 30		` a l
NO.	Description	2005	2006	2007	2008	2009	2010
	OFERATING REVENUE			••	***		, ,
1	Water Service - Existing Rates	140,792	140,227	140,323	139,514	138,449	137,5
2	Wastewater Service - Existing Rates	254,791	254,193	253,812	253,248	251,997	250,6
3	Total Service Revenue - Existing Rates	395 , 583	394,420	394,135	392,762	390,446	388,2
	Additional Service Revenue Required						
	Percent Months						
	Year Increase Effective					*	
4	FY 2005 9.75% 5	16,071	38,456	38,428	38,294	38,068	37,8
5	FY 2006 5.70% 12 1		24,674	24,656	24,570	24,425	24,2
6	FY 2007 5.70% 12	•		26,061	25,971	25,818	25,6
7	FY 2008 5.70% 12				27,451	27,289	27,1
8	FY 2009 4.00% 12				٠.	20,242	20,1
9	FY 2010 4.00% 12						20,9
10		16,071	63,130	89,145	116,286	135,842	
	Total Additional Service Revenue Required	-	_	-	•		156,0
11	Total Water & Wastewater Service Revenue	411,654	457,550	483,280	509,048	526,288	544,2
12	Transfer From/(To) Rate Stabilization Fund Other Income (a)	46,500	28,100	12,000	18,500	13,500	8,0
13	Other Operating Revenue	13.613	13,567	13,542	13.496	13,445	13,3
14	Construction Fund Interest Income	2,045	3,753	2,080	5,947	4,231	2,4
E 5	Debt Reserve Fund Interest Income	0	325	325	954	954	79
t6	Operating Fund Interest Income	1,367	1,391	1,418	1,411	1,432	1,4
17	Rate Stabilization Interest Income	2,128	1,375	970	662	338	1
18	Total Revenues	477,307	506,061	513,615	550,018	560,188	570,6
40	OPERATING EXPENSES	417,501	300,002	243,042	330,018	200,100	370,0
19	Water & Wastewater Operations	233,213	239,912	245,926	255,608	264,160	273,0
20	Direct Interdepartmental Charges	55,468	56,173	57,276	59,321	61,031	62,7
21		288,681	296,085	303,202	314,929	325,191	
-	Total Operating Expenses	•	•	-	•	•	335,8
22	NET REVENUES AFTER OPERATIONS	188,626	209,976	210,413	235,089	234,997	234,7
	DEBT SERVICE						
	Senior Debt Service						
	Revenue Bonds						
23	Outstanding Bonds (b)	156,776	157,337	157,340	157,350	157,343	157,3
24	Pennyest Parity Bonds	384	384	384	384	384	3
25	Projected Future Bonds (c)	0	17,201	17,201	37,843	37,843	37,8
26	Total Senior Debt Service	157,160	174,922	174,925	195,577	195,570	195,5
27	TOTAL SENIOR DEBT SERVICE COVERAGE (L22/L26)	1.20 x	1.20 x	1.20 x	1.20 x	1.20 x	1.2
•	Subordinate Debt Service						•
28	Outstanding General Obligation Bonds	0	0	0	0	0	
29	Pennyest Subordinate Bonds	1,227	1,227	1,227	1,227	1,227	1,2
10	Total Subordinate Debt Service	1,227	1,227	1,227	1,227	1,227	1,2
31	Total Debt Service on Bonds	158,387	176,149	176,152	196,804	196,797	196,7
12	CAPITAL ACCOUNT DEPOSIT	16,708	17,068	17,428	17,788	18,148	18,5
13	TOTAL COVERAGE (L22/(L31+L32))	1.07 x	1.08 x	x 80,1	1.09 x	1.09 x	1.0
	residual fund						
34	Beginning of Year Balance	10,997	3,541	4,301	4,634	4,131	4,1
35	Interest Income	- 13	0	. 0	0	0	
	Plus						
-	E. L. Cifer Brown B. 19.1	13,531	16,759	16,833	20,497	20.052	19,4
	End of Year Kevenne rund Ballace			4,994	4,994	4,994	4,5
36	End of Year Revenue Fund Balance Deposit for Transfer to City General Fund (d)	A 07A	4 002		マ・ファマ	7,777	7,3
16	Deposit for Transfer to City General Fund (d)	4,924	4,994	.,2.,	•		
1 6 17	Deposit for Transfer to City General Fund (d) Less:					20.000	10.4
16 17	Deposit for Transfer to City General Fund (d) Less: Transfer to Construction Fund	21,090	16,000	16,500	21,000	20,000	
16 17	Deposit for Transfer to City General Fund (d) Less: Transfer to Construction Fund Fransfer to City General Fund	21,000 4,924	16,000 4,994		21,000 4,994	20,000 4,994	4,5
	Deposit for Transfer to City General Fund (d) Less: Transfer to Construction Fund Fransfer to City General Fund End of Year Balance	21,090	16,000	16,500	21,000		4,5
16 17 18	Deposit for Transfer to City General Fund (d) Less: Transfer to Construction Fund Fransfer to City General Fund	21,000 4,924	16,000 4,994	16,500 4,994	21,000 4,994	4,994	4,9
16 17 18 19	Deposit for Transfer to City General Fund (d) Less: Transfer to Construction Fund Fransfer to City General Fund End of Year Balance RATE STABILIZATION FUND	21,000 4,924 3,541	16,000 4,994	16,500 4,994 4,634	21,000 4,994 4,131	4,994 4,184	4,9
36 37 38	Deposit for Transfer to City General Fund (d) Less: Transfer to Construction Fund Fransfer to City General Fund End of Year Balance	21,000 4,924	16,000 4,994 4,301	16,500 4,994	21,000 4,994	4,994	19,5 4,9 4,1 9,9 (8,0

⁽a) Includes other operating and nonoperating income, including interest income on funds and accounts transferrable to the Revenue Fund.

⁽b) Assumes a variable rate of 4.00% over the life of the Variable Rate Series 1997B Bonds.

⁽c) Assumes 5.50% interest, term of 30 years, with level annual principal and interest payments.

(d) Transfer of interest carnings from the Bond Reserve Account must first go to the Residual Fund as shown in Line 37 to satisfy the requirements for the transfer to the City General Fund, with the balance included in Line 15 going to the Revenue Fund.

Division of Aviation

Mission

The mission of the Division of Aviation (DOA) is threefold: Develop and operate premier air transportation facilities; maintain superior standards of customer service and convenience; and achieve the highest levels of safety, security, cleanliness and efficiency. Philadelphia International Airport (PHL) and Northeast Philadelphia Airport (PNE) comprise the Philadelphia Airport System (the Airport), which is owned by the City of Philadelphia and operated by the DOA of the City's Department of Commerce. Both airports are self-sustaining. Revenue sources that fund airport operations include terminal building space rentals, landing fees, net parking revenue, and concession fees.

Service at Philadelphia International Airport

Philadelphia International Airport, the nation's 17th busiest airport in terms of passenger traffic, experienced unprecedented successes in its air service in 2004. In the Fiscal Year ending June 30, PHL processed a record 26.1 million passengers – a mark that eclipsed the FY03 total by 8 percent. In addition, in FY04, an unprecedented 3.8 million international passengers passed through PHL, up 20.2 percent from FY03. In October 2004, the U.S. Department of Transportation's Bureau of Transportation Statistics reported that airfares at PHL decreased 9.9 percent from April to June 2004 compared with the same period in 2003, which is the greatest savings achieved in the nation's 85 largest airline markets. PHL's dramatic decrease in airfares contrasts sharply with the national trend, in which airfares rose 0.4 percent. PHL is an economic, customer service, and community relations success story for the entire region. In recent years, PHL has won an impressive number of industry citations and awards, including being named one of America's five best airports by the Wall Street Journal in 2001; receiving more than a dozen awards over the past several years for its food, beverage, and retail program; being ranked third among major airports for wireless connectivity convenience in 2003; and receiving an award from the FAA in FY04 for continued excellence in meeting federal safety inspection standards. In addition to the success of PHL, Northeast Philadelphia Airport was designated as the best general service airport in Pennsylvania by PennDOT's Bureau of Aviation in FY05.

Organizational Objectives and Targeted Initiatives

Create positive experiences by providing world-class amenities and competitive air service options that attract and retain customers

Continue to promote the Airport to low fare carriers. The surge in passenger traffic at the only major airport serving the country's fifth largest metropolitan area was buoyed by the arrival of two new low-cost carriers. Southwest Airlines and Frontier Airlines, which began serving the Philadelphia region in 2004. In October 2004, Southwest Airlines increased the number of daily departures from 14 to 41. The addition of Southwest and Frontier expanded PHL's family of low-cost carriers to six, with Air Tran Airways, American West Airlines, ATA, and USA3000 also flying from PHL. In response to the influx of low-cost carriers, US

Airways, the dominant carrier at PHL, reduced fares on many routes. The low-fare competition is expected to save the region's travelers more than \$200 million annually.

- Increase the number of destination options. In 2004, US Airways began the first non-stop service between Philadelphia and Scotland when it inaugurated daily flights to Glasgow on May 10. Glasgow became the 11th European destination served non-stop from Philadelphia, joining London, Manchester, Shannon, Dublin, Rome, Madrid, Paris, Amsterdam, Frankfurt and Munich. US Airways announced plans to add its 12th and 13th European destinations in early 2005 with service to Barcelona, Spain and Venice, Italy.
- Develop a new Airport-Airline use and lease agreement. The Airport has operated under a lease agreement with its major airline tenants since 1974. This agreement, which expires in June 2006, does not reflect the current economic conditions of the aviation industry because it provides airlines with "exclusive-use" of their leased gates, whether they are being fully utilized or not. As new gates open, the airport has eliminated granting exclusive-use rights; instead, leases provide for a "preferential-use" or "common use" basis. These provisions protect the Airport from situations in which one carrier monopolizes a gate or gates and does not achieve maximum utilization of the gate, thereby blocking access to competitors and generating less revenue for the airport. The Airport initiated negotiations with airline representatives during the summer of 2004, and expects to have a new agreement in place by July 2005.

Continue to provide a safe and secure environment to inspire passenger and community confidence

• Implement new security measures. PHL is currently in the design process for an expanded, \$185 million Terminal D/E screening facility, which will include 12 to 14 new high-tech passenger screening lanes. The new facility will provide for up to 10 integrated high-speed in-line Explosive Detection System (EDS) machines to process passenger baggage in a safe and more expeditious manner. An additional screening lane is scheduled for completion in Terminal D in fall 2005 in preparation for the Terminal D/E checkpoint expansion project. In order to move forward with the project, PHL must receive approval from airlines and City Council.

One hundred percent in-line checked baggage systems are currently in place at International Terminal A-West, with design underway for Terminals A-East, B/C, and D/E. The A-West system includes a centralized baggage screening control room for the operation of up to 15 CTX 9000 EDS machines. PHL currently has more than 1,300 closed-circuit television cameras throughout the Airport facility that work in conjunction with the Security Access Control System to maintain a safe and secure environment for passengers and employees. The federal Transportation Security Administration (TSA) has also enhanced its passenger screening policy to require the removal of the passenger's outermost garment before passing through the magnetometer. In addition, the TSA is authorized to increase hand searches or pat-downs when screeners identify passengers wearing loose or baggy clothing.

Expand Airport facilities to ensure adequate capacity to meet demand for air travel

- Terminal A East upgrade. After the completion of the \$550 million Terminal A West in May 2003, the Airport upgraded and modified the existing Terminal A East, and improved operations space and concession areas. The second phase of the project is a \$10 million improvement package to upgrade Terminal A East leasehold areas, such as hold-rooms, ticketing pavilion, and bag claim facilities. PHL projects to complete this second phase in the summer of 2006.
- Expand Terminal D/E. Philadelphia International Airport has commenced a major capital improvement project to be completed in FY08, consisting of the expansion of Terminals D and E. This project includes approximately 222,000 square feet of expansion, which will provide PHL with three additional jet gates, 23 ticket counter positions, at least 5 additional security screening lanes, and 2 additional baggage claim carousels. The scope of the project includes:
 - New Terminal E hammerhead
 - Apron work on the E hammerhead
 - Renovation of Terminals D and E baggage claim buildings
 - New baggage handling system at the ground level
 - Terminal D and E security building connections
 - Construction of a third level to accommodate Division of Aviation offices
 - New airline club on the third level
 - Additional airline holdroom, clubroom, office and operations space
 - Additional concession space
 - Renovation of the existing terminal
- Master Plan: Expedite Environmental Impact Study (EIS). The Federal Aviation Administration (FAA) has identified the Philadelphia International Airport (PHL) as one of the airports contributing to delays throughout the national airport system. Delays at PHL are occurring partly because the primary runways are congested, while the secondary runways are underused. To provide relief from the existing delays as soon as feasible, two separate projects proposed by the City are undergoing EIS scrutiny concurrently. These projects include the Runway 17-35 Extension Project, which will reduce delays in the short-term (2007), and the Capacity Enhancement Program, which will reduce delays in the long-term (2015).
 - Runway Improvement Project, 17-35 Extension The short-term solution to PHL's airfield capacity problem is being pursued through the extension of existing Runway 17-35. Extension of the 5,460 foot runway by 1,000 feet will allow for greater utilization by regional jets. Completion of the project would provide for immediate delay reduction.
 - Capacity Enhancement Program (CEP) PHL is in the final stages of a master planning process that has evaluated the Airport's existing airfield and suggested improvements to improve its air operations. The FAA has concurred that capacity and delay problems

exist at PHL. The long-term proposed solution is a major airfield redevelopment project referred to as the CEP. Three alternatives were considered by the FAA, including a no build option. The two construction options impact all four existing runways. One of the two final development concepts, referred to as the "Parallel Alternative," involves new runway adjustments to increase runway separation and the extension of other existing runways. This will permit smaller (primarily commuter and general aviation) aircraft to be segregated from larger commercial aircraft, thereby permitting both types of aircraft to operate in a more compatible environment. The other alternative, called the "Diagonal Alternative," would use the existing Airport infrastructure to the extent possible, while integrating four new runways diagonally across the existing airfield, ultimately leading to the complete redevelopment of the Airport.

Act back too

Aviation Fund Five Year Financial Plan Fiscal Years 2006 - 2010 All Departments

All the water to the

		Antzopur	iiciics		32 77.38	
	FY2005 Estimate	FY2006	FY2007	FY2008	FY2009	FY2010
Revenues Charles and Sparing				***********	· 	
Locally Generated Non-Tax Passenger Facility Charges From Other Governments From Other Funds	248,000,000 33,000,000 2,300,000 500,000	256,881,000 33,000,000 2,300,000 500,000	251,983,000 33,000,000 2,300,000 500,000	268,229,000 33,000,000 2,300,000 590,000	270,228,000 33,000,000 2,300,000 500,000	271,741,000 33,000,000 2,300,000 500,000
Total Revenues	283,800,000	292,681,000	287,783,000	304,029,000	306,028,000	307,541,000
	· · · ·	•		19 0 10 \$2 6 60		
Obligations	on is with the	er i		a de la companya de La companya de la co	Survey Services	
Personal Services	53,199,190	55,722,961	57,395,000	59,691,000	59,691,000	59,691,000
Personal Services - FB	23,579,000	26,229,000	27,016,000	28,097,000	28,097,000	28,097,000
Subtotal Personal Services	76,778,190	81,951,961	84,411,000	87,788,000	87,788,000	87,788,000
Purchase of Services	84,278,085	91,357,085	92,727,000	94,118,000	95,530,000	96,963,000
Materials & Supplies	9,116,210	9,361,210	9,502,000	9,645,000	9,790,000	9,937,000
Equipment	6,582,894	7,545,293	7,500,000	7,500,000	7,500,000	7,500,000
Contrib., Indemnities & Taxes	3,538,000	4,012,000	4,000,000	4,000,000	4,000,000	4,000,000
Debt Service	101,764,334	94,947,451	87,039,000	96,981,000	96,983,000	97,059,000
Payments to Other Funds	12,173,000	7,201,000	5,000,000	5,000,000	5,000,000	5,000,000
Advances & Misc. Payments	500,000	•	_ <u>-</u>		- 14 (1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	•
Total Obligations	294,730,713	296,376,000	290,179,000	305,032,000	306,591,000	308,247,000
Operating Surplus / (Deficit)	(10,930,713)	(3,695,000)	(2,3 96 ,000)	(1,003,000)	(563,000)	(706,000)
Fund Balance						
Prior Year	24,269,859	18,339,146	20,644,000	24,248,000	29,245,000	34,682,000
Commitments Caricelled	5,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Adjusted Fund Balance	29,269,859	24,339,146	26,644,000	30,248,000	35,245,000	40,682,000
Year End	18,339,146	20,644,146	24,248,000	29,245,000	34,682,000	39,976,000

Philadelphia Gas Works

As the largest municipally owned natural gas utility in the nation, Philadelphia Gas Works (PGW) maintains a distribution system of approximately 6,000 miles of service lines and distribution mains, and serves approximately 519,000 customers. The utility also operates facilities for the liquefaction, storage, and vaporization of natural gas, which supplements gas supply taken directly from interstate pipeline and storage companies.

Founded in 1835, and owned and operated by the City since 1841, PGW is not a corporation or legal entity in the usual sense. Rather, it is the collective name of a group of real and personal City assets used to supply natural gas within the city limits and managed by outside entities created or authorized by the City. PGW currently operates under a management agreement with the nonprofit Philadelphia Facilities Management Corporation (PFMC), established in 1972 by the City for the purpose of operating the utility. Under the agreement, PFMC, which is governed by a board appointed by the Mayor, manages PGW through a cadre of three senior corporate officers and other personnel it considers necessary. The agreement also vests the Philadelphia Gas Commission (PGC)—composed of the independently elected City Controller, two mayoral appointees, and two appointees of City Council—with the responsibility for approval of PFMC senior personnel appointments, PGW's operating budget and any short-term loans, as well as review of the company's gas supply contracts and capital budgets with recommendations to City Council, which must approve them. Ratemaking and general regulatory authority over the adequacy, reliability and quality of service were transferred by statute to the Pennsylvania Public Utility Commission, effective July 1, 2000.

Addressing the Challenges at PGW

Since 1998, PGW has been buffeted by an almost overwhelming array of managerial, operational, regulatory and financial challenges. As Philadelphia's population shrank from 1.9 million in 1970 to 1.5 million in 2000, the residential base became poorer and more elderly. During that same period, many of PGW's large industrial and commercial customers closed or left the city. As a result, a large proportion of customers routinely have difficulty paying PGW bills. Meanwhile, others who can pay enter into and later routinely break payment arrangements; a defacto regulatory moratorium on shut offs during the winter season historically provided them with protection. Collection problems were exacerbated by a massive failure of a computerized billing system in 1999, the subsequent and related collapse of the company's call center operations; and historically high natural-gas prices, passed partially on to customers during the winter of 2000-2001. Yet the company had not been allowed to raise its base rates in ten years, even as several warm winters eroded the utility's operating margins, and unpaid customer bills mounted.

By August 2001, PGW was left with \$933.4 million in long-term debt and \$204.5 million in equity, an 84.8 percent to 15.2 percent allocation between debt and equity, as compared to an industry best practice of 70 percent to 30 percent. The utility was also carrying \$78 million in short-term borrowing that had been intended only to meet seasonal cash flow requirements, and had taken a \$45 million working-capital loan from the City in December 2000.

This precarious financial situation raised concern that PGW might be unable to repay the City's loan or even make its annual, legally required \$18 million payment to the City's General Fund. Compounding this bleak picture were an expensive, constraining labor contract that covered three-quarters of the company's workforce, and fiduciary practices inconsistent with sound and efficient management principles.

By August 2003, the company had made substantial progress in its efforts to reform its operations and come into compliance with PUC regulations, as it moved completely under the purview of the PUC on September 1, 2003. Starting in FY02, the company was confronted with a new and critical problem: The unprecedented increase in the commodity costs of natural gas. The annual bill for the average customer per year has increased from approximately \$900 in FY02 to \$1,400 in FY04, and is projected to exceed \$1,600 in FY05. Such increases have placed an almost overwhelming burden on many of PGW's customers. One consequence has been a marked increase in the provision for its uncollectible accounts. Progress in containing operations costs has been overtaken by increases in bad debt expense, employee healthcare costs, and a pension expense up from \$2.5 million in FY01 to \$13 million in FY03 as a result of changes in the financial markets. In FY04, the City forgave the \$18 million payment, enabling PGW to utilize the cash for working capital purposes and improve overall liquidity. The City also committed to forgo the annual \$18 million payment from FY05 through FY08, allowing PGW to build up sufficient liquidity to satisfy requirements of rating agencies, which had downgraded PGW's bond ratings. PGW anticipates that the \$18 million payment will be made to the City in FY09. PGW also expects to repay the outstanding \$45 million City loan in August 2008.

Although progress has been steady and, as indicated above, often subject to forces outside the utility's control, PGW's management team, headed by a new permanent chief executive officer, has achieved a dramatic turnaround. Among the highlights of PGW's achievements in financial and operational stability:

Cost-Saving Initiatives. As a result of substantial changes to its collective-bargaining agreement with Local 686 of the Gas Works Employees' Union in 2001, increased management flexibility is on track to save \$76.5 million over five years beginning in FY02, including \$9.5 million the first year. During FY02, PGW was able to reduce its annual non-gas operating expenses by 4.3 percent or \$9.6 million (from \$221.6 million to \$212.0 million). Almost \$9 million of those savings are potentially recurring in the areas of collections, field services, customer services and marketing.

Operational Improvements. PGW has achieved ongoing savings from operations while addressing a number of major challenges. Management repaired the billing, collections and customer-service (BCCS) system, the July 1999 implementation of which had initially resulted in 55,000 processing errors and 70,000 estimated or unbilled accounts. Today, BCCS' operations are well within industry standards and the company is meeting industry norms of customer satisfaction. The company expanded collection operations and reduced net receivables by \$29.5 million during FY02. However, as a result of colder weather conditions and escalating natural gas prices, bad debt as a percentage of billed gas revenues rose to 11.2 percent in FY03,

up from 11 percent at the end of FY00. PGW's net receivable at the end of FY03 rose by \$26.3 million. The FY03 level was sustained in FY04 despite a further substantial increase in the cost of gas. For this fiscal year, the PGW fiscal outlook has improved, due to collections at the 94 percent level and a 50 percent drop in the cost of natural gas since the Fall.

PGW has also made significant strides in customer service. In 1999, customers calling PGW waited an average of 12 minutes to talk with a service representative. With the implementation of a customer service initiative in June 2001, PGW has been successful in managing and training call center personnel, who now answer 79.3 percent of all non-emergency calls within 30 seconds, moving PGW's performance from last place in the Commonwealth to the full compliance level. Dramatic improvement, sustained throughout FY02, prevented a potential PUC order to compel PGW to contract out its call center operations. In December 2002, PGW resumed its guarantee of a 48-hour response time to service calls from customers enrolled in its parts-and-labor repair program. In 2004, PGW continues to provide this high grade of service to its customers.

During FY03, the company also undertook efforts to complete re-engineering of three areas: human resources, information technology and its 1,000-person field force department. The company successfully implemented a payroll system along with its first automated human resources information system. The Information Technology Department was reorganized to directly support individual departments while cutting costs. Most important, management has undertaken a full restructuring of distribution and field services functions so as to increase productivity, address additional requirements of PUC compliance, and reduce costs.

During FY04, management undertook percent reengineering of the Collections Department. Confronted with a 1993 collection rate of only 87 percent due to an unprecedented increase in gas costs, the company returned to its customary performance level of collecting 92 percent in FY04. In FY05, PGW will have the full capabilities of an independent collection agency.

Regulatory Relief. After ten years without a rate increase, PGW was awarded a total of \$69.6 million in permanent base-rate relief from the PUC in 2001 and 2002. Of that amount, \$36 million was emergency relief for preservation of the utility's overall liquidity and access to capital markets, following an historically warm winter, which cut the projected annual "contribution margin" (total operating revenues less fuel cost) by \$33.1 million. In August 2002, PGW also persuaded the PUC to permit implementation of a "weather-normalization adjustment," which raises customer charges in warmer-than-normal winters and lowers them in colder ones. This adjustment, which is unprecedented in Pennsylvania but implemented in 18 other states, benefits PGW and its customers by helping to stabilize the utility's finances and billing charges against the vagaries of winter weather.

Legislative Action. Facing increasing resistance from customers who in turn are faced with overwhelming bills to make timely remittances, PGW has sought the help of the Pennsylvania Legislature to allow more flexibility to gas, electric and water utilities in securing payment. The change in law took effect in December 2004 and grants PGW enhanced rights in the areas of deposits, payment agreements, terminations and winter shut-offs.

Mitigated Financial Risk. The \$36 million in emergency rate relief, along with City Council's approval of PGW's request to defer repayment of the \$45 million City loan until August 2008, resulted in Standard and Poor's May 2002 removal of PGW's bonds from "CreditWatch with negative implications," after nearly two years. In August 2002, the company also negotiated the removal of a commercial-paper "ratings-trigger" that would have caused the entire debt balance (currently \$79.8 million) to become due if two of the three major bond rating agencies lowered PGW's ratings to below investment grade for a period of six months. Any such sudden termination of the commercial-paper program would almost certainly have required new financing from ratepayers, the City's General Fund, or both. With the increase in gas costs and consequent effects on both the customers' ability to pay and the company's liquidity in FY04, management anticipates further legislative and regulatory proposals and operational changes to increase PGW's cash flow so as to maintain its financial rating.

Capital Enhancements. Since FY01, even in the face of extreme financial uncertainty. PGW has met expert recommendations for replacing or abandoning its inventory of cast-iron main. During the summer of 2002, the utility also completed \$20 million in improvements to its Port Richmond liquefied natural gas (LNG) facility, one of the largest in the United States. PGW is currently testing its expanded LNG capacity. Once the plant is fully operational, the company will be able to liquefy and store natural gas year-round, allowing it to better serve its customers and market liquefaction and related services to other companies. The new revenue stream will enable the company to fund capital projects on a pay-as-you-go basis, rather than from capital debt, which will be more economical in the long run.

Contraction of the series

Restructuring. In addition to rate regulation by the PUC, the Gas Choice Act required that PGW allow its retail customers to choose their natural gas suppliers beginning on September 1, 2003. The implementation of customer choice, known as "restructuring," meant that the company had to "unbundle" its rates, charging separately for gas supply and gas-transportation services, and institute mechanisms for customers to buy gas from other companies, even as PGW continued to serve as a regulated gas distribution monopoly and supplier of last resort.

PGW's Restructuring Plan was approved by the PUC, indicating PUC acceptance of PGW's compliance with standards for customer service, rates, and safety and reliability.

The PUC approved a new "universal service charge" that provides for recovery of costs associated with the various state-mandated programs for low-income households. The PUC also approved a new "restructuring surcharge" to recover the costs of the restructuring process, resulting in a marginal increase to the typical residential customer's annual charges beginning with the FY03-FY04 heating season.

The most significant restructuring costs are generated by the need to modify the billing and collection system to accommodate customer choice and Public Utility Code requirements; test and replace all gas meters on a 15-year schedule, which will require a complete overhaul of the company's gas-meter maintenance shop; and enter every customer's premises at least once every

five years to conduct a gas leak survey, even though none of the 56 incidents PGW reported in the last 30 years has resulted from such leaks.

PGW's Challenges Ahead

Real progress has been made by the Administration and PGW managers in reforming an organization whose mode of operation had put the City's General Fund at risk. Much of the progress has resulted from the resolution of the more immediate crises facing PGW. Also essential and still to come is a strategic effort driven by clear operational and fiscal goals that, in part, balance PGW's continued financial viability with its responsibilities to customers, many of whom face severe financial challenges of their own.

When Standard and Poors removed PGW from "CreditWatch," it nonetheless maintained its "negative outlook" on the bonds because of "uncertainty regarding a long-term strategic plan." With past crises under control, permanent management in place, a working relationship with the PUC established, PGW's financial condition and statutory responsibilities to citizens having been addressed, PGW is turning its attention toward long-term strategic concerns. Senior PGW managers are finally able to look beyond the company's day-to-day operations for strategic opportunities to better serve customers, further lower costs and raise new revenues to ensure the company's fiscal health. The recent law addressing PGW's credit and collections policies is indicative of this change of focus. In addition, in late November 2004, PGW issued an RFP to expand the Richmond LNG facility into an LNG terminal. PGW anticipates partnering with a major, multi-national energy company to receive LNG tankers from around the world, vaporize the fuel, and inject it into the interstate pipeline system. With no capital investment of its own, PGW would nonetheless receive substantial revenues for performing this "tolling" function.

PGW's shift in orientation from crisis management to strategic management better positions it to meet its most imminent challenges:

Financial Stability. PGW will continue to contend with a relatively old and impoverished customer base, with 129,450 of the 491,500 residential customers living at or below the federal poverty level. PGW leads Pennsylvania in the number of customers receiving cash assistance through the federal Low Income Home Energy Assistance Program (LIHEAP) and similar grants for the payment of gas bills. Already successful in generating this federal aid, PGW went a step further and re-energized its LIHEAP outreach efforts over the last few years. As a result, between FY00 and FY03, the number of households receiving assistance grew from approximately 58,000 to about 71,000, a 32 percent increase (as compared with only a 20 percent increase for the entire Commonwealth). In September 2004, the PAPUC voted to discontinue the Senior Citizen Discount Program for all customers reaching the age of 65 after September 1, 2003. However, because the final position presented to the PAPUC by PGW reflected an agreement between the Mayor and City Council to keep the 20 percent discount for elderly people of modest or little income through a means test, PGW will appeal the PAPUC's decision on this important public policy issue.

PGW's March 2004 request for approval of a Cash Receipts Reconciliation Clause, designed to track the inability of PGW's customers to pay the substantially increased cost of natural gas and to provide a floor under PGW's cash position, was turned down by the PUC. However, waivers from certain PUC customer service regulations, along with legislative action recently approved by the Commonwealth of Pennsylvania anticipates may enable approximately \$18 to \$20 million in annual benefits through enhanced collection procedures.

Capital Investments. Among the concerns raised in Standard and Poors May 2002 statement on PGW was the need for the company to implement a comprehensive capital-improvement plan. In December 2002, City Council approved PGW's six-year (FY03-FY08), \$431.5 million capital program, which emphasizes the safety and reliability of the gas system and is financed in part by \$125 million in new bonds. To continue the program of capital improvements, the company issued \$130 million of new bonds in October 2004.

PGW has accelerated the reduction of cast-iron pipelines and is replacing them with polyurethane or steel pipeline. The utility reduced the inventory by 21.4 miles in FY02, 22.6 miles in FY03 and 18 miles in FY04, at a total FY03-FY08 cost of \$284.6 million. Additionally, the capital program will finance certain restructuring costs, such as BCCS/mobile dispatch system modifications and meter shop renovations, as well as security enhancements.

While the outlook for PGW has improved considerably, its financial forecast depends on several key assumptions. For example, paying down short-term debt as planned and fully funding anticipated capital expenditures will require \$35 million per year in new cost savings, added revenues, or both, from FY07 to FY09. Forecasts also assume that annual FY04-FY09 bad debt levels stabilize at between \$63 million and \$65 million annually, down from the \$85 million high in FY03. Achieving these levels will probably require a slight decline in gas costs consistent with current gas price projections, as well as even more aggressive bill collection efforts. Should PGW's financial forecasts prove accurate, the 8 percent ratio of bad debt to billed gas revenues will still be much higher than industry standards of 1 percent to 3 percent.



Appendix IV Long-term Obligations

SINKING FUND COMMISSION GENERAL FUND OPERATING BUDGET - ESTIMATES FISCAL YEARS 2006 to 2010

DESCRIPTION	200 6	2007	2008	2009	2010
200 PURCHASE OF SERVICES					
200 Long Term Leases	85,836,788	91,027,524	83,352,364	87,869,529	88,339,263
700 DEBT SERVICE					
701 Total Interest on City Debt LT	45,479,225	54,601,521	56,328,738	57,740,219	55,886,804
702 Total Principal on City Debt LT	19,960,000	26,317,000	30,940,000	37,460,000	39,287,000
703 Interest on City Debt Short Term	11,125,000	11,125,000	12,125,000	13,125,000	13,125,000
704 Sinking Fund Reserve Payments	2,370,731	1,337,250	1,338,100	1,337,600	1,335,650
705 Committment Fee Expense	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
706 Arbitrage Payments	350,000	350,000	350,000	350,000	350,000
Total Class 700	80,284,956	94,730,771	102,081,838	111,012,819	110,984,454
Total All Classes	166,121,744	185,758,295	185,434,202	198,882,348	199,323,717



Appendix V
Other Statutory Requirements
General Fund

CITY OF PHILADELPHIA

FY2006-2010 Five Year Financial Plan

SUMMARY OF OPERATIONSFISCAL YEARS 2004 TO 2010

(Amounts in Thousands)

FUND .

, ,	General -		-	٠.	- ,			
	e , e e	F.Y. 2004	F.Y. 2005	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009	F.Y. 2010
NO.	page 1 to the state of the stat	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
(1)	(2)	(4)	(5)	(6)	m	(8)	(9)	(9) :⊴∷
	OPERATIONS OF FISCAL YEAR REVENUES				 .:			
1	Taxes	2,059,625	2,160,583	2,153,545	2,202,352	2,254,877	2,302,778	2,310,338
~ ÷.2	Locally Generated Non-Tax Revenues	207,382	204,859	239,316		E	261,759	261,860
. 3	Revenue from Other Governments	801,050	1,040,707	1,046,395	1,061,210	1,118,419	1,201,782	1,195,254
4	Sub-Total (1) + (2) + (3)	3,068,057	3,406,149	3,439,256	3,496,979	3,621,750	3,766,319	3,767,452
5	Revenue from Other Funds of City	24,732	28,873	27,574	27,578	26,992	27,414	27,845
6	Total - Revenue (4) + (5)	3,092,789	3,435,022	3,466,830	3,524,557	3,648,741	3,793,733	3,795,298
7	Revenues Reserved for PICA Concerns	0	Q	-7,000	-7,000	0	0	0
8	Total Revenue and Other Sources (6)+(7)	3,092,789	3,435,022	3,459,830	3,517,557	3,648,741	3,793,733	3,795,298
į	OBLIGATIONS/APPROPRIATIONS		-					
9	Personal Services	1,278,325	1,257,734	1,249,862	1,282,014	1,320,685	1,316,174	1,316,124
10	Personal Services-Employee Benefits	598,935	704,726	754,499	813,892	866,060	914,507	966,404
11	Sub-Total Employee Compensation	1,877,260	1,962,460	2,004,361	2,095,906	2,186,745	2,230,681	2,282,528
12	Purchase of Services	1,050,282	1,081,339	1,154,233	1,180,760	1,196,736	1,219,205	1,244,309
13	Materials, Supplies and Equipment	70,640	72,059	71,192	68,749	68,073	74,863	74,863
14	Contributions, Indemnities, and Taxes	95,141	111,133	109,332	108,632	108,382	89,018	88,519
15	Debt Service	93,719	90,673	80,285	94,731	102,082	111,013	110,985
16	Capital Budget Financing	0	0	0	0	0	0	€
17	Advances and Miscellaneous Payments	31,995	36,741	38,604	0	0	. 0	0
18	Sub-Total (11 thru 17)	3,219,037	3,354,405	3,458,007	3,548,778	3,662,018	3,724,780	3,801,204
19	Payments to Other Funds	29,137	25,158	24,268	24,321	24,488	24,488	24,488
20	Future Government Efficiencies	0	0		-18,000	-18,000	-12,000	-12,600
21	Total - Obligations (18+19+20)	3,248,174	3,379,563	3,482,275	3,555,099	3,668,506	3,737,268	3,813,692
22	Oper.Surplus (Deficit) for Fiscal Year (8-23)	-155,385	55,459	22,445	-37,542	119,765	56,465	-18,394
23	Prior Year Adjustments:						,	
24	Revenue Adjustments	o	0	0	0	0	0	(
25	Other Adjustments	17,267	18,000	18,000	18,000	18,000	16,000	16,000
26	Funding For Future Obligations	0	0	0	0	0	0	
27.	Total Prior Year Adjustments	17,267	18,000	18,000	18,000	18,000	16,000	16,000
	Adjusted Oper. Surplus/ (Deficit) (24+29)	-138,118	73,459	-4,445	-19,542	-1,765	72,465	-2,394
	OPERATIONS IN RESPECT TO							
- 1	PRIOR FISCAL YEARS	1						
	Fund Balance Available for Appropriation		1					
29	June 30 of Prior Fiscal Year	91,329	-46,789	26,670	22,225	2,684	919	73,384
1	Residual Equity Transfer	0	0,.0	0,0.0	0	· ' '	0	75,50
	Fund Balance Available for Appropriation	- "	<u>*</u>	, ,				`
- 1	June 30 (30)+(31) + (33)	-46,789	26,670	22,225	2,684	919	73,384	70,990
1	Ames 20 (20). (21) . (22)	70,707	20,070	to the gradient	29004	717	(3,30,4	70,770
. 1		. 1				1	l	

City of Philadelphia General Fund FY 2006 - 2010 Five Year Financial Plan Summary by Class

Expenditure Class	** Actual FY 04	Budgeted FY 05	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08	Projected FY 09	Projected FY 10
Portstones reside								<u> </u>
Class 100 - Wages / Bönefits	1,877,259,765	1,955,201,033	1,982,459,564	2,004,361,500	2,095,906,441	2,186,744,613	2,230,680,701	2,282,528,035
Class 200 - Contracts / Lasges	1,050,261,818	1.007.054,804	1,081,339,373	1,154,232,814	1,180,760,127	1,196,735,518	1,219,204,983	1,244,309,137
Class 300/400 - Supplies, Equipment	70,640,388	65,330,664	72,050,220	71,191,726	66,746,632	68,072,632	74,862,632	74,862,632
Class 500 - Indomnittés / Contributions	95,141,673	109,132,432	111,132,432	109,332,432	108,632,432	108,382,432	89,018,517	88,518,517
Class 709 - Debt Service	93,718,992	91,533,476	90,673,476	80,284,956	94,730,771	102,081,838	111,012,819	110,984,454
Class 800 - Payments to Other Funds	29,136,500	24,710,988	25,158,188	24,267,565	24,320,730	24,487,738	24,487,738	24,467,738
Class 900 - Advances / Misc. Payments	31,895,000	36,740,403	36,740,403	38,804,007	0	0	. 0	
Total	3,248,174,136	3,382,784,000	3,379,562,856	3,482,275,000	3,573,099,133	3,686,504,771	3,749,267,400	3,825,690,513

City of Philadelphia FY 2006 - 2010 Five Year Financial Plan General Fund Summary by Department

Department	Actual FY.04	Budgeted FY 05	Projected FY 05	Projected FY 96	Projected FY:87	Projected FY 08	Projected Projected	Projected FY 10
Departures.					1107			- E1 10 ·
Art Mijesum Subskly	2,250,008	· 2. • •	2,000,000	2,000,000	[©] 1,500,600	1,250,000	1,000,000	500,000
Alimater Kent Musicum Subsidy	291,396	0	269,875	270,000	245,000	220,000	170,000	120,000
Auditing Department (City/Controller's Office)	7,498,977	7,314,505	7,392,505	7,101,333	7,298,157	7,568,463	7,568,463	7,568,483
Board of Building Standards	100,182	121,054	121,804	² 117,277	120,761	125,545	125,545	125,545
Board of L & † Review	194,434	212,927	215,177	206,082	211,338	218,558	216,558	218,556
Board of Revision of Taxes	7,888,037	8,286,783	6,380,533	9,522,901	9,796,542	9,790,047	9,668,336	9,668,336
Samp William Penn	410,483	283,385	283,385	276,889	283,039	288,739	288,739	288,739
Capital Program Office	2,259,899	1,977,415	1,987,915	1,903,917	1,932,004	1,970,578	1,970,578	1,970,578
City Commissioners	8,460,392	7,960,206	6,026,191	8,026,191	8,205,668	8,398,366	8,396,366	8,398,366
City Council	13,342,856	18,916,166	14,758,166	14,514,074	14,690,246	15,151,921	15,151,921	15,151,921
Olly Planning Commission	3,345,690	3,108,866	3,147,866	3,294,061	3,290,020	3,283,681	3,283,681	3,283,681
Commerce Department	58,543,146	4,605,733	4,611,733	4,682,511	4,617,883	4,666,461	4,666,461	4,666,461
Commerce Department-Economic Stimulus	4,131,250	4,131,250	4,131,250	4,000,000	3,500,000	3,900,000	2,500,000	2,000,000
City Treasurer	735,383	768,041	728,382	681,259	695,573	715,230	715,230	715,230
Divid Center	233,663	271,427	· · · · •	0	0	0	0	
WI Service Commission	128,146	164,055	165,555	159,728	163,723	169,210	169,210	169,210
Nertral Quarter Sessions	4,818,161	4,486,116	4,567,866	4,347,650	4,475,498	4,651,074	4,651,074	4,651,074
žiminunity College Subsidy	22,467,924	22,467,924	22,467,924	22,467,924	22,467,924	22,467,924	22,467,924	22,467,924
Önvention Center Stibskiy	31,995,000	36,740,403	36,740,403	38,604,007	a	9	n ning	= ' o
Debt Service (Sinking Fund)	164,513,811	169,826,484	167,305,488	166,121,744	185,758,295	185,434,202	198,882,348	199,323,717
Nistrict Attorney	30,471,079	29,772,887	29,941,240	29,109,242	30,046,035	31,008,813	31,008,613	31,008,813
almount Park Commission	14,402,883	13,494,328	13,744,308	13,129,049	13,304,547	13,474,898	13,441,885	13,441,885
inance Department	25,454,962	14,569,891	18,918,831	18,239,318	18,232,555	18,371,779	14,296,806	14,296,806
Inance - Contib. School Dist/Tax Cuts	36,159,200	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000
inance - Employee Benefits	598,934,184	713,724,000	704,725,443	754,499,000	813,891,836	866,059,549	914,507,144	966,404,476
Trance - PGW Rental Reimbursement	0	18,000,000	18,000,000	16,000,000	16,000,000	18,000,000	o	.0
Tre Department	169,740,326	166,602,611	173,331,597	169,921,283	176,566,657	182,875,816	182,875,816	182,875,816
irst Judicial District	114,824,028	106,404,384	115,445,465	108,800,245	110,190,375	111,650,112	111,153,954	111,153,954
leet Management Office	39,175,114	38,892,834	42,024,874	38,749,600	38,360,694	38,315,295	38,171,633	38,171,633
leet Mgmt Vehicle Purchase	6,699,661	2,180,000	2,180,000	6,480,000	4,680,000	5,180,000	12,000,000	12,000,000
ree Library	36,057,882	36,526,075	37,278,139	38,767,617	39,250,867	39,581,604	39,341,670	39,341,670
lero Scholarship Awards	2,400	25,000	25,600	25,000	25,000	25,800	25,000	25,000
Historical Commission	257,684	325,618	328,618	316,325	324,906	336,690	336,690	336,690
formain Relations Commission	2,280,008	2,259,408	2,286,858	2,055,637	2,090,461	2,117,229	2,045,118	2,045,118
kiman Services Department	585,184,690	640,801,137	608,018,310	655,604,417	675,272,548	697,409,909	715,559,149	735,843,766
ndemnities	18,744,148	25,113,915	27,113,915	25,113,915	25,113,915	25,113,915	24,000,000	24,000,000
abor Relations, Mayor's Office of	461,129	494,752	497,002	490,025	503,583	522;203	522,203	522,203
aw Department	16,829,325	15,134,206	15,200,956	13,847,538	14,078,000	14,281,871	14,263,555	14,263,585

City of Philadelphia FY 2006 - 2010 Five Year Financial Plan General Fund Summary by Department

	Actual	Budgeted	Projected	Projected	Projected	Projected	Projected	Projected
Department	FY.04	FY.05	FY 05	FY 66		FY 08	FY-09	FY 10
		•		•	ð.			
Legal Services (lect Defenders Assoc.)	33,359,486	, 33,483 ,015	33,483,515	33,606,562	33,606,562	33,606,562	33,606,562	33,806,562
Licenses and Inspections Department	23,87 6,187	21,450,159	21,277,786	20.655,349	21,078,738	21,399,612	21,126,666	21,126,665
Licenses and inspections - Demolitions	. 0	, 0	. 0	8,000,000	0,000,000	8,000,000	6,000,000	0,000,000,8
Managing Director's Office	14,490,907	13,982,223	13,997,223	12,088,032	12,881,234	13,046,681	12,649,643	12,949,843
Majore Office	á,793,9 07	3,945,773	3,945,773	4,176,236	4,278,426	4,418,766	4,418,766	4,418,766
Mayor Admai Arts Program	. 0	064,623	864,623	. 849,211	865,492	867,852	887,852	687,852
Mayor's Office of Community Services	620,479	711,753	711,753	692,806	710,284	734,562	734,562	734,562
Mayor - Schokarstiges	199,944	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Mayor's Office of Information Services	12,760,943	11,179,254	11,613,754	11,363,778	11,476,633	11,476,236	11,302,196	11,302,196
Of, of Behavioral Health Montal Retardation Secs.	0	14,692,638	14,719,638	14,611,957	14,586,450	14,788,756	14,788,755	14,788,755
Office of Housing & Community Development	669,696	387,846	387,846	380,148	387,25 6	397,017	\$10,5 9£	*
Office of Emergency Services	15,341,442	15.5 11.322	21,107,204	17,000,150	18,032,312	18,203,348	18,192,266	18,192,280
Paisonid Department	4,838,130	4,568,071	4,624,321	4,300,956	4,337,392	4,307,111	4,307,111	4,307,141
Poice Department	402,847,821	470,506,502	470,500,502	480.230.753	493,386,703	511,382,480	510,693,907	510,593,907
Prisons System	184,370,286	179.925.799	167,005,834	186,613,381	188,711,280	191.472.420	191,326,872	191 326 672
Processing Decisioned	5,216,584	4,598,997	4,490,722	4,347,847	4 377 935	4,380,911	4,389,911	4,380,911
Public Health Displatment	115,791,072	105,784,817	106.459.308	107,040,128	107.687.262	108,983,790	108,451,232	108,451,232
Putific Report/ Department	49,279,378	45,271,511	45,274,990	46.132.262	47.342.465	47,939,546	48.273.969	48,987,425
Public Programy SEPTA Substay	. 0	57,034,000	57,634,900	59,216,000	60,263,000	61,601,000	63.066.000	64,717,000
Public Property - Speec Reputs	13,842,113	15,677,577	14,312,640	14,462,750	14,610,811	14,728,258	15,110,650	15,945,980
Public Property - (Miles)	26.223.637	26,369,036	26,389,036	26,468,000	27,638,000	26,648,000	29.028.000	29,158,000
Public Priggerty - Telecommunications	12,138,124	10,631,500	10,631,500	12.962.098	13,584,094	13,613,414	13,868,350	14,068,350
Records	8.452.093	7,278,959	7.333.959	7.769.025	7.860.239	7,832,505	7,816,780	7,816,780
Recreation Department	36,800,597	37,208,073	35,200,718	33,335,886	33,176,123	33,233,981	33,002,101	33,002,101
Recreation Stadium Complex	3,707,910	O , poode, o	0	0	0	٥	0	ال الماليمونيون
Refunds	51,445	500,000	500.000	500,000	600,000	500,000	500,000	500,000
Register of Wills	3,181,675	3.023.365	3,130,355	3,304,493	3,302,320	3,512,935	3,512,935	3,512,935
Revenue Department	16,582,001	17,803,989	17,988,469	17,656,159	17,443,382	17,069,918	16,876,859	16,876,699
Sheriffs Office	1 00			1 715	13.233.912		•	1 m 12 g
4. 2. 1980年 - 10 Carlotter - 10 Car	14,470,630	14,064,381	14,078,531	12,982,075 28,293,800	28,704,968	13,737,702 29,269,914	13,737,702	13,737,702
Streets Santation Obtain	32,754,093	27,797,190	28,177,884	3,7	1 1 m		29,214,070	29,214,070
	90,375,236	88,765.413	91,174,390	94,149,656	95,793,576	97,812,272	98,505,416	99,825,442
Tax Retirm Commission	362,475	20	۵۲. دکته مدد		· .Q	0 ممذشت		· · · · · · · · · · · · · · · · · · ·
Winester	127,344	175,000	175,000	775,000	175,000	175,000	175,000	175,000
Zoning Board of Adjustment	470,784	497,65 8	601,408	442,118	453,673	469,542	469,542	409,542
Total	3,248,174,136	3,382,784,000	3,379,502,656	3,482,275,000	3,573,099,133	3,686,504,771	3,749,267,400	3,625,690,513

City of Philadelphia FY 2006 - 2010 Five Year Financial Plan General Fund Estimated Fringe Benefit Allocation

	Actual	Budgeted	Projected	Budgeted	Budgeted ::	Budgeted	Budgeted	Budgeted
The state of the s	FY:04.	FY 05	FY05	FY 06	EY 07	FY 08	FY 00	FY 10
Unemployment Compensation	2,624,995	2,800,000	3,900,000	5,487,820	2,525,288	2,525,288	2,525,288	2,525,288
Employee Disability	49,317,452	40,100,000	42,100,000	40,947,710	41,947,710	41,947,710	41,947,710	41,947,710
Pension	170,560,293	253,110,000	243,305,000	279,273,000	316,693,000	343,795,000	358,607,000	367,386,000
Pention Obligation Bonds	58,883,289	66,327,000	66,327,000	70,506,305	74,670,321	78,762,063	83,138,660	94,356,908
RCA	60,622,939	03,900,000	63,900,000	62,606,571	62,288,940	62,102,899	62,067,526	62,087,526
Health / Medical	253,712,903	274,987,000	272,793,443	283,210,925	303,009,908	324,159,900	353,334,291	385,134,377
Group Life	7,088,900	7,200,000	7,200,000	7,093,105	7,193,105	7,293,105	7,393,105	7,493,106
Group Legal	4,227,276	4,400,000	4,400,000	4,273,564	4,373,564	4,373,564	4,373,564	4,373,564
Tool Allowance	58,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Flex Cash Payments	638,137	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,900,000
TOTAL	500,934,184	713,724,800	704,725,443	754,499,000	813,891,836	866,059,549	914,507,144	966,404,478
			14.21					

City of Philadelphia Fiscal Year 2006 Operating Budget FY 2006-2010 Five Year Plan General Fund Full-Time Positions

Department	FY 2004 Adopted Budget	FY 2005 Adopted Budget	FY 2006 Proposed	FY 2007 Proposed	FY 2008 Proposed	FY 2009 Proposed	FY 2010 Proposed
Atwater Kent Museum	6	5	5	5	5	5	:5
Auditing	132	125	116	116	116	116	116
Board of Building Standards	'2	. 2	. 2	2	. 2	2	2
Board of L.B. I Review	. 3	3		3	.3	3	· [3
Ed of Revision of Texes	160	163	160	155	154	154	154
Camp William Penn	. 34	A	.44	4	4	4	Á
Capital Program Office	.22	. 18	14	14	14	14	14
City Commissioners	101	96	91	/91	.91	.91	91
City Council	,216	205	195	195	195	195	195
City Planning Commission	357	,46	49	49		49	49
City Rep. Commerce	.27	.24	16	16	46	16	16
City Treasurer	15	`13	11	.11	-11	.14	11
Civic Carrier	. 3	Ŭ.		.0	-0	-0	.0
Civil Sepulce Commission	:3	. 2	,2	, :2	.2	- 2	2
Clerk of Quarter Sessions	128	122	118	118	118	118	118
District Altomey - Total	464	438	416	416	416	416	416
Civilian	442	421	400	400	400	400	400
Uniformed	.22	17	16	16	16	16	16
Fairmount Park	211	201	179	179	179	179	179
Finance	151	159	154	154	154	154	154
Fire (%)	2,518	2,302	2,345	2,345	2,345	2,345	2,345
Ciden	.430	130	121	121	121	121	121
Uniformed	2,388	2,172	2,224	2,224	2,224	2,224	2,224
First Middell District	2,082	1,996	1;852	4,852	1,852	1,852	1,652
Fleet Management	344	345	322	. 321	313	313	313
Free Library	738	699	731	731	731	731	731
Historical Commission	5	6	5	:5	-5	.5	5
Human Relations Commission	44	40	35	35	35	35	35
Human Services	1,950	1,816	1,718	1,718	1,718	1,718	1,718
Labor Relations	8	7	7	:7]	7	7.7	7
Law State State (State)	207	198	185	185	185	185	185
Licenses & Inspections	399	409	372	372	372	372	372
Managing Director	'92	85	73	73	.73	73	73
Mayor	48	46	47	47	47	47	47
Mayor's Office of Community Serv	20	17	17	17	. 17	17	. 17
Mayor's Office of Information Serv	120	102	103	103	103	103	103
Mural Aris Program	.0	16	17	.117	37	17	
Office of Behavioral Health/MR SV	0	47	43	43	43	43	43
Office of Emergency Shelter Serv	68	60	138	138	138	138	138
Office of Housing & Comm. Dev.	6	- 5	5	.5	5 5	5	7/5
Personnel	90	83	77	77	77	77	77
Police	7,843	7,821	7,308	7,308	7,308	7,308	7,308
Civillan	933	911	884	884	884	884	884
Uniformed	6,910	6,910	6,424	6,424	6,424	6,424	6,424
Prisons	2,100	2,077	2,058	2,058	2,058	2,058	2,058
Procurement	76	68	64	64	2,000 64	2,050	2,050
Public Health	835	761	680	677	674	671	671
Public Property	236	198	170	170	170	170	170
Records	87	80	78	78	78	78	78
Recreation	601	565	494	494	494	494	494
<u> </u>				68			68
Register of Wills	70	67	:68		68	68	
1,010110	267	276	267	264	261	258	258
Sheriff	267	254	247	247	247	247	247
Streets	2,043	1,957	1,848	1,848	1,848	1,848	1,848
Zoning Board of Adjustment	6	6[5	- 5	.5]	5	.5
TOTAL GENERAL FUND	24,875	24,035	22,914	22,902	22,887	22,881	22,881



Appendix VI
Other Statutory Requirements
Cash Flows

CASH FLOW PROJECTIONS	OFFICE OF THE DIRECTOR OF	F FINANCE

EQUITY IN CON CASH

GENERAL FUND FY2005

Actuals	6 hans		
ACCURIS	unouon	MAA	. J

Actuals through May 31			,													Under	Budget
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	Mar 31	April 30	May 31	June 30	Total	Accrued			Revenues
REVENUES																	
Property Taxes	1.2	7.2	7.9	7.0	4.6	12.9	27.7	181.4	105.1	18.5	8.6	9.0	391.1			(6.3)	384.8
Wage, Earnings, NP Tax	84,6	95,0	78.9	86.0	97.1	81.6	109.3	85.6	91.6	85.1	101.0	91.1	1,086.8			(14.8)	1,072.1
Realty Transfer Tax	17.8	15.0	12.6	13.6	14.3	19.3	16.8	12.2	20.8	14.3	17.2	6.3	180.0		·	(53.0)	127,0
Sales Tax	8.9	8.8	11.1	8.5	9.9	10,1	9.5	10.9	9.7	9.3	10.1	7.2	114.0			(6.0)	108.0
Business Privilege Tax	(2.8)	1.1	10.0	10,4	(5.7)	6.7	9,3	3.2	25.3	183.3	107.7	2.3	350.8)	(22.9)	292,2
Other Taxes	4.6	6.7	4.5	4,0	4.2	4.5	3,8	9.4	1.5	6.1	4.0	5.2	58.5	•		(0.7)	57.8
Locally Generated Non-tax	12.6	25.9	14.7	13.0	14.0	12.3	14.8	14.3	22.0	15.6	20.1	36.7	215.9)		55.5	271.4
Other Governments	42.6	5,1	96.0	144.0	6.2	17.2	168,6	90.3	7.1	37.1	20.5	7.0	641.6	191.5		(56.2)	776.9
Other Governments-PICA	12.9	12.9	14.6	11.6	19,3	14.8	17.2	20.5	18.7	19.6	24.8	22.1	209,1	5.4		7.6	222.1
Interfund Transfers	0.0	0.5	0.8	0.4	0.5	0,6	0.5	0.5	0.8	0.5	0.6	. 23.6	28.9)		(1.0)	27.9
Total Current Revenue	182.4	178.2	250,9	298,5	164.4	180.0	377.6	428,2	302.5	389.4	314.4	210.3	3,276.7	. 161,2		(97.8)	3,340.2
Collection of 6-30-04/Govt.	155.9	14.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		170.8	0.0		: -	
Other Fund Balance Adi.	100.0	, ,,,	0.0			•					0.0	(4.0)					
Non-revenue receipts								•		•		(4.0)					
Non-budget items						_		•			~		. 0.0				
TOTAL CASH RECEIPTS	338.3	193.1	250.9	298.5	184.4	180.0	377.6	428.2	302.5	389.4	314.4	208.3	3,443.5				•
TOTAL CASH RECEIPTS	350.3	189.1	200,8	200,5	104,4	100,0	01170	720.2	402,0	500.4	717.7	200,5		•			
			•						• •								Budget
															Encum-	7.1	Obilga-
	_													٧. ٩.	brances h	yetBets	tions
EXPENSES AND OBLIGATIONS										A-11			. ندسم ه			S	
Payroll	63.6	94.4	134.1	98.2	90,3	107.7	99,8	93,1	131.5	91.0	88.9	113.6	1,208.		2.9	(16.1)	1,241.6
Employee Benefits	37.7	28.8	36.1	34.6	29.8	42,3	32.9	26.2	31,1	28.4	28.6	38.2	394.6		0.3	(8.0)	394.3
Pension	3.7	4.0	8.9	265,8	(1.9)	(11.2).	1.8	(1.5)	(1.4)		(1.7)		309.			9.8	319.4
Purchase of Services	28.6	28.1	97.6	109,8	82.8	73,7	60,4	81.4	117.1	60,6	74.0	110.7	924.			15.8	1,097.1
Materials, Equipment	2.5	0.9	5.7	8,8	3.1	6.1	3.0	4.4	4.5	5.9	2.6	8.5	53,			(3.8)	
Contributions, indemnities	11.7	1.5	2.4	5,2	1.7	-3.4	0.2	, 12.1	7.1	2.1	40.7	22:1	. 110,		0.0	(2.0)	
Debt Service-Short Term	0.0		0.0	0.0	0,0	0.0	0.0	0.0	0.0	0.0	1.3	10.0	11.3			0.0	11.3
Debt Service-Long Term	0.0	0.3	17.9	0.2	11.8	0,5	1.6	1.0	17.8	0,6	23.2		79,			0.8	80.2
Interfund Charges		0.6										24.6	25.		i •	(0.5)	
Advances, Subsidies		36,7											36.	7			36.7
Current Year Appropriation	147.7	195.3	302.7	520.2	217.6	222,5	199.6	216.8	307.7	235.5	257.6	328.4	3,151.	7 77.9	150,0	3.2	3,382.7
Prior Year Encumbrances	47.3	33.9	11.0	9.8	3,3	14,1	5.2	2.0	1.8	1.2	4.7	1,1	135.	4 0.2	7.4	18.0	161,0
Citot tast Ellegitibishioss		-										- ,***/	,	78.0		1919	
Prior Year Vouchers Payable	66.5	8.7	3.1	1.4	0.4								80,				
TOTAL DISBURSEMENTS	261.5	237.9	316,8	531.4	221.3	236.6	204.8	218.8	309,5	236,7	262.3	329.5	3,367.	?			•
Excess (Def) of Receipts										•							
over Disbursements	76,7	(44.8)	(65.9)	(232.9)	(56.9)	(56.6)	172.7	209.4	(7.0)		52,1	(123.2)	76.	3,	. · .	•	
Opening Balance	41.4	.118.2	443.3	377.4	144.5	87.6	31.1	203.8	413.2	406.2	558.9	611.0	41.	4. '.			
TRANS		370.0						•			0.0	(370.0)	. 0.0	Ó			
•				,					11.	٠,٠,	7.		1	٠,	1.7		
CLOSING BALANCE	118.2	443.3	377.4	144.5	87.6	31.1	203,8	413.2	406.2	558,9	611.0	117.7	117.	<u> </u>			
														 ,			

OFFICE OF THE DIRECTOR OF FINANCE CASH FLOW PROJECTIONS CONSOLIDATED CASH-ALL FUNDS-FY2005

(Amounts in \$millions)

•	<u> </u>					Actual						Est
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30
General	118.2	443.3	377.4	144.5	87.6	. 31.1	203.8	413.2	406.2	558.9	. 611.0	117.7
Grants Revenue	162.7	82.0	49.7	63.4	54.9	67.5	146.8	77.8	73.0	91.8	89.8	20.0
Community Development	(4.9)	5.0	(3.5)	(7.4)	(15.8)	(4.8)	(12.1)	(17.9)	(11.3)	(8.7)	(7.3)	0.0
Vehicle Rental Tax	5.7	6.1	4.4	4.8	5.2	5.5	. 5.9	6.1	4.7	5.1	5.4	5.8
Other Funds	12.3	7.8	10.0	19.3	9.9	15.1	11.1	21.2	12.6	12.2	7,8	9.0
TOTAL OPERATING FUNDS	293.9	544.3	438.1	224.7	141.8	114.3	355.4	500.3	485.3	659.3	706,7	152.5
								,	# # # # # # # # # # # # # # # # # # #			•
Capital Improvement	144.2	140.1	134.2	126.6	118.0	112.0	104.7	97.7	90.8	86.9	80.3	71.8
Industrial & Commercial Dev.	5.2	5.3	5.0	5.3	5.3	5.3	5.9	5.6	4,9	4.9	3.6 ,	6.5
TOTAL CAPITAL FUNDS	149,4	145.4	139.2	131.9	123,3	117.3	110.5	103.3	95.7	91.8	83.9	78.3
TOTAL FUND EQUITY	443.3	.∵ 689.6	577.3	356.6	265,1	231.6	465.9	603.6	581.0	751,1	790.6	230,8

EQUITY IN CON CASH	GENERAL FUND FY2006	•	
			(Amounts in \$millions

					(4mounts in	\$mtillons)										
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	Mar 31	April 30	May 31	June 30	Total	Accrued		Under (Over)	Budge Revenue:
REVENUES			•					•			-					(,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Property Taxes	1.2	7.3	8.0	7.1	4.6	13.0	28.0	182.9	106,0	18,7	8.7	9.0	394,3			0.0	394.
Wage, Barnings, NP Tax	85.7	96.2	79.9	87.1	98.3	82.6 15.8	110.7 13.8	86.6 10.0	92,7 16,9	86.1	102.2	92.3	1,100.4			0,0	1,100.
Realty Transfer Tax Sales Tax	14.6 9.0	12.3 8.9	10.3 11.2	11.1 8.5	11.7 10.0	10.2	9.6	10.0	9.8	11.7 9.4	14.1 10.2	5.2 7.3	147,6			0.0	147.
Business Privilege Tax	(2.5)	1.0	9.0	9,4	(5.1)	6.0	8.3	2.9	22.8	165.2	97.1	2.1	316.2			0.0	114. 316.
Other Taxes	5.5	8.1	5.4	4.8	5.1	5.4	4.8	11.4	1.8	7.3	4.8	6.2	70.5			0.0	70.
Locally Generated Non-tax	14.2	29.2	16.6	14.7	15.6	13.9	16.8	16,1	24.8	17.6	22.7	41.4	243.7			0.0	243.
Other Governments	51.5	6.1	58.4	145.7	7.5	16.8	75.2	102.4	58.6	40.4	24.7	8.4	595.7	231.5		0.0	827.
Other Governments-PICA	7.3	19,4	14.9	17.4	20.3	18.5	23,8	17.2	20.1	19,1	24.1	14.1	216,1	8.6		0.0	224.
Interfund Transfers	0.0	0:5	0.6	0.4	0.5	0.6	0.5	0.5	0.7	0.5	0.5	22.5	27,6			0.0	27:0
Total Current Revenue	188.4	188.9	214.2	306.2	168.6	182.8	291.1	440.9	354,3	376.0	309.0	208,5	3,226.7	240.1		0.0	3,468.
Collection of 6-30-03/Govt. Other Fund Balance Adj.	124.8	72.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0 (4.0)	196,9 (4,0			4	
Non-revenue rédelpts													0.0				
Non-budget Items											309.0		0,0				
TOTAL CASH RECEIPTS	311.1	261.1	214.2	306.2	188,6	182.8	291.1	440.9	364.3	376.0	0.802	204.5	3,419,6				
			•												Encum-		Budge Obliga
														V.P.	brances	Mergers	tion
expenses and obligation	8	***	***			4070	20.4		400.0			440.0					
Payroll	63,3 38,6	93.6 29.5	133,3 37,0	97.6 35.4	89.7 20.5	107,0 43.3	99.1 33.7	92.5 26.8	130.7 31.8	90,4 29,1	88.3 29.3	112.9	1,198.7 404.1		2.9	0.0	1,249.
Employee Benefits Pension	263,2	4.5	10.1	30.3	(2.1)	(1.7)	2.0	(1.7)	(1.6)	53.0	(1.9)	39.1 (4.1)	349.9		0.3	0.0 0.0	404. 349.
Purchase of Services	30.4	30.0	104.2	117.0	88.4	78.7	84.5	86.9	125.0	64.7	79.0	118.1	986.9		142.3	9.0	1,154.
Materials, Equipment	2.5	0.9	5.6	8.5	3.1	6.0	2.9	4.4	4.4	5.8	2.8	8.4	53.1		13,3	0.0	71.
Contributions, Indemnities	11.5	1.5	2.4	5.1	1.7	3,3	0.2	11,9	7.0	2.1	40.0	21.8	108,5		0.0	0.0	109.
Debt Service-Short Term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4	11.0	12.4		0.0	0.0	12.
Debt Service-Long Term	0.0	0.3	15.3	0.2	10.1	0.4	1,3	0.9	15,3	0,5	19.8	3,8	67,5)		0.0	67.
Interfund Charges	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.7	24.2	0.0	0.0	0.0	24.
Advances, Subsidies		38.6						0,0					36.6	.			38.
Current Year Appropriation	409.4	199.8	307.8	292.1	221.3	237.2	203.8	221.7	312,6	245.6	258.6	334.6	3,244.4	79.1	158.6	0.0	3,482.
Prior Year Encumbrances	46,1	33.8	11.0	9.1	3.3	14.1	5.2	2.0	1.4	1,2	5,3	1.1	133.6	79,3		18.0	159.
Prior Year Vouchers Payable		8.5	3,0	1.4	0.4							A	77.0)	100.2		
TOTAL DISBURSEMENTS	520.3	241.9	321.8	302.6	225.0	251.2	209.0	223.7	314.0	246.6	263.9	336.7	3,455.	5			
Excess (Def) of Receipts				,													
over Disbursements	(209.1)	19.2	(107.6)	3,6	(58.4)	(88.5)	82.0	217.2	40.3	129.2	45.1	(131.2)	(36.				
Opening Balance	117.7	278.6	297.8	190,2	193.8	137.4	69.0	151.0	368,1	408.5	537.6	582.8	117.3				
TRANS	370.0			•								(370.0)	0.0	•			
CLOSING BALANCE	278.8	297.8	190.2	193.8	137,4	0.69	151.0	388,1	408,5	537.6	582,8	81.6	81,0	5			



Appendix VII
Base Obligation Methodology

City of Philadelphia Principal General Fund Obligation Growth Assumptions FY 2006-2010 Five Year Financial Plan

		FY 06	FY 07	FY 08	FY 0 9	FY 10
Class 100	Personal Services					
	Civilian Wages	2.0%	3.0%	4.0%	0.0%	0.0%
٠	Uniform Wages (a)	3.0%	3.0%	4.0%	0.0%	0.0%
	Employee Benefits					
	Unemployment Comp.	52.4%	-54.0%	0.0%	0.0%	0.0%
	Employee Disability	-2.7%	2.4%	0.0%	0.0%	0.0%
	Pension	14.7%	13.4%	8.6%	4.3%	2.5%
	Pension Obligation Bond:	6.3%	5.9%	5.5%	5.5%	13.5%
	FICA	-2.0%	-0.5%	-0.3%	0.0%	0.0%
	Health/Medical	3.8%	7.0%	7.0%	9.0%	9.0%
	Group Life	-1.5%	1.4%	1.4%	1.4%	1.4%
	Group Legal	-2.9%	2.3%	0.0%	0.0%	0.0%
	Tool Allowance	0.0%	0.0%	0.0%	0.0%	0.0%
	Flex Cash Payments	0.0%	0.0%	0.0%	0.0%	0.0%
Class 200	Purchase of Services	0.0%	0.0%	0.0%	0.0%	0.0%
Class 3/400	Materials, Supplies	•				
	& Equipment	0.0%	0.0%	0.0%	0.0%	0.0%
Class 500	Contributions, Indemnitie	s				
	& Taxes	0.0%	0.0%	0.0%	0.0%	0.0%
Class 700	Debt Service S	ee Schedule of	Long Term Oblig	ations (Appendix)	II)	
Class 800	Payments to					
-	Other Funds	0.0%	0.0%	0.0%	0.0%	0.0%
Class 900	Advances &				,	
	Misc. Payments	5.0%	N.A.	N.A.	N.A.	N.A.
	ouse l'ayments	J.U78	17.7.	N.A.	IVA.	14.7.

⁽a) FOP raise effective 7/1/05, IAFF effective 1/1/06.

Note:

Obligation levels in the current plan have been established for most departments and cost centers based upon specific issues concerning desired service levels, management and productivity initiatives underway, anticipated competitive contracting issues, existing and anticipated contractual obligations, and a host of other factors. The growth assumptions set forth above provide only the underlying foundations for the specific proposed obligation levels which have been established for departments in the current plan.



Appendix VIII
Capital Program and
FY06 Capital Budget

Capital Program (Including Capital Program Office)

Mission

The Capital Program is the City's six-year plan for the construction and renovation of public buildings, facilities, and infrastructure. The Capital Program is structured to support the Mayor's priorities, specifically projects that promote economic development, renew the City's physical infrastructure, ensure public health and safety, improve the quality of life for city residents, support major civic assets for residents and visitors alike, have a direct impact on the City's neighborhoods, and maintain the City's fiscal stability through measures to enhance governmental efficiency.

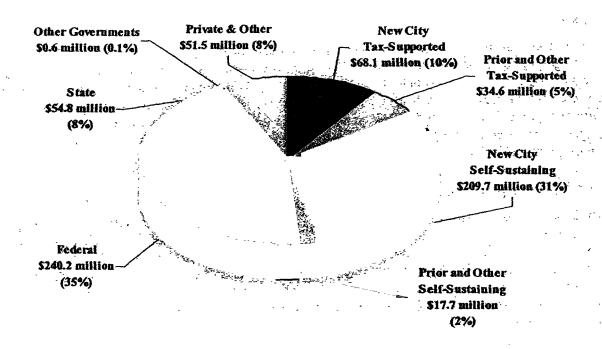
The Process of the Capital Program

While the development of the Capital Budget each year follows a course similar to the preparation of the City's operating budget there are several notable differences. The City Planning Commission, working in concert with the Capital Program Office (CPO) and the Office of Budget and Program Evaluation, presents the Recommended Capital Program and Budget to the Mayor. As with the operating budget, City Council must provide its approval and, once that occurs, a loan authorization for general obligation bonds to finance the City-funded portion of the Capital Budget is submitted for public referendum.

CPO manages much of the actual fiscal administration of the tax-supported program. Capital projects are implemented through a competitive bidding and contractual process, including review by the City's Minority Business Enterprise Council. In addition, CPO provides project management services for design and construction, often in consultation with affected communities. Depending on the size and complexity of the project, this process can take months or even years to complete. For that reason, the management of capital projects to ensure quality and timeliness is critical, and part of the City's focus in recent years has been to enhance its performance in that area.

Capital Budget Sources of Funds

The proposed Capital Budget, the first year of the Capital Program, totals \$677.3 million. Of this, \$68.1 million, or 10 percent, is to be funded through new, General Obligation bonds issued by the City. These bonds are repaid from the City's general tax revenues. Prior-year and other tax-supported funds equal \$34.6 million, or 5 percent. The largest source of FY06 funding comes from City "self-sustaining" loan funds. These self-sustaining loans, issued as Philadelphia Airport and Water Department revenue bonds, account for 33 percent of the proposed budget-year spending (\$227.4 million). Federal, state, and other government sources supply \$295.7 million in funds (44 percent) and lastly, private sources provide \$51.5 million, or 8 percent.

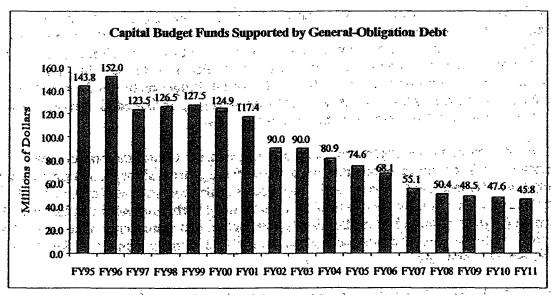


Source: Philadelphia City Planning Commission

The City's ability to issue new debt is restricted by its legal debt capacity. As defined under the State Constitution, the City's debt capacity equals 13.5 percent of the ten-year average of the assessed value of real estate. The City's outstanding tax-supported debt is subtracted from adjusted assessed value, to derive the City's legal debt margin. As of September 2004, the City's remaining debt capacity was \$151 million. The debt margin only increases when debt is retired or the assessed value of real estate increases.

The Board of Revision of Taxes (BRT), following a recommendation made in the Tax Reform Commission's report, has decided to move towards 100 percent assessment of real-estate properties. When assessments increase, the 10-year moving average of assessment values used to determine the constitutional debt limit will also increase. Nevertheless, the City may still be limited in its ability to issue debt due to its increasingly high ratio of debt service to revenue. A relatively high ratio of debt service to revenue will not only crowd out other operating expenditures, but if the ratio goes too high, it also could result in a reduction of the City's bond rating, increasing the costs of borrowing. It may become more cost effective overall to make some capital purchases from the operating budget in future years.

The chart below shows the Capital Budget funds supported by general-obligation debt from FY95 through the proposed FY11 budget.

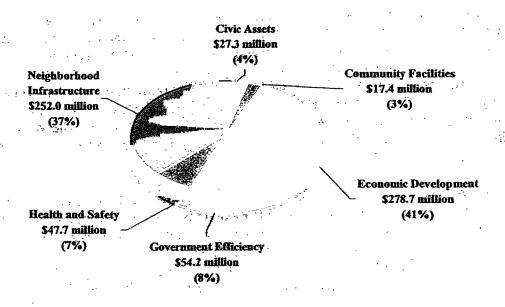


Note: \$106.8 million of FY95 funding was provided by PICA debt while \$37 million was City debt. PICA no longer has the legal authority to issue debt for capital projects.

Capital Budget Uses of Funds

The projects in the FY06-FY11 Capital Program are categorized by the following six priorities: economic development, neighborhood infrastructure, governmental efficiency, health and safety, civic assets, and community facilities. Shares of the budget are shown in the following chart:

FY06 Capital Budget Uses of Funds



Source: Philadelphia City Planning Commission

Economic Development projects serve to retain and attract businesses; provide jobs for residents; support neighborhood-based job creation/employment centers, such as neighborhood industrial districts; and assist similar development initiatives. Projects at the City's airports, as well as those that support major new commercial, industrial, port-related, and hospitality-industry development also fall into this category. The FY06 Capital Budget dedicates \$1.8 million for land acquisition and infrastructure improvement projects to support industrial development in the City, as well as infrastructure improvements at the Navy Yard.

Neighborhood infrastructure projects focus on improvements to transit stations and other transportation facilities, street reconstruction and resurfacing, street signage, and traffic-control improvements. Replacement of water and sewer mains is also included as Neighborhood Infrastructure projects, as they are essential services to neighborhoods and their residents. For FY06, major projects include \$10 million for reconstruction and resurfacing of streets and \$2.9 million for the Market Street reconstruction program related to improvements to SEPTA's Market Street Elevated line.

Governmental efficiency projects promote governmental operating efficiencies and more effective service delivery. Projects in this category include communication-system improvements, database and computer-related initiatives, and energy-conservation programs. The governmental efficiency category also includes facility-assessment studies, most improvements to departmental headquarters (e.g., Police, Fire, Health, Municipal Services Building, One Parkway Building, and Family Court), and the modernization of operational buildings (e.g., Fleet, Sign/Lighting Shops, and Sanitation). The administrative expenses of the CPO that appear in the Capital Program and Budget also fall into this category. In FY06, the Mayor's Office of Information Services will continue its business and information continuity/recovery project for \$1.0 million, as well as the implementation of an integrated case-management system for \$2.5 million in FY06 and FY07.

Health and safety projects promote overall improvements in public health, safety, and welfare. Examples include projects related to the City's water facilities (water and waste treatment), asbestos-abatement and life-safety improvements (fire alarm and suppression systems) in public buildings, environmental remediation, and structural improvements at City shelters and prison facilities. Americans with Disabilities Act accessibility medifications are also considered health and safety projects. For the FY06-FY11 program, \$2.4 million (half of which is Commonwealth funds) will be used to replace Fleet Management's fuel tanks citywide. The Water Department is committing \$42.0 million annually in self-sustaining funds for improvements to water and wastewater-treatment facilities.

Civic assets projects are those that contribute to the livability of the City as a whole, as well as to the City's reputation as a destination for tourists and visitors. Examples include Art Museum, Penn's Landing, Fairmount Park (except for neighborhood specific parks/facilities), and Zoo projects. The rehabilitation of City Hall and the Central Library also are considered civic assets projects. The FY06 budget includes \$5 million for improvements to City Hall, with an additional \$20 million programmed through FY11, and \$1.6 million for Belmont Mansion.

Community facilities projects include the renewal of facilities serving residential neighborhoods, such as branch libraries, neighborhood parks and recreation facilities, police and fire stations,

neighborhood health centers, and other projects that serve neighborhoods and promote their improvement. In FY06, more than \$13.0 million is appropriated for parks, recreation, and libraries and more than \$1.0 million for police and fire facility improvements.

Major Current Projects

- Youth Study Center. This past year, the City acquired a five-acre parcel of land in West Philadelphia at 48th Street and Haverford Avenue for the purpose of constructing a new, state-of-the-art Youth Study Center (YSC). Although this new facility will include housing for 150 youths, it will be expandable to 180 beds. The facility will house medical, educational, and recreational facilities, as well as several court components (i.e., hearing rooms, intake rooms, and probation rooms) within one building. The goal of the project is to provide an atmosphere in which youths feel safe and trust the adults who care for them, while learning that in any setting or situation, they will be held responsible for their actions. CPO will be responsible for the management of the project, including oversight of the design and construction contracts, building commissioning, moving staff and residents, and overall budget management. The architectural firm Kaplan McLaughlin Diaz of San Francisco, California, was selected to spearhead the design efforts. The project is expected to be complete by the end of calendar year 2007.
- Security program across City buildings. As a result of the events of September 11, 2001, the City has allocated \$7.9 million to evaluate and improve the security measures in place at its Center City municipal high-rise office buildings, including City Hall. Improvements implemented to date include: Securing of nonessential building entrances; increased monitoring and screening of employees and visitors using visitor-identification and badging systems, closed-circuit camera systems, and security-card access gates; and more coordinated management systems. In FY05, the City will begin implementation of a full security program at City Hall. Already installed are bollards at the perimeter of City Hall's apron to mitigate the risk posed by unauthorized vehicles entering onto the apron. In progress is the installation of closed-circuit cameras at the apron and within the building, improved lighting surrounding the building, and installation of visitor-badging and access-control systems. Together, these systems will allow the City to adjust the level of security needed at City Hall, as well as its Center City office buildings, based on national terror alert standards. The project is expected to be substantially complete by the end of calendar year 2005.
- Streets Department projects. The Streets Department continues to work with its regional transportation partners, including the Pennsylvania Department of Transportation (PennDot) and the DVRPC, to maximize the use of federal and state funding for infrastructure improvements in the City. Through its investment of \$9.18 million in the following projects, the City will be able to leverage \$55.4 million in federal and state funds for these improvements. The following table summarizes some of the Department's major projects through FY2011.

Project	Description	Total Project Cost	City Share	Expected Completion Date
South Street Bridge	Currently posted for 18 tons, and the	\$41,0 million	\$4.1 million	Construction -
over Schuylkill River,	subject of frequent repairs by Bridge	WHI OF IT	<i>\$</i> -7.1 IIIIIIOII	Spring 2007 -
I-76 and Railroads	Maintenance. The Streets Dept. is	Ŧ		Summer 2008
r 70 mag rush outs	managing the engineering for the			2000
	replacement of this vital link between			
	Center City and West Philadelphia.			
40th Street Bridge over	Currently posted for 20 tons, the Streets	\$11.85 million	\$1.185 million	Construction -
AMTRAK	Dept. is performing the engineering for	ြင်းမြောင့် မြော်သို့သိန်	in the second	Winter 2006 -
	the replacement of this vital link across	1,67 (23.12.12		Fall 2007
	AMTRAK south of Girard Avenue.	\$ 25 to \$50		Total
Lancaster Avenue	This project, which is the first phase of	\$1.5 million	\$300,000	Construction -
Signals	the Lancaster Avenue work, will			September
٠, ٠,	modernize traffic signals at eight	in the best factor of the	,	2005 - August
-	intersections from 52nd St to City Ave. It	1 de 2 de 1	,	2006
	will include pedestrian and traffic flow	Park Strain		20 3 A 31
	improvements at the 63rd St/Woodbine	te la company		* ' '
	Ave, 59th St and 57th St intersections.	res in the		ł
	New lighting on existing PECO wood			
	poles will replace existing streetlights		-	* . *, * *
· · · · · · · · · · · · · · · · · · ·	from 52nd St to west of 63rd St.			1. 1. 1. 1.
Delaware Avenue	This project will extend Delaware Ave	\$7 million	\$1.4 million	Construction -
Extension - Bridesburg	from its current terminus at Lewis St			March 2006 -
	northward to north of Orthodox St on a	4	`	October 2007
•	new alignment. It will entail construction		,	
•	of new roadway, a new bridge across the			
	Frankford Creek, drainage, sidewalks/bike	*	-	
	path and related work. The project is			Twee,
	needed to provide truck access into a	. P. I.	,	5.5
	presently industrial area. Trucks are	. 5		. 11.
	restricted from using nearby narrow	. 12		
	streets (e.g. Richmond St, Orthodox St) in		•	
	a heavily residential neighborhood and are			
,	using a former railroad bridge to cross the		,	2,50
	Frankford Creek on a temporary basis.		····	· · · · · · · · · · · · · · · · · · ·
School / Pedestrian	This project is to improve student safety	\$3.19 Million	\$2.19 Million	
Crossing Signs and	to and from schools. The City will be	· · · ·	,	begins March
Signals	installing Flashing School 15 MPH			2005
	Signals, upgrading School and Pedestrian			
-	Crossing Signs to the Yellow/Green			
, -	Fluorescent signs, replacing pavement			
	markings, and installing variable speed		,	
	signs on selected streets. The Streets			
	Department already has inspected and			
	replaced signs at 782 intersections.			
	Through anticipated funding of \$2			
	million, flashing signals will be installed			
	at 130 schools over the next 5 years.			

FY2006 Capital Budget

	2006	
	\$x000	•
ART MUSEUM	Company of the St.	
ART MUSEUM COMPLEX – CAPITAL	•	
	a tree a constant of the const	
1 PHILADELPHIA MUSEUM OF ART - BUILDING REHABILITATION	465 465 C	
ART MUSEUM COMPLEX - CAPITAL	465 465 C	
ART MUSEUM	465	
•	,465 C	CN

		2006
		\$x000
V L	ATION	
VOR'1	THEAST PHILADELPHIA AIRPORT	
:	TAXIWAY EXPANSION PROGRAM	2,100
		1,900 FB
		100 SB
		100 XN
	Annual Company of the	
	AIRFIELD LIGHTING IMPROVEMENTS	500
	•	450 FB
		25 \$8 25 XN
		23 / N
	SIDEWALK IMPROVEMENTS	250
٠	SECTIALS INCOMENTS	250 XN
		1
	IMPROVEMENTS TO EXISTING FACILITIES	400
		400 XN
		1
ORT	HEAST PHILADELPHIA AIRPORT	3,250
		2,350 FB
		125 SB
		775 XN
		1
	TERMINAL EXPANSION & MODERNIZATION PROGRAM	139,000
	·	20,000 FB
		44,000 PB
		75,000 XN
	AIRPORT EXPANSION PROGRAM	15,000
		15,000 XN
	NOISE COMPATIBILITY PROGRAM	3,000
	NOISE COMPATIBILITY PROGRAM	2,400 FB
		600 XR
		1
	AIRFIELD CAPACITY ENHANCEMENT PROGRAM	30,000
	NIGHT OF YOUR CHANGEMENT TOO ON	22,500 FB
		7,500 XN
}	RUNWAY 17-35 EXTENSION	46,500
	· · · · · · · · · · · · · · · · · · ·	33,500 FB
		7,000 PB
		5,000 SB
		1,000 XN
		1
ī	RUNWAY 9R/27L RESURFACING	6,000
		4,500 FB
		1,500 XN
		NA UUC, I

,		İ	2006
			\$x-000
	·	•	
12	IMPROVEMENTS TO EXISTING FACILITIES		6,000 XN
13	DOA MAINTENANCE CENTER		4,200 4,200 XN
15	AIRPORT ROADWAY SYSTEM MODIFICATIONS	1.00.00 M2	2,000 2,000 XN
PHILA	DELPHIA INTERNATIONAL AIRPORT		251,700
			82,900 FB
		•	51,000 PB 5,000 SB
			112,200 XN
	ein.		600 XR
AVIA	TION		254,950
			85,250 FB
			51,000 PB
			5,125 SB
	÷ 4		112,975 XN
			600 XR

		**	2000
-		4 × 1 × 4 × 4 × 4	\$ x 000
CAP	ITAL PROGRAM OFFICE		_
Слрі	TAL PROGRAM ADMINISTRATION		· Stowe
			¶ wooden o
16	CAPITAL PROGRAM ADMINISTRATION DESIGN AND ENGINEERING		6,644 6,644 CN
CAPIT	TAL PROGRAM ADMINISTRATION	en e	6,644 6,644 CN
CAPI	TAL PROJECTS	* * * * * * * * * * * * * * * * * * *	
17	CITYWIDE ENVIRONMENTAL REMEDIATION		300 300 CN
18	IMPROVEMENTS TO FACILITIES		1,650 1,000 CA 650 CR
CAPIT	TAL PROJECTS		1,950
			1,000 CA 300 CN 650 CR
CAPI	TAL PROGRAM OFFICE	, , , , , , , , , , , , , , , , , , , 	8,594 1,000 CA 6,944 CN
			650 CR

		2006
		\$x000
Com	MERCE	<i>x</i> ,
Сомм	IERCIAL DEVELOPMENT	; [~]
		. #
19	NEIGHBORHOOD COMMERCIAL CENTERS - SITE IMPROVEMENTS	5,000
	·	1,000 CN
		4,000 SB ■
Сомм	ERCIAL DEVELOPMENT	5,000
		1,000 CN
	·	4,000 SB
INDUS	TRIAL DEVELOPMENT	
		_
20	ENVIRONMENTAL ASSESSMENT/REMEDIATION	1,700
2 U	EUAILCUMENTAT V99E99MENTATION	1,700 200 CN
		500 FB
		1,000 SB
21	NEIGHBORHOOD INDUSTRIAL DISTRICTS	300
- 1	,	150 CN
		150 SB
22	PIDC LANDBANK ACQUISITION & IMPROVEMENTS	12,000
_		12,000 Z
<u> </u>	Court Strong Down courts	I
23	SOUND STAGE DEVELOPMENT	1,000 250 CN
		750 SB
24	WEST PARKSIDE UTILITY RELOCATIONS AND IMPROVEMENTS	100 100 CN
		10001
25	GRADING AND PAVING - NEW AND EXISTING STREETS	100
		100 CN
26	NAVY YARD INFRASTRUCTURE IMPROVEMENTS	4,285
		1,000 CN
		3,000 FB
		285 SB
27	PIDC LANDBANK IMPROVEMENTS, ENGINEERING AND ADMINISTRATION	6,000
	·	6,000 Z
Marion	RIAL DEVELOPMENT	25,485
u11/U31	NAL DO BUM MENI	1,800 CN
		3,500 FB
		2,185 SB
	•	18,000 Z
PENN'	S LANDING/WATERFRONT IMPS	
		•
28	PENN'S LANDING IMPROVEMENTS	500
LU	1 PAIN O CHADING MILLONCHIS	500 CN
		.
29	SCHUYLKILL RIVERFRONT PUBLIC IMPROVEMENTS	750 250 CN

		2006
		\$x000
Penn's Landing/Waterfront Imps		1,250 750 CN
	1	500 SB
COMMERCE		31,735
	·	3,550 CN
		3,500 FB 6,685 SB
•	•	18.000 Z

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	\$ x 000)
EMERGENCY SHELTER AND SERVICES		- •
FAMILY CARE FACILITIES - CAPITAL		
30 OESS FACILITY RENOVATIONS	206 200	
FAMILY CARE FACILITIES - CAPITAL	200 200	
RIVERVIEW - CAPITAL		
	The state of the s	~:
31 RIVERVIEW HOME RENOVATIONS	300 300 (
RIVERVIEW - CAPITAL	360 360	
EMERGENCY SHELTER AND SERVICES	500 500	

	~		2006
			\$ x 000
FAI	RMOUNT PARK COMMISSION	• • • • • • • • • • • • • • • • • • • •	* * *
FAIR	MOUNT PARK – CAPITAL		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
	<u>* </u>		<u> </u>
32	ATHLETIC AND PLAY AREA IMPROVEMENTS		250 250 CN
33	BUILDING IMPROVEMENTS		320 320 CN
34	FACILITY IMPROVEMENTS	-	315 315 CN
35	HISTORIC BUILDING IMPROVEMENTS		1,800 1,800 CN
36	PARK AND STREET TREES		300 300 CN
37	PARKLAND - SITE IMPROVEMENTS		100 100 CN
38	ROADWAYS, FOOTWAYS, AND PARKING		1,500 250 CN 1,250 FB
FAIRA	GOUNT PARK - CAPITAL		4,585 3,335 CN 1,250 FB
FAIR	MOUNT PARK COMMISSION		4,585 3,335 CN 1,250 FB

	· ·	!	2006
FIRE		17	\$ x 000
Fire F	FACILITIES		ga ji see
40	FIRE DEPARTMENT COMPUTER SYSTEM IMPROVEMENTS		1,130 1,130 CR
41	FIRE DEPARTMENT INTERIOR AND EXTERIOR RENOVATIONS	, 4 3 3 % %	1,450 1,450 CN
FIRE FA	ACILITIES		2,580 1,450 CN 1,130 CR
FIRE	2		2,580 1,450 CN 1,130 CR

	•		2006 \$ x 000
FLE	ET MANAGEMENT	<u></u>	\$ X 000
Capi	TAL PROJECTS		٠
		e i i i i i i i i i i i i i i i i i i i	
42	FLEET MANAGEMENT FACILITIES		330 330 CN
43	FUEL TANK REPLACEMENT		800 400 CN 400 SB
CAPIT	AL PROJECTS		1,130 730 CN 400 SB
FLEE	T MANAGEMENT	<u>, </u>	1,130 730 CN 400 SB

	et,		2006
Pos	E Library		\$ x 000
rke	ELIBRARY		
Libr	ARY FACILITIES CAPITAL		Carlot Carlo
44	BRANCH LIBRARIES - IMPROVEMENTS	June 19 1 Carlos Control of the	600 CN
45	CENTRAL LIBRARY RENOVATIONS	ं ह}-ी	200 200 CN
LIBRA	RY FACILITIES – CAPITAL		800
			800 CN
FREE	Library		800
	A section of the sect		800 CN

	2006
HEALTH	\$x000 -
HEALTH FACILITIES	et in Special Control
·	1
46 HEALTH DEPARTMENT EQUIPMENT AND REPAIRS	1,000 1,000 CR
	这是一个人的人
47 HEALTH FACILITY RENOVATIONS	680 680 CN
HEALTH FACILITIES	1,680 680 CN 1,000 CR
PHILADELPHIA NURSING HOME	
48 EQUIPMENT AND RENOVATIONS — PHILADELPHIA NURSING HOME	1,900 1,900 CR
PHILADELPHIA NURSING HOME	1,900 1,900 CR
HEALTH	3,580
	680 CN 2,900 CR

			2006
Man	NAGING DIRECTOR'S OFFICE		\$x000
	TAL PROJECTS - VARIOUS		ja (s. 1944). 1974
			1
49	CITYWIDE FACILITIES		3,225 3,225 CN
50	ENERGY STAR BUILDING UPGRADES		250 250 CN
51	GREEN LIGHTING UPGRADES	1	250 250 CN
52	INTEGRATED CASE MANAGEMENT SYSTEM	المستخصص في المستخصص	1,500 1,500 CN
CAPIT	TAL PROJECTS - VARIOUS		5,225 5,225 CN
MAN	AGING DIRECTOR'S OFFICE		5,225 5 225 CN

	•		2006
			\$×000
MOIS	8	•	**, *
CAPITA	AL PROJECTS	#+ . * *	in the second
53	DIGITAL ORTHOPHOTOGRAPHY, PLANIMETRIC, AND TOPOGRAPHIC DATA		540 540 CN
54	BUSINESS AND INFORMATION CONTINUITY/RECOVERY PROJECT		4,000 1,000 CN
Слета	L Projects	1960 J. N. 18 102	1,540 1,540 CN
MOIS			1,540 1,540 CN

•			2006
PRIS	CONC		\$ x 000
	RECTIONAL INSTITUTIONS - CAPITAL		1. 2
57	PRISON SYSTEM - RENOVATIONS		500 CN
CORR	ECTIONAL INSTITUTIONS - CAPITAL	The second secon	500 500 CN
PRIS	ONS .	· · · · · · · · · · · · · · · · · · ·	500 500 CN

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Dron	va Bronunga	_ \$×000
CUB	LIC PROPERTY	, ,
BULL	DINGS AND FACILITIES - OTHER	
i8	IMPROVEMENTS TO MUNICIPAL FACILITIES	1.060 1,000 CN
i9	TRIPLEX FACILITY IMPROVEMENTS	200 200 CN
\$VILD	DINGS AND FACILITIES - OTHER	1,200 1,200 GN
CĮTY.	HALL COMPLEX	1
0	CITY HALL	5,000 5,000 CN
TTY I	HALL COMPLEX	5,000 5,000 CN
ОМІ	MUNICATIONS PROJECTS	1
1	COMMUNICATIONS SYSTEMS IMPROVEMENTS	3,000 3,000 CR
ОММ	IUNICATIONS PROJECTS	3,000 3,000 CR
UBL	IC PROPERTY	9,200 6,200 CN 3,000 CR

	÷	2006
		_ \$x000
REC	REATION	* **
CUL	TURAL FACILITIES	
62	CULTURAL FACILITY IMPROVEMENTS	150 150 CN
CULT	URAL FACILITIES	150 150 CN
	The second se	,
ITE	F – VARIOUS FACILITIES	_
63	IMPROVEMENTS TO EXISTING RECREATION FACILITIES	11,000 a 11,000 CN
64	IMPROVEMENTS TO EXISTING RECREATION FACILITIES - INFRASTRUCTURE	150 150 CN
6 5	IMPROVEMENTS TO EXISTING RECREATION FACILITIES - SWIMMING POOLS	500 500 CN
6 6	IMPROVEMENTS TO EXISTING FACILITIES - LIFE SAFETY SYSTEMS	300 300 CN
67	GRANT FUNDED RECREATION IMPROVEMENTS	2,000 1,000 CN 1,000 SB
ITEF	-Various Facilities	13,950 12,950 CN 1,000 SB
RECI	REATION	14,100 13,100 CN 1,000 SB

	\$ x 000
	1
. S.	20,380
	20.380
	20.380
	2,256 CN
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	500 PB
	1,000 SB
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		\$ x 000
STRE	EET LIGHTING	· ·
		• • •
75	STREET LIGHTING IMPROVEMENTS	1,250
		250 CN
	• •	1,000 FB
STREI	ET LIGHTING	1,250
		250 CN
		1,000 FB
STRE	ETS DEPARTMENT FACILITIES	
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76	STREETS DEPARTMENT SUPPORT FACILITIES	185
		185 CN
STREE	ETS DEPARTMENT FACILITIES	185
		185 CN
Ta es	FIC ENGINEERING IMPS	
I KAP	FIC ENGINEERING IMPS	
		:
77	TRAFFIC CONTROL	1,000
	•	1,000 CN
70	0	
78	SCHOOL/PEDESTRIAN CROSSING SIGNS AND SIGNALS	200 200 CN
<u></u>		
<i>TRAFF</i>	FIC ENGINEERING IMPS	1,200
		1,200 CN
TRE	ETS	47,670
	•	17,246CN
		26,436 FB
	•	500 PB
		3,488 SB

			2006
			\$x000
TRA	NSIT		- 1
TRAN	NSIT IMPROVEMENTS - SEPTA	\$ USA	e e state, e
79	SEPTA BRIDGE, TRACK, SIGNAL, AND INFRASTRUCTURE IMPROVEMENTS	and the star	3,794 3,794 CN
80	SEPTA STATION AND PARKING IMPROVEMENTS		804 804 CN
81	SEPTA VEHICLE/EQUIPMENT ACQUISITION AND IMPROVEMENT PROGRAM	1 1 4 8 4 1 H 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	231 231 CN
82	SEPTA PASSENGER INFORMATION, COMMUNICATIONS, AND SYSTEM CONTROL	s .	114 114CN
TRANS	SIT IMPROVEMENTS - SEPTA	<u>, , , , , , , , , , , , , , , , , , , </u>	4,943 4,943 CN
TRAN	ISIT	· · · · · · · · · · · · · · · · · · ·	4,943 4,943 CN

•	·	2006
		\$×000
WATER		•
COLLECTOR SYSTEMS - CAPITAL		*
•	e in the second of the second	
83 IMPROVEMENTS TO COLLECTOR SY	the state of the s	22,660
	•	10 PB
		22,150 XN 500 XR
84 STORM FLOOD RELIEF / COMBINED	SEWER OVERFLOW	4,000
•		4,000 XN
	<u> </u>	1 2000
COLLECTOR SYSTEMS - CAPITAL		26,660 10 PB
•		26,150 XN
		500 XR
CONVEYANCE SYSTEMS - CAPITAL		
		<u> </u>
35 IMPROVEMENTS TO CONVEYANCE :	System	21,930
		10 PB 21,420 XN
		500 XR
CONVEYANCE SYSTEMS - CAPITAL		21,930
		10 PB
	·	21,420 XN 500 XR
GENERAL - CAPITAL		
	,	•
86 Engineering and Administration	N .	19,270
		17,744 XN
		1,526 XR
87 VEHICLES		4,000
		4,000 XR
GENERAL - CAPITAL		23,270
		17,744 XN
		5,526 XR
TREATMENT FACILITIES - CAPITAL		
		<u>.</u>
88 IMPROVEMENTS TO TREATMENT FA	CILITIES	42,000
		31,458 XN
		10,542 XR
TREATMENT FACILITIES - CAPITAL		42,000
		31,458 XN
		10,542 XR

	2006
	\$x000
WATER	113,860. 20 PB 96,772 XN 17,068 XR

	2006
ZOOLOGICAL GARDENS	\$ x 000
PHILADELPHIA ZOO — CAPITAL	•
89 PHILADELPHIA ZOO FACILITY AND INFRASTRUCTURE IMPROVEMENTS	400 400 CN
PHILADELPHIA ZOO — CAPITAL	400 400 CN
ZOOLOGICAL GARDENS	400 400 CN



Acronym Dictionary

Acronym Dictionary

Acronym	Definition	
ADA	Americans with Disability Act	
AFSCME	American Federation of State, County, and Municipal Employees	
AIC	Achieving Independence Center	
AMD	Abandoned mine drainage	
AMR	Automatic Meter Reading	
AS	Adult Services	
AYP	Adequate Yearly Progress	
BCCS	Billing, collections and customer service	
BHRS	Behavior Health Rehabilitative Services	
BHS	Behavior Health Systems	
BIA	Building Industry Association of Philadelphia	
ВРТ	Business privilege tax	
BRC	Biosolids Recycling Center	
BRT	Board of Revision of Taxes	
BSRP	Basic Systems Repair Program	
CAD	Computer Aided Dispatch	
CANS	Child and Adolescent Needs and Strengths	
CANS-JJ	Child and Adolescent Needs and Strengths Assessment for Juvenile Justice	
СВН	Community Behavioral Health	
CCD	Center City District	
CCTV	Closed Circuit Television	
CDBG	Community Development Block Grant	
CDC	Center for Disease Control	
CEP	Capacity Enhancement Program	
CIS	Children's Investment Strategy	
CLIP	Community Life Improvement Program	
CLPPP	Childhood Lead Poisoning Prevention Program	
CODAAP	Coordinating Office of Drug and Alcohol Abuse Programs	
CORE	College Opportunity Resource for Education	

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Acronym	Definition
CORESTAR	Correctional Outcomes Reentry Ethics Security Treatment and Accountability Review
CPI –U	Consumer price index for urban consumers
CRD	Commercial Revitalization Deductions
CRI	Cities Readiness Initiative
CSBG	Community Service Block Grant
DCBPS	Division of Community-Based Prevention Services
DCED	Department of Community and Economic Development
DHHS	Federal Department of Health and Human Services
DHS	Department of Human Services
DOA .	Division of Aviation of the City's Department of Commerce
DOA	Pennsylvania Department of Aging
DPH	Department of Public Health
DPP	Department of Public Property
DPW	Pennsylvania Department of Public Welfare
DRPA	Delaware River Port Authority
DSS	Division of Social Services
DVRPC	Delaware Valley Regional Planning Commission
ECI	Employment Cost Index
EDS	Explosive Detection System
EIS	Expedite Environmental Impact Study
EMOs	Education Management Organizations
EMS	Emergency Medical Services
EPA	U. S. Environmental Protection Agency
EWS	Early Warning System
EZ	Empowerment Zone
EZ/RC	Empowerment Zone / Renewal Community
FAA	Federal Aviation Administration
FaSST	Family Shelter Support Team
FIR	Forensic Intensive Recovery
FOP	Fraternal Order of Police
GIS	Geographic Information System

Acronym	Definition
GPTMC	Greater Philadelphia Tourism Marketing Corporation
GPUAC	Greater Philadelphia Urban Affairs Coalition
GRIPP	Gun Recovery Reward Information Program
HELPP	Home Equity Loan Preservation Program
HIDTA	High Intensity Drug Trafficking Areas
HMIS	Homeless Management Information System
нмо	Health Maintenance Organization
HRP	Homeownership Rehabilitation Program
HUD	U. S. Department of Housing and Urban Development
IAB	Internal Affairs Bureau
IAFF	International Association of Firefighters
IDP	Intensive Delinquency Prevention
IOD	City Injured-On-Duty
ITS	Intelligent Transportation Systems
KIP	Knowledge Industry Partnership
KOZ	Keystone Opportunity Zones
L&I	Department of Licenses and Inspection
LAST	Lead Abatement Strike Team
LIHEAP	Low Income Home Energy Assistance Program
LNG	Liquefied Natural Gas
LTSRs	Long-Term Structured Residential programs
MA	Medical Assistance
MBAT	Mayor's Business Action Team
MBEC	Minority Business Enterprise Council
MCOL	Mayor's Office of Commission on Literacy
MDO	Managing Director's Office
ммо	Minimum Municipal Obligation
MOCS	Mayor's Office of Community Services
MOIS	Mayor's Office of Information Services
MRS	Mental Retardation Services
NCLB	No Child Left Behind

Acronym	Definition
NTI	Neighborhood Transformation Initiative
OBH/MRS	Office of Behavior Health and Mental Retardation Services
OBPE	Philadelphia Office of Budget and Program Evaluation
OESS	Office of Emergency Shelter and Services
OHCD	Office of Housing and Community Development
OHDC	Philadelphia Housing Development Corporation
OHNP	Office of Housing and Neighborhood Preservation
ОМН	Office of Mental Health
Operation KICK	Keep It Code Klean
OSS	Operation Safe Streets
PCA	Philadelphia Corporation of Aging
PCPC	Philadelphia City Planning Commission
PFMC	Philadelphia Facilities Management Corporation
PGC	Philadelphia Gas Commission
PGW	Philadelphia Gas Works
PHA	Philadelphia Housing Authority
PHDC	Philadelphia Housing Development Corporation
PHIL	Philadelphia Home Improvement Loans
PHL	Philadelphia International Airport
PHPs	Partial Hospitalization Programs
PHS	Philadelphia Horticultural Society
PICA	Pennsylvania Intergovernmental Cooperation Authority
PIDC	Pennsylvania Industrial Development Corporation
PIIN	Police Integrated Information Network
PNE	Northeast Philadelphia Airport
PODs	Points of Distribution
PPA	Philadelphia Parking Authority
PPD	Philadelphia Police Department
PPO	Preferred Provider Organization
PPS	Philadelphia Prison System
PRIMIS	Philadelphia Regional Integrated Multimodal Information

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Acronym	Definition
PUC	Pennsylvania Public Utility Commission
PWD	Philadelphia Water Department
PWDC	Philadelphia Workforce Development Corporation
PWIB	Philadelphia Workforce Investment Board
RC	Renewal Community
RDA	Redevelopment Authority
RDP	Reader Development Program
REMI	Regional Economic Models, Inc.
RFP	Request for Proposals
RMS	Record Management System
ROW	Right-of-Way
RPC	Radio Patrol Cars
RPTT	Real Property Transfer Tax
RSAN	Remote Secure Alert Network
RTT	Realty transfer tax
SAMHSA	Federal Substance Abuse and Mental Health Services
SAN	Schuylkill Action Network
SBCM	School-based Case Management
SEPTA	Southeastern Pennsylvania Transportation Authority
SRC	School Reform Commission
SVM	Schuylkill Valley Metro
SWP	Source water protection
TBSRP	Targeted Basic Systems Repair Program
ТОР	Technology Opportunity Program
TWIS	Town Watch Integrated Services
UII	Urban Industry Initiative
ULRS	Unified Land Records System
VPMIS	Vacant Property Information Management System
WPIP	West Philadelphia Improvement Program
WRB	Water Revenue Bureau

Five-Year Plan Drafting Committee:

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\$89,950,000

Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities)

Certificate of Chief Clerk of the Council of the City of Philadelphia, Pennsylvania

- I, Patricia Rafferty, Chief Clerk of the Council (the "Council") of the City of Philadelphia (the "City"), do hereby certify that it appears from the records of said Council that:
- 1. (a) Public hearings were held on each of the Bills (the "Bills") listed below as required by Section 2-201(2) of the Philadelphia Home Rule Charter:
 - (i) Bill Number 1437 of 1991 imposing a 1.5% tax on salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City exclusively for the purposes of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") pursuant to Section 601 of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (hearing held May 23, 1991).
 - (ii) Bill Number 1563-A of 1992 approving the execution and delivery by the City of an Intergovernmental Cooperation Agreement between the City and the Authority (hearings held September 27 and 28, 1991).
- (b) Notices of public hearings on said Bills and of their report from committee were duly given by advertisement, each such Bill was duly enacted by the affirmative vote of a majority of all the members of the Council after the elapse of not less than five days from the printing and distribution of each Bill as reported from committee and the votes thereon have been recorded in the Journal of Council, all as required by Section 2-201 of the Philadelphia Home Rule Charter.
- (c) The copies of the Bills attached hereto are true and correct copies of the originals thereof on file in the office of the Chief Clerk of the Council.
- (d) Such Bills have not been amended or repealed and are in full force and effect on the date of this certificate.

2. A Copy of Resolution No. 2006-07 of the Authority adopted May 16, 2006, as provided to me by the Authority, has been on file for public inspection at the office of the Chief Clerk of the City Council, Room 315, City Hall, Philadelphia, Pennsylvania, at all times since the delivery of such Resolution to me on May 17, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand and seal, this 15th day of June, 2006.

CITY OF PHILADELPHIA, PENNSYLVANIA

PATRICIA RAFFERT

Chief Clerk of the Council of the City

of Philadelphia, Pennsylvania

[SEAL]

Exhibit A



(Bill No. 1437) AN ORDINANCE

Explanation: Italics indicate new matter added.

Amending Title 19 of The Philadelphia Code, entitled "Finances, Taxes and Collections," by adding a new Chapter 19-2800, entitled "Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits," by imposing a tax of one and one-half percent on the salaries, wages, commissions and other compensation earned by residents of the City and on the net profits earned in businesses, professions or other activities conducted by residents of the City; providing that revenues from the tax are to be used for the purposes of the Pennsylvania Intergovernmental Cooperation Authority; pledging to obligees of the Authority that the City will neither repeal nor reduce the tax for so long as bonds of the Authority secured by the pledge of the tax remain outstanding; providing for the collection of the tax; and imposing penalties.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. Title 19 of The Philadelphia Code, entitled "Finances, Taxes and Collections," is hereby amended by adding a new Chapter 19-2800, entitled "Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits," to read as follows:

CHAPTER 19-2800. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY TAX ON WAGES AND NET PROFITS.

§19-2801. Legislative Acknowledgements.

- (1) The General Assembly of the Commonwealth of Pennsylvania has enacted the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of ______, 1991, P.L. ____, No. ___).
 - (2) The Act declares it to be the public policy of the Commonwealth to exercise its retained sovereign powers with regard to taxation, debt issuance and matters of State-wide concern in a manner calculated to foster the fiscal integrity of cities of the first class to assure that these cities provide for the health, safety and welfare of their citizens; pay principal and interest owed on their debt

obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial planning procedures and budgeting practices. The inability of a city of the first class to provide essential services to its citizens as a result of a fiscal emergency has been determined to affect adversely the health, safety and welfare not only of the citizens of that municipality but also of other citizens in this Commonwealth.

- (3) The stated intent of the General Assembly for enacting the Act is to:
- (a) provide cities of the first class with the legal tools with which cities of the first class can eliminate deficits that render them unable to perform essential municipal services;
- (b) create an authority that will enable cities of the first class to access capital markets for deficit elimination and seasonal borrowings to avoid default on existing obligations and chronic cash shortages that will disrupt the delivery of municipal services;

- (c) foster sound financial planning and budgetary practices that will address the underlying problems which result in such deficits; and
- (d) exercise its powers consistent with the rights of citizens to home rule and self government by maintaining a system pursuant to which the principal responsibility for conducting the governmental affairs of a municipality remains with its local elected officials;
- (e) remedy the fiscal emergency confronting cities of the first class through the implementation of sovereign powers of the Commonwealth with respect to taxation, indebtedness and matters of State-wide concern. To safeguard the rights of the citizens to the electoral process and home rule, the General Assembly intends to exercise its power in a cooperative manner with the elected officers of cities of the first class as contemplated by the Constitution of Pennsylvania.
- (f) authorize the imposition of a tax or taxes to provide a source of funding for an intergovernmental cooperation authority to enable it to assist cities of the first class and to incur debt of such authority for such purposes; however, the General Assembly intends that such debt shall not be

a debt or liability of the Commonwealth or a city of the first class nor shall debt of the authority payable from and secured by such source of funding create a charge directly or indirectly against revenues of the Commonwealth or a city of the first class.

- (4) In enacting the Act the General Assembly of the Commonwealth inter alia found:
- (a) That cities of the first class have encountered recurring financial difficulties which may affect the performance of necessary municipal services to the detriment of the health, safety and general welfare of residents of such cities.
- (b) That the financial difficulties have caused cities of the first class to lose an investment-grade credit rating and direct access to capital markets.
- (c) That it is critically important that cities of the first class achieve an investment-grade credit rating and thereafter maintain their credit-worthiness.

- (d) That, without the ability to enter the capital markets, cities of the first class may face a fiscal emergency that could render them unable to pay their obligations when due and deliver essential services to their citizens.
- (e) That, due to the economic and social interrelationship among all citizens in our economy, the fiscal integrity of cities of the first class is a matter of concern to residents of the entire Commonwealth, and the financial problems of such cities have a direct and negative effect on the entire Commonwealth.
- (f) That, because cities of the first class consume a substantial proportion of the products of Pennsylvania's farms, factories, manufacturing plants and service enterprises, economic difficulties confronting cities of the first class detrimentally affect the economy of the Commonwealth as a whole and become a matter of State-wide concern.
- (g) That, because residents of cities of the first class contribute a substantial proportion of all Commonwealth tax revenues, a disruption of the economic and social life of such cities may have a significant detrimental effect upon Commonwealth revenues.

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- (h) That, cities of the first class and the Commonwealth have shown a willingness to cooperate in order to address important financial and budgetary concerns.
- (i) That, the financial difficulties of cities of the first class can best be addressed and resolved by cooperation between governmental entities.
- (j) That, the Constitution of Pennsylvania grants municipalities authority to cooperate with other governmental entities in the exercise of any function or responsibility.
- (k) That, the Commonwealth retains certain sovereign powers with respect to cities of the first class, among them the powers to authorize and levy taxes, to authorize the incurring of indebtedness and to provide financial assistance that may be necessary to assist cities in solving their financial problems.
- (l) That, the Commonwealth may attach conditions to grants of authority to incur indebtedness or assistance to

cities of the first class in order to ensure that deficits are eliminated and access to capital markets is achieved and maintained.

- (m) That, such conditions shall be incorporated into intergovernmental cooperation agreements between the Commonwealth or its instrumentalities and cities of the first class.
- (n) That, cities of the first class and the Commonwealth will benefit from the creation of an independent authority composed of members experienced in finance and management which may advise such cities, the General Assembly and the Governor concerning solutions to fiscal problems cities of the first class may face.
- (o) That, the creation of such an authority with the power to borrow money and issue bonds in order to assist cities of the first class will allow such cities to continue to provide the necessary municipal services for their residents and to contribute to the economy of the Commonwealth.
- (p) That, in order for an authority to effectively assist cities of the first class in financing their cash flow needs and for cities of the first class to be able to cost-effectively

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finance their cash flow needs during the term of any authority bonds and thereafter, the enactment of certain provisions of law in connection with the issuance of tax and revenue anticipation notes of cities of the first class is necessary and desirable.

- (q) That, a dedicated source of funding for the authority is necessary in order to address the immediate financial difficulties of cities of the first class.
- (r) That, the Commonwealth's action in authorizing cities of the first class to impose taxes for the authority will allow such cities to continue to provide necessary services for their residents and for those non-residents enjoying the benefits of such services.
- (s) That, the levy of a tax within cities of the first class for the authority should be authorized by the Commonwealth for the benefit of cities of the first class, with the revenue produced as a result of such levy being Commonwealth-authorized revenues and revenues of a State authority, and not revenues of the city of the first class.

- (t) That, the authority to levy a tax only within cities of the first class or as a rate that is higher than that imposed outside cities of the first class is based upon a legitimate classification which the General Assembly deems to be reasonable and just, since the benefit received by taxpayers in cities of the first class as a result of such levy is determined to be in proportion to the tax burden imposed in such cities of the first class.
- (u) That, a levy imposed only, or at a higher rate, in cities of the first class will be used to benefit citizens of cities of the first class by providing for their health, safety, convenience and welfare.
 - (5) City Council further acknowledges that the Act:
- (a) Specifically authorizes the imposition and pledge of any combination of the following taxes:
 - (i) a sale and use and hotel occupancy tax;
- (ii) a realty transfer tax such as is now or as may be hereafter enacted for general revenue purposes of the City pursuant to Section 1301(b) of the Act of December 13, 1988 (P.L. 1121, No. 45), known as the Local Tax Reform Act; and

- (iii) a tax on salaries. wages, commissions, compensation or other income received or to be received for work done by residents of the City, imposed pursuant to the provisions of the Sterling Act.
- (b) Provides that the revenues generated by any such tax are to become the exclusive property of the Pennsylvania Intergovernmental Cooperation Authority (PICA) and shall not be subject to appropriation by City Council or the General Assembly of the Commonwealth.
- (c) Provides that the Department of Revenue of the Commonwealth is charged with the administration, enforcement and collection of the tax imposed by this Chapter and if the tax imposed is pursuant to Subsections 601(a)(2) or (3) of the Act the administration, enforcement and collection procedures for the taxes and the fines, forfeitures, penalties and interest charges shall be as are specified in this Chapter.
- (d) Provides that the Department of Revenue of the Commonwealth is authorized to appoint as its agents, tax officers, clerks, collectors and other assistants, including revenue and legal departments of cities imposing a tax under this chapter, to collect and enforce any tax, including

interest and penalties, imposed under authority of this chapter; provided, however, that any moneys collected by any such agent shall not be commingled with any other funds of such agent and must be segregated and paid over to the Department of Revenue of the Commonwealth at least monthly.

- (e) Provides that the revenues collected by any of the Department of Revenue's agents, tax officers, clerks, collectors and other assistants are to be paid over to the Department of Revenue of the Commonwealth to be deposited by the Treasurer of the Commonwealth in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund.
- (f) Provides that the obligees of PICA shall have the right to enforce a pledge of or security interest in revenues of the authority securing payment of bonds of the authority against all government agencies in possession of any such revenues at any time, which revenues may be collected directly from such officials upon notice by such obligees or a trustee for such obligees for application to the payment of such bonds as and when due or for deposits in any sinking, bond or debt service fund established by the

Commonwealth or established by resolution of the authority with such trustee at the times and in the amounts specified in such bonds or the resolution or indenture or trust agreement securing such bonds. Any government agency in possession of any such revenues shall make payment against receipt and shall thereby be discharged from any further liability or responsibility for such revenues. If such payment shall be to a holder of bonds, it shall be made against surrender of such bonds to the payor for delivery to the authority in the case of payment in full, otherwise it shall be made against production of such bonds for notation thereon of the amount of the payment. The provisions of this section with respect to the enforceability and collection of revenues which secure bonds shall supersede any contrary or inconsistent statutory provision or rule of law. This section shall be construed and applied to fulfill the legislative purpose of clarifying and facilitating the financing of the authority of the costs of assisting a city by assuring to the obligees of the authority the full and immediate benefit of the security for

the bonds without delay, diminution or interference based on any statute, decision, ordinance, or administrative rule or practice.

§19-2802. Definitions.

- (1) "Authority." The Pennsylvania Intergovernmental Cooperation Authority established in the Act.
- (2) "Bond." A note, bond, refunding note and bond, interim certificate, debenture and other evidence of indebtedness or obligation which an authority is authorized to issue pursuant to the Act.
- (3) "Business." An enterprise, activity, profession or undertaking of any nature conducted for profit or ordinarily conducted for profit, whether by an individual, copartnership, association, governmental body or unit or agency, or any other entity.
- (4) "Department." The Department of Revenue of the Commonwealth or its agents, tax officers, clerks, collectors and other assistants, including revenue and legal departments of the City of Philadelphia. For purpose of complying with the provisions of this Chapter, the Revenue

Department of the City is the authorized agent of the Department of Revenue of the Commonwealth for the collection of taxes imposed hereunder.

- (5) "Employee." Any person who renders services to another for a consideration or its equivalent, under an express or implied contract, and who is under the control and direction of the latter, including temporary, provisional, casual or part-time employment.
- (6) "Employer." An individual, copartnership, association, corporation, governmental body or unit or agency, or any other entity, who or that employs one or more persons on a salary, wage, commission or other compensation basis.
- (7) "Net Profits." The net gain from the operation of a business, profession or enterprise, after provision for all allowable costs and expenses incurred in the conduct thereof, either paid or accrued in accordance with the accounting system used, without deduction of taxes based on income.
- (8) *Obligee of the Authority.* Any holder or owner of any bond of the Pennsylvania Intergovernmental

Cooperation Authority or any trustee or other fiduciary for any such holder or any provider of a letter of credit, policy of municipal bond insurance or other credit enhancement or liquidity facility for bonds of the authority.

- (9) "Person." Every individual, copartnership, fiduciary or association.
- (10) "Resident." An individual, copartnership, association, corporation or any other entity domiciled in the City.
- (11) "Salaries, Wages, Commissions and Other Compensation." All salaries, wages, commissions, bonuses, incentive payments, fees and tips that may accrue or be received by an individual, whether indirectly or through an agent and whether in cash or in property, for services rendered, but excluding:
- (a) periodical payments for sick or disability benefits and those commonly recognized as old age benefits;
- (b) retirement pay, or pensions paid to persons retired from service after reaching a specific age or after a stated period of employment;

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- (c) any wages or commissions paid by the United States to any person for active service in the Army, Navy or Air Force of the United States;
- (d) any bonus or additional compensation paid by the United States, this Commonwealth, or any other state for such service;
- (e) any statutory per diem compensation paid any witness or juror, or member of the District Election Board.
- (12) "Taxpayer." Any person required by this Chapter to file a return or to pay a tax.
- §19-2803. Imposition of Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits.
- (1) An annual tax to provide revenues for the purposes of the Pennsylvania Intergovernmental Cooperation Authority is imposed as follows:
- (a) On salaries, wages, commissions, and other compensation earned by residents of Philadelphia on and after July 1, 1991 at the rate of one and one-half percent.

- (b) On the net profits earned in business, professions or other activities conducted by residents after July 1, 1991 at the rate of one and one-half percent.
- (2) The tax imposed under §19-2803(1)(a) shall relate to and be imposed upon salaries, wages, commissions, and other compensation paid by an employer or on his behalf to any person who is employed by or renders services to him.
- (3) The tax levied under §19-2803(1)(b) shall relate to and be imposed on the net profits of any business, profession, or enterprise carried on by any person as owner or proprietor, either individually or in association with some other person or persons.

§19-2804. City Pledge; Duration of Taxes.

(1) The city pledges and agrees with each and every obligee of the authority acquiring bonds secured by an authority pledge of taxes imposed by this Chapter that the city will not repeal the tax or reduce the rate of the tax imposed for the authority until all bonds so secured by the pledge of the authority, together with the interest thereon, are fully paid or provided for. The revenues from the taxes imposed by this Chapter shall be revenues and property of

the authority and shall not be revenues or property of the city. The taxes shall be collected by the Department of Revenue of the Commonwealth and shall not be subject to appropriation by the City Council or by the General Assembly.

(2) The taxes imposed under this chapter shall continue in effect until all bonds of the authority which are secured by the authority's pledge of such tax revenues are no longer outstanding. For as long as any such bonds remain outstanding, City Council pledges not to repeal this Chapter or reduce the rate of tax imposed for the authority under this Chapter.

§19-2805. Return and Payment of Tax.

(1) Each person whose net profits are subject to the tax imposed by this chapter shall, on or before April 15 of each year, make and file with the Department a return on a form furnished by or obtainable from the Department setting forth the amount of such net profits earned by him during the preceding year and subject to the said tax, together with such other pertinent information as the Department may require. Where a return is made for a fiscal year or for any

other period different from a calendar year, the said return shall be made within one hundred five (105) days from the end of the said fiscal year or other period.

- (2) Each person who is employed on a salaried, wage, commission or other compensation basis, which is subject to a tax imposed by this Chapter and which tax is not withheld by his employer and paid to the Department as provided in \$19-2806 shall make and file a tax return with the Department for the three (3) months ending December 31, on or before the 15th day of the following February, and shall make and file a tax return with the city on or before the last day of April, July and October for the last three (3) months ending on the last day of the month preceding the due date. The return shall be made on a form furnished by the Department, setting forth the aggregate amount of salaries, wages, commissions and other compensation subject to the said tax earned by such person for the three (3) months, together with such other pertinent information as the city may require.
- (3) Whenever any person files a return required by this Section he shall at the time of filing pay to the Department the amount of tax due thereon.

§19-2806. Collection at Source.

- (1) Each employer within a city of the first class who employs one or more persons on a salary, wage, commission or other compensation basis shall deduct at the time of payment thereof, the tax imposed by this Chapter on the salaries, wages, commissions and other compensation due from the said employer to the said employee, except that due to employees engaged as domestic servants, and shall make a return and pay to the Department the amount of tax so deducted at such intervals as the Department shall established by regulations.
- (a) The return shall be on a form or forms furnished by the Department and shall set forth the names and residences of each employee of said employer during all or any part of the period covered by the said return, the amounts of salaries, wages, commissions or other compensation earned during such period by each of such employees, together with such other information as the Department may require.
- (b) The employer making the return shall, at the time of filing, pay to the Department the amount of tax due thereon.

- (c) The failure of any employer, residing either within or outside of a city of the first class to make such return and/or to pay such tax shall not relieve the employee from the responsibility for making the returns, paying the tax, and complying with the regulations with respect to making the returns and paying the tax.
- (2) When an employer makes deductions or returns under §19-2806(1) he shall deposit such deduction with the Department or with any bank designated by the Department, which shall in all cases be a bank designated as a City depository bank.
- (a) Each bank so designated shall issue official receipts to the employer for the money received from him, which money shall be credited to the authority's account. Such deposits shall be reported daily to the department.
- (b) At the time of each deposit, the employer shall file with the department or designated bank a depository form to be furnished by the department which shall contain such information as the department may require.

§19-2807. Estimated Net Profits Tax.

(1) Returns and Payments of Estimated Tax.

- (a) Each person whose net profits are subject to the tax imposed by this Chapter shall be required to file returns and pay estimated tax on account of the net profits due for the current taxable year.
- (2) For the purposes of this Chapter, the term "estimated tax" means the amount of net profits tax which a person calculated to be his tax due under this Chapter for the preceding taxable year, after giving effect to the tax credit provided in Section 19-2808.
 - (3) Calendar Year Taxpayers.
- (a) Returns and payments of estimated tax for taxable years beginning after December 31, 1991 shall be due and payable as follows:
- (.1) The first installment of one-fourth of the estimated tax shall be due and payable on or before April 15 of the taxable year.
- (.2) The second installment of one-fourth of the estimated tax shall be due and payable on or before June 15 of the taxable year.
 - (4) Fiscal Year Taxpayers.

- (a) Persons who report net income for a fiscal year period other than a calendar year shall make returns and payments of estimated tax for taxable years beginning after December 31, 1991 as follows:
- (.1) The first installment of one-fourth of the estimated tax shall be due and payable within three and one-half months after the beginning of the taxable fiscal year.
- (.2) The second installment of one-fourth of the estimated tax shall be due and payable within five and one-half months after the beginning of the taxable fiscal year.
 - (5) Credits for Excessive Estimated Payments.
- (a) Any estimated payments which exceed a person's tax liability for the taxable year shall be applied as a credit against the estimated tax for the following taxable year, to the extent of the estimated tax due for the following taxable year.
- (b) The amount of any estimated payments which exceed the estimated tax for the following year shall be refunded to the taxpayer.

- (6) Provisions not Applicable. The provisions of Section 19-2807 shall not be applicable to a person for a taxable year if:
- (a) Such person was not engaged in business in the preceding taxable year; or
- (b) Such person's net profits tax liability for the preceding taxable year does not exceed one hundred (\$100) dollars; or
- (c) Such person terminated his business activity prior to the due date of the net profits tax return for the preceding taxable year.
- (7) Any person who terminates his business activity prior to the due date of any estimated payment shall not be required to make any additional estimated payments for that taxable year.

§19-2808. Credit Against Tax.

(1) In the event that any person subject to a tax under \$19-1502(1)(c) and who is entitled to a credit pursuant to \$19-1506 does not totally exhaust such credit against tax

liability incurred pursuant to §19-1502(1)(c). The remaining credit may be applied against taxes owed pursuant to this chapter.

- (2) The credit provided pursuant to this Section relates to the following tax year;
- (a) When a return is made for a fiscal year corresponding to the calendar year, the same calendar year as that which is used as the measuring period for computing net income subject to the tax imposed under Chapter 19-2600 of this Title on which the credit is based.
- (b) When a return is made for a fiscal year other than a calendar year, the fiscal year which ends within the calendar year for which the tax imposed under Chapter 19-2600 of this Title is paid, and on which the credit is based.
- (3) Nothing in this Section shall permit credits to be charged against any given tax year in excess of the amount of tax due under §19-2803 for that tax year.

§19-2809. Penalties and Enforcement.

(1) Penalties.

(a) For late deposits of withheld taxes due under this Chapter there shall be added, in addition to the penalties set forth herein, a penalty of ten percent (10%) of the underpayment.

(2) Extension for Payment.

- (a) If the due date for the payment of any tax due falls on a Sunday or a holiday, or any day during which the agency collecting such tax is not open for a full business day, the Department may postpone such due date to the next following business day.
- (b) The Department may, upon proper cause shown, grant a taxpayer an extension of not more than sixty (60) days for the payment of the tax. Application for such extension shall be made on or before the last day for the payment of the tax, in such form as the Department prescribes.
- (c) If any Federal taxing authority grants to any taxpayer an extension for the payment of Federal income tax for a period in excess of sixty (60) days, the Department

may grant an additional extension of time for the payment of any City tax affected thereby, not to exceed thirty (30) days after the termination of the Federal extension period.

- (d) Where an extension for payment of any tax has been granted by the Department, the principal amount of such tax shall be subject to interest from the original due date at the rate of one-half of one percent per month, or part thereof, but shall not be subject to any penalty if paid within the extended period.
 - (3) Extension for Filing Returns.
- (a) The Department may, upon proper cause shown, grant a taxpayer an extension of not more than sixty (60) days for the filing of any tax return. Application for such extension shall be made on or before the last day of the payment of the tax, in such form as the Department prescribes.
- (b) If any Federal taxing authority grants to any taxpayer an extension for the filing of Federal income tax returns for a period in excess of sixty (60) days, the

Department may grant an additional extension of time for the filing of any tax returns affected thereby, not to exceed the date of termination of the Federal extension period.

(c) In order for an extension to be granted, the taxpayer must file a tentative return and pay one hundred percent (100%) of the tax estimated to be due, on or before the statutory due date. The extension will not relieve the taxpayer from the obligation to pay interest and penalty from the date such return was originally due upon the amount of tax due in excess of the estimated tax paid.

(4) Allocation of Delinquent Payments.

(a) Unless otherwise provided, when a partial payment is made on account of any delinquent tax, such payment shall be pro-rated between the principal sum of such tax and the penalties and interest accumulated on it.

(5) Records of Taxpayer.

(a) Every person who has paid, or from whom there is due or alleged to be due, any moneys collectible by the Department, for or on behalf of the authority, including any taxes, charges, or other sums, and any person upon whom there is imposed any other obligation to collect and remit to a city any such moneys shall:

- (.1) preserve and retain his books, records, accounts, copies of tax returns filed with other taxing authorities, and other data relating thereto, for a period of six (6) years after such moneys become collectible or have been collected by the Department, whichever is later;
- (.2) when requested by the Department produce his books, records, accounts, copies of tax returns filed with other taxing authorities, and other data relating thereto, and give to the Department the opportunity to make examination of such books, records, accounts, copies, data, and any property owned or controlled by such person in order to verify the accuracy of any report or return made, or if no report or return has been made, to ascertain the amount of tax, rent, charge, or other sum due.
- (.3) Any information obtained by the Department in the conduct of any examination or investigation shall be treated as confidential, except in the course of departmental business, or in accordance with judicial order, or as otherwise provided by law.

- (6) Oaths.
- (a) Whenever the Department shall hold hearings or conduct investigations, the Revenue Commissioner of the City, or any deputy designated by him, shall have the power to administer oaths to persons under examination.
 - (7) Interest, Penalties and Costs.
- (a) If any tax authorized or imposed under this Chapter is not paid when due, there shall be added to the amount of the unpaid tax and collected therewith, interest at the rate of one-half of one percent of the amount of the unpaid tax, and a penalty at the rate of one percent of the amount of the unpaid tax shall be added for each month or fraction thereof during which said tax shall remain unpaid and shall be collected, together with the amount of the tax. This provision shall not apply to:
 - (.1) Taxes imposed by §19-2803 that are not, in fact, withheld pursuant to §19-2806; provided, however, when such tax is not paid when due interest at the rate of one-half percent of the amount of the unpaid tax and a penalty of one percent of the amount of the unpaid tax per month for

the first year and one-half percent per month thereafter shall be added and collected together with the amount of the tax.

- (b) Where suit is brought for the recovery of any such tax the person liable therefor shall, in addition, be liable for the costs of collection together with the interest and penalties herein imposed.
- (c) If any tax imposed under this Chapter was not paid when due or is not paid when it becomes due, there shall be added to the amount of the unpaid tax, interest, and penalty and collected therewith:
- (.1) interest at the rate of one-half of one percent of the amount of the unpaid tax each month or fraction thereof during which the tax remains unpaid; and
- (.2) penalty calculated on the amount of the unpaid tax at the following rates for each month during which the tax remains unpaid:
- (.a) in the first month or fraction thereof following the due date, one percent (1%);

- (.b) in the second month or fraction thereof following the due date, an additional one percent (1%) for a total of two percent (2%);
- (.c) in the third month or fraction thereof following the due date, an additional one percent (1%) for a total of three percent (3%);
- (.d) in the fourth month or fraction thereof following the due date, an additional two percent (2%) for a total of five percent (5%);
- (.e) in the fifth month or fraction thereof following the due date, an additional two percent (2%) for a total of seven percent (7%);
- (.f) in the sixth month or fraction thereof following the due date, an additional two percent (2%) for a total of nine percent (9%);
- (.g) in the seventh month or fraction thereof following the due date, an additional three percent (3%) for a total of twelve percent (12%);

- (.h) in the eighth month or fraction thereof following the due date, an additional three percent (3%) for a total of fifteen percent (15%);
- (.i) in the ninth month or fraction thereof following the due date, an additional three percent (3%) for a total of eighteen percent (18%);
- (.j) in the tenth month or fraction thereof following the due date, an additional four percent (4%) for a total of twenty-two percent (22%);
- (.k) in the eleventh month or fraction thereof following the due date, an additional four percent (4%) for a total of twenty-six percent (26%);
- (.l) in the twelfth month or fraction thereof following the due date, an additional four percent (4%) for a total of thirty percent (30%);
- (.m) thereafter, for each additional month or fraction thereof following the due date, one and one-quarter percent (1-1/4%) shall be added to the amount charged under subsection (.1).

- (d) In addition to any other sanction or remedial procedure provided, any person who shall:
- (.1) make any false or untrue statement on his report or return;
 - (.2) fail or refuse to file any report or return;
- (.3) violate any condition of any license required hereunder;
- (.4) fail to pay over to the Department any moneys which he may hold as agent for the Department;
- (.5) violate any provision of this Chapter or any regulation adopted hereunder;

shall be subject to a fine of not more than three hundred (\$300) dollars, for each offense together with imprisonment for not more than ninety (90) days if the fine and costs are not paid within ten (10) days. A separate offense shall be deemed to occur on the first day of each month that conduct described in subsections (d)(.2) or (d)(.4) continues.

- (e) Any person who shall have paid, or from whom there is due or alleged to be due any moneys collectible by the Department, including any taxes, charges, or other sums, and who fails and refuses to produce or permit the examination of his books, records, accounts, and related data, or to afford to authorized representatives of the Department an opportunity for such examination, shall be subject to a fine of not more than three hundred (\$300) dollars for each such offense, with imprisonment for not more than ninety (90) days if the fine and costs are not paid within ten (10) days.
- (f) When any person shall give or cause to be given to a city official or agency a check in payment of any obligation whether due to the department or others, including but not limited to any tax which is dishonored or unpaid by the bank upon which it is drawn, the sum of twenty (\$20) dollars shall be added to the obligation and interest and penalties provided by law or otherwise, to cover the additional cost to the Department.

- (8) Limitation of Actions.
- (a) Any suit to recover any tax authorized or imposed by this chapter shall be begun within six (6) years after such tax is due or within six (6) years after a return or a report has been filed, whichever date is later; but this limitation shall not apply in the following cases:
- (.1) where the taxpayer has failed to file the return or report required under the provisions of this chapter;
- (.2) where an examination of a return or report filed by the taxpayer and of other evidence relating to such return or report in the possession of the Department reveals a fraudulent evasion of taxes, including, but not limited to, substantial understatement of gross income, or any other receipt of income, moneys or funds in any such return or report;
- (.3) where the taxpayer has collected or withheld tax funds or moneys of any nature or description under this Chapter as agent of or trustee for the Department and has failed, neglected or refused to pay the amount so collected or so withheld to the Department.

- (b) All defenses to the collection of any tax authorized or imposed by this Chapter shall be raised by appropriate petition pursuant to provisions of local ordinance.
- (c) Where a taxpayer has filed any petition pursuant to ordinance, the period of limitation set forth in \$19-2809(a) shall be tolled until final determination of such petition has been made.

(9) Construction.

- (a) Each tax authorized or imposed under this Chapter upon any person, transaction, occupation, privilege, subject or personal property shall be in addition to any other taxes imposed by a city of the first class upon such person, transaction, occupation, privilege, subject or personal property.
 - (10) Administration and Enforcement.
- (a) The Commissioner of Revenue of the City of Philadelphia is hereby authorized to promulgate regulations governing the administration, enforcement and interpretation of the provisions of this chapter.

Section	2. Effectiv	e Date. This or	dinance shall becon	ne
effective up	on the late	er of either July	y 1, 1991 or upon tl	he
effective d	ate of the	Pennsylvania	Intergovernment	al
Cooperation	n Authority	Act for Cities	of the First Class (A	ct
of	, 1991,	P.L, N	o).	•

Explanation:

Italics indicate new matter added.

CERTIFICATION: This is a true and correct copy of the original Ordinance approved by the Mayor on

JUNE 12, 1991

Deputy Chief Clerk of the Council

Exhibit B



(Bill No. 1563-A) AN ORDINANCE

Explanation:

[Bold Brackets] indicate matter deleted on Final Passage. Bold Italics indicate new matter added on Final Passage.

Setting forth and approving an intergovernmental cooperation agreement between the City of Philadelphia and the Pennsylvania Intergovernmental Cooperation Authority ("PICA"), and requiring that prior to the submission of certain documents to PICA the Mayor shall submit them for approval by resolution of City Council.

WHEREAS, The General Assembly of the Commonwealth of Pennsylvania has enacted the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. _____ No. 6) (the "Act"); and

Whereas, The Act declares it to be the public policy of the Commonwealth of Pennsylvania (the "Commonwealth") to exercise its retained sovereign powers with regard to taxation, debt issuance and matters of state-wide concern in a manner calculated to foster the fiscal integrity of cities of the first class to assure that these cities provide for the health, safety and welfare of their citizens; avoid interruption of essential city services; pay principal and interest owed on their debt obligations

when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial planning procedures and budgeting practices; and

Whereas, In accordance with the Act the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") has been created, a governing board of the Authority has been duly appointed, and the Authority has initiated actions to provide the City with access to capital markets for deficit elimination and to foster sound financial planning and budgetary practices that will address the underlying problems which result in such deficits; and

WHEREAS, The City of Philadelphia is a city of the first class requiring the financial assistance of the Authority; and

WHEREAS, In order to foster cooperative action between the Authority and the City to reach common ends, it is necessary to further define and detail the undertakings of the Authority and the City in an Intergovernmental Cooperation Agreement (the "Agreement") as anticipated in the Act; and

WHEREAS, The City Council is the governing body of the City, and as such is responsible for approving all operating and capital budgets and amendments thereto and should, accordingly, participate fully in the interchanges of information and the development of City financial plans required by the Agreement and the Act; now therefore

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The Intergovernmental Cooperation Agreement attached hereto as Exhibit "A," and incorporated herein, is hereby approved, and all

appropriate officers of the City are hereby authorized to execute such Agreement, and, consistent with the terms of this ordinance, implement its provisions.

SECTION 2. Prior to the submission to the Authority of the initial financial plan pursuant to Section 4.01(a) of the Agreement, and prior to the submission of a proposed revision to the plan pursuant to Section 4.07 or 4.08(b) of the Agreement or of proposed remedial action pursuant to Section 4.10(b)(ii) of the Agreement, if such proposed revision or remedial action will require the adoption of an ordinance of City Council for its implementation, the Mayor shall submit such financial plan, revisions thereto and proposals for remedial action (individually and collectively to be referred to hereinafter as a "filing") to City Council for preliminary approval by resolution. Without said approval no filing shall be deemed an official filing by the City: Provided, however, that in the event that City Council has no regularly scheduled meeting within ten (10) days of the time the administration has completed the preparation of a filing and is ready to submit said filing to the Authority, the administration may request the President of City Council to waive the requirement for Council approval by resolution, and if the President of City Council determines that time is of the essence and elects not to call a special meeting of City Council, the President of City Council may waive the requirement that City Council approve the filing by resolution, such waiver to be in writing and addressed to the Mayor, the Finance Director and each Councilmember. Further provided, that if City Council fails to approve or disapprove a request for approval of any of the filings within ten (10) days of the submission of the request, or if the President of City Council fails to approve or disapprove a waiver within ten (10) days of the submission of the request, City Council's approval, and where appropriate, the President of City Council's waiver, shall be deemed to have been given.

SECTION 3. All written financial, contract-related, and other reports and written communications submitted to the Authority by the City pursuant to the Agreement or the Act shall simultaneously be submitted to the President of the Council for immediate distribution to all members of City Council, and all decisions, recommendations, and other written communications received from the Board shall be submitted to the President of the Council for immediate distribution to all members of City Council immediately upon receipt thereof by any City official.

Section 4. All proposed amendments to the Agreement shall be submitted to the President of City Council for immediate distribution to all members of City Council. If the President of City Council determines that the proposed amendments are substantial in nature, they shall be submitted to City Council for approval by ordinance. An amendment is substantial in nature if it changes the terms of the Agreement to materially alter the relationship of the parties to the Agreement, directly or indirectly increases the City's financial obligations under the Agreement, materially diminishes the obligations of the Authority to the City under the Agreement or otherwise adversely affects the rights of the City or any official of the City under said Agreement. If the President of City Council determines that proposed amendments are not substantial in nature, the appropriate officers of the City are authorized to execute such amendments, and, consistent with the terms of this ordinance, implement their provisions.

INTERGOVERNMENTAL COOPERATION AGREEMENT

by and between PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

and
THE CITY OF PHILADELPHIA

Dated as of ______, 1992

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INTERGOVERNMENTAL COOPERATION AGREEMENT

INTERGOVERNMENTAL COOPERATION THIS AGREEMENT made and entered into as of the ____ of 1992. by and between the INTERGOVERNMENTAL PENNSYLVANIA COOPERATION AUTHORITY, a body corporate and politic constituting a public authority and instrumentality of the Commonwealth of Pennsylvania (the "Authority"), and the CITY OF PHILADELPHIA, a city of the first class of the Commonwealth of Pennsylvania (the "City");

WITNESSETH:

WHEREAS, The General Assembly of the Commonwealth of Pennsylvania has enacted the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. _____, No. 6) (the "Act"); and

Whereas, The Act declares it to be the public policy of the Commonwealth of Pennsylvania (the "Commonwealth") to exercise its retained sovereign powers with regard to taxation, debt issuance and matters of state-wide concern in a manner calculated to foster the fiscal integrity of cities of the first class to assure that these cities provide for health, safety and welfare of their citizens; pay principal and interest owed on their debt obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial planning procedures and budgeting practices; and WHEREAS, The Act further declares that the inability of a city of the first class to provide essential services to its citizens as a result of a fiscal emergency has been determined to affect adversely the health, safety and welfare not only of the citizens of that municipality but also of other citizens of the Commonwealth; and

WHEREAS, In accordance with the Act, a governing board of the Authority has been duly appointed and has initiated actions intended to provide the City with access to capital markets for deficit elimination and to foster sound financial planning and budgetary practices that will address the underlying problems which result in such deficits; and

WHEREAS, In order to implement such cooperative intergovernmental actions, it is necessary to further define and detail the undertakings of the Authority and the City in this Agreement as anticipated in the Act; and

WHEREAS, The Act declares that the Commonwealth may attach conditions to grants of authority to incur indebtedness or assistance to the City in order to ensure that deficits are eliminated and access to capital markets is achieved and maintained, and that such conditions shall be incorporated into one or more intergovernmental cooperation agreements between the Authority and the City; and

WHEREAS, The Authority and the City intend that this Agreement constitute such an intergovernmental cooperation agreement incorporating certain of such conditions in accordance with the Act; and

WHEREAS, By resolution approved by a qualified majority of its governing board, the Authority has authorized the execution and delivery of this Agreement by the Authority; and

WHEREAS, By ordinance of its City Council, approved by the Mayor, the City has authorized the execution and delivery of this Agreement by the City and has determined that this Agreement constitutes a service agreement as provided for in Section 8-200(3) of the City's Home Rule Charter; and

Whereas, In furtherance of the legislative intent of the Act and the actions to be undertaken by the Authority pursuant to the Act and this Agreement, the City, by Ordinance (Bill No. 1437) of its City Council, approved by the Mayor on June 12, 1991, has enacted exclusively for purposes of the Authority a one and one-half percent (1½%) tax on wages, salaries, commissions and other compensation earned by residents of the City and on the net profits earned in businesses, professions or other activities conducted by residents of the City (the "Authority Tax");

NOW, THEREFORE, for good and valuable consideration, and intending to be legally bound hereby, the Authority and the City agree as follows:

ARTICLE I DEFINITIONS

SECTION 1.01. Definitions.

In addition to any words and terms elsewhere defined in this Agreement, the following words and terms, when used in this Agreement, shall have the following respective meanings, unless the context clearly requires otherwise. Any other words and terms used in this Agreement which are defined in the Act are used in this Agreement as so defined in the Act.

"Act" shall mean the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. ____, No. 6), as it may be amended, supplemented or otherwise modified and in effect from time to time.

"Additional City Documents" shall mean any and all additional documents, instruments, certificates and agreements delivered by or on behalf of the City pursuant to Section 2.01(d) or 2.03 hereof.

"Agreement" shall mean this Intergovernmental Cooperation Agreement, as it may be amended, supplemented or otherwise modified and in effect from time to time.

"Authority Tax" shall have the meaning given to that term in the recitals to this Agreement.

"City Account" shall mean the account so designated and established pursuant to Section 3.01 of this Agreement.

"City Account Depositary" shall have the meaning given to that term in Section 3.01 hereof.

"City Controller" shall mean the City Controller of the City.

"City Council" shall mean the City Council of the City.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and all regulations promulgated from time to time thereunder.

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"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Corporate Entity" shall mean an authority or other corporate entity, now existing or hereafter created, of which one or more of the members of its governing board are appointed by the Mayor and which performs governmental functions for the City[.], and currently including, without limitation, those authorities and corporate entities listed in Exhibit "C" attached hereto.

"Covered Fund" or "Covered Funds" shall mean the principal operating fund or funds of the City, now existing or hereafter created, and shall include the General Fund, the General Capital Fund, and the Grants Revenue Fund and any other principal operating fund of the City which becomes a member of the City's Consolidated Cash Account.

"Days" shall mean, with respect to any period of time under consideration, the number of calendar days during such period excluding the first and including the last day of such period. Whenever the last day of any such period shall fall on a Saturday or Sunday, or on any day made a legal holiday by the laws of the City, the Commonwealth, or of the United States, such day shall be omitted from the computation.

"Deficit" shall mean as of any relevant date of determination or estimation thereof with respect to any Covered Fund or Funds, the amount of such negative fund balance as is reasonably estimated, projected or determined by the City to exist in any such Covered Fund or Funds as of the close of the relevant fiscal year, as calculated pursuant to the modified accrual basis of accounting according to generally accepted standards and set forth in the relevant approved Financial Plan.

"Director of Finance" shall mean the Director of Finance of the City.

"Extraordinary Contract" shall mean any contract or agreement to which the City is a party or under or on account of which the City may be or become obligated, directly or indirectly, pursuant to which the City will (or upon the occurrence of certain events or circumstances or the satisfaction of certain conditions may) incur a financial obligation or confer a financial benefit upon another, in either case in excess of one million (\$1,000,000) dollars during any fiscal year of the City during the term of such contract or agreement or in excess of five million (\$5,000,000) dollars in the aggregate during the term of such contract or agreement. The City shall not divide individual contracts into separate contracts for purposes of avoiding such limits. Notwithstanding the foregoing, the term "Extraordinary Contract," (a) shall in all cases include, without limitation, any contract or agreement to which the City is a party and which relates to the borrowing of money by the City (regardless of the amount thereof and regardless of whether such borrowing would legally constitute indebtedness of the City), or the direct or indirect guaranty or incurrence of a liability by the City (through an agreement of guaranty or suretyship, a service agreement or lease with an authority, or otherwise) of or on account of all or any portion of any indebtedness for money borrowed by another person or entity. (b) shall not include any contracts or agreements entered into by the City in the ordinary and usual course

of business for the purchase of materials, equipment or supplies or for construction, alteration, repairs, maintenance or other services which are, in any such case, subject to the competitive bidding requirements of the Home Rule Charter or other relevant Pennsylvania law, and (c) shall not include any collective bargaining agreements entered into by the City with any labor union representing any employees of the City.

"Financial Plan" shall mean each financial plan of the City, including all amendments, supplements or revisions thereto from time to time, required to be prepared in accordance with the requirements of Article IV hereof.

"Governor" shall mean the Governor of the Commonwealth.

"Home Rule Charter" shall mean the Philadelphia Home Rule Charter as adopted by the electors of the City of Philadelphia on April 17, 1951, as it may be amended, supplemented or otherwise modified and in effect from time to time.

"Initial Bonds" shall have the meaning given to that term in Section 2.01 hereof.

"Initial Bond Request" shall have the meaning given to that term in Section 2.01 hereof.

"Mayor" shall mean the Mayor of the City.

"Net Proceeds" shall have the meaning given to that term in the Act.

"Outstanding" shall mean, with respect to any bonds of the Authority issued from time to time, all such bonds except, (a) bonds purchased by the Authority or the City for cancellation by the Authority or otherwise required to be canceled by the Authority, and (b) bonds for the payment of the principal of and interest on which moneys or investments sufficient to make such payments timely have been irrevocably deposited with a fiduciary for obligees of the Authority owning such bonds, in each case subject to such limitations and such additional requirements with regard to the payment or provision for payment or cancellation of such bonds as may be set forth in any agreement between the Authority and any obligee of the Authority.

"School District" shall mean The School District of Philadelphia, Pennsylvania.

"Secretary of the Budget" shall mean the Secretary of the Budget of the Commonwealth.

"Special Fund" shall mean any fund (other than the General Fund), whether governmental, proprietary or fiduciary in nature, now existing or hereafter created on the books of account of the City to account for the receipt and use by the City of financial resources dedicated, earmarked or otherwise in any manner restricted for a particular purpose.

"Supplemental Funds" shall mean the Water Fund and the Aviation Fund of the City.

"Variance" shall have the meaning given to that term in Section 4.10 hereof.

SECTION 1.02. Rules of Construction.

Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, the singular the plural, and the part the whole. The words "hereof," "herein," "hereunder" and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The section and other headings contained in this Agreement and the table of contents preceding this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation thereof in any respect. Section, subsection and exhibit references are to this Agreement unless otherwise specified. References in this Agreement to any section or subsection of the Act are to such sections or subsections of the Act as originally in effect and to any successor sections or subsections.

ARTICLE II ISSUANCE OF BONDS BY THE AUTHORITY

SECTION 2.01. Initial Issuance of Bonds to Finance a Deficit.

- (a) As soon as practicable after the receipt by the Authority of a request by the City therefor in accordance with Section 301(g) of the Act (the "Initial Bond Request") and the approval (or deemed approval) by the Authority of the Initial Financial Plan of the City pursuant to Sections 4.06 or 4.07 hereof, as the case may be, the Authority shall use its best efforts, subject to the provisions of the Act, to issue and sell bonds (the "Initial Bonds") for the purposes of:
- (i) financing, as contemplated by Section 317 of the Act, the entire Deficit with respect to the General Fund of the City for its fiscal year ended June 30, 1991, in such amount as shall have been set forth as such in the initial Financial Plan of the City referred to above;

- (ii) funding twelve (12) months' capitalized interest on the Initial Bonds;
- (iii) funding a debt service reserve fund for the Initial Bonds, in an amount not to exceed ten percent (10%) of theaggregate principal amount of the Initial Bonds;
- (iv) paying the costs of issuance and of credit enhancement, if any, for the Initial Bonds;
- (v) funding the initial operating expenses of the Authority; and
- (vi) any and all other purposes permitted by the Act, as determined by the Authority in its discretion.
- (b) If so requested by the City in the Initial Bond Request, the Authority may, in its sole discretion, issue the Initial Bonds for the additional purpose of financing all or a portion of the Deficit with respect to the General Fund of the City for its fiscal year ending June 30, 1992.
- (c) The initial Bonds shall be sold at such prices, rates of interest and in accordance with such other terms and conditions as may be determined by the Authority in its discretion, consistent with the requirements of the Act. As soon as practicable after the issuance of the Initial Bonds, the Authority shall furnish to the City a complete copy of the transcript of closing documents relating to the Initial Bonds.
- (d) The City agrees to cooperate fully with the Authority with respect to the issuance and sale of the Initial Bonds, such cooperation to include, without limitation, (i) promptly furnishing to the Authority and to such other entities as the Authority may reasonably request all such information (accompanied by such

certifications of the City concerning the accuracy and completeness of such information as the Authority may reasonably request) concerning the City and its finances and operations as the Authority may reasonably request at any time and from time to time (before or after the issuance of the Initial Bonds) in order to enable the Authority timely to prepare or update and distribute to investors or potential investors in the Initial Bonds disclosure documents (and amendments or supplements thereto) concerning the Initial Bonds and the security therefor and in order to enable the Authority otherwise to comply with all relevant federal and state securities laws and regulations in respect of the offering and sale of the Initial Bonds, and (ii) the execution and delivery by or on behalf of the City of such additional documents, instruments, certificates, agreements and legal opinions as may be reasonably determined by the Authority, by bond counsel to the Authority or by the initial purchasers of the Initial Bonds to be necessary or desirable in connection with the issuance and sale of the Initial Bonds or to establish or maintain the exclusion from gross income for Federal income tax purposes of the interest on the Initial Bonds.

(e) The Authority shall use its best efforts to request the information, certifications, documents, instruments, certificates, agreements and legal opinions within a reasonable period of time prior to the dates needed for delivery of the foregoing in order to provide the City with a reasonable period for preparation of such information and documentation. Section 2.02. Application of Net Proceeds of Initial Bonds.

Subject to the provisions of the Act (including, without limitation, Section 202(i) thereof), and subject to the provisions of any of the Additional City Documents or other financing documents executed and delivered by the Authority in connection with the issuance of the Initial Bonds which may require that all or any portion of such Net Proceeds be deposited into an escrow account or similar segregated account subject to special provisions as to the disbursement or application thereof in order to assure compliance with the requirements of the Code applicable to the Initial Bonds, the Authority shall, on the date of its custody and control thereof, or on the business day next succeeding the date of its custody and control thereof, disburse or cause to be disbursed the Net Proceeds of the issuance and sale of the Initial Bonds to the City by wire transfer of immediately available funds to such account of the City as is designated in writing to the Authority by the Director of Finance. Such disbursement of the Net Proceeds of the Initial Bonds shall constitute a grant of such funds by the Authority to the City without obligation on the part of the City to repay such funds to the Authority.

SECTION 2.03 Additional Bonds of the Authority.

(a) As and to the extent permitted by the Act, the Authority may from time to time in its discretion issue and sell one or more series of bonds in addition to the Initial Bonds, but only after receiving a proper request by the City therefor to the extent required by the Act. The City acknowledges that the Authority may, in the exercise of such discretion, refuse to issue any such additional bonds.

The City agrees to cooperate fully with the Authority in connection with the issuance and sale of any such additional bonds, such cooperation to include, without limitation, (i) promptly furnishing to the Authority, and to such other entities as the Authority may reasonably request, all such information (accompanied by such certifications of the City concerning the accuracy and completeness of such information as the Authority may reasonably request) concerning the City and its finances and operations as the Authority may reasonably request at any time and from time to time (before or after the issuance of such additional bonds) in order to enable the Authority timely to prepare or update and distribute to investors or potential investors in such additional bonds disclosure documents (and amendments or supplements thereto) concerning such additional bonds and the security therefor and in order to enable the Authority otherwise to comply with all relevant federal and state securities laws and regulations in respect to the offering and sale of such additional bonds, and (ii) the execution and delivery by or on behalf of the City of such additional documents, instruments, certificates, agreements and legal opinions as may be reasonably determined by the Authority, by bond counsel to the Authority or by the initial purchasers of any such additional bonds to be necessary or desirable in connection with the issuance and sale thereof or to establish or maintain the exclusion from gross income for Federal income tax purposes of the interest thereon.

(b) The Authority shall use its best efforts to request the information, certifications, documents, instruments, certificates, agreements and legal opinions within a reasonable period of time prior to the dates needed for delivery of the foregoing in order to provide the City with a reasonable period for preparation of such information and documentation.

ARTICLE III THE CITY ACCOUNT

SECTION 3.01. Establishment of the City Account.

As contemplated by the Act, the Authority has heretofore established with CoreStates Bank, N.A., in trust for the exclusive benefit of the City, an account designated as the "City Account." The Authority shall maintain the City Account at all times with CoreStates Bank, N.A. or, upon prior written notice to the City, with any other bank with trust powers or a trust company with a place of business in the Commonwealth selected by the Authority in its discretion. CoreStates Bank, N.A. and any other such depositary of the City Account are herein referred to as the "City Account Depositary." The City Account and all funds and investments on deposit to the credit thereof shall at all times constitute trust funds for the exclusive benefit of the City and shall not, unless the City otherwise expressly agrees in writing, be subject to lien or attachment by or in favor of any creditor or obligee of the Authority.

Section 3.02 Deposits into the City Account.

(a) There shall be deposited to the credit of the City Account, weekly prior to the issuance of the Initial Bonds and thereafter no less often than monthly, the proceeds of the taxes or other revenues pledged by the Authority or the City, as the case may be, to secure any bonds of the Authority or to secure any payments due from the City to the Authority, but only if and to the extent such tax

proceeds or revenues are in excess of the following requirements, as reasonably determined by the Authority, and subject to any limitations as may be set forth in any agreements entered into between the Authority and any obligees of the Authority:

- (i) the payment requirements for any bond payment account or accounts established by the Authority in respect of the bonds of the Authority secured by taxes or revenues so pledged;
- (ii) any amount required to cure a deficiency in any debt service reserve fund or funds established by the Authority in respect of any bonds of the Authority secured by taxes or revenues so pledged;
- (iii) any amount permitted or required to be paid to or retained by the Authority for or on account of the Authority's operating expenses consistent with its budget as enacted pursuant to the Act, after exhaustion for such operating expense purposes of the revenues derived from the investment income of the Authority to the extent such investment income is available to the Authority, and any other amounts representing costs or expenses incurred by the Authority at any time with respect to any bonds of the Authority or with respect to the Authority's compliance with any terms and conditions applicable to such bonds;
- (iv) any amounts required to be paid or set aside for future payment by the Authority to the issuer or provider of any credit enhancement or liquidity facility issued in respect of any bonds of the Authority;
- (v) any amounts required to be paid or set aside for future payment by the Authority under any interest rate exchange agreements, interest rate cap or floor

agreements or other similar agreements or arrangements entered into by the Authority in respect of any bonds of the Authority;

- (vi) any amounts required to be paid or set aside for future payment to the Federal Government in respect of the arbitrage rebate requirements of the Code as applicable to any bonds of the Authority; and
- (vii) any other amounts required to be paid or set aside for future payment under or in connection with any agreements entered into between the Authority and any obligees of the Authority or between the Authority and the City.
- (b) Notwithstanding the foregoing, the City expressly acknowledges and agrees that, until such time as the Authority shall have issued and sold the Initial Bonds, the Authority may deduct from time to time from such tax proceeds or revenues before they are deposited to the credit of the City Account, (i) an initial amount [not to exceed] of five hundred fifty thousand (\$550,000) dollars on account of operating expenses of the Authority for the months of August and September, 1991, and to establish an initial operating reserve for the Authority [and to repay] in [full] the [one hundred fifty thousand (\$150,000) dollars advanced to amount of one hundred three hundred thirty-nine fifty-six thousand which five hundred fifty (\$156,339) dollars. thousand (\$550,000) dollars amount the Authority and the City acknowledge has been received by the [Commonwealth pursuant to Section 701 of the Act, and] Authority, (ii) additional amounts each month thereafter on account of operating expenses budgeted to be incurred by the Authority during the next following month and

(iii) an additional amount sufficient to repay in full the one hundred fifty thousand (\$150,000) dollars advanced to the Authority by the Commonwealth pursuant to Section 701 of the Act. The Authority agrees, to the extent permitted by the Act, to issue the Initial Bonds in such aggregate principal amount as to fund, inter alia, five hundred thousand (\$500,000) dollars of Authority operating expenses and to repay such one hundred fifty thousand (\$150,000) dollars advance from the Commonwealth, and to the extent the Authority has previously deducted amounts from tax proceeds or revenues pursuant to the immediately preceding sentence on account of operating expenses (up to five hundred thousand (\$500,000) dollars), or on account of issuance costs of bonds of the Authority (to the extent such amounts are reimbursed from bond proceeds), or on account of such advance from the Commonwealth, the Authority agrees to pay over to the City, as part of the Net Proceeds of the Initial Bonds, to be paid immediately to the City, the amounts so deducted.

SECTION 3.03. Investment of the City Account.

- (a) Amounts on deposit to the credit of the City Account shall be invested at the direction of the City only in investments permitted by the Act.
- (b) The directions of the City as to the investment of the City Account shall be provided in writing to the City Account Depositary (with a copy sent concurrently to the Authority) by the Director of Finance or his or her designee, and the Authority shall not be liable or responsible for any loss suffered on account of any investment made upon such directions.

(c) The Authority shall direct the City Account Depositary to provide to the City and the Authority at least monthly an accounting in reasonable detail of all investments, interest earnings, and fees, costs, expenses and charges in connection with the City Account. All fees, charges, costs and expenses associated with the City Account and the investment thereof shall be the responsibility of the City and not the Authority.

SECTION 3.04. Disbursement of Funds from the City Account.

Subject to any suspension of disbursements permitted pursuant to Section 4.12 of this Agreement and Section 210(e) of the Act, the Authority shall cause the disbursement to the City of all amounts on deposit to the credit of the City Account on a weekly basis, on or before the last business day of each calendar week, prior to the issuance of the Initial Bonds and thereafter on a monthly basis on the last business day of each calendar month so long as any bonds are Outstanding. Disbursements from the City Account may be made on a more frequent basis as may be requested by the City at any time and agreed to by the Authority in its discretion. Such amounts shall be disbursed by wire transfer of immediately available funds to such account of the City's General Fund as is designated in writing to the Authority by the Director of Finance, to be applied by the City to the general expenses of government of the City.

ARTICLE IV PREPARATION, APPROVAL AND EFFECT OF THE CITY'S FINANCIAL PLAN

SECTION 4.01. Submission of the Financial Plan.

- (a) [On or before October 10, 1991, t] The City shall, as soon as practicable, submit to the Authority an initial Financial Plan prepared in accordance with the requirements of this Article IV and the Act. The initial Financial Plan shall include projected revenues and expenditures of the Covered Funds for five (5) fiscal years of the City consisting of the then-current fiscal year of the City [ending June 30, 1992] and the next four (4) fiscal years thereafter.
- (b) In addition, at least one hundred (100) [d]D ays (or on or before such other date as the Authority may approve at the request of the City) prior to the beginning of each fiscal year of the City so long as any bonds of the Authority are Outstanding, [commencing with the fiscal year of the City ending June 30, 1993, the City] the Mayor shall submit to the Authority a revised Financial Plan prepared in accordance with the requirements of this Article IV and the Act. Each such revised Financial Plan shall include projected revenues and expenditures of the Covered Funds for five (5) fiscal years of the City consisting of the fiscal year of the City beginning on the July 1 next following the date such Financial Plan is required to be submitted to the Authority pursuant to the immediately preceding sentence and the next four (4) fiscal years thereafter.
- (c) Each Financial Plan shall include, without limitation, components that will:
 - (i) eliminate any Deficit for the current fiscal year and for subsequent fiscal years;

- (ii) restore to Special Fund accounts money from those accounts used for purposes other than those specifically authorized;
- (iii) balance the current fiscal year budget and subsequent budgets in the Financial Plan through sound budgetary practices, including, but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of these steps;
- (iv) provide procedures to avoid a fiscal emergency condition in the future; and
- (v) enhance the ability of the City to regain access to the short-term and long-term credit markets.
- (d) Each Financial Plan shall demonstrate the City's responsibility to exercise efficient and accountable fiscal practices, such as, but without limitation:
 - (i) increased managerial accountability;
- (ii) consolidation or elimination of inefficient City programs;
 - (iii) recertification of tax-exempt properties;
 - (iv) increased collection of existing tax revenues;
 - (v) privatization of appropriate City services;
 - (vi) sale of City assets as appropriate;
- (vii) improvement of procurement practices, including competitive bidding procedures;
- (viii) review of compensation and benefits of City employees; and

(ix) identification of and requests for appropriate funding from other governments for services delivered by the City.

SECTION 4.02. Standards for the Financial Plan.

- (a) Each Financial Plan shall reflect balanced budgets for each fiscal year of the City. All projection of revenues and expenditures in the Financial Plan shall be based on assumptions and methods of estimation determined to be reasonable and appropriate by the Authority, all such assumptions and methods to be consistently applied. All revenue and appropriation estimates shall be on a modified accrual basis in accordance with generally accepted standards. Estimates of revenues shall recognize revenues in the accounting period in which they become both measurable and available. Estimates of City-generated revenues shall be based on current or proposed tax rates, historical collection patterns and generally recognized econometric models reasonably acceptable to the Authority.
- (b) Estimates of revenues to be received from the Commonwealth shall be based on historical patterns, currently available levels, or on levels proposed in a budget by the Governor. Estimates of revenues to be received from the Federal Government shall be based on historical patterns, currently available levels, or on levels proposed in a budget by the President of the United States or in a Congressional budget resolution. Non-tax revenues shall be based on current or proposed rates, charges or fees, historical patterns and generally recognized econometric models reasonably acceptable to the Authority. Appropriation estimates shall include, at a minimum, all obligations incurred during the fiscal year

and estimated to be payable during the fiscal year or in the twenty-four (24) month period following the close of the current fiscal year, and all obligations of prior fiscal years not covered by encumbered funds from prior fiscal years.

- (c) All cash flow projections for the Financial Plan shall be based upon assumptions as to sources and uses of cash determined to be reasonable and appropriate by the Authority, including, but not limited to, assumptions as to the timing of receipt and expenditure of such cash and the issuance of tax or revenue anticipation notes of the City pursuant to Chapter 4 of the Act, and shall provide for operations of the City to be conducted within the resources so projected. All estimates shall take into account the past and anticipated collection, expenditure and service demand experience of the City and current and projected economic conditions.
- (d) Any deviations from the standards set forth in this Section 4.02 which the City proposes to use in the preparation of any Financial Plan shall be specifically disclosed by the City to the Authority not later than the submission to the Authority of such Financial Plan and shall be subject to approval by a qualified majority of the board of the Authority.

SECTION 4.03. Form of the Financial Plan.

(a) Each Financial Plan shall, consistent with the Home Rule Charter, be in such form as may be prescribed by the Authority and shall contain the following:

- (i) for each of the first two (2) fiscal years of the City covered by the Financial Plan, with respect to the Covered Funds, such information as shall reflect the City's total expenditures by fund and by lump sum amount for each board, commission, department or office of the City; and
- (ii) for each of the three (3) remaining fiscal years of the City covered by the Financial Plan, with respect to the Covered Funds, such information as shall reflect the City's total expenditures by fund and by lump sum amount for major object classification.
- (b) Each Financial Plan shall include projections of all revenues and expenditures for five (5) fiscal years, including, but not limited to, projected capital expenditures and short-term and long-term debt incurrence and cash flow forecasts by Covered Fund for the first year of the Financial Plan. Each Financial Plan shall include a schedule of projected capital commitments of the City and proposed sources of funding for such commitments; shall specifically explain the estimated or projected impact, if any, of such capital commitments on the Covered Funds; and shall with respect to the Supplemental Funds and Special Funds provide such information as is necessary to explain the estimated or projected impact, if any, of those Supplemental Funds and Special Funds on the Covered Funds.

SECTION 4.04. Supporting Information, Opinions, and Statements for the Financial Plan.

Each Financial Plan submitted by the City to the Authority shall be accompanied by the following supporting information:

- (a) a schedule of debt service payments due or projected to become due in respect of all indebtedness of the City and all indebtedness of others supported in any manner by the City (by guaranty, lease, service agreement or otherwise) during each fiscal year of the City until the final scheduled maturity of such indebtedness, such schedule to set forth such debt service payments separately according to the general categories of direct general obligation debt, direct revenue debt, lease obligations, service agreement obligations and guaranty obligations;
- (b) a schedule of payments for legally mandated services included in the Financial Plan and due or projected to be due during the fiscal years of the City covered by the Financial Plan;
- (c) a statement describing, in reasonable detail, the significant assumptions and methods of estimation used in arriving at the projections contained in the Financial Plan;
- (d) the Mayor's proposed operating budget and capital budget for each of the Covered Funds for the next (or in the case of the initial Financial Plan, the current) fiscal year of the City, which budgets shall be consistent with the first year of the Financial Plan and which budgets shall be prepared in accordance with the Home Rule Charter;
- (e) a statement by the Mayor that the budgets described in Section 4.04(d) hereof;
 - (i) are consistent with the Financial Plan:

- (ii) contain funding adequate for debt service payments, legally mandated services and lease payments securing bonds of other government agencies or of any other entities; and
- (iii) are based on reasonable and appropriate assumptions and methods of estimation.
- (f) a cash flow forecast for the City's consolidated cash account for the first fiscal year of the City covered by the Financial Plan:
- (g) an opinion or certification of the City Controller, prepared in accordance with generally accepted auditing standards, with respect to the reasonableness of the assumptions and estimates in the Financial Plan; and
- (h) a schedule setting forth the number of authorized employee positions (filled and unfilled) for the first year covered by such Financial Plan for each board, commission, department or office of the City[.]. and an estimate of this information for the later years covered by the Financial Plan. The schedule required under this paragraph (h) shall be accompanied by a report setting forth the City's estimates of wage and benefit levels for various groups of employees, such information to be presented in a manner which will allow the Authority to understand and effectively review the portions of the Financial Plan which reflect the results of the City's labor agreements with its employees and an analysis of the financial effect on the City and its employees of changes compensation and benefits, in collective bargaining agreements, and in other terms and conditions of

employment, which changes may be appropriate in light of the City's current and forecast financial condition. The parties agree to cooperate such that the form of the report required under this paragraph (h), and the subjects covered, are reasonably satisfactory to the Authority.

SECTION 4.05. Authority Consultation with the City in Preparation of the Financial Plan.

The Authority shall consult with the City as it prepares its Financial Plan and may offer such assistance and advice as the Authority deems appropriate.

SECTION 4.06. Authority Review and Approval of the Financial Plan.

- (a) The Authority shall promptly review each Financial Plan, proposed operating budget and capital budget submitted by the City. Not more than thirty (30) [d]Days after submission by the City of a Financial Plan and proposed operating and capital budgets, the Authority shall determine the following:
- (i) whether the Financial Plan projects balanced budgets for the Covered Funds, based on reasonable assumptions, as described in this Agreement, for each year of the Financial Plan; and
- (ii) whether the proposed operating budget and capital budget are consistent with the proposed Financial Plan.
- (b) If the Authority determines that these criteria are satisfied, the Authority shall approve such Financial Plan by vote of a qualified majority of its board. The Authority shall not be bound by any opinions or certifications of the

City Controller issued pursuant to the Act or this Agreement. If the Authority fails to take any action within thirty (30) Days of the submission of a proposed Financial Plan, the proposed Financial Plan as submitted shall be deemed approved by the Authority. However, if during such 30-Day period a written request by two (2) members of the Authority board for a meeting and vote on the question of approval of the proposed Financial Plan has been submitted to the chairperson and a meeting and vote does not take place, the proposed Financial Plan shall be deemed disapproved.

SECTION 4.07. Authority Disapproval of the Financial Plan.

If a proposed Financial Plan is disapproved by the Authority, the Authority shall notify the City thereof and shall state in writing in reasonable detail the reasons for such disapproval, including the amount of any estimated budget imbalance in a Covered Fund. The City shall submit a revised Financial Plan to the Authority within fifteen (15) Days of such disapproval, which revised Financial Plan eliminates the Budget imbalance. Not more than fifteen (15) Days after the submission of such revised Financial Plan, the Authority shall determine whether the revised Financial Plan satisfies the criteria set forth in Section 4.06 of this Agreement. If the Authority determines that these criteria are satisfied, the Authority shall approve the revised Financial Plan by vote of a qualified majority of its board. If the Authority shall not so approve the revised Financial Plan, then the Authority shall, subject to the occurrence of the events described in

Section 4.12 of this Agreement, certify the City's non-compliance with the Financial Plan to the Secretary of the Budget.

SECTION 4.08. Revisions to the Financial Plan.

- (a) While any bonds of the Authority remain Outstanding, each Financial Plan shall be revised on an annual basis to include, among other things, the operating and capital budgets of the City for its next fiscal year and any additional funds which pursuant to the definition of the term "Covered Funds" become new Covered Funds at any time during the prior fiscal year, and to extend the Financial Plan for an additional fiscal year. Such annual Financial Plans shall be submitted by the City in accordance with Section 4.01 of this Agreement and shall be reviewed by the Authority in accordance with Section 4.06 of this Agreement.
- (b) Each Mayor shall, within ninety (90) Days of assuming office, propose to the Authority revisions to the Financial Plan, or certify to the Authority that he or she adopts the then-existing Financial Plan. If the Mayor fails, within said 90-Day period, to propose revisions to the Financial Plan or to certify that he or she adopts the then-existing Financial Plan, the then-existing Financial Plan shall nevertheless remain in full force and effect. In addition, the City may, during the course of a fiscal year, submit proposed revisions to the then-existing Financial Plan, and the City shall submit a proposed revision to the then-existing Financial Plan for any amendment to the City's operating or capital budget within fifteen (15) Days after such amendment becomes effective and for any additional fund which, pursuant to the definition of the term "Covered Funds," becomes a new Covered Fund,

within fifteen (15) Days after such fund becomes a Covered Fund. The Authority shall review each such proposed revision within twenty (20) Days of its submission. The Authority shall approve the revision if it will not, based on assumptions deemed reasonable by the Authority, cause the Financial Plan to become imbalanced. Proposed revisions shall become part of the Financial Plan upon the approval of a qualified majority of the board of the Authority, unless some other method of approval is permitted by Authority rules and regulations approved by a qualified majority of the board of the Authority. If the Authority fails to take action within twenty (20) Days on a proposed revision, such submission shall be deemed approved unless a written request for a meeting and vote of the Authority has been made in accordance with Section 4.06 of this Agreement, in which event if a meeting and vote does not take place, the proposed revision shall be deemed to have been disapproved. If the City Council adopts a budget inconsistent with an approved Financial Plan, the City shall submit the enacted budget to the Authority as a proposed revision to such Financial Plan within twenty (20) Days after such budget has been so enacted. In this event, the Authority shall review the proposed revision within thirty (30) Days of its submission, in accordance with the criteria set forth in Section 4.06 of this Agreement and this Section 4.08(b).

SECTION 4.09. Supplemental Reports.

(a) After a Financial Plan has been approved by the Authority, the City shall prepare and submit to the Authority and the Authority shall review the periodic reports required by this Section 4.09.

- (b) Within forty-five (45) Days of the end of each fiscal quarter of the City, and also monthly (within thirty (30) Days after the end of the previous month) if a Variance from the Financial Plan has been determined to have occurred in accordance with Section 4.10 of this Agreement, the Mayor shall provide to the Authority a report describing actual, or current estimates of, revenues, expenditures and cash flows by Covered Fund (excepting the Grants Revenue Fund) compared to budgeted revenues, expenditures and cash flows by Covered Funds (excepting the Grants Revenue Fund) for such previous quarterly or monthly period (as the case may be) 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 report shall explain any Variance existing as of the last day of such fiscal quarter or month, as the case may be.
- (c) Any reports after the original Financial Plan for the Grants Revenue Fund financial projections will assume the fiscal year 1992 funding level throughout the five (5) year period. The City will include a Contingency Account appropriation which will be utilized to fund any increases in existing grants or new grants to the City. The City will provide to the Authority within twenty (20) Days after the close of each of its fiscal quarters a report by department of the disbursements from the Contingency Account.
- (d) At least sixty (60) Days prior to the beginning of each fiscal quarter of the City, the Mayor shall provide to the Authority a report certified by the City Controller describing for the following quarter the debt service requirements on all bonds and notes of the City and all

lease payments of the City securing the bonds of other government agencies. The reports shall be in such form and contain such information as may be specified by the Authority, and shall be updated to reflect any change in debt service immediately upon each issuance of bonds or notes by the City or upon execution of a lease by the City which secures bonds of another government agency.

(e) The Director of Finance shall provide within forty-five (45) Days of the end of each fiscal quarter a report of financial operations of each of the Supplemental Funds for such fiscal quarter.

SECTION 4.10. Determination of Adherence to or Variance from the Financial Plan.

(a) Based upon the reports described in [Section 4.09] Sections 4.09 and 5.03(e) of this Agreement or upon such independent audits, examinations or studies of the City's finances as may be conducted by or on behalf of the Authority, the Authority shall determine if the City has adhered to or varied from its Financial Plan. For the purposes of this Agreement, a "Variance" shall be deemed to have occurred as of the end of a reporting period as reflected on a report submitted pursuant to Section 4.09 hereof if (i) a net adverse change in the fund balance of a Covered Fund of more than one percent (1%) of the revenues budgeted for such Covered 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 ninety-five percent (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. If the Authority determines that a Variance exists it shall notify the City in writing. The City shall, within ten (10) Days after request by the Authority, provide to the Authority such additional information as the Authority deems necessary to explain the Variance.

- (b) The Authority shall take no action with respect to the City for Variances from the Financial Plan in any fiscal quarter if:
- (i) the City, within thirty (30) Days after receipt of notification from the Authority pursuant to Section 4.10(a) hereof, provides a written explanation for the Variance that the Authority deems reasonable;
- (ii) the City, within forty-five (45) Days after receipt of notification from the Authority pursuant to Section 4.10(a) hereof, proposes remedial action which the Authority believes will restore the City's overall compliance with the Financial Plan;
- (iii) information provided by the City to the Authority in the immediately succeeding quarterly financial report pursuant to Section 4.09(b) hereof demonstrates, to the reasonable satisfaction of the Authority, that the City is taking such remedial action and is otherwise complying with the Financial Plan; and
- (iv) the City submits monthly supplemental reports in accordance with Section 4.09(b) of this Agreement until it regains compliance with the Financial Plan.

SECTION 4.11. Authority Recommendations.

The Authority may at any time issue recommendations as to how the City may achieve compliance with the Financial Plan, and shall provide copies of such recommendations to the Mayor, the City Controller, the City Council, the Governor, the presiding officers of the Senate and the House of Representatives of the Commonwealth, and the Chairpersons of the Appropriations Committees of the Senate and the House of Representatives of the Commonwealth.

SECTION 4.12. Withholding of Funds.

- (a) The Authority shall certify to the Secretary of the Budget the City's non-compliance with any Financial Plan during any period when the Authority has determined by the vote of a qualified majority of its board that the City has not adhered to such Financial Plan and has not taken acceptable remedial action during the next fiscal quarter following such departure from the Financial Plan. In addition, the Authority shall certify to the Secretary of the Budget that the City is not in compliance with its Financial Plan if the City:
- (i) has no Financial Plan approved by the Authority at any time, or has failed to file any Financial Plan with the Authority as required hereunder or under the Act; or
- (ii) has failed to file with the Authority mandatory revisions to any Financial Plan required by the Act or Sections 4.08, 5.06(b), 5.07(b) and 5.08(e) of this Agreement or reports as required by the Act or Section 4.09 of this Agreement; and

- (iii) has not been compelled to file a Financial Plan, a mandatory revision to a Financial Plan, or a report through a mandamus action authorized under Section 5.10 of this Agreement and Section 210(j) of the Act.
- (b) The City and the Authority acknowledge that the Act provides that if the Authority certifies that the City is not in compliance with any Financial Plan in accordance with this Section 4.12, the Secretary of the Budget shall notify the City that such certification has been made and that each grant, loan, entitlement or payment to the City by the Commonwealth, or any of its agencies, of Commonwealth funds and payment to the City from the City Account, shall be suspended pending compliance with such Financial Plan. Funds withheld shall be held in escrow by the Commonwealth or, in the case of the City Account, shall be retained in the City Account until compliance with the Financial Plan is restored as set forth below. The Act provides that funds held in escrow pursuant to this Section 4.12(b) shall not lapse pursuant to section 621 of the act of April 9, 1929 (P.L. 177, No. 175), known as The Administrative Code of 1929, or any other law.
 - (c) The Authority shall, by a qualified majority of its board, determine when the conditions which caused the City to be certified as not in compliance with a Financial Plan have ceased to exist, and shall promptly notify the Secretary of the Budget of such determination. The City and the Authority acknowledge that the Act provides that the Secretary of the Budget shall thereupon release all funds held in escrow, together with all interest and income earned thereon during the period held in escrow, and the disbursements to the City of amounts in the City Account

shall resume as provided in Section 3.04 of this Agreement (with all amounts then on deposit to the credit of the City Account which would have been, but for the suspension of disbursements referred to in this Section 4.12, previously distributed to the City to be disbursed to the City within one (1) business day following such release).

SECTION 4.13. Exemptions to Withholding by the Commonwealth.

Notwithstanding the provisions of Section 4.12 of this Agreement, the Authority and the City acknowledge that the Act provides that the following shall not be withheld from the City by the Commonwealth:

- (a) funds for capital projects under contract in progress;
- (b) funds granted or allocated to the City directly from an agency of the Commonwealth, or from the Federal Government for distribution by the Commonwealth after the declaration of a disaster resulting from a catastrophe;
 - (c) pension fund payments required by law;
- (d) funds administered by the City's Department of Human Services or Department of Health that provide benefits or services to recipients;
- (e) funds that the City has pledged to repay bonds or notes issued under the act of October 18, 1972 (P.L. 955, No. 234), known as The First Class City Revenue Bond Act: and
- (f) funds appropriated by the Commonwealth for the court system or correctional programs of the City.

Except as otherwise permitted by law, the City agrees that it shall apply any such funds it receives on account of any of the foregoing obligations or purposes solely to such obligations and purposes (or, to the extent permitted by law and by the terms of any relevant contract or agreement, to reimburse itself for prior payments it has made from other sources on account of such obligations and purposes in anticipation of receipt of such funds) and for no other obligations or purposes. The City shall promptly furnish to the Authority such information in such detail as the Authority may reasonably request from time to time to evidence the City's compliance with the immediately preceding sentence.

SECTION 4.14 Commonwealth's Failure to Disburse Funds.

The withholding provisions set forth in Section 4.12 of this Agreement shall not apply, and the City shall not be found to have departed from any Financial Plan, due to the Commonwealth's failure to pay any money, including payment of Federal funds distributed by or through the Commonwealth. due to the City from the General Assembly appropriated by Commonwealth, provided that any such failure by the Commonwealth to pay any such money shall not be as a result of any fault of the City.

ARTICLE V ADDITIONAL AGREEMENTS OF THE CITY AND THE AUTHORITY

SECTION 5.01. Authority Budgets.

As, when and to the extent required by the Act, the Authority shall submit to the Governor and the General Assembly of the Commonwealth a copy of the Authority's budget for each fiscal year of the Authority. The Authority shall deliver an additional copy of each such budget to the Director of Finance concurrently with the submission thereof by the Authority to the Governor and the General Assembly as aforesaid, it being expressly understood that, notwithstanding such delivery, the Act does not provide the City with any rights of approval regarding the budgets of the Authority, and the City acknowledges that is has no such rights. The City acknowledges that it has received a copy of the initial operating budget of the Authority for the period ending June 30, 1992.

SECTION 5.02. Authority Taxes.

- (a) The City and the Authority acknowledge that the City has heretofore enacted and imposed the Authority Tax exclusively for the purposes of the Authority pursuant to Section 601 of the Act and that the City may hereafter, in its discretion, enact and impose additional taxes for the Authority pursuant to said Section 601 of the Act.
- (b) Pursuant to Sections 307(c), 308 and 602 of the Act and the Ordinance (Bill No. 1437) of City Council approved June 12, 1991, the City hereby pledges to and agrees with the Authority and each and every obligee of the Authority secured by an Authority pledge of the Authority Tax (which obligees are expressly intended to be third-party beneficiaries of this Section 5.02(b)) that the City will not reduce the rate of or repeal in whole or in part the Authority Tax until the principal amount of all bonds of the Authority secured by a pledge of the Authority Tax, together with interest thereon, is fully paid or provision for such payment is made in accordance with the terms of any agreement between the Authority and any obligee of

the Authority. The City acknowledges and agrees that, as provided in the Act, all revenues from the Authority Tax shall be revenues and property of the Authority and not revenues or property of the City, and accordingly may be freely pledged by the Authority to secure bonds of the Authority and other obligations of the Authority to obligees of the Authority and shall not be subject to appropriation by the City Council. The Authority may assign its rights to enforce the provisions of this Section 5.02(b) to any obligees of the Authority secured by a pledge of any Authority Tax.

of the City has been duly appointed to act as the agent of the Department of Revenue of the Commonwealth to collect and enforce any Authority Tax pursuant to the Act, the City agrees to so collect and enforce such Authority Tax, including interest and penalties, in a lawful and diligent manner at the direction of the Commonwealth's Department of Revenue; provided, however, that any moneys so collected by the City or any department or agency thereof as such agent shall not be commingled with any other funds of the City and shall be segregated and paid over to the Department of Revenue of the Commonwealth at least every two (2) weeks.

SECTION 5.03. Additional Reporting Requirements of the City.

(a) The City hereby agrees to deliver or cause to be delivered to the Authority, as soon as they become available, copies of all reports, documents, budgetary and financial planning data and any other information prepared by or on behalf of the City regarding the

revenues, expenditures, budgets, costs, plans, operations, estimates and any other financial or budgetary matters of the City.

- (b) In addition, the City hereby agrees, promptly upon request of the Authority from time to time, to prepare and furnish to the Authority, or cause to be prepared and furnished to the Authority, at the expense of the City, such additional reports concerning the matters described in Section 5.03(a) hereof or otherwise described herein or in the Act as the Authority may deem necessary to accomplish the purposes of the Act. The City acknowledges that the Authority may, in its sole discretion, at any time and from time to time accept and rely upon any reports prepared and furnished to the Authority by the City Controller in lieu of engaging private consultants to prepare reports of the City pursuant to this Section 5.03(b); provided, however, that nothing in this sentence shall be deemed to expand or vary the powers of the City Controller pursuant to the Home Rule Charter.
- (c) The City hereby agrees to deliver to the Authority, within sixty (60) Days after the effective date of this Agreement, a schedule setting forth in reasonable detail the nature and amount of all funds which as of such date may not be withheld from the City by the Commonwealth pursuant to Section 210(f) of the Act and as described in Section 4.13 hereof; the dates on or as of which the City reasonably anticipates receipt of such funds; and the nature and amount of all other funds payable by or through the Commonwealth to the City and the date or dates on or as of which the City reasonably anticipates receipt of such other funds. The City shall periodically update such schedule at least once during each fiscal

quarter of the City thereafter. Each such schedule shall be accompanied by a certificate of the Director of Finance setting forth the specific uses of all such funds so exempt from withholding and demonstrating that such uses fall within one or more of the exemptions from withholding described in Section 4.13 hereof.

- (d) The City hereby agrees to deliver to the Authority, promptly upon receipt thereof by the City, copies of all reports, documents, budgetary and financial planning data and any other information prepared by or on behalf of the School District or any Corporate Entity regarding the revenues, expenditures, budgets, costs, plans, operations, estimates and any other financial or budgetary matters of the School District or any such Corporate Entity. To the extent permitted by law, the City agrees to cooperate with the Authority in connection with any request by the Authority to the School District or any such Corporate Entity for any such information by exercising any available rights and remedies to this [and] end under any contracts or agreements between the City and the School District or such Corporate Entity to cause the School District and such Corporate Entity to deliver to the Authority all such information to which the Authority may be entitled under the Act. The Authority agrees to comply with the applicable laws and regulations with respect to the confidentiality of personnel, patient care, and other records maintained or received by the City.
- (e) The Director of Finance shall as promptly as practicable provide to the Authority additional informational reports from time to time concerning changed conditions or unexpected events which may affect the City's adherence to its then-current Financial Plan.

SECTION 5.04. Inspection Rights.

Upon reasonable notice from the Authority, the City agrees to permit such persons as the Authority may designate from time to time to visit, inspect and observe the operations of the City; to examine, inspect and copy any and all books, records and other information of or pertaining to the City: and to discuss the affairs of the City with any or all of the officials, employees and independent accountants of the City, as the case may be, all to the extent deemed necessary by the Authority to accomplish the purposes of the Act and at such times and as often as the Authority may reasonably request. The City agrees to cooperate fully in connection with any such undertaking by the Authority. As to the School District or any Corporate Entity, the City agrees to cooperate with the Authority in connection with any request by the Authority to the School District or any such Corporate Entity for any such information by exercising any available rights and remedies to this end under any contracts or agreements between the City and the School District or such Corporate Entity to cause the School District and such Corporate Entity to deliver to the Authority all such information to which the Authority may be entitled under the Act. The Authority agrees to comply with applicable laws and regulations with respect to the confidentiality of personnel, patient care, and other records maintained by the City.

SECTION 5.05. Independent Audits.

As provided under the Act, the City agrees that the Authority may in its reasonable discretion conduct or cause to be conducted such independent audits, examinations or studies of the City as the Authority deems

appropriate. As to the School District or any Corporate Entity, the City agrees to cooperate with the Authority in connection with any request by the Authority to the School District or any such Corporate Entity for any such information by exercising any available rights and remedies to this end under any contracts or agreements between the City and the School District or such Corporate Entity to cause the School District and such Corporate Entity to deliver to the Authority all such information to which the Authority may be entitled under the Act. The Authority agrees to comply with applicable laws and regulations with respect to the confidentiality of personnel, patient care, and other records maintained by the City.

SECTION 5.06. Contracts of the City.

- (a) A contract in existence in the City prior to the approval by the Authority of a Financial Plan submitted pursuant to the Act and this Agreement shall remain effective after approval of such Financial Plan until such contract expires, but the City shall provide to the Authority in writing, promptly upon the request of the Authority from time to time, such explanations and analyses regarding any aspects of any such contracts as the Authority may so request at any time.
- (b) After the approval by the Authority of a Financial Plan submitted pursuant to the Act and this Agreement, the City shall execute contracts the financial terms of which are in compliance with such Financial Plan. If the City executes a contract which is not in compliance with the Financial Plan, the contract shall not be void or voidable solely by reason of such noncompliance, but the City shall as soon as practicable (but in no event later than

- fifteen (15) Days after the execution by the City of such contract) submit to the Authority a proposed revision to the Financial Plan which demonstrates to the reasonable satisfaction of the Authority that revenues sufficient to pay the costs of the contract will be available in the affected fiscal years of the Financial Plan.
- (c) The City agrees that it shall, as soon as practicable but in no event later than seven (7) Days prior to entering into any Extraordinary Contract, deliver to the Authority:
- (i) a summary of the terms of such Extraordinary Contract, said summary shall be substantially in the form of Exhibit "A" attached hereto; and
- (ii) a written statement of the Director of Finance setting forth whether or not, in the opinion of the Director of Finance, the performance by the City of such Extraordinary Contract will be consistent with the Financial Plan of the City as then in effect pursuant to the Act and this Agreement.

The Authority may, within seven (7) Days after receipt by the Authority of said summary of the Extraordinary Contract and such statement of the Director of Finance, make comments or recommendations in writing with respect to such Extraordinary Contract, which comments and recommendations the City agrees to consider. Within four (4) Days after receipt of the summary and written statement, the Authority may request a full and complete copy of the Extraordinary Contract. The Authority may within three (3) Days after receipt by the Authority of the full and complete Extraordinary Contract make comments and recommendations with respect to such Extraordinary

Contract, which comments and recommendations the City agrees to consider prior to its execution of such Extraordinary Contract.

Notwithstanding the foregoing provisions of this Section 5.06(c), to the extent that, due to a bona fide emergency involving an imminent threat to the health or safety of any persons, the City is effectively unable to comply with the requirements of this Section 5.06(c) before entering into an Extraordinary Contract in respect of such an emergency, the City shall be deemed to have complied with this Section 5.06(c) if it delivers a summary of such Extraordinary Contract, in a form substantially similar to the form on Exhibit "A" hereto, to the Authority as soon as practicable before, and in no event later than five (5) Days after, the City enters into such Extraordinary Contract and no later than ten (10) Days after so delivering such summary delivers the statement of the Director of Finance required above and an additional statement of the Director of Finance explaining the full circumstances of such emergency and certifying that solely due to such emergency the City was unable to comply with the requirements of this Section 5.06(c) that would otherwise be applicable. For Extraordinary Contracts of the City in circumstances other than those posing an imminent threat to the health or safety of any persons but requiring the immediate attention of the City including, but not limited to, circumstances involving a bond or note purchase agreement or settlement agreement, the City will be deemed to have complied with this Section 5.06(c) if it delivers to the Authority: (i) a summary of such Extraordinary Contract (other than for a bond or note purchase agreement or settlement agreement) in a form substantially similar to the form on

Exhibit "A," hereto, (ii) in the case of a settlement agreement, a description of the impact of such agreement on the Financial Plan, or (iii) in the case of a bond or note purchase agreement, a summary in a form substantially similar to the form on Exhibit "B" hereto, (such delivery of the summary of a bond or note purchase agreement to be as soon as practicable before but no less than three (3) Days prior to execution thereof and with respect to a settlement agreement or other Extraordinary Contract, such delivery of required information to be as soon as practicable before, and in no event later than five (5) Days after, the City enters into such Extraordinary Contract), and in any such case no later than ten (10) Days after so delivering such information delivers the statement of the Director of Finance required above and an additional statement of the Director of Finance explaining the full circumstances of such contract.

Prior to the execution of any Extraordinary Contract, the Authority shall keep confidential all information relating to such contract and shall make all recommendations and communications with respect thereto exclusively to the City.

SECTION 5.07. Collective Bargaining Agreements of the City.

(a) A collective bargaining agreement in existence in the City prior to the approval by the Authority of a Financial Plan submitted pursuant to the Act and this Agreement shall remain effective after approval of such Financial Plan until such collective bargaining agreement expires by its terms or is otherwise terminated, but the City shall provide to the Authority in writing, promptly upon the request of the Authority from time to time, such explanations and analyses regarding any aspects of any such collective bargaining agreements as the Authority may so request at any time.

- (b) After the approval by the Authority of a Financial Plan submitted pursuant to the Act and this Agreement. the City shall execute collective bargaining agreements in compliance with such Financial Plan. If the City executes a collective bargaining agreement, or receives an arbitration award (other than an arbitration award covered by Section 5.08 hereof, as to which the provisions of Section 5.08 shall apply), which is not in compliance with such Financial Plan, [the] neither such: collective bargaining agreement nor such arbitration award shall [not] be void or voidable solely by reason of such noncompliance, but the City shall as soon as practicable (but in no event later than fifteen (15) Days after the execution by the City of such collective bargaining agreement or receipt by the City of such arbitration award) submit to the Authority a proposed revision to the Financial Plan which demonstrates to the reasonable satisfaction of [the] such Authority that revenues sufficient to pay the costs of the collective bargaining agreement or such arbitration award, as the case may be, will be available in the affected fiscal years of the Financial Plan.
- (c) [Prior to the execution of any collective bargaining agreement, the Authority shall keep confidential all information relating to such collective bargaining process and shall make all recommendations and communications with respect thereto exclusively to the City.] In negotiating collective bargaining agreements in accordance with Section 5.07(b) hereof, the City

shall consider any Authority views concerning the financial impact on the City. The City will provide to the Authority any information requested by the Authority to assist the Authority in anticipating the manner in which proposed labor agreements will comply with the Financial Plan then in effect. Without limiting the requirements of Section 5.07(b) hereof, the City shall, within fifteen (15) Days after execution of a collective bargaining agreement or receipt of an arbitration award, provide to the Authority a report in writing on the effect of such agreement or award on the Financial Plan.

- (d) To enable it to be fully informed with regard to the manner in which collective bargaining agreements will be reconciled with the approved Financial Plan, the Authority will review all information concerning such agreements provided to it by the City, including but not limited to the information concerning such agreements provided to it by the City, including but not limited to the information required pursuant to Section 4.04(h) hereof. If it determines that additional information is required to allow it to accomplish its objectives in accordance with the Act, the Authority may prepare or cause to be prepared reports or studies of the financial implications of the City's relationships with its work force.
- (e) Prior to the execution of any collective bargaining agreement, the Authority shall not disclose any confidential information received from the City with respect to the negotiations by the City of such collective bargaining agreement so long as

the City specifically requests that such information be maintained confidential and represents to the Authority that the disclosure of such information would adversely affect such negotiations.

[(d)](f) Nothing in this Agreement is intended to impair in any manner the relationships between the City and its employees or the collective bargaining representatives of such employees or to adversely affect the collective bargaining process in any manner.

SECTION 5.08. Arbitration Awards.

- (a) The City and the Authority acknowledge that the Act provides that after the approval by the Authority of a Financial Plan submitted pursuant to this Agreement and the Act, any determination of a board of arbitration established pursuant to the provisions of the act of June 24, 1968 (P.L. 237, No. 111), referred to as the Policemen and Firemen Collective Bargaining Act, providing for an increase in wages or fringe benefits of any employee of the City under the Financial Plan, in addition to considering any standard or factor required to be considered by applicable law, shall take into consideration and accord substantial weight to:
 - (i) the approved Financial Plan; and
- (ii) the financial ability of the City to pay the cost of such increase in wages or fringe benefits without adversely affecting levels of service.
- (b) The Act further provides that such a determination of a board of arbitration shall be in writing and a copy thereof shall be forwarded to each party to the dispute and the Authority, and that any determination of the board of arbitration which provides for an increase in wages or

fringe benefits of any employee of the City shall state with specificity in writing all factors which the board of arbitration took into account in considering and giving substantial weight to:

- (i) the approved Financial Plan of the City; and
- (ii) the City's financial ability to pay the cost of such increase.
- (c) The Act further provides that any party to a proceeding before a board of arbitration may appeal to the court of common pleas to review:
 - (i) the consideration of the City's Financial Plan;
- (ii) the determination as to the City's financial ability to pay; or
- (iii) the failure of the board of arbitration to issue a determination including a detailed writing of all factors which the board of arbitration took into account in considering and giving substantial weight to the City's financial ability to pay and the City's Financial Plan.
- (d) The Act further provides that the decision of the board of arbitration shall be vacated and remanded to the board of arbitration if the court finds:
- (i) that the board of arbitration failed to take into consideration and accord substantial weight to the approved Financial Plan;
- (ii) that the board of arbitration's determination as to the City's financial ability to pay is not supported by substantial evidence as produced by the parties to the proceedings before the board of arbitration; or

- (iii) that the board of arbitration has failed to state with specificity in writing the factors which it took into account in considering and giving substantial weight to the City's financial ability to pay or the City's approved Financial Plan.
- (e) The Act further provides that such appeal shall be commenced not later than thirty (30) Days after the issuance of a final determination by the board of arbitration, and that if, after the exhaustion of all appeals, the final arbitration award is not in compliance with the approved Financial Plan, the award shall not be void or voidable solely by reason of such noncompliance, but the City shall submit (and the City hereby agrees with the Authority that it shall submit no later than twenty (20) Days after the date of such final arbitration award) to the Authority a proposed revision to its Financial Plan which demonstrates that revenues sufficient to pay the costs of the award will be available in the affected fiscal years of the Financial Plan.
- (f) The City expressly acknowledges and consents to all of the provisions of Section 209(k) of the Act and of this Section 5.08; agrees to take or cause to be taken all such action requisite to carry out fully or give effect to the intent of such provisions[.]; and agrees to keep the Authority fully informed with respect to any arbitration proceeding or appeal described in this Section 5.08, including without limitation all scheduled hearing dates and other similar dates relating to such proceeding or appeal.

SECTION 5.09. City Expenditure of Available Funds.

Nothing in this Agreement shall be construed to limit the power of the City to determine, from time to time, within available funds of the City, the purposes for which expenditures are to be made by the City and the amounts of such expenditures then permitted under a Financial Plan of the City.

SECTION 5.10. Additional Remedies of Authority for Failure to File Financial Plans and Reports.

In the event that the City shall fail to file with the Authority any Financial Plan, revision to the Financial Plan, report or other information required to be filed with the Authority pursuant to the Act or this Agreement, the Authority, in addition to all other rights which the Authority may have at law or in equity, shall have the right by mandamus to compel the City and the officers, employees and agents thereof to file with the Authority the Financial Plan, revision to a Financial Plan, report or other information which the City has failed to file. The Authority shall give the City written notice of the failure of the City to file and of the Authority's intention to initiate an action under this Section 5.10, and the Authority shall not initiate such an action earlier than ten (10) days after the giving of such notice.

ARTICLE VI MISCELLANEOUS

SECTION 6.01. Term.

(a) This Agreement shall take effect upon such date as this Agreement shall have been duly executed by each of the parties hereto and shall extend for so long as any bonds of the Authority are Outstanding. (b) The City represents and warrants that this Agreement constitutes a service contract between the City and an authority pursuant to Section 8-200(3) of the Home Rule Charter, and as such, the City does not have the right to terminate this Agreement without liability after the expiration of four (4) years.

SECTION 6.02. General Rights and Prohibitions.

Nothing in this Agreement shall limit the rights or impair the obligations of the City to comply with the provisions of any contract in effect on the effective date of the Act (June 5, 1991), or shall in any way impair the rights of the obligees of the City with respect to any such contract.

SECTION 6.03. Compliance with the Act; Severability.

- (a) The City and the Authority intend that this Agreement shall constitute an intergovernmental cooperation agreement within the meaning of the Act and hereby declare that this Agreement is entered into to accomplish the public purposes of the Act. This Agreement shall be read, taken and construed to the maximum extent possible in a manner consistent with the Act, but to the extent of any conflict between any of the provisions of this Agreement and any of the provisions of the Act, the provisions of the Act shall control. The City and the Authority each acknowledges that it is subject to the provisions of the Act and each agrees to observe and perform all provisions thereof applicable to it, whether or not such provisions are expressly referred to in this Agreement.
- (b) The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held

invalid or unenforceable in whole or in part, such provision shall be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability of the remaining provisions of this Agreement.

Section 6.04. Notices.

All notices, demands, requests, consents, approvals, certificates, waivers or other communications with respect to this Agreement (collectively, "notices") shall be in writing (including telecopied communication) and shall be effective if sent by certified or registered United States mail, postage prepaid, return receipt requested, or by overnight courier with signed receipt evidencing such delivery, or by same day delivery service with signed receipt evidencing such delivery, or by telecopier (with confirmation in writing mailed by first-class mail, postage prepaid), to the following parties:

For the Authority:

[2500 One Liberty Place Philadelphia, Pennsylvania 19103 Telecopier No. 215-851-1420]

1429 Walnut Street Fourteenth Floor Philadelphia, Pennsylvania 19102 Telecopier No.:

For the City:

Mayor City Hall, Room 215 Philadelphia, Pennsylvania 19107 Telecopier No.: With a copy to:

City Solicitor 1520 Municipal Services Building Philadelphia, Pennsylvania 19107 Telecopier No.:

Finance Director 1420 Municipal Services Building Philadelphia, Pennsylvania 19107 Telecopier No.:

President, City Council City Hall, Room 490 Philadelphia, Pennsylvania 19107 Telecopier No.:

City Controller 1230 Municipal Services Building Philadelphia, Pennsylvania 19107 Telecopier No.:

or to such other address or telecopier number as the party to receive notice may from time to time designate by written notice to the other party in the manner above described. Any such properly given notice shall be effective on the earliest to occur of receipt, the third business day after mailing in the manner set forth herein, on the first business day after deposit with an overnight courier service, on the day of deposit with a same day delivery service or upon telephone confirmation of receipt of telecopy communication.

SECTION 6.05. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

SECTION 6.06. No Third Party Rights.

Except as otherwise expressly provided in Section 5.02(b) hereof, nothing in this Agreement shall be construed to constitute or create rights in any person not a party to this Agreement (as third party beneficiary or otherwise), or to create obligations or responsibilities of the parties 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 in this Agreement.

Section 6.07. Amendments and Waivers.

This Agreement shall be amended only by written instrument duly executed by the City and the Authority. The Authority may in its discretion, to the extent consistent with the Act, waive compliance by the City with any provision of this Agreement or extend the time specified for performance by the City of any covenant or agreement on its part set forth herein, and such waiver or extension shall be effective only to the extent specifically set forth in writing and shall not, unless so specified, apply to any subsequent failure on the part of the City to observe or perform any such provision. Notwithstanding the foregoing, the provisions of Section 5.02(b) hereof may not be amended without the express written consent of the requisite percentage of the obligees of the Authority entitled to the benefits thereof as set forth in any agreement between the Authority and such obligees.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

APP. NO. 678-64

ATTEST:	PENNSYLVANIA
	INTERGOVERNMENTAL
	COOPERATION
	AUTHORITY
	By
Name:	Name:
Title:	Title:
[AUTHORITY SEAL]	
ATTEST:	CITY OF PHILADELPHIA
	By
Name:	Name:
Title:	Title:
[CITY SEAL]	

EXHIBIT "A"

PRINCIPAL TERMS OF PROPOSED EXTRAORDINARY CONTRACTS

SERVICE/COMMODITY TO BE PROVIDED:

AMOUNT

(by fiscal year):

FUND(S) OR

ACCOUNT(S)

FROM WHICH

PAYMENTS MADE

(by fiscal year):

PAYMENT

SCHEDULE

(by fiscal year):

SCHEDULE OF REVENUE

TO BE PRODUCED (IF ANY)

(by fiscal year):

TERM:

DATE OF EXPECTED

COMPLETION OF

PERFORMANCE:

EXPIRATION DATE:

HOW AGREEMENT

MAY BE TERMINATED:

RENEWAL

PROVISIONS/OPTIONS:

IMPACT ON FINANCIAL

PLAN (by fiscal year):

EXHIBIT "B"

PRINCIPAL TERMS OF PROPOSED BOND PURCHASE AGREEMENTS (ESTIMATED)

TERM:

PRINCIPAL AMOUNT:

DEBT SERVICE:

INTEREST RATES (BY YEAR) PRINCIPAL (BY YEAR) INTEREST (BY YEAR)

ISSUANCE COSTS: DISCOUNT/FEE OTHER

EXHIBIT "C"

CORPORATE ENTITIES

- 1. Community College of Philadelphia
- 2. Penn's Landing Corporation
- 3. Philadelphia Housing Development Corporation
- 4. Philadelphia Municipal Authority
- 5. Philadelphia Parking Authority
- 6. Redevelopment Authority of the City of Philadelphia
- 7. Philadelphia Industrial Development Corporation
- 8. Philadelphia Authority for Industrial Development
- 9. Hospitals and Higher Education Facilities
 Authority
- 10. Philadelphia Housing Authority
- 11. Pennsylvania Convention Center Authority
- 12. Philadelphia Facilities Management Corporation
- 13. Southeastern Pennsylvania Transportation Authority
- 14. Philadelphia Commercial Development Corporation

[Bold Brackets] indicate matter deleted on Final Passage. Bold Italics indicate new matter added on Final Passage.

Explanation:

CERTIFICATION: This is a true and correct copy of the original Ordinance approved by the Mayor on

JANUARY 3, 1992

Deputy Chief Clerk of the Council

\$89,950,000

Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities)

Certificate as to Pennsylvania Intergovernmental Cooperation Authority <u>Income Tax Collection Agency Agreement</u>

The undersigned, the City Solicitor and the Revenue Commissioner of The City of Philadelphia, Pennsylvania (the "City"), hereby certify, in connection with the issuance and sale of the Pennsylvania Intergovernmental Cooperation Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities), in the aggregate principal amount of \$89,950,000 that:

- 1. Attached hereto is a true, correct and complete copy of the Pennsylvania Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement, dated as of June 1, 1992 (the "Agreement"), between the City and the Commonwealth of Pennsylvania.
- 2. The Agreement has not been changed, amended or modified since its date and is in full force and effect on the date hereof.
- 3. No default on the part of the City has occurred and is continuing under the Agreement, and no event has occurred and is continuing which, with notice or upon lapse of time, or both, would constitute such a default.

IN WITNESS WHEREOF, we have hereunto set our hands and affixed the seal of the City, this 15th day of June, 2006.

CITY OF PHILADELPHIA, PENNSYLVANIA

 $\mathbf{R}\mathbf{v}$

ROMULO L. ĎIAZ, JR.,

City Solicitor

[SEAL]

NANCY KAMMERDEINER.

Revenue Commissioner

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY INCOME TAX COLLECTION AGENCY AGREEMENT

This Agreement is made and entered into as of the 1st day of June, 1992, by and between the Commonwealth of Pennsylvania ("Commonwealth"), Department of Revenue (hereinafter referred to as the "Department"), with its office at Strawberry Square, Harrisburg, Pennsylvania 17128, and the City of Philadelphia ("City"), acting by and through its Revenue Department ("Collection Agent") and its Law Department (hereinafter collectively referred to as the "Agent"), with offices at the Municipal Services Building, John F. Kennedy Boulevard at 15th Street, Philadelphia, PA 19102.

WHEREAS, pursuant to Section 601(a) of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act of June 5, 1991 (P.L. 9, No. 6) (hereinafter referred to as the "Act") the governing body of any city of the first class is authorized to impose certain taxes exclusively for purposes of the Pennsylvania Intergovernmental Cooperation Authority ("Authority"); and

WHEREAS, pursuant to authority granted pursuant to Section 601(a)(3) of the Act, the City Council of the City, by ordinance (Bill No. 1437), approved June 12, 1991 ("Income Tax Ordinance"), attached hereto as Appendix A, has amended Title 19 of the Philadelphia Code by adding a new Chapter 19-2800 imposing a tax of 1.5% exclusively for the Authority, on the salaries, wages, commissions and other compensation earned by residents of the City and on the net profits earned in businesses, professions or other activities conducted by residents of the City ("Authority Income Tax"); and

WHEREAS, pursuant to Section 604 of the Act, the Department is charged with the administration, enforcement and collection of any tax imposed pursuant to Section 601 of the Act, including the Authority Income Tax, and pursuan, to Section 604(c) of the Act, the Department is authorized to appoint as its agents tax officers, clerks, collectors and assistants, including revenue and legal departments of cities imposing a tax under Chapter 6 of the Act, to collect any tax, including interest and penalties, imposed under the authority of Chapter 6 of the Act, including the Authority Income Tax; and

WHEREAS, by letter dated June 28, 1991, attached hereto as Appendix B, the Department, through its Secretary, the Honorable Eileen Healy McNulty (the "Secretary"), appointed the Agent as the agent of the Department for administering, collecting and enforcing the Authority Income Tax; and

WHEREAS, the Commonwealth and the City deem it in their common best interest to set forth the method of implementation of the collection, enforcement and administration of the Authority Income Tax pursuant to the Act and the performance by the Department and the Collection Agent of their respective powers and duties with respect thereto.

NOW, THEREFORE, in consideration of the foregoing recitals, the

Commonwealth of Pennsylvania, Department of Revenue, and the City of Philadelphia, Revenue

Department and Law Department, through their authorized representatives, agree to implement
the administration, collection and enforcement of the Authority Income Tax as follows:

1. APPOINTMENT OF AGENT; COLLECTION AND ENFORCEMENT OF AUTHORITY INCOME TAX:

The appointment of the Agent as the agent of the Department as provided in the letter of the Department dated June 28, 1991 and the Income Tax Ordinance is hereby ratified and confirmed in all respects. The Agent shall administer, collect and enforce the Authority Income Tax as provided in the Income Tax Ordinance and shall remit the proceeds of the Authority Income Tax, including interest and penalties paid by taxpayers thereon, as provided in the Act and this Agreement.

2. TERM:

The term of this Agreement shall begin upon the date first above written and shall continue until terminated upon prior written notice by the Department to the Agent. The Department shall send a copy of any notice of termination of this Agreement to the Authority. Upon receipt of notice of termination, the Agent shall cooperate with the Department in providing for the orderly transfer of the duties and functions of the Agent hereunder to the Department or any agent appointed by the Department so that the collection and remittance of the Authority Income Tax shall continue to be made as provided in the Act without interruption.

3. REMITTANCE OF AUTHORITY INCOME TAX:

(a) On each City business day, the Collection Agent shall deposit, in immediately available funds, the Authority Income Tax collected that day in a demand deposit account, designated "The City of Philadelphia Collection Agent for Department of Revenue, Commonwealth of Pennsylvania Account" (herein, the "Agency Account"), which account shall be established in a Commonwealth depository bank in accordance with all applicable Commonwealth laws and regulations regarding State depositories. The Department acknowledges and approves

the establishment of the Agency Account at Fidelity Bank, National Association, or at any other Commonwealth depository designated in writing to the Department by the Agent ("Agency Bank"). The Agency Account shall be used solely for the deposit and remittance of the Authority Income Tax by the Collection Agent as agent of the Department and shall not be commingled with any funds of the City. The Collection Agent shall notify the Department in writing of any change in the depository for the Agency Account, prior to such change, and shall give a copy of such notice to the Authority. The Department acknowledges and approves the establishment of the Agency Account identified on Appendix C hereto.

- (b) On each business day next following the day of deposit of Authority Income Tax in the Agency Account, all amounts in the Agency Account shall be transferred by the Agency Bank to a Commonwealth account designated in writing to the Collection Agent by the Department ("Commonwealth Account"). The Commonwealth Account at CoreStates Bank, N.A., Account No. 0196-628-8, is hereby designated by the Department to the Collection Agent as the Commonwealth Account to which daily electronic transfers of the amounts in the Agency Account shall be made. The Department shall notify the Collection Agent in writing of any change in the depository for the Commonwealth Account to which the Authority Income Tax shall be transferred, prior to such change, and the Collection Agent shall give a copy of any such notice to the Agency Bank and the Authority.
- (c) The Collection Agent shall deliver an executed or certified copy of this Agreement to the Agency Bank, shall obtain from the Agency Bank an executed acknowledgement of receipt of this Agreement, and shall deliver a copy thereof to the Department. The provisions of this Section 3(c) of this Agreement shall constitute a direction of the Department and the Collection Agent to the Agency Bank (i) to make the daily transfers to

the Commonwealth Account specified in Section 3(b) strictly in accordance with the terms of this Agreement, and (ii) to make payments from the Agency Account if required by Section 310 of the Act in the manner required by Section 310 of the Act.

4. **RECONCILIATION/ADJUSTMENT:**

- (a) <u>Reconciliation</u>: The Collection Agent shall reconcile monthly, the daily deposits to the Agency Account with the actual amount of Authority Income Tax collected. The Collection Agent shall use its Monthly Settlement Statistics Report, a copy of which Report is attached hereto as Appendix D, as the basis for such reconciliation.
- (b) Adjustments: If a reconciliation made pursuant to paragraph (a), above, indicates that the actual Authority Income Tax collections for the preceding month are at variance with Agency Account deposits for that month, the Collection Agent shall:
 - (1) Identify any necessary adjustments, and
 - (i) If the amount deposited in the Agency Account is greater
 than actual Authority Income Tax collected, the Collection
 Agent shall deduct an amount equal to such excess from the
 next daily deposit to the Agency Account; or
 - (ii) If the amount deposited in the Agency Account is less than
 the actual Authority Income Tax collected, the Collection
 Agent shall deposit an amount equal to such underremittance in the next daily deposit to the Agency Account.
- (2) Any other reconciliation which results in an adjustment to an Authority Income Tax remittance shall be clearly identified on the subsequent daily remittance and the adjustment made in the manner set forth in (b)(1), above.

(3) The Monthly Settlement Statistics Report, together with any and all supporting documents therefor, requiring any adjustment made pursuant to this Section 4 shall be submitted to the Department for review monthly.

5. DETERMINATION OF RESIDENCE/NONRESIDENCE:

The Department shall determine the percentage of wage, earnings and net profits taxes attributable to residents and to nonresidents of the City. The method of calculating resident/nonresident collections shall be determined by the Department and approved by the Secretary. The current method approved by the Secretary for calculation of Authority Income Tax collection is attached hereto as Appendix E, which shall be revised from time to time as the Department shall determine and the Secretary shall approve. The Department shall notify the Agent of any change in the method of calculation and the effective date of such change, with a copy to the Authority.

6. CHANGES IN COLLECTION:

The City agrees that any changes or modifications in its computer system, tax reports or other reports, generation of reports, forms, accounting and/or bookkeeping methods that will or may affect in any material respect the administration, collection and enforcement of the Authority Income Tax shall be communicated to the Department in writing no less than forty-five (45) days before the effective date of any such change or modification.

7. <u>ACCOUNTING RECORDS</u>:

The City shall maintain, in accordance with the accounting principles applied to the City's own financial statements, all pertinent books, documents, financial and accounting records and evidence pertaining to this Agreement to the extent and in such detail as is

reasonably necessary to document all remittances, adjustments and collections of the Authority Income Tax. The City shall provide the Department a reconciliation of the City's accounting principles to generally accepted accounting principles.

Such financial and accounting records shall be made available for inspection and copying, upon request, to the Department, its designees, the State Inspector General, or any authorized agency of the Commonwealth of Pennsylvania at any time during the term of this Agreement and for three years from the expiration of this Agreement.

8. RIGHT TO AUDIT:

The City agrees to permit the audit of its records of the Authority Income Tax by the Department, its designees, and the State Inspector General. All returns, reports, costs and financial accounting records, source documentation, data systems, programs, applications, and planning summaries relating to the Authority Income Tax will be available for audit examination, inspection and copying: provided, however, that the Department agrees to maintain the confidentiality of taxpayer records required by §19-2809(5) of the Income Tax Ordinance. The Department reserves the right to perform at its sole reasonable discretion additional audits relating to the Authority Income Tax including, but not limited to, audits of financial/compliance, economy/efficiency or limited scope audits. Additionally, the Department also reserves the right to inspect and copy any of the City's third party auditors' reports and management letters relating to the Authority Income Tax.

9. COSTS:

In accordance with Section 604(b) of the Act, the Department shall deduct from the remittances of the Authority Income Tax costs of administration of this Agreement and shall

inform the Authority in writing monthly of the sum retained and the costs of administration and collection reimbursed. The Department as part of its cost, shall reimburse the City for certain limited expenses incurred by the Agent, as agent for the Department. The terms of such reimbursement shall be set forth in a separate agreement attached hereto as Appendix F.

10. INDEMNIFICATION

[RESERVED]

11. AMENDMENTS, MODIFICATIONS:

This Agreement may not be modified or amended unless in writing and signed by both parties. A copy of any such modification or amendment shall be sent by the City to the Authority. Any breach or default by a party shall not be waived or released other than in writing

signed by the other party. Changes in the procedures set forth in this Agreement approved by the Department shall not constitute amendments to this Agreement.

12. TERMINATION:

This Agreement may be terminated by the Department upon prior written notice to the City. The Department shall send a copy of such notice of termination to the Authority.

Upon receipt of notice of termination, the Agent shall cooperate with the Department in providing for the orderly transfer of the duties and functions of the Agent hereunder to the Department or any agent appointed by the Department so that the collection and remittance of the Authority Income Tax shall continue to be made as provided in the Act without interruption.

13. USUFRUCT:

If, for any reason, the City should lose its ability to serve as Agent under this Agreement, the Department shall acquire a usufruct in all contractual items owned by the City in conjunction with the Agreement and which are necessary to provide the services of Agent. Said usufruct shall be limited to the right of the Department to possess and make use of such contractual items solely for the use and benefit of the Department in administering, enforcing and collecting the Authority Income Tax in the manner provided in this Agreement. Such usufruct shall be limited in time to the duration of this Agreement and in scope for program systems and other items being used by the Department under this Agreement.

14. NONDISCRIMINATION:

The City agrees to maintain a policy of nondiscrimination and agrees to comply with all of the Commonwealth laws, rules and regulations involving nondiscrimination on the basis

of race, color, religion, national origin, age or sex. Appendix G, Nondiscrimination Provisions, is attached hereto and made a part hereof as if set forth fully herein.

15. NOTICES:

The parties agree that all notices given pursuant to the terms of this Agreement shall be sufficient if in writing and sent by telecopy, facsimile or a courier service with receipt acknowledged. All other communications shall be sufficient if in writing and mailed postage prepaid first class. Any such notice or communication shall be sent to the following addresses or such other addresses as may be designated from time to time by the parties in writing:

(A) Department of Revenue
Secretary of Revenue
Pennsylvania Department of Revenue
Dept. 281100
Harrisburg. PA 17128-1100
Telecopy No.: (717) 787-3990
and

(B) City of Philadelphia

(1) Department of Revenue
City of Philadelphia
Municipal Services Building
John F. Kennedy Boulevard
at 15th Street
Philadelphia, PA 19102
Attention:
Telecopy No.: (215) 972-8738

Courier Service Address:

1600 Arch Street Philadelphia, PA 19103

(2) Law Department
Municipal Services Building
John F. Kennedy Boulevard
at 15th Street
Philadelphia, PA 19102
Attention: City Solicitor
Telecopy No.: (215) 686-5223

Courier Service Addiess

1600 Arch Street Philadelphia, PA 19103 (C) Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street, 14th Floor Philadelphia, PA 19102 Attention: Executive Director Telecopy No.: (215) 563-2570

16. SEVERABILITY:

If a court of competent jurisdiction determines any portion of this Agreement to be invalid, it shall be severed and the remaining portions of this Agreement shall remain in effect.

IN WITNESS WHEREOF, the parties hereto, being duly authorized and intending to be legally bound, have caused this Agreement to be executed as of the day and year first above written.

COMMONWEALTH OF PENNSYLVANIA DEPARTMENT OF REVENUE	CITY OF PHILADELPHIA
Elleen H. McNulty	By: McCommissioner Revenue Commissioner
Secretary of Revenue	
Minternation.	
Comptroller / Daniel / Thomas	By Vellans Hannis
•	City Solicitor
Approved as to form and legality:	
rippioved as to form and logality.	

Department of Revenue

Thice of General Counsel

ELANK. ROME.



JUN 1 9 1991

COMISKY & MECKULY

(Bill No. 1437)

AN ORDINANCE

Explanation Italias indicate new matter added

Amending Title 19 of The Philadelphia Code, entitled "Finances, Taxes and Collections," by adding a new Chapter 19-2500, entitled "Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits," by imposing a tax of one and one-half percent on the salaries, wages, commissions and other compensation earned by residents of the City and on the net profits earned in businesses, professions or other activities conducted by residents of the City; providing that revenues from the tax are to be used for the purposes of the Pennsylvania Intergovernmental Cooperation Authority; pledging to obligees of the Authority that the City will neither repeal nor reduce the tax for so long as bonds of the Authority secured by the pledge of the tax remain outstanding; providing for the collection of the tax; and imposing penalties.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. Title 19 of The Philadelphia Code, entitled "Finances, Taxes and Collections," is hereby amended by adding a new Chapter 19 2800, entitled "Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits," to read as follows:

CHAPTER 19-2800. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY TAX ON WAGES AND NET PROFITS.

\$19-2801. Legislative Acknowledgements.

- (2) The Act declares it to be the public policy of the Commonwealth to exercise its retained sovereign powers with regard to taxation, debt issuance and matters of State-wide concern in a manner calculated to foster the fiscal integrity of cities of the first class to assure that these cities provide for the health, safety and welfare of their citizens; pay principal and interest owed on their debt

obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial planning procedures and budgeting practices. The inability of a city of the first class to provide essential services to its citizens as a result of a fiscal emergency has been determined to affect adversely the health, safety and welfare not only of the citizens of that municipality but also of other citizens in this Commonwealth.

- (3) The stated intent of the General Assembly for enacting the Act is to:
- (a) provide cities of the first class with the legal tools with which cities of the first class can eliminate deficits that render them unable to perform essential municipal services;
- (b) create an authority that will enable cities of the first class to access capital markets for deficit elimination and seasonal borrowings to avoid default on existing obligations and chronic cash shortages that will disrupt the delivery of municipal services;

- (c) foster sound financial planning and budgetary practices that will address the underlying problems which result in such deficits; and
- (d) exercise its powers consistent with the rights of citizens to home rule and self government by maintaining a system pursuant to which the principal responsibility for conducting the governmental affairs of a municipality remains with its local elected officials;
- (c) remedy the fiscal emergency confronting cities of the first class through the implementation of sovereign powers of the Commonwealth with respect to taxation, indebtedness and matters of State-wide, concern. To safeguard the rights of the citizens to the electoral process and home rule, the General Assembly intends to exercise its power in a cooperative manner with the elected officers of cities of the first class as contemplated by the Constitution of Pennsylvania.
- (f) authorize the imposition of a tax or taxes to provide a source of funding for an intergovernmental cooperation authority to enable it to assist cities of the first class and to incur debt of such authority for such purposes; however, the General Assembly intends that such acht shall not be

a debt or liability of the Commonwealth or a city of the first class nor shall debt of the authority payable from and secured by such source of funding create a charge directly or indirectly against revenues of the Commonwealth or a city of the first class.

- (4) In enacting the Act the General Assembly of the Commonwealth inter alia found:
- (a) That cities of the first class have encountered recurring financial difficulties which may affect the performance of necessary municipal services to the detriment of the health, safety and general welfare of residents of such cities.
- (b) That the financial difficulties have caused cities of the first class to lose an investment-grade credit rating and direct access to capital markets.
- (c) That it is critically important that cities of the first class achieve an investment-grade credit rating and thereafter maintain their credit-worthiness.

- (d) That, without the ability to enter the capital markets, cities of the first class may face a fiscal emergency that could render them unable to pay their obligations when due and deliver essential services to their citizens.
- (e) That, due to the economic and social interrelationship among all citizens in our economy, the fiscal integrity of cities of the first class is a matter of concern to residents of the entire Commonwealth, and the financial problems of such cities have a direct and negative effect on the entire Commonwealth.
- (f) That, because cities of the first class consume a substantial proportion of the products of Pennsylvania's farms, factories, manufacturing plants and service enterprises, economic difficulties confronting cities of the first class actrimentally affect the economy of the Commonwealth as a whole and become a matter of State-wide concern.
- (g) That, because residents of cities of the first class contribute a substantial proportion of all Commonwealth tax revenues, a disruption of the economic and social life of such cities may have a significant detrimental effect upon Commonwealth revenues.

- (h) That, cities of the first class and the Commonwealth have shown a willingness to cooperate in order to address important financial and budgetary concerns.
- (i) That, the financial difficulties of cities of the first class can best be addressed and resolved by cooperation between governmental entities.
- (j) That, the Constitution of Pennsylvania grants municipalities authority to cooperate with other governmental entities in the exercise of any function or responsibility.
- (k) That, the Commonwealth retains certain sovereign powers with respect to cities of the first class, among them the powers to authorize and levy taxes, to authorize the incurring of inachtedness and to provide financial assistance that may be necessary to assist cities in solving their financial problems.
- (l) That, the Commonwealth may attach conditions to grants of authority to incur indebtedness or assistance to

cities of the first class in order to ensure that deficits are eliminated and access to capital markets is achieved and maintained.

- (m) That, such conditions shall be incorporated into intergovernmental cooperation agreements between the Commonwealth or its instrumentalities and cities of the first class.
- (n) That, cities of the first class and the Commonwealth will benefit from the creation of an independent authority composed of members experienced in finance and management which may advise such cities, the General Assembly and the Governor concerning solutions to fiscal problems cities of the first class may face.
- (o) That, the creation of such an authority with the power to borrow money and issue bonds in order to assist cities of the first class will allow such cities to continue to provide the necessary municipal services for their residents and to contribute to the economy of the Commonwealth.
- (p) That, in order for an authority to effectively assist cities of the first class in financing their cash flow needs and for cities of the first class to be able to cost-effectively

finance their cash flow needs during the term of any authority bonds and thereafter, the enactment of certain provisions of law in connection with the issuance of tax and revenue anticipation notes of cities of the first class is necessary and desirable.

- (q) That, a dedicated source of funding for the authority is necessary in order to address the immediate financial difficulties of cities of the first class.
- (r) That, the Commonwealth's action in authorizing cities of the first class to impose taxes for the authority will allow such cities to continue to provide necessary services for their residents and for those non-residents enjoying the benefits of such services.
- (s: That, the levy of a tax within cities of the first class for the authority should be authorized by the Commonwealth for the benefit of cities of the first class, with the revenue produced as a result of such levy being Commonwealth-authorized revenues and revenues of a State authority, and not revenues of the city of the first class.

- (t) That, the authority to levy a tax only within cities of the first class or as a rate that is higher than that imposed outside cities of the first class is based upon a legitimate classification which the General Assembly deems to be reasonable and just, since the benefit received by taxpayers in cities of the first class as a result of such levy is determined to be in proportion to the tax burden imposed in such cities of the first class.
- (u) That, a levy imposed only, or at a higher rate, in cities of the first class will be used to benefit citizens of cities of the first class by providing for their health, safety, convenience and welfare.
 - (5) City Council further acknowledges that the Act:
- (a) Specifically authorizes the imposition and pledge of any combination of the following taxes:
 - (i) a sale and use and hotel occupancy tax;
- (ii) a realty transfer tax such as is now or as may be hereafter enacted for general revenue purposes of the City pursuant to Section 1301(b) of the Act of December 13, 1988 (P.L. 1121, No. 45), known as the Local Tax Reform Act; and

- (iii) a tax on salaries, wages, commissions, compensation or other income received or to be received for work done by residents of the City, imposed pursuant to the provisions of the Sterling Act.
- (b) Provides that the revenues generated by any such tax are to become the exclusive property of the Pennsylvania Intergovernmental Cooperation Authority (PICA) and shall not be subject to appropriation by City Council or the General Assembly of the Commonwealth.
- (c) Provides that the Department of Revenue of the Commonwealth is charged with the administration, enforcement and collection of the tax imposed by this Chapter and if the tax imposed is pursuant to Subsections 601(a)(2) or (3) of the Act the administration, enforcement and collection procedures for the taxes and the fines, forfeitures, penalties and interest charges shall be as are specified in this Chapter.
- (d) Provides that the Department of Revenue of the Commonwealth is authorized to appoint as its agents, tax officers, clerks, collectors and other assistants, including revenue and legal departments of cities imposing a tax under this chapter, to collect and enforce any tax, including

interest and penalties, imposed under authority of this chapter; provided, however, that any moneys collected by any such agent shall not be commingled with any other funds of such agent and must be segregated and paid over to the Department of Revenue of the Commonwealth at least monthly.

- (c) Provides that the revenues collected by any of the Department of Revenue's agents, tax officers, clerks, collectors and other assistants are to be paid over to the Department of Revenue of the Commonwealth to be deposited by the Treasurer of the Commonwealth in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund.
- (f) Provides that the obligees of PICA shall have the right to enforce a pledge of or security interest in revenues of the authority securing payment of bonds of the authority against all government agencies in possession of any such revenues at any time, which revenues may be collected directly from such officials upon notice by such obligees or a trustee for such obligees for application to the payment of such bonds as and when due or for deposits in any sinking, bond or debt service fund established by the

Commonwealth or established by resolution of the authority with such trustee at the times and in the amounts specified in such bonds or the resolution or indenture or trust agreement securing such bonds. Any government agency in possession of any such revenues shall make payment against receipt and shall thereby be discharged from any further liability or responsibility for such revenues. If such payment shall be to a holder of bonds, it shall be made against surrender of such bonds to the payor for delivery to the authority in the case of payment in full, otherwise it shall be made against production of such bonds for notation thereon of the amount of the payment. The provisions of this section with respect to the enforceability and collection of revenues which secure bonds shall supersede any contrary or inconsistent statutory provision or rule of law. This section shall be construct and applied to fulfill the legislative purpose of clarifying and facilitating the financing of the authority of the costs of assisting a city by assuring to the obligees of the authority the full and immediate benefit of the security for

the bonds without delay, diminution or interference based on any statute, decision, ordinance, or administrative rule or practice.

\$19-2802. Definitions.

- (1) "Authority." The Pennsylvania Intergovernmental Cooperation Authority established in the Act.
- (2) "Bond." A note, bond, refunding note and bond, interim certificate, debenture and other evidence of included included in the control of t
- (3) "Business." An enterprise, activity, profession or undertaking of any nature conducted for profit or ordinarily conducted for profit, whether by an individual, copartnership, association, governmental body or unit or agency, or any other entity.
- (4) "Department." The Department of Revenue of the Commonwealth or its agents, tax officers, clerks, collectors and other assistants, including revenue and legal departments of the City of Philadelphia. For purpose of complying with the provisions of this Chapter, the Revenue

Department of the City is the authorized agent of the Department of Revenue of the Commonwealth for the collection of taxes imposed hereunder.

- (5) "Employee." Any person who renders services to another for a consideration or its equivalent, under an express or implied contract, and who is under the control and direction of the latter, including temporary, provisional, casual or part-time employment.
- (6) "Employer." An individual, copartnership, association, corporation, governmental body or unit or agency, or any other entity, who or that employs one or more persons on a salary, wage, commission or other compensation basis.
- (7) "Net Profits." The net gain from the operation of a business, profession or enterprise, after provision for all allowable costs and expenses incurred in the conduct thereof, either paid or accrued in accordance with the accounting system used, without deduction of taxes based on income.
- (8) *Obligee of the Authority." Any holder or owner of any bond of the Pennsylvania Intergovernmental

Cooperation Authority or any trustee or other fiduciary for any such holder or any provider of a letter of credit, policy of municipal bond insurance or other credit enhancement or liquidity facility for bonds of the authority.

- (9) "Person." Every individual, copartnership, fiduciary or association.
- (10) "Resident." An individual, copartnership, association, corporation or any other entity domiciled in the City.
- (11. "Salarics. Wages, Commissions and Other Compensation." All salaries, wages, commissions, bonuses, incentive payments, fees and tips that may accrue or be received by an individual, whether indirectly or through an agent and whether in eash or in property, for services rendered, but excluding:
- (a) periodical payments for sick or disability benefits and those commonly recognized as old age benefits;
- (b) retirement pay, or pensions paid to persons retired from service after reaching a specific age or after a stated period of employment;

- (c) any wages or commissions paid by the United States to any person for active service in the Army, Navy or Air Force of the United States;
- (d) any bonus or additional compensation paid by the United States, this Commonwealth, or any other state for such service;
- (e) any statutory per diem compensation paid any witness or juror, or member of the District Election Board.
- (12: "Taxpayer." Any person required by this Chapter to file a return or to pay a tax.
- §19-2503. Imposition of Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits.
- (1) An annual tax to provide revenues for the purposes of the Pennsylvania Intergovernmental Cooperation Authority is imposed as follows:
- (a) On salaries, wages, commissions, and other compensation earned by residents of Philadelphia on and after July 1, 1991 at the rate of one and one-half percent.

- (b) On the net profits earned in business, professions or other activities conducted by residents after July 1, 1991 at the rate of one and one-half percent.
- (2) The tax imposed under §19.2803(1)(a) shall relate to and be imposed upon salaries, wages, commissions, and other compensation paid by an employer or on his behalf to any person who is employed by or renders services to him.
- (3) The tax levied under §19-2803(1)(b) shall relate to and be imposed on the net profits of any business, profession, or enterprise carried on by any person as owner or proprietor, either individually or in association with some other person or persons.

\$19-2504. City Pledge; Duration of Taxes.

(1) The city pledges and agrees with each and every obligee of the authority acquiring bonds secured by an authority pledge of taxes imposed by this Chapter that the city will not repeal the tax or reduce the rate of the tax imposed for the authority until all bonds so secured by the pledge of the authority, together with the interest thereon, are fully paid or provided for. The revenues from the taxes imposed by this Chapter shall be revenues and property of

the authority and shall not be revenues or property of the city. The taxes shall be collected by the Department of Revenue of the Commonwealth and shall not be subject to appropriation by the City Council or by the General Assembly.

(2) The taxes imposed under this chapter shall continue in effect until all bonds of the authority which are secured by the authority's pledge of such tax revenues are no longer outstanding. For as long as any such bonds remain outstanding. City Council pledges not to repeal this Chapter or reduce the rate of tax imposed for the authority under this Chapter.

\$15-2505. Return and Payment of Tax.

(1) Each person whose net profits are subject to the tax imposed by this chapter shall, on or before April 15 of each year, make and file with the Department a return on a form furnished by or obtainable from the Department setting forth the amount of such net profits earned by him during the preceding year and subject to the said tax, together with such other pertinent information as the Department may require. Where a return is made for a fiscal year or for any

other period different from a calendar year, the said return shall be made within one hundred five (105) days from the end of the said fiscal year or other period.

- (2) Each person who is employed on a salaried, wage, commission or other compensation basis, which is subject to a tax imposed by this Chapter and which tax is not withheld by his employer and paid to the Department as provided in \$19-2806 shall make and file a tax return with the Department for the three (3) months ending December 31, on or before the 15th day of the following February, and shall make and file a tax return with the city on or before the last day of April, July and October for the last three (3) months ending on the last day of the month preceding the due date. The return shall be mode on a form furnished by the Department, setting forth the aggregate amount of salaries, wages, commissions and other compensation subject to the said tax earned by such person for the three (3) months, together with such other pertinent information as the city may require.
- (3) Whenever any person files a return required by this Section he shall at the time of filing pay to the Department the amount of tax due thereon.

\$19-2806. Collection at Source.

- (1) Each employer within a city of the first class who employs one or more persons on a salary, wage, commission or other compensation basis shall deduct at the time of payment thereof, the tax imposed by this Chapter on the salaries, wages, commissions and other compensation due from the said employer to the said employee, except that due to employees engaged as domestic servants, and shall make a return and pay to the Department the amount of tax so deducted at such intervals as the Department shall established by regulations.
- (a) The return shall be on a form or forms furnished by the Department and shall set forth the names and residences of each employee of said employer during all or any part of the period covered by the said return, the amounts of salaries, wages, commissions or other compensation earned during such period by each of such employees, together with such other information as the Department may require.
- (b) The employer making the return shall, at the time of filing, pay to the Department the amount of tax due thereon.

- (c) The failure of any employer, residing either within or outside of a city of the first class to make such return and/or to pay such tax shall not relieve the employee from the responsibility for making the returns, paying the tax, and complying with the regulations with respect to making the returns and paying the tax.
- (2) When an employer makes deductions or returns under \$19-2806(1) he shall deposit such deduction with the Department or with any bank designated by the Department, which shall in all cases be a bank designated as a City depository bank.
- (a) Each bank so designated shall issue official receipts to the employer for the money received from him, which money shall be credited to the authority's account. Such deposits shall be reported daily to the department.
- (b) At the time of each deposit, the employer shall file with the department or designated bank a depository form to be furnished by the department which shall contain such information as the department may require.
- §19-2807. Estimated Net Profits Tax.
 - (1) Returns and Payments of Estimated Tax.

- (a) Each person whose net profits are subject to the tax imposed by this Chapter shall be required to file returns and pay estimated tax on account of the net profits due for the current taxable year.
- (2) For the purposes of this Chapter, the term "estimated tax" means the amount of net profits tax which a person calculated to be his tax due under this Chapter for the preceding taxable year, after giving effect to the tax credit provided in Section 19-2808.
 - (3) Calendar Year Taxpayers.
- ta: Returns and payments of estimated tax for taxable years beginning after December 31, 1991 shall be due and payable as follows:
- (.1) The first installment of one-fourth of the estimated tax shall be due and payable on or before April 15 of the taxable year.
- (.2) The second installment of one-fourth of the estimated tax shall be due and payable on or before June 15 of the taxable year.
 - (4) Fiscal Year Taxpayers.

- (a) Persons who report net income for a fiscal year period other than a calendar year shall make returns and payments of estimated tax for taxable years beginning after December 31, 1991 as follows:
- (.1) The first installment of one-fourth of the estimated tax shall be due and payable within three and one-half months after the beginning of the taxable fiscal year.
- (.2) The second installment of one-fourth of the estimated tax shall be due and payable within five and one-half months after the beginning of the taxable fiscal year.
 - (5) Credits for Excessive Estimated Payments.
- (a) Any estimated payments which exceed a person's tax liability for the taxable year shall be applied as a credit against the estimated tax for the following taxable year, to the extent of the estimated tax due for the following taxable year.
- (b) The amount of any estimated payments which exceed the estimated tax for the following year shall be refunded to the taxpayer.

- (6) Provisions not Applicable. The provisions of Section 19-2807 shall not be applicable to a person for a taxable year if:
- (a) Such person was not engaged in business in the preceding taxable year; or
- (b) Such person's net profits tax liability for the preceding taxable year does not exceed one hundred (\$100) dollars; or
- (c) Such person terminated his business activity prior to the due date of the net profits tax return for the preceding taxable year.
- (7) Any person who terminates his business activity prior to the due date of any estimated payment shall not be required to make any additional estimated payments for that taxable year.

§19-2808. Credit Against Tax.

(1) In the event that any person subject to a tax under \$19-1502(1)(c) and who is entitled to a credit pursuant to \$19-1506 does not totally exhaust such credit against tax

liability incurred pursuant to \$19-1502(1)(c). The remaining credit may be applied against taxes owed pursuant to this chapter.

- (2) The credit provided pursuant to this Section relates to the following tax year;
- (a) When a return is made for a fiscal year corresponding to the calendar year, the same calendar year as that which is used as the measuring period for computing net income subject to the tax imposed under Chapter 19-2600 of this Title on which the credit is based.
- (b) When a return is made for a fiscal year other than a calendar year, the fiscal year which ends within the calendar year for which the tax imposed under Chapter 19-2600 of this Title is paid, and on which the credit is based.
- (3) Nothing in this Section shall permit credits to be charged against any given tax year in excess of the amount of tax due under \$19-2803 for that tax year.

\$19-2809. Penalties and Enforcement.

(1) Penalties.

(a) For late deposits of withheld taxes due under this Chapter there shall be added, in addition to the penalties set forth herein, a penalty of ten percent (10%) of the underpayment.

(2) Extension for Payment.

- (a) If the due date for the payment of any tax due falls on a Sunday or a holiday, or any day during which the agency collecting such tax is not open for a full business day, the Department may postpone such due date to the next following business day.
- (b) The Department may, upon proper cause shown, grant a taxpayer an extension of not more than sixty (60) days for the payment of the tax. Application for such extension shall be made on or before the last day for the payment of the tax, in such form as the Department prescribes.
- (c) If any Federal taxing authority grants to any taxpayer an extension for the payment of Federal income tax for a period in excess of sixty (60) days, the Department

may grant an additional extension of time for the payment of any City tax affected thereby, not to exceed thirty (30) days after the termination of the Federal extension period.

- (d) Where an extension for payment of any tax has been granted by the Department, the principal amount of such tax shall be subject to interest from the original due date at the rate of one-half of one percent per month, or part thereof, but shall not be subject to any penalty if paid within the extended period.
 - (3) Extension for Filing Returns.
- (a) The Department may, upon proper cause shown, grant a taxpayer an extension of not more than sixty (60) days for the filing of any tax return. Application for such extension shall be made on or before the last day of the payment of the tax, in such form as the Department prescribes.
- (b) If any Federal taxing authority grants to any taxpayer an extension for the filing of Federal income tax returns for a period in excess of sixty (60) days, the

Department may grant an additional extension of time for the filing of any tax returns affected thereby, not to exceed the date of termination of the Federal extension period.

- (c) In order for an extension to be granted, the taxpayer must file a tentative return and pay one hundred percent (100%) of the tax estimated to be due, on or before the statutory due date. The extension will not relieve the taxpayer from the obligation to pay interest and penalty from the date such return was originally due upon the amount of tax due in excess of the estimated tax paid.
 - (4) Allocation of Delinquent Payments.
- payment is made on account of any delinquent tax, such payment shall be pro-rated between the principal sum of such tax and the penaltics and interest accumulated on it.
 - (5) Records of Taxpayer.
- (a) Every person who has paid, or from whom there is due or alleged to be due, any moneys collectible by the Department, for or on behalf of the authority, including

any taxes, charges, or other sums, and any person upon whom there is imposed any other obligation to collect and remit to a city any such moneys shall:

- (.1) preserve and retain his books, records, accounts, copies of tax returns filed with other taxing authorities, and other data relating thereto, for a period of six (6) years after such moneys become collectible or have been collected by the Department, whichever is later;
- (.2) when requested by the Department produce his books, records, accounts, copies of tax returns filed with other taxing authorities, and other data relating thereto, and give to the Department the opportunity to make examination of such books, records, accounts, copies, data, and any property owned or controlled by such person in order to verify the accuracy of any report or return made, or if no report or return has been made, to ascertain the amount of tax, rent, charge, or other sum due.
- (.3) Any information obtained by the Department in the conduct of any examination or investigation shall be treated as confidential, except in the course of departmental business, or in accordance with judicial order, or as otherwise provided by law.

- (6) Oaths.
- (a) Whenever the Department shall hold hearings or conduct investigations, the Revenue Commissioner of the City, or any deputy designated by him, shall have the power to administer oaths to persons under examination.
 - (7) Interest, Penalties and Costs.
- (a) If any tax authorized or imposed under this Chapter is not paid when due, there shall be added to the amount of the unpaid tax and collected therewith, interest at the rate of one-half of one percent of the amount of the unpaid tax, and a penalty at the rate of one percent of the amount of the unpaid tax shall be added for each month or fraction thereof during which said tax shall remain unpaid and shall be collected, together with the amount of the tax. This provision shall not apply to:
- (.1) Taxes imposed by §19-2803 that are not, in fact, withheld pursuant to §19-2806; provided, however, when such tax is not paid when due interest at the rate of one-half percent of the amount of the unpaid tax and a penalty of one percent of the amount of the unpaid tax per month for

the first year and one-half percent per month thereafter shall be added and collected together with the amount of the tax.

- (b) Where suit is brought for the recovery of any such tax the person liable therefor shall, in addition, be liable for the costs of collection together with the interest and penalties herein imposed.
- (c) If any tax imposed under this Chapter was not paid when due or is not paid when it becomes due, there shall be added to the amount of the unpaid tax, interest, and penalty and collected therewith:
- (.1) interest at the rate of one-half of one percent of the amount of the unpaid tax each month or fraction thereof during which the tax remains unpaid; and
- (.2) penalty calculated on the amount of the unpaid tax at the following rates for each month during which the tax remains unpaid:
- (.a) in the first month or fraction thereof following the due date, one percent (1%);

- (.b) in the second month or fraction thereof following the due date, an additional one percent (1%) for a total of two percent (2%);
- (.c) in the third month or fraction thereof following the due date, an additional one percent (1%) for a total of three percent (3%);
- (.d) in the fourth month or fraction thereof following the due date, an additional two percent (2%) for a total of five percent (5%);
- (.e) in the fifth month or fraction thereof following the due date, an additional two percent (2%) for a total of seven percent (7%);
- (.f) in the sixth month or fraction thereof following the due date, an additional two percent (2%) for a total of nine percent (9%);
- (.g) in the seventh month or fraction thereof following the due date, an additional three percent (3%) for a total of twelve percent (12%);

- (.h) in the eighth month or fraction thereof following the due date, an additional three percent (3%) for a total of fifteen percent (15%);
- (.i) in the ninth month or fraction thereof following the due date, an additional three percent (3%) for a total of eighteen percent (18%);
- (.j) in the tenth month or fraction thereof following the due date, an additional four percent (4%) for a total of twenty-two percent (22%);
- (.k) in the eleventh month or fraction thereof following the due date, an additional four percent (4%) for a total of twenty-six percent (26%);
- (.1) in the twelfth month or fraction thereof following the due date, an additional four percent (4%) for a total of thirty percent (30%);
- (.m) thereafter, for each additional month or fraction thereof following the due date, one and one-quarter percent (1-1/4%) shall be added to the amount charged under subsection (.1).

- (d) In addition to any other sanction or remedial procedure provided, any person who shall:
- (.1) make any false or untrue statement on his report or return;
 - (.2) fail or refuse to file any report or return;
- (.3) violate any condition of any license required hereunder;
- (.4) fail to pay over to the Department any moneys which he may hold as agent for the Department;
- (.5) violate any provision of this Chapter or any regulation adopted hereunder;

shall be subject to a fine of not more than three hundred (\$300) dollars, for each offense together with imprisonment for not more than ninety (90) days if the fine and costs are not paid within ten (10) days. A separate offense shall be deemed to occur on the first day of each month that conduct described in subsections (d)(.2) or (d)(.4) continues.

- (e) Any person who shall have paid, or from whom there is due or alleged to be due any moneys collectible by the Department, including any taxes, charges, or other sums, and who fails and refuses to produce or permit the examination of his books, records, accounts, and related data, or to afford to authorized representatives of the Department an opportunity for such examination, shall be subject to a fine of not more than three hundred (\$300) dollars for each such offense, with imprisonment for not more than ninety (90) days if the fine and costs are not paid within ten (10) days.
- (f) When any person shall give or cause to be given to a city official or agency a check in payment of any obligation whether due to the department or others, including but not limited to any tax which is dishonored or unpaid by the bank upon which it is drawn, the sum of twenty (\$20) dollars shall be added to the obligation and interest and penalties provided by law or otherwise, to cover the additional cost to the Department.

- (E) Limitation of Actions.
- (a) Any suit to recover any tax authorized or imposed by this chapter shall be begun within six (6) years after such tax is due or within six (6) years after a return or a report has been filed, whichever date is later; but this limitation shall not apply in the following cases:
- (.1) where the taxpayer has failed to file the return or report required under the provisions of this chapter;
- (.2) where an examination of a return or report filed by the taxpayer and of other evidence relating to such return or report in the possession of the Department reveals a fraudulent evasion of taxes, including, but not limited to, substantial understatement of gross income, or any other receipt of income, moneys or funds in any such return or report;
- (.3) where the taxpayer has collected or withheld tax funds or moneys of any nature or description under this Chapter as agent of or trustee for the Department and has failed, neglected or refused to pay the amount so collected or so withheld to the Department.

- (b) All defenses to the collection of any tax authorized or imposed by this Chapter shall be raised by appropriate petition pursuant to provisions of local ordinance.
- (c) Where a taxpayer has filed any petition pursuant to ordinance, the period of limitation set forth in \$19-2809(a) shall be tolled until final determination of such petition has been made.
 - (9) Construction.
- (a) Each tax authorized or imposed under this Chapter upon any person, transaction, occupation, privilege, subject or personal property shall be in addition to any other taxes imposed by a city of the first class upon such person, transaction, occupation, privilege, subject or personal property.
 - (10) Administration and Enforcement.
- (a) The Commissioner of Revenue of the City of Philadelphia is hereby authorized to promulgate regulations governing the administration, enforcement and interpretation of the provisions of this chapter.

SECTION 2.	Effective	e Date. This or	rdinance shall becor	me
effective upo	n the late	r of either Jul	ly 1, 1991 or upon t	he
effective dat	e of the	Pennsylvani	ia Intergovernment	tal
Cooperation.	Authority	Act for Cities	of the First Class (A	lct
of	, 1991,	P.L, N	No).	

Expresience.

Isource indicate new matter added

CERTIFICATION: This is a true and correct copy of the original Ordinance approved by the Mayor on

JUNE 12, 1991

Deputy Chief Clerk of the Council



COMMONWEALTH OF PENNSTLVANIA DEPARTHENT OF REVENUE HARRISBURG, PENNSYLVANIA 17127

THE SECRETARY

June 28, 1991

HONORABLE CHERYL WEISS REVENUE COMMISSIONER CITY OF PHILADELPHIA CITY HALL PHILADELPHIA PA

The Commonwealth of Pennsylvania, Department of Revenue, pursuant to its authority under Section 604(c) of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act of June 5, 1991 (P.L. No. 6, Section 604(c)), (hereinafter referred to as the "Act") hereby appoints as its agent the Revenue Department of the City of Philadelphia, its tax officers, clerks, collectors and other assistants including the City Solicitor and such deputies as she shall designate, to collect and enforce any tax imposed under the authority of Section 601(a)(3) of the Act including interest and penalties.

A separate agreement setting forth the terms and conditions of this appointment shall be executed by the Commonwealth, Department of Revenue and the City of Philadelphia, Revenue Department.

Any monies collected by the City of Philadelphia pursuant to this appointment shall be segregated in a separate fund and shall not be commingled with any other funds.

This appointment shall be effective July 1, 199° and shall remain in effect until terminated by notice in writing by the Commonwealth of Pennsylvania, Department of Rovenue.

> Eileen H. McNulty Secretary of Revenue

SEAL

Appendix C

The City of Philadelphia Collection Agent for Department of Revenue, Commonwealth of Pennsylvania Account.

Fidelity Bank, National Association
Account No. 338-925-1

MONTHLY RECONCILIATION OF PICA DEPOSITS JANUARY, 1992

W-7, 1-92 Settlement Statistics	\$ 67,068,948 X 0.62	(resident %)
	\$ 41,582,748 X 0.3	(PICA share)
Total PICA Due on W-7 Total PICA Paid on W-7	\$ 12,474,824	
(\$67,068,472 on dailies X.62X.3)	12,474,736	
Difference on W-7	\$ 88	
W-5, 1-92 Settlement Statistics W-1, 1-92 Settlement Statistics	\$ 10,507,511 5,927,372	·
	\$ 16,434,883 X 0.62	(resident %)
••	\$ 10,189,627 X 0.3	(PICA share)
Total PICA Due on W-1 & W-5 Total PICA Paid on W-1 & W-5	\$ 3,056,888	
(\$16,485,445 on dailies X.62X.3)	3,066,293	
Difference on W-1 & W-5	\$ (9,405)	
E-2, 1-92 Settlement Statistics	\$ 544,453 X 0.62	(resident %)
	\$ 337,561 X 0.3	(PICA share)
Total PICA Due on E-2 Total PICA Paid on E-2	\$ 101,268	
(\$574,290 on dailies X.62X.3)	106,818	
Difference on E-2	\$ (5,550)	
DIFFERENCE DUE FROM PICA, 1-92	\$ (14,866)	

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DETERMINATION OF RESIDENCE/NONRESIDENCE

- (a) The method of calculating resident/nonresident collections as of the date of this Agreement is based on a three-year moving average of resident/nonresident collections of wage, earnings and net profits taxes. The City shall file annually with the Department the annual reconciliation of resident/nonresident collections based upon returns for wage tax in the form attached hereto as Schedule 1 and appropriate documentation for the earnings and net profits taxes and the three-year moving average will be adjusted accordingly upon approval by the Department.
- (b) The method of calculation of Authority Income Tax collection as of the date of this Agreement has been determined by the Department and approved by the Secretary as follows:
- (1) The calculation is made daily by the City on the Daily Receipt and Deposit Statement attached hereto as Schedule 2.
- (2) (i) Total wage and earnings taxes are multiplied by 62%, the average of the last three years' percentages of resident wage and earnings taxes to total wage and earnings taxes.
- (ii) Total Net profits taxes are multiplied by 68%, the average of the last three years' percentages of resident net profits taxes to total net profits taxes.
- (3) The sum of (2)(i) and (2)(ii) is multiplied by <u>a number</u> which represents 1.5% (the rate of the Authority Income Tax) divided by 4.96%, the aggregate rate of wage, earnings, and net profits tax imposed on City residents for all purposes.

APPENDIX E

- (4) A copy of the Daily Receipt and Deposit Statement (Schedule 2) showing each day's calculation of the Agency Account Deposit shall be sent by telecopy to the Department on the day of each deposit.
- (5) The Collection Agent shall provide the Department annually with such information as the Department deems appropriate to adjust the calculations described in this Appendix E and the Department shall determine whether to adjust the method of calculation on the basis of such information. If the Department determines to adjust the method of calculation, the Department shall notify the Collection Agent in writing of its determination and the effective date of the adjustment.

TAXPAYER COPY

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3. Number of Taxable Non-Residents				
1. Taxable Residents Compensation				0 0
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3. Taxable Non-Residents Compensation				
4. Line 3 times .043125 (4.3125%)				
5. Total Tax Die (Line 2 plus Line 4)				
6. Tax Previously Paid For 1989				
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TAXPAYER COPY

ANNUAL RECONCILIATION OF WAGE TAX

The Annial Reconciliation of Wage Tax Nitheld for the year 1989 is due on or before Fabruary 28, 1990.

- . If the tax due on line 7 is more than \$1, please make check payable to "City of Philadelphia."
 - All compensation paid to residents is taxable, even if earned outside OF Philadelphia.
 - Compensation paid to non-residents is taxable only if earned inside Philadelphia.
 - To ensure efficient processing, please print your numbers carefully.
 - Please direct telephone inquiries to 686-6800.

MAGNETIC TAPE INSTRUCTIONS

<u>FORMAT:</u> The City of Philadelphia Icome Tax regulations requires all employers to submit a copy of Federal Form W-2 for each employee. If the number of firms exceeds 250, then the data MUST b provided on magnetic tape. The format is to be the same as transmitted to the Social Security Administration as stated in their Technical Information Booklet-6 (TIB-6); please note that the Code S - Supplemental Record must also be included. On the Code S, be sure to include the following fields:

IDEATION 212 = Tax Type Code = C IDEATION 213-217 = Taxing Entity Code = PHILA IDEATION 218-226 = Taxable Philadelphia Wages IDEATION 207-233 = Philadelphia Wage Tax Witheld IDEATION 234-240 = Philadelphia Tax Account Number

<u>lABFIS:</u> The following data is required on the label to be affixed to the ragnetic tape: Name of Taxpayer

Seven-digit City of Philadelphia Business Tax Account Number Tax Year: 1989

Trivivilian: please complete below and remit this form.

If you had no maxable compensation in 1985, indicate date taxable compensation terminated:

Do you intend to have taxable compensation in 1980? Yes No To no, your wage tax account will be terminated.

WHIRE TO FILE: Mail this return and W2's or tape to:

City of Philadelphia Department of Revenue Room 220 Municipal Services Building 15th Street and JFK Boylevard Philadelphia, PA 19102

111 1/2 1/21

DAILY RECEIPT & DEPOSIT STATEMENT - PA INTERGOVERNMENTAL COOP. AUTHORITY (PICA)

(Source Philadelphia Daily Consolidated Summary of Deposits)

Date	Prepared: July 36, 1	991		Date of Deposit	: July 34 1991
1. W	-7's Cullected:	\$ 2,393,053 16	•		
2. W	/-1/W-5's Collected:	\$	•		
3. E	:-2 Collected:	\$	Total of 1 + 2 + 3	= <u>2393,65316</u> x .62 =	Phila. Resident Collections -A-
4. N	IP-3 Collected:	\$	x .68 = \$ Phila. Residence Collections	dent -B-	·
5. F	PICA DEPOSIT:				
	\$ 1.483,692 96 +	8 <u>- ^ -</u> B	= 148969396 x. Total Resident Collections	.3024= \$ <u>448.668.75</u> Total Deposit Amount	
Affir	med: Jeansette M	nonth City Re	venue Commissioner		City Finance Director
	******************		For Commonwealth	Use Only	
Trans	smittal Date:		Transmittal #:		
6. A	djustments:		Adjustment Date:		
\$ T	otal Deposit Amt.	+/- Adjustment	Amt. Funds Trans	ferred Authorized	by

Rev. WG-2

Schedule 2

Page 2

Key:

W-7's are wage tax collections, weekly filers W-1's are wage tax collections, quarterly filers W-5's are wage tax collections, monthly filers E-2's are earnings tax collections NP-3's are net profits tax collections

Reimbursement Agreement

The Department pursuant to paragraph 9 of the "Pennsylvania Intergovernmental Cooperation Authority" Tax Collection Agency Agreement agrees to reimburse the Agent up to a maximum of \$40,000 per annum for expenses incurred by the Agent as a result of bad checks remitted to the Agent by taxpayers in collecting the Authority Income Tax. The Agent shall submit on a periodic basis acceptable to the Department for approval by the Department such documentation as deemed necessary by the Department to establish such expenses.

APPENDIX F

The mondiscrimination clause to be incorporated into every contractual agreement or other arrangement shall be in the following form:

NONDISCRIMINATION CLAUSE

During the term of this contract, Contractor agrees as follows:

- 1. Contractor shall not discriminate against any employe, applicant for employment, independent contractor, or any other person because of race, color, religious creed, ancestry, national origin, age, or sex. Contractor shall take affirmative action to insure that applicants are employed, and that employes or agents are treated during employment, without regard to their race, color, religious creed, handicap, ancestry, national origin, age, or sex. Such affirmative action shall include, but is not limited to: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training. Contractor shall post in conspicuous places, evailable to employes, agents, applicants for employment, and other persons, a notice to be provided by the contracting agency setting forth the provisions of this nondiscrimination clause.
- 2. Contractor shall, in advertisements or requests for employment placed by it or on its behalf, state that all qualified applicants will receive consideration for employment without regard to race, color, religious creed, handicap, encestry, national origin, age, press.
- 3. Contractor shall send each labor union or workers' representative with which it has a collective bargaining agreement or other contract or understanding, a notice advising said labor union or workers' representative of its commitment to this nondiscrimination clause. Similar notice shall be sent to every other source of recruitment regularly utilized by Contractor.
- 4. It shall be no defense to a finding of noncompliance with this nondiscrimination clause that Contractor had delegated some of its employment practices to any union, training program, or other source of recruitment which prevents it from meeting its obligations. However, if the evidence indicates that the Contractor was not on notice of the third-party discrimination or made a good faith effort to correct it, such factor shall be considered in mitigation in determining appropriate sanctions.
- 5. Where the practices of a union or any training program or other source of recruitment will result in the exclusion of minority group persons, so that Contractor will be unable to meet its obligations under this nondiscrimination clause. Contractor shall then employ and fill vacancies through other nondiscriminatory employment procedures.
- 6. Contractor shell comply with all state and federal laws prohibiting discrimination in hiring or employment opportunities. In the event of Contractor's noncompliance with the nondiscrimination clause of this contract or with any such laws, this contract may be terminated or suspended, in whole or in part, and Contractor may be declared temporarily ineligible for further Commonwealth contracts, and other sanctions may be imposed and ramedies invoked.
- 7. Contractor shall furnish all necessary employment documents and records to, and permit access to its books, records, and accounts by the contracting agency for purposes of investigation to accertain compliance with the provisions of this clause. If Contractor does not possess documents or records reflecting the necessary information requested, it shall furnish such information on reporting forms supplied by the contracting agency.
- 8. Contractor shall actively recruit minority and women subcontractors or subcontractors with substantial minority representation among their amployes.
- 9. Contractor shall include the provisions of this nondiscrimination clause in every subcontract, so that such provisions will be binding upon each Subcontractor.
- 10. Contractor obligations under this clause are limited to the Contractor's facilities within Pennsylvania or, where the contract is for purchase of goods manufactured outside of Pennsylvania, the facilities at which such goods are actually produced.

Enclosure 1 to Management Directive 215.7 Amended

Page 1 of 1

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street, 14th Floor Philadelphia, PA 19102

RBC Dain Rauscher Inc. One Logan Square Philadelphia, PA 19103

Ladies and Gentlemen:

Pursuant to the Bond Purchase Contract (the "Purchase Contract") between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets (the "Underwriter"), as Underwriter, the Authority has agreed, inter alia, to sell to the Underwriter \$89,950,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) (the "2006 Bonds") and the Underwriter has agreed to purchase said 2006 Bonds upon the terms and conditions set forth in the Purchase Contract. Unless otherwise defined herein, the terms defined in the Purchase Contract are used herein with the same meanings. This Letter of Representations is delivered to you pursuant to the Purchase Contract.

As of the date hereof, the undersigned, on behalf of the City, hereby represents and warrants to and agrees with each of you as follows:

- 1. The terms of the Purchase Contract are hereby approved, without waiving any of the City's rights due to provisions of paragraph 12 thereof;
- 2. The City has duly and validly authorized and approved the execution and delivery of the Cooperation Agreement, the Tax Collection Agreement and the Tax Compliance Agreement, and the performance by the City of its obligations, covenants and agreements contained therein;
- 3. The City has duly and validly acknowledged and approved the City Account Deposit Agreement;
- 4. The City has duly and validly executed and delivered, and has, and at the date of Closing will have, full legal right, power and authority to perform its obligations under the

Cooperation Agreement and the Tax Collection Agreement; and the City has, and at the date of Closing will have, full legal right, power and authority to perform its obligations under the Tax Compliance Agreement:

- 5. The Tax Ordinance and the Cooperation Ordinance have been duly and validly enacted by City Council and the Tax Ordinance and the Cooperation Ordinance have been approved by the Mayor, all pursuant to authority granted in the Act and in accordance with the Constitution of the Commonwealth and the Philadelphia Home Rule Charter;
- 6. All action taken by City Council, the Mayor and other authorized City officials in connection with the enactment of the Tax Ordinance and the Cooperation Ordinance, including, without limitation, publication, convening and conduct of the public meetings at which public hearings were held and action was taken, were and are in compliance with the Philadelphia Home Rule Charter and Act 1998-93 of the General Assembly of the Commonwealth, approved October 15, 1998 (or, in the case of any action taken prior to the effective date thereof, the Act approved July 3, 1986, No. 84, P.L. 388, as amended). The Tax Ordinance and the Cooperation Ordinance are in full force and effect as of the date hereof and have not been amended since the respective dates of their enactment and adoption.
- 7. As provided in the Act, the proceeds of the Authority Tax as of the date hereof are, and at all times subsequent to the date hereof and as of and after the Closing will be, the revenues and property of the Authority, are not property or revenues of the Commonwealth or the City and are not subject to appropriation by either the Commonwealth or the City;
- 8. Except as otherwise disclosed in the Official Statement, the City is not, to the best of the City's knowledge in any material respect, in breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any applicable law or administrative regulation of the Commonwealth or the United States, or any applicable judgment, decree or loan agreement, note, resolution, ordinance, agreement or other instrument to which the City is a party or by which it is otherwise bound, the consequence of which or the correction of which would materially and adversely affect the financial condition or operations of the City as a whole;
- 9. The execution and delivery of the Cooperation Agreement and the Tax Collection Agreement by the City and compliance with the provisions thereof did not, do not and will not constitute a breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any existing applicable law or administrative regulation or the Constitution of the Commonwealth or the United States or any applicable judgment or decree and did not and do not, to the best of the City's knowledge, in any material respect constitute a default under any loan agreement, note, resolution, ordinance, agreement or other instrument to which the City is a party or by which it is otherwise bound;
- 10. The execution and delivery of the Tax Compliance Agreement by the City and compliance with the provisions thereof do not and will not constitute a breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any applicable law or administrative regulation or the Constitution of the Commonwealth or the United States or any existing applicable judgment or decree and do not, to the best of the City's knowledge, in any

material respect constitute a default under any loan agreement, note, resolution, ordinance, agreement, or other instrument to which the City is a party or by which it is otherwise bound;

- 11. The acknowledgment and approval of the City Account Deposit Agreement by the City do not and will not constitute a breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any applicable law or administrative regulation or the Constitution of the Commonwealth or the United States or any applicable judgment or decree;
- 12. The information concerning the City contained in the Official Statement, including, without limitation, the financial information concerning the City, is correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect, and the City has consented to the use of such information in the Official Statement;
- 13. The City will notify the Underwriter and the Authority, to the extent not disclosed in the Official Statement, of any material adverse change in the business, properties, financial condition or results of operation of the City as a whole occurring before the Closing or within 25 days after the end of the underwriting period for the 2006 Bonds (within the meaning of Rule 15c2-12). The City may presume for purposes of this section that the underwriting period of the 2006 Bonds will end on the date of Closing unless the City is otherwise notified in writing at the Closing by the Underwriter;.
- 14. The City agrees that between the date hereof and the date of Closing it will take no action which will cause the representations and warranties contained herein to be untrue at any time from the date hereof up to and including the date of Closing; and
- 15. Based solely on the information provided to me by the Law Department of the City of Philadelphia (the "Department") after inquiry within the Department, except for litigation which in the opinion of the Department is without merit, and except as disclosed in the Official Statement, no litigation or other legal proceeding is pending against the City or, to the best of the Department's knowledge, threatened in writing against the City (i) to restrain or enjoin the issuance or sale of the 2006 Bonds or the City's execution or delivery of, or performance under, the Cooperation Agreement, the Tax Collection Agreement or the Tax Compliance Agreement, or in any way contesting any authority for or the validity or enforceability of the 2006 Bonds, the Act, the Ordinances, the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement, the City Account Deposit Agreement or the Indenture, or (ii) in which a final adverse decision can reasonably be anticipated in a magnitude or scope which would materially and adversely affect the financial condition or operations of the City as a whole, or (iii), contesting in any way the completeness or accuracy of the information concerning the City in the Official Statement or (iv) contesting in any way the validity or enforceability of the City's obligations under the Cooperation Agreement or the Tax Collection Agreement, the powers of the City or the validity, collection or pledge of the Authority Tax or (v) in any way challenging the right of the Acting Director of Finance or any other official of the City signatory to any of the Bond Documents to which the City is a party or referred to in the Purchase Contract or herein to hold his or her office, or the respective powers of such offices.

This Letter of Representations is made solely for the benefit of the addressees hereof and the signatories hereto (including the successors and assigns of the Underwriter) and no other persons shall acquire or have any right hereunder or by virtue hereof. The terms "successors" and "assigns" as used herein shall not include any purchaser, as such purchaser, of any of the 2006 Bonds from the Underwriter. All representations, warranties and agreements in this Letter of Representations shall remain operative and survive the execution hereof.

Very truly yours,

CITY OF PHILADELPHIA, PENNSYLVANIA

By: Acting Director of Binance

Acknowledged and accepted June 14, 2006

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

William Leonard
Vice Chairperson

RBC DAIN RAUSCHER INC.

By: _____

This Letter of Representations is made solely for the benefit of the addressees hereof and the signatories hereto (including the successors and assigns of the Underwriter) and no other persons shall acquire or have any right hereunder or by virtue hereof. The terms "successors" and "assigns" as used herein shall not include any purchaser, as such purchaser, of any of the 2006 Bonds from the Underwriter. All representations, warranties and agreements in this Letter of Representations shall remain operative and survive the execution hereof.

Very truly yours,

CITY OF PHILADELPHIA, PENNSYLVANIA

Acting Director of Finance

Acknowledged and accepted June 14, 2006

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

William Leonard

Vice Chairperson

RBC DAIN RAUSCHER INC.

Βv·

DILWORTH PAXSON LLP

LAW OFFICES

BLUE SKY MEMORANDUM

\$89,950,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) **SERIES OF 2006 (AUCTION RATE SECURITIES)**

June 7, 2006

RBC Capital Markets One Logan Square 130 North 18th Street 17th Floor Philadelphia, Pennsylvania 19103

Ladies and Gentlemen:

In connection with the proposed purchase by you of the \$89,950,000* aggregate principal amount of the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) (the "Bonds"), we have set forth in this Memorandum information relating to the requirements of the securities statutes or "Blue Sky" laws of the various states and territories of the United States as designated by you.

In preparing this Memorandum we have examined the Official Statement of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") dated June 7, 2006 (the "Official Statement"), and the applicable statutes, rules and regulations of the various jurisdictions as reported in standard unofficial compilations regularly consulted for such purposes. We have relied on the accuracy of the information set forth in the Official Statement and of information furnished to us by representatives of the Authority and by you relating to the Bonds. In all instances in which we have indicated that persons licensed or registered as dealers or brokers may sell the Bonds we have assumed compliance by such persons with all dealer or broker requirements in connection with the sale of the Bonds, including compliance with all federal and state statutes, rules and regulations relating to dealer or broker registration or licensing.

We have not consulted with local counsel in any jurisdiction, and, as members of the Bar of the Commonwealth of Pennsylvania, we do not purport to be experts in the laws of any other jurisdiction. We have not researched court decisions in the various jurisdictions discussed herein nor obtained special rulings of the securities commissions or other administrative bodies or officials charged with administration of the respective securities statutes or "Blue Sky" laws. The statements made herein are necessarily subject to the broad discretionary powers of such bodies or officials to interpret securities statutes, or to withdraw or deny exemptions granted by statute, to impose additional requirements upon any offering of securities or the information required for qualification thereof, or to issue stop orders or to revoke or suspend permits where they have been granted. Accordingly, what follows should be considered as a practical guide rather than an opinion from us regarding the laws of these jurisdictions.

This Memorandum does not purport to cover the restrictions, if any, relating to advertising materials published or used in any jurisdiction, or the question of whether the Bonds are a legal investment for any institution listed herein. The advice of counsel should be sought as to any such restrictions in the various jurisdictions.

Any statement in this Memorandum with respect to sales to banks, savings institutions, trust companies, insurance companies or the like refers only to the requirements of the securities laws relating to such sales and does not purport to cover the question of whether the purchase of the Bonds will be legal for investment by such institutions.

Very truly yours,

DILWORTH PAXSON LLP

\$89,950,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA PROGRAM) SERIES OF 2006 (AUCTION RATE SECURITIES)

BLUE SKY MEMORANDUM

NO OFFER OR SALE OF THE BONDS SHOULD BE MADE IN ANY JURISDICTION EXCEPT IN ACCORDANCE WITH THE FOLLOWING

PART I. SALES TO THE PUBLIC

A. Jurisdictions Where Action Is Not Required

It is believed that offers and sales of the Bonds may be made in any amount to anyone in the following jurisdictions without registration of the Bonds or any filing being made with the local securities law administrator. Such offers and sales may be made only by sellers who are registered or licensed appropriately as dealers, brokers, salespersons or sales agents within the applicable jurisdictions or who are properly exempted from such jurisdiction's sellers' registration or licensing requirements.

Texas
Utah
Vermont
Virginia
West Virginia
Wisconsin
Wyoming

Indiana	New Hampshire
Iowa	New Jersey
Kansas	New Mexico
Kentucky	New York
Louisiana	North Carolina
Maine	North Dakota
Maryland	Ohio
Massachusetts	Oklahoma
Michigan	Oregon
Minnesota	Pennsylvania
Mississippi	Puerto Rico
Missouri	Rhode Island
Montana	South Carolina
Nebraska	South Dakota
Nevada	Tennessee
	Iowa Kansas Kentucky Louisiana Maine Maryland Massachusetts Michigan Minnesota Mississippi Missouri Montana Nebraska

B. Jurisdictions Where Action Is Required

It is believed that offers and sales of the Bonds may be made in any amount to anyone in the following jurisdictions *only after* certain filings have been made, certain state fees have been paid or information sufficient to support a claim of exemption has been obtained. Such offers and sales may be made only by sellers who are registered or licensed appropriately as dealers, brokers, salespersons or sales agents within the applicable jurisdictions or who are properly exempted from such jurisdiction's sellers' registration or licensing requirements. We are attempting to qualify all of the Bonds within the following jurisdictions:

None.

B. Jurisdictions In Which Sales to the Public May Not Be Made

In the following jurisdictions, it is believed that appropriate action is required by registration, the filing of notice or the payment of fees before the Bonds may be offered or sold to anyone therein other than in exempt transactions. Pursuant to your request, no such action is being taken in these jurisdictions, and, therefore, no offers or sales of the Bonds may be made to anyone in these jurisdictions other than in exempt transactions.

None.

PART II. SALES TO SPECIFIED INSTITUTIONS AND DEALERS

In the following jurisdictions, the Bonds may be offered and sold to the persons or institutions noted below without registration or other filings therein relating to the Bonds and without any requirement that the sellers thereof be registered or licensed as dealers or brokers therein, except as otherwise indicated:

Alabama

To a bank, savings institution, credit union, trust company, insurance company or investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Dealer registration is required unless the offeror or seller has no place of business in Alabama and effects transactions in Alabama exclusively with or through the issuers of the securities involved in the transactions and other dealers.

Alaska

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer registration is required unless the offeror or seller has no place of business in Alaska and (1) effects transactions in Alaska exclusively with or through entities listed above or issuers of the securities involved in the transactions; or (2) during any period of 12 consecutive months does not effect more than 15 transactions at the initiation and direction of the customer and on behalf of residents of Alaska regardless of whether the residents are then present in Alaska and does not direct any offers initiated by the person to sell or buy securities into Alaska in any manner to persons other than those specified above, whether or not the offeror or offeree is then present in Alaska.

Arizona

To a bank, a savings institution, a trust company, an insurance company, an investment company as defined in the Investment Company Act of 1940, a pension or profit-sharing trust, or other financial institution or institutional buyer or a dealer, whether the purchaser is acting for itself or in a fiduciary capacity.

Dealer registration is required unless the offeror or seller (1) is a bank or savings institution the business of which is supervised and regulated by an agency of Arizona or of the United States; (2) has no place of business within Arizona and sells or offers to sell securities exclusively to dealers registered in Arizona; or (3) is a person who buys or sells securities for his own account, either individually or in a fiduciary capacity, but not as part of a regular business.

Arkansas

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer registration is required unless the offeror or seller is a bank, savings institution, savings and loan association, or trust company; or has no place of business in Arkansas and (1) effects transactions in Arkansas exclusively with or through the entities listed above, savings and loan associations and issuers of the securities involved in the transactions, or (2) during any period of 12 consecutive months does not direct more than 15 offers to sell or buy into Arkansas in any manner to persons other than those entities specified above, whether or not the offeror or any of the offerees is then present in Arkansas.

California

To a bank, savings and loan association, trust company, insurance company, investment company registered under the Investment Company Act of 1940, pension or profit-sharing trust (other than a pension or profit-sharing trust of the issuer, a self-employed individual retirement plan or individual retirement account), or other institutional investor or governmental agency or instrumentality that the Commissioner of Corporations may designate by rule, whether the purchaser is acting for itself or as trustee; provided the purchaser represents that it is purchasing for its own account (or for such trust account) for investment and not with a view to or for sale in connection with any distribution of the The following have been designated by rule as security. institutional investors or governmental agencies or instrumentalities for purposes of this exemption: (1) any organization described in Section 501(c)(3) of the Internal Revenue Code, as amended December 29, 1981, which has total assets (including endowment, annuity and life income funds) of not less than \$5 million according to its most recent audited financial statement; (2) any corporation which has a net worth on a consolidated basis according to its most recent audited financial statement of not less than \$14 million; or (3) any wholly owned subsidiary of any institutional investor listed herein.

Broker-dealer registration is required unless the offeror or seller is (1) an issuer not engaged in the regular business of issuing or guaranteeing options with regard to securities not of its own issue, (2) an agent, when an employee of a broker-dealer or issuer, (3) a bank, trust company, or savings and loan association, (4) any person insofar as he buys or sells securities for his own account, either individually or in some fiduciary capacity, but not as a part of a regular business, or (5) a person who has no place of business in California and effects transactions in California exclusively with the issuers of the securities involved in the transactions or other broker-dealers.

Colorado

To a financial or institutional investor including: (i) a depository institution including (a) a person that is organized or chartered, or is doing business or holds an authorization certificate, under the laws of a state or of the United States which authorize the person to receive deposits, including deposits in savings, share, certificate, or other deposit accounts, and that is supervised and examined for the protection of depositors by an official or agency of a state or the United States, and (b) a trust company or other institution that is authorized by federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the Comptroller of the Currency and is supervised and examined by an official or agency of a state or the United States other than an insurance company or other organization primarily engaged in the insurance business; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company registered under the Investment Company Act of 1940; (v) a business development company as defined in the Investment Company Act of 1940; (vi) any private business development company as defined in the Investment Advisers Act of 1940; (vii) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$5 million or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company; (viii) an entity, but not an individual, a substantial part of whose business activities consist of investing, purchasing, selling or trading in securities of more than one issuer and not of its own issue and that has total assets in excess of \$5 million as of the end of its latest fiscal year; (ix) a small business investment company licensed by the federal Small Business Administration under the Small Business Investment Act of 1958; and (x) any other institutional

buyer; or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer licensing is required unless the broker-dealer is registered under the Securities Exchange Act of 1934, has no place of business in Colorado and whose business transacted in Colorado as a broker-dealer is exclusively with (1) issuers in transactions involving their own securities, (2) other broker-dealers licensed or exempt from licensing under the Colorado Securities Act (except when the broker-dealer is acting as a clearing broker-dealer for such other broker-dealers), (3) financial or institutional investors, (4) individuals who are existing customers of the broker-dealer and whose principal places of residence are not in Colorado, or (5) not more than 5 persons in Colorado during any 12 consecutive months, excluding persons described in (1) through (4) above.

Connecticut

To a bank and trust company, national banking association, savings bank, savings and loan association, federal savings and loan association, federal savings bank, credit union, federal credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer registration is required unless the offeror or seller (1) is a bank, as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, when conducting activities that would except if from the definition of "broker" or "dealer" under Sections 3(a)(4) or 3(a)(5) of the Securities Exchange Act of 1934, or (2) has no place of business in Connecticut and effects transactions in Connecticut exclusively with or through the issuers of securities involved in the transactions or such persons or institutions listed in the preceding paragraph.

Delaware

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer registration is required unless the offeror or seller (1) is a bank, savings institution, or trust company, to the extent that these entities are exempt or excluded from broker-dealer registration requirements under federal securities law; or (2) has no place of business in Delaware and effects transactions in Delaware exclusively with or through the issuer of the securities involved in

the transaction or such persons or institutions listed in the preceding paragraph.

District of Columbia

To a depository institution, insurance company, separate account of an insurance company, investment company registered under the Investment Company Act of 1940, business development company as defined in the Investment Company Act of 1940, an employee pension, profit-sharing or benefit plan if the plan has total assets in excess of \$5 million or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered or exempt from registration under the Investment Advisors Act of 1940, a depository institution or an insurance company, a qualified institutional buyer or accredited investor as defined in SEC Rule 501(a), a limited liability company with net assets of at least \$500,000, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer licensing is required unless the offeror or seller is a bank under section 3(a)(4)(B) and (C) of the Securities Exchange Act of 1934, or has no place of business in the District of Columbia and (1) effects transactions in the District of Columbia exclusively with or through the issuer of the securities involved in the transaction, a depository institution, another broker-dealer, an insurance company, an investment company as defined in the Investment Company Act of 1940, a pension or profit-sharing trust, or other financial institution or institutional investor; or (2) is licensed under the securities law of a state in which the person maintains a place of business and offers and sells in the District of Columbia to an existing customer of the person.

Florida

To a bank or trust company, savings institution, insurance company, dealer, investment company as defined in the Investment Company Act of 1940, or pension or profit-sharing trust, or qualified institutional buyer as defined by rule of the Financial Services Commission in accordance with Securities and Exchange Commission Rule 144A, whether such entity is acting in its individual or fiduciary capacity; provided that such offer or sale of securities is not for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provision of the Florida Securities and Investor Protection Act.

Georgia

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, as now or hereafter amended, real estate investment trust, small business investment corporation, pension or profit-sharing

plan or trust, or other financial institution, or to a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Guam

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer registration is required unless the offeror or seller is an agent, an issuer, a bank, savings institution, or trust company or a person who has no place of business in Guam and (1) effects transactions in Guam exclusively with or through the issuers of the securities involved in the transactions or such persons or institutions listed in the previous paragraph; or (2) during any period of 12 consecutive months he does not direct more than 15 offers to sell or buy into Guam in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Guam.

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Dealer registration is required unless the offeror or seller has no place of business in Hawaii and either (1) effects transactions in Hawaii exclusively with or through issuers of the securities involved in the transaction, or such persons or institutions listed in the preceding paragraph; or (2) during any period of 12 consecutive months he does not direct more than 15 offers to sell or to buy into Hawaii in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Hawaii.

To any institutional investor including any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution, a trust company organized or chartered under the laws of Idaho, or an international banking institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company as defined in the Investment Company Act of 1940; (e) a broker-dealer registered under the Securities Exchange Act of 1934; (f) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10 million or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of

Hawaii

Idaho

1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Idaho Uniform Securities Act of 2004, a depository institution, or an insurance company; (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10 million or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Idaho Uniform Securities Act of 2004, a depository institution, or an insurance company; (h) a trust, if it has total assets in excess of \$10 million, its trustee is a depository institution, and its participants are exclusively plans of the types identified in paragraphs (f) or (g), regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (i) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10 million; (i) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10 million; (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10 million; (1) a federal covered investment adviser acting for its own account; (m) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933; (n) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; (o) any other person, other than an individual, of institutional character with total assets in excess of \$10 million not organized for the specific purpose of evading the Idaho Uniform Securities Act of 2004; (p) any other person specified by rule adopted or order issued under the Idaho Uniform Securities Act of 2004.

The person making the offer or sale need not be a registered brokerdealer in Idaho provided such person has no place of business in Idaho and such person effects transactions in Idaho exclusively with or through certain persons or entities including those identified in the preceding paragraph.

Illinois

To any corporation, bank, savings bank, savings institution, savings and loan association, trust company, insurance company, building and loan association, dealer, pension fund or pension trust, employees' profit-sharing trust, or any financial institution or institutional investor, or to any government or political subdivision or instrumentality thereof, whether the purchaser is acting for itself or in some fiduciary capacity; or to any partnership or other association engaged as a substantial part of its business or operations in purchasing or holding securities; or to any trust in respect of which a bank or trust company is trustee or co-trustee; or to any entity in which at least 90% of the equity is owned by persons described in Subsection C, D, H or S of Section 4 of the Illinois Securities Law of 1953; or to any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 if: (i) the investment decision is made by a plan fiduciary as defined in Section 3(21) of the Employee Retirement Income Security Act of 1974 and such plan fiduciary is either a bank, savings and loan association, insurance company, registered investment adviser or any investment adviser registered under the Investment Advisers Act of 1940, or (ii) the plan has total assets in excess of \$5 million, or (iii) in the case of a self-directed plan, investment decisions are made solely by persons that are described under Subsection C, D, H or S of Section 4 of the Illinois Securities Law of 1953; or to any plan established and maintained by and for the benefit of the employees of, any state or political subdivision or agency or instrumentality thereof if such plan has total assets in excess of \$5 million or to any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, any Massachusetts or similar business trust, or any partnership, if such organization, trust or partnership has total assets in excess of \$5 million.

As used in this paragraph, the term "institutional investor" shall include but not be limited to: (a) investment companies, universities, and other organizations whose primary purpose is to invest its own assets or those held in trust by it for others; (b) trust accounts and individual or group retirement accounts in which a bank, trust company, insurance company or savings and loan institution acts in a fiduciary capacity; and (c) foundations and endowment funds exempt from taxation under the Internal Revenue Code, a principal business function of which is to invest funds to produce income in order to carry out the purpose of the foundation or fund. As used in this paragraph, the term "financial institution" shall include, but not be limited to, a manager of investment

accounts on behalf of other than natural persons, who, with affiliates, exercises sole investment discretion with respect to such accounts, and provided such accounts exceed 10 in number and have a fair market value of not less than \$10 million at the end of the calendar month preceding the month during which the transaction occurred for which the exemption is utilized.

Indiana

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer registration is required unless the offeror or seller is a bank, savings institution or trust company; or has no place of business in Indiana and effects transactions in Indiana exclusively with the issuers of the securities involved in the transaction or such persons or institutions listed in the preceding paragraph, whether or not the offeror or any of the offerees is then present in Indiana.

Iowa

To an institutional investor including any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution or an international banking institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company as defined in the Investment Company Act of 1940; (e) a broker-dealer registered under the Securities Exchange Act of 1934; (f) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$5 million or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Iowa Uniform Securities Act, a depository institution, or an insurance company; (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$5 million or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Iowa Uniform Securities Act, a depository institution, or an insurance company; (h) a trust, if it has total assets in excess of \$5 million, its trustee is a depository institution, and its

participants are exclusively plans of the types identified in (f) or (g) above, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (i) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5 million; (i) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$5 million; (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$5 million; (1) a federal covered investment adviser acting for its own account; (m) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933; (n) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; (o) any other person, other than an individual, of institutional character with total assets of \$5 million not organized for the specific purpose of evading the Iowa Uniform Securities Act; (p) any other person specified by rule adopted or order issued under the Iowa Uniform Securities Act.

The person making the offer or sale need not be a registered brokerdealer in Iowa provided such person has no place of business in Iowa and such person effects transactions in Iowa exclusively with or through certain persons or entities including those identified in the preceding paragraph.

To any institutional investor including any of the following,

whether acting for itself or for others in a fiduciary capacity: (a) a depository institution or an international banking institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company as defined in the Investment Company Act of 1940; (e) a broker-dealer registered under the Securities Exchange Act of 1934; (f) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10 million or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Kansas Uniform Securities Act, a depository institution, or an insurance company; (g) a plan established and maintained by a state, a political subdivision of a

Kansas

state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10 million or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Kansas Uniform Securities Act, a depository institution, or an insurance company; (h) a trust, if it has total assets in excess of \$10 million, its trustee is a depository institution, and its participants are exclusively plans of the types identified in (f) or (g) above, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (i) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10 million; (i) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10 million; (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10 million; (1) a federal covered investment adviser acting for its own account; (m) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933; (n) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; (o) any other person, other than an individual, of institutional character with total assets of \$10 million not organized for the specific purpose of evading the Kansas Uniform Securities Act; (p) any other person specified by rule adopted or order issued under the Kansas Uniform Securities Act.

The person making the offer or sale need not be a registered brokerdealer in Kansas provided such person has no place of business in Kansas and such person effects transactions in Kansas exclusively with or through certain persons or entities including those identified in the preceding paragraph.

Kentucky

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or

institutional buyer, or broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Louisiana

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, as now or hereafter amended, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, other financial institution, or a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Maine

To any institutional investor including any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution or an international banking institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company as defined in the Investment Company Act of 1940; (e) a broker-dealer registered under the Securities Exchange Act of 1934; (f) an employee pension, profitsharing, or benefit plan if the plan has total assets in excess of \$10 million or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Maine Uniform Securities Act, a depository institution, or an insurance company; (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10 million or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Maine Uniform Securities Act, a depository institution, or an insurance company; (h) a trust, if it has total assets in excess of \$10 million, its trustee is a depository institution, and its participants are exclusively plans of the types identified in (f) or (g) above, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (i) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10 million; (j) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$5 million; (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$5 million; (l) a federal covered investment adviser acting for its own account; (m) a qualified institutional buyer as defined in 17 Code of Federal Regulations, 230.144A(a)(1), except as defined in 17 Code of Federal Regulation 230.144A(a)(1)(i)(H); (n) a major U.S. institutional investor as defined in 17 Code of Federal Regulation, 240.15a-6(b)(4)(i); (o) any other person, other than an individual, of institutional character with total assets of \$10 million not organized for the specific purpose of evading the Maine Uniform Securities Act; (p) any other person specified by rule adopted or order issued under the Maine Uniform Securities Act.

The person making the offer or sale need not be a registered brokerdealer in Maine provided such person has no place of business in Maine and such person effects transactions in Maine exclusively with or through certain persons or entities including those identified in the preceding paragraph.

To an investment company as defined in the Investment Company Act of 1940, investment adviser with assets under management of not less than \$1 million, broker-dealer, bank, trust company, savings and loan association, insurance company, employee benefit plan with assets not less than \$1 million, governmental agency or instrumentality, whether acting for itself or as a trustee or a fiduciary with investment control, or other institutional investor as designated by rule or order of the Securities Commissioner of the Division of Securities of Maryland.

Broker-dealer registration is required unless the offeror or seller is a bank, savings institution, or trust company; or has no place of business in Maryland and either (1) effects transactions in Maryland exclusively with or through issuers of securities involved in the transaction, other broker-dealers, banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, whether acting for itself or as trustee; or (2) during any period of 12 consecutive months does not direct more than 15 offers to sell or buy into Maryland in any manner, other than to the persons or institutions specified in (1) above, whether or not the offeror or any offeree is then present in Maryland.

Maryland

Massachusetts

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer; or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity. As used in this paragraph, the term "institutional buyer" includes, but is not limited to, the following: (1) a Small Business Investment Company licensed by the U.S. Small Business Administration under the Small Business Investment Act of 1958, as amended; (2) a private business development company as defined in §202(a)(22) of the Investment Advisers Act of 1940, as amended; (3) a Business Development Company as defined in Section 2(a)(48) of the Investment Company Act of 1940, as amended; (4) an entity with total assets in excess of \$5 million and which is either: (a) a company (whether a corporation, a Massachusetts or similar business trust, partnership, limited liability company or limited liability partnership) not formed for the specific purpose of acquiring the securities offered, a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities issued by others and whose investment decisions are made by persons who are reasonably believed by the seller to have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of investment; or (b) an organization described in Section 501(c)(3) of the Internal Revenue Code; and (5) a "qualified institutional buyer" as defined in 17 C.F.R. 230.144A(a). As used in this section, the term "pension or profit-sharing trust" shall include: (1) any entity with total assets in excess of \$5 million which is: (a) an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended; or (b) a self-directed employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended, with investment decisions made by a person that is an accredited investor as defined in Section 501(a) of Regulation D under the Securities Act; or (2) any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended with investment decisions made by a plan fiduciary, as defined in Section 2(21) of that Act, which is either a bank, savings and loan association, insurance company or registered investment adviser; or (3) an employee benefit plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions.

Broker-dealer registration is required unless the offeror or seller, if not registered in Massachusetts, is a bank, savings institution, trust company, or the Central Credit Union Fund, Inc. established by Chapter 216 of the Massachusetts Acts of 1932; or has no place of business in Massachusetts and either (1) effects transactions in Massachusetts exclusively with or through certain persons or institutions including other broker-dealers, banks, savings institutions, trust companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, whether acting for themselves or as trustees; or (2) during any period of 12 consecutive months, does not direct more than 15 offers to sell or buy into Massachusetts in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Massachusetts.

Michigan

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association, pension or profit-sharing trust the assets of which are managed by an institutional manager, the treasurer of the State of Michigan, other financial institution, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity, or a lender approved by the Federal Housing Administration and who has satisfied any additional requirements established by the Office of Financial and Insurance Services of the Michigan Department of Consumer and Industry Services by rule or order.

Broker-dealer registration is required unless the offeror or seller is a bank, savings institution, or trust company; or has no place of business in Michigan and either (1) effects transactions in Michigan exclusively with or through the issuers of the securities involved in the transactions, other broker-dealers, or banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts or other financial institutions or institutional buyers, whether acting for themselves or as trustees; or (2) during any period of 12 consecutive months, he does not direct more than 15 offers to sell or buy into Michigan in any manner, to persons or institutions other than those specified in (1) above, whether or not the offeror or any of the offerees are then present in Michigan.

Minnesota

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, or other financial institution or institutional buyer (including, but not limited to, a corporation with a class of equity securities registered under Section 12(b) or 12(g) of the Exchange Act of

1934, as amended, a "qualified institutional buyer" within the meaning of Rule 144A, and a person who is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act), or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer registration is required unless the offeror or seller is a trust company, bank, savings institution, savings and loan association or credit union; or has no place of business in Minnesota and effects transactions in Minnesota exclusively with or through the issuers of the securities involved in the transactions or such persons or institutions listed in the preceding paragraph.

Mississippi

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity. The term "financial institution, "institutional investor, or institutional buyer" shall include, but not be limited to: (1) any of the following entities, acting for its own account or the accounts of other institutional buyers, that in the aggregate owns and invests on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with the entity: (a) any insurance company as defined in section 2(13) of the Securities Act of 1933; (b) any investment company registered under the Investment Company Act of 1940 or any business development company as defined in section 2(a)(48) of the Investment Company Act of 1940; (c) any Small Business Investment Company licensed by the U.S. Small Business Administration under 301(c) or (d) of the Small Business Investment Act of 1958; (d) any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees; (e) any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974; (f) any trust fund whose trustee is a bank or trust company and whose participants are exclusively plans of the types identified in (d) or (e) above, except trust funds that include as participants individual retirement accounts or H.R. 10 plans; (g) any business development company defined in section 202(a)(22) of the Investment Advisers Act of 1940; (h) any organization described in section 501(c)(3) of the Internal Revenue Code, corporation (other than a bank as defined in the section 3(a)(2) of the Securities Act of 1933 or a savings and loan association or other institution referenced in section 3(a)(5)(A) of the Securities Act of 1933 or a foreign bank or savings and loan association or equivalent institution), partnership, or Massachusetts or similar business trust;

and (i) any investment adviser registered under the Investment Advisers Act of 1940; (2) any dealer registered pursuant to section 15 of the Securities Exchange Act of 1934, acting for its own account or the accounts of other institutional buyers, that in the aggregate owns and invests on a discretionary basis at least \$10 million of securities of issuers that are not affiliated with the dealer, provided that securities constituting the whole or a part of an unsold allotment to or subscription by a dealer as a participant in a public offering shall not be deemed to be owned by such dealer; (3) any dealer registered pursuant to section 15 of the Securities Exchange Act of 1934 acting in a riskless principal transaction on behalf of an institutional buyer; (4) any investment company registered under the Investment Company Act of 1940, acting for its own account or for the accounts of other institutional buyers, that is part of a family of investment companies which own in the aggregate at least \$100 million in securities of issuers, other than issuers that are affiliated with the investment company or are part of such family of investment companies. "Family of investment companies" means any two or more investment companies registered under the Investment Company Act of 1940, except for a unit investment trust whose assets consist solely of shares of one or more registered investment companies, that have the same investment adviser (or, in the case of unit investment trust, the same depositor), provided that, for purposes of this section: (a) Each series of a series company (as defined in Rule 18f-2 under the Investment Company Act of 1940 as set out in 17 CFR 270.18f-2) shall be deemed to be a separate investment company; and (b) investment companies shall be deemed to have the same adviser (or depositor) if their advisers (or depositors) are majority owned subsidiaries of the same parent, or if one investment company's adviser (or depositor) is a majorityowned subsidiary of the other investment company's adviser (or depositor); (5) any entity, all of the equity owners of which are institutional buyers, acting for its own account or the accounts of other institutional buyers; and (6) any bank as defined in section 3(a)(2) of the Securities Act of 1933, any savings and loan association or other institution as referenced in section 3(a)(5)(A) of the Securities Act of 1933, or any foreign bank or savings and loan association or equivalent institution, acting for its own account of the accounts of other institutional buyers, that in the aggregate owns and invests on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with it and that has an audited net worth of at least \$25 million as demonstrated in its latest annual financial statements, as of a date not more than 16 months preceding the date of sale under this rule in the case of a United States bank or savings and loan association, and not more

than 18 months preceding such date of sale for a foreign bank or savings and loan association or equivalent institution.

Broker-dealer registration is required unless the offeror or seller has no place of business in Mississippi and either (1) effects transactions in Mississippi exclusively with or through the issuers of the securities involved in the transaction or such persons or institutions listed in the preceding paragraph; or (2) during any period of 12 consecutive months does not direct more than 15 offers to sell or buy into Mississippi in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Mississippi.

Missouri

To any institutional investor including any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution, a trust company organized or chartered under the laws of Missouri, or an international banking institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company as defined in the Investment Company Act of 1940; (e) a broker-dealer registered under the Securities Exchange Act of 1934; (f) an employee pension, profitsharing, or benefit plan if the plan has total assets in excess of \$10 million or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Missouri Uniform Securities Act of 2003, a depository institution, or an insurance company; (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10 million or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered with the State of Missouri, a depository institution, or an insurance company; (h) a trust, if it has total assets in excess of \$10 million, its trustee is a depository institution, and its participants are exclusively plans of the types identified in paragraph (f) or (g), regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (i) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a

Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10 million; (i) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10 million; (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10 million; (1) a federal covered investment adviser acting for its own account; (m) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act of 1933; (n) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; (o) any other person, other than an individual, of institutional character with total assets of \$10 million not organized for the specific purpose of evading the Missouri Uniform Securities Act of 2003; or (p) any other person specified by rule adopted or order issued under the Missouri Uniform Securities Act of 2003.

The person making the offer or sale need not be a registered broker-dealer in Missouri provided such person has no place of business in Missouri and such person effects transactions in Missouri exclusively with or through certain persons or entities including those identified in the preceding paragraph.

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in a fiduciary capacity.

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or to any individual accredited investor, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity. For purposes of this subdivision, the term "individual accredited investor" means (a) any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer, (b) any manager of a limited liability company that is the issuer of the securities being offered or sold, (c) any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase, exceeds one million dollars, or (d) any natural person who had an individual income in excess of two hundred thousand dollars in each of the two most recent years or

Montana

Nebraska

joint income with that person's spouse in excess of three hundred thousands dollars in each of those years and has a reasonable expectation of reaching the same income level in the current year.

Nevada

To any financial or institutional investor whether acting for itself or others in a fiduciary capacity other than as an agent, including a depository institution, an insurance company, a separate account of an insurance company, an investment company as defined in the Investment Company Act of 1940, an employee pension, profit-sharing or benefit plan if the plan has total assets in excess of \$5 million or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company, or to any broker-dealer.

Broker-dealer licensing is required unless the offeror or seller is registered or is not required to be registered under the Securities Exchange Act of 1934, has no place of business in Nevada, and (1) effects transactions in Nevada exclusively with or through the issuer of the securities involved in the transaction, other brokerdealers licensed or exempt from licensure under the Nevada Uniform Securities Act and financial or institutional investors; (2) the broker-dealer is licensed under the securities laws of a state in which he maintains a place of business and he offers and sells in Nevada to a person who is an existing customer of the broker-dealer and whose principal place of residence is not in Nevada; or (3) the broker-dealer is licensed under the securities laws of a state in which he maintains a place of business and during any 12 consecutive months he does not effect transactions with more than 5 persons in Nevada in addition to the transactions with the issuers of the securities involved in the transactions, financial or institutional investors, or broker-dealers, whether or not the offeror or an offeree is then present in Nevada.

New Hampshire

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, a venture capital company which operates a small business investment company under the Small Business Investment Act of 1958, as amended, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer licensing is required unless the offeror or seller is a bank, savings institution or trust company; or has no place of business in New Hampshire and effects transactions in New Hampshire exclusively with or through the issuers of the securities involved in the transactions or such persons or institutions described in the preceding paragraph (other than venture capital companies).

New Jersey

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer registration is required unless during any period of 12 consecutive months the person (1) does not effect more than 15 transactions with persons or institutions other than the issuers of the securities involved in the transactions or those specified above located within New Jersey, (2) does not effect transactions in more than five customer accounts of New Jersey residents; or (3) effects transactions with persons who have no place of residence in New Jersey and who are temporarily located in the State if at the time of transactions described in (1), (2) or (3), the broker-dealer has no place of business in New Jersey and is a member in good standing of a nationally recognized self-regulatory organization and is registered in the state in which the broker-dealer is located.

New Mexico

To a financial or institutional investor, whether acting for itself or others in a fiduciary capacity other than as an agent, including a depository institution, an insurance company, a separate account of an insurance company, an investment company as defined in the Investment Company Act of 1940, an employee pension, profitsharing or benefit plan if the plan has total assets in excess of \$5 million or if investment decisions are made by a plan fiduciary, as defined in the Employee Retirement Income Security Act of 1974, which is either a depository institution, insurance company, brokerdealer registered under the Securities Exchange Act of 1934 or investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution or an insurance company, business development company as defined in the Investment Company Act of 1940, small business investment company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; or to any licensed broker-dealer.

Broker-dealer registration is required unless the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934, has no place of business in New Mexico and (1) effects transactions in New Mexico exclusively with or through the issuer of the securities involved in the transaction, other broker-dealers licensed or exempt under the New Mexico Securities Act of 1986 or financial or institutional investors as described in the preceding paragraph, or (2) is licensed under the securities act of a state in which the broker-dealer maintains a place of business and the broker-dealer offers and sells in New Mexico to persons who are existing customers of the broker-dealer and whose principal place of residence is not in New Mexico.

New York

Dealer registration or licensing is required unless the offeror or seller offers or sells in New York to, from or through any bank, dealer or broker, or to or from any syndicate, corporation or group formed for the specific purpose of acquiring such securities for resale to the public directly or through other syndicates or groups; or on the floor of any securities exchange registered as a national securities exchange under the Exchange Act.

North Carolina

To an entity having a net worth in excess of \$1 million as determined by generally accepted accounting principles, bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Dealer registration is required unless the offeror or seller is a bank, savings institution, or trust company; or has no place of business in North Carolina and (1) effects transactions in North Carolina exclusively with the issuers of the securities involved in the transactions, or any person or institution specified in the preceding paragraph (other than an entity that is only described by such paragraph by the net worth test); or (2) is registered as a dealer with the Securities and Exchange Commission under the Securities Exchange Act of 1934 and in one or more states, during any period of 12 consecutive months does not effect more than 15 purchases or sales in North Carolina in any manner with persons other than those specified in (1) above, whether or not the dealer or any of the purchasers or sellers are then present in North Carolina.

North Dakota

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust or similar benefit plan, or other financial institution or qualified institutional buyer, or to a broker-dealer or any government or political subdivision or instrumentality

thereof, whether the purchaser is acting for itself or in a fiduciary capacity.

Ohio

To the issuer, a dealer or an institutional investor, including any corporation, bank, insurance company, pension fund or pension fund trust, employees' profit-sharing fund or employees' profit-sharing trust, any association engaged, as a substantial part of its business or operations, in purchasing or holding securities, or any trust in respect of which a bank is trustee or cotrustee, but not any business entity formed for the primary purpose of evading the Ohio Securities Act.

Oklahoma

To an institutional investor, including any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution or international banking institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company as defined in the Investment Company Act of 1940; (e) a broker-dealer registered under the Securities Exchange Act of 1934; (f) an employee pension, profitsharing, or benefit plan if the plan has total assets in excess of \$10 million or its investment decisions are made by a named fiduciary as defined in the Employee Retirement Income Security Act of 1974 that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Oklahoma Uniform Securities Act of 2004, a depository institution, or an insurance company; (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10 million or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Oklahoma Uniform Securities Act of 2004, a depository institution, or an insurance company; (h) a trust, if it has total assets in excess of \$10 million, its trustee is a depository institution, and its participants are exclusively plans of the types identified in (f) and (g) above, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (i) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of

acquiring the securities offered, with total assets in excess of \$10 million; (j) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10 million; (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10 million; (l) a federal covered investment adviser acting for its own account; (m) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933; (n) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; (o) any other person, other than an individual, of institutional character with total assets of \$10 million not organized for the specific purpose of evading the Oklahoma Uniform Securities Act of 2004; (p) any other person specified by rule adopted or order issued under the Oklahoma Uniform Securities Act of 2004.

The person making the offer or sale need not be a registered broker-dealer in Oklahoma provided such person has no place of business in Oklahoma and such person effects transactions in Oklahoma exclusively with or through certain persons or entities including those identified in the preceding paragraph.

To a bank, savings institution, trust company, insurance company, investment company, pension or profit-sharing trust, or other financial institution or institutional buyer (including but not limited to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the United States Department of Veterans' Affairs and the Government National Mortgage Association), or to any broker-dealer, mortgage broker or mortgage banker, whether the purchaser is acting for itself or in a fiduciary capacity when the purchaser has discretionary authority to make investment decisions.

To an institutional investor, including any bank, insurance company, pension or profit-sharing plan or trust (except a municipal pension plan or system), investment company as defined in the Investment Company Act of 1940, or any person, other than an individual, which controls any of the foregoing, the Federal Government, state or any agency or political subdivision thereof, except public school districts of Pennsylvania; or to a broker-dealer, whether the buyer is acting for itself or in some fiduciary capacity.

Broker-dealer registration is required unless the offeror or seller (1) is a bank which meets the exceptions from the definition of "broker" under section 3(a)(4)(B) or (E) or the definition of

Oregon

Pennsylvania

"dealer" under section 3(a)(5)(B) or (C) of the Securities Exchange Act of 1934; (2) is an executor, administrator, guardian, conservator or pledgee; (3) has no place of business in Pennsylvania and effects transactions in Pennsylvania exclusively with or through the issuers of the securities involved in the transaction, broker-dealers or institutional investors; or (4) is licensed as a real estate broker or agent under the Real Estate Brokers License Act of 1929, as amended, and whose transactions in securities are isolated transactions incidental to that business.

Puerto Rico

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Companies Act of Puerto Rico, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer registration is required unless the offeror or seller is a governmental instrumentality, an agent, an issuer or a bank, savings institution, or trust company with banking powers, as long as the activities of these institutions related to the securities business are limited to (A) those categories enumerated in subsections (B)(i) to (B)(xi) of Section 3(a)(4) of subsection C(ii) and C(iii) of Section 3(a)(5) of the Act Regulating Exchanges of 1934, and (B) the offer and sale to individuals for the investment of funds deposited in certain individual retirement accounts or educational savings accounts; or has no place of business in Puerto Rico and (1) effects transactions in Puerto Rico exclusively with or through the issuers of the securities involved in the transactions, banks, savings institutions, trust companies, investment companies as defined in the Investment Companies Act of Puerto Rico, pension trusts or those participating in the benefits of other financial institutions or institutional buyers, whether acting for themselves or as trustees, the Issuer, or other broker-dealers; or (2) during any period of 12 consecutive months does not direct more than 15 offers to sell or buy into Puerto Rico in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Puerto Rico.

Rhode Island

To a broker dealer or any financial or institutional investor, including a depository institution; an insurance company; a separate account of an insurance company; an investment company as defined in the Investment Company Act of 1940; an employee pension, profit-sharing or benefit plan if the plan has total assets in excess of \$5 million, or if the investment decisions are made by a plan fiduciary, as defined in the Employee Retirement Income Security Act of 1974, which is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution or insurance company; or any other institutional buyer, whether acting for itself or another in a fiduciary capacity.

Broker-dealer registration is required unless the offeror or seller is has no place of business in Rhode Island and is either registered or, not required to be registered under the Securities Exchange Act of 1934 and (1) effects transactions exclusively with or through the issuer of the securities involved in the transactions, other exempt or licensed broker-dealers, or financial or institutional investors (except that broker-dealers who deal exclusively in governmental securities and are not registered under the Securities Exchange Act of 1934 must be subject to supervision as a dealer in government securities by the Federal Reserve Board); or (2) is licensed under the securities act of a state in which the broker-dealer maintains a place of business and the broker-dealer offers and sells in Rhode Island to an existing customer of the broker-dealer whose principal place of business is not in Rhode Island.

South Carolina

To an institutional investor including any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution or international banking institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company as defined in the Investment Company Act of 1940; (e) a broker-dealer registered under the Securities Exchange Act of 1934; (f) an employee pension, profitsharing, or benefit plan if the plan has total assets in excess of \$10 million or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the South Carolina Uniform Securities Act of 2005, a depository institution, or an insurance company; (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its

employees, if the plan has total assets in excess of \$10 million or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the South Carolina Uniform Securities Act of 2005, a depository institution, or an insurance company; (h) a trust, if it has total assets in excess of \$10 million, its trustee is a depository institution, and its participants are exclusively plans of the types identified in (f) or (g), regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (i) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10 million; (i) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10 million; (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10 million; (l) a federal covered investment adviser acting for its own account; (m) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act of 1933; (n) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; (o) any other person, other than an individual, of institutional character with total assets of \$10 million not organized for the specific purpose of evading the South Carolina Uniform Securities Act of 2005; or (p) any other person specified by rule adopted or order issued under the South Carolina Uniform Securities Act of 2005.

The person making the offer or sale need not be a registered brokerdealer in South Carolina provided such person has no place of business in South Carolina and such person effects transactions in South Carolina exclusively with or through certain persons or entities including those identified in the preceding paragraph.

South Dakota

To an institutional investor, including any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution or international banking institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company as defined in the Investment Company Act of 1940; (e) a broker-dealer registered under the Securities Exchange Act of 1934; (f) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10 million or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the South Dakota Uniform Securities Act of 2002, a depository institution, or an insurance company; (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10 million or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the South Dakota Uniform Securities Act of 2002, a depository institution, or an insurance company; (h) a trust, if it has total assets in excess of \$10 million, its trustee is a depository institution, and its participants are exclusively plans of the types identified in (f) and (g) above, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (i) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10 million; (i) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10 million; (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10 million; (1) a federal covered investment adviser acting for its own account; (m) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933; (n) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; (o) any other person, other than an individual, of institutional character with total assets of \$10 million not organized for the specific purpose of evading the South Dakota Uniform Securities Act of 2002; (p) any other person specified by rule adopted or order issued under the South Dakota Uniform Securities Act of 2002.

The person making the offer or sale need not be a registered broker-dealer in South Dakota provided such person has no place of business in South Dakota and such person effects transactions in South Dakota exclusively with or through certain persons or entities including those identified in the preceding paragraph.

Tennessee

To any institutional investor, including any bank (unless the bank is acting as a broker-dealer), trust company, insurance company, investment company registered under the Investment Company Act of 1940, as amended, a holding company which controls any of the foregoing, a trust or fund over which any of the foregoing has or shares investment discretion, a pension or profit-sharing plan, an institutional buyer, or any other person (except a broker-dealer) engaged as a substantial part of its business in investing in securities, in each case having a net worth in excess of \$1 million; or to any broker-dealer.

Broker-dealer registration is required unless the offeror or seller is an institutional investor; or has no place of business in Tennessee and (1) is registered as a broker-dealer with the Securities and Exchange Commission or the National Association of Securities Dealers and effects transactions in Tennessee exclusively with or through the issuer of the securities involved in the transaction, other broker-dealers, or institutional investors; or (2) during any period of 12 consecutive months does not effect more than 15 transactions in securities from, in, or into Tennessee other than to persons or institutions specified in (1) above.

Texas

To a bank, trust company, building and loan association, insurance company, surety or guaranty company, savings institution, investment company as defined in the Investment Company Act of 1940, small business investment company as defined in the Small Business Investment Act of 1958, as amended, or to any registered dealer actually engaged in buying and selling securities. The State Securities Board has further exempted from registration the following transactions: (i) offers or sales to an "accredited investor" (as the term is defined in Rule 501(a)(1)-(4), (7) and (8) as promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended, excluding, any self-directed employee benefit plan with investment decisions made solely by

persons that are "accredited investors" as defined by Rule 501(a)(5)-(6)); (ii) offers or sales to any "qualified institutional buyer" (as the term is defined in Rule 144A(a)(1) promulgated by the Securities and Exchange Commission under the 1933 Act); or (iii) offers or sales to a corporation, partnership, trust, estate, or other entity (excluding individuals) having a net worth of not less than \$5 million or a wholly-owned subsidiary of such entity so long as the entity was not formed for the purpose of acquiring the specific securities.

The exemption from dealer and agent registration for offers and sales to the financial institutions or other institutional investors specified above is not available if the financial institution or other institutional investor specified above is in fact acting only as agent for another purchaser that is not a financial institution or other institutional investor specified above. These exemptions are available only if the financial institution or other institutional investor specified above is acting for its own account or as a bona fide trustee of a trust organized and existing other than for the purpose of acquiring the specific securities for which the seller is claiming an exemption.

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional investor, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer licensing is required unless the offeror or seller is a bank, savings institution, or trust company; or has no place of business in Utah and either (1) effects transactions in Utah exclusively with or through the issuer of the securities involved in the transaction, broker-dealers, or the above-specified persons or institutions; or (2) during any period of 12 consecutive months the person does not direct more than 15 offers to sell or buy into Utah in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Utah.

To any financial or institutional investor, including any depository institution, including persons organized, chartered or holding an authorization certificate under the laws of a state or the United States which authorizes the person to receive deposits, including a savings, share, certificate, or deposit account, and which is supervised and examined for the protection of depositors by an official or agency of a state or the United States, and including further trust companies and other institutions authorized by federal

Utah

Vermont

or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the Comptroller of the Currency and is supervised and examined by an official or agency of a state or the United States (but excluding an insurance company or other organization primarily engaged in the insurance business or a Morris Plan Bank, industrial loan company, or similar bank or company unless its deposits are insured by a federal agency); further, to an insurance company, separate account of an insurance company, investment company as defined in the Investment Company Act of 1940, an employee pension, profitsharing, or benefit plan if the plan has total assets in excess of \$5 million or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution or an insurance company, or any other financial or institutional buyer which qualifies as an accredited investor under the provisions of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended, whether the purchaser is acting for itself or in some fiduciary capacity, including any broker-dealer.

The person making the offer or sale need not be a registered brokerdealer in Vermont provided such person has no place of business in Vermont and effects transactions in Vermont exclusively with issuers of the securities involved in the transactions or other broker dealers registered or exempt from registration in Vermont.

To any corporation, investment company, or pension or profitsharing trust or to a broker-dealer.

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer registration is required unless the offeror or seller is a bank, savings institution or trust company; or has no place of

Virginia

Washington

West Virginia

business in West Virginia and (1) effects transactions in West Virginia exclusively with or through the above-specified persons or institutions, or the issuer of the securities involved in the transaction; or (2) during any period of 12 consecutive months does not direct more than 15 offers to sell or buy into West Virginia in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in West Virginia.

Wisconsin

To any bank, savings institution, savings bank, credit union, trust company, insurer, broker-dealer, investment adviser, federal covered advisor or savings and loan association, if the purchaser or prospective purchaser is acting for itself or as trustee with investment control, an investment company as defined under 15 U.S.C. § 80a-3; or any pension or profit-sharing trust, except that an offer or sale to a pension or profit-sharing trust or to an individual retirement plan, including a self-employed individual retirement plan, is not exempt unless the trust or plan is administered by a bank, savings institution, savings bank, credit union, trust company, insurer, broker-dealer, investment adviser, federal covered advisor or savings and loan association that has investment control, the state of Wisconsin or any agency or political subdivision thereof, or the federal government or any of its agencies or instrumentalities.

Broker-Dealer registration is not required for a person who effects transactions in Wisconsin exclusively for the account of or exclusively in offers to sell to the persons specified above.

To a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Broker-dealer registration is required unless the offeror or seller is a bank, savings institution, or trust company engaging in securities transactions limited to trust or banking functions and not with the general public; or has no place of business in Wyoming and (1) effects transactions in Wyoming exclusively with or through the above-specified persons or institutions or, the issuer of the securities involved in the transaction; or (2) during any period of 12 consecutive months does not direct more than 15 offers to sell or buy into Wyoming in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Wyoming.

Wyoming



55 Water Street, 38th Floor New York, NY 10041-0003 tel 212 438-2074 reference no.: 40175278

June 14, 2006

Ambac Assurance Corporation
One State Street Plaza 15th FL
New York, NY 10004

Attention: Ms. Yolanda Ortiz, Insurance Coordinator

Re: \$89,950,000 Pennsylvania Intergovernmental Cooperative Authority, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities), dated: Date of Delivery, due: June 15, 2020, (POLICY #25424BE)

Dear Ms. Ortiz:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "A+". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.



Ms. Yolanda Ortiz Page 2 June 14, 2006

Standard & Poor's is pleased to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services a division of The McGraw-Hill Companies, Inc.

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FitchRatings

1201 East 7th Street Powell, WY 82435 T 307 754 2012 / 800 85 FITCH www.firchrolings.com

June 14, 2006

Ms. Yolanda Ortiz Ambac Assurance Corp. One State Street Plaza New York, NY 10004

Re: Pennsylvania Intergovernmental Cooperation Authority (PA) / Policy # 25424BE

Dear Ms. Ortiz:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

It is important that Fitch be provided with all information that may be material to its ratings so that they continue to accurately reflect the status of the rated issues. Ratings may be changed, withdrawn, suspended or placed on Rating Watch due to changes in, additions to or the inadequacy of information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement or other filing under U.S., U.K., or any other relevant securities laws.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely.

Dey Lynn Stebner Insured Ratings Manager

DLS/bs

Enc: Notice of Rating Action (Doc ID: 40866)

Notice of Rating Action

Bond (Description		Rating Type	Action	Rating	Outlook/ Watch	Eff Date	Notes
(PA) (P	hlladelphia Funding	ental Cooperation Authority Prog) special tax rev ridg es) ser 2006 (insured:	Long Term	Upgrade	AAA	RO:Sta	14 _A Jun-2006	1
Кеу:	Key: RO: Rating Outook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving							
Notes								
1		solely on credit enhancement provided by a bond insurance policy issued by Ambac Assurance has an Insurer Financial Strength rating of 'AAA'.						



Moody's Investors Service

99 Church Street New York, NY

June 14, 2006

Ambac One State Street Plaza New York, NY 10004

To Whom It May Concern:

Moody's Investors Service has assigned the rating of <u>Aaa</u> (Ambac Insured - Policy No. **25424BE**) to the **\$89,950,000.00**, Pennsylvania Intergovernmental Cooperation Authority - Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of **2006** (Auction Rate Securities), dated June 15, 2006 which sold through negotiation on June 7, 2006. The rating is based upon an insurance policy provided by Ambac.

Should you have any questions regarding the above, please do not hesitate to contact Karen Malkowski at (201) 395-6370.

Sincerely yours,

Sean Cullen

Sean Cullen Senior Vice President

SC / PS

Wachovia Bank, N.A Corporate & Institutional Trust PA1249 123 South Broad Street Post Office Box 7558 Philadelphia, PA 19109-1199

Tel 215 670-6300 Fax 215 670-6337



WACHOVIA

\$89,950,000 PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS CITY OF PHILADELPHIA FUNDING PROGRAM SERIES OF 2006

CERTIFICATE OF TRUSTEE

This Certificate is delivered in connection with the execution and delivery of documents related to the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") to Wachovia Bank, National Association, as Trustee, (the "Bank") of \$89,950,000 principal amount of the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds City of Philadelphia Funding Program, Series of 2006 (the "2006 Bonds"). The undersigned hereby certifies on behalf of the Bank as follows:

- I, Terence C. McPoyle, Vice President, of Wachovia Bank, National Association, (the "Bank"), herby certify:
- 1. The Bank has accepted its appointment by the Authority to serve as trustee, paying agent, authentication agent and registrar in respect of the Bonds and in connection therewith the Bank has duly authorized, executed and delivered the Fourth Supplement to the Amended and Restated Indenture, dated as of June 1, 2006 (the "Indenture"), between the Bank and the Authority and the Auction Agency Agreement, dated as of June 1, 2006 (the "Auction Agreement") between the Bank and Deutshce Bank Trust Company Americas, as Auction Agent. The Indenture and Auction Agreement are valid and binding agreements of the Bank. The Bank has full corporate power and authority to act in this regard.
- 2. The individuals named below have been duly authorized to execute and deliver the Indenture, the Auction Agreement and all other papers relating to the Bonds on behalf of the Bank in its capacity as trustee, paying agent, authentication agent, and registrar. Such individuals hold the respective offices set opposite their respective names, and the signatures of such individuals set opposite their respective offices are their genuine signatures.

Name Office

Alice M. Amoro Vice President

Ralph E. Jones Vice President

Joann Fantini Assistant Vice President

3. The Bank is a national banking association duly organized and validly existing under the laws of the United States of America with lawful corporate and trusts power and authority to carry out and perform the duties and obligations contemplated of it as trustee, paying agent, authenticating agent, and registrar for the Bonds under the Indenture and Auction Agreement. Attached hereto as Exhibit A is a true, correct and complete copy of the By-laws and the Articles of Association of the Bank, which are in effect at the date hereof and are in full force and effect, and which evidence the authority of the officers so named to act on behalf of the Trustee.

Signature

- 4. The Bank has created the various funds and accounts contemplated under the Indenture to be established with the Bank, as trustee as the case may be. All moneys and securities delivered to the Bank as trustee under the Indenture have been duly deposited to the credit of the appropriate funds established under or in accordance with the Indenture or otherwise applied as provided in the Indenture. As trustee under the Indenture, the Bank has received all of the documents and instruments required to be delivered to it there under in connection with the issuance and delivery of the Bonds.
- 5. Pursuant to written instructions from the Authority, the Bank, as trustee and authentication agent, has authenticated the Bonds and delivered the Bonds to or upon the order of RBC Dain Rauscher Inc., through the book-entry-only facilities of The Depository Trust Company.

WITNESS the due execution hereof this 15th day of June 2006.

WACHOVIA BANK, NATIONAL ASSOCIATION

By: Terence C. McPoyle

Title: Vice President

2 # 505527 v. 2

AMENDED AND RESTATED BY-LAWS OF WACHOVIA BANK, NATIONAL ASSOCIATION Charter No. 1

Effective October 15, 2002 Amended June 15, 2004

BY-LAWS OF

WACHOVIA BANK, NATIONAL ASSOCIATION

ARTICLE I

Meetings of Shareholders

Section 1.1 Annual Meeting. The annual meeting of the shareholders for the election of Directors and for the transaction of such other business as may properly come before the meeting shall be held on the third Tuesday of April in each year, commencing with the year 2002, except that the Board of Directors may, from time to time and upon passage of a resolution specifically setting forth its reasons, set such other date for such meeting during the month of April as the Board of Directors may deem necessary or appropriate; provided, however, that if an annual meeting would otherwise fall on a legal holiday, then such annual meeting shall be held on the second business day following such legal holiday. The holders of a majority of the outstanding shares entitled to vote which are represented at any meeting of the shareholders may choose persons to act as Chairman and as Secretary of the meeting.

Section 1.2 Special Meetings. Except as otherwise specifically provided by statute, special meetings of the shareholders may be called for any purpose at any time by the Board of Directors or by any three (3) or more shareholders owning, in the aggregate, not less than ten percent (10%) of the stock of the Association. Unless otherwise provided by the laws of the United States, a notice of the time, place and purpose of every special meeting of the shareholders shall be given by first-class mail, postage prepaid, mailed at least ten (10) days prior to the date of such meeting to each shareholder of record at his address as shown upon the books of this Association.

Section 1.3 Nominations for Directors. Nominations for election to the Board of Directors may be made by the Board of Directors or by any shareholders of any outstanding class of capital stock of the Association entitled to vote for the election of Directors. Nominations, other than those made by or on behalf of the existing management of the Association, shall be made in writing and shall be delivered or mailed to the President of the Association and to the Comptroller of the Currency, Washington, D. C., not fewer than fourteen (14) days nor more than fifty (50) days prior to any meeting of shareholders called for the election of Directors, provided, however, that if fewer than twenty-one (21) days' notice of such meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the Association and to the Comptroller of the Currency not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of the Association that will be voted for each proposed nominee; (d) the name and residence address of the notifying shareholder; and (e) the number of shares of capital stock of the Association owned by the notifying shareholder. Nominations not made in accordance herewith may, in his discretion, be disregarded by the chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such nominee.

Section 1.4 Judges of Election. The Board may at any time appoint from among the shareholders three (3) or more persons to serve as Judges of Election at any meeting of shareholders; to act as judges and tellers with respect to all votes by ballot at such meeting and to file with the Secretary of the meeting a Certificate under their hands, certifying the result thereof.

<u>Section 1.5 Proxies</u>. Shareholders may vote at any meeting of the shareholders by proxies duly authorized in writing, but no officer or employee of this Association shall act as proxy. Proxies shall be valid only for one meeting, to be specified therein, and any adjournments of such meeting. Proxies shall be dated and shall be filed with the records of the meeting.

Section 1.6 Quorum. A majority of the outstanding capital stock, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders, unless otherwise provided by law; but less than a quorum may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice. A majority of the votes cast shall decide every question or matter submitted to the shareholders at any meeting, unless otherwise provided by law or by the Articles of Association.

ARTICLE II

Directors

Section 2.1 Board of Directors. The Board of Directors (hereinafter referred to as the "Board"), shall have power to manage and administer the business and affairs of the Association. Except as expressly limited by law, all corporate powers of the Association shall be vested in and may be exercised by said Board.

Section 2.2 Number. The Board shall consist of not fewer than five (5) nor more than twenty-five (25) Directors, the exact number within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full Board or by resolution of the shareholders at any annual or special meeting thereof; provided, however, that a majority of the full Board of Directors may not increase the number of Directors to a number which, (1) exceeds by more than two (2) the number of Directors last elected by shareholders where such number was fifteen (15) or fewer, and (2) to a number which exceeds by more than four (4) the number of Directors last elected by shareholders where such number was sixteen (16) or more, but in no event shall the number of Directors exceed twenty-five (25).

Section 2.3 Organization Meeting. The Secretary of the meeting upon receiving the Certificate of the Judges of Election, of the result of any election, shall notify the Directors-elect of their election and of the time at which they are required to meet at the Main Office of the Association for the purpose of organizing the new Board and electing and appointing officers of the Association for the succeeding year. Such meeting shall be held as soon thereafter as practicable. If, at the time fixed for such meeting, there shall not be a quorum present, the Directors present may adjourn the meeting from time to time, until a quorum is obtained.

Section 2.4 Regular Meetings. Regular meetings of the Board of Directors shall be held at such place and time as may be designated by resolution of the Board of Directors. Upon adoption of such resolution, no further notice of such meeting dates or the places or times thereof shall be required. Upon the failure of the Board of Directors to adopt such a resolution, regular meetings of the Board of Directors shall be held, without notice, on the third Tuesday in February, April, June, August, October and December, commencing with April 2002, at the Main Office or at such other place and time as may be designated by the Board of Directors. When any regular meeting of the Board would otherwise fall on a holiday, the meeting shall be held on the next business day unless the Board shall designate some other day.

Section 2.5 Special Meetings. Special meetings of the Board of Directors may be called by the President of the Association, or at the request of three (3) or more Directors. Each member of the Board of Directors shall be given notice stating the time and place, by telegram, letter, or in person, of each such special meeting.

Section 2.6 Quorum. A majority of the Directors shall constitute a quorum at any meeting, except when otherwise provided by law; but a lesser number may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice.

<u>Section 2.7 Vacancies</u>. When any vacancy occurs among the Directors, the remaining members of the Board, in accordance with the laws of the United States, may appoint a Director to fill such vacancy at any regular meeting of the Board, or at a special meeting called for that purpose.

Section 2.8 Advisory Boards. The Board of Directors may appoint Advisory Boards for each of the States in which the Association conducts operations. Each such Advisory Board shall consist of as many persons as the Board of Directors may determine. The duties of each Advisory Board shall be to consult and advise with the Board of Directors and senior officers of the Association in such State with regard to the best interests of the Association and to perform such other duties as the Board of Directors may lawfully delegate. The senior officer in such State, or such officers as directed by such senior officer, may appoint advisory boards for geographic regions within such State and may consult with the State Advisory Boards prior to such appointments.

ARTICLE III

Committees of the Board

Section 3.1 The Board of Directors, by resolution adopted by a majority of the number of Directors fixed by these By-laws, may designate two (2) or more Directors to constitute an Executive Committee and other committees, each of which, to the extent authorized by law and provided in such resolution, shall have and may exercise all of the authority of the Board of Directors and the management of the Association. The designation of any committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility or liability imposed upon it or any member of the Board of Directors by law. The Board of Directors reserves to itself alone the power to act on (1) dissolution, merger or consolidation, or disposition of substantially all corporate property, (2) designation of committees or filling vacancies on the Board of Directors or on a committee of the Board (except

as hereinafter provided), (3) adoption, amendment or repeal of these By-laws, (4) amendment or repeal of any resolution of the Board which by its terms is not so amendable or repealable, and (5) declaration of dividends, issuance of stock, or recommendations to shareholders of any action requiring shareholder approval.

The Board of Directors or the Chairman of the Board of Directors of the Association may change the membership of any committee at any time, fill vacancies therein, discharge any committee or member thereof either with or without cause at any time, and change at any time the authority and responsibility of any such committee.

A majority of the members of any committee of the Board of Directors may fix such committee's rules of procedure. All action by any committee shall be reported to the Board of Directors at a meeting succeeding such action, except such actions as the Board may not require to be reported to it in the resolution creating any such committee. Any action by any committee shall be subject to revision, alteration, and approval by the Board of Directors, except to the extent otherwise provided in the resolution creating such committee; provided, however, that no rights or acts of third parties shall be affected by any such revision or alteration.

ARTICLE IV

Officers and Employees

Section 4.1 Officers. The officers of the Association may be a Chairman of the Board, a Vice Chairman of the Board, one or more Chairmen or Vice Chairmen (who shall not be required to be Directors of the Association), a President, one or more Vice Presidents, a Secretary, a Cashier or Treasurer, and such other officers, including officers holding similar or equivalent titles to the above in regions, divisions or functional units of the Association, as may be appointed by the Board of Directors. The Chairman of the Board and the President shall be members of the Board of Directors. Any two or more offices may be held by one person, but no officer shall sign or execute any document in more than one capacity.

Section 4.2 Election, Term of Office, and Qualification. Each officer shall be chosen by the Board of Directors and shall hold office until the annual meeting of the Board of Directors held next after his election or until his successor shall have been duly chosen and qualified, or until his death, or until he shall resign, or shall have been disqualified, or shall have been removed from office.

Section 4.3 Officers Acting as Assistant Secretary. Notwithstanding Section 4.1 of these By-laws, any officer holding the title of Assistant Vice President or above shall have, by virtue of his office, and by authority of the By-laws, the authority from time to time to act as an Assistant Secretary of the Association, and to such extent, said officers are appointed to the office of Assistant Secretary.

<u>Section 4.4 Chief Executive Officer</u>. The Board of Directors shall designate one of its members to be the President of this Association, and the officer so designated shall be an ex officio member of all committees of the Association except the Examining Committee, and its Chief Executive Officer unless some other officer is so designated by the Board of Directors.

<u>Section 4.5 Duties of Officers</u>. The duties of all officers shall be prescribed by the Board of Directors. Nevertheless, the Board of Directors may delegate to the Chief Executive Officer the authority to prescribe the duties of other officers of the Association not inconsistent with law, the charter, and these By-laws, and to appoint other employees, prescribe their duties, and to dismiss them. Notwithstanding such delegation of authority, any officer or employee also may be dismissed at any time by the Board of Directors.

Section 4.6 Other Employees. The Board of Directors may appoint from time to time such tellers, vault custodians, bookkeepers, and other clerks, agents, and employees as it may deem advisable for the prompt and orderly transaction of the business of the Association, define their duties, fix the salary to be paid them, and dismiss them. Subject to the authority of the Board of Directors, the Chief Executive Officer or any other officer of the Association authorized by him, may appoint and dismiss all such tellers, vault custodians, bookkeepers and other clerks, agents, and employees, prescribe their duties and the conditions of their employment, and from time to time fix their compensation.

Section 4.7 Removal and Resignation. Any officer or employee of the Association may be removed either with or without cause by the Board of Directors. Any employee other than an officer elected by the Board of Directors may be dismissed in accordance with the provisions of the preceding Section 4.6. Any officer may resign at any time by giving written notice to the Board of Directors or to the Chief Executive Officer of the Association. Any such resignation shall become effective upon its being accepted by the Board of Directors, or the Chief Executive Officer.

ARTICLE V

Fiduciary Powers

<u>Section 5.1 Trust Services Division</u>. There shall be divisions of this Association known as the Capital Management Group and the Wealth Management Group which shall be responsible for the exercise of the fiduciary activities of this Association.

Section 5.2 Trust Officers. There shall be one or more Officers of this Association whose duties shall be to manage, supervise and direct all the fiduciary activities of the Capital Management and Wealth Management Groups. Further, there shall be one or more Senior Trust Officers designated to assist the Officers in the performance of their duties. They shall do or cause to be done all things necessary or proper in carrying out the business of the Capital Management and Wealth Management Groups in accordance with provisions of applicable laws and regulations.

<u>Section 5.3 General Trust Committee.</u> There shall be a General Trust Committee composed of not fewer than four (4) members of the Board of Directors or officers of this Association who shall be appointed annually, or from time to time, by the Board of Directors of

this Association. Each member shall serve until his successor is appointed. The Board of Directors or the Chairman of the Board may change the membership of the General Trust Committee at any time, fill any vacancies therein, or discharge any member thereof with or without cause at any time. The General Trust Committee shall counsel and advise on all matters relating to the fiduciary business or affairs of the Capital Management and Wealth Management Groups and shall adopt overall policies for the conduct of the fiduciary business of the Capital Management and Wealth Management Groups, including, but not limited to: general administration, investment policies, new business development, and review for approval of major assignments of functional responsibilities. The General Trust Committee shall assign the administration and performance of any of its fiduciary powers or duties to any subcommittee as it may designate. The General Trust Committee shall appoint the members of any such subcommittees and shall determine the number of members which constitutes a quorum at meetings of such subcommittees. The General Trust Committee shall meet at least quarterly or as called for by its Chairman or any three (3) members of the Committee. A quorum shall consist of three (3) members. In carrying out its responsibilities, the General Trust Committee shall review the actions of all officers, employees and committees utilized by this Association in connection with the fiduciary activities of the Capital Management and Wealth Management Groups and may assign the administration and performance of any fiduciary powers or duties to any officers or employees of the Capital Management Group or Wealth Management Group or to any committee it may designate. One of the methods to be used in the review process will be the scrutiny of the Reports of Examination by the Office of the Comptroller of the Currency and the reports of the Audit Division of Wachovia Corporation, as they relate to the activities of the Capital Management and Wealth Management Groups. These reviews shall be in addition to reviews of such reports by the Audit Committee of the Board of Directors. The Chairman of the General Trust Committee shall be appointed by the Board of Directors. The Chairman of the General Trust Committee shall cause to be recorded in appropriate minutes all actions taken by the Committee. The minutes shall be signed by its Secretary and approved by its Chairman. Further, the General Trust Committee shall make its minutes available to the Board of Directors at its next regularly scheduled meeting following a meeting of the General Trust Committee. As required by Section 9.4 of Regulation 9 of the Comptroller of the Currency, the Board of Directors retains responsibility for the proper exercise of this Association's fiduciary powers.

Members of the General Trust Committee will abide by the Association's Code of Conduct as it applies to the Capital Management and Wealth Management Groups.

ARTICLE VI

Stock and Stock Certificates

<u>Section 6.1 Transfers</u>. Shares of stock shall be transferable on the books of the Association, and a transfer book shall be kept in which all transfers of stock shall be recorded. Every person becoming a shareholder by such transfer shall, in proportion to his shares, succeed to all rights and liabilities of the prior holder of such shares.

Section 6.2 Stock Certificates. Certificates of stock shall bear the signature of the Chairman, the Vice Chairman, the President, or a Vice President (which may be engraved, printed, or impressed), and shall be signed manually or by facsimile process by the Secretary, Assistant Secretary, Cashier, Assistant Cashier, or any other officer appointed by the Board of Directors for that purpose, to be known as an Authorized Officer, and the seal of the Association

shall be engraved thereon. Each certificate shall recite on its face that the stock represented thereby is transferable only upon the books of the Association properly endorsed.

ARTICLE VII

Corporate Seal

Section 7.1 The President, the Cashier, the Secretary, or any Assistant Cashier, or Assistant Secretary, or other officer thereunto designated by the Board of Directors shall have authority to affix the corporate seal to any document requiring such seal, and to attest the same. Such seal shall be in the form adopted by the Board of Directors.

ARTICLE VIII

Miscellaneous Provisions

Section 8.1 Fiscal Year. The fiscal year of the Association shall be the calendar year.

Section 8.2 Execution of Instruments. All agreements, indentures, mortgages, deeds, conveyances, transfers, certificates, declarations, receipts, discharges, releases, satisfactions, settlements, petitions, notices, applications, schedules, accounts, affidavits, bonds, undertakings, proxies, and other instruments or documents may be signed, executed, acknowledged, verified, delivered or accepted in behalf of the Association by the Chairman of the Board, the Vice Chairman of the Board, any Chairman or Vice Chairman, the President, any Senior Executive Vice President, Executive Vice President, Vice President or Assistant Vice President, the Secretary, the Cashier or Treasurer, or any officer holding similar or equivalent titles to the above in any regions, divisions or functional units of the Association, or, if in connection with the exercise of fiduciary powers of the Association, by any of said officers or by any Trust Officer or Assistant Trust Officer (or equivalent titles), and if so required by applicable law or regulation, attested or countersigned by the Secretary or Assistant Secretary; provided, however, that where required, any such instrument shall be attested by one of said officers other than the officer executing such instrument. Any such instruments may also be executed, acknowledged, verified, delivered or accepted in behalf of the Association in such other manner and by such other officers as the Board of Directors may from time to time direct. The provisions of this Section 8.2 are supplementary to any other provision of these By-laws.

<u>Section 8.3 Records</u>. The Articles of Association, the By-laws, and the proceedings of all meetings of the shareholders, the Board of Directors, standing committees of the Board, shall be recorded in appropriate minute books provided for the purpose. The minutes of each meeting shall be signed by the Secretary, Cashier, or other officer appointed to act as Secretary of the meeting.

<u>Section 8.4 Corporate Governance Procedures</u>. To the extent not inconsistent with applicable federal banking statutes and these By-laws, the corporate governance procedures of the relevant provisions of the North Carolina Business Corporation Act, North Carolina General Statute Chapter 55, will be followed.

ARTICLE IX

By-laws

<u>Section 9.1 Inspection</u>. A copy of the By-laws, with all amendments thereto, shall at all times be kept in a convenient place at the Main Office of the Association, and shall be open for inspection to all shareholders, during banking hours.

<u>Section 9.2 Amendments</u>. The By-laws may be amended, altered or repealed, at any regular or special meeting of the Board of Directors, by a vote of a majority of the whole number of Directors.

ARTICLE X

Emergency By-Laws

Section 10.1. Emergency. In the event of an emergency declared by the President of the United States or the person performing his functions, the officers and employees of this Association will continue to conduct the affairs of the Association under such guidance from the Directors or the Executive Committee as may be available except as to matters which by statute require specific approval of the Board of Directors and subject to conformance with any applicable governmental directives during the emergency.

Section 10.2. Officers Pro Tempore. The surviving members of the Board of Directors or the Executive Committee shall have the power, in the absence or disability of any officer, or upon the refusal of any officer to act, to delegate and prescribe such officer's powers and duties to any other officer, or to any Director, for the time being.

Section 10.3. Executive Committee Powers. In the event of a state of disaster of sufficient severity to prevent the conduct and management of the affairs and business of this Association by its Directors and officers as contemplated by these By-laws, any two (2) or more available members of the Board of Directors shall constitute the Executive Committee and shall constitute a quorum of that Committee for the full conduct and management of the affairs and business of the Association in accordance with the provisions of Article II of these By-laws; and in addition, the Executive Committee shall be empowered to exercise all of the powers reserved to the General Trust Committee under Section 5.3 of Article V hereof. In the event of the unavailability, at such time, of a minimum of two (2) members of the then incumbent Executive Committee, any three (3) available Directors shall constitute the Executive Committee for the full conduct and management of the affairs and business of the Association in accordance with the foregoing provisions of this section. This By-law shall be subject to implementation by resolutions of the Board of Directors passed from time to time for that purpose. Any provisions of these By-laws (other than this section) and any resolutions which are contrary to the provisions of this section or to the provisions of any such implementary resolutions shall be suspended until it shall be determined by an interim Executive Committee acting under this section that it shall be to the advantage of this Association to resume the conduct and management of its affairs and business under all of the other provisions of these By-laws.

Section 10.4. Officer Succession. If consequent upon war or warlike damage or disaster, the Chief Executive Officer of this Association cannot be located or is unable to assume or to continue normal executive duties, then the authority and duties of the Chief Executive Officer

shall, without further action of the Board of Directors, be automatically assumed by one of the following persons in the order designated:

Chairman

President

Head of the General Bank

Division Head/Area Administrator - Within this officer class, officers shall take seniority on the basis of length of service in such office or, in the event of equality, length of service as an officer of the Association.

Any one of the above persons who in accordance with this Section 10.4 assumes the authority and duties of the Chief Executive Officer shall continue to serve until he resigns or until five-sixths of the other officers who are attached to the then acting Main Office decide in writing he is unable to perform said duties or until the elected Chief Executive Officer of this Association, or a person higher on the above list, shall become available to perform the duties of Chief Executive Officer of the Association.

Section 10.5. Certification. Anyone dealing with this Association may accept a certification by any three (3) officers that a specified individual is acting as Chief Executive Officer in accordance with this By-law; and that anyone accepting such certification may continue to consider it in force until notified in writing of a change, said notice of change to carry the signatures of three (3) officers of the Association.

Section 10.6. Alternate Locations. The offices of the Association at which its business shall be conducted shall be the Main Office thereof and each of its branches, and any other legally authorized location which may be leased or acquired by this Association to carry on its business. During an emergency resulting in any authorized place of business of this Association being unable to function, the business ordinarily conducted at such location shall be relocated elsewhere in suitable quarters, in addition to or in lieu of the locations heretofore mentioned, as may be designated by the Board of Directors or by the Executive Committee or by such persons as are then, in accordance with resolutions adopted from time to time by the Board of Directors dealing with the exercise of authority in the time of such emergency, conducting the affairs of this Association. Any temporarily relocated place of business of this Association shall be returned to its legally authorized location as soon as practicable and such temporary place of business shall then be discontinued.

<u>Section 10.7. Acting Main Offices</u>. In case of war or warlike damage or disaster, the Main Office of this Association, located in Charlotte, North Carolina, is unable temporarily to continue its functions, the Business Continuity Plan, as approved by the Board of Directors from time to time, shall automatically and without further action of this Board of Directors become effective.

<u>Section 10.8. Resumption of Main Office</u>. The Main Office shall resume its functions at its legally authorized location as soon as practicable as determined by the Executive Committee pursuant to Section 10.3 of these By-laws.

WACHOVIA BANK, NATIONAL ASSOCIATION

CHARTER NO. 1*

ARTICLES OF ASSOCIATION

AS RESTATED 4/1/02

^{*} The OCC allowed the reassignment of Charter No. 1 (formerly held by CoreStates Bank, N.A., which merged into First Union National Bank on 5/15/98) to First Union National Bank on 5/18/98. Charter No. 1 superceded Charter No. 22693. On 4/1/02, First Union National Bank changed its name to Wachovia Bank, National Association.

WACHOVIA BANK, NATIONAL ASSOCIATION ARTICLES OF ASSOCIATION

For the purpose of organizing an Association to carry on the business of banking under the laws of the United States, the undersigned do enter into the following Articles of Association:

FIRST. The title of this Association shall be WACHOVIA BANK, NATIONAL ASSOCIATION.

<u>SECOND</u>. The main office of the Association shall be in Charlotte, County of Mecklenburg, State of North Carolina. The general business of the Association shall be conducted at its main office and its branches.

THIRD. The Board of Directors of this Association shall consist of not less than five nor more than twenty-five directors, the exact number of directors within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full Board of Directors or by resolution of the shareholders at any annual or special meeting thereof. Unless otherwise provided by the laws of the United States, any vacancy in the Board of Directors for any reason, including an increase in the number thereof, may be filled by action of the Board of Directors.

FOURTH. The annual meeting of the shareholders for the election of directors and the transaction of whatever other business may be brought before said meeting shall be held at the main office or such other place as the Board of Directors may designate, on the day of each year specified therefor in the By-Laws, but if no election is held on that day, it may be held on any subsequent day according to the provisions of law; and all elections shall be held according to such lawful regulations as may be prescribed by the Board of Directors.

Nominations for election to the Board of Directors may be made by the Board of Directors or by any stockholder of any outstanding class of capital stock of the bank entitled to vote for election of directors. Nominations, other than those made by or on behalf of the existing management of the bank, shall be made in writing and shall be delivered or mailed to the President of the bank and to the Comptroller of the Currency, Washington, D.C., not less than 14

days nor more than 50 days prior to any meeting of stockholders called for the election of directors, provided, however, that if less than 21 days' notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the Bank and to the Comptroller of the Currency not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of the bank that will be voted for each proposed nominee; (d) the name and residence address of the notifying shareholder; and (e) the number of shares of capital stock of the bank owned by the notifying shareholder. Nominations not made in accordance herewith may, in his discretion, be disregarded by the Chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such nominee.

FIFTH.

(a) General. The amount of capital stock of this Association shall be (I) 25,000,000 shares of common stock of the par value of twenty dollars (\$20.00) each (the "Common Stock") and (ii) 160,540 shares of preferred stock of the par value of one dollar (\$ 1.00) each (the "Non-Cumulative Preferred Stock"), having the rights, privileges and preferences set forth below, but said capital stock may be increased or decreased from time to time in accordance with the provisions of the laws of the United States.

(b) Terms of the Non-Cumulative Preferred Stock.

1. General. Each share of Non-Cumulative Preferred Stock shall be identical in all respects with the other shares of Non-Cumulative Preferred Stock. The authorized number of shares of Non-Cumulative Preferred Stock may from time to time be increased or decreased (but not below the number then outstanding) by the Board of Directors. Shares of Non-Cumulative Preferred Stock redeemed by the Association shall be canceled and shall revert to authorized but unissued shares of Non-Cumulative Preferred Stock.

2. Dividends.

(a) <u>General</u>. The holders of Non-Cumulative Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, but only out of funds legally available therefor, non-cumulative cash dividends at the annual rate of \$83.75 per share, and no more, payable quarterly on the first days of December, March, June and September,

respectively, in each year with respect to the quarterly dividend period (or portion thereof) ending on the day preceding such respective dividend payment date, to shareholders of record on the respective date, not exceeding fifty days preceding such dividend payment date, fixed for that purpose by the Board of Directors in advance of payment of each particular dividend. Notwithstanding the foregoing, the cash dividend to be paid on the first dividend payment date after the initial issuance of Non-Cumulative Preferred Stock and on any dividend payment date with respect to a partial dividend period shall be \$83.75 per share multiplied by the fraction produced by dividing the number of days since such initial issuance or in such partial dividend period, as the case may be, by 360.

- (b) Non-cumulative Dividends. Dividends on the shares of NonCumulative Stock shall not be cumulative and no rights shall accrue to the holders of shares of Non-Cumulative Preferred Stock by reason of the fact that the Association may fail to declare or pay dividends on the shares of Non-Cumulative Preferred Stock in any amount in any quarterly dividend period, whether or not the earnings of the Association in any quarterly dividend period were sufficient to pay such dividends in whole or in part, and the Association shall have no obligation at any time to pay any such dividend.
- (c) Payment of Dividends. So long as any share of Non-Cumulative Preferred Stock remains outstanding, no dividend whatsoever shall be paid or declared and no distribution made on any junior stock other than a dividend payable in junior stock, and no shares of junior stock shall be purchased, redeemed or otherwise acquired for consideration by the Association, directly or indirectly (other than as a result of a reclassification of junior stock, or the exchange or conversion of one junior stock for or into another junior stock, or other than through the use of the proceeds of a substantially contemporaneous sale of other junior stock), unless all dividends on all shares of non-cumulative Preferred Stock and non-cumulative Preferred Stock ranking on a parity as to dividends with the shares of Non-Cumulative Preferred Stock for the most recent dividend period ended prior to the date of such payment or declaration shall have been paid in full and all dividends on all shares of cumulative Preferred Stock ranking on a parity as to dividends with the shares of Non-Cumulative Stock (notwithstanding that dividends on such stock are cumulative) for all past dividend periods shall have been paid in full. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on any junior stock from time to time out of any funds legally available therefor, and the Non-Cumulative

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Preferred Stock shall not be entitled to participate in any such dividends, whether payable in cash, stock or otherwise. No dividends shall be paid or declared upon any shares of any class or series of stock of the Association ranking on a parity (whether dividends on such stock are cumulative or non-cumulative) with the Non-Cumulative Preferred Stock in the payment of dividends for any period unless at or prior to the time of such payment or declaration all dividends payable on the Noncumulative Preferred Stock for the most recent dividend period ended prior to the date of such payment or declaration shall have been paid in full. When dividends are not paid in full, as aforesaid, upon the Non-Cumulative Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends (whether dividends on such stock are cumulative or non-cumulative) with the Non-Cumulative Preferred Stock, all dividends declared upon the Non-Cumulative Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with the Non-Cumulative Preferred Stock shall be declared pro rata so that the amount of dividends declared per share on the Non-cumulative Preferred Stock and such other Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Non-Cumulative Preferred Stock (but without any accumulation in respect of any unpaid dividends for prior dividend periods on the shares of Non-Cumulative Stock) and such other Preferred Stock bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Non-Cumulative Preferred Stock which may be in arrears.

3. <u>Voting</u>. The holders of Non-Cumulative Preferred Stock shall not have any right to vote for the election of directors or for any other purpose.

4. Redemption.

(a) Optional Redemption. The Association, at the option of the Board of Directors, may redeem the whole or any part of the shares of Non-Cumulative Preferred Stock at the time outstanding, at any time or from time to time after the fifth anniversary of the date of original issuance of the Non-Cumulative Preferred Stock, upon notice given as hereinafter specified, at the redemption price per share equal to \$1,000 plus an amount equal to the amount of accrued and unpaid dividends from the immediately preceding dividend payment date (but without any accumulation for unpaid dividends for prior dividend periods on the shares of Non-Cumulative Preferred Stock) to the redemption date.

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(b) Procedures. Notice of every redemption of shares of Non-Cumulative Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses as they shall appear on the books of the Association. Such mailing shall be at least 10 days and not more than 60 days prior to the date fixed for redemption. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the shareholder receives such notice, and failure duly to give such notice by mail, or any defect in such notice, to any holder of shares of Non-Cumulative Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Non-Cumulative Preferred Stock.

In case of redemption of a part only of the shares of Non-Cumulative Preferred Stock at the time outstanding the redemption may be either pro rata or by lot or by such other means as the Board of Directors of the Association in its discretion shall determine. The Board of Directors shall have full power and authority, subject to the provisions herein contained, to prescribe the terms and conditions upon which shares of the Non-Cumulative Preferred Stock shall be redeemed from time to time.

If notice of redemption shall have been duly given, and, if on or before the redemption date specified therein, all funds necessary for such redemption shall have been set aside by the Association, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, all shares so called for redemption shall no longer be deemed outstanding on and after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to, receive the amount payable on redemption thereof, without interest.

If such notice of redemption shall have been duly given or if the Association shall have given to the bank or trust company hereinafter referred to irrevocable authorization promptly to give such notice, and, if on or before the redemption date specified therein, the funds necessary for such redemption shall have been deposited by the Association with such bank or trust company in trust for the pro rata benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, from and after the time of such deposit, all

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shares so called for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive from such bank or trust company at any time after the time of such deposit the funds so deposited, without interest. The aforesaid bank or trust company shall be organized and in good standing under the laws of the United States of America or any state thereof, shall have capital, surplus and undivided profits aggregating at least \$50,000,000 according to its last published statement of condition, and shall be identified in the notice of redemption. Any interest accrued on such funds shall be paid to the Association from time to time. In case fewer than all the shares of Non-Cumulative Preferred Stock represented by a stock certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

Any funds so set aside or deposited, as the case may be, and unclaimed at the end of the relevant escheat period under applicable state law from such redemption date shall, to the extent permitted by law, be released or repaid to the Association, after which repayment the holders of the shares so called for redemption shall look only to the Association for payment thereof.

5. Liquidation.

(a) <u>Liquidation Preference</u>. In the event of any voluntary liquidation, dissolution or winding up of the affairs of the Association, the holders of Non-cumulative Preferred Stock shall be entitled, before any distribution or payment is made to the holders of any junior stock, to be paid in full an amount per share equal to an amount equal to \$1,000 plus an amount equal to the amount of accrued and unpaid dividends per share from the immediately preceding dividend payment date (but without any accumulation for unpaid dividends for prior dividend periods on the shares of Non-cumulative Preferred Stock) per share to such distribution or payment date (the "liquidation amount").

In the event of any involuntary liquidation, dissolution or winding up of the affairs of the Association, then, before any distribution or payment shall be made to the holders of any junior stock, the holders of Non-Cumulative Preferred Stock shall be entitled to be paid in full an amount per share equal to the liquidation amount.

If such payment shall have been made in full to all holders of shares of Non-Cumulative Preferred Stock, the remaining assets of the Association

shall be distributed among the holders of junior stock, according to their respective rights and preferences and in each case according to their respective numbers of shares.

- (b) Insufficient Assets. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Association are insufficient to pay such liquidation amount on all outstanding shares of Non-cumulative Preferred Stock, then the holders of Non-Cumulative Preferred Stock shall share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled.
- (c) <u>Interpretation</u>. For the purposes of this paragraph 5, the consolidation or merger of the Association with any other corporation or association shall not be deemed to constitute a liquidation, dissolution or winding up of the Association.
- 6. <u>Preemptive Rights</u>. The Non-Cumulative Preferred Stock is not entitled to any preemptive, subscription, conversion or exchange rights in respect of any securities of the Association.
- 7. <u>Definitions</u>. As used herein with respect to the Non-Cumulative Preferred Stock, the following terms shall have the following meanings:
 - (a) The term "junior stock" shall mean the Common Stock and any other class or series of shares of the Association hereafter authorized over which the Non-Cumulative Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Association.
 - (b) The term "accrued dividends", with respect to any share of any class or series, shall mean an amount computed at the annual dividend rate for the class or series of which the particular share is a part, from, if such share is cumulative, the date on which dividends on such share became cumulative to and including the date to which such dividends are to be accrued, less the aggregate amount of all dividends theretofore paid thereon and, if such share is noncumulative, the relevant date designated to and including the date to which such dividends are accrued, less the aggregate amount of all dividends theretofore paid with respect to such period.

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- (c) The term "Preferred Stock" shall mean all outstanding shares of all series of preferred stock of the Association as defined in this Article Fifth of the Articles of Association, as amended, of the Association.
- 8. Restriction on Transfer. No shares of Non-Cumulative Preferred Stock, or any interest therein, may be sold, pledged, transferred or otherwise disposed of without the prior written consent of the Association. The foregoing restriction shall be stated on any certificate for any shares of Non-Cumulative Preferred Stock.
- 9. <u>Additional Rights</u>. The shares of Non-Cumulative Preferred Stock shall not have any relative, participating, optional or other special rights and powers other than as set forth herein.
- <u>SIXTH</u>. The Board of Directors shall appoint one of its members President of this Association, who shall be Chairman of the Board, unless the Board appoints another director to be the Chairman. The Board of Directors shall have the power to appoint one or more Vice Presidents; and to appoint a cashier or such other officers and employees as may be required to transact the business of this Association.

The Board of Directors shall have the power to define the duties of the officers and employees of the Association, to fix the salaries to be paid to them; to dismiss them, to require bonds from them and to fix the penalty thereof; to regulate the manner in which any increase of the capital of the Association shall be made; to manage and administer the business and affairs of the Association; to make all By-Laws that it may be lawful for them to make; and generally to do and perform all acts that it may be legal for a Board of Directors to do and perform.

SEVENTH. The Board of Directors shall have the power to change the location of the main office to any other place within the limits of Charlotte, North Carolina, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency; and shall have the power to establish or change the location of any branch or branches of the Association to any other location, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency.

<u>EIGHTH</u>. The corporate existence of this Association shall continue until terminated in accordance with the laws of the United States.

NINTH. The Board of Directors of this Association, or any three or more shareholders owning, in the aggregate, not less than 10 percent of the stock of

this Association, may call a special meeting of shareholders at any time. Unless otherwise provided by the laws of the United States, a notice of the time, place, and purpose of every annual and special meeting of the shareholders shall be given by first-class mail, postage prepaid, mailed at least ten days prior to the date of such meeting to each shareholder of record at his address as shown upon the books of this Association.

TENTH. Each director and executive officer of this Association shall be indemnified by the association against liability in any proceeding (including without limitation a proceeding brought by or on behalf of the Association itself) arising out of his status as such or his activities in either of the foregoing capacities, except for any liability incurred on account of activities which were at the time taken known or believed by such person to be clearly in conflict with the best interests of the Association. Liabilities incurred by a director or executive officer of the Association in defending a proceeding shall be paid by the Association in advance of the final disposition of such proceeding upon receipt of an undertaking by the director or executive officer to repay such amount if it shall be determined, as provided in the last paragraph of this Article Tenth, that he is not entitled to be indemnified by the Association against such liabilities.

The indemnity against liability in the preceding paragraph of this Article Tenth, including liabilities incurred in defending a proceeding, shall be automatic and self-operative.

Any director, officer or employee of this Association who serves at the request of the Association as a director, officer, employee or agent of a charitable, not-for-profit, religious, educational or hospital corporation, partnership, joint venture, trust or other enterprise, or a trade association, or as a trustee or administrator under an employee benefit plan, or who serves at the request of the Association as a director, officer or employee of a business corporation in connection with the administration of an estate or trust by the Association, shall have the right to be indemnified by the Association, subject to the provisions set forth in the following paragraph of this Article Tenth, against liabilities in any manner arising out of or attributable to such status or activities in any such capacity, except for any liability incurred on account of activities which were at the time taken known or believed by such person to be clearly in conflict with the best interests of the Association, or of the corporation, partnership, joint venture, trust, enterprise, Association or plan being served by such person.

In the case of all persons except the directors and executive officers of the Association, the determination of whether a person is entitled to indemnification

under the preceding paragraph of this Article Tenth shall be made by and in the sole discretion of the Chief Executive Officer of the Association. In the case of the directors and executive officers of the Association, the indemnity against liability in the preceding paragraph of this Article Tenth shall be automatic and self-operative.

For purposes of this Article Tenth of these Articles of Association only, the following terms shall have the meanings indicated:

- (a) "Association" means Wachovia Bank, National Association and its direct and indirect wholly-owned subsidiaries.
- (b) "Director" means an individual who is or was a director of the Association.
- (c) Executive officer" means an officer of the Association who by resolution of the Board of Directors of the Association has been determined to be an executive officer of the Association for purposes of Regulation O of the Federal Reserve Board.
- (d) "Liability" means the obligation to pay a judgment, settlement, penalty, fine (including an excise tax assessed with respect to an employee benefit plan), or reasonable expenses, including counsel fees and expenses, incurred with respect to a proceeding.
- (e) "Party" includes an individual who was, is, or is threatened to be made a named defendant or respondent in a proceeding.
- (f) "Proceeding" means any threatened, pending, or completed claim, action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal.

The Association shall have no obligation to indemnify any person for an amount paid in settlement of a proceeding unless the Association consents in writing to such settlement.

The right to indemnification herein provided for shall apply to persons who are directors, officers, or employees of banks or other entities that are hereafter merged or otherwise combined with the Association only after the effective date of such merger or other combination and only as to their status and activities after such date.

The right to indemnification herein provided for shall inure to the benefit of the heirs and legal representatives of any person entitled to such right.

No revocation of, change in, or adoption of any resolution or provision in the Articles of Association or By-laws of the Association inconsistent with, this Article Tenth shall adversely affect the rights of any director, officer, or employee of the Association with respect to (i) any proceeding commenced or threatened prior to such revocation, change, or adoption, or (ii) any proceeding arising out of any act or omission occurring prior to such revocation, change, or adoption, in either case, without the written consent of such director, officer, or employee.

The rights hereunder shall be in addition to and not exclusive of any other rights to which a director, officer, or employee of the Association may be entitled under any statute, agreement, insurance policy, or otherwise.

The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, or employee of the Association, or is or was serving at the request of the Association as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, trade association, employee benefit plan, or other enterprise, against any liability asserted against such director, officer, or employee in any such capacity, or arising out of their status as such, whether or not the Association would have the power to indemnify such director, officer, or employee against such liability, excluding insurance coverage for a formal order assessing civil money penalties against an Association director or employee.

Notwithstanding anything to the contrary provided herein, no person shall have a right to indemnification with respect to any liability (i) incurred in an administrative proceeding or action instituted by an appropriate bank regulatory agency which proceeding or action results in a final order assessing civil money penalties or requiring affirmative action by an individual or individuals in the form of payments to the Association, (ii) to the extent such person is entitled to receive payment therefor under any insurance policy or from any corporation, partnership, joint venture, trust, trade association, employee benefit plan, or other enterprise other than the Association, or (iii) to the extent that a court of competent jurisdiction determines that such indemnification is void or prohibited under state or federal law.

<u>ELEVENTH</u>. These Articles of Association may be amended at any regular or special meeting of the shareholders by the affirmative vote of the holders of a majority of the stock of this Association, unless the vote of holders of a greater

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amount of stock is required by law, and in that case, by the vote of the holders of such greater amount.

<u>TWELFTH</u>. The Association, at any time and from time to time, may authorize and issue debt obligations, whether or not subordinated, without the approval of the shareholders.

FULNC:92327 13

CONDITIONAL NOTICE OF OPTIONAL REDEMPTION TO THE HOLDERS OF

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 1996

NOTICE IS HEREBY GIVEN, pursuant to the Amended and Restated Indenture of Trust, dated as of December 1, 1994, as amended and supplemented, between Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and Wachovia Bank, National Association, as Trustee (the "Trustee"), that all of the outstanding bonds of the above-designated series maturing on and after June 15, 2007 (the "Bonds") will be redeemed on June 15, 2006 (the "Redemption Date") at the redemption price of 100% of the principal amount thereof. The Bonds to be redeemed are as follows:

Maturity Date(June 15)	<u>Amount</u>	Cusip Number (708840)	
2007	\$ 4,450,000	EQ2	
2008	4,680,000	ER0	
2009	4,930,000	ES8	
2010	5,200,000	ET6	
2011	5,480,000	EU3	
2012	5,785,000	EV1	
2013	6,105,000	EW9	
2016	20,440,000	EZ2	
2020	32,890,000	FD0	

Subject to the condition described below, on the Redemption Date the Bonds so called for redemption will become due and payable and should be sent to the Trustee for payment at the following address:

Wachovia Bank, National Association Customer Information Center, NC1153 1525 West W. T. Harris Boulevard Charlotte, NC 28288-1153

Interest payable on the Bonds on June 15, 2006, which is the Redemption Date and is also a regular interest payment date, will be paid in the normal manner. After the Redemption Date, interest on the Bonds will cease to accrue.

It is suggested that registered or certified mail be used for redeeming the Bonds and that it is not necessary to endorse the Bonds unless payment is to be made to someone other that the registered holder.

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This Notice of Redemption is conditional in that it is subject to the deposit of the redemption monies by the Authority with the Trustee on or prior to the Redemption Date. In the event sufficient redemption monies are not so deposited, this notice shall be of no effect and the redemption of the Bonds shall be cancelled.

Pennsylvania Intergovernmental Cooperation Authority BY: Wachovia Bank, National Association, as Trustee

Date: May 9, 2006

IMPORTANT NOTICE

Withholding of 28% of any payment of gross redemption proceeds made within the United States may be required by the Jobs and Growth Tax Relief Reconciliation Act of 2003 unless the Trustee has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

^{*} The Authority and the Trustee shall not be responsible for the selection or use of CUSIP numbers, and no representation is made as to the accuracy of the CUSIP numbers listed herein or printed on the Bonds. Such numbers are included solely for the convenience of the holders of the Bonds.



Financial Guaranty Insurance Policy

Obligor:

PENNSYLVANIA INTERGOVERNMENTAL

COOPERATION AUTHORITY

Ambac Assurance Corporation One State Street Plaza, 15th Floor New York, New York 10004 Telephone: (212) 668-0340

Policy Number:

25424BE

Obligations: AS DESCRIBED ON THE REVERSE HEREOF

Premium: \$312,550.53

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

A- 09768

President

June 15, 2006

Effective Date:

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

Authorized Representative

Obligations: \$89,950,000 in aggregate principal amount of Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities), dated their date of delivery and maturing on June 15, 2020.

The Paying Agent is Wachovia Bank, National Association.

The undersigned hereby certifies that this document is a true and correct copy of the Financial Guaranty Insurance Policy. Policy No. 25424BE issued by AMBAC ASSURANCE CORPORATION.

Assistant Secretary Date: June 13, 2006

CERTIFICATE OF BOND INSURER

In connection with the issuance of \$89,950,000 in aggregate principal amount of Pennsylvania Intergovernmental Cooperation Authority (the "Obligor"), Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities), dated their date of delivery (the "Obligations"), Ambac Assurance Corporation ("Ambac") is issuing a Financial Guaranty Insurance Policy (the "Insurance Policy") guaranteeing the payment of principal and interest when due on the Obligations, all as more fully set out in the Insurance Policy.

Ambac

On behalf of Ambac, the undersigned hereby certifies that:

- (i) the Insurance Policy is an unconditional and recourse obligation of Ambac (enforceable by or on behalf of the holders of the Obligations) to pay the scheduled payments of interest and principal on the Obligations in the event of a Nonpayment as defined in the Insurance Policy;
- (ii) the insurance premium of \$312,550.53 was determined in arm's length negotiations in accordance with our standard procedures, is required to be paid as a condition to the issuance of the Insurance Policy and represents a reasonable charge for the transfer of credit risk;
- (iii) no portion of such premium represents a payment for any direct or indirect services other than the transfer of credit risk, including costs of underwriting or remarketing the Obligations or the cost of insurance for casualty of Obligation financed property;
- (iv) we are not co-obligors on the Obligations and do not reasonably expect that we will be called upon to make any payment under the Insurance Policy;
- (v) the Obligor is not entitled to a refund of any portion of the premium for the Insurance Policy in the event that the Obligations are retired prior to their stated maturity; and
- (vi) we would not have issued the Insurance Policy in the absence of a debt service reserve fund of the size and type established by the documents pursuant to which the Obligations are being issued, and it is normal and customary to require a debt service reserve fund of such a size and type in similar transactions.
- IN WITNESS WHEREOF, Ambac Assurance Corporation has caused this certificate to be executed in its name on this 15th day of June, 2006, by one of its officers duly authorized as of such date.

AMBAC ASSURANCE CORPORATION

эу: <u> </u>

Stephen M. Ksenak First Vice President and

Assistant General Counsel

ReedSmith

Reed Smith LLP 2500 One Liberty Place 1650 Market Street Philadelphia, PA 19103-7301 215.851.8100 Fax 215.851.1420

June 15, 2006

RBC Dain Rauscher Inc. One Logan Square Philadelphia, PA 19103

Ambac Assurance Corporation One State Street Plaza New York, NY 10004

Ladies and Gentlemen:

We have acted as counsel to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic constituting a public authority and instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") created pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), in connection with the issuance and sale by the Authority on this date of \$89,950,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) (the "2006 Bonds"). Pursuant to the power and authority vested in it by virtue of the Act, and to carry out the public purposes of the Act, the Authority is issuing the 2006 Bonds under an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and Wachovia Bank, National Association (successor to Meridian Bank), as trustee (the "Trustee"), as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust, dated as of May 15, 1996 (the "First Supplemental Indenture"), by the Second Supplement to the Amended and Restated Indenture of Trust, dated as of April 1, 1999 (the "Second Supplemental Indenture"), by the Third Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2003 (the "Third Supplemental Indenture"), and by the Fourth Supplement to the Amended and Restated Indenture, dated as of June 1, 2006 (the "Fourth Supplemental Indenture" and, together with the 1994 Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, the "Indenture"), for the purpose of refunding certain outstanding bonds of the Authority, as more particularly described in the Indenture. The 2006 Bonds are secured under the Indenture by the Authority's pledge to the Trustee of, and the Authority's grant to the Trustee of a security interest in, the proceeds of a 1.5% tax (the "Authority Income Tax") on salaries, wages, commissions and other compensation earned by residents of the City of Philadelphia, Pennsylvania (the "City") and on net profits earned in business, professions and other activities conducted by residents of the City, which has been enacted by the City exclusively for the purposes of the Authority pursuant to Section 601(a)(3) of the Act and pursuant to an ordinance (Bill No. 1437) of the City Council of the City, approved by the Mayor of the City on June 12, 1991 (the "Authority Income Tax Ordinance").

Pursuant to a Bond Purchase Contract, dated June 14, 2006 (the "Bond Purchase Contract"), between the Authority and RBC Dain Rauscher Inc. (the "Underwriter"), the Authority is

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RBC Dain Rauscher Inc. Ambac Assurance Corporation June 15, 2006 Page 2

selling the 2006 Bonds to the Underwriter for offering by the Underwriter to the public. In connection with such public offering of the 2006 Bonds, the Authority has prepared an Official Statement, dated June 7, 2006 (the "Official Statement"), relating to the 2006 Bonds.

As contemplated by the Act, the Authority and the City have heretofore entered into an Intergovernmental Cooperation Agreement dated as of January 8, 1992 (the "Intergovernmental Cooperation Agreement").

In connection with the issuance of the 2006 Bonds, the Authority has executed and delivered a Tax Compliance Agreement, dated June 15, 2006 (the "Tax Compliance Agreement"), and the Authority and the Trustee have entered into a Continuing Disclosure Agreement, dated as of June 15, 2006 (the "Continuing Disclosure Agreement").

For the purpose of rendering this opinion letter, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the Indenture, the Bond Purchase Contract, the Intergovernmental Cooperation Agreement, the Official Statement, the Authority Income Tax Ordinance, the Tax Compliance Agreement, the Continuing Disclosure Agreement and such other instruments, documents, records and certificates, and have made such investigations as to matters of law, as we have deemed necessary and appropriate. We also have examined a specimen of the 2006 Bonds.

In rendering this opinion letter, we have assumed, with respect to all documents and instruments reviewed by us, the genuineness of all signatures, the capacity of natural persons, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as copies. We have further assumed as follows:

- A. We have assumed that each party to the documents specified in paragraph 5 below other than the Authority (each such other party being referred to as an "Other Party") is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the lawful power and authority to enter into and perform its obligations under such documents; that such documents have been duly authorized, executed and delivered by each such Other Party; and that such documents constitute the legal, valid and binding obligation of each such Other Party, enforceable against each such Other Party in accordance with its terms. We have further assumed that the 2006 Bonds have been duly authenticated by the Trustee in accordance with the requirements of the Indenture.
- B. We have assumed that the City has duly and validly enacted the Authority Income Tax pursuant to the Authority Income Tax Ordinance in compliance with all procedural requirements of the City's Home Rule Charter, the Philadelphia Code of Ordinances and other applicable law, rules or regulations. We have further assumed that the Authority Income Tax Ordinance has not been amended, modified or repealed in whole or in part and is in full force and effect on the date hereof. We have further assumed that the City has duly authorized, executed and delivered the Intergovernmental Cooperation Agreement.
- C. We have assumed that each Bond Insurer (as defined in the Indenture, and including without limitation Ambac Assurance Corporation) and each Credit Facility Issuer (as defined in the Indenture) is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly licensed and authorized by all applicable regulatory bodies to issue the Bond Insurance Policy (as defined in the Indenture) or the Credit Facility (as defined in the Indenture) issued by such Bond Insurer or Credit Facility Issuer, as appropriate. We have further assumed that each Bond Insurance Policy has been duly authorized, executed and delivered by the relevant Bond Insurer and constitutes the legal, valid and binding obligation of such Bond Insurer,

RBC Dain Rauscher Inc. Ambac Assurance Corporation June 15, 2006 Page 3

enforceable in accordance with its terms. We have further assumed that each Credit Facility has been duly authorized, executed and delivered by the relevant Credit Facility Issuer and constitutes the legal, valid and binding obligation of such Credit Facility Issuer, enforceable in accordance with its terms.

Based upon and subject to the foregoing, and subject to the further exceptions, qualifications and limitations hereinafter set forth, we are pleased to advise you that we are of the following opinions:

- 1. The Authority is a body corporate and politic, constituting a public authority and instrumentality of the Commonwealth, created pursuant to the Act.
- 2. The Authority has the power and the authority under the Act to enter into the Indenture and to issue the 2006 Bonds thereunder, and to enter into the Intergovernmental Cooperation Agreement, the Bond Purchase Contract, the Continuing Disclosure Agreement and the Tax Compliance Agreement.
- 3. The Indenture, the 2006 Bonds, the Intergovernmental Cooperation Agreement, the Bond Purchase Contract, the Continuing Disclosure Agreement and the Tax Compliance Agreement have each been duly authorized, executed and delivered by the Authority.
 - 4. The Official Statement has been duly authorized and executed by the Authority.
- Agreement, the Continuing Disclosure Agreement and the Intergovernmental Cooperation Agreement are each legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms. We call to your attention, however, that the 2006 Bonds are not general obligations of the Authority but are limited obligations of the Authority, payable only out of the revenues from the Authority Income Tax and certain funds held by the Trustee under the Indenture, and that neither the credit nor the taxing power of the Commonwealth or any political subdivision (including the City) or agency thereof, other than the credit of the Authority to the limited extent described above, is pledged for the payment of the principal or redemption price of or interest on the 2006 Bonds. According to the Act, the 2006 Bonds do not constitute a debt or obligation of the Commonwealth or any political subdivision (including the City) or agency thereof. The Authority itself has no taxing power.
- 6. To our knowledge, except as disclosed in the Official Statement, there are no actions or proceedings pending, or overtly threatened in writing, against the Authority before any court, governmental agency or arbitrator, which seek to restrain or enjoin the issuance or delivery of the 2006 Bonds by the Authority or which in any way contest the validity or enforceability of the 2006 Bonds, the Indenture, the Bond Purchase Contract, the Intergovernmental Cooperation Agreement, the Continuing Disclosure Agreement or the Tax Compliance Agreement or the pledge of the revenues from the Authority Income Tax under the Indenture.
- 7. As provided in the Act, the proceeds of the Authority Income Tax are at all times the revenues and property of the Authority, are not property or revenues of the City and are not subject to appropriation by either the Commonwealth or the City.
- 8. The Indenture creates a valid lien on, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture) for the security of the 2006 Bonds.

RBC Dain Rauscher Inc. Ambac Assurance Corporation June 15, 2006 Page 4

Although we have not undertaken to determine independently the accuracy, completeness or fairness of the information contained in the Official Statement, nothing has come to our attention during the course of the performance of our duties as counsel to the Authority that would lead us to believe that the information contained in the Official Statement (except for the information contained in any of the Appendices to the Official Statement, any other information in the Official Statement concerning the City or Financial Guaranty Insurance Company or any of its affiliates, any information under the headings "THE 2006 BONDS – Auction Rate Securities", "THE 2006 BONDS –Book-Entry-Only System", "BOND INSURANCE", "TAX EXEMPTION" and "UNDERWRITING", and any financial or statistical data or projections contained or required to be contained in any portion of the Official Statement, as to which we express no opinion or belief) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

We express no opinion concerning the exempt status of interest on the 2006 Bonds under any Federal or state tax laws or regulations or concerning any other Federal or state tax law consequences of owning or disposing of the 2006 Bonds. We express no opinion concerning the status of the Indenture, the 2006 Bonds or the offering or sale of the 2006 Bonds under any registration or qualification requirements of the Federal or state securities laws or regulations. We express no opinion concerning the status of the 2006 Bonds as legal investments for any person or entity under any Federal or state laws or regulations. In addition, our opinions expressed herein are subject to, and limited by, (a) applicable bankruptcy, insolvency, reorganization, moratorium, arrangement, liquidation or other similar laws affecting the rights and remedies of creditors and secured parties generally, and (b) general principles of equity, public policy considerations, judicial discretion and general requirements of good faith, fair dealing and reasonableness (regardless of whether considered in a proceeding at law or in equity).

Without limiting the generality of the preceding paragraph, we express no opinion as to the validity or enforceability of (1) any provision in any document granting or creating rights not available under Pennsylvania law, relating to self-help, imposing penalties, forfeitures, increased rates or late payment charges (to the extent they are found to be penalties or forfeitures or to be unreasonable or to the extent they are applied after the cure of the default or other triggering event), (2) any provision purporting to release persons from liability for acts or omissions resulting from negligence, bad faith or willful misconduct, (3) any provision providing for a right of indemnification or right of contribution (to the extent it is found to be a penalty or forfeiture or to be unreasonable in amount or to the extent that it provides for indemnification for the negligence or willful misconduct of, or a violation of law or public policy by, the person being indemnified), (4) any set-off rights set forth in any documents, (5) any provision with respect to payment of costs and expenses of enforcement, including, without limitation, attorneys' fees, to the extent that the same is determined to be contrary to public policy, (6) any provision relating to consent to jurisdiction for bringing suit or the waiver of jury trial, (7) any provision modifying or waiving any requirement of good faith, fair dealing, diligence, commercial reasonableness or prior notice or the right of redemption arising under any law, waiving any rights afforded to any party thereto under any constitutional provision or waiving the rights afforded to any party under any statute, or by which any party thereto waives any rights afforded to such party by applicable law, except to the extent such waiver is expressly permitted by statute, (8) any provision which waives broadly or vaguely stated rights or future rights, or waives certain rights or defenses to obligations where such waivers are against statutes, laws or public policy, (9) any provision that provides that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, or that the election of some remedy or remedies does not preclude recourse to one or more other remedies, (10) any provision that purports to prevent oral modification or waivers or purports to preclude the modification of the documents through conduct, custom or the course of performance, action or dealing, (11) any provision the breach of which a court concludes is not material or does not adversely

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RBC Dain Rauscher Inc. Ambac Assurance Corporation June 15, 2006 Page 5

affect any relevant party, (12) any provision purporting to make discretionary determinations of a person conclusive, (13) any provision imposing penalties, forfeitures, legal costs, late payment charges or an increase in interest rate upon delinquency in payment or the occurrence of a default, (14) any provision purporting to characterize damages which may be claimed in the event of a breach or termination as liquidated damages, (15) any provision relating to amounts payable upon a breach or termination to the extent such amounts are found to be penalties or forfeitures or to be unreasonable in amount or to the extent that such provisions provide for indemnification for the negligence or willful misconduct of, or a violation of law or public policy by, the person to whom such amounts are payable, and (16) any provision relating to subrogation rights, payment of legal fees and other costs of indemnity.

We call your attention to the provisions of Section 911(b) of the Pennsylvania Crimes Code (the "Crimes Code"), 18 Pa.C.S. § 911(b), which makes it unlawful to use or invest income derived from a pattern of "racketeering activity" in the establishment or operation of any enterprise. "Racketeering activity", as defined in the Crimes Code, includes the collection of money or other property in full or partial satisfaction of a debt which arose as the result of the lending of money or other property at a rate of interest exceeding 25% per annum where not otherwise authorized by law. Accordingly, our opinions in this letter are qualified to the extent, if any, that the statute referenced in this paragraph may be applicable to this transaction.

This opinion letter is limited to the current law of the Commonwealth and the current Federal law of the United States of America. This opinion letter is limited to the matters expressly stated herein, no opinion may be inferred or is implied beyond the matters expressly stated herein to be our opinion, and our opinions and other statements herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth in this letter.

The opinions and other statements herein are expressed as of the date hereof only, and not as of some future date. We undertake no responsibility to advise you of any change in law or any new laws, regulations, judicial decisions or other developments which may be promulgated or which may otherwise occur in the future. The phrase "to our knowledge" as used in this opinion letter means the conscious awareness, without independent investigation, of those attorneys in our firm who have devoted substantive attention to matters involving our representation of the Authority.

This opinion letter is being rendered solely for your benefit in connection with the issuance of the 2006 Bonds by the Authority. You may not rely on this opinion letter for any other purpose and no other person or entity may rely on this opinion letter for any purpose. This opinion letter may not be referred to or quoted in whole or in part in any document, report or financial statement of, or filed with or delivered to, any person or entity, without the express written consent of the undersigned, but this opinion letter may be included as part of the transcript of closing documents relating to the 2006 Bonds.

Very truly yours,

REED SMITH LLP

Reed Smith LLP

SWR/RKM/mp



CITY OF PHILADELPHIA

ROMULO L. DIAZ, JR. CITY SOLICITOR

(215) 683-5003 (Tel) (215) 683-5068 (Fax)

June 15, 2006

RBC Dain Rauscher Inc. One Logan Square Philadelphia, PA 19103

Re: \$89,950,000 aggregate principal amount, Pennsylvania Intergovernmental

Cooperation Authority, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities)

Ladies and Gentlemen:

The Law Department (the "Department") of the City of Philadelphia, Pennsylvania (the "City") has acted on behalf of the City in matters relating to the issuance by the Pennsylvania Intergovernmental Cooperation Authority ("Authority") of its \$89,950,000 aggregate principal amount, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) (the "Bonds"). This opinion is being delivered to you pursuant to section 9(e)(xii) of the Bond Purchase Contract dated June 14, 2006, between the Authority and RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets, as Underwriter (the "Purchase Contract"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Contract.

In rendering the opinions expressed below, the Department has examined such proceedings, documents, statutes, and ordinances as we have deemed necessary as the basis for the opinions hereinafter expressed, including:

- a. certified copies of the Cooperation Ordinance and the Tax Ordinance (together, the "Ordinances");
- b. a fully executed copy of the Letter of Representations;
- c. a fully executed copy of the Cooperation Agreement;

- d. a fully executed copy of the Tax Collection Agreement;
- e. a fully executed copy of the Tax Compliance Agreement;
- f. the Official Statement, dated June 7, 2006, relating to the Bonds ("Official Statement").

As to certain factual matters material to the opinions hereinafter expressed, we have relied upon the representations and warranties contained in the Letter of Representations (except for those contained in paragraph 15 of such Letter) and in the Certificate of the Director of Finance of even date herewith and on information and advice from officials and representatives of the City, including the Certificate of the Chief Clerk of City Council, as a basis for the opinions hereinafter expressed. We have not undertaken to verify such factual matters set forth therein by independent investigation or inquiry, except as set forth in paragraph 9 herein.

In our examination of the documents referred to above, the Department has assumed the legal capacity (other than as to City officials) and competence of natural persons, the authenticity of all documents submitted to the Department as originals, the genuineness of all signatures (other than those of the officials of the City), the due authority of the parties (other than the City) executing such documents, and the conformity to the originals of all such documents submitted to us as copies. We have also assumed (i) that each of the parties, other than the City, to each of the documents, has duly executed and delivered the same, with all necessary power and authority (corporate and otherwise, including, without limitation, due authorization by all necessary corporate and other action on the part of such party), (ii) that each such party, other than the City, has complied in all material respects with all laws, regulations, court orders, and material agreements applicable to it that affect the transactions contemplated by such documents, and (iii) that such documents are valid as to, binding upon, and enforceable against all parties thereto other than the City.

Based on and subject to the foregoing, and subject to the assumptions, exceptions, limitations, and qualifications set forth herein and only with regard to the laws of the Commonwealth of Pennsylvania as enacted and construed as of the date hereof, it is the opinion of the Department that:

- 1. The Ordinances have been duly and validly adopted by City Council and approved by the Mayor pursuant to authority granted in the Act and in accordance with the Philadelphia Home Rule Charter.
- 2. All action taken by City Council, the Mayor and other authorized City officials in connection with the enactment of the Ordinances, including, without limitation, publication, notice, convening and conduct of the public meetings at which public hearings were held and action taken, were and are in compliance with the Philadelphia Home Rule Charter and Act 1998-93 of the General Assembly of the Commonwealth of Pennsylvania, approved October 15, 1998 (or, in the case of any action taken prior to the effective date thereof, the Act approved July 3, 1986, No. 84, P.L. 388, as amended).

- 3. The Ordinances have not been modified, amended, repealed or rescinded since the respective dates of enactment and adoption thereof, and are valid and in full force and effect as of the date hereof.
- 4. The City has the power and authority under the Act and the Philadelphia Home Rule Charter to execute and deliver the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement, and the Tax Compliance Agreement. The Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Tax Compliance Agreement have been duly and validly executed and delivered by the City.
- 5. The covenants and agreements of the City in the Tax Ordinance, in Section 5.02(b) of the Cooperation Agreement, and in the Letter of Representations, the Tax Collection Agreement and the Tax Compliance Agreement are valid and binding obligations of the City, enforceable against the City in accordance with the respective terms thereof.
- 6. Except as to the possible application of state or federal securities laws, as to which no opinion is expressed, there is no authorization, consent, approval, or other action required by any governmental authority or agency in connection with the execution by the City of the Cooperation Agreement, the Letter of Representations, the Tax Compliance Agreement or the Tax Collection Agreement which has not been obtained.
- 7. Except as disclosed in the Official Statement, and except for litigation which in the opinion of the Department is without merit, there is, to the knowledge of the Department after inquiry within the Department, no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or overtly threatened in writing against the City, (i) to restrain or enjoin the City's execution or delivery, or performance under the Cooperation Agreement, the Tax Compliance Agreement or the Tax Collection Agreement, or in any way contesting the validity or enforceability of the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement or the Ordinances, or (ii) contesting in any way the accuracy or completeness of the Official Statement as it relates to the City, or (iii) contesting in any way the validity or enforceability of the City's obligations under the Ordinances, the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement or the Letter of Representations.
- 8. The enactment of the Ordinances and the execution and delivery of the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Tax Compliance Agreement and the fulfillment of and compliance with the pledge and agreement set forth in the Tax Ordinance and Section 5.02(b) of the Cooperation Agreement do not and will not constitute on the part of the City a breach of or default under any existing law, regulation, administrative order or decree to which the City is subject or, to the knowledge of the Department, in any material respect, any indenture, deed of trust or guaranty or other instrument to which the City is a party or by which it is bound.
- 9. To the knowledge of the Department after inquiry within the Department, the description contained in Appendix "B" to the Official Statement under the heading "Litigation" does not contain any untrue statement of a material fact or omit to state a material fact with

respect thereto necessary to be stated therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

This opinion is subject to the following exceptions, limitations, and qualifications:

- a. This opinion is subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer, marshaling, or similar laws affecting creditors' rights and remedies generally, general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith, and fair dealing (regardless of whether such enforceability is considered in a proceeding in equity or at law); and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy.
- b. The Department expresses no opinion as to the application or requirements of state securities, antitrust and unfair competition, environmental, health and safety, or tax laws other than those governing the City Wage Tax and the Authority Tax in respect of the transactions contemplated by or referred to in the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or Tax Compliance Agreement.
- The Department expresses no opinion as to the validity or enforceability c. of any provision of the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or Tax Compliance Agreement which, directly or indirectly: (i) purports to require that waivers must be in writing to the extent that an oral agreement or implied agreement by trade practice or course of conduct modifying provisions thereof has been made; (ii) purports to be a waiver of the right to a jury trial, waiver of any right to object to jurisdiction or venue, a waiver of any right to claim damages, or to service of process, or a waiver of other rights or benefits bestowed by operation of law, or waiver of which is limited by applicable law; (iii) purports to be a waiver of the obligations of good faith, fair dealing, diligence, mitigation of damages, or commercial reasonableness; (iv) purports to exculpate any party from its own negligent acts, or limit any party from certain liabilities; or (v) purports to require payment of consequential damages insofar as a court could conclude that such consequential damages are punitive in nature.

This opinion is given to you as of the date hereof and we express no opinion as to any matter not expressly set forth herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. By rendering this opinion, we do not undertake any obligation to advise you of any changes in fact or circumstances which may come to our attention after the date hereof or any changes in law which may occur after the date hereof.

We have rendered this opinion to you solely in connection with the consummation of the transactions contemplated by the Purchase Contract and this opinion may not be used or relied

upon by you or any other person for any other purpose. This opinion may not be distributed or disclosed and may not be relied upon by any person, firm, or entity other than those to whom it is addressed without the prior written consent, in each instance, of the undersigned.

Sincerely,

Romulo L. Diaz, Jr.

City Solicitor



June 15, 2006

RBC Dain Rauscher Inc. One Logan Square Philadelphia, PA 19103

Re: \$89,950,000 aggregate principal amount, Pennsylvania Intergovernmental Cooperation Authority, Special Tax Revenue Refunding Bonds (City of

Philadelphia Funding Program), Series of 2006 (Auction Rate Securities)

Ladies and Gentlemen:

We have served as special counsel to the City of Philadelphia, Pennsylvania ("City") in connection with matters relating to the issuance by the Pennsylvania Intergovernmental Cooperation Authority ("Authority") of its \$89,950,000 aggregate principal amount, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) ("Bonds").

The Bonds are authorized to be issued by the Authority by virtue of and pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6, approved by the General Assembly of the Commonwealth of Pennsylvania ("Commonwealth") on June 5, 1991, as amended ("Act").

Pursuant to authority granted by the Act, the City has, by ordinance (Bill No. 1437, effective July 1, 1991) adopted by City Council and approved by the Mayor on June 12, 1991 ("Tax Ordinance"), enacted a tax, exclusively for the purposes of the Authority, at the rate of one and one-half percent (1.5%) on the salaries, wages, commissions and other compensation earned by City residents and on the net profits earned in business, professions and other activities conducted by City residents ("Authority Tax").

In the Act, the Commonwealth has pledged to and agreed with each and every obligee of the Authority acquiring bonds of the Authority secured by the Authority Tax that the Commonwealth itself will not, nor will it authorize any government agency levying the Authority Tax to, reduce the rate of such tax until all bonds of the Authority so secured by the pledge of the Authority, together with the interest thereon, are fully paid or provided for. The Act further provides that the terms of the Act as in effect at the time of authorization of the Bonds constitute an agreement between the Authority and the obligees of the Authority, subject to modification and limitation as provided in the Act. In addition, the Act expressly requires the City to include a pledge similar to that of the Commonwealth described in the first sentence of this paragraph in the Tax Ordinance and prohibits the City from repealing the Tax Ordinance or reducing the rate of the Authority Tax while any bonds of the Authority secured by the



RBC Dain Rauscher Inc. June 15, 2006 Page 2

Authority's pledge of the Authority Tax are outstanding. Pursuant to the pledge made by the Commonwealth and in furtherance of the agreements of the Commonwealth and the mandates contained in the Act, the City has, in the Tax Ordinance and the Intergovernmental Cooperation Agreement by and between the Authority and the City, dated as of January 8, 1992 ("Cooperation Agreement"), pledged to and agreed with each and every obligee of the Authority secured by the Authority pledge of the Authority Tax that the City will not reduce the rate of or repeal, in whole or in part, the Authority Tax until the principal amount of all bonds of the Authority secured by the Authority Tax, together with interest thereon, is fully paid or provision for such payment is made in accordance with the terms of any agreement between the Authority and any obligee of the Authority.

This opinion is rendered pursuant to Section 9(e)(xiii) of the Bond Purchase Contract, dated June 14, 2006, between the Authority and RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets, as Underwriter ("Purchase Contract"). Terms used herein and not otherwise defined have the meanings ascribed thereto in the Purchase Contract.

As the basis for this opinion, we have examined such statutes and other matters of law, and such documents, instruments and certifications as we have deemed necessary in order to enable us to render this opinion, including, without limiting the generality of the foregoing, the Act, the Tax Ordinance, the Cooperation Agreement and the other documents and instruments listed in the Closing Agenda prepared in respect of the Bonds and filed with the Trustee, and have relied upon the genuineness, truthfulness and completeness of all documents, instruments and certifications examined and the authenticity of all signatures thereon. We have assumed that the Cooperation Agreement has been duly and validly authorized, executed and delivered by the Authority and is a valid and binding obligation of the Authority. We have also relied, in the opinion set forth below, upon the opinion of the City Solicitor of even date herewith with respect to actions taken by the City in connection with the enactment of the Ordinances and the execution and delivery of the Cooperation Agreement.

Based on the foregoing, we are of the opinion that:

- 1. The City has the power and authority under the Act to levy the Authority Tax exclusively for the purposes of the Authority and the Authority Tax has been duly and validly levied by the City pursuant to the Act and the Tax Ordinance exclusively for the purposes of the Authority.
- 2. As provided in the Act, the proceeds of the Authority Tax are at all times the revenues and property of the Authority, are not property or revenues of the Commonwealth or the City and are not subject to appropriation by either the Commonwealth or the City.
- 3. The covenants and agreements of the City contained in the Tax Ordinance and in Section 5.02(b) of the Cooperation Agreement are valid and binding obligations of the City,



RBC Dain Rauscher Inc. June 15, 2006 Page 3

enforceable against the City in accordance with the respective terms thereof, except as enforceability may be limited by bankruptcy, reorganization, insolvency and other laws or legal or equitable principles affecting creditors' rights and remedies and by the exercise of judicial discretion under general principles of equity.

We call your attention to the facts that the imposition of the Authority Tax by the City pursuant to the Act does not constitute the exercise of the general taxing power of the City for City purposes conferred by other acts of the General Assembly of the Commonwealth and that the sole agreement by the City with respect to the Authority Tax is its pledge and agreement not to reduce the rate of the Authority Tax or to repeal the Authority Tax so long as bonds of the Authority secured by the Authority's pledge of the Authority Tax remain outstanding, all in accordance with the pledge of the Commonwealth and the mandates contained in the Act. Accordingly, as provided in the Act, the Bonds do not and shall not at any time constitute a debt or liability of the City of Philadelphia and the obligees of the Authority have no right or claim against any property or revenues of the City nor shall they have any recourse to the City for payment of the Bonds.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in law which may hereafter occur. This opinion is given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. This opinion is being furnished to you solely in connection with the delivery of and payment for the Bonds on the date hereof and may not be relied upon for any other purpose. This opinion may not be relied upon by any other person, firm or entity nor may it be quoted, distributed or disclosed to any person, firm or entity other than those represented at the Closing for the Bonds without the prior written consent in each instance of a partner of the undersigned firm.

Very truly yours,

BLANK ROME LLP

lank Rome LLP

LEONARD & SCIOLLA, LLP

John J. Leonard Gregory E. Sciolla *† Hugh J. Hutchison Keith N. Leonard * Michael V. Tinari * Stephen J. Labroli * Heidi E. Anderson * Albert J. Talone * Paul H. Schultz *

* Also admitted in New Jersey
† Also admitted in New York

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June 15, 2006

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street 14th Floor Philadelphia, PA 19102 Wachovia Bank, National Association 123 South Broad Street 11th Floor Philadelphia, PA 19102

Re: Pennsylvania Intergovernmental Cooperation Authority (PICA) -

Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program)

Series of 2006, \$89,950,000.00 aggregate principal amount

Dear Ladies and Gentlemen:

We have acted as counsel to Wachovia Bank, National Association, as trustee (the "Trustee"), for the purpose of rendering the opinions set forth herein, in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$89,950,000.00 aggregate principal amount of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (the "2006 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"). The 2006 Bonds are being issued pursuant to an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and the Trustee, as successor trustee to Meridian Bank, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplement"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplement"), a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement"), and a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplement" and, together with the 1994 Indenture, the First Supplement, Second Supplement and Third Supplement, the "Indenture"). The 1994 Indenture amended and restated an Indenture of Trust dated as of June 1, 1992, as amended and supplemented (the "Original Indenture") between the Authority and Meridian Bank (successor trustee by assignment from CoreStates Bank, N.A., the initial trustee). The 2006 Bonds are initially being offered as auction rate securities and in connection therewith the Trustee and Deutsche Bank Trust Company Americas, as auction agent, are entering into that certain Auction Agency Agreement

dated June 1, 2006 (the "Auction Agency Agreement"). All capitalized terms not otherwise defined herein shall have the meanings given to them in the Indenture.

We have been informed that the proceeds from the sale of the 2006 Bonds, together with other available funds of the Authority, will be used to (i) currently refund the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1996, maturing on and after June 15, 2007 in the aggregate principal amount of \$89,950,000.00 and (ii) pay the costs of issuing the 2006 Bonds.

In providing the opinions set forth herein, we have examined such matters of fact and questions of law as we have considered appropriate, except where a statement is qualified as to knowledge or awareness, in which case we have made no inquiry. We have also examined an executed copy of the Fourth Supplement, Third Supplement, Second Supplement, a specimen 2006 Bond, the Auction Agency Agreement, and such other documents related thereto as we have deemed appropriate.

Based upon our examination of the documents referred to above, and subject to the limitations, qualifications, assumptions, and exceptions hereinafter set forth, it is our opinion that:

- 1. The Trustee is a national banking association established under the laws of the United States of America, and is lawfully empowered, authorized and duly qualified to serve as Trustee under the Indenture, pursuant to 12 U.S.C. §92a (a) and (b) and in accordance with 7 P.S. § 106 (c).
- 2. The Fourth Supplement and the Auction Agency Agreement have been duly authorized, executed and delivered by the Trustee and constitute the legal, valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with their terms.
- 3. The Trustee has all the necessary corporate power required to carry out its obligations under the Fourth Supplement and the Auction Agency Agreement, pursuant to the Trustee's Articles of Association and Article V of the Trustee's Amended and Restated Bylaws.

The opinions expressed herein are subject in all respect to the following qualifications, assumptions and exceptions.

(a) In the course of our examination, we have assumed the genuineness of all signatures other than those of the Trustee to the Fourth Supplement and the Auction Agency Agreement, the authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted as certified or photostatic copies. In addition, in making our examination of documents executed by entities or persons other than the Trustee we have assumed that each of such other entities or persons had the power and authority to enter into and perform all of its obligations under such documents, and have also assumed the due execution and delivery of those documents by each entity or person, and have further assumed that such documents are valid and binding upon the other parties thereto and are enforceable against such parties in accordance with the respective terms thereof.



- (b) We express no opinion with respect to the enforceability of the Fourth Supplement or the Auction Agency Agreement, as such enforceability may be limited by: (i) the availability or unavailability of equitable remedies including, but not limited to, specific performance and injunctive relief; and (ii) the effect of bankruptcy, moratorium, insolvency, reorganization, arrangement or other similar laws relating to bank insolvency (including the Federal Deposit Insurance Act) and affecting the rights of creditors generally, whether now or hereafter in effect and subject to general principles of equity (whether such enforcement is sought at law or in equity).
- (c) Our opinions set forth herein are based upon and rely upon the current state of the law and, in all respects, are subject to and may be limited by future legislation as well as by developing case law. The opinions expressed herein relate solely to the laws of the Commonwealth of Pennsylvania and of the City of Philadelphia and with respect to the statements in paragraph 1 herein, the federal laws of the United States of America. No opinion is expressed with respect to the laws of any other jurisdiction or as to the municipality or other local agent of any state.
- (d) Whenever a statement herein is qualified, it is intended to indicate that those attorneys at this firm who have rendered legal services in connection with the transactions pursuant to the Fourth Supplement and the Auction Agency Agreement have relied solely on the representations and warranties of the Trustee. We have not undertaken any independent investigation to determine the accuracy of the Trustee's representations and warranties in the Fourth Supplement and the Auction Agency Agreement, and no inference that we have knowledge of any matters pertaining thereto should be drawn from our representation of the Trustee.
- (e) No opinion is to be implied or may be inferred beyond the matters expressly stated in this letter. We assume no obligation to update or supplement our opinions set forth herein to reflect any facts or circumstances that may hereafter come to our attention or any changes in laws that may hereafter occur. This opinion is intended for the benefit of the Authority and may not, without our express written consent, be otherwise used or relied upon by any other person or entity.

Very truly yours,

LEONARD & SCIOLLA,'L

DILWORTH PAXSON LLP

LAW OFFICES

(215) 575-7000

June 15, 2006

RBC Dain Rauscher Inc. One Logan Square 130 North 18th Street, 17th Floor Philadelphia, Pennsylvania 19103

RE: \$89,950,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities)

Ladies and Gentlemen:

We have acted as co-counsel to RBC Dain Rauscher Inc. (the "Underwriter") in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of the above-referenced bonds (the "Bonds"), and the sale of the Bonds pursuant to the Contract of Purchase dated June 14, 2006 (the "Purchase Contract") between the Authority and the Underwriter. The Bonds are being issued pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), a resolution adopted by the Authority on May 16, 2006 (the "Resolution"), an Amended and Restated Indenture of Trust, dated as of December 1, 1994, between the Authority and Wachovia Bank, National Association, as successor trustee (the "Trustee"), as amended and supplemented, including by a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (as so amended and supplemented, the "Trust Indenture"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Purchase Contract.

Regularly scheduled payments of principal of and interest on the Bonds shall be insured by a financial guaranty insurance policy (the "Policy") issued by Ambac Assurance Corporation (the "Bond Insurer") simultaneously with the delivery of the Bonds.

In that connection, we have examined: (a) the Official Statement relating to the Bonds dated June 7, 2006 (the "Official Statement"); (b) executed copies of the certificates dated this date and delivered to the Underwriter pursuant to the Purchase Contract; (c) an executed Letter of Representations of the City of Philadelphia (the "City") dated this date; (d) the approving and supplemental opinion letters of Stradley Ronon Stevens & Young, LLP, Bond Counsel; (e) the Trust Indenture and the Resolution; and (f) an executed copy of the Purchase Contract.

To: RBC Dain Rauscher Inc.

In addition, we have examined and relied on originals or copies, certified or otherwise, identified to our satisfaction, of such other documents, instruments, opinions or corporate records and have made such investigation of law, as we have considered necessary or appropriate for the purposes of this opinion. Further, as to various questions of fact material to our opinion expressed herein, we have relied upon the representations of the Authority and the City.

In accordance with our understanding with you, we rendered legal service and assistance to you in the course of your investigation pertaining to, and your participation in the preparation of the Official Statement. Rendering such assistance involved, among other things, discussions and inquiries concerning various legal and related subjects, and reviews of and reports on certain documents and proceedings. We also participated in conferences with other participants in the transaction, including the Authority, its counsel, Bond Counsel, the Financial Advisor, the City, its counsel, the City's Law Department, and our co-counsel, during which the contents of the Official Statement and related matters were discussed and reviewed.

The limitations inherent in the verification of factual matters and the character of the determinations involved in the preparation of the Official Statement are such, however, that we have necessarily assumed the accuracy, completeness and fairness of the statements of fact made in the Official Statement. Also, we do not express any opinion or belief as to (i) the Appendices to the Official Statement, (ii) the numerical, financial, tabular and statistical information contained in the Official Statement and any other information in the Official Statement concerning the City and DTC and (iii) any information in the Official Statement concerning the Bond Insurer or the Policy. We have also assumed but have not independently verified that the signatures on all documents and certificates that we examined were genuine.

On the basis of the information which was developed in the course of the performance of the services as described above, and subject to the assumptions and limitations set forth in the preceding paragraph, nothing has come to our attention that would lead us to believe that the Official Statement (except for the numerical, financial and statistical data and projections included therein, any other information in the Official Statement concerning the City and DTC and any information concerning the Bond Insurer or the Policy) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

This opinion is given as of the date hereof, is limited to the facts, circumstances and matters set forth herein and to laws currently in effect and is furnished by us solely for your information and assistance as Underwriters and may not be relied upon by any person other than the Underwriters. We undertake no obligation to update this opinion on account of any event occurring after this date.

Sincerely,
Delivort Popull p

PHILADELPHIA
ATLANTA
CHARLOTTE
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DALLAS
DENVER
HOUSTON
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LONDON
LOS ANGELES



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A PROFESSIONAL CORPORATION

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June 15, 2006

RBC Dain Rauscher Inc. One Logan Square 130 North 18th Street, 17th Floor Philadelphia, Pennsylvania 19103

Re: \$89,950,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities)

Ladies and Gentlemen:

We have acted as co-counsel to RBC Dain Rauscher Inc. (the "Underwriter") in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of the above-referenced bonds (the "Bonds"), and the sale of the Bonds pursuant to the Contract of Purchase dated June 14, 2006 (the "Purchase Contract") between the Authority and the Underwriter. The Bonds are being issued pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), a resolution adopted by the Authority on May 16, 2006 (the "Resolution"), an Amended and Restated Indenture of Trust, dated as of December 1, 1994, between the Authority and Wachovia Bank, National Association, as successor trustee (the "Trustee"), as amended and supplemented, including by a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (as so amended and supplemented, the "Trust Indenture"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Purchase Contract.

Regularly scheduled payments of principal of and interest on the Bonds shall be insured by a financial guaranty insurance policy (the "Policy") issued by Ambac Assurance Corporation (the "Bond Insurer") simultaneously with the delivery of the Bonds.

In that connection, we have examined: (a) the Official Statement relating to the Bonds dated June 7, 2006 (the "Official Statement"); (b) executed copies of the certificates dated this date and delivered to the Underwriter pursuant to the Purchase Contract; (c) an executed Letter of Representations of the City of Philadelphia (the "City") dated this date; (d) the approving and

supplemental opinion letters of Stradley Ronon Stevens & Young, LLP, Bond Counsel; (e) the Trust Indenture and the Resolution; and (f) an executed copy of the Purchase Contract.

In addition, we have examined and relied on originals or copies, certified or otherwise, identified to our satisfaction, of such other documents, instruments, opinions or corporate records and have made such investigation of law, as we have considered necessary or appropriate for the purposes of this opinion. Further, as to various questions of fact material to our opinion expressed herein, we have relied upon the representations of the Authority and the City.

In accordance with our understanding with you, we rendered legal service and assistance to you in the course of your investigation pertaining to, and your participation in the preparation of the Official Statement. Rendering such assistance involved, among other things, discussions and inquiries concerning various legal and related subjects, and reviews of and reports on certain documents and proceedings. We also participated in conferences with other participants in the transaction, including the Authority, its counsel, Bond Counsel, the Financial Advisor, the City, its counsel, the City's Law Department, and our co-counsel, during which the contents of the Official Statement and related matters were discussed and reviewed.

The limitations inherent in the verification of factual matters and the character of the determinations involved in the preparation of the Official Statement are such, however, that we have necessarily assumed the accuracy, completeness and fairness of the statements of fact made in the Official Statement. Also, we do not express any opinion or belief as to (i) the Appendices to the Official Statement, (ii) the numerical, financial, tabular and statistical information contained in the Official Statement and any other information in the Official Statement concerning the City and DTC and (iii) any information in the Official Statement concerning the Bond Insurer, the Policy, Financial Guaranty Insurance Company or the Reserve Fund Policy (as defined in the Official Statement). We have also assumed but have not independently verified that the signatures on all documents and certificates that we examined were genuine.

On the basis of the information which was developed in the course of the performance of the services as described above, and subject to the assumptions and limitations set forth in the preceding paragraph, nothing has come to our attention that would lead us to believe that the Official Statement (except for the numerical, financial and statistical data and projections included therein, any other information in the Official Statement concerning the City and DTC and any information concerning the Bond Insurer, the Policy, Financial Guaranty Insurance Company or the Reserve Fund Policy) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

This opinion is given as of the date hereof, is limited to the facts, circumstances and matters set forth herein and to laws currently in effect and is furnished by us solely for your information and assistance as Underwriters and may not be relied upon by any person other than the Underwriters. We undertake no obligation to update this opinion on account of any event occurring after this date.

Sincerely,

COZEN O'CONNOR

Ambac Assurance Corporation

One State Street Plaza New York, NY 10004 212.668.0340 Fax: 212.509.9190

A member of the Ambac Financial Group, Inc.

June 15, 2006

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street Philadelphia, PA 19102 Access Financial Markets 24C East Roseville Road Lancaster, PA 17601

RBC Capital Markets One Logan Square Philadelphia, PA 19103 Cozen O'Connor, A Professional Corporation 1900 Market Street Philadelphia, PA 19103



Stradley Ronon Stevens & Young, LLP 2600 One Commerce Square Philadelphia, PA 19103

Ladies and Gentlemen:

This opinion has been requested of the undersigned, a First Vice President and an Assistant General Counsel of Ambac Assurance Corporation, a Wisconsin stock insurance corporation ("Ambac Assurance"), in connection with the issuance by Ambac Assurance of a certain Financial Guaranty Insurance Policy, effective as of the date hereof (the "Policy"), insuring \$89,950,000 in aggregate principal amount of Pennsylvania Intergovernmental Cooperation Authority (the "Obligor"), Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities), dated their date of delivery (the "Obligations").

In connection with my opinion herein, I have examined the Policy and such statutes, documents and proceedings as I have considered necessary or appropriate under the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the Official Statement of the Obligor dated June 7, 2006 relating to the Obligations (the "Official Statement") under the headings "BOND INSURANCE" and "APPENDIX E – SPECIMEN COPY OF INSURANCE POLICY".

Based upon the foregoing and having regard to legal considerations I deem relevant, I am of the opinion that:

- 1. Ambac Assurance is a stock insurance corporation duly organized and validly existing under the laws of the State of Wisconsin and duly qualified to conduct an insurance business in the Commonwealth of Pennsylvania.
- 2. Ambac Assurance has full corporate power and authority to execute and deliver the Policy, and the Policy has been duly authorized, executed and delivered by Ambac Assurance and constitutes a legal, valid and binding obligation of Ambac Assurance enforceable in accordance with its terms, except to the extent that the enforceability (but not the validity) of such obligation may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar law or enactment now or hereafter enacted affecting the enforcement of creditors' rights.

- 3. The execution and delivery by Ambac Assurance of the Policy will not, and the consummation of the transactions contemplated thereby and the satisfaction of the terms thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Authority, Articles of Incorporation or By-Laws of Ambac Assurance, or any restriction contained in any contract, agreement or instrument to which Ambac Assurance is a party or by which it is bound or constitute a default under any of the foregoing.
- 4. Proceedings legally required for the issuance of the Policy have been taken by Ambac Assurance and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Policy have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Policy.
- 5. The statements contained in the Official Statement under the heading "BOND INSURANCE", insofar as such statements constitute summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements describe Ambac Financial Group, Inc. (the "Company") and Ambac Assurance, fairly and accurately describe the Company and Ambac Assurance.
- 6. The form of the Policy contained in the Official Statement under the heading "APPENDIX E SPECIMEN COPY OF INSURANCE POLICY" is a true and complete copy of the form of the Policy.

The opinions expressed herein are solely for your benefit, and may not be relied upon by any other person.

Very truly yours,

Ambac

Stephen M. Ksenak First Vice President and

Assistant General Counsel





2600 One Commerce Square
Philadelphia, PA 19103-7098
Telephone (215) 564-8000
Fax (215) 564-8120
www.stradley.com

June 15, 2006

Pennsylvania Intergovernmental Cooperation Authority 1429 Walnut Street 14th Floor Philadelphia, PA 19102

Re: Pennsylvania Intergovernmental Cooperation Authority Special Tax

Revenue Refunding Bonds (City of Philadelphia Funding Program), Series

of 2006

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority) of \$89,950,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (the "2006 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L 9, No. 6), as amended (the "Act"), and an Amended and Restated Indenture of Trust dated as of December 1, 1994, (the "Amended and Restated Indenture"), between the Authority and Wachovia Bank, National Association, as successor to Meridian Bank, as Trustee (the "Trustee"), as amended pursuant to the First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture"), the Second Supplement to the Amended and Restated Indenture dated as of April 1, 1999 (the "Second Supplement to the Amended and Restated Indenture"), the Third Supplement to the Amended and Restated Indenture dated as of June 1, 2003 (the "Third Supplement to the Amended and Restated Indenture") and a Fourth Supplement to the Amended and Restated Indenture dated as of June 1, 2006 (the "Fourth Supplement to the Amended and Restated Indenture," and together with the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture, the Third Supplement to the Amended and Restated Indenture and the Amended and Restated Indenture, the "Indenture").

The 2006 Bonds are being issued for the purpose of providing funds, which, together with other available monies, are expected to be used to (i) currently refund the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1996 maturing on and after June 15, 2007, in the aggregate principal amount of \$89,960,000 (the "1996 Bonds") and (ii) pay the costs of issuing the 2006 Bonds (collectively, the "Refunding Project").

As Bond Counsel, as a basis for this opinion, we have examined such matters of law and such documents, certifications, instruments and records as we deemed necessary to enable us to render the opinions set forth herein, including the Act, the relevant provisions of the Constitution and applicable statutes of the Commonwealth of Pennsylvania (the "Commonwealth") and such resolutions of the Authority and ordinances of the City of Philadelphia (the "City") and Philadelphia, PA • Malvern, PA • Harrisburg, PA • Wilmington, DE • Cherry Hill, NJ • Washington, DC

Pennsylvania Intergovernmental Cooperation Authority June 15, 2006 Page 2

proceedings relating thereto as are contained in the transcript of proceedings for the 1996 Bonds and for the 2006 Bonds as listed in the transcript index referred to in the following sentence. We have also reviewed and relied upon the proceedings authorizing the issuance of the 2006 Bonds and certain certifications and agreements (including a Tax Compliance Agreement intended to satisfy certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable Treasury Regulations), affidavits, receipts and other documents, agreements, certificates and opinions, all as executed and delivered in connection with the issuance of the 2006 Bonds as listed in the transcript index in respect of the 2006 Bonds filed this date with the Trustee, all as deemed necessary to enable us to express the opinions set forth below. We have also reviewed a specimen of the 2006 Bonds and have relied on the certification of the Trustee as to its authentication of the 2006 Bonds. In rendering this opinion, we have relied on the authenticity, truthfulness and completeness of all documents, certificates and instruments examined as to all matters of fact and law set forth therein.

As expressly stated in the form of the 2006 Bonds and in the Indenture, the 2006 Bonds are limited obligations of the Authority payable solely from the Pledged Revenues (as defined in the Indenture). The 2006 Bonds do not otherwise constitute a pledge of the general credit of the Authority. Further, the 2006 Bonds do not constitute a pledge of the credit of the Commonwealth or any political subdivision thereof (including the City), nor do the 2006 Bonds constitute a pledge of the taxing power of the Commonwealth or any political subdivision thereof (including the City). The Authority has no taxing power. Neither the Commonwealth nor any political subdivision thereof (including the City) is liable for the payment of the principal of, redemption premium, if any, or interest on, the 2006 Bonds.

As to questions of fact material to our opinion, we have relied upon the representations of the Authority contained in the proceedings relating to the issuance of the 2006 Bonds and other certifications furnished to us without undertaking to verify the same by independent investigation.

Based and in reliance upon the foregoing, our attendance at the closing held this day and subject to the caveats, qualifications, exceptions and assumptions set forth herein, it is our opinion that, as of the date hereof, under existing law:

- 1. The Authority is a body corporate and politic validly existing under the laws of the Commonwealth, and has the full power and authority under the Act to undertake the Refunding Project, to execute and deliver the Fourth Supplement to the Amended and Restated Indenture and to issue the 2006 Bonds.
- 2. The Fourth Supplement to the Amended and Restated Indenture has been duly authorized, executed and delivered by the Authority and the obligations of the Authority under the Fourth Supplement to the Amended and Restated Indenture constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms.
- 3. The 2006 Bonds have been duly authorized, executed, issued and delivered by the Authority and are the legal, valid and binding limited obligations of the

Pennsylvania Intergovernmental Cooperation Authority June 15, 2006 Page 3

Authority, entitled to the benefit and security of the Indenture, and are enforceable against the Authority in accordance with their terms.

- 4. The Indenture creates a valid pledge to the Trustee for the benefit of the holders of the 2006 Bonds of, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture).
- 5. Under the laws of the Commonwealth, as currently enacted and construed, the 2006 Bonds are exempt from personal property taxes in the Commonwealth, and interest on the 2006 Bonds is exempt from the Commonwealth's personal income tax and corporate net income tax. However, under the Commonwealth's laws as presently enacted and construed, any profits, gains or income derived from the sale, exchange or other disposition of the 2006 Bonds will be subject to the Commonwealth's state and local taxes.
- 6. Interest on the 2006 Bonds is excluded from gross income for federal income tax purposes under existing law, as currently enacted and construed. Interest on the 2006 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. Interest on a 2006 Bond 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 alternative minimum tax because of its inclusion in the earnings and profits of the corporate holder. Interest on a 2006 Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

Ownership of the 2006 Bonds may give rise to collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S Corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2006 Bonds. We express no opinion as to such collateral federal income tax consequences.

In providing this opinion, we advise you as follows:

- (a) It may be determined in the future that interest on the 2006 Bonds, retroactive to the date of issuance thereof, will not be excluded from gross income of the owners of the 2006 Bonds for federal income tax purposes if certain requirements of the Code are not met subsequent to the issuance of the 2006 Bonds. The Authority has covenanted to comply with these requirements. Our opinions expressed herein assume continued compliance with these covenants, and we have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2006 Bonds may affect the tax status of interest on the 2006 Bonds.
- (b) The enforceability (but not the validity) of the documents mentioned herein may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter enacted by any state or the federal government affecting the enforcement of creditors' rights generally, or the legal or equitable principles affecting creditors rights and "enforceable in accordance with its (their) terms" shall not mean that specific performance would

Pennsylvania Intergovernmental Cooperation Authority June 15, 2006 Page 4

necessarily be available as a remedy in every situation.

This opinion is rendered solely for the benefit of the addressee hereof in connection with the initial issuance of the 2006 Bonds. The addressee may not rely on this opinion letter for any other purpose and no other person may rely on this opinion letter for any purpose without the express written consent of the undersigned. This opinion letter is limited to the matters set forth herein. This opinion is subject to future changes in applicable law and we do not undertake any obligation to update any of the opinions expressed in this letter. No opinion may be inferred or implied beyond the matters expressly stated herein, and our opinions expressed herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth herein. The law covered by the opinions expressed herein is limited to the laws of the Commonwealth and the federal law of the United States of America. We express no opinion herein as to any matter not set forth in the numbered paragraphs herein, including, without limitation, with respect to the accuracy or completeness of the Official Statement prepared in respect of the offering of the 2006 Bonds, and make no representation that we have independently verified the contents thereof.

Very truly yours,

Stradley ROMON STEVENS & YOUNG, ELP

BUSINESS 505517v.5





2600 One Commerce Square Philadelphia, PA 19103-7098 Telephone 215.564.8000 Fax 215.564.8120 www.stradley.com

June 15, 2006

Wachovia Bank, National Association, Trustee 123 S. Broad St. – 11th Floor Philadelphia, PA 19109-1199 RBC Capital Markets, Underwriter One Logan Square, 17th Floor 130 North 18th Street Philadelphia, PA 19103-6933

Ambac Assurance Corporation, Bond Insurer One State Street Plaza New York, NY 10004

Re: Pennsylvania Intergovernmental Cooperation Authority Special Tax

Revenue Refunding Bonds (City of Philadelphia Funding Program), Series

of 2006

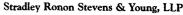
Dear Sir/Madam:

With reference to the legal opinion of the undersigned firm of even date herewith delivered in connection with the settlement of the sale of the referenced bonds ("Bonds") and addressed to the Pennsylvania Intergovernmental Cooperation Authority ("Bond Opinion"), you are hereby advised that you may rely upon the Bond Opinion as though such opinion had been specifically addressed to you. Such reliance shall be solely in connection with the original issuance and delivery of the Bonds by the Pennsylvania Intergovernmental Cooperation Authority on the date hereof and for no other purpose. The Bond Opinion may not be relied upon by any other person, nor may it be distributed, disclosed or quoted to any other person, without the prior written consent in each instance of a partner of the undersigned firm.

Very truly yours,

STRADLEY RONON STEVENS & YOUNG, LLP

Strally Ronan Stevens & Youy, LLP





2600 One Commerce Square Philadelphia, PA 19103-7098 Telephone (215) 564-8000 Fax (215) 564-8120 www.stradley.com

June 15, 2006

RBC Dain Rauscher Inc. One Logan Square Philadelphia, PA 19103

> Re: \$89,950,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$89,950,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2006 (Auction Rate Securities) (the "2006 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"), and an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and Wachovia Bank, National Association, as successor trustee, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplemental Indenture"), by a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplemental Indenture"), by a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplemental Indenture") and by a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplemental Indenture" and, together with the 1994 Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, the "Indenture"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Fourth Supplemental Indenture.

This opinion is being delivered pursuant to subparagraph 9(e)(vi) of the Bond Purchase Contract (the "Purchase Contract") dated June 14, 2006 between RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets, as Underwriter (the "Underwriter"), and the Authority for the purchase of the 2006 Bonds. In giving this opinion, we have examined such federal and Pennsylvania statutes, the relevant provisions of the Constitution of the Commonwealth of Pennsylvania, such resolutions of the Authority and ordinances of the City of

Philadelphia and proceedings relating thereto, and such certifications, agreements receipts, affidavits and other documents, including the Indenture, specimens of the 2006 Bonds and the Official Statement dated June 7, 2006 relating to the 2006 Bonds (the "Official Statement"), as listed in the transcript index in respect of the 2006 Bonds filed this date with the Trustee, all as we have deemed necessary to enable us to render the opinion set forth below.

We have also reviewed a specimen of the 2006 Bonds and have relied on the certification of the Trustee as to its authentication of the 2006 Bonds. In rendering this opinion, we have relied on the authenticity, truthfulness and completeness of all documents, certificates and instruments examined as to all matters of fact and law set forth herein.

On the basis of the foregoing, we are of the opinion, under existing law, that:

- The Purchase Contract has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other party thereto, is a legal, valid and binding agreement of the Authority enforceable in accordance with its terms, except as enforceability may be limited by (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws or equitable principles relating to or affecting creditors' rights and remedies or debtors' obligations generally, (ii) general principles of equity and the exercise of judicial discretion, whether considered and applied in a court of law or equity, (iii) the judicial imposition of an implied covenant of good faith and fair dealing, public policy or the discretion of any court as to the enforcement of remedies, and (iv) generally applicable rules of law that afford judicial discretion regarding the determination of damages and entitlement to attorneys' fees and other costs, except that no opinion is given regarding the enforceability of any indemnification provision. Notwithstanding the foregoing, in our opinion, subject to the other exceptions and limitations contained in this letter, none of the foregoing would materially impair the practical realization of the principal benefits purported to be provided by the remedies provided to the Underwriter under the Purchase Contract (except for the economic consequences of procedural or other delay).
- 2. The Official Statement has been duly approved, executed and delivered by the Authority.
- The statements contained in the Official Statement in the sections captioned 3. "INTRODUCTION" (but only the subsections captioned "Authorization to Issue the 2006 Bonds", "Description of the 2006 Bonds", "Sources of Payment and Security for the 2006 Bonds" and "Additional Bonds"), "PLAN OF FINANCE - General" (only the third paragraph), "THE 2006 BONDS" (excluding the information under the subsections captioned "Book-Entry-Only System") and "SOURCES OF PAYMENT AND SECURITY FOR THE 2006 BONDS" (only the subsections captioned "General", the fourth through seventh paragraphs under the Subsection captioned "Authority Tax", the subsection captioned "Debt Service Reserve Fund", the subsection captioned "Additional Bonds", the subsection captioned "Certain Remedies of Bondholders" and the subsection captioned "Limitation of Remedies"), INVESTMENT", in Appendix C - "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE", and in Appendix F - "SUMMARY OF CERTAIN PROVISIONS RELATING TO THE AUCTION RATE SECURITIES" (excluding the information under the subsections captioned "'Price Talk", "'All-or-Nothing' Bids", "No

Assurances Regarding Auction Outcomes", "Deadlines/Auction Periods", "Existing Holder's Ability to Resell Auction Rate Securities May Be Limited", or "Resignation of the Auction Agent under the Auction Agent Agreement or the Broker-Dealer under the Broker-Dealer Agreement could Impact the Ability to Hold Auctions"), insofar as such statements summarize provisions of the Act, the Indenture and the 2006 Bonds, are fair and accurate summaries of such provisions. The statements contained in the Official Statement in the section captioned "TAX EXEMPTION" are accurate summaries of the opinions of Bond Counsel as to such matters.

- 4. The 2006 Bonds are not required to be registered under the Securities Act of 1933, as amended, and the Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.
- 5. Based upon our participation in the preparation of the Official Statement as Bond Counsel and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to our attention, in connection with our engagement in respect of the issuance of the 2006 Bonds, which would lead us to believe that, as of the date of Closing, the Official Statement (except for the financial and statistical data and projections included therein and except for any other information in the Official Statement concerning the City and DTC and any information concerning the Bond Insurer and the Policy, as to which no view is expressed) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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.

This opinion is being furnished to you solely in connection with the purchase of the 2006 Bonds from the Authority by you pursuant to the Purchase Contract on the date hereof and may not be relied upon by any other person, including, without limitation, any purchaser of any of the 2006 Bonds from you or otherwise, or for any other purpose, without the prior written consent in each instance of a partner of this firm. This opinion may not be distributed or disclosed to any person, firm or entity, including, without limitation, any purchaser of any of the 2006 Bonds from you or otherwise, other than those represented at the Closing for the Bonds without the prior written consent in each instance of a partner of this firm.

Very truly yours,

Leven Stevens & Young, LLP
STRADLEY RONON STEVENS & YOUNG, LLP



Option On Interest Rate Swap Trans

Annual and Resident or of 15 hope 2000

6Daconter 2001

The purpose of this document is to confirm the bases and conditions of the Option on an Nobecat Rate Swap Transaction entend into between:

JANORGAN CHASE BANK, N.A.

O.) ALDEGHIZAV NOTIVPRIJOCO TVI JERKADIRACODIBILIA VIAVATKANIKĀ

on the Trade Date and identified by the Ifbforgen Class Bear, N.A. Deal Number specified below (the "Bump Thomssing"). This agreement constitutes a "Confirmation" as refused to in the agreement specified below. It is not intention to have this confirmation serve as final demonstration for this translation and accordingly, no other confidencing will follow.

The definitions and provisions consistent to the 2000 MDA Definitions, becomessing the lance 2000 vestion of the Annex as annexided and explanated through the date of this Confirmation, and the 1992 MDA U.S. historicipal Constructions Definitions (as published by the international Swaps and Decivatives Association, Inc.) are interpretable into this Confirmation (the "Swap Definitions"). In the event of any temperature those definitions and provides and this Confirmation, this Confirmation will

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As provided to persproph (h)(l) of Part 1 of the Scientists dated the date becook between IPMorgan wol the Consciencesty, it is the intention of the profess that the Consciencesty shall have the right to translate the Tomorection characterists in this Confirmation whether or not IPMorgan is accessiond the cycles described to this Confirmation and whether or not the Officials with respect to east Tomoraction has occurred. In the orante the Counterparty mentions the Tomoracion, the Tomoracius payment aball to described parameter to Part 1(g) of the Schedule to Discorp Agreement.

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PMorgan Chass Bank, N.A.

Carried Fills

Name: Carried Fills

Title: Vice Paraident

Accepted and confirmed as of the data first written: PRINTETL VANIA INTERCOVERNMENTAL COOPERATION AUTHORITY

Name: Rol Dubay

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Contach JPMorgan Contact

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Client Service Group

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SUPPLEMENTAL CERTIFICATE REGARDING IDENTIFICATION OF ANTICIPATORY HEDGE FOR TAX-EXEMPT BOND ISSUE

By Certificate of Identification of Anticipatory Hedge For Tax-Exempt Bond Issue dated December 6, 2001 in the form attached hereto as Exhibit A (the "Original Certificate") the Pennsylvania Intergovernmental Cooperation Authority ("Bond Issuer") identified on its books and records a Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Contract").

JP Morgan Chase Bank, N.A. ("Hedge Provider") has given proper notice of the exercise of its option set forth in the Contract to cause the swap described therein to become effective. In connection therewith, Bond Issuer intends to issue, on June 15, 2006, its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (the "2006 Bonds") to currently refund Bond Issuer's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 1996. In connection with the issuance of the 2006 Bonds, Bond Issuer and Hedge Provider have agreed to amend and restate the confirmation relating to the Contract pursuant to that certain Swaption Confirmation (REVISION) dated June 9, 2006 in the form attached hereto as Exhibit B (the "REVISION"), in order to adjust the notional principal amounts set forth in the Outstanding Principal Balance Schedule section of such Swaption Confirmation to correspond to the authorized denominations and mandatory sinking fund redemptions of the 2006 Bonds. The Issue Price of the Hedged Bonds will be \$89,950,000. All other information set forth in the Original Certificate, including pricing of the Contract, remains true and correct.

Bond Issuer intends to confirm and identify on its books and records the REVISION as part of the hedging contract identified on its books and records by the Original Certificate (and, specifically, not as a separate or additional hedging contract) and will maintain this Supplemental Certification on its permanent records for the therein referenced Hedge Bonds.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Dated: June 13, 2006

Rob Dubow, Executive Director

PRÍCING CERTIFICATE

Re: Floating to Fixed (Synthetic Fixed) Forward Starting
Interest Rate Swaption Agreement

Background: In November 2001 the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") solicited cash bids from potential purchasers of an option to enter an interest rate swap contract with the Authority on June 15, 2006. Bids were submitted on November 16, 2001. The winning bidder was JPMorgan Chase Bank, National Association (formerly known as JPMorgan Chase Bank, "JPMorgan"), which offered a cash payment of \$5,815,000. The option was granted in the form of a Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Swaption Agreement"), which was entered into by the Authority and JPMorgan on December 6, 2001, at which time JPMorgan paid the Authority \$5.815,000 in accordance with its bid. Investment Management Advisory Group, Inc. served as bidding agent.

JPMorgan has exercised its option, and, therefore, an interest rate swap transaction, as amended and restated (the "Swap Agreement") will become effective today, pursuant to which JPMorgan will make floating rate payments to the Authority at a rate equal to 67% of the "I Month LIBOR Index", and the Authority will make fixed rate payments to JPMorgan at rates provided for in the Swap Agreement. The fixed rates payable pursuant to the Swap Agreement correspond to the interest rates on certain fixed rate bonds issued by the Authority in 1996, which, it is our understanding, have been redeemed today with the proceeds of floating rate refunding bonds in a current refunding. The refunding bonds will be weekly tender floating rate bonds insured by Ambae Assurance Corporation.

The Authority has requested this Certificate to assist it in determining the yield on the refunding bonds, which the Authority will treat as "integrated" with the Swap Agreement for federal tax purposes under section 148 of the Internal Revenue Code.

Certification. Our best estimate, in light of the passage of time, is that 4.37% would have been the fixed rate that would have been quoted to other persons, if any, to enter into a reasonably comparable bilateral forward starting interest rate swap with a trade date of November 16, 2001 and an effective date of June 15, 2006, if any, taking into full account the other terms and conditions of the Swap Agreement, and with an entity similarly situated to the Authority, including taxable business corporations and other tax exempt issuers, if any, taking into full account the security and sources of payment provided for the payments to JPMorgan, the risk profile of such an entity, structuring and other terms under the Swap Agreement.

In making this certification, we have assumed that all other terms were as provided in the Swap Agreement.

JPMorgan was requested to provide this certificate for purposes of the Authority's computation of yield on the refunding bonds and does not modify or interpret the Swap Agreement in any respect. JPMorgan makes no representations as to the legal sufficiency of the information set forth in this certificate for purposes of complying with the Internal Revenue Code of 1986, any Treasury Regulation or for any other purpose.

JP MORGAN CHASE BANK, NATIONAL ASSOCIATION

Dated as of: June 15, 2006

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INTEGRATION CERTIFICATE

Re: Floating to Fixed (Synthetic Fixed) Forward Starting
Interest Rate Swaption Agreement

Background. In November 2001 the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") solicited cash bids from potential purchasers of an option to enter an interest rate swap contract with the Authority on June 15, 2006. Bids were submitted on November 16, 2001. The winning bidder was JPMorgan Chase Bank ("Morgan"), which offered a cash payment of \$5,815,000. The option was granted in the form of a Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Swaption Agreement"), which was entered into by the Authority and Morgan on December 6, 2001, at which time Morgan paid the Authority \$5,815,000 in accordance with its bid. Investment Management Advisory Group, Inc. served as bidding agent.

Morgan has exercised its option under the Swaption Agreement, and therefore Morgan and the Authority are entering an interest rate swap contract dated today under which Morgan will make floating rate payments to the Authority at an index rate equal to 67% of the "1 Month LIBOR Index", and the Authority will make fixed rate payments to Morgan at rates provided for in the Swaption Agreement. The fixed rates in the Swaption Agreement correspond to the interest rates on certain fixed rate bonds issued by the Authority in 1996, which will be redeemed today with the proceeds of floating rate refunding bonds in a current refunding. The refunding bonds will be ARS (auction rate securities) insured by Ambac Assurance Corporation.

The Authority has requested this Certificate to assist it in determining the yield on the same maturities, assuming the refunding bonds for federal tax purposes under section 148 of the Internal Revenue Code.

<u>Certification</u>. We believe, based on historic data, that the rate setting methodology used to compute payments on the refunding bonds is substantially the same as the index formula to be used to compute floating rate payments pursuant to the Swaption Agreement so long as the refunding bonds are in the ARS mode. In addition, the floating rate payments under the Swaption Agreement are reasonably expected to be substantially the same as the floating rate payments on the refunding bonds throughout the term of the Swaption Agreement so long as the refunding bonds remain in the ARS mode, and assuming that there will be no material changes in the credit of the refunding bonds, or the federal marginal tax rate.

INVESTMENT MANAGEMENT ADVISORY

GROUP, INC.

By: Name: David J. Eckhart

Title: President

Dated as of: June 15, 2006