

**Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020 (Forward Delivery)**

Initial Closing Date: December 3, 2019

1. Existing Indenture
  - (a) Amended and Restated Indenture of Trust
  - (b) First Supplement to Amended and Restated Indenture of Trust
  - (c) Second Supplement to Amended and Restated Indenture of Trust
  - (d) Third Supplement to Amended and Restated Indenture of Trust
  - (e) Fourth Supplement to Amended and Restated Indenture of Trust
  - (f) Fifth Supplement to Amended and Restated Indenture of Trust
  - (g) Sixth Supplement to Amended and Restated Indenture of Trust
  - (h) Seventh Supplement to Amended and Restated Indenture of Trust
2. Eighth Supplement to Amended and Restated Indenture of Trust
3. DTC Blanket Issuer Letter of Representations
4. 2019 Bonds
5. Form of 2020 Bonds
6. Bond Purchase Contract for 2019 Bonds
7. Forward Bond Purchase Contract for 2020 Bonds
8. Preliminary Official Statement
9. Official Statement
10. Continuing Disclosure Agreement
11. Tax Compliance Certificate
  - Certifications of the City
  - Issue Price Certificate
12. IRS Form 8038-G
13. Closing Receipt
14. Form of Escrow Deposit Agreement
15. Conditional Notice of Redemption

16. Disbursement Letter Agreement with the State Treasurer
17. Proof of Publication Notice Pursuant to 303(b) of the Act
18. Letters concerning appointment of Authority Board Members
19. General Certificate of Authority
  - Exhibit A - Bylaws
  - Exhibit B - Bond Resolution
  - Exhibit C - Authority Resolution approving Cooperation Agreement
  - Exhibit D - Authority Resolution approving City Financial Plan
  - Exhibit E - Form of 2019 Bonds
  - Exhibit F - Copy of Letter from Department of Revenue
  - Exhibit G - Copy of City Account Deposit and Disbursement Agreement
  - Exhibit H - Copy of Intergovernmental Cooperation Agreement
20. Certificate of Authority as to Financial Plan  
Attachment: City of Philadelphia's Current five-Year Plan for Fiscal Years 2020-2024
21. Certificate of Authority Pursuant to Bond Purchase Contract, Forward BPA and Section 2.11(f) of the Indenture
22. Letter of Authority to City regarding Supplement to Indenture
23. Consent of National Public Finance Guarantee Corporation
24. Consents of Independent Certified Public Accountants
25. Notice to Rating Agencies pursuant to Section 10.05 of the Indenture.
26. Certificate of Incumbency & Signatures of City Officials
27. Certificate of Director of Finance required by Bond Purchase Contract and Forward Delivery Bond Purchase Agreement
28. Certificate of PFM Financial Advisors LLC
29. Certificate of Phoenix Capital Partners, LLP
30. Certificate of the City as to Financial Plan  
Attachment: City of Philadelphia's Current five-Year Plan for Fiscal Years 2020-2024
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32. Copy of Tax Collection Agency Agreement, certified by Revenue Commissioner and City Solicitor



33. Letter of Representations of City
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AMENDED AND RESTATED INDENTURE OF TRUST

between

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

and

MERIDIAN BANK, as Trustee

Dated as of December 1, 1994

AMENDED AND RESTATED INDENTURE OF TRUST

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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"),

W I T N E S S E T H :

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

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 guarantees 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 guarantees 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.

"Depository" means CoreStates Bank, N.A., a national banking association organized and existing under the laws of the United States, as Depository 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

reason no longer perform the functions of a securities rating agency, "Pitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of Pitch 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");

(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 ("FNMA"); 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; 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 "AAA" or "AAA-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.

"FICA 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 FICA 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. Authorization of Bonds. 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. Description of Bonds.

(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 Schedule 1 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 Schedule 2 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.

(l) The 1993A Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in Schedule 3 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 Schedule 4 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.

(r) 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 Bonds. 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. Authentication. 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. Delivery of the 1992 Bonds, 1993 Bonds, 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 Schedule 5 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 Schedule 6 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 Schedule 8 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 Schedule 6 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

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 Schedule 7 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 Schedule 7 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. Mutilated, Lost, Stolen or Destroyed Bonds.  
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. Destruction of Bonds.** 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. Temporary Bonds.** 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.

Section 2.11. Additional Bonds. The Authority may issue 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 ::

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.

(g) 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 PHILADEP. In either of such events the Authority may appoint a 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. If a 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 The Bond Buyer, S&P, Moody's, Fitch and Kenny Information Service's Called Bond

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 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.

(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. 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 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 Prohibition on Pledge of Revenues.** 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 FICA Tax Ordinance, the Tax Compliance Agreement or the Tax Collection Agency Agreement, (ii) by the State Treasurer under the Act or the FICA 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. Instruments of Further Assurance.** 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

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. Books and Records.** 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. Bond Register.** 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. Tax Covenants.** 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.



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. Information to Bond Insurers.** 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 FICA 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. Creation of Funds and Accounts. 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 Exhibit E 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.

7# (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. The capital 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 on 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. Revenue Fund. 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:

(a) 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. Debt Service Fund.

(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

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2001	\$48,250,000
2002*	51,145,000

1992 Term Bonds  
Maturing June 15, 2006\*\*

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2003	\$3,430,000
2004	3,655,000
2005	3,900,000
2006*	4,155,000

1992 Term Bonds  
Maturing June 15, 2012\*\*

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2007	\$4,430,000
2008	4,730,000
2009	5,055,000
2010	5,400,000
2011	5,765,000
2012	6,155,000

1992 Term Bonds  
Maturing June 15, 2022\*\*

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2013	\$6,575,000
2014	7,025,000
2015	7,500,000
2016	8,010,000
2017	8,555,000
2018	9,135,000
2019	9,760,000
2020	10,420,000
2021	11,130,000
2022*	11,885,000

\* Maturity

\*\* No longer Outstanding by virtue of refunding

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



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 entitled 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)

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

1993 Uninsured Term Bonds  
Maturing June 15, 2015  
 (5.75% coupon)

Year (June 15)	Amount
2010	\$9,060,000
2011	9,060,000
2012	9,065,000
2013	9,065,000
2014	9,065,000
2015*	9,065,000

\* Maturity



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

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

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

Year (June 15)	Amount
2016	\$5,000,000
2017	5,000,000
2018	5,000,000
2019	5,000,000
2020	5,000,000
2021	5,000,000
2022	5,000,000
2023*	5,000,000

\* Maturity

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

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.

(iii) Each Bond Insurer for 1993 Insured Bonds 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

Year (June 15)	Amount
2009	\$2,160,000
2010	2,280,000
2011	2,400,000
2012	2,520,000
2013*	2,640,000

1993A Uninsured Term Bonds  
Maturing June 15, 2013

Year (June 15)	Amount
2009	\$4,665,000
2010	4,885,000
2011	5,125,000
2012	5,380,000
2013*	5,655,000

\* Maturity

**1993A Insured Term Bonds**  
**Maturing June 15, 2022**

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
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

\* Maturity

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 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 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

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

(B) The Trustee shall, at the time it makes the 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



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

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2010	\$4,485,000
2011	4,795,000
2012	5,135,000
2013	5,490,000
2014*	5,875,000

1994 Term Bonds  
Maturing June 15, 2021

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2015	\$6,290,000
2016	6,710,000
2017	7,165,000
2018	7,650,000
2019	8,165,000
2020	8,715,000
2021*	9,305,000

\* Maturity

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 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 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 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 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 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.

(ii) In the event that the Trustee has notice that 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. To the 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.



Section 5.08. 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.

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. Determinations, Notices and Records of Rebate Amount and Yield Reduction Amount.

(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(a) 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. Investment of Rebate Fund.

(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. Payment of Rebate Amount and Yield Reduction Amount to the United States.

(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. Discontinuance of Funds. 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

7. Section 6.01. Investment of Funds. 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.

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. Valuation of Funds. 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. Information as to Status of Funds. 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: (a) proper 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.



Section 8.02. Remedies; Rights of Bondholders. 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 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: No 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 other 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. Termination of Proceedings. 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. Waivers of Events of Default. 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.

(c) The Trustee shall not be responsible for any 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. The 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.

(f) 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.

(h) The Trustee shall not be required to take notice 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.

(l) 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. Intervention by Trustee.** 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. Successor Trustee.** 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. Every 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 thereof. 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. Several Capacities. 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. Registrar. 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 (60) 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.

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 of 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. Supplemental Indentures Not Requiring Consent of Bondholders. 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

(l) 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 Trustees to enter into any such Supplemental Indenture for any of the purposes of this Section 10.02, the Trustees 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 Trustees 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 Trustees or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon 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



1

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. Consent of City. 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. Consents of Bondholders. 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. Limitation of Rights. 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. Severability. 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. In 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. Successors and Assigns. 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. Notices. 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 17120

If to the Bond Insurer (as applicable):

Financial Guaranty Insurance Company  
115 Broadway  
New York, NY 10006

Attention: Managing Counsel



117.  
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. Credit Facility Issuer's Rights. 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. Bond Insurers' Rights.** 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. Counterparts.** 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. Governing Law.** This Indenture shall be governed by and construed in accordance with the laws of the Commonwealth.

**Section 11.13. Rules of Interpretation.** 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," "hereinafter," "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. Captions.** 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: Charles R. Lutz  
Title:

By: [Signature]  
Title: (Vice) Chairperson

[SEAL]

MERIDIAN BANK, as Trustee

Attest:

By: [Signature]  
Title: VICE PRESIDENT

By: LSA  
Title: LYNN S. ANDERSON  
VICE PRESIDENT



**EXHIBIT A**

(Form of Fully Registered Bond)

No.   

\$

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**

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

**Series of 1992**

<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Dated</u> <u>Date</u>	<u>CUSIP</u>
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**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 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 FLEDGED 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 REPAYED BY THE AUTHORITY AS SET

FORTH IN THE ACT. OBLIGERS 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.

\_\_\_\_\_, Trustee

By: \_\_\_\_\_  
Authorized Signature

Date of Authentication:  
\_\_\_\_\_

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of \$474,535,000 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:

<u>2002 Maturity</u>		<u>2006 Maturity</u>	
<u>Year</u> <u>(June 15)</u>	<u>Amount</u>	<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2001	\$48,250,000	2003	\$3,430,000
		2004	3,655,000
		2005	3,900,000
<u>2012 Maturity</u>		<u>2022 Maturity</u>	
<u>Year</u> <u>(June 15)</u>	<u>Amount</u>	<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
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
		2018	9,135,000
		2019	9,760,000
		2020	10,420,000
		2021	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 Redemption

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

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: \_\_\_\_\_

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. 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 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 WHATSOEVER. OBLIGES 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, 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 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 FICA 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:

<u>Maturity</u>		<u>Maturity</u>	
<u>Year</u> <u>(June 15)</u>	<u>Amount</u>	<u>Year</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 FICA 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.



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**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 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 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. OBLIGES 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

\_\_\_\_\_  
(Assistant) 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

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2009	\$2,160,000
2010	2,280,000
2011	2,400,000
2012	2,520,000
2013*	2,640,000

1993A Uninsured Term Bonds  
Maturing June 15, 2013

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2009	\$4,665,000
2010	4,885,000
2011	5,125,000
2012	5,380,000
2013*	5,655,000

1993A Insured Term Bonds  
Maturing June 15, 2022

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
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

\* Maturity

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).



#### 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. 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 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.

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**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 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 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. 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 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. OBLIGEEES 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:

<u>2014 Maturity</u>		<u>2021 Maturity</u>	
<u>Year</u> <u>(June 15)</u>	<u>Amount</u>	<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
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	2019	8,165,000
		2020	8,715,000
		2021*	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

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: \_\_\_\_\_

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 B

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

DEFICIT FUND

REQUISITION

[Name of Trustee]  
Trustee under [Insert  
designation of Indenture]  
Philadelphia, Pennsylvania

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 Philadelphia  
Name of Bank:  
Account No.:

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 COOPERATION AUTHORITY**

**CAPITAL PROJECTS FUND**

**REQUISITION**

Meridian Bank  
Trustee under Amended and Restated  
Indenture of Trust dated as of  
December 1, 1994  
Philadelphia, Pennsylvania

Requisition No. \_\_\_\_\_

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.:

Purpose: 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:

**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.

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION 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]                    |
| 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 : through 4 above is true, correct and complete as of the date of this notice.

CITY OF PHILADELPHIA

By:

Director of Finance  
or Authorized Designee

Approved:

Mayor

President of City Council

City Controller

**SCHEDULE 1**

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS**

**\$474,535,000**

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION  
AUTHORITY**

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

**\$238,490,000 Serial Bonds**

<u>Due</u> <u>(June 15)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>
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 $\frac{1}{2}$ % 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



**SCHEDULE 2**

**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**

<u>Due (June 15)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or 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%

**SCHEDULE 3**

**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**

<u>Due (June 15)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or 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	\$,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.

**SCHEDULE 4**

**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**

<u>Due (June 15)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
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

## Capital Financing Approved Section 301(a) (1) Projects

Qualified	Amount (\$ Millions)
68a 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	0.258
72e Fire Station Rehab.-engine 69	0.448
72f Fire Station Rehab.-Engine 37	0.278
72g Fire Station Rehab.-Engine 44	0.288
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
78a 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 Toilets	0.180
88b Police Stations Rehab. Female Locker Rooms	0.978
88c Police Station -8th 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 Administration Bldg.	0.205
89a House of Correction	0.750
89b Prisons-Asbestos Removal	0.500
90 Capital Program Administration	1.957
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

**Capital Financing**  
**Approved Section 301(e) (1) Projects**

Qualified	Amount (\$ Millions)
97 Citywide Radio System	1.500
99c Police/Fire Station 24 & Wolf	7.500
99a Radio Alarm System	0.020
130 Concourse Improvements	1.000
148 Veterans Stadium	11.040
149 Betsy Ross House	0.150
150 Abernethy Kent Museum	0.300
151 Robin Hood Dell East	0.200
153 Capital Program Administration	1.738
154 Improvements to Existing Buildings	3.328
155a 12th and Cambria St. Roof Renovations	0.150
155c 38th and Olive St.-Pool Improvements	0.100
155g Barrett Playground	0.150
155h Belfield Recreation Center	0.453
155j Chalfont & Deerpath Playground	0.150
155k Clematis Playground	0.200
155l Cruz Recreation Center	0.130
155m Finley Playground	0.150
155n Fishlow Recreation Center	0.080
155q Francis Myers Recreation Center	0.200
155r Francisville Playground	0.125
155s Frank Glavin Playground	0.160
155t Franklin Playground	0.184
155u Guerin Recreation Center	0.125
155v Happy Hollow Recreation Center	0.125
155w Heltzman Recreation Center	0.100
155x Herron Playground	0.207
155y Jacobs Playground	0.160
155z Jandel Recreation Center	0.123
156a Junod Playground	0.250
156b Kendrick Recreation Center	0.095
156d King Recreation Center	0.175
156e Lanier Playground	0.100
156f Lee Recreation	0.095
156g Lonnie Young Playground	0.782
156h Mantua Recreation Center	0.120
156i Marian Recreation Center	0.150
156j Max Myers Playground	0.100
156k Mcalpin Playground	0.084
156l McVeigh Recreation	0.250
156m Mitchell Playground	0.218

Capital Financing  
Approved Section 301(a) (1) Projects

Qualified	Amount
156n Morris Estate Recreation Center	0.279
156o Murphy Recreational Center	0.200
156p Olney Recreation Center	0.000
156q Palmer Recreation Center	0.411
156r Penrose Playground	0.150
156s Pizarro Playground	0.575
156t Piccoli 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 Vane Recreation Center	0.100
157c Vogt Recreation Center	0.080
157d Watertown 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-Schuykill	0.300
177b Flood Drainage-Wissahickon	0.180
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 Platted 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



**Capital Financing  
Approved Section 301(e) (1) Projects**

Qualified	Amount (\$ Millions)
184k Pennypack Park	0.100
185a Philadelphia Zoo	0.600
185b Philadelphia Zoo	0.368
188 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
198a Underground Tank Replacement	0.200
198b Northwest Sanitation Facility	0.150
198c Northeast Transfer Station	0.250
198d Automotive Shop Equipment	0.150
198e Heavy Duty Vehicle Lifts	0.250
Sub-Total-Qualified	90.273

Capital Financing  
Approved Section 301(e)(2)

Qualified	Amount (\$ 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 Station	1.370
103 - Bridge Improvement - FRA funded	0.350
104 - FRA Bridges 1991	0.158
105 - Bridge Improvement Program - FFY1988	0.390
106 - Overlook 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/VEPA mandated car modifications	0.170
119-Amtrak - Septa centralized traffic controls	0.167
120 - Wayne Junction Substation Modernization	0.021
122 - Regional Railroad Signal Modern. - Engineering	0.017
123 - RRD Engineering and Development Program	0.012
124 - Commuter Operating Facilities Modernization	0.022
129 - Regional RR - Creshelm 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	<u>31.068</u>

# Schedule 6

## Capital Financing Approved Section 301(e) (1) Projects

Qualified	Amount (\$ millions)
59 Convention Hall - Fire Alarm System	0.158
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
85 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	0.385
96 Medical Examiner's Building - Renovations - 321 University Ave.	0.300
97 Philadelphia Nursing Home - Girard and Cornhill Ave.	0.400
98 Critical Renovations - Stanton Family and Woodstock Shelters	0.180
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 Phase 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	0.080
131 Conservation of Art	0.100
149 Broad Street Subway - Emergency Renovations	0.500
172 Veterans Stadium - Critical Renovations	7.500
173 Fort Mifflin - Renovations - Old Fort Mifflin Rd.	0.150
175 Betsy Ross House - Renovations - 239 Arch St.	0.250
177 Capital Program Administration, Design and Engineering	2.388
178 Improvements to Existing Facilities - Site Renovations	5.875
179 Improvements to Existing Facilities - Building Renovations	8.000
180 Improvements to Existing Facilities - HVAC - Renovations	0.350
181 Improvements to Existing Facilities - Fire/Safety/Security Systems	0.500
182 Improvements to Existing Facilities - Swimming Pools - Renovations	0.850
183 Improvements to Existing Facilities - Court Reconstruction	0.363
184 Improvements to Existing Facilities - Outdoor Lighting and Electrical Renovations	2.330
185 Improvements to Existing Facilities - Play Area Renovations	2.400
186 Improvements to Existing Facilities - Roof Replacements	0.870
187 RURA State Grant - Various	0.170



**Capital Financing  
Approved Section 301(e) (1) Projects**

<b>Qualified</b>	<b>Amount (\$ millions)</b>
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 - Chelton Ave. and Ardleigh St.	0.135
192 Replacement Maintenance Facility - 25th and Sedgley Sts.	0.175
193 Capital Program Administration, Design and Engineering - Fairmount 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 - Various	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 RURA Grant Funding for Park Projects	0.150
204 ISTEA Grant Funding - Manayunk Canal Recreational Path Improvements	0.200
205 Platted 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 - Hentling 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 and Engineering	0.170
227 Bridge Reconstruction Program - Design and Engineering	0.073
227a Facilities Improvements - Design and Engineering	0.160
228 Federal Aid Highway Program - Improvements to Existing Streets	0.870
229 Bridge Reconstruction Program	1.633
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	0.078
237 Transit First Policy Projects	0.200
238 Reconstruction of Track Streets	0.250

**Capital Financing  
Approved Section 301(e) (1) Projects**

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

**Capital Financing  
Approved Section 301(e) (2) Projects**

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
68 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	0.698
137 City Transit Division - Lease-Purchases	1.406
138 Lease Purchase of Transit Vehicles and Facilities - Act 26	0.848
140 North Philadelphia Amtrak Station - Platform Renovations	0.045
141 Commuter Rail Facilities - Catenary Replacement - Chestnut Hill West Line	0.012
142 Regional Railroad Bridge Improvement Program	0.300
143 Railroad Facilities Improvement Program - Discretionary Grant	0.510
144 Overbrook Rail Maintenance Facility	0.600
145 Amtrak - SEPTA Centralized Traffic Control	0.287
146 FRA Mandated Speed Control Installation	0.066
147 30th Street Station - Handicapped Accessibility and Other Circulation Improv.	0.536
148 Overbrook Station - Restoration	0.020
150 Manayunk Viaduct and Bridge - Rehabilitation	0.100
151 Chestnut Street Transitway - Reconstruction and Extension	0.075
152 Wayne Junction Substation Modernization - Phase III	0.021
153 Transit Vehicle and Equipment Procurement - Act 26	0.338
154 Transit Facilities Modernization - Act 26	0.550
155 Regional Rail Station Accessibility	0.058
156 Light Rail Vehicle Purchase	0.017
157 Light Rail Vehicle Infrastructure	0.100
174 Afro-American Museum - Interior Renovations	0.250
176 Atwater Kent Museum - Renovations - 15 S. 7th St.	0.075
240 Convention Center Area - Street Widening and Reconstruction	0.600
241 Avenue of the Arts - Streetscaping Improvements - South Broad Street	1.200
243 26th Street Gateway Improvements	0.100
<b>Subtotal Qualified 301(e)(2)</b>	<b>23.698</b>
<b>Total Qualified</b>	<b>198.499</b>



# SCHEDULE 7

## Capital Financing Approved Section 301(a)(1) Emergency Projects

Qualified Line No.		Amount (\$ 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	0.738
107	Park Facilities Structural Renovations	0.790
108	Flood Drainage and Trail Improvements	1.350
109	Falmouth 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	Asbestos Abatement - City-Wide	0.750
180	Germantown Hall	0.175
196	Market Street East	0.850
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	0.047
208	Reading Trunk Line-Systems Improvements	0.047
209	Station Accessibility Program	0.057
210	Regional Rail Division Bridge Improvement Program	0.117
211	Light Rail Vehicle Purchase	0.100
212	Light Rail Vehicle Infrastructure	0.266
213	Broad St. Subway Emergency Renovations	0.500
214	Regional Rail Division	0.283
215	City Transit Division	0.641
216	Lease - Purchase of Vehicle and Facilities	1.157
217	Vehicle and Equipment Procurement	0.334
218	Lease - Purchase of Vehicles and Facilities	0.550
219	Vehicle and Equipment Procurement	1.261
220	Rail and Transit Facilities	0.110
221	Lease - Purchase of Vehicle and Facilities	0.550
222	Rail and Transit Facilities Modernization	0.110
245	Veterans Stadium	6.422
246	Capital Program Administration	2.396
247	Improvements to Existing Facilities-HVAC	1.000
248	Improvements to Existing Facilities-Site Improvements	2.625
249	Improvements to Existing Facilities-Bldg. Improvements	1.050
250	Improvements to Existing Facilities-Outdoor Lights	0.950
251	Improvements to Existing Facilities-Play Areas	1.500
252	Improvements to Existing Facilities-Roof Replacement	0.750
253	Improvements to Existing Facilities-Court Reconstruction	0.500
254	Improvements to Existing Facilities-Pool Renovations	0.500
255	Improvements to Existing Facilities-Safety/Security	0.200
261	Bridge Reconstruction Program	0.084
262	Bridge Reconstruction Program Design and Engineering	0.079
263	Federal Aid Highway Program	1.762
264	Federal Aid Highway - Design and Engineering	0.229
266	Reconstruction and Resurfacing of Streets	16.000
267	Ramps for the Disabled	0.400
268	Street Lighting Replacement	0.750
269	Traffic Signals, Control Devices	0.500
270	Street Name Signs	0.075
272	Traffic Engineering Shop	0.050
281	Sanitation Facilities	0.276
292	Philadelphia Zoo - Critical Renovations	0.810
293	Philadelphia Zoo - Handicapped Access	0.100
294	Philadelphia Zoo - Utility Replacement	0.250
295	Philadelphia Zoo - HVAC	0.250
	Sub - Total Qualified - Section 301(e)(1)	<u>89.667</u>

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

<u>Qualified</u>	<u>Amount</u>
Line No.	(\$ Millions)
92 Convention Center Area Renewal	8.000
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	0.608
199 Railroad Facility Improvement Program FY88	0.538
203 Overbrook Station Renovations	0.080
204 Regional Rail Division Grade	<u>0.032</u>
Sub - Total Qualified - Section 301(e)(2)	<u>17.108</u>
Total FY85 PICA Funded Capital Projects	<u><u>106.773</u></u>



# SCHEDULE B

## SUMMARY OF BONDS REFUNDED

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

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Series of 1977 Dated 6/15/77:					
SERIALS	6/15/1983	7.400%	2,440,000.00	6/15/1983	100.500
SERIALS	6/15/1986	7.400%	2,440,000.00	6/15/1983	100.750
SERIALS	6/15/1987	7.500%	2,440,000.00	6/15/1983	101.000
SERIALS	6/15/1988	7.500%	2,440,000.00	6/15/1983	101.250
SERIALS	6/15/1989	7.500%	2,440,000.00	6/15/1983	101.500
SERIALS	6/15/2000	7.500%	2,440,000.00	6/15/1983	101.750
SERIALS	6/15/2001	7.500%	2,440,000.00	6/15/1983	102.000
SERIALS	6/15/2002	7.400%	2,440,000.00	6/15/1983	102.250
			18,410,000.00		
Series of 1978 (#82, #83) Dated 2/1/78:					
SERIALS	2/01/1984	7.300%	3,145,000.00	2/01/1984	100.750
SERIALS	2/01/1987	7.300%	3,145,000.00	2/01/1984	101.000
SERIALS	2/01/1988	7.300%	3,145,000.00	2/01/1984	101.250
SERIALS	2/01/1989	7.350%	3,145,000.00	2/01/1984	101.500
SERIALS	2/01/2000	7.350%	3,145,000.00	2/01/1984	101.750
SERIALS	2/01/2001	7.350%	3,145,000.00	2/01/1984	102.000
SERIALS	2/01/2002	7.250%	3,150,000.00	2/01/1984	102.250
SERIALS	2/01/2003	7.250%	3,150,000.00	2/01/1984	102.500
			25,170,000.00		
Series of 1978A (#91) Dated 2/1/78:					
SERIALS	2/01/1988	7.500%	1,370,000.00	2/01/1984	100.500
SERIALS	2/01/1987	7.500%	1,470,000.00	2/01/1984	100.750
SERIALS	2/01/1988	7.500%	1,540,000.00	2/01/1984	101.000
SERIALS	2/01/1989	7.500%	1,700,000.00	2/01/1984	101.250
SERIALS	2/01/2000	7.500%	1,830,000.00	2/01/1984	101.500
SERIALS	2/01/2001	7.500%	1,895,000.00	2/01/1984	101.750
SERIALS	2/01/2002	7.500%	2,115,000.00	2/01/1984	102.000
SERIALS	2/01/2003	7.500%	2,270,000.00	2/01/1984	102.250
SERIALS	2/01/2004	7.500%	2,440,000.00	2/01/1984	102.500
SERIALS	2/01/2005	7.500%	2,620,000.00	2/01/1984	102.500
SERIALS	2/01/2006	7.500%	2,620,000.00	2/01/1984	102.500
SERIALS	2/01/2007	7.500%	3,035,000.00	2/01/1984	102.500
SERIALS	2/01/2008	7.500%	3,280,000.00	2/01/1984	102.500
SERIALS	2/01/2009	7.500%	3,305,000.00	2/01/1984	102.500
			31,885,000.00		
Series of 1978B (#88-88) Dated 1/1/78:					
SERIALS	1/01/1988	7.500%	885,000.00	1/01/1984	100.500
SERIALS	1/01/1987	7.500%	885,000.00	1/01/1984	100.750
SERIALS	1/01/1988	7.500%	885,000.00	1/01/1984	101.000
SERIALS	1/01/1989	7.500%	885,000.00	1/01/1984	101.250
SERIALS	1/01/2000	7.500%	885,000.00	1/01/1984	101.500
SERIALS	1/01/2001	7.500%	885,000.00	1/01/1984	101.750
SERIALS	1/01/2002	7.500%	885,000.00	1/01/1984	102.000
SERIALS	1/01/2003	7.500%	885,000.00	1/01/1984	102.250
SERIALS	1/01/2004	7.500%	885,000.00	1/01/1984	102.500
			8,885,000.00		
Series of 1988 Dated 6/1/88:					
OUTERM	2/15/2005	8.250%	15,340,000.00	2/15/1988	102.000
OUTERM	2/15/2006	8.250%	28,280,000.00	2/15/1988	102.000

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

Qualified		
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 Capital Projects		-

Out  
 (In)  
 .000  
 .000  
 .567  
 .233  
 .608  
 .588  
 .060  
 .032  
 .106  
 .773

# SCHEDULE B

## SUMMARY OF BONDS REFUNDING

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

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Series of 1977 Dated 8/15/77:					
SERIALS	8/15/1988	7.400%	2,440,000.00	8/15/1993	100.300
SERIALS	8/15/1988	7.400%	2,440,000.00	8/15/1993	100.750
SERIALS	8/15/1987	7.500%	2,440,000.00	8/15/1993	101.000
SERIALS	8/15/1988	7.500%	2,440,000.00	8/15/1993	101.250
SERIALS	8/15/1989	7.500%	2,440,000.00	8/15/1993	101.500
SERIALS	8/15/2000	7.500%	2,440,000.00	8/15/1993	101.750
SERIALS	8/15/2001	7.500%	2,440,000.00	8/15/1993	102.000
SERIALS	8/15/2002	7.500%	2,440,000.00	8/15/1993	102.250
			18,820,000.00		
Series of 1978 (982,983) Dated 2/1/78:					
SERIALS	2/01/1988	7.100%	3,145,000.00	2/01/1994	100.750
SERIALS	2/01/1987	7.200%	3,145,000.00	2/01/1994	101.000
SERIALS	2/01/1988	7.200%	3,145,000.00	2/01/1994	101.250
SERIALS	2/01/1988	7.250%	3,145,000.00	2/01/1994	101.500
SERIALS	2/01/2000	7.250%	3,145,000.00	2/01/1994	101.750
SERIALS	2/01/2001	7.250%	3,145,000.00	2/01/1994	102.000
SERIALS	2/01/2002	7.250%	3,145,000.00	2/01/1994	102.250
SERIALS	2/01/2003	7.250%	3,145,000.00	2/01/1994	102.500
			25,170,000.00		
Series of 1979a (991) Dated 2/1/79:					
SERIALS	2/01/1988	7.500%	1,370,000.00	2/01/1994	100.500
SERIALS	2/01/1987	7.500%	1,470,000.00	2/01/1994	100.750
SERIALS	2/01/1988	7.500%	1,580,000.00	2/01/1994	101.000
SERIALS	2/01/1988	7.500%	1,700,000.00	2/01/1994	101.250
SERIALS	2/01/2000	7.500%	1,830,000.00	2/01/1994	101.500
SERIALS	2/01/2001	7.500%	1,895,000.00	2/01/1994	101.750
SERIALS	2/01/2002	7.500%	2,115,000.00	2/01/1994	102.000
SERIALS	2/01/2003	7.500%	2,270,000.00	2/01/1994	102.250
SERIALS	2/01/2004	7.500%	2,440,000.00	2/01/1994	102.500
SERIALS	2/01/2005	7.500%	2,825,000.00	2/01/1994	103.000
SERIALS	2/01/2006	7.500%	2,820,000.00	2/01/1994	102.500
SERIALS	2/01/2007	7.500%	3,035,000.00	2/01/1994	102.500
SERIALS	2/01/2008	7.500%	3,290,000.00	2/01/1994	102.500
SERIALS	2/01/2009	7.500%	3,505,000.00	2/01/1994	102.500
			31,385,000.00		
Series of 1979b (988-992) Dated 1/1/79:					
SERIALS	1/01/1988	7.500%	885,000.00	1/01/1994	100.500
SERIALS	1/01/1987	7.500%	885,000.00	1/01/1994	100.750
SERIALS	1/01/1988	7.500%	885,000.00	1/01/1994	101.000
SERIALS	1/01/1989	7.500%	885,000.00	1/01/1994	101.250
SERIALS	1/01/2000	7.500%	885,000.00	1/01/1994	101.500
SERIALS	1/01/2001	7.500%	885,000.00	1/01/1994	101.750
SERIALS	1/01/2002	7.500%	885,000.00	1/01/1994	102.000
SERIALS	1/01/2003	7.500%	885,000.00	1/01/1994	102.250
SERIALS	1/01/2004	7.500%	885,000.00	1/01/1994	102.500
			8,885,000.00		
Series of 1988 Dated 5/1/88:					
OUTSTANDING	5/15/2003	8.250%	15,540,000.00	2/15/1998	102.000
OUTSTANDING	2/15/2008	8.350%	28,280,000.00	2/15/1998	102.000



**SUMMARY OF BONDS REFUNDING**

**City of Philadelphia General Obligation Bonds  
Fiscal City G.O. Refunding**

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
OTERM	2/15/2007	8.250%	22,478,000.00	2/15/1996	102.000
OTERM	2/15/2008	8.250%	12,758,000.00	2/15/1998	102.000
OTERM	2/15/2009	8.250%	8,780,000.00	2/15/1996	102.000
			<u>80,316,000.00</u>		
Series of 1996a (P96) Dated 6/1/96:					
OTERM	6/01/2002	7.800%	3,145,000.00	6/01/1996	102.000
OTERM	6/01/2003	7.800%	3,345,000.00	6/01/1998	102.000
OTERM	6/01/2004	7.800%	3,640,000.00	6/01/1999	102.000
OTERM	6/01/2005	7.800%	3,820,000.00	6/01/1999	102.000
OTERM	6/01/2006	7.800%	4,215,000.00	6/01/1998	102.000
OTERM	6/01/2007	7.825%	4,835,000.00	6/01/1998	102.000
OTERM	6/01/2008	7.825%	4,885,000.00	6/01/1998	102.000
OTERM	6/01/2009	7.825%	5,255,000.00	6/01/1998	102.000
OTERM	6/01/2010	7.825%	5,855,000.00	6/01/1998	102.000
OTERM	6/01/2011	7.825%	6,085,000.00	6/01/1998	102.000
OTERM	6/01/2012	7.825%	6,555,000.00	6/01/1998	102.000
OTERM	6/01/2013	7.825%	7,050,000.00	6/01/1998	102.000
OTERM	6/01/2014	7.825%	7,585,000.00	6/01/1998	102.000
OTERM	6/01/2015	7.825%	8,145,000.00	6/01/1998	102.000
OTERM	6/01/2016	7.825%	8,780,000.00	6/01/1998	102.000
			<u>82,835,000.00</u>		
Series of 1997a (P97) Dated 7/1/97:					
OTERM	6/01/2001	8.100%	2,280,000.00	6/01/1997	102.000
OTERM	6/01/2002	8.100%	2,480,000.00	6/01/1997	102.000
OTERM	6/01/2003	8.100%	2,880,000.00	6/01/1997	102.000
OTERM	6/01/2004	8.100%	2,820,000.00	6/01/1997	102.000
OTERM	6/01/2005	8.100%	3,185,000.00	6/01/1997	102.000
OTERM	6/01/2006	8.100%	3,425,000.00	6/01/1997	102.000
OTERM	6/01/2007	8.100%	3,720,000.00	6/01/1997	102.000
OTERM	6/01/2008	8.125%	4,025,000.00	6/01/1997	102.000
OTERM	6/01/2009	8.125%	4,380,000.00	6/01/1997	102.000
OTERM	6/01/2010	8.125%	4,750,000.00	6/01/1997	102.000
OTERM	6/01/2011	8.125%	5,150,000.00	6/01/1997	102.000
OTERM	6/01/2012	8.125%	5,580,000.00	6/01/1997	102.000
OTERM	6/01/2013	8.125%	6,060,000.00	6/01/1997	102.000
OTERM	6/01/2014	8.125%	6,575,000.00	6/01/1997	102.000
OTERM	6/01/2015	8.125%	7,130,000.00	6/01/1997	102.000
OTERM	6/01/2016	8.125%	7,735,000.00	6/01/1997	102.000
OTERM	6/01/2017	8.125%	8,380,000.00	6/01/1997	102.000
			<u>80,485,000.00</u>		
			<u>338,326,000.00</u>		

**SUMMARY OF REFUNDING RESULTS**  
**CITY of Philadelphia General Obligation Bonds**  
**Final City G.O. Refunding**

Dated Date	7/15/1993
Delivery Date	7/26/1993
Arbitrage yield	8.802802%
Excess yield	-
Bond Par amount	325,800,000.00
True Interest Cost	6.885180%
Net Interest Cost	6.808706%
Average Coupon	8.384109%
Average Life	14.585
Par amount of refunded bonds	338,325,000.00
Average coupon of refunded bonds	7.308107%
Average life of refunded bonds	14.044
PV of prior debt to 7/26/1993 @ 8.802802%	420,281,713.45
Net PV Savings	34,772,418.89
Percentage savings of refunded bonds	10.338834%
Percentage savings of refunding bonds	8.788782%

0.00145  
6

**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"),

W I T N E S S E T H:

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, *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, 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 Supplemental Indenture of Trust. This First Supplement to the Amended and Restated Indenture is supplemental to the Amended and Restated Indenture.

Section 1.02 Authority for this First Supplement to the Amended and Restated Indenture. 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	Amended and Restated Indenture
1996 Bonds	1996 Refunding
First Supplement to the	Escrow Deposit Agreement
Amended and Restated Indenture	

"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 Authorization of 1996 Bonds. The 1996 Bonds are authorized to be issued in an aggregate principal amount of \$343,030,000.

Section 2.02 Description of 1996 Bonds.

(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 Delivery of the 1996 Bonds and Disposition of Proceeds Thereof.

(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.

(c) The Authority and the Trustee may treat 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.

(g) 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 Debt Service Fund.

(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)	Amount	Year (June 15)	Amount
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 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 Credit Facility for the Debt Service Reserve 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 Amendment of Section 2.11. 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 the 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 Amendment of Section 4.12. 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 Amendment of Section 5.04. 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 Amendment of Section 5.07. 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 Amendment of Section 5.10. 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 Amendment of Section 6.01. 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 Amendment of Section 6.02. 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 Amendment of Article VII. 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 Amendment of Section 8.01. 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 Amendment of Section 8.02. Section 8.02 of the Amended and Restated Indenture is amended as follows:

In the fifth line of Section 8.02, 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. Amendment of Section 10.02. 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 Amendment of Section 11.07. 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 Amendment of Section 11.10. 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

Section 5.01 Indenture to Remain in Effect. Except as 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 Counterparts. 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 Governing Law. 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 Captions. 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: Charisse R. Gillie  
Title: (Vice) Chairperson

Attest:

By: [Signature]  
Title: Secretary

[SEAL]

MERIDIAN BANK, as Trustee

By: LSA  
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 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 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 TAKING 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. OBLIGES 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 June 15, 2016		Maturity June 15, 2020	
Year (June 15)	Amount	Year (June 15)	Amount
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. 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 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:

\_\_\_\_\_



#### 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

Re: \$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 dated as of May 15, 1996 (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

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.

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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: \_\_\_\_\_

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**

<u>Due*</u> <u>(June 15)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <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	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%

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**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", and together with the Existing 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

1. Except as provided in this Second 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, 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:

1999 Bonds	Escrow Agent
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.

(c) 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 June 15, 2021		1999 Term Bonds Maturing June 15, 2023	
Year (June 15)	Amount	Year (June 15)	Amount
2020	\$16,940,000	2022	\$18,675,000
2021*	17,785,000	2023*	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:

"(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 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, equal 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 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 4.09 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.

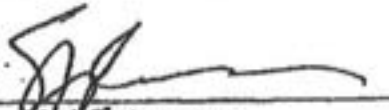


IN WITNESS WHEREOF, the Authority has caused this Second Supplement to the Amended and Restated Indenture to be executed in its name and with its official seal hereto affixed and attested by its duly authorized officials and the Trustee has caused this Second Supplement to the Amended and Restated Indenture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

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By   
Secretary  
[SEAL]

By   
(Vice) Chairperson

FIRST UNION NATIONAL BANK, as Trustee

By   
Authorized Signatory

[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			
<u>Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
%	June 15,	April 1, 1999	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 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 1999 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVE AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEE 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 (June 15)	Amount	Year (June 15)	Amount
2020	\$16,940,000	2022	\$18,675,000
2021*	17,785,000	2023*	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

By \_\_\_\_\_  
Secretary  
[SEAL]

By \_\_\_\_\_  
(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 Steveris & 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 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:

**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**

**\$610,000,000**

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**

**SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)  
SERIES OF 1999**

<u>DUE</u> <u>JUNE 15</u>	<u>AMOUNT</u>	<u>INTEREST</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



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**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 1, 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

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.

## **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.

**"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 restated 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 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 (15<sup>th</sup>) 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

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)(i) 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;

(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 (15<sup>th</sup>) 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 (15<sup>th</sup>) 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.

## **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-1 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 (10<sup>th</sup>) 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.

(f) 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



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.

**Bank Bonds.** 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.

**Conversions.** 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.

**SECTION 203. VARIABLE RATES; CONVERSIONS TO VARIABLE RATE PERIODS**

(a) Determination by Remarketing Agent; Notice of Rates Determined. 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) Daily Rates and Weekly Rates. 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) Term Rates. 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) Conversions between Variable Rate Periods. 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) Conversions from Flexible Rate Periods. 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) Flexible Rates. 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) Conversions to Flexible Rate Periods. 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 15<sup>th</sup> 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.

(c) In the event the Authority determines that it is in its best interest to 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) Daily Rate Period. 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) Weekly Rate Period. 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) Term Rate Period. 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) Notice by Tender Agent of Bonds to be Remarketed. 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) Notice of Remarketing: Purchases Under Liquidity Facility. 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:

(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 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.

(ii) Information Concerning Purchasers. 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 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.

(vi) 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) Repurchase Dates. 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) Bonds to be Remarketed. 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.

(c) 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) Purchase of Tendered Bonds; Notice of Remarketing; Purchases Under Liquidity Facility. 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) Information Concerning Purchasers. 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) Payments by the Tender Agent. 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) Delivery of Bonds; Effect of Failure to Surrender Bonds. 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 (a)(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) Variable Rate Conversions. 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) Flexible Rate Conversions. 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) Notice to Bondholders. 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) Purchase of Tendered Bonds. 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)(iv) 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) Proposed Fixed Rate Conversion Date. 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) Substitution of the Liquidity Facility with an Alternate Liquidity Facility.

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) No Renewal Liquidity Facility.

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) Default under the Liquidity Facility.

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) Notice to Bondholders. 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) Remarketing. 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) Purchase of Tendered Bonds. 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 purchases 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) Establishment of Bond Purchase Fund and Accounts. 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) Liquidity Facility Purchase Account. 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) Application of Bond Purchase Fund. 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) Draws on Liquidity Facility. 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) Maintenance of Liquidity Facility. 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.

(c) 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.

(d) 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.

(n) Surrender of Liquidity Facility. 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.

(o) Transfer of Liquidity Facility. 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.

(p) Terms of Initial Liquidity Facility. 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 principal of 2003 Bonds and (b) an amount not exceeding the Interest Portion for payment of the portion of the purchase price of such Tendered Bonds corresponding to accrued interest.

(q) Terms of Liquidity Facility. 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 this 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) Flexible Rate Period or a Variable Rate Period. 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) Term Rate Period. 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:

<u>Length of Term Rate Period</u>	<u>Commencement of Redemption Period</u>
Greater than or equal to 15 years	10 <sup>th</sup> Anniversary of the commencement of the Term Rate Period
Less than 15 years and greater than or equal to 10 years	8 <sup>th</sup> Anniversary of the commencement of the Term Rate Period
Less than 10 years and greater than or equal to 8 years	6 <sup>th</sup> 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) Fixed Rate. 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:

<u>Length of Fixed Rate Period</u>	<u>Commencement of Redemption Period</u>
Greater than or equal to 15 years	10 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 15 years and greater than or equal to 10 years	8 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 <sup>th</sup> 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) Special Optional Redemption. 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) Mandatory Sinking Fund Redemption. 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.

<u>Redemption Date (June 15)</u>	<u>Principal Amount</u>	<u>Redemption Date (June 15)</u>	<u>Principal Amount</u>
2004	\$5,460,000	2013	\$ 8,420,000
2005	5,720,000	2014	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

(a) 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 ipso facto 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 June 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 from 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

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 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 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.

(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 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

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;"

(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:

(a) 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(a), 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 Ratio, 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., 14<sup>th</sup> Floor  
Philadelphia, PA 19102

**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:

JPMORGAN 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

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-1" 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-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 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

(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 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

By: Joseph C. Vining  
Assistant Secretary  
[SEAL]

By: Rick Koe  
Chairperson

WACHOVIA BANK, NATIONAL  
ASSOCIATION, as Trustee

By: Frank Distenfeld  
Authorized Signatory

[SEAL]

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**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, 2008

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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 8, 2001, the Authority and JPMorgan Chase Bank, as Counterparty (the "Swap Counterparty"), entered into a \$89,960,000 notional amount interest rate swap transaction relating to the 1996 Bonds, as amended and restated pursuant to that certain Swap Confirmation (REVISION) dated June 9, 2006 amending the notional amounts subject thereto (the "Swap 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 \$166,550,000 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 Swap 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

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, shall have the same meanings, respectively, in this Fourth 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 2008 Bonds) and by adding the following definitions with respect to the 2008 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 2008 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 2008 Bonds bear interest at a Variable Rate or a Flexible Rate such 2008 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 2008 Bonds for any ARS Interest Period.

**"ARS"** means, on any date, the 2008 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 2008 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 2008 Bonds begin to bear interest at 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

and including the next succeeding day which is followed by a Business Day); provided, however, that the Initial Auction Period with respect to the 2008 Bonds shall begin on and include the Closing Date, and that in the event of a Conversion of the 2008 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 2008 Bonds, the financial guaranty insurance policy issued by the Bond Insurer insuring payment when due of the principal of and interest on the 2008 Bonds as provided therein.

**"Bond Insurer"** means, with respect to the 2008 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 2008 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 2008 Bonds to the Underwriter against payment therefor.

**"Conversion"** means a conversion of the 2008 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 2008 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.

**"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 2008 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 2008 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 2008 Bonds in such interest mode.

**"Interest Coverage Rate"** means the rate which is used to determine the Interest Component and shall be specified for 2008 Bonds bearing interest in each subsequent mode by the Remarketing Agent in writing to the Trustee at the time such 2008 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 2008 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 (15<sup>th</sup>) 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<sup>th</sup> or December 15<sup>th</sup> 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 2008 Bonds called for redemption, the applicable redemption date.

**"Interest Period"** means, for each 2008 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 Teletype 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 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 to purchase 2006 Bonds, other than ARS tendered for purchase, as provided in the Indenture, except for:

- (g) an extension of the Stated Expiration Date;
- (h) an increase or decrease in the Interest Coverage Rate or the Interest Coverage Period;
- (i) an increase or decrease in the Interest Component;
- (j) 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
- (l) 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 (15<sup>th</sup>) 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 (15<sup>th</sup>) 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 (10<sup>th</sup>) 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.

(f) 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 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 (2) the Variable Rate. During the Fixed Rate Period, the 2006 Bonds shall bear interest at a Fixed Rate.

Bank Bonds. 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 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) Determination by Remarketing Agent; Notice of Rates Determined. 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;

(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) Daily Rates and Weekly Rates. 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) Term Rates. 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) Conversions to Variable Rate Periods. 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) Conversions between Variable 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 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.

(iii) 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.

(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.

(f) 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:

(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 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.

(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 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



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) Flexible Rates. 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) Conversions to Flexible Rate Periods. 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 (f) 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 15<sup>th</sup> 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.

(b) 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



"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.

(c) 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 \$88,980,000, 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 (a) 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) 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.

(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) Computation of Interest Distributable on ARS. 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



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.**

(a) 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 Owners. 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

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 2008 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) 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 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) Conditions Precedent. 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.**

(a) Conversion to Applicable ARS Rate. Subject to Sections 203, 204 and 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) 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 of subsection (b) below:

(i) Daily Rate Period. 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) Weekly Rate Period. 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) Term Rate Period. 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) Notice by Tender Agent of Bonds to be Remarketed. 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 2008 Bonds except ARS (or promptly upon such receipt on the Optional Tender Date in the case of 2008 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 2008 Bonds or portions thereof (except ARS) properly tendered. The Remarketing Agent shall cause the Tender Price specified in subsection (a) above for the 2008 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 2008 Bonds during Term Rate Periods. Notwithstanding the foregoing, the Remarketing Agent shall not offer for sale any 2008 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 2008 Bonds as described in the conversion notice from the Tender Agent to the Bondholders.

(e) Purchase of Tendered Bonds.

(i) Notice of Remarketing; Purchases Under Liquidity Facility. The following Immediate Notices shall be given with respect to the remarketing of Tendered Bonds and the amount of 2008 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) Information Concerning Purchasers. 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 308.

(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.

(vi) 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) Repurchase Dates. 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) Bonds to be Remarketed. 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.

(c) 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

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) Purchase of Tendered Bonds; Notice of Remarketing; Purchases Under Liquidity Facility. 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:

(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 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) Information Concerning Purchasers. 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) Payments by the Tender Agent. 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) Registration and Delivery of Tendered or Purchased Bonds. 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) Delivery of Bonds; Effect of Failure to Surrender Bonds. 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) Variable Rate Conversions. 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) Flexible Rate Conversions. 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) ARS Conversions. 2008 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) Notice to Bondholders. 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 2008 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 2008 Bonds are to be tendered for purchase.

Whenever the 2008 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 2008 Bonds shall not affect the validity of any interest rate on any 2008 Bonds or extend the period for tendering any of the 2008 Bonds for purchase and the Trustee shall not be liable to any 2008 Bondholder by reason of any such failure or defect.

(e) Remarketing. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2008 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) Purchase of Tendered Bonds. The provisions of Section 301(e) regarding purchases of 2008 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 2008 Bonds during Daily Rate Periods shall be applicable only to 2008 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 2008 Bonds shall specify the Flexible Rates and Interest Periods for such 2008 Bonds; and

(iii) the deliveries of 2008 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 2008 Bonds during a Term Rate Period).

The provisions of Section 302(d) regarding purchases of 2008 Bonds shall apply to tenders pursuant to this Section 303 with respect to 2008 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) **Proposed Fixed Rate Conversion Date.** The 2008 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 2008 Bonds (other than Bank Bonds and 2008 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) **No Renewal Liquidity Facility.** The 2008 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) **Default under the Liquidity Facility.** The 2008 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 (2) 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) **Notice to Bondholders.** 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 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.

(c) 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.

(d) 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:

(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 disregarded;

(ii) 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

(iii) 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

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**

(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 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.

(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 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**

(a) 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



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) 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) Liquidity Facility Purchase Account. 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) Application of Bond Purchase Fund. 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) Draws on Liquidity Facility. 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) Maintenance of Liquidity Facility. 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.

(c) 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.

(d) 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) **Surrender of Liquidity Facility.** 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) **Transfer of Liquidity Facility.** 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) **Reserved.**

(h) **Terms of Liquidity Facility.** 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 2008 Bonds bearing interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period, 34 days;

(v) with respect to 2008 Bonds bearing interest at a Variable Rate for a Term Rate Period, 183 days;

(vi) with respect to 2008 Bonds bearing interest at a Flexible Rate, 270 days; or

(vii) with respect to 2008 Bonds generally, such other number of days then required by any Rating Agency to obtain or maintain an Investment grade rating on the 2008 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 2008 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 2008 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 2008 Bonds or release of such 2008 Bonds by the Bank, the Bank shall be entitled to receive all payments of principal of and interest on Bank Bonds and such 2008 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 2008 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 2008 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 2008 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) ARS Interest Rate Period. 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) Flexible Rate Period or a Variable Rate Period. 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) Term Rate Period. 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 <sup>th</sup> Anniversary of the commencement of the Term Rate Period
Less than 15 years and greater than or equal to 10 years	8 <sup>th</sup> Anniversary of the commencement of the Term Rate Period
Less than 10 years and greater than or equal to 8 years	6 <sup>th</sup> 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) Fixed Rate. 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 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 15 years and greater than or equal to 10 years	8 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 <sup>th</sup> 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) 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.

(c) 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	\$ 8,450,000
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*	8,800,000

\* Final Maturity

Notwithstanding the foregoing, so long as the 2006 Bonds are ARS, if any June 15<sup>th</sup> 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<sup>th</sup>. 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**

(a) Except as hereinafter provided, 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 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

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.

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 ipso facto 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 15<sup>th</sup> 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 (1<sup>st</sup>) 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.

(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 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 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 therefore 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 or 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 16 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:

"(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



"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 2008 Bonds absent a default by the Bond Insurer under the applicable Bond Insurance Policy insuring such 2008 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:

**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 Restated 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).

(n) With respect to 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 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:

(i) 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".

(ii) 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:

"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., 14<sup>th</sup> Floor  
Philadelphia, PA 19102

To the Trustee:

Wachovia Bank, National Association  
123 South Broad Street  
11<sup>th</sup> 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  
11<sup>th</sup> 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	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 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 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. Notices and Information to be Provided to the Bond Insurer. 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 2008 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 2008 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 2008 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 2008 Bonds:

**"Section 11.16. Valuation of Investment Securities.** 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

By:   
Assistant Secretary  
[SEAL]

By:   
(Vice) Chairperson

WACHOVIA BANK,  
NATIONAL ASSOCIATION,  
as Trustee

By:   
Authorized Signatory

[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**

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**FIFTH SUPPLEMENT TO THE AMENDED AND  
RESTATED INDENTURE OF TRUST**

between

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Dated as of May 1, 2008

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**FIFTH SUPPLEMENT TO THE AMENDED AND RESTATED  
INDENTURE OF TRUST**

THIS FIFTH SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST, dated as of May 1, 2008, 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 **U.S. BANK NATIONAL ASSOCIATION** (the "Trustee"), 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 16, 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, Wachovia Bank, National Association has 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," between the Authority and Wachovia Bank, National Association, as Trustee, the Authority issued \$185,550,000 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, pursuant to the 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 Amended and Restated Indenture, 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, the "Existing Indenture") the Authority issued \$89,950,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program) Series of 2006 (Auction Rate Securities) (the "2006 Bonds"), to (i) pay the costs of currently refunding the outstanding 1996 Bonds, and (ii) pay the costs of obtaining credit enhancement for such 2006 Bonds (the "2006 Refunding"); and

WHEREAS, the Authority has determined to issue and sell Additional Bonds to (i) pay the costs of currently refunding of the 2003 Bonds, (ii) pay the costs of currently refunding the 2006 Bonds, and (iii) pay the costs of obtaining credit enhancement for and the costs of issuing such Additional Bonds (the "2008 Refunding"); and



WHEREAS, by Resolutions adopted on March 18, 2008, the Authority determined to issue and sell its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2008A, (the "2008A Bonds") and its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2008B (the "2008B Bonds" and together with the 2008A Bonds, the "2008 Bonds") for the purpose of financing, together with other available funds, the 2008 Refunding pursuant to the terms of this Fifth Supplement to the Amended and Restated Indenture (the "Fifth Supplement to the Amended and Restated Indenture", and together with the Existing Indenture, the "Indenture"); and

WHEREAS, U.S. Bank National Association has succeeded Wachovia Bank, National Association as Trustee under the Indenture; and

WHEREAS, the 2008A Bonds are to be substantially in the form attached hereto as Exhibit A-1 and the 2008B Bonds are to be substantially in the form attached hereto as Exhibit A-2; and

WHEREAS, in order to accomplish the current refunding of the outstanding 2003 Bonds and the 2006 Bonds, the Authority shall direct the Trustee: (i) to deposit into the 2003 Bonds account of the Debt Service Fund proceeds of the 2008A Bonds in amounts which, when added to certain funds held by the Trustee for the benefit of the 2003 Bonds and other available funds, will be sufficient to (a) pay the maturing principal of and interest on the 2003 Bonds through and including May 15, 2008, and (b) pay on May 15, 2008, the redemption price of all outstanding 2003 Bonds, which have been called for redemption on May 15, 2008; and (ii) to deposit into the 2006 Bonds account of the Debt Service Fund proceeds of the 2008B Bonds in amounts which, when added to certain funds held by the Trustee for the benefit of the 2006 Bonds and other available funds, will be sufficient to (a) pay the maturing principal of and interest on the 2006 Bonds through and including May 15, 2008, and (b) pay on May 15, 2008, the redemption price of all outstanding 2006 Bonds, which have been called for redemption on May 15, 2008; and

WHEREAS, the execution and delivery of this Fifth Supplement to the Amended and Restated Indenture and the 2008 Bonds have been duly authorized and all things necessary to make the 2008 Bonds, when executed by the Authority and authenticated by the Trustee, valid and binding legal obligations of the Authority and to make this Fifth Supplement to the Amended and Restated Indenture of Trust a valid and binding agreement have been done; and

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

That, in order to secure the principal of and interest and premium, if any, on the 2008 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 2008 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 Fifth 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 2008 Bonds.

#### ARTICLE I AUTHORITY AND DEFINITIONS

##### Section 101. SUPPLEMENTAL INDENTURE OF TRUST

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

**Section 102. AUTHORITY FOR THIS FIFTH SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE**

This Fifth 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 Fifth 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, the Third Supplement to the Amended and Restated Indenture, and the Fourth Supplement to the Amended and Restated Indenture shall have the same meanings, respectively, in this Fifth 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, the Third Supplement to the Amended and Restated Indenture and the Fourth 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, the Third Supplement to the Amended and Restated Indenture, and the Fourth 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 2008 Bonds) and by adding the following definitions with respect to the 2008 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 any series of 2008 Bonds delivered or deemed delivered in accordance with Article III of this Fifth Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"); provided that at all times while any series of the 2008 Bonds bear interest at a Variable Rate or a Flexible Rate such series of 2008 Bonds (other than Bank Bonds) shall be entitled to liquidity support and a Liquidity Facility shall be required. Any material amendment of a Liquidity Facility which is not a Renewal Liquidity Facility shall be an Alternate Liquidity Facility.

**"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 or Fixed Rate Period, \$5,000 and integral multiples thereof.

**"Bank"** initially means JPMorgan Chase Bank, National Association, and thereafter, any bank or other financial institution issuing any Liquidity Facility.

**"Bank Bonds"** means Tendered Bonds purchased with moneys made available under a Liquidity Facility and registered in the name of the Bank (or its nominee) 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); provided that the Bank Rate shall not exceed the Maximum Rate.

**"Bond Insurance Policy"** means, with respect to the 2008 Bonds, the municipal bond insurance policy issued by the Bond Insurer insuring the scheduled payment when due of the principal of and interest on the 2008 Bonds as provided therein.

**"Bond Insurer"** means, with respect to the 2008 Bonds, Financial Security Assurance, Inc. 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 2008 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 Bond Insurer's custodian at which claims under the Bond Insurance Policy are to be paid) 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 (iii) a day on which the New York Stock Exchange is closed, or (iv) with respect to payments due from the Authority or notices required to be given by the Authority hereunder or otherwise in connection with the 2008 Bonds, a day on which the Authority is authorized or required to remain closed.

**"Closing Date"** means the date of delivery of the 2008 Bonds to the Underwriter against payment therefor.

**"Conversion"** means a conversion of one or both series of the 2008 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, and Variable Rate Conversion Date.

**"Daily Rate Period"** means, with respect to any series of the 2008 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, with respect to any action relating to the 2008 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, the Bank (if any) 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 2008 Bonds for purposes of federal income taxation or the exemption of interest on the 2008 Bonds from personal income taxation under the laws of the Commonwealth of Pennsylvania (subject to customary exceptions).

**"Final Maturity Date"** means, with respect to the 2008A Bonds, June 15, 2022, and with respect to the 2008B Bonds, June 15, 2020.

**"Fixed Rate"** means the rate to be borne by any series of the 2008 Bonds from and after the Fixed Rate Conversion Date to maturity of such series, which shall be the lowest rate which, in the judgment of the Remarketing Agent, is necessary to enable such series of the 2008 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 any series of the 2008 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 2008 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 Fifth 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 any series of the 2008 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.

**"Interest Accrual Period"** means the period during which a 2008 Bond accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid

(or, if no interest has been paid, from the date of the original authentication and delivery of the 2008 Bonds) to, but not including, the Interest Payment Date on which interest is to be paid.

**"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 2008 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 2008 Bonds in such interest mode.

**"Interest Coverage Rate"** means the rate which is used to determine the Interest Component and shall be specified for 2008 Bonds bearing interest in each subsequent mode by the Remarketing Agent in writing to the Trustee at the time such 2008 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 2008 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 (15<sup>th</sup>) 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<sup>th</sup> or December 15<sup>th</sup> 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) for Bank Bonds, means those dates on which interest payments are to be made under, and as described in, the Liquidity Facility;
- (vi) the Maturity Date; and
- (vii) for 2008 Bonds called for redemption, the applicable redemption date.



**"Interest Period"** means, for each 2008 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 2008 Bond being determined on such Flexible Rate Adjustment Date and the Flexible Rates and Interest Periods then borne by all other outstanding 2008 Bonds, enable the 2008 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 Fifth Supplement to the Amended and Restated Indenture).

**"Interest Rate Period"** means each Variable Rate Period or Flexible 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 whether or not such obligations are 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 paragraphs (1) or (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);

(9) other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer;

(10) That certain "Debt Service Reserve Forward Delivery Agreement" dated as of June 6, 2000 by and between the Trustee, the Authority and Wachovia Bank, National Association (successor to First Union Securities, Inc.) and any securities which are "Eligible Securities" as defined therein;

(11) That certain "Debt Service Reserve Forward Delivery Agreement" dated as of June 6, 2000 by and between the Trustee, the Authority and JPMorgan Chase Bank, National Association, and any securities which are "Eligible Securities" as defined therein;

(12) Government Obligations; and

(13) Investment Securities, as defined in the Amended and Restated Indenture.

Notwithstanding the foregoing, no moneys of the Authority may be invested in obligations issued by or obligations guaranteed by the City of Philadelphia, without the approval of a qualified majority of the board, and, in any case, no moneys held in a debt service reserve fund may be invested in obligations issued by or obligations guaranteed by the City of Philadelphia.

**"Liquidity Facility"** means any Liquidity Facility provided in accordance with this Fifth 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 any series of 2008 Bonds delivered or deemed delivered in accordance with Article III of this Fifth 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 series of the 2008 Bonds bear interest at a Variable Rate or a Flexible Rate such series of 2008 Bonds (other than Bank Bonds) shall be entitled to liquidity support and a Liquidity Facility acceptable to the Bond Insurer shall be required.

**"Mandatory Tender Date"** means any date on which a holder of a 2008 Bond is required to tender any 2008 Bond for purchase in accordance with Sections 302, 303 or 304 of this Fifth Supplement to the Amended and Restated Indenture.

**"Mandatorily Tendered Bonds"** means the 2008 Bonds required to be tendered for purchase on a Mandatory Tender Date.

**"Maturity Date"** means, with respect to the 2008A Bonds, June 15, 2022, and with respect to the 2008B Bonds, June 15, 2020 or, with respect to each 2008 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.

**"Maximum Rate"** means (I) with respect to 2008 Bonds bearing interest at a Variable Rate or a Flexible Rate, an interest rate not to exceed the lesser of (a) twelve percent (12%) per annum, and (b) the Maximum Lawful Rate, or (II) with respect to Bank Bonds, an interest rate not to exceed the lesser of (a) twenty-five percent (25%) per annum, or (b) the Maximum Lawful Rate.

**"Municipal Obligations"** means any obligations issued or guaranteed by, any state or political subdivision of a state or by any public instrumentality of any of the foregoing.

**"No-Call Period"** means the period of time (measured from the Conversion Date) during which the 2008 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 holder of a 2008 Bond in a Tender Notice for purchase of any 2008 Bond during a Variable Rate Period in accordance with Section 301 hereof.



**"Optionally Tendered Bonds"** means the 2008 Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

**"Outstanding", "Bonds outstanding" or "outstanding Bonds"** means, with respect to the 2008 Bonds, as of any given date, all 2008 Bonds which have been duly authenticated and delivered under the Indenture, except:

(a) 2008 Bonds canceled after purchase in the open market or because of payment at or redemption prior to the Maturity Date;

(b) 2008 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 2008 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) 2008 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 Fifth Supplement to the Amended and Restated Indenture and which was not so tendered;

(e) after any Mandatory Tender Date, any 2008 Bond which was required to be tendered on such a Mandatory Tender Date in accordance with Sections 302, 303 or 304 of this Fifth 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 Fifth Supplement to the Amended and Restated Indenture, 2008 Bonds held or owned by the Authority or any Affiliate thereof.

Notwithstanding anything in this Fifth Supplement to the Amended and Restated Indenture to the contrary, in the event that the principal and/or interest due on the 2008 Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the 2008 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.

**"Principal Office"** means, with respect to the 2008 Bonds, (i) the corporate trust office of the Trustee responsible for the administration of this Fifth 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 Fifth 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 hereof on which the Authority intends to effect a conversion of the interest rate on any series of the 2008 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 2008 Bonds includes S&P, Moody's and Fitch.

**"Record Date"** means, with respect to the 2008 Bonds, while the 2008 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 2008 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 each Person qualified under Section 502 hereof to act as Remarketing Agent for the 2008 Bonds, 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 and consented to by the Bond Insurer.

**"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 hereof which has been issued with terms and conditions identical to, and by the same provider as, the Liquidity Facility in substitution for which the Renewal Liquidity Facility is to be provided to purchase 2008 Bonds, 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 2008 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 2008 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 2008 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 Fifth Supplement to the Amended and Restated Indenture).

**"Repurchase Price"** means, with respect to each particular 2008 Bond during a Flexible Rate Period, an amount equal to 100% of the principal amount thereof.

**"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 any series of the 2008 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.

**"Stated Expiration Date"** means the stated date of expiration or termination of a Liquidity Facility, including any extensions thereof.

**"Tender Agent"** means that Person appointed pursuant to Section 501 hereof to perform those functions with respect to any series of the 2008 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.

**"Tender Notice"** means the notice from a holder of a 2008 Bond to the Tender Agent of an Optional Tender Date in accordance with the provisions set forth in this Fifth 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 2008 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 (15<sup>th</sup>) 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 (15<sup>th</sup>) 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.

**"2008 Bonds Swap"** means the interest rate swap transaction evidenced by the Master Agreement and the Schedule thereto, each dated as of December 6, 2001, and the Confirmation relating thereto, dated as of December 6, 2001 and amended and restated as of June 15, 2006, each by and between the Authority and JPMorgan Chase Bank, in each case as amended, supplemented or otherwise modified and in effect from time to time.

**"2003 Bonds Swap"** means the interest rate swap transaction evidenced by the Master Agreement and the Schedule thereto, each dated as of December 6, 2001, and the Confirmation relating thereto, dated as of December 6, 2001, each by and between the Authority and JPMorgan Chase Bank, together with the basis cap transaction evidenced by said Master Agreement and said Schedule and the Confirmation relating thereto, dated as of June 9, 2003, between the Authority and JP Morgan Chase Bank, in each case as amended, supplemented or otherwise modified and in effect from time to time.

**"Underwriter"** means RBC Capital Markets Corporation, and its successors and assigns.

**"Variable Rate"** means, with respect to the then effective Variable Rate Period for any series of 2008 Bonds, the lowest interest rate which, in the judgment of the Remarketing Agent, would enable such series of the 2008 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 Fifth 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 any series of the 2008 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 2008 BONDS

### Section 201. ISSUANCE OF BONDS

(a) The 2008 Bonds shall be issued in two series, designated, respectively, "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2008A" and "Pennsylvania Intergovernmental Cooperation Authority, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2008B" (with appropriate designation, if any, reflecting the then-current Interest Rate Period) and shall be issued in the aggregate principal amount of \$214,565,000 consisting of \$133,740,000 2008A Bonds and \$80,825,000 2008B Bonds. The 2008 Bonds shall be issuable as fully registered Bonds in Authorized Denominations. Unless the Authority shall otherwise direct, the 2008A Bonds shall be numbered consecutively from AR-1 upward and the 2008B Bonds shall each be numbered consecutively from BR-1 upward. Interest on the 2008 Bonds shall be payable on each Interest Payment Date, until payment of the principal amount of such 2008 Bond, or provision therefor, shall have been made upon redemption, at Maturity or otherwise. 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 2008 Bonds.

(b) The 2008A Bonds shall mature on June 15, 2022 and the 2008B Bonds shall mature on June 15, 2020.

(c) The 2008 Bonds shall bear interest accruing for each Interest Accrual Period payable on the next Interest Payment Date. The 2008 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 2008 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 2008 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 Fifth Supplement to the Amended and Restated Indenture.

(e) The principal of and premium, if any, on any 2008 Bonds shall be payable at the Principal Office of the Trustee, upon presentation and surrender of such 2008 Bonds, which presentation and surrender can be made at the Principal Office of the Tender Agent. Payment of principal of any 2008 Bond shall be made to any owner of \$1,000,000 or more in



aggregate principal amount of 2008 Bonds by wire transfer to such owner on the principal payment date for said 2008 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 (10<sup>th</sup>) day next preceding the principal payment or maturity date applicable to such 2008 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2008 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.

(f) Interest payments on a 2008 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 2008 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, upon request, 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 2008 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 2008 Bonds during a Flexible Rate Period applicable to such 2008 Bonds as provided in Section 204 hereof, the Trustee or the Tender Agent shall complete the information required in the form of 2008 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 2008 Bond. During the period the 2008 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**

(a) Each series of the 2008 Bonds shall bear interest from the date of original issuance 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 the initial Weekly Rate Period shall be set forth in the purchase contract entered into between the Authority and the Underwriter. During each Variable Rate Period for a series of the 2008 Bonds, such series shall bear interest at the lesser of (i) the Interest Coverage Rate or (ii) the Variable Rate. In no event shall the interest rate on the 2008 Bonds exceed the Maximum Rate. During the Fixed Rate Period for a series of the 2008 Bonds, such Bonds shall bear interest at a Fixed Rate.

(b) 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 2008 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 2008 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 2008 Bonds shall bear interest at the lesser of (1) the Interest Coverage Rate or (ii) the Variable Rate. During the Fixed Rate Period, the 2008 Bonds shall bear interest at a Fixed Rate.

(c) Bank Bonds. Notwithstanding anything herein to the contrary, Bank Bonds shall bear interest at the Bank Rate, determined in accordance with, calculated pursuant to, and payable in accordance with, the provisions of the Liquidity Facility and not the Variable Rate or Flexible Rate that would otherwise be applicable to such 2008 Bonds were they not Bank Bonds.

(d) Conversions. With the consent of the Bond Insurer, the Authority may elect to convert one or both series of the 2008 Bonds to interest rate modes as provided in Sections 203, 204 and 205 hereof. Upon such conversion, such series of the 2008 Bonds may accrue interest at such interest rate modes as provided in this Fifth 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 Remarketing Agent (if any) of its election to convert the 2008 Bonds to another interest rate mode and comply with the notice, mandatory tender and other provisions set forth in this Fifth 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 Fifth Supplement to the Amended and Restated Indenture, the Trustee must have received written evidence from each Rating Agency then maintaining a rating on the 2008 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 2008 Bonds being converted to bear interest in such new rate period on or before such Conversion Date.

(e) Conversion to Fixed Rate in Extraordinary Circumstances. So long as (i) the Bond Insurer (A) is not in default under the Bond Insurance Policy, and (B) maintains an



investment grade rating with each of the Rating Agencies, and (ii) the Bond Insurance Policy is in full force and effect and enforceable in accordance with its material terms; the Bond Insurer may, upon sixty (60) days notice, direct that the interest rate mode on any series of the 2008 Bonds shall be converted to a Fixed Rate pursuant to the procedures set forth in Section 205 or Section 306(c) herein (i) upon failure of the Bank to purchase such series of 2008 Bonds when required hereunder or under the Liquidity Facility; (ii) upon expiration or termination of the Liquidity Facility with no substitution therefor; (iii) if any such 2008 Bonds are held as Bank Bonds for 45 days or more in any bond year or there are two failed attempts to remarket such 2008 Bonds in any bond year; (iv) if Bank Bonds or more than fifteen percent (15%) of the aggregate principal amount of 2008 Bonds bear interest at the Maximum Rate applicable to such bonds for a period of 30 consecutive days, or (v) if the Authority fails to replace the Liquidity Facility when required. With the Bond Insurer's consent, this Section 202(e) may be amended or waived by the Authority and the trustee without the consent of the holders of any Bond under the Indenture.

(f) Conversion of Interest Rate Mode. Any conversion of the interest rate mode on the 2008 Bonds that would result in (i) 2008 Bonds being remarketed at a premium or (ii) a change in the original amortization schedule for the 2008 Bonds shall require the prior consent of the Bond Insurer.

### **Section 203. VARIABLE RATES; CONVERSIONS TO VARIABLE RATE PERIODS**

(a) Determination by Remarketing Agent: Notice of Rates Determined. Except as hereinafter provided, the Variable Rate to be applicable to any series of the 2008 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 such 2008 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 2008 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 2008 Bonds in a Daily Rate Period or Weekly Rate Period, the Variable Rate for such Rate Period shall be equal to 135% of the SIFMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc. (or a replacement publisher of the SIFMA 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 SIFMA 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 2008 Bonds in a Term Rate Period with a duration of one year or less, such 2008 Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the SIFMA 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 2008 Bonds in a Term Rate Period with a duration in excess of one year, such 2008 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 2008 Bonds to Variable Rates for Weekly Rate Periods, in which case the 2008 Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the SIFMA 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 2008 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 2008 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 2008 Bonds to elect to have such 2008 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 2008 Bonds for purchase.

(b) Daily Rates and Weekly Rates. 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) Term Rates. 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) Conversions between Variable Rate Periods. At the option of the Authority, and with the consent of the Bond Insurer, if any, the 2008 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, 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 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 2008 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 2008 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) Conversions from Flexible Rate Periods. At the option of the Authority, and with the consent of the Bond Insurer, if any, any series of the 2008 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 2008 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 Bond Insurer, 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 2008 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 such 2008 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) Flexible Rates. A Flexible Rate for each Interest Period shall be determined as follows:

(i) The Interest Periods for each 2008 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 2008 Bond or 2008 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 135% of the SIFMA 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 2008 Bonds to which such rates and periods are applicable.



(b) Conversions to Flexible Rate Periods. At the option of Authority, and with the consent of the Bond Insurer, if any, any series of the 2008 Bonds may be converted from a Variable Rate Period to a Flexible Rate Period as follows:

(i) (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, the Bond Insurer, 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, the Tender Agent shall mail a written notice of the conversion to all holders of the 2008 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 2008 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, any series of the 2008 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 2008 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 Bond Insurer, 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 any series of the 2008 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 2008 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 2008 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 2008 Bonds of the relevant series 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 15<sup>th</sup> occurring on or after the fifth anniversary of the Fixed Rate Conversion Date, (ii) a schedule specifying the principal amount of 2008 Bonds to be called for mandatory redemption on each June 15 occurring after the last June 15 specified pursuant to (i), but prior to the Final Maturity Date for such 2008 Bonds, (iii) the principal amount of each series 2008 Bonds to mature on the Final Maturity Date for such series, (iv) the Fixed Rate to be applicable to each maturity of the 2008 Bonds of the relevant series 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 the Final Maturity Date. 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 any series of the 2008 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 2008 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 2008 Bond shall mature or be subject to mandatory sinking fund redemption on a particular June 15 up to and including the Final Maturity Date in accordance with (d) above, that all 2008 Bonds bearing interest at such Fixed Rate(s) shall pay interest semiannually on each Interest Payment Date of each year, that all such 2008 Bonds maturing on a particular June 15 shall bear interest at the same rate;

(ii) The schedule of principal payments shall be set to match the principal payments under the mandatory sinking fund redemption for such series of 2008 Bonds set forth in Section 401(c) hereof.

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 2008 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 any series of the 2008 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 such series of the 2008 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 2008 Bonds shall be DTC and the 2008 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 2008 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 2008 Bonds shall be initially issued in the form of separate single fully registered 2008 Bond for each separate series and maturity, authenticated by the Trustee in the amount of each separately stated maturity for each series of the 2008 Bonds. Upon initial issuance, the ownership of such 2008 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 2008 Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the 2008 Bonds, selecting the 2008 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Fifth Supplement to the Amended and Restated Indenture, registering the transfer of 2008 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 2008 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 2008 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 2008 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 2008 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 2008 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 Fifth 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 Fifth Supplement to the Amended and Restated Indenture shall be deemed to be changed to reflect such new nominee of DTC.

(c) In the event the Authority determines that it is in its best interest to discontinue the use of book entry system for the 2008 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 2008 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 2008 Bonds to any DTC participant having 2008 Bonds credited to its DTC account, or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the 2008 Bonds.

(d) Notwithstanding any other provision of this Fifth 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 2008 Bonds are registered in the name of DTC or any nominee thereof, in connection with any optional tender of such 2008 Bonds, the beneficial owners of such 2008 Bonds are responsible for submitting the bondholder tender notice provided for in Section 301 to the Remarketing Agent.

(g) Upon remarketing of 2008 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 2008 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 2008 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 Fifth Supplement to the Amended and Restated Indenture relating to Bank Bonds. In connection with the issuance of the 2008 Bonds, an additional Bond for each series of 2008 Bonds will be executed, delivered to the Trustee in the original principal amount of zero dollars (each a "Global Bond") and a corresponding CUSIP number will be obtained by or on behalf of the Authority for each series of 2008 Bonds, to be authenticated by the Trustee and used in accordance with the then-current procedures of DTC, in the event that any of the 2008 Bonds of any series become Bank Bonds. At any time, the principal amount of the Global Bond will be equal to the principal amount of any outstanding Bank Bonds.

**Section 208. DELIVERY OF THE 2008 BONDS AND DISPOSITION OF PROCEEDS THEREOF.**

(a) Upon the execution and delivery of this Fifth Supplement, to the Amended and Restated Indenture, the Authority shall execute and deliver the 2008 Bonds to the Trustee and the Trustee shall authenticate the 2008 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 2008 Bonds. Proceeds from the sale of the 2008 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 2008 Bonds as the costs of issuance of the 2008 Bonds (including, without limitation, fees and expenses of bond counsel, financial advisors, 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 2008 Bonds, fees payable to Bond Insurer with respect to the 2008 Bonds, printing costs payable by the Authority and rating agency fees, premium payments for the Bond Insurance Policy and fees in connection with the delivery of any Liquidity Facility) allocated pro rata from the proceeds of the 2008A Bonds and the 2008B Bonds, from available funds of the Authority.

(2) To the Trustee, to be deposited in the 2003 Bonds account of the Bond Redemption Fund, an amount equal to \$142,085,000, from the proceeds of the 2008A Bonds and other available funds, which will be applied to the redemption of all Outstanding 2003 Bonds called for redemption on May 15, 2008.

(3) To the Trustee, to be deposited in the 2006 Bonds account of the Bond Redemption Fund, an amount equal to \$85,500,000, from the proceeds of the 2008B Bonds and other available funds, which will be applied to the redemption of all Outstanding 2006 Bonds called for redemption on May 15, 2008.

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 2008 Bonds.

(b) Pursuant to Section 5.07 of the Amended and Restated Indenture, as supplemented and amended by, among other provisions, Section 4.03 of the Second Supplement to the Amended and Restated Indenture, the Trustee is hereby instructed to transfer a portion of the 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 2003 Bonds and the 2006 Bonds and the issuance and delivery of the 2008 Bonds, to the Redemption Fund for application to the redemption price of the 2003 Bonds and the 2006 Bonds, as set forth in the Closing Receipt for the 2008 Bonds.

### ARTICLE III TENDER AND PURCHASE OF BONDS

#### Section 301. OPTIONAL TENDERS DURING VARIABLE RATE PERIODS

(a) Optional Tender Dates. The holders of 2008 Bonds bearing interest at Variable Rates may elect to have their 2008 Bonds or portions thereof in whole multiples of Authorized Denominations purchased at the Tender Price of such 2008 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) Daily Rate Period. During a Daily Rate Period, 2008 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) Weekly Rate Period. During a Weekly Rate Period, 2008 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) Term Rate Period. During a Term Rate Period, 2008 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 2008 Bond or a specified portion thereof in a whole multiple of an Authorized Denomination, (C) the Optional Tender Date on which such 2008 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 2008 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 2008 Bond (or portion thereof), (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such 2008 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 2008 Bond to be purchased in whole or in part for other 2008 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 2008 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 2008 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 2008 Bond.

(c) Notice by Tender Agent of Bonds to be Remarketed. 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 2008 Bonds (or promptly upon such receipt on the Optional Tender Date in the case of 2008 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 2008 Bonds or portions thereof properly tendered. The Remarketing Agent shall cause the Tender Price specified in subsection (a) above for the 2008 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 2008 Bonds during Term Rate Periods. Notwithstanding the foregoing, the Remarketing Agent shall not offer for sale any 2008 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 2008 Bonds as described in the conversion notice from the Tender Agent to the Bondholders.

(e) Purchase of Tendered Bonds.

(i) Notice of Remarketing: Purchases Under Liquidity Facility. The following Immediate Notices shall be given with respect to the remarketing of Tendered Bonds and the amount of 2008 Bonds of each series 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 2008 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) Information Concerning Purchasers. 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 2008 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 2008 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 2008 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 2008 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 2008 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 2008 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 2008 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 2008 Bonds by the Remarketing Agent, (B) moneys paid to it by the Bank for the purchase of 2008 Bonds pursuant to the Liquidity Facility, and (C) any other moneys provided by the Authority in its sole discretion. 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) 2008 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) 2008 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) 2008 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 2008 Bonds shall not be remarketed or delivered to the Authority unless the Liquidity Facility supports the payment of such 2008 Bonds in accordance with the terms of this Fifth 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 2008 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 2008 Bonds at a purchase price equal to the principal amount thereof plus accrued interest thereon. 2008 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 reinstated for the principal amount thereof and the Interest Component applicable thereto in accordance with its terms.

(vi) Delivery of Bonds; Effect of Failure to Surrender Bonds. All 2008 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 2008 Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such 2008 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 2008 Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such 2008 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 2008 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 2008 Bond to the Tender Agent and shall thereafter hold such 2008 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) Repurchase Dates. Each 2008 Bond bearing interest at a Flexible Rate shall be subject to mandatory tender for purchase on each Repurchase Date at the Repurchase Price.

(b) Bonds to be Remarketed. 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 2008 Bonds which will be tendered on such Repurchase Date.

(c) Remarketing of Tendered Bonds. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2008 Bonds required to be purchased on the Repurchase Date. In remarketing the 2008 Bonds, the Remarketing Agent shall offer and accept purchase commitments for the 2008 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 2008 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 2008 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 2008 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

2008 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 2008 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 2008 Bonds at a later date.

(d) Purchase of Tendered Bonds; Notice of Remarketing; Purchases Under Liquidity Facility. The following Immediate Notices shall be given with respect to the remarketing of Tendered Bonds and the amount of 2008 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 2008 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 2008 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) Information Concerning Purchasers. 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 2008 Bonds to be registered in the name of each purchaser, the Flexible Rate and Repurchase Date to be applicable to each 2008 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 the Remarketing Agent by 1:00 p.m., New York City time, on the Repurchase Date.

(iii) Payments by the Tender Agent. 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 2008 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 2008 Bonds by the Remarketing Agent, (B) moneys paid to it by the Bank for the purchase of 2008 Bonds pursuant to the Liquidity Facility, and (C) any other moneys provided by the Authority in its sole discretion. 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 2008 Bonds purchased on such Repurchase Date as follows: (A) 2008 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) 2008 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) 2008 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 2008 Bonds shall not be remarketed or delivered to the Authority unless the Liquidity Facility supports the payment of such 2008 Bonds in accordance with the terms of this Fifth 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 2008 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 2008 Bonds at a purchase price equal to the principal amount thereof plus accrued interest thereon. 2008 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 2008 Bonds to the purchaser.

(vi) Delivery of Bonds; Effect of Failure to Surrender Bonds. All 2008 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 2008 Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such 2008 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 2008 Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such 2008 Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (e)(iv) above. Any 2008 Bondholder who fails to deliver a 2008 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 2008 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) Variable Rate Conversions. 2008 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) Flexible Rate Conversions. 2008 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) [Reserved]

(d) Notice to Bondholders. 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 2008 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 2008 Bonds are to be tendered for purchase.

Whenever the 2008 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 2008 Bonds shall not affect the validity of any interest rate on any 2008 Bonds or extend the period for tendering any of the 2008 Bonds for purchase and the Trustee shall not be liable to any 2008 Bondholder by reason of any such failure or defect.

(e) Remarketing. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2008 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.

(f) Purchase of Tendered Bonds. The provisions of Section 301(e) regarding purchases of 2008 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 2008 Bonds during Daily Rate Periods shall be applicable only to 2008 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 2008 Bonds shall specify the Flexible Rates and Interest Periods for such 2008 Bonds; and

(iii) the deliveries of 2008 Bonds under Section 301(e)(v) shall be required to be made at or before 12:00 noon, 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 2008 Bonds during a Term Rate Period).

The provisions of Section 302(d) regarding purchases of 2008 Bonds shall apply to tenders pursuant to this Section 303 with respect to 2008 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) Proposed Fixed Rate Conversion Date. The 2008 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 2008 Bonds (other than Bank Bonds and 2008 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) No Renewal Liquidity Facility. The 2008 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) Default under the Liquidity Facility. The 2008 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 permitting the Bank to deliver such notice (other than the occurrence of any event of default thereunder which permits the Bank to immediately terminate such Liquidity Facility without notice to or demand upon the Trustee) 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) Notice to Bondholders.** 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

(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 2008 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 2008 Bonds are to be tendered for purchase.

Whenever the 2008 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 2008 Bonds shall not affect the validity of any interest rate on any 2008 Bonds or extend the period for tendering any of the 2008 Bonds for purchase and the Trustee shall not be liable to any 2008 Bondholder by reason of any such failure or defect.

(c) Remarketing. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such 2008 Bonds following a mandatory tender; provided, however, except in connection with a mandatory tender for purchase on a Proposed Fixed Rate Conversion Date, that 2008 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 2008 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) Purchase of Tendered Bonds. The provisions of Section 301(e) regarding purchases of 2008 Bonds shall apply to mandatory tenders pursuant to this Section 304 with respect to 2008 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 2008 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 2008 Bonds shall be given in the manner prescribed for tenders of 2008 Bonds during other than Daily Rate Periods; and

(iii) the deliveries of 2008 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 2008 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 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 2008 Bonds to Variable Rates for Weekly Rate Periods, the 2008 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.

#### **Section 306. INADEQUATE FUNDS FOR TENDERS**

(a) If the funds available for purchases of 2008 Bonds pursuant to this Article III are inadequate for the purchase of all 2008 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 2008 Bonds to the Persons providing such moneys; and (iii) notify all Bondholders in writing (A) if an Event of Default has occurred, of such occurrence, and (B) of the rate to be effective pursuant to following provisions. If the funds available for purchases of 2008 Bonds pursuant to this Article III are inadequate for the purchase of all 2008 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.

(b) The only monies available to pay the Tender Price on any 2008 Bonds which are Tendered Bonds are those monies required to be deposited in the Bond Purchase Fund pursuant to section 308 below. The Authority is not obligated to pay any other amounts from any other source and neither the Trustee nor the Remarketing Agent shall be responsible for the failure of any other person to furnish moneys for the Tender Price of such 2008 Bonds.

(c) Notwithstanding the provisions of this Article III, if on a Proposed Fixed Rate Conversion Date which arises as a result of a Conversion required by Section 202(e) above, insufficient funds are available to complete such tender, such Conversion shall nonetheless occur, and the 2008 Bonds so converted shall bear interest at a Fixed Rate equal to the sum of (i) the yield on "A" rated general obligation bonds with a term equal to the remaining term on the 2008 Bonds being so converted, as published by Municipal Market Data (or any successor entity) on the first Business Day preceding the Proposed Fixed Rate Conversion Date, plus (ii) 5 basis points; provided that such Fixed Rate shall not be in excess of the Maximum Lawful Rate.

#### **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 2008 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) Except in connection with a mandatory tender for purchase on a Proposed Fixed Rate Conversion Date required under Section 202(e), 2008 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 2008 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 2008 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 2008 Bonds and the failure to purchase shall not be an Event of Default under the Indenture.

#### **Section 308. BOND PURCHASE FUND**

(a) Establishment of Bond Purchase Fund and Accounts. The Trustee shall establish or cause the Tender Agent to establish and maintain, so long as the 2008 Bonds remain outstanding at a Variable Rate 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) 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) Liquidity Facility Purchase Account. 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) Application of Bond Purchase Fund. 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 to the extent of amounts owed to the Bank.

(c) Moneys on deposit in the Bond Purchase Fund (other than monies in the Liquidity Facility Purchase Account, which are not to be invested) shall be invested only upon the written direction of the Authority and only in Government Obligations (but only obligations

defined in paragraph (a) of the definition of 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) Draws on Liquidity Facility. While in effect, the Trustee shall draw moneys under each 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) Maintenance of Liquidity Facility. The Authority covenants that it shall, at all times that any series of the 2008 Bonds bear interest in a Variable Rate, cause a Liquidity Facility from a Bank rated at least A-1/P-1 and otherwise complying with the requirements of this Section 310 to be in effect with respect to such series of 2008 Bonds. In the event that the Liquidity Facility is suspended or terminated pursuant to an Automatic Termination Event or and Automatic Suspension Event (as defined in the Liquidity Facility), the Bank shall give immediate notice to the Trustee and the Trustee shall give prompt notice to the Bondholders of such occurrence.

(c) 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 for either series of the 2008 Bonds 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 Ratio, 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 any series of the 2008 Bonds, the Trustee must have received written evidence from each Rating Agency then maintaining a rating on the 2008

Bonds that such rating will not be withdrawn or reduced due to the delivery of such Renewal Liquidity Facility and consent of the Bond Insurer. 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 2008 Bond bearing interest at a Variable Rate or a Flexible Rate that a Renewal Liquidity Facility and Renewal Liquidity Facility Agreement will secure such 2008 Bond.

(d) 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 for either series of the 2008 Bonds in substitution for the existing Liquidity Facility. Any Alternate Liquidity Facility shall be acceptable to the Bond Insurer. 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 2008 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 2008 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 2008 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 2008 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) Surrender of Liquidity Facility. If at any time there shall have been delivered to the Trustee, in substitution for the Liquidity Facility then in effect (with respect to one or both series of 2008 Bonds), 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 (or that portion of the Liquidity Facility being replaced) 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 any series of the 2008 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) Transfer of Liquidity Facility. 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) Reserved.

(h) Terms of Liquidity Facility. So long as any series of 2008 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 for such series of 2008 Bonds. 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 such 2008 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 2008 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 any series of the 2008 Bonds in each particular Variable Rate Period or Flexible Rate Period as the maximum interest rate at which the Remarketing Agent will remarket such series of the 2008 Bonds in such Variable Rate Period or Flexible Rate Period, which may not be less than the current interest rate or rates borne by such series of the 2008 Bonds in such Variable Rate Period or Flexible Rate Period. Notwithstanding anything herein to the contrary, the interest rate at which any series of the 2008 Bonds may be remarketed may not exceed the Maximum Rate.

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 2008 Bonds bearing interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period, 34 days;

(v) with respect to 2008 Bonds bearing interest at a Variable Rate for a Term Rate Period, 183 days;

(vi) with respect to 2008 Bonds bearing interest at a Flexible Rate, 270 days; or

(vii) with respect to 2008 Bonds generally, such other number of days then required by any Rating Agency to obtain or maintain an investment grade rating on the 2008 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 Variable Rate 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 2008 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 2008 Bonds purchased with proceeds of a drawing on the Liquidity Facility pursuant to this Article shall be registered in the name of the Bank (or its designated nominee) and are herein called "Bank Bonds". Pending reinstatement of the Liquidity Facility securing such 2008 Bonds or release of such 2008 Bonds by the Bank, the Bank shall be entitled to receive all payments of principal of and interest on Bank Bonds and such 2008 Bonds shall not be transferable or deliverable to any party (including the Authority) except the Bank (except as set forth in Section 310(i)(ii) and (iii) below). As indicated in Section 202 hereof, all Bank Bonds shall bear interest at the Bank Rate. So long as 2008 Bonds remain Bank Bonds, they shall not be eligible for tender under the Liquidity Facility.

So that the Trustee can comply with the procedures and requirements of DTC set forth in DTC's notice dated April 4, 2008, respecting "Variable Rate Demand Obligations ("VRDO") Failed Remarketings and Issuance of Bank Bonds", as the same may be amended from time to time, in the event that all or any portion of the 2008 Bonds of any series become Bank Bonds, upon the issuance of the 2008 Bonds pursuant to Section 201 above, the Authority will execute, deliver a Global Bond for each series as set forth in Section 207(h) above and direct the Trustee, at the time 2008 Bonds become Bank Bonds as provided above, to authenticate such Global Bonds. The aggregate principal amount of such Global Bonds will be initially zero, and will always be equal to the aggregate principal amount of any Bank Bonds to the extent and for so long as such Bank Bonds remain Bank Bonds. Such Global Bonds are being delivered only for the administrative convenience of the Trustee and DTC and at no time shall the sum of the principal amount represented by the Bank Bonds of any series and the principal amount represented by the bond certificates of such series issued pursuant to Section 201 above exceed the principal amount of the 2008 Bonds Outstanding for such series.

(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 2008 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 2008 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 2008 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 2008 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) Flexible Rate Period or a Variable Rate Period. During a Flexible Rate Period or a Variable Rate Period, any series of 2008 Bonds bearing interest at a Flexible Rate or a Variable Rate 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) Term Rate Period. On or prior to the Fixed Rate Conversion Date, 2008 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 2008 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
Less than 15 years and greater than or equal to 10 years	8 <sup>th</sup> Anniversary of the commencement of the Term Rate Period
Less than 10 years and greater than or equal to 8 years	6 <sup>th</sup> 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 2008 Bonds to a Term Rate Period is to the effect that such change will not have an adverse effect on the validity of the 2008 Bonds or any exemption from federal income taxation to which interest on the 2008 Bonds would otherwise be entitled.

(iii) Fixed Rate. After the Fixed Rate Conversion Date for any series of the 2008 Bonds, the 2008 Bonds of such series 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 2008 Bonds called for redemption, plus accrued interest to the date fixed for redemption:

<u>Length of Fixed Rate Period</u>	<u>Commencement of Redemption Period</u>
Less than 15 years and greater than or equal to 10 years	8 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 <sup>th</sup> 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 2008 Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2008 Bonds or any exemption from federal income taxation to which interest on the 2008 Bonds would otherwise be entitled.

(b) Special Optional Redemption. Any 2008 Bonds which: (1) are Bank Bonds, or (2) have been converted to a Fixed Rate pursuant to Section 202(e) above, shall be subject to redemption in whole or in part prior to the Maturity Date therefor at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

(c) Mandatory Sinking Fund Redemption. (i) The 2008A 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.

<u>Redemption Date (June 15)</u>	<u>Principal Amount</u>	<u>Redemption Date (June 15)</u>	<u>Principal Amount</u>
2009	\$6,825,000.00	2016	\$9,600,000.00
2010	\$7,165,000.00	2017	\$10,080,000.00
2011	\$7,525,000.00	2018	\$10,585,000.00
2012	\$7,900,000.00	2019	\$11,120,000.00
2013	\$8,295,000.00	2020	\$11,670,000.00
2014	\$8,710,000.00	2021	\$12,255,000.00
2015	\$9,145,000.00	2022*	\$12,865,000.00

\* Final Maturity

(ii) The 2008B 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.

<u>Redemption Date (June 15)</u>	<u>Principal Amount</u>	<u>Redemption Date (June 15)</u>	<u>Principal Amount</u>
2009	\$4,925,000.00	2015	\$6,800,000.00
2010	\$5,200,000.00	2016	\$7,175,000.00
2011	\$5,475,000.00	2017	\$7,575,000.00



2012	\$5,800,000.00	2018	\$8,000,000.00
2013	\$8,100,000.00	2019	\$8,425,000.00
2014	\$8,450,000.00	2020	\$8,900,000.00

\* Final Maturity

Notwithstanding the foregoing, on and after the Fixed Rate Conversion Date, if the Authority shall, with the consent of the Bond Insurer, file a certificate pursuant to Section 205(d) hereof in connection with the conversion of the 2008 Bonds to the Fixed Rate containing an alternate schedule of mandatory redemption dates and amounts to be effective with respect to the 2008A Bonds or the 2008B Bonds on and after the Fixed Rate Conversion Date, in lieu of the mandatory sinking fund redemption schedule detailed above, the Authority shall redeem such series of 2008 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 2008 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 2008 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 2008 Bonds outstanding shall be made unless in Authorized Denominations. Any redemption of less than all of the Bonds of any series of the 2008 Bonds Outstanding shall be made first from Bank Bonds. Any redemption of less than all of the 2008 Bonds Outstanding shall be made in such a manner that all 2008 Bonds Outstanding after such redemption are in Authorized Denominations.

(ii) 2008 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 2008 Bonds pursuant to Section 401, the Trustee may, at the written request of the Authority, use such funds otherwise available hereunder for redemption of 2008 Bonds to purchase 2008 Bonds in the open market at a price not exceeding the redemption price then applicable hereunder. Any 2008 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 2008 Bonds with serial maturities, the Authority shall receive credit against its required mandatory redemption deposits, if any, with respect to the 2008 Bonds of such Maturity Date and (ii) in the case of any optional redemption of 2008 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**

(a) Except as hereinafter provided, upon direction of the Authority as provided in Section 401(a) or (b) above, a copy of the notice of the call for any redemption identifying the 2008 Bonds to be redeemed shall be given by the Trustee to the Bondholders by first class mail, postage prepaid, with respect to 2008 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 2008 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 2008 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 2008 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 2008 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 2008 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 2008 Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2008 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 2008 Bonds to be redeemed and to pay interest due thereon and premium, if any, the 2008 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 2008 Bond is transferred or exchanged on the Bond Register by the Bond Registrar after notice has been given calling such 2008 Bond for redemption, the Trustee will attach a copy of such notice to the 2008 Bond issued in connection with such transfer or exchange.

## **Section 403. SELECTION OF BONDS TO BE REDEEMED**

If less than all the 2008 Bonds shall be called for redemption under any provision of the Indenture permitting such partial redemption, the particular 2008 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 with respect to any series of 2008 Bonds shall be the first 2008 Bonds of such series to be selected for redemption; (ii) in the case of the mandatory redemption of 2008 Bonds which have been assigned to a particular mandatory redemption date pursuant to Section

401(c) hereof, such 2008 Bonds shall be redeemed on the designated dates; and (iii) subject to other applicable provisions of the Indenture, the portion of any 2008 Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination. In selecting 2008 Bonds for redemption, the Trustee shall treat each 2008 Bond as representing that number of 2008 Bonds which is obtained by dividing the principal amount of such 2008 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 2008 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 2008 Bond shall forthwith surrender such 2008 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 2008 Bond or 2008 Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such 2008 Bond. New 2008 Bonds representing the unredeemed balance of the principal amount of such 2008 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 Authority may, at all times on or before the Fixed Rate Conversion Date, appoint a Tender Agent to carry out all of the duties of the Tender Agent hereunder and 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 2008 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 2008 Bonds, receive notices pursuant to Section 301, purchase tendered Bonds and make payments on the 2008 Bonds. The Tender Agent shall 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 a Tender Agent, the Trustee shall calculate such interest. 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 Authority shall rescind such appointment or the Tender Agent shall resign. 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 (including Section 9.01 of the Amended and Restated 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, 2008 Bonds bearing interest at a Variable Rate or a Flexible Rate.

#### Section 502. REMARKETING AGENT

The Authority shall appoint a Remarketing Agent for the 2008 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 2008 Bonds for the account of and for the benefit of the person or entity which shall have so delivered such moneys until the 2008 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 2008 Bonds presented at the Payment Office of the Tender Agent and whereby 2008 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 or the Bond Insurer and filed with the Remarketing Agent, the Bank, the Trustee, the Tender Agent and the Bond Insurer or the Authority.

In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and 2008 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 ipso facto 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 2008 Bonds.



The Remarketing Agent for its own account or as broker or agent for others may deal in 2008 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 2008 Bonds and shall not be unacceptable to the Bank or the Bond Insurer.

### **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 2008 Bonds a 2008 Bonds Sinking Fund Account (the "2008 Bonds Sinking Fund Account") for the retirement of the 2008 Bonds. Moneys deposited in the 2008 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 2008 Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund in respect of the 2008 Bonds to the 2008 Bonds Sinking Fund Account on June 1 of the years and in the amounts required to retire 2008 Bonds as and to the extent required pursuant to Section 401(c) of this Fifth Supplement to the Amended and Restated Indenture.

Prior to May 1 of each year in which 2008 Bonds are subject to mandatory redemption as described in Section 401(c) of this Fifth 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 2008 Bonds Sinking Fund Account of as many 2008 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 2008 Bonds) and any 2008 Bonds so purchased will be cancelled. 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 Fifth Supplement to the Amended and Restated Indenture, so long as any 2008 Bonds shall remain Outstanding, the Trustee shall select 2008 Bonds for redemption, selecting any Bank Bonds of the appropriate series first and thereafter by lot, on June 15 of such year, a principal amount of 2008 Bonds as shall represent the difference between the principal amount of such 2008 Bonds fixed for redemption on such date as described in Section 401(c) of this Fifth 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 2008 Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the holders of such 2008 Bonds so drawn for redemption in the manner provided in Article IV of this Fifth 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 2008 Bonds Sinking Fund Account and shall pay accrued interest due from moneys available therefor in the Debt Service Fund in respect of the 2008 Bonds.

If at any time all the 2008 Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 2008 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund in respect of the 2008 Bonds. Whenever 2008 Bonds are to be purchased out of the 2008 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:

(1) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the 2008 Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York city time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the 2008 Bonds due on such Payment Date, the Trustee shall make a claim under the Bond Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the 2008 Bonds and the amount required to pay principal of the 2008 Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York city time, on such second business Day by filling in the form of Notice of Claim and Certificate delivered with the Bond Insurance Policy.

(2) The Trustee shall designate any portion of payment of principal on 2008 Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of 2008 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement 2008 Bond to the Bond Insurer, registered in the name of the Financial Security Assurance Inc. in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement 2008 Bond shall have no effect on the amount of principal or interest payable by the Authority on any 2008 Bond or the subrogation rights of the Bond Insurer.

(3) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any 2008 Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(4) Upon payment of a claim under the Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have the exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Bond Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the 2008 Bonds under the sections hereof regarding payment of 2008 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service other funds available to make such payments. Notwithstanding anything herein to the contrary, the Authority agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the 2008 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate and payable from such Trust Estate on a parity with debt service due on the 2008 Bonds and that for this purpose, the Bond Insurance Policy issued with respect to the 2008 Bonds shall be deemed to be a Credit Facility.

(5) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a 2008 Bond payment date shall promptly be remitted to the Bond Insurer.

#### **Section 602. PAYMENT UNDER THE 2003 BONDS SWAP AND 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 2003 Bonds Swap and as counterparty under the 2006 Bonds Swap (copies of the documentation for each of the 2003 Bonds Swap and the 2006 Bonds Swap are attached to this Fifth 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 each of the 2003 Bonds Swap and the 2008 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 2008 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 with respect to any interest rate swap transactions relating to any Bonds (each a "Swap Account"). In the event that the Authority elects to create one or more such Swap Accounts, the Trustee shall (i) deposit on a monthly or other periodic basis in such Swap Accounts, as directed by the Authority, and reserve in the Swap Accounts, 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 or the 2008 Bonds Swap shall be deposited to the Debt Service Fund established pursuant to Section 5.08 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, the Third Supplement to the Amended and Restated Indenture and the Fourth 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 and the 2008 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 and the Fourth 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 or the 2008 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, the Third Supplement to the Amended and Restated Indenture and the Fourth 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 1999 Bonds, and the 2008 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, the Third Supplement to the Amended and Restated Indenture and the Fourth 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 2008 Bonds is accomplished prior to the Fixed Rate Conversion Date, (i) moneys held to defease such 2008 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 2008 Bonds, the 2008 Bonds shall be redeemed on or prior to such Flexible Rate Adjustment Date or Variable Rate Adjustment Date and the 2008 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 2008 Bonds that the rating borne by such 2008 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 and the Fourth 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 "2003 Bonds or the 2006 Bonds" and add the words "or in the 2008 Bonds".

(ii) A new Event of Default shall be added to Section 8.01 as new subsection (h), which provision shall read, as follows:

(h) If remarketing proceeds or moneys received under the Liquidity Facility are held by the Tender Agent in the full amount required, but payment of the purchase price of any 2008 Bond tendered pursuant to Article III of the Fifth 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, the Third Supplement to the Amended and Restated Indenture and the Fourth 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 "2003 Bonds or the 2006 Bonds" and add the words "or the 2008 Bonds"

(ii) The following additional paragraph is added at the end of Section 8.09 with respect to the 2008 Bonds, for as long as the Bond Insurance Policy remains in effect:

"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 2008 Bonds absent a default by the Bond Insurer under the applicable Bond Insurance Policy insuring such 2008 Bonds."

**Section 706. 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, the Third Supplement to the Amended and Restated Indenture and the Fourth Supplement to the Amended and Restated Indenture, is amended by adding the following new paragraph (o) immediately following paragraph (n).

(o) With respect to the 2008 Bonds, to increase or decrease the maximum interest rate used to compute (i) the Interest Coverage Rate, as defined in Section 103 of the Fifth Supplement to the Amended and Restated Indenture, and (ii) the maximum rate at which the 2008 Bonds may be remarketed, as set forth in Section 310(h) of the Fifth 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 2008 Bond and any Credit Facility Issuer and the written confirmation from Moody's that such amendment shall not adversely affect the rating issued by such Rating Agency then applicable to the 2008 Bonds."

**Section 707. 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:

(i) In the seventh line of the last paragraph of Section 10.02, after the words "1999 Bond", delete "2003 Bonds or 2006 Bonds", and add "or 2008 Bonds".

(ii) The following additional paragraph is added at the end of Section 10.02 with respect to the 2008 Bonds, for as long as the Bond Insurance Policy remains in effect:

"Unless otherwise provided in this Section, and provided that the Bond Insurer is not in default under the Bond Insurance Policy and has not been downgraded by one or more of the Rating Agencies, 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 708. 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, the Third Supplement to the Amended and Restated Indenture and the Fourth Supplement to the Amended and Restated Indenture, is

amended by adding the following additional paragraph at the end thereof with respect to the 2008 Bonds:

"Any provision of this Fifth 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, so long as the Bond Insurer is not in default under the Bond Insurance Policy and has not been downgraded by one or more of the Rating Agencies. 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, provided that the Bond Insurer is not in default under the Bond Insurance Policy and has not been downgraded by one or more of the Rating Agencies."

**Section 709. 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, the Third Supplement to the Amended and Restated Indenture and the Fourth 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., 14<sup>th</sup> Floor  
Philadelphia, PA 19102  
Attention: Executive Director

**To the Trustee:**

U.S. Bank National Association  
Two Liberty Place  
50 South 16<sup>th</sup> Street, Suite 2000  
Mail Station: EX-PA-WBSP  
Philadelphia, PA 19102  
Attention: Ralph E. Jones

**If to the Tender Agent:**

U.S. Bank National Association  
Two Liberty Place  
50 South 16<sup>th</sup> Street, Suite 2000  
Mail Station: EX-PA-WBSP  
Philadelphia, PA 19102  
Attention: Ralph E. Jones

**If to Counterparty on 2003 Bonds SWAP:**



**JPMORGAN CHASE BANK- NEW YORK**

Payments to be made as follows

Swap Payment JPMorgan Chase Bank

Instructions:

Favour: PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY c/o First Union  
National Bank

ABA/Bank No.: [ABA #:053000219]

Account No.: [1556597839]

Reference: Trust operations DDA 500000006439  
Attention: Howard Parker 215-670-4541

**If to Counterparty on 2006 Bonds SWAP:**

**JPMORGAN 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, the Second Supplement to the Amended and Restated Indenture and the Third Supplement to the Amended and Restated Indenture and the Fourth supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"When the 1999 Bonds, or the 2008 Bonds are no longer Outstanding, and all amounts owed to the respective Bond Insurer shall have been paid in full, no further notice to or consent or approval of the respective Bond Insurer shall be required under the terms of this Fifth Supplement to the Amended and Restated Indenture and such Bond Insurer shall cease to be a third party beneficiary of this Fifth 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, the Third Supplement to the Amended and Restated Indenture and the Fourth 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, unless the Bond Insurer is in default under the Bond Insurance Policy or has been downgraded by one or more of the Rating Agencies, the Authority shall not be permitted to surrender, cancel, terminate, amend or modify the Bond Insurance Policy or replace the Bond Insurer with respect to the 2008 Bonds without prior written consent of the Bank, if any, and 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 2008 Bonds."

**Section 711. SPECIAL PROVISIONS FOR THE BENEFIT OF THE BOND INSURER.**

(a) The following provisions are added as a new Section 11.17 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 and the Fourth Supplement to the Amended and Restated Indenture, with respect to the 2008 Bonds:

"Section 11.15. Notices and Information to be Provided to the Bond Insurer. With respect to the 2008 Bonds and while the Bond Insurance Policy is in effect, the Trustee shall furnish to the Bond Insurer, to the extent such items have been delivered or made available to the Trustee, 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 by the Trustee to the registered owners of the 2008 Bonds, including, without limitation, notice of any redemption of or defeasance of Obligations, and any certificate rendered pursuant to this Amended and Restated Indenture 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, of which the Trustee is aware, 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 promptly upon the occurrence of any Event of Default under the Indenture of which the Trustee is aware.

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 2008 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 2008 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 2008 Bonds."

**Section 712. SPECIAL PROVISIONS FOR THE BENEFIT OF THE FITCH.**

(a) The following provisions are added as a new Section 11.18 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 and the Fourth Supplement to the Amended and Restated Indenture, with respect to the 2008 Bonds:

"Section 11.18. Notices and Information to be Provided to the Fitch. With respect to the 2008 Bonds, the Authority shall furnish to Fitch, notice of any change in the Trustee or Remarketing Agent, the expiration, termination or extension of the Liquidity Facility, or any Optional Redemption or Special Optional Redemption of the 2008 Bonds."

**ARTICLE VIII INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS**

**Section 801. INDENTURE TO REMAIN IN EFFECT.**

Except as amended and supplemented by this Fifth 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 Fifth 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 Fifth Supplement to the Amended and Restated Indenture and the 1999 Bonds, as appropriate. In case of any conflict between the provisions of the Existing Indenture and this Fifth Supplement to the Amended and Restated Indenture of Trust, the provisions of this Fifth 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 2008 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 2008 Bonds).

**Section 802. COUNTERPARTS.**

This Fifth 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 Fifth 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 Fifth 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 Fifth Supplement to the Amended and Restated Indenture.

IN WITNESS WHEREOF, the Authority has caused this Fifth 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 Fifth 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

By:   
Assistant Secretary  
[SEAL]

By:   
(Vice) Chairperson

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By:   
Authorized Signatory

~~[SEAL]~~

**EXHIBIT A-1: FORM OF 2008A BOND**



Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to U.S. Bank National Association, Philadelphia, Pennsylvania, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.

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 to 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 2008A**

<b><u>MATURITY DATE</u></b>	<b><u>ORIGINAL</u></b>	<b><u>INTEREST MODE</u></b>	<b><u>CUSIP</u></b>	<b><u>NUMBER</u></b>
June 15, 2022	<b><u>ISSUE DATE</u></b> May 15, 2008	VARIABLE RATE	708840 HC 0	AR-1

**REGISTERED OWNER: CEDE & CO.**

**PRINCIPAL AMOUNT: ONE HUNDRED THIRTY-THREE MILLION SEVEN HUNDRED FORTY THOUSAND DOLLARS (\$133,740,000.00)**

AS HEREINAFTER DESCRIBED, UNDER CERTAIN CIRCUMSTANCES ON CERTAIN DATES THIS 2008A 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 HEREBON TO BUT NOT INCLUDING THE DATE OF SUCH TENDER. THE OWNER HEREOF WHO ELECTS TO TENDER THIS 2008A BOND OR IS REQUIRED TO TENDER THIS 2008A 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 HEREBON 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 2008A Bond shall have previously been called for redemption and payment of the redemption price made or provided for, but solely from amounts specified in the Fifth Supplement to the Amended and Restated Indenture (as defined below), upon surrender hereof, the principal amount specified hereon, and to pay interest on the principal amount in like manner, but solely from amounts specified in the Fifth Supplement to the Amended and Restated Indenture, from the Interest Payment Date next preceding the authentication date hereof, unless this 2008A Bond has been authenticated on the date of first authentication and delivery of the 2008A Bonds or on an Interest Payment Date to which interest has been paid, in which event interest shall be computed from such authentication date, at the rates per annum and on the dates determined as described in the Indenture (as defined below) 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 2008A Bonds bearing interest at a Variable Rate or Flexible Rate shall be payable at the Principal Office of the Trustee, U.S. Bank National Association, in Philadelphia, Pennsylvania, upon presentation and surrender of such 2008A 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 2008A Bonds bearing interest at a Fixed Rate shall be payable at the Principal Office of the Trustee upon presentation and surrender of such 2008A Bonds. Payment of principal of any 2008A Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2008A Bonds by wire transfer to such owner on the principal payment date for said 2008A 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 10<sup>th</sup> day prior to the principal payment or maturity date applicable to such 2008A Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2008A 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 2008A Bond, as hereinafter described.

Subject to the provisions of the Indenture applicable to 2008A Bonds issued in Book Entry form, interest payments on a 2008A 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 2008A Bond to the Tender Agent. Interest payments on a 2008A 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 2008A Bond to the Tender Agent. Interest on the 2008A 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.

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 2008A Bond is transferable by the registered owner hereof in person or by such owner's attorney duly 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 2008A 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 Bank and any Paying Agent may treat the person in whose name this 2008A 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 2008A Bond is transferred or exchanged on the Bond Register by the Trustee after notice of the optional redemption or the optional or mandatory tender of such 2008A Bond has been given, the Trustee shall attach a copy of such notice to the 2008A 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 2008A Bond after the mailing of notice calling such 2008A 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 2008A Bond or Bonds for redemption.

#### DEFINITIONS

To the extent not defined herein, the terms used in this 2008A Bond shall have the same meanings as set forth in the Indenture.

"Alternate Liquidity Facility" means a Liquidity Facility provided in accordance with the Fifth Supplement to the Amended and Restated Indenture (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 2008A Bonds delivered or deemed delivered in accordance with Article III of the Fifth Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"); provided that at all times while any of the 2008A Bonds bear interest at a Variable Rate or a Flexible Rate such 2008A 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.

"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 made available under the Liquidity Facility and registered in the name or for the benefit of the Bank (or its nominee) 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; provided that the Bank Rate shall not exceed the Maximum Rate.

"Business Day" means, with respect to the 2008A 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 Bond Insurer's custodian at which claims under the Bond Insurance Policy are to be paid) 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, (iii) a day on which the New York Stock Exchange is closed, or (iv) with respect to payments due from the Authority or notices required to be given by the Authority in connection herewith, a day on which the Authority is authorized or required to remain 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 2008A Bonds, each period from and commencing on a Business Day and including and ending on the first day preceding the first Business Day thereafter.

"Fifth Supplement to the Amended and Restated Indenture" means the Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 by and between the Authority and the Trustee.

"Fixed Rate" means the rate to be borne by the 2008A Bonds from and after the Fixed Rate Conversion Date to maturity, which shall be the lowest rate which, in the judgment of the Remarketing Agent, is necessary to enable the 2008A 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 2008A 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 2008A Bond to be remarketed at the principal amount thereof on such Flexible Rate Adjustment Date given the applicable Interest Period for such 2008A 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 Fifth 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 2008A Bond commence.

"Flexible Rate Conversion Date" means a date on which the 2008A 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 or telecopier 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 May 1, 2008, entered into between the Authority and the Initial Bank concurrently with the original issuance of the 2008A Bonds.

"Indenture" means collectively, the 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 dated as of June 1, 2003, a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 and the Fifth Supplement to the Amended and Restated Indenture, all by and between the Authority and the Trustee.

"Interest Accrual Period" means the period during which a 2008 Bond accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid, from the date of original authentication and delivery of the 2008 Bonds) to, but not including, the Interest Payment Date on which interest is to be paid.

"Interest Component" means the maximum amount stated in the Liquidity Facility (as reduced and restated from time to time in accordance with the terms thereof) which may be drawn for the payment of accrued interest on the 2008A 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 2008A 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 Fifth Supplement to the Amended and Restated Indenture in a manner consistent with the periods utilized in calculating interest accrued on 2008A Bonds in such interest mode.

"Interest Coverage Rate" means the rate which is used to determine the Interest Component, initially 12% per annum for 2008A Bonds in the Weekly Rate Period secured by the Initial Liquidity Facility, and shall be specified for 2008A Bonds bearing interest in each subsequent mode by the Remarketing Agent in writing to the Trustee at the time such 2008A 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 Fifth Supplement to the Amended and Restated Indenture. Notwithstanding the foregoing, the maximum Interest Coverage Ratio that may be established with respect to the 2008A 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 (15<sup>th</sup>) 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) for Bank Bonds, means those dates on which interest payments are to be made under, and as described in, the Liquidity Facility; (vi) the Maturity Date; and (vii) for 2008A Bonds called for redemption, the applicable redemption date.

**"Interest Period"** means, for each 2008A 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 2008A Bond being determined on such Flexible Rate Adjustment Date and the Flexible Rates and Interest Periods then borne by all other outstanding 2008A Bonds, enable the 2008A 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 Fifth 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 holder of a 2008A Bond is required to tender any 2008A Bond for purchase in accordance with Sections 302, 303 or 304 of the Fifth Supplement to the Amended and Restated Indenture.

**"Mandatorily Tendered Bonds"** means the 2008A Bonds required to be tendered for purchase on a Mandatory Tender Date.

**"Maturity Date"** means, with respect to the 2008A Bonds, June 15, 2022 or, with respect to each 2008A Bond, bearing interest at a Fixed Rate which has been assigned a specific maturity date pursuant to Section 205(d) of the Fifth 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.

**"Maximum Rate"** means (i) with respect to 2008 Bonds bearing interest at a Variable Rate or a Flexible Rate, an interest rate not to exceed the lesser of (a) twelve percent (12%) per annum, and (b) the Maximum Lawful Rate, or (ii) with respect to Bank Bonds, an interest rate not to exceed the lesser of (a) twenty-five percent (25%) per annum, or (b) the Maximum Lawful Rate.

**"No-Call Period"** means the period of time (measured from the Conversion Date) during which the 2008A 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 Fifth Supplement to the Amended and Restated Indenture.

**"Optional Tender Date"** means the date specified by a holder of a 2008A Bond in a Tender Notice for purchase of any 2008A Bond during a Variable Rate Period in accordance with Section 301 of the Fifth Supplement to the Amended and Restated Indenture.

**"Optionally Tendered Bonds"** means the 2008A Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

**"Proposed Fixed Rate Conversion Date"** means the date indicated in the written notice of the Authority given pursuant to Section 205 of the Fifth Supplement to the Amended and Restated Indenture on which the Authority intends to effect a conversion of the interest rate on the 2008A Bonds to the Fixed Rate.

**"Rating Agency"** means each nationally recognized securities rating agency then maintaining a rating on the 2008A Bonds at the request of the Authority, which at the time of issuance of the 2008A Bonds includes S&P, Moody's and Fitch.

**"Record Date"** means, with respect to the 2008A Bonds, while the 2008A 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 2008A 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 RBC Capital Markets Corporation, in its capacity as remarketing agent, and its successor for the time being in such capacity.

**"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 under the Fifth Supplement to the Amended and Restated Indenture, as amended from time to time and consented to by the Bond Insurer.

**"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 as 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 2008A Bonds to the extent required or permitted by Section 310(h) of the Fifth 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 2008A Bonds in book-entry form.

**"Repurchase Date"** means, for any 2008A 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 2008A 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 Fifth Supplement to the Amended and Restated Indenture).

**"Repurchase Price"** means, with respect to each particular 2008A 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 of the Fifth Supplement to the Amended and Restated Indenture to perform those functions with respect to the 2008A 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 holder of a 2008A Bond to the Tender Agent of an Optional Tender Date in accordance with the provisions set forth in the Fifth 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 2008A Bond.

"Term Rate Period" means any Variable Rate Period from and commencing on the fifteenth (15<sup>th</sup>) 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 (15<sup>th</sup>) 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 2008A 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 Fifth 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 2008A 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 2008A 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. During each Variable Rate Period, the 2008A Bonds shall bear interest at the lesser of (i) the Interest Coverage Rate or (ii) the Variable Rate. In no event shall the interest rate on the 2008 Bonds exceed the Maximum Rate. During the Fixed Rate Period, the 2008A Bonds shall bear interest at a Fixed Interest Rate. The 2008A Bonds shall bear interest accruing for each Interest Accrual Period payable on the next Interest Payment Date.

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 the Fifth Supplement to the Amended and Restated Indenture. No interest rate on a 2008A 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 2008A Bonds bearing interest at the Flexible Rate during such Flexible Rate Period to exceed the Interest Component allocable to such 2008A 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.

**Bank Bonds.** 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 2008A Bonds were they not Bank Bonds. In connection with the issuance of this 2008A Bond, an additional Bond will be executed, delivered to and authenticated by the Trustee in the original principal amount of zero dollars (each a "Global Bond") and a corresponding CUSIP number will be obtained by or on behalf of the Authority for each series of 2008 Bonds, for use, in accordance with the then-current procedures of DTC, in the event that all or any portion of the 2008A Bonds become Bank Bonds. At all times, the principal amount of the Global Bond will be equal to the principal amount of any outstanding Bank Bonds; provided, however, at no time shall the amount represented by this 2008A Bond, together with the amount represented by the Global Bond, exceed the total amount of the 2008A Bonds outstanding under the Indenture.

**Conversions.** With the consent of the Bond Insurer, the Authority may elect to convert the 2008A Bonds to bear interest at a Variable Rate, a Flexible Rate or a Fixed Rate, as well as from one Variable Rate to another, and from a Term Rate Period of one length to a Term Rate Period of a different length. Upon such conversion, the 2008A Bonds may accrue interest at such interest rate modes as provided in the Fifth 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 Remarketing Agent (if any) of its election to convert the 2008A Bonds to another interest rate mode and comply with the notice, mandatory tender and other provisions set forth in the Fifth Supplement to the Amended and Restated Indenture.

**Conversion to Fixed Rate in Extraordinary Circumstances.** So long as (i) the Bond Insurer (A) is not in default under the Bond Insurance Policy, and (B) maintains an investment grade rating with each of the Rating Agencies, and (ii) the Bond Insurance Policy is in full force and effect and enforceable in accordance with its material terms, the Bond Insurer may, upon sixty (60) days notice, direct that the interest rate mode on the 2008A Bonds shall be converted to a Fixed Rate pursuant to the Fifth Supplement to the Amended and Restated Indenture (i) upon failure of the Bank to purchase of 2008A Bonds when required under the Fifth Supplement to the Amended and Restated Indenture or under the Liquidity Facility; (ii) upon expiration or termination of the Liquidity Facility with no substitution therefor; (iii) if any such 2008A Bonds are held as Bank Bonds for 45 days or more in any bond year or there are two failed attempts to remarket such 2008A Bonds in any bond year; (iv) if Bank Bonds or more than fifteen percent (15%) of the aggregate principal amount of 2008A Bonds bear interest at the Maximum Rate applicable to such bonds for a period of 30 consecutive days, or (v) if the Authority fails to replace the Liquidity Facility when required. With the Bond Insurer's consent, this provision may be amended or waived by the Authority and the trustee without the consent of the holders of any Bond under the Indenture.

**Conversion of Interest Rate Mode.** Any conversion of the interest rate mode on the 2008 Bonds that would result in (i) 2008A Bonds being remarketed at a premium or (ii) a change in the original amortization schedule for the 2008A Bonds shall require the prior consent of the Bond Insurer.

#### **VARIABLE RATES; CONVERSIONS TO VARIABLE RATE PERIODS**

**Determination by Remarketing Agent; Notice of Rates Determined.** Except as hereinafter provided, the Variable Rate to be applicable to the 2008A 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 any Daily Rate Period and Weekly Rate Period by telephone from the Tender Agent upon request of any owner of a 2008A 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 under the Amended and Restated Indenture (A) for 2008A Bonds in a Daily Rate Period or Weekly Rate Period, the Variable Rate for such Rate Period shall be equal to 135% of the



SIFMA 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 under the Indenture, (B) for 2008A Bonds in a Term Rate Period with a duration of one year or less, such 2008A Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the SIFMA 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 under the Indenture; and (C) for 2008A Bonds in a Term Rate Period with a duration in excess of one year, such 2008A 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 2008A 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 2008A Bonds to Variable Rates for Weekly Rate Periods, in which case the 2008A Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the SIFMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System until the Remarketing Agent next determines the Variable Rate as required under the Fifth Supplement to the Amended and Restated Indenture.

(iii) All determinations of Variable Rates shall be conclusive and binding upon the holders of the 2008A Bonds to which such rates are applicable. Failure by the Trustee or the Tender Agent to give any notice as in the Indenture provided, any defect therein, and any failure by any holder of a 2008A Bond 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 2008A Bonds to elect to have such 2008A 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 2008A Bonds for purchase.

**Daily Rates and Weekly Rates.** 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).

**Term Rates.** 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.

**Conversions between Variable Rate Periods.** At the option of the Authority, the 2008A 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, 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 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 2008 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 of the Fifth Supplement to the Amended and Restated Indenture with respect to purchases of 2008 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.

Conversions from Flexible Rate Periods. At the option of the Authority, the 2008A 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 2008A Bonds to be converted.

(ii) Not less than fourteen (14) days prior to the Variable Rate Conversion Date if converting to a Daily Rate Period or a 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 2008A Bonds to be converted. The 2008A 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.

#### **FLEXIBLE RATES; CONVERSIONS TO FLEXIBLE RATE PERIODS**

Flexible Rates. A Flexible Rate for each Interest Period shall be determined as follows:

(i) The Interest Periods for each 2008A Bond shall be of such duration, not exceeding 270 days, as may be offered by the Remarketing Agent and specified by the purchaser.

(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 2008A Bond or Bonds to which it relates.

(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 under the Fifth Supplement to the Amended and Restated Indenture, the Interest Period shall be of the shortest permitted duration and the Flexible Rate shall be equal to 135% of the SIFMA Municipal Swap Index in effect on the first day of such Interest Period.

(iv) 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 2008A Bonds to which such rates and periods are applicable.

Conversions for Flexible Rate Periods. At the option of Authority, the 2008A 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) Not than thirty (30) days prior to the Flexible Rate Conversion Date, the Tender Agent shall mail a written notice of the conversion to the holders of all Bonds to be converted, specifying the Flexible Rate Conversion Date. The 2008A 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, the 2008A Bonds bearing interest at a Variable Rate or Flexible Rates may be converted to bear interest at the Fixed Rate as provided in the Fifth Supplement to the Amended and Restated Indenture. 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 2008A Bonds to be converted.

(b) 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 Bonds to be converted not less than thirty (30) days prior to the Proposed Fixed Rate Conversion Date and shall inform the holders of the 2008A Bond of: (i) the Proposed Fixed Rate Conversion Date; and (ii) the other matters required in connection with the mandatory tender of the 2008A Bonds. The 2008A Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date.

(c) The Fixed Rate(s) established for the 2008A 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 2008A 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 2008A Bond shall mature or be subject to mandatory sinking fund redemption on a particular June 15 up to and including June 15, 2022, that all 2008A Bonds shall pay interest semiannually on each Interest Payment Date of each year and that all 2008A Bonds maturing on a particular June 15 shall bear interest at the same rate.

The determination of the Fixed Interest Rate(s) shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, if any, the Bank, if any, and the holders of the 2008A Bonds to which such rate(s) will be applicable.

#### **PURCHASE OF THE 2008A BONDS**

##### **Optional Tenders During Variable Rate Periods**

Optional Tender Dates. The holders of 2008A Bonds bearing interest at Variable Rates may elect to have their 2008A Bonds or portions thereof in whole multiples of Authorized Denominations purchased at the Tender Price of such 2008A Bonds (or portions thereof), 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:



(i) Daily Rate Period. During a Daily Rate Period, 2008A 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) Weekly Rate Period. During a Weekly Rate Period, 2008A 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) Term Rate Period. During a Term Rate Period, 2008A 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 holder of a 2008A Bond and the principal amount of the 2008A Bond to which the notice relates, (B) that the holder of such 2008A Bond irrevocably demands purchase of such 2008A Bond or a specified portion thereof in a whole multiple of an Authorized Denomination, (C) the Optional Tender Date on which such 2008A 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 2008A 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 2008A Bond or portion thereof, (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such 2008A 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 2008A Bond to be purchased in whole or in part for other 2008A Bonds in an equal aggregate principal amount so as to facilitate the sale of such 2008A Bond (or portion thereof to be purchased), and (D) an acknowledgment that such holder of a 2008A Bond will have no further rights with respect to such 2008A 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 holder of a 2008A Bond to receive such Tender Price upon surrender of such 2008A 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 2008A Bond.

Delivery of 2008A Bonds. All 2008A 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 2008A Bonds during a Daily Rate Period or a 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 2008A Bonds during Term Rate Periods.

#### Tenders During Flexible Rate Periods

Repurchase Dates. Each 2008A 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 2008A Bonds required to be purchased on the Repurchase Date. In remarketing the 2008A Bonds, the Remarketing Agent shall offer and accept purchase commitments for the 2008A 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 2008A 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 2008A 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.



**Payments by the Tender Agent.** 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 2008A Bonds, the Tender Agent shall pay the Repurchase Price of such 2008A 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 2008A Bonds, no purchase shall be consummated.

**Delivery of 2008A Bonds.** All 2008A 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**

**Variable Rate Conversions.** 2008A 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.

**Flexible Rate Conversions.** 2008A 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.

**Notice to Bondholders.** Any notice of a Conversion given to Bondholders shall state that the 2008A 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 Bonds are to be tendered for purchase.

**Delivery of 2008A Bonds.** (A) **During a Variable Rate Period.** All 2008A 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 2008A 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 2008A Bonds during Term Rate Periods. (B) **During a Flexible Rate Period.** All 2008A 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**

(i) **Proposed Fixed Rate Conversion Date.** The 2008A Bonds to be converted to bear interest at the Fixed Rate pursuant to Section 205 of the Fifth 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.

(ii) **Substitution of the Liquidity Facility with an Alternate Liquidity Facility.** The 2008A Bonds (other than Bank Bonds and 2008A 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 Fifth Supplement to the Amended and Restated Indenture.

(iii) **No Renewal Liquidity Facility.** The 2008A 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) **Default under the Liquidity Facility.** The 2008A 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 permitting the Bank to deliver such notice (other than the occurrence of any event of default thereunder which permits the Bank to immediately terminate such Liquidity Facility without notice to or demand upon the Trustee) 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.

**Notice to Bondholders.** The Tender Agent shall mail notice to Bondholders of any mandatory tender as follows: (A) pursuant to (i) above, not less than thirty (30) days prior to the Mandatory Tender Date; (B) pursuant to (ii) or (iii) above, not less than fifteen (15) days prior to the Mandatory Tender Date, and (C) 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 2008A 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 2008A Bonds are to be tendered for purchase.

**Delivery of 2008A Bonds.** All 2008A 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 2008A Bonds during a Daily Rate Period or a 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 2008A Bonds during Term Rate Periods.

**Purchase of Tendered Bonds; Payments by the Tender Agent.** 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 2008A 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 2008A Bond (or portion thereof) that is subject to purchase fails to deliver such 2008A 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 2008A Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such 2008A Bond (or portion thereof) shall be transferred to the purchaser. Any holder of a 2008A Bond who fails to deliver a 2008A 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 said 2008A 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 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, but the mandatory tender shall remain effective.

**Inadequate Funds for Tenders.** If the funds available for purchases of 2008A Bonds pursuant to Article III of the Fifth Supplement to the Amended and Restated Indenture are inadequate for the purchase of all 2008A 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 2008A Bonds to the Persons providing such moneys; and (iii) notify all Bondholders in writing (A) if an Event of Default has occurred, of such occurrence, and (B) of the rate to be effective pursuant to following provisions. If the funds available for purchases of 2008A Bonds pursuant to Article III of the Fifth Supplement to the Amended and Restated Indenture are inadequate for the purchase of all 2008A 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 Indenture.

The only monies available to pay the Tender Price on any 2008A Bonds which are Tendered Bonds are those monies required to be deposited in the Bond Purchase Fund pursuant to the Fifth Supplement to the Amended and

Restated Indenture. The Authority is not obligated to pay any other amounts from any other source and neither the Trustee nor the Remarketing Agent shall be responsible for the failure of any other person to furnish moneys for the Tender Price of such 2008A Bonds.

Notwithstanding the provisions of the Fifth Supplement to the Amended and Restated Indenture, if on a Proposed Fixed Rate Conversion Date which arises as a result of a Conversion described above in the paragraph entitled "Conversion to Fixed Rate in Extraordinary Circumstances", insufficient funds are available to complete such tender, such Conversion shall nonetheless occur, and the 2008A Bonds so converted shall bear interest at a Fixed Rate equal to the sum of (i) the yield on "A" rated general obligation bonds with a term equal to the remaining term on the 2008A Bonds being so converted, as published by Municipal Market Data (or any successor entity) on the first Business Day preceding the Proposed Fixed Rate Conversion Date, plus (ii) 5 basis points; provided that such Fixed Rate shall not be in excess of the Maximum Lawful Rate.

**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 2008A Bonds and in connection with registration of transfers and exchanges, tenders, redemptions, notices and purchase thereof and payments thereon, as fully to all intents and purposes as though the Tender Agent had been expressly authorized under the Indenture to authenticate, deliver, pay, transfer and exchange 2008A Bonds, receive tender notices, purchase tendered 2008A Bonds and make payments on the 2008A Bonds. As of the original issue date of the 2008A Bonds, the Trustee will not appoint a Tender Agent.

**Remarketing Agent.** RBC Capital Markets Corporation, has been appointed as the initial Remarketing Agent. The Remarketing Agent may be replaced in accordance with the provisions of the 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 2008A Bonds to elect to have their Bonds purchased on any Optional Tender Date or Mandatory Tender Date. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been given, whether or not the owner of such 2008A Bonds receives the notice.

## REDEMPTION

### Optional Redemption.

(i) **Flexible Rate Period or a Variable Rate Period.** During a Flexible Rate Period or a Variable Rate Period, the 2008A 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) **Term Rate Period.** On or prior to the Fixed Rate Conversion Date, 2008A 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 2008A 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 10 years	8 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 3 years	6 <sup>th</sup> Anniversary of the commencement of the Fixed 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 2008A Bonds to a Term Rate Period is to the effect that such change will not have an adverse effect on the validity of the 2008A Bonds or any exemption from federal income taxation to which interest on the 2008A Bonds would otherwise be entitled.

(iii) **Fixed Rate.** After the Fixed Rate Conversion Date, the 2008A 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 2008A 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 10 years	8 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	5 <sup>th</sup> 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 2008A Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2008A Bonds or any exemption from federal income taxation to which interest on the 2008A Bonds would otherwise be entitled.

**Special Optional Redemption.** Any 2008 Bonds which: (1) are Bank Bonds, or (2) have been converted to a Fixed Rate as described in the paragraph above entitled "Conversion to Fixed Rate in Extraordinary Circumstances", shall be subject to redemption in whole or in part prior to the Maturity Date therefor at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day 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 2008A 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
2009	\$6,825,000.00	2016	\$ 9,600,000.00
2010	7,165,000.00	2017	10,080,000.00
2011	7,525,000.00	2018	10,585,000.00
2012	7,900,000.00	2019	11,120,000.00
2013	8,295,000.00	2020	11,670,000.00
2014	8,710,000.00	2021	12,255,000.00
2015	9,145,000.00	2022*	12,865,000.00

\* Maturity

Notwithstanding the foregoing, on and after the Fixed Rate Conversion Date, if the Authority shall, with the consent of the Bond Insurer, file a certificate pursuant to Section 205(d) of the Fifth Supplement to the Amended and Restated Indenture in connection with the conversion of the 2008A Bonds to the Fixed Rate containing an alternate schedule of mandatory redemption dates and amounts to be effective with respect to the 2008A Bonds on and after the Fixed Rate Conversion Date, in lieu of the mandatory sinking fund redemption schedule detailed above, the Authority shall redeem 2008A 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 2008A



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 2008A 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 2008A Bonds outstanding shall be made unless in Authorized Denominations. Any redemption of less than all of the 2008A Bonds Outstanding shall be made first from Bank Bonds. Any redemption of less than all of the 2008A Bonds Outstanding shall be made in such a manner that all Bonds Outstanding after such redemption are in Authorized Denominations.

**Notice of Redemption.** 2008A 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 2008A 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 2008A Bonds to be redeemed shall be given by the Trustee to the holders of the 2008A Bonds 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 2008A 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 the Fifth Supplement to the Amended and Restated Indenture the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2008A 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 2008A Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2008A 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 2008A Bonds to be redeemed and to pay interest due thereon and premium, if any, the 2008A 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 2008A 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 2008A, issued in the aggregate principal amount of \$133,740,000 (the "2008A Bonds"). The 2008A 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 2008A Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on March 18, 2008 (the "Resolution") and under 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 FICA 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.

Liquidity Facility. From the date of their original issuance, the 2008A Bonds (other than Bank Bonds) will be secured by a Standby Bond Purchase Agreement dated as of May 1, 2008 (the "Liquidity Facility") with JPMorgan Chase Bank (the "Initial Bank") pursuant to which the Initial Bank has agreed to pay to the Trustee the purchase price of 2008A Bonds which are tendered for optional or mandatory purchase pursuant to the Fifth Supplement to the Amended and Restated Indenture which have not been successfully remarketed. The Liquidity Facility expires on May 14, 2009, subject to termination or extension as provided therein.

The Authority may, subject to the provisions of the Liquidity Facility and the Indenture, at any time arrange for the deposit with the Trustee of a Renewal Liquidity Facility or on Alternate liquidity Facility in substitution for the existing Liquidity Facility. The Indenture also permits the termination of a Liquidity Facility then in effect without replacement in certain cases specified in the Indenture on and after the Conversion Date. The Liquidity Facility then in effect may be replaced only if the requirements specified in the Indenture are satisfied.

The executed counterparts of the Indenture and the Liquidity Facility are on file at the principal corporate trust office of the Trustee.

THIS 2008A 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 2008A BOND. THIS 2008A 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 2008A BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF 2008A 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 2008A BONDS. THE LIABILITY OF THE AUTHORITY IN RESPECT OF THIS 2008A BOND IS LIMITED SOLELY TO THE PLEDGED REVENUES.

The owner of this 2008A 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. 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. The 2008A Bonds are not subject to acceleration of maturity upon the occurrence of an Event of Default.

This 2008A Bond shall not be entitled to any right, security or benefit under the Indenture or be void or become obligatory for any purpose until this 2008A Bond shall have been authenticated by the Trustee or the Tender Agent, by execution of the certificate of authentication inscribed hereon.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of the 2008A 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 2008A Bonds; and no limitation of indebtedness, either statutory or constitutional, has been exceeded in the issuance of the 2008A Bonds.

This 2008A Bond, notwithstanding the provisions for registration of transfer stated herein and contained in the Indenture, at all times shall be and shall be understood to be an investment security within the meaning of and for all the purposes of the Uniform Commercial Code of Pennsylvania. This 2008A Bond is issued with the intent that the laws of the Commonwealth of Pennsylvania shall govern its construction.



IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this 2008A 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

By: \_\_\_\_\_  
(Assistant) Secretary

By: \_\_\_\_\_  
(Vice) Chairperson

[SEAL]

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CERTIFICATE OF AUTHENTICATION

This 2008A Bond is one of the 2008A Bonds described in the with-mentioned Indenture. The text of the opinion attached hereto is the text of the opinion of Bond Counsel, WolfBlock LLP, Philadelphia, Pennsylvania, dated and delivered on the date of delivery of and payment for the 2008A Bonds, an executed counterpart of which is on file with the Trustee.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

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ASSIGNMENT

For value received \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ the within Bond issued by the Pennsylvania Intergovernmental Cooperation Authority and all rights thereunder, hereby irrevocably appointing \_\_\_\_\_ to transfer said 2008A Bond on the 2008A Bond Register, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed\*: \_\_\_\_\_  
\* Signature(s) must be Guaranteed by a member of an approved Signature Guarantee Medallion Program.

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



TEN COM — as tenants in common

**JOINT TEN** – as joint tenants with right of survivorship and not as tenants in common

(Cust) (Minor)  
under Uniform Gifts to Minors Act (State)

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to U.S. Bank National Association, Philadelphia, Pennsylvania, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.

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 to 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 2008A**  
**(Global Bond)**

<b><u>MATURITY DATE</u></b>	<b><u>ORIGINAL</u></b>	<b><u>INTEREST MODE</u></b>	<b><u>CUSIP</u></b>	<b><u>NUMBER</u></b>
June 15, 2022	ISSUE DATE May 15, 2008	VARIABLE RATE	708840 HE 6	BB AR-1

**REGISTERED OWNER:** CEDE & CO.

**PRINCIPAL AMOUNT:** Initially ZERO DOLLARS (\$0.00)  
 At all times equal to the principal amount of the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2008A, which are Bank Bonds under the Indenture, Not to exceed ONE HUNDRED THIRTY-THREE MILLION SEVEN HUNDRED FORTY THOUSAND DOLLARS (\$133,740,000.00)

IN CONNECTION WITH THE ISSUANCE OF THE 2008A BONDS, THIS ADDITIONAL BOND HAS BEEN EXECUTED, DELIVERED TO AND AUTHENTICATED BY THE TRUSTEE IN THE ORIGINAL PRINCIPAL AMOUNT OF ZERO DOLLARS (A "GLOBAL BOND") FOR USE, IN ACCORDANCE WITH THE THEN-CURRENT PROCEDURES OF THE SECURITIES DEPOSITORY FOR THE 2008A BONDS, IN THE EVENT THAT ALL OR ANY PORTION OF THE 2008A BONDS BECOME BANK BONDS. AT ALL TIMES, THE PRINCIPAL AMOUNT OF THE GLOBAL BOND WILL BE EQUAL TO THE PRINCIPAL AMOUNT OF ANY OUTSTANDING BANK BONDS; PROVIDED, HOWEVER, AT NO TIME SHALL THE AMOUNT REPRESENTED BY THIS GLOBAL BOND, TOGETHER WITH THE AMOUNT REPRESENTED BY THE 2008A BOND, EXCEED THE TOTAL AMOUNT OF THE 2008A BONDS OUTSTANDING UNDER THE INDENTURE.

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 the 2008A Bond shall have previously been called for redemption and payment of the redemption price made or provided for, but solely from amounts specified in the Indenture (as defined below), upon surrender hereof, the principal amount hereof, and to pay interest on the principal amount in

like manner, but solely from amounts specified in the Indenture, from the Interest Payment Date next preceding the authentication date hereof, unless the 2008A Bond has been authenticated on the date of first authentication and delivery of the 2008A Bonds or on an Interest Payment Date to which interest has been paid, in which event interest shall be computed from such authentication date, at the rates per annum and on the dates determined as described in the Indenture (as defined below) 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 2008A Bonds bearing interest at a Variable Rate or Flexible Rate shall be payable at the Principal Office of the Trustee, U.S. Bank National Association, in Philadelphia, Pennsylvania, upon presentation and surrender of such 2008A 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 2008A Bonds bearing interest at a Fixed Rate shall be payable at the Principal Office of the Trustee upon presentation and surrender of such 2008A Bonds. Payment of principal of any 2008A Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2008A Bonds by wire transfer to such owner on the principal payment date for said 2008A 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 10<sup>th</sup> day prior to the principal payment or maturity date applicable to such 2008A Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2008A 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 2008A Bond, as hereinafter described.

Subject to the provisions of the Indenture applicable to 2008A Bonds issued in Book Entry form, interest payments on a 2008A 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 2008A Bond to the Tender Agent. Interest payments on a 2008A 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 2008A Bond to the Tender Agent. Interest on the 2008A 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.

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 2008A Bond is transferable by the registered owner hereof in person or by such owner's attorney duly 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 2008A 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 Bank and any Paying Agent may treat the person in whose name this 2008A 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 2008A Bond is transferred or exchanged on the Bond Register by the Trustee after notice of the optional redemption or the optional or mandatory tender of such 2008A Bond has been given, the Trustee shall attach a copy of such notice to the 2008A 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 2008A Bond after the mailing of notice calling such 2008A 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 2008A Bond or Bonds for redemption.

To the extent not defined herein, the terms used in this 2008A Bond shall have the same meanings as set forth in the Indenture.

#### INTEREST RATES

**Bank Bonds.** Notwithstanding anything herein or in the 2008A Bond 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 2008A Bonds were they not Bank Bonds and shall be payable in accordance with the Indenture and the Liquidity Facility. In connection with the issuance of the 2008A Bond, this Bond has been executed and delivered to the Trustee in the original principal amount of zero dollars (such a "Global Bond") and a corresponding CUSIP number has been obtained by or on behalf of the Authority for this Bond, which is to be authenticated by the Trustee as provided for in the Indenture, for use, in accordance with the then-current procedures of DTC, in the event that all or any portion of the 2008A Bonds become Bank Bonds. At all times, the principal amount of the Global Bond will be equal to the principal amount of any outstanding Bank Bonds; provided, however, at no time shall the amount represented by this 2008A Bond, together with the amount represented by the Global Bond, exceed the total amount of the 2008A Bonds outstanding under the Indenture.

#### REDEMPTION

##### Optional Redemption.

(i) **Flexible Rate Period or a Variable Rate Period.** During a Flexible Rate Period or a Variable Rate Period, the 2008A 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) **Term Rate Period.** On or prior to the Fixed Rate Conversion Date, 2008A 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 2008A 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 10 years	8 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 <sup>th</sup> 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 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 2008A Bonds to a Term Rate Period is to the effect that such change will not have an adverse effect on the validity of the 2008A Bonds or any exemption from federal income taxation to which interest on the 2008A Bonds would otherwise be entitled.

(iii) **Fixed Rate.** After the Fixed Rate Conversion Date, the 2008A 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 2008A 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 10 years	8 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 <sup>th</sup> 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 2008A Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2008A Bonds or any exemption from federal income taxation to which interest on the 2008A Bonds would otherwise be entitled.

**Special Optional Redemption.** Any 2008 Bonds which: (1) are Bank Bonds, or (2) have been converted to a Fixed Rate as described in the paragraph above entitled "Conversion to Fixed Rate in Extraordinary Circumstances", shall be subject to redemption in whole or in part prior to the Maturity Date therefor at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day 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 2008A 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
2009	\$6,825,000.00	2016	\$ 9,600,000.00
2010	\$7,165,000.00	2017	\$10,080,000.00
2011	\$7,525,000.00	2018	\$10,585,000.00
2012	\$7,900,000.00	2019	\$11,120,000.00
2013	\$8,295,000.00	2020	\$11,670,000.00
2014	\$8,710,000.00	2021	\$12,255,000.00
2015	\$9,145,000.00	2022*	\$12,865,000.00

\* Maturity

Notwithstanding the foregoing, on and after the Fixed Rate Conversion Date, if the Authority shall, with the consent of the Bond Insurer, file a certificate pursuant to Section 205(d) of the Fifth Supplement to the Amended and Restated Indenture in connection with the conversion of the 2008A Bonds to the Fixed Rate containing an alternate schedule of mandatory redemption dates and amounts to be effective with respect to the 2008A Bonds on and after the Fixed Rate Conversion Date, in lieu of the mandatory sinking fund redemption schedule detailed above, the

Authority shall redeem 2008A 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 2008A 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 2008A 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 2008A Bonds outstanding shall be made unless in Authorized Denominations. Any redemption of less than all of the 2008A Bonds Outstanding shall be made first from Bank Bonds. Any redemption of less than all of the 2008A Bonds Outstanding shall be made in such a manner that all Bonds Outstanding after such redemption are in Authorized Denominations.

**Notice of Redemption.** 2008A 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 2008A 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 2008A Bonds to be redeemed shall be given by the Trustee to the holders of the 2008A Bonds 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 2008A 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 the Fifth Supplement to the Amended and Restated Indenture the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2008A 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 2008A Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2008A 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 2008A Bonds to be redeemed and to pay interest due thereon and premium, if any, the 2008A 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 2008A 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 2008A, issued in the aggregate principal amount of \$133,740,000 (the "2008A Bonds"). The 2008A 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 2008A Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on March 18, 2008 (the "Resolution") and under 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.



**Liquidity Facility.** From the date of their original issuance, the 2008A Bonds (other than Bank Bonds) will be secured by a Standby Bond Purchase Agreement dated as of May 1, 2008 (the "Liquidity Facility") with JPMorgan Chase Bank (the "Initial Bank") pursuant to which the Initial Bank has agreed to pay to the Trustee the purchase price of 2008A Bonds which are tendered for optional or mandatory purchase pursuant to the Fifth Supplement to the Amended and Restated Indenture which have not been successfully remarketed. The Liquidity Facility expires on May 14, 2009, subject to termination or extension as provided therein.

The Authority may, subject to the provisions of the Liquidity Facility and the Indenture, at any time arrange for the deposit with the Trustee of a Renewal Liquidity Facility or on Alternate liquidity Facility in substitution for the existing Liquidity Facility. The Indenture also permits the termination of a Liquidity Facility then in effect without replacement in certain cases specified in the Indenture on and after the Conversion Date. The Liquidity Facility then in effect may be replaced only if the requirements specified in the Indenture are satisfied.

The executed counterparts of the Indenture and the Liquidity Facility are on file at the principal corporate trust office of the Trustee.

**THIS 2008A 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 2008A BOND. THIS 2008A 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 2008A BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGES OF THE AUTHORITY, INCLUDING HOLDERS OF 2008A 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 2008A BONDS. THE LIABILITY OF THE AUTHORITY IN RESPECT OF THIS 2008A BOND IS LIMITED SOLELY TO THE PLEDGED REVENUES.**

The owner of this 2008A 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. 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. The 2008A Bonds are not subject to acceleration of maturity upon the occurrence of an Event of Default.

This 2008A Bond shall not be entitled to any right, security or benefit under the Indenture or be void or become obligatory for any purpose until this 2008A Bond shall have been authenticated by the Trustee or the Tender Agent, by execution of the certificate of authentication inscribed hereon.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of the 2008A 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 2008A Bonds; and no limitation of indebtedness, either statutory or constitutional, has been exceeded in the issuance of the 2008A Bonds.

This 2008A Bond, notwithstanding the provisions for registration of transfer stated herein and contained in the Indenture, at all times shall be and shall be understood to be an investment security within the meaning of and for all the purposes of the Uniform Commercial Code of Pennsylvania. This 2008A Bond is issued with the intent that the laws of the Commonwealth of Pennsylvania shall govern its construction.



IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this 2008A 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

By: \_\_\_\_\_  
(Assistant) Secretary

By: \_\_\_\_\_  
(Vice) Chairperson

[SEAL]

CERTIFICATE OF AUTHENTICATION

This 2008A Bond (Global Bond) is the Global Bond representing 2008A Bonds described in the with-mentioned Indenture. The text of the opinion attached hereto is the text of the opinion of Bond Counsel, WolfJock LLP, Philadelphia, Pennsylvania, dated and delivered on the date of delivery of and payment for the 2008A Bonds, an executed counterpart of which is on file with the Trustee.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Dated:

By: \_\_\_\_\_  
Authorized Signatory

ASSIGNMENT

For value received \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ the within Bond issued by the Pennsylvania Intergovernmental Cooperation Authority and all rights thereunder, hereby irrevocably appointing \_\_\_\_\_ to transfer said 2008A Bond on the 2008A Bond Register, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed\*: \_\_\_\_\_

\* Signature(s) must be Guaranteed by a member of an approved Signature Guarantee Medallion Program.

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

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TEN HNT - as tenants by the entireties

UNIF GIFT MIN ACT -

(Cust)

(Minor)

(State)

**EXHIBIT A-2: FORM OF 2008B BOND**

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to U.S. Bank National Association, Philadelphia, Pennsylvania, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.

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 Code & Co. or to such other name as is requested by an authorized representative of DTC (and any payment is made to Code & 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, Code & Co. has an interest herein.

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**  
**Special Tax Revenue Refunding Bonds**  
**(City of Philadelphia Funding Program)**  
**Series of 2008B**

<b><u>MATURITY DATE</u></b>	<b><u>ORIGINAL ISSUE DATE</u></b>	<b><u>INTEREST MODE</u></b>	<b><u>CUSIP</u></b>	<b><u>NUMBER</u></b>
June 15, 2020	May 15, 2008	VARIABLE RATE	708840 HD 8	BR-1

**REGISTERED OWNER:** CEDE & CO.

**PRINCIPAL AMOUNT:** EIGHTY MILLION EIGHT HUNDRED TWENTY-FIVE THOUSAND DOLLARS  
(\$80,825,000.00)

AS HEREINAFTER DESCRIBED, UNDER CERTAIN CIRCUMSTANCES ON CERTAIN DATES THIS 2008B 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 2008B BOND OR IS REQUIRED TO TENDER THIS 2008B 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 2008B Bond shall have previously been called for redemption and payment of the redemption price made or provided for, but solely from amounts specified in the Fifth Supplement to the Amended and Restated Indenture (as defined below) upon surrender hereof, the principal amount specified hereon, and to pay interest on the principal amount in like manner, but solely from amounts specified in the Fifth Supplement to the Amended and Restated Indenture, from the Interest Payment Date next preceding the authentication date hereof, unless this 2008B Bond has been authenticated on the date of first authentication and delivery of the 2008B Bonds or on an Interest Payment Date to which interest has been paid, in which event interest shall be computed from such authentication date, at the rates per annum and on the dates determined as described in the Indenture (as defined below) 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 2008B Bonds bearing interest at a Variable Rate or Flexible Rate shall be payable at the Principal Office of the Trustee, U.S. Bank National Association, in Philadelphia, Pennsylvania, upon presentation and surrender of such 2008B 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 2008B Bonds bearing interest at a Fixed Rate shall be payable at the Principal Office of the Trustee upon presentation and surrender of such 2008B Bonds. Payment of principal of any 2008B Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2008B Bonds by wire transfer to such owner on the principal payment date for said 2008B 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 10<sup>th</sup> day prior to the principal payment or maturity date applicable to such 2008B Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2008B 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 2008B Bond, as hereinafter described.

Subject to the provisions of the Indenture applicable to 2008B Bonds issued in Book Entry form, interest payments on a 2008B 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 2008B Bond to the Tender Agent. Interest payments on a 2008B 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 2008B Bond to the Tender Agent. Interest on the 2008B 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.

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 2008B Bond is transferable by the registered owner hereof in person or by such owner's attorney duly 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 2008B 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 Bank and any Paying Agent may treat the person in whose name this 2008B 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 2008B Bond is transferred or exchanged on the Bond Register by the Trustee after notice of the optional redemption or the optional or mandatory tender of such 2008B Bond has been given, the Trustee shall attach a copy of such notice to the 2008B 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 2008B Bond after the mailing of notice calling such 2008B 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 2008B Bond or Bonds for redemption.

#### DEFINITIONS

To the extent not defined herein, the terms used in this 2008B Bond shall have the same meanings as set forth in the Indenture.

"Alternate Liquidity Facility" means a Liquidity Facility provided in accordance with the Fifth Supplement to the Amended and Restated Indenture (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 2008B Bonds delivered or deemed delivered in accordance with Article III of the Fifth Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"); provided that at all times while any of the 2008B Bonds bear interest at a Variable Rate or a Flexible Rate such 2008B 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.

"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 made available under the Liquidity Facility and registered in the name or for the benefit of the Bank (or its nominee) 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; provided that the Bank Rate shall not exceed the Maximum Rate.

"Business Day" means, with respect to the 2008B 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 Bond Insurer's custodian at which claims under the Bond Insurance Policy are to be paid) 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, (iii) a day on which the New York Stock Exchange is closed, or (iv) with respect to payments due from the Authority or notices required to be given by the Authority in connection herewith, a day on which the Authority is authorized or required to remain 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 2008B Bonds, each period from and commencing on a Business Day and including and ending on the first day preceding the first Business Day thereafter.

"Fifth Supplement to the Amended and Restated Indenture" means the Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 by and between the Authority and the Trustee.

"Fixed Rate" means the rate to be borne by the 2008B Bonds from and after the Fixed Rate Conversion Date to maturity, which shall be the lowest rate which, in the judgment of the Remarketing Agent, is necessary to enable the 2008B 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 2008B 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 2008B Bond to be remarketed at the principal amount thereof on such Flexible Rate Adjustment Date given the applicable Interest Period for such 2008B 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 Fifth 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 2008B Bond commence.

**"Flexible Rate Conversion Date"** means a date on which the 2008B 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 or telecopier 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 May 1, 2008, entered into between the Authority and the Initial Bank concurrently with the original issuance of the 2008B Bonds.

**"Indenture"** means collectively, the 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 dated as of June 1, 2003, a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 and the Fifth Supplement to the Amended and Restated Indenture, all by and between the Authority and the Trustee.

**"Interest Accrual Period"** means the period during which a 2008 Bond accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid, from the date of original authentication and delivery of the 2008 Bonds) to, but not including, the Interest Payment Date on which interest is to be paid.

**"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 2008B 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 2008B 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(b) of the Fifth Supplement to the Amended and Restated Indenture in a manner consistent with the periods utilized in calculating interest accrued on 2008B Bonds in such interest mode.

**"Interest Coverage Rate"** means the rate which is used to determine the Interest Component, initially 12% per annum for 2008B Bonds in the Weekly Rate Period secured by the Initial Liquidity Facility, and shall be specified for 2008B Bonds bearing interest in each subsequent mode by the Remarketing Agent in writing to the Trustee at the time such 2008B 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 Fifth Supplement to the Amended and Restated Indenture. Notwithstanding the foregoing, the maximum Interest Coverage Rate that may be established with respect to the 2008B 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 (15<sup>th</sup>) 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) for Bank Bonds, means those dates on which interest payments are to be made under, and as described in, the Liquidity Facility; (vi) the Maturity Date; and (vii) for 2008B Bonds called for redemption, the applicable redemption date.

**"Interest Period"** means, for each 2008B 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 2008B Bond being determined on such Flexible Rate Adjustment Date and the Flexible Rates and Interest Periods then borne by all other outstanding 2008B Bonds, enable the 2008B 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 Fifth 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 holder of a 2008B Bond is required to tender any 2008B Bond for purchase in accordance with Sections 302, 303 or 304 of the Fifth Supplement to the Amended and Restated Indenture.

**"Mandatorily Tendered Bonds"** means the 2008B Bonds required to be tendered for purchase on a Mandatory Tender Date.

**"Maturity Date"** means, with respect to the 2008B Bonds, June 15, 2020 or, with respect to each 2008B Bond, bearing interest at a Fixed Rate which has been assigned a specific maturity date pursuant to Section 205(d) of the Fifth 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.

**"Maximum Rate"** means (i) with respect to 2008 Bonds bearing interest at a Variable Rate or a Flexible Rate, an interest rate not to exceed the lesser of (a) twelve percent (12%) per annum, and (b) the Maximum Lawful Rate, or (ii) with respect to Bank Bonds, an interest rate not to exceed the lesser of (a) twenty-five percent (25%) per annum, or (b) the Maximum Lawful Rate.

**"No-Call Period"** means the period of time (measured from the Conversion Date) during which the 2008B 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 Fifth Supplement to the Amended and Restated Indenture.

**"Optional Tender Date"** means the date specified by a holder of a 2008B Bond in a Tender Notice for purchase of any 2008B Bond during a Variable Rate Period in accordance with Section 301 of the Fifth Supplement to the Amended and Restated Indenture.



**"Optionally Tendered Bonds"** means the 2008B Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

**"Proposed Fixed Rate Conversion Date"** means the date indicated in the written notice of the Authority given pursuant to Section 205 of the Fifth Supplement to the Amended and Restated Indenture on which the Authority intends to effect a conversion of the interest rate on the 2008B Bonds to the Fixed Rate.

**"Rating Agency"** means each nationally recognized securities rating agency then maintaining a rating on the 2008B Bonds at the request of the Authority, which at the time of issuance of the 2008B Bonds includes S&P, Moody's and Fitch.

**"Record Date"** means, with respect to the 2008B Bonds, while the 2008B 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 2008B 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 RBC Capital Markets Corporation, in its capacity as remarketing agent, and its successor for the time being in such capacity.

**"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 under the Fifth Supplement to the Amended and Restated Indenture, as amended from time to time and consented to by the Bond Insurer.

**"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 as 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 2008B Bonds to the extent required or permitted by Section 310(h) of the Fifth 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 2008B Bonds in book-entry form.

**"Repurchase Date"** means, for any 2008B 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 2008B 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 Fifth Supplement to the Amended and Restated Indenture).

**"Repurchase Price"** means, with respect to each particular 2008B 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 of the Fifth Supplement to the Amended and Restated Indenture to perform those functions with respect to the 2008B 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 holder of a 2008B Bond to the Tender Agent of an Optional Tender Date in accordance with the provisions set forth in the Fifth 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 2008B Bond.

**"Term Rate Period"** means any Variable Rate Period from and commencing on the fifteenth (15<sup>th</sup>) 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 (15<sup>th</sup>) 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 2008B 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 Fifth 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 2008B 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 2008B 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. During each Variable Rate Period, the 2008B Bonds shall bear interest at the lesser of (i) the Interest Coverage Rate or (ii) the Variable Rate. In no event shall the interest rate on the 2008 Bonds exceed the Maximum Rate. During the Fixed Rate Period, the 2008B Bonds shall bear interest at a Fixed Interest Rate. The 2008A Bonds shall bear interest accruing for each Interest Accrual Period payable on the next Interest Payment Date.

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 the Fifth Supplement to the Amended and Restated Indenture. No interest rate on a 2008B 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 2008B Bonds bearing interest at the Flexible Rate during such Flexible Rate Period to exceed the Interest Component allocable to such 2008B 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.

**Bank Bonds.** 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 2008B Bonds were they not Bank Bonds. In connection with the issuance of this 2008B Bond, an additional Bond will be executed, delivered to and authenticated by the Trustee in the original principal amount of zero dollars (each a "Global Bond") and a corresponding CUSIP number will be obtained by or on behalf of the Authority for each series of 2008 Bonds, for use, in accordance with the then-current procedures of DTC, in the event that all or any portion of the 2008B Bonds become Bank Bonds. At all times, the principal amount of the Global Bond will be equal to the principal amount of any outstanding Bank Bonds; provided, however, at no time shall the amount represented by this 2008B Bond, together with the amount represented by the Global Bond, exceed the total amount of the 2008B Bonds outstanding under the Indenture.

**Conversions.** With the consent of the Bond Insurer, the Authority may elect to convert the 2008B Bonds to bear interest at a Variable Rate, a Flexible Rate or a Fixed Rate, as well as from one Variable Rate to another, and from a Term Rate Period of one length to a Term Rate Period of a different length. Upon such conversion, the 2008B Bonds may accrue interest at such interest rate modes as provided in the Fifth 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 Remarketing Agent (if any) of its election to convert the 2008B Bonds to another interest rate mode and comply with the notice, mandatory tender and other provisions set forth in the Fifth Supplement to the Amended and Restated Indenture.

**Conversion to Fixed Rate in Extraordinary Circumstances.** So long as (i) the Bond Insurer (A) is not in default under the Bond Insurance Policy, and (B) maintains an investment grade rating with each of the Rating Agencies, and (ii) the Bond Insurance Policy is in full force and effect and enforceable in accordance with its material terms, the Bond Insurer may, upon sixty (60) days notice, direct that the interest rate mode on the 2008B Bonds shall be converted to a Fixed Rate pursuant to the Fifth Supplement to the Amended and Restated Indenture (i) upon failure of the Bank to purchase of 2008B Bonds when required under the Fifth Supplement to the Amended and Restated Indenture or under the Liquidity Facility; (ii) upon expiration or termination of the Liquidity Facility with no substitution therefor; (iii) if any such 2008B Bonds are held as Bank Bonds for 45 days or more in any bond year or there are two failed attempts to remarket such 2008B Bonds in any bond year; (iv) if Bank Bonds or more than fifteen percent (15%) of the aggregate principal amount of 2008B Bonds bear interest at the Maximum Rate applicable to such bonds for a period of 30 consecutive days, or (v) if the Authority fails to replace the Liquidity Facility when required. With the Bond Insurer's consent, this provision may be amended or waived by the Authority and the trustee without the consent of the holders of any Bond under the Indenture.

**Conversion of Interest Rate Mode.** Any conversion of the interest rate mode on the 2008 Bonds that would result in (i) 2008B Bonds being remarketed at a premium or (ii) a change in the original amortization schedule for the 2008B Bonds shall require the prior consent of the Bond Insurer.

#### **VARIABLE RATES; CONVERSIONS TO VARIABLE RATE PERIODS**

**Determination by Remarketing Agent; Notice of Rates Determined.** Except as hereinafter provided, the Variable Rate to be applicable to the 2008B 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 any Daily Rate Period and Weekly Rate Period by telephone from the Tender Agent upon request of any owner of a 2008B 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 under the Amended and Restated Indenture (A) for 2008B Bonds in a Daily Rate Period or Weekly Rate Period, the Variable Rate for such Rate Period shall be equal to 135% of the

SIFMA 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 under the Indenture, (B) for 2008B Bonds in a Term Rate Period with a duration of one year or less, such 2008B Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the SIFMA 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 under the Indenture; and (C) for 2008B Bonds in a Term Rate Period with a duration in excess of one year, such 2008B 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 2008B 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 2008B Bonds to Variable Rates for Weekly Rate Periods, in which case the 2008B Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the SIFMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System until the Remarketing Agent next determines the Variable Rate as required under the Fifth Supplement to the Amended and Restated Indenture.

(iii) All determinations of Variable Rates shall be conclusive and binding upon the holders of the 2008B Bonds to which such rates are applicable. Failure by the Trustee or the Tender Agent to give any notice as in the Indenture provided, any defect therein, and any failure by any holder of a 2008B Bond 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 2008B Bonds to elect to have such 2008B 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 2008B Bonds for purchase.

Daily Rates and Weekly Rates. 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).

Term Rates. 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.

Conversions between Variable Rate Periods. At the option of the Authority, the 2008B 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, 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 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 2008 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 of the Fifth Supplement to the Amended and Restated Indenture with respect to purchases of 2008 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.

Conversions from Flexible Rate Periods. At the option of the Authority, the 2008B 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 2008B Bonds to be converted.

(ii) Not less than fourteen (14) days prior to the Variable Rate Conversion Date if converting to a Daily Rate Period or a 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 2008B Bonds to be converted. The 2008B 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.

#### **FLEXIBLE RATES; CONVERSIONS TO FLEXIBLE RATE PERIODS**

Flexible Rates. A Flexible Rate for each Interest Period shall be determined as follows:

(i) The Interest Periods for each 2008B Bond shall be of such duration, not exceeding 270 days, as may be offered by the Remarketing Agent and specified by the purchaser.

(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 2008B Bond or Bonds to which it relates.

(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 under the Fifth Supplement to the Amended and Restated Indenture, the Interest Period shall be of the shortest permitted duration and the Flexible Rate shall be equal to 135% of the SIFMA Municipal Swap Index in effect on the first day of such Interest Period.

(iv) 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 2008B Bonds to which such rates and periods are applicable.

Conversions for Flexible Rate Periods. At the option of Authority, the 2008B 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) Not less than thirty (30) days prior to the Flexible Rate Conversion Date, the Tender Agent shall mail a written notice of the conversion to the holders of all Bonds to be converted, specifying the Flexible Rate Conversion Date. The 2008B 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, the 2008B Bonds bearing interest at a Variable Rate or Flexible Rates may be converted to bear interest at the Fixed Rate as provided in the Fifth Supplement to the Amended and Restated Indenture. 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 2008B Bonds to be converted.

(b) 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 Bonds to be converted not less than thirty (30) days prior to the Proposed Fixed Rate Conversion Date and shall inform the holders of the 2008B Bonds of: (i) the Proposed Fixed Rate Conversion Date; and (ii) the other matters required in connection with the mandatory tender of the 2008B Bonds. The 2008B Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date.

(c) The Fixed Rate(s) established for the 2008B 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 2008B 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 2008B Bonds shall mature or be subject to mandatory sinking fund redemption on a particular June 15 up to and including June 15, 2022, that all 2008B Bonds shall pay interest semiannually on each Interest Payment Date of each year and that all 2008B Bonds maturing on a particular June 15 shall bear interest at the same rate.

The determination of the Fixed Interest Rate(s) shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, if any, the Bank, if any, and the holders of the 2008B Bonds to which such rate(s) will be applicable.

#### **PURCHASE OF THE 2008B BONDS**

##### **Optional Tenders During Variable Rate Periods**

Optional Tender Dates. The holders of 2008B Bonds bearing interest at Variable Rates may elect to have their 2008B Bonds or portions thereof in whole multiples of Authorized Denominations purchased at the Tender Price of such 2008B Bonds (or portions thereof), 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:



(i) Daily Rate Period. During a Daily Rate Period, 2008B 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) Weekly Rate Period. During a Weekly Rate Period, 2008B 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) Term Rate Period. During a Term Rate Period, 2008B 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 holder of a 2008B Bond and the principal amount of the 2008B Bond to which the notice relates, (B) that the holder of such 2008B Bond irrevocably demands purchase of such 2008B Bond or a specified portion thereof in a whole multiple of an Authorized Denomination, (C) the Optional Tender Date on which such 2008B 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 2008B 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 2008B Bond or portion thereof, (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such 2008B 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 2008B Bond to be purchased in whole or in part for other 2008 Bonds in an equal aggregate principal amount so as to facilitate the sale of such 2008B Bond (or portion thereof to be purchased), and (D) an acknowledgment that such holder of a 2008B Bond will have no further rights with respect to such 2008B 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 holder of a 2008B Bond to receive such Tender Price upon surrender of such 2008B 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 2008B Bond.

Delivery of 2008B Bonds. All 2008B 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 2008B Bonds during a Daily Rate Period or a 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 2008B Bonds during Term Rate Periods.

#### Tenders During Flexible Rate Periods

Repurchase Dates. Each 2008B 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 2008B Bonds required to be purchased on the Repurchase Date. In remarketing the 2008B Bonds, the Remarketing Agent shall offer and accept purchase commitments for the 2008B 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 2008B 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 2008B 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.

**Payments by the Tender Agent.** 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 2008B Bonds, the Tender Agent shall pay the Repurchase Price of such 2008B 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 2008B Bonds, no purchase shall be consummated.

**Delivery of 2008B Bonds.** All 2008B 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**

**Variable Rate Conversions.** 2008B 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.

**Flexible Rate Conversions.** 2008B 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.

**Notice to Bondholders.** Any notice of a Conversion given to Bondholders shall state that the 2008B 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 Bonds are to be tendered for purchase.

**Delivery of 2008B Bonds.** (A) **During a Variable Rate Period.** All 2008B 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 to 2008B 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 2008B Bonds during Term Rate Periods, (B) **During a Flexible Rate Period.** All 2008B 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**

(i) **Proposed Fixed Rate Conversion Date.** The 2008B Bonds to be converted to bear interest at the Fixed Rate pursuant to Section 205 of the Fifth 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.

(ii) **Substitution of the Liquidity Facility with an Alternate Liquidity Facility.** The 2008B Bonds (other than Bank Bonds and 2008B 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 Fifth Supplement to the Amended and Restated Indenture.

(iii) **No Renewal Liquidity Facility.** The 2008B 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) **Default under the Liquidity Facility.** The 2008B 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 permitting the Bank to deliver such notice (other than the occurrence of any event of default thereunder which permits the Bank to immediately terminate such Liquidity Facility without notice to or demand upon the Trustee) 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.

**Notice to Bondholders.** The Tender Agent shall mail notice to Bondholders of any mandatory tender as follows: (A) pursuant to (i) above, not less than thirty (30) days prior to the Mandatory Tender Date; (B) pursuant to (ii) or (iii) above, not less than fifteen (15) days prior to the Mandatory Tender Date, and (C) 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 2008B 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 2008B Bonds are to be tendered for purchase.

**Delivery of 2008B Bonds.** All 2008B 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 2008B Bonds during a Daily Rate Period or a 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 2008B Bonds during Term Rate Periods.

**Purchase of Tendered Bonds; Payments by the Tender Agent.** 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 2008B 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 2008B Bond (or portion thereof) that is subject to purchase fails to deliver such 2008B 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 2008B Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such 2008B Bond (or portion thereof) shall be transferred to the purchaser. Any holder of a 2008B Bond who fails to deliver a 2008B 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 said 2008B 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 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, but the mandatory tender shall remain effective.

**Inadequate Funds for Tenders.** If the funds available for purchases of 2008B Bonds pursuant to Article III of the Fifth Supplement to the Amended and Restated Indenture are inadequate for the purchase of all 2008B 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 2008B Bonds to the Persons providing such moneys; and (iii) notify all Bondholders in writing (A) if an Event of Default has occurred, of such occurrence, and (B) of the rate to be effective pursuant to following provisions. If the funds available for purchases of 2008B Bonds pursuant to Article III of the Fifth Supplement to the Amended and Restated Indenture are inadequate for the purchase of all 2008B 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 Indenture.

The only monies available to pay the Tender Price on any 2008B Bonds which are Tendered Bonds are those monies required to be deposited in the Bond Purchase Fund pursuant to the Fifth Supplement to the Amended and Restated Indenture. The Authority is not obligated to pay any other amounts from any other source and neither the Trustee

nor the Remarketing Agent shall be responsible for the failure of any other person to furnish moneys for the Tender Price of such 2008B Bonds.

Notwithstanding the provisions of the Fifth Supplement to the Amended and Restated Indenture, if on a Proposed Fixed Rate Conversion Date which arises as a result of a Conversion described above in the paragraph entitled "Conversion to Fixed Rate in Extraordinary Circumstances", insufficient funds are available to complete such tender, such Conversion shall nonetheless occur, and the 2008B Bonds so converted shall bear interest at a Fixed Rate equal to the sum of (i) the yield on "A" rated general obligation bonds with a term equal to the remaining term on the 2008B Bonds being so converted, as published by Municipal Market Data (or any successor entity) on the first Business Day preceding the Proposed Fixed Rate Conversion Date, plus (ii) 5 basis points; provided that such Fixed Rate shall not be in excess of the Maximum Lawful Rate.

**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 2008B Bonds and in connection with registration of transfers and exchanges, tenders, redemptions, notices and purchase thereof and payments thereon, as fully to all intents and purposes as though the Tender Agent had been expressly authorized under the Indenture to authenticate, deliver, pay, transfer and exchange 2008B Bonds, receive tender notices, purchase tendered 2008B Bonds and make payments on the 2008B Bonds. As of the original issue date of the 2008B Bonds, the Trustee will not appoint a Tender Agent.

**Remarketing Agent.** RBC Capital Markets Corporation, has been appointed as the initial Remarketing Agent. The Remarketing Agent may be replaced in accordance with the provisions of the 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 2008B Bonds to elect to have their Bonds purchased on any Optional Tender Date or Mandatory Tender Date. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been given, whether or not the owner of such 2008B Bonds receives the notice.

## REDEMPTION

### Optional Redemption.

(i) **Flexible Rate Period or a Variable Rate Period.** During a Flexible Rate Period or a Variable Rate Period, the 2008B 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) **Term Rate Period.** On or prior to the Fixed Rate Conversion Date, 2008B 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 2008B 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 10 years	8 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 <sup>th</sup> 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 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 2008B Bonds to a Term Rate Period is to the effect that such change will not have an adverse effect on the validity of the 2008B Bonds or any exemption from federal income taxation to which interest on the 2008B Bonds would otherwise be entitled.

(iii) **Fixed Rate.** After the Fixed Rate Conversion Date, the 2008B 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 2008B 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 10 years	8 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 <sup>th</sup> 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 2008B Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2008B Bonds or any exemption from federal income taxation to which interest on the 2008B Bonds would otherwise be entitled.

**Special Optional Redemption.** Any 2008 Bonds which: (1) are Bank Bonds, or (2) have been converted to a Fixed Rate as described in the paragraph above entitled "Conversion to Fixed Rate in Extraordinary Circumstances", shall be subject to redemption in whole or in part prior to the Maturity Date therefor at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day 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 2008B 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
2009	\$4,925,000.00	2015	\$6,800,000.00
2010	5,200,000.00	2016	7,175,000.00
2011	5,475,000.00	2017	7,575,000.00
2012	5,800,000.00	2018	8,000,000.00
2013	6,100,000.00	2019	8,425,000.00
2014	6,450,000.00	2020*	8,900,000.00

\* Maturity

Notwithstanding the foregoing, on and after the Fixed Rate Conversion Date, if the Authority shall, with the consent of the Bond Insurer, file a certificate pursuant to Section 205(d) of the Fifth Supplement to the Amended and Restated Indenture in connection with the conversion of the 2008B Bonds to the Fixed Rate containing an alternate schedule of mandatory redemption dates and amounts to be effective with respect to the 2008B Bonds on and after the Fixed Rate Conversion Date, in lieu of the mandatory sinking fund redemption schedule detailed above, the Authority shall redeem 2008B 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 2008B 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 2008B 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 2008B Bonds outstanding shall be made unless in Authorized Denominations. Any redemption of less than all of the 2008B Bonds Outstanding shall be made first from Bank Bonds. Any redemption of less than all of the 2008B Bonds Outstanding shall be made in such a manner that all Bonds Outstanding after such redemption are in Authorized Denominations.

**Notice of Redemption.** 2008B 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 2008B 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 2008B Bonds to be redeemed shall be given by the Trustee to the holders of the 2008B Bonds 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 2008B 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 the Fifth Supplement to the Amended and Restated Indenture the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2008B 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 2008B Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2008B 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 2008B Bonds to be redeemed and to pay interest due thereon and premium, if any, the 2008B 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 2008B 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 2008B, issued in the aggregate principal amount of \$30,825,000 (the "2008B Bonds"). The 2008B 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 2008B Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on March 18, 2008 (the "Resolution") and under 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.

**Liquidity Facility.** From the date of their original issuance, the 2008B Bonds (other than Bank Bonds) will be secured by a Standby Bond Purchase Agreement dated as of May 1, 2008 (the "Liquidity Facility") with JPMorgan Chase Bank (the "Initial Bank") pursuant to which the Initial Bank has agreed to pay to the Trustee the purchase price of 2008B Bonds which are tendered for optional or mandatory purchase pursuant to the Fifth Supplement to the Amended and Restated Indenture which have not been successfully remarketed. The Liquidity Facility expires on May 14, 2009, subject to termination or extension as provided therein.

The Authority may, subject to the provisions of the Liquidity Facility and the Indenture, at any time arrange for the deposit with the Trustee of a Renewal Liquidity Facility or an Alternate Liquidity Facility in substitution for the existing Liquidity Facility. The Indenture also permits the termination of a Liquidity Facility then in effect without replacement in certain cases specified in the Indenture on and after the Conversion Date. The Liquidity Facility then in effect may be replaced only if the requirements specified in the Indenture are satisfied.

The executed counterparts of the Indenture and the Liquidity Facility are on file at the principal corporate trust office of the Trustee.

THIS 2008B 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 2008B BOND. THIS 2008B 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 2008B BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGES OF THE AUTHORITY, INCLUDING HOLDERS OF 2008B 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 2008B BONDS. THE LIABILITY OF THE AUTHORITY IN RESPECT OF THIS 2008B BOND IS LIMITED SOLELY TO THE PLEDGED REVENUES.**

The owner of this 2008B 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. 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. The 2008B Bonds are not subject to acceleration of maturity upon the occurrence of an Event of Default.

This 2008B Bond shall not be entitled to any right, security or benefit under the Indenture or be void or become obligatory for any purpose until this 2008B Bond shall have been authenticated by the Trustee or the Tender Agent, by execution of the certificate of authentication inscribed hereon.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of the 2008B 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 2008B Bonds; and no limitation of indebtedness, either statutory or constitutional, has been exceeded in the issuance of the 2008B Bonds.

This 2008B Bond, notwithstanding the provisions for registration of transfer stated herein and contained in the Indenture, at all times shall be and shall be understood to be an investment security within the meaning of and for all the purposes of the Uniform Commercial Code of Pennsylvania. This 2008B Bond is issued with the intent that the laws of the Commonwealth of Pennsylvania shall govern its construction.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this 2008B 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**

By: \_\_\_\_\_  
(Assistant) Secretary

By: \_\_\_\_\_  
(Vice) Chairperson

[SEAL]

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**CERTIFICATE OF AUTHENTICATION**

This 2008B Bond is one of the 2008B Bonds described in the with-mentioned Indenture. The text of the opinion attached hereto is the text of the opinion of Bond Counsel, WolfBlock LLP, Philadelphia, Pennsylvania, dated and delivered on the date of delivery of and payment for the 2008B Bonds, an executed counterpart of which is on file with the Trustee.

**U.S. BANK NATIONAL ASSOCIATION, as Trustee**

Dated:

By: \_\_\_\_\_  
Authorized Signatory

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**ASSIGNMENT**

For value received \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ the within Bond issued by the Pennsylvania Intergovernmental Cooperation Authority and all rights thereunder, hereby irrevocably appointing \_\_\_\_\_ to transfer said 2008B Bond on the 2008B Bond Register, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed\*: \_\_\_\_\_

\* Signature(s) must be Guaranteed by a member of an approved Signature Guarantee Medallion Program.

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

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UNIF GIFT MIN ACT -- \_\_\_\_\_ Custodian

(Cust)

(Minor)

(State)



Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to U.S. Bank National Association, Philadelphia, Pennsylvania, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.

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 Code & Co. or to such other name as is requested by an authorized representative of DTC (and any payment is made to Code & 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, Code & Co. has an interest herein.

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**  
**Special Tax Revenue Refunding Bonds**  
**(City of Philadelphia Funding Program)**  
**Series of 2008B**  
**(Global Bond)**

<b><u>MATURITY DATE</u></b>	<b><u>ORIGINAL ISSUE DATE</u></b>	<b><u>INTEREST MODE</u></b>	<b><u>CUSIP</u></b>	<b><u>NUMBER</u></b>
June 15, 2020	May 15, 2008	VARIABLE RATE	708940 HF 3	BB BR-1

**REGISTERED OWNER: CODE & CO.**

**PRINCIPAL AMOUNT:** Initially ZERO DOLLARS (\$0.00)  
 At all times equal to the principal amount of the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2008A, which are Bank Bonds under the Indenture, Not to exceed EIGHTY MILLION EIGHT HUNDRED TWENTY FIVE THOUSAND DOLLARS (\$80,825,000.00)

IN CONNECTION WITH THE ISSUANCE OF THE 2008B BONDS, THIS ADDITIONAL BOND HAS BEEN EXECUTED, DELIVERED TO AND AUTHENTICATED BY THE TRUSTEE IN THE ORIGINAL PRINCIPAL AMOUNT OF ZERO DOLLARS (A "GLOBAL BOND") FOR USE, IN ACCORDANCE WITH THE THEN-CURRENT PROCEDURES OF THE SECURITIES DEPOSITORY FOR THE 2008B BONDS, IN THE EVENT THAT ALL OR ANY PORTION OF THE 2008B BONDS BECOME BANK BONDS. AT ALL TIMES, THE PRINCIPAL AMOUNT OF THE GLOBAL BOND WILL BE EQUAL TO THE PRINCIPAL AMOUNT OF ANY OUTSTANDING BANK BONDS; PROVIDED, HOWEVER, AT NO TIME SHALL THE AMOUNT REPRESENTED BY THIS GLOBAL BOND, TOGETHER WITH THE AMOUNT REPRESENTED BY THE 2008B BOND, EXCEED THE TOTAL AMOUNT OF THE 2008B BONDS OUTSTANDING UNDER THE INDENTURE.

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 2008B Bond shall have previously been called for redemption and payment of the redemption price made or provided for, but solely from amounts specified in the Indenture, upon surrender hereof, the principal amount hereof, and to pay interest on the principal amount in like manner, but solely from amounts specified in the Indenture, from the Interest Payment Date next preceding the authentication date hereof, unless this 2008B Bond has been authenticated on the date of first authentication and delivery of the 2008B

Bonds or on an Interest Payment Date to which interest has been paid, in which event interest shall be computed from such authentication date, at the rates per annum and on the dates determined as described herein and in the Indenture (as defined below) 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 2008B Bonds bearing interest at a Variable Rate or Flexible Rate shall be payable at the Principal Office of the Trustee, U.S. Bank National Association, in Philadelphia, Pennsylvania, upon presentation and surrender of such 2008B 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 2008B Bonds bearing interest at a Fixed Rate shall be payable at the Principal Office of the Trustee upon presentation and surrender of such 2008B Bonds. Payment of principal of any 2008B Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2008B Bonds by wire transfer to such owner on the principal payment date for said 2008B 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 10<sup>th</sup> day prior to the principal payment or maturity date applicable to such 2008B Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2008B 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 2008B Bond, as hereinafter described.

Subject to the provisions of the Indenture applicable to 2008B Bonds issued in Book Entry form, interest payments on a 2008B 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 2008B Bond to the Tender Agent. Interest payments on a 2008B 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 2008B Bond to the Tender Agent. Interest on the 2008B 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.

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 2008B Bond is transferable by the registered owner hereof in person or by such owner's attorney duly 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 2008B 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 Bank and any Paying Agent may treat the person in whose name this 2008B 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 2008B Bond is transferred or exchanged on the Bond Register by the Trustee after

notice of the optional redemption or the optional or mandatory tender of such 2008B Bond has been given, the Trustee shall attach a copy of such notice to the 2008B 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 2008B Bond after the mailing of notice calling such 2008B 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 2008B Bond or Bonds for redemption.

To the extent not defined herein, the terms used in this 2008B Bond shall have the same meanings as set forth in the Indenture.

### INTEREST RATES

**Bank Bonds.** Notwithstanding anything herein or in the 2008B Bond 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 2008B Bonds were they not Bank Bonds and shall be payable in accordance with the Indenture and the Liquidity Facility. In connection with the issuance of the 2008AB Bond, this Bond has been executed and delivered to the Trustee in the original principal amount of zero dollars (each a "Global Bond") and a corresponding CUSIP number has been obtained by or on behalf of the Authority for this Bond, which is to be authenticated by the Trustee as provided for in the Indenture, for use, in accordance with the then-current procedures of DTC, in the event that all or any portion of the 2008B Bonds become Bank Bonds. At all times, the principal amount of the Global Bond will be equal to the principal amount of any outstanding Bank Bonds; provided, however, at no time shall the amount represented by this 2008B Bond, together with the amount represented by the Global Bond, exceed the total amount of the 2008B Bonds outstanding under the Indenture.

### REDEMPTION

#### Optional Redemption.

(i) **Flexible Rate Period or a Variable Rate Period.** During a Flexible Rate Period or a Variable Rate Period, the 2008B 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) **Term Rate Period.** On or prior to the Fixed Rate Conversion Date, 2008B 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 2008B 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 10 years	8 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 <sup>th</sup> 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 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 2008B Bonds to a Term Rate Period is to the effect that such change will not have an adverse effect on the validity of the 2008B Bonds or any exemption from federal income taxation to which interest on the 2008B Bonds would otherwise be entitled.

(iii) **Fixed Rate.** After the Fixed Rate Conversion Date, the 2008B 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 2008B 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 10 years	8 <sup>th</sup> Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 <sup>th</sup> 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 2008B Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2008B Bonds or any exemption from federal income taxation to which interest on the 2008B Bonds would otherwise be entitled.

**Special Optional Redemption.** Any 2008 Bonds which: (1) are Bank Bonds, or (2) have been converted to a Fixed Rate as described in the paragraph above entitled "Conversion to Fixed Rate in Extraordinary Circumstances", shall be subject to redemption in whole or in part prior to the Maturity Date therefor at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day 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 2008B 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
2009	\$4,925,000.00	2015	\$6,800,000.00
2010	\$5,200,000.00	2016	\$7,175,000.00
2011	\$5,475,000.00	2017	\$7,575,000.00
2012	\$5,800,000.00	2018	\$8,000,000.00
2013	\$6,100,000.00	2019	\$8,425,000.00
2014	\$6,450,000.00	2020	\$8,900,000.00

\* Maturity

Notwithstanding the foregoing, on and after the Fixed Rate Conversion Date, if the Authority shall, with the consent of the Bond Insurer, file a certificate pursuant to Section 205(d) of the Fifth Supplement to the Amended and Restated Indenture in connection with the conversion of the 2008B Bonds to the Fixed Rate containing an alternate schedule of mandatory redemption dates and amounts to be effective with respect to the 2008B Bonds on and after the Fixed Rate Conversion Date, in lieu of the mandatory sinking fund redemption schedule detailed above, the Authority shall redeem 2008B 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 2008B 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 2008B 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 2008B Bonds outstanding shall be made unless in Authorized Denominations. Any redemption of less than all of the 2008B Bonds Outstanding shall be made first from Bank Bonds. Any redemption of less than all of the 2008B Bonds Outstanding shall be made in such a manner that all Bonds Outstanding after such redemption are in Authorized Denominations.

**Notice of Redemption.** 2008B 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 2008B 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 2008B Bonds to be redeemed shall be given by the Trustee to the holders of the 2008B Bonds 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 2008B 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 the Fifth Supplement to the Amended and Restated Indenture the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2008B 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 2008B Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2008B 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 2008B Bonds to be redeemed and to pay interest due thereon and premium, if any, the 2008B 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 2008B 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 2008B, issued in the aggregate principal amount of \$80,825,000 (the "2008B Bonds"). The 2008B 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 2008B Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on March 18, 2008 (the "Resolution") and under 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 FICA 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.

**Liquidity Facility.** From the date of their original issuance, the 2008B Bonds (other than Bank Bonds) will be secured by a Standby Bond Purchase Agreement dated as of May 1, 2008 (the "Liquidity Facility") with JPMorgan Chase Bank (the "Initial Bank") pursuant to which the Initial Bank has agreed to pay to the Trustee the purchase price of 2008B Bonds which are tendered for optional or mandatory purchase pursuant to the Fifth Supplement to

the Amended and Restated Indenture which have not been successfully remarketed. The Liquidity Facility expires on May 14, 2009, subject to termination or extension as provided therein.

The Authority may, subject to the provisions of the Liquidity Facility and the Indenture, at any time arrange for the deposit with the Trustee of a Renewal Liquidity Facility or on Alternate liquidity Facility in substitution for the existing Liquidity Facility. The Indenture also permits the termination of a Liquidity Facility then in effect without replacement in certain cases specified in the Indenture on and after the Conversion Date. The Liquidity Facility then in effect may be replaced only if the requirements specified in the Indenture are satisfied.

The executed counterparts of the Indenture and the Liquidity Facility are on file at the principal corporate trust office of the Trustee.

**THIS 2008B 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 2008B BOND. THIS 2008B 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 2008B BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF 2008B 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 2008B BONDS. THE LIABILITY OF THE AUTHORITY IN RESPECT OF THIS 2008B BOND IS LIMITED SOLELY TO THE PLEDGED REVENUES.**

The owner of this 2008B 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. 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. The 2008B Bonds are not subject to acceleration of maturity upon the occurrence of an Event of Default.

This 2008B Bond shall not be entitled to any right, security or benefit under the Indenture or be void or become obligatory for any purpose until this 2008B Bond shall have been authenticated by the Trustee or the Tender Agent, by execution of the certificate of authentication inscribed hereon.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of the 2008B 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 2008B Bonds; and no limitation of indebtedness, either statutory or constitutional, has been exceeded in the issuance of the 2008B Bonds.

This 2008B Bond, notwithstanding the provisions for registration of transfer stated herein and contained in the Indenture, at all times shall be and shall be understood to be an investment security within the meaning of and for all

the purposes of the Uniform Commercial Code of Pennsylvania. This 2008B Bond is issued with the intent that the laws of the Commonwealth of Pennsylvania shall govern its construction.



IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this 2008B 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

By: \_\_\_\_\_  
(Assistant) Secretary

By: \_\_\_\_\_  
(Vice) Chairperson

[SEAL]

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CERTIFICATE OF AUTHENTICATION

This 2008B Bond (Global Bond) is the Global Bond representing the 2008B Bonds described in the with-mentioned Indenture. The text of the opinion attached hereto is the text of the opinion of Bond Counsel, WolfBlock LLP, Philadelphia, Pennsylvania, dated and delivered on the date of delivery of and payment for the 2008B Bonds, an executed counterpart of which is on file with the Trustee.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

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ASSIGNMENT

For value received \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ the within Bond issued by the Pennsylvania Intergovernmental Cooperation Authority and all rights thereunder, hereby irrevocably appointing \_\_\_\_\_ to transfer said 2008B Bond on the 2008B Bond Register, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed\*: \_\_\_\_\_

\* Signature(s) must be Guaranteed by a member of an approved Signature Guarantee Medallion Program.

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



The following abbreviations when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_ (Minor)  
(Cust) (State)  
under Uniform Gifts to Minors Act \_\_\_\_\_

**EXHIBIT B: INTEREST RATE SWAP TRANSACTION DOCUMENTS**

## Option On Interest Rate Swap Transaction

Amended and Restated as of 15 June 2001

Date: 6 December 2001

The purpose of this document is to confirm the terms and conditions of the Option on Interest Rate Swap Transaction entered into between:

JPMORGAN CHASE BANK, N.A.  
and

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ("Coauthority")

on the Trade Date and identified by the JPMorgan Chase Bank, N.A. Deal Number specified below (the "Swap Transaction"). This agreement constitutes a "Confirmation" as defined in the agreement specified below. It is not intended to have this confirmation serve as final documentation for this transaction and any dispute, or other matter, relating to it.

The definitions and provisions contained in the ISDA ISDA Definitions, incorporating the June 2002 version of the ISDA Definitions and any amendments thereto, as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), are incorporated into this Confirmation (the "ISDA Definitions"). In the event of any inconsistency between these definitions and provisions and this Confirmation, this Confirmation will govern.

References in this Confirmation to "Transaction" shall be deemed to be references to "Swap Transaction" and the purpose of incorporating the ISDA Definitions and provisions to the Swap Transaction is "Swap Transaction" shall be deemed to be references to "Transaction" and the purpose of incorporating ISDA Definitions.

This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement, including the Schedule Annex, dated as of 6 December 2001, as amended and supplemented from time to time (the "Agreement") between JPMorgan Chase Bank, N.A. ("JPMorgan") and the Coauthority. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

JPMorgan Chase Deal Number	800000000000
Type of Transaction	Call - JPMorgan has the right to exercise fixed rate and pay floating rate, as defined in the underlying swap transaction
Trade Date	16 November 2001
Buyer	JPMorgan
Seller	Coauthority
Amount	1,015,000.00 USD
Payment Settlement Date	6 December 2001, subject to adjustment in accordance with the Modified Following Business Day Convention, based on Business Days in London, New York

**Procedures For Exercise:****Procedure For Exercise:**

JP Morgan has the right to exercise this option by notifying Counterparty by phone (immediately followed by written notification) on the date and during the term of day specified below.

**Option Style:**

American

**Notification Date:**

Notice of Exercise must be given between the hours of 9:00 AM and 11:00 am New York time at least 90 days prior to each Exercise Date.

**Exercise Date:**

On any local Business Day after 15 June 2020 up to and including 15 December 2025.

**Physical Settlement:**

Applicable

1. The terms of the particular Swap Transaction to which this Option relates are as follows:

**Effective Date:**

Exercise Date

**Termination Date:**

15 June 2021

**Fixed Amount:****Fixed Rate Payor:**

Counterparty

**Notional Amount:**

See Outstanding Principal Balance Schedule

**Fixed Rate Payor Payment Dates:**

Each 15 December, 15 June starting with 15 December, June immediately following the Effective Date up to, and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.

**Fixed Rate:**

See Fixed Rate Schedule

**Fixed Rate Day Count Fraction:**

30/360

**Calculation Period:**

Each period from, and including, one Payment Date to, but excluding the next following Payment Date and there will be an adjustment to the Calculation Period.

**Floating Amount:****Floating Rate Payor:**

JP Morgan

**Notional Amount:**

See Outstanding Principal Balance Schedule

**Floating Rate Payor Payment Dates:**

Monthly on the 15th day of each calendar month starting with the calendar month immediately following the Termination Date up to, and including, the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.

**Floating Rate Option:**

USD-LIBOR-3MA



Designated Maturity:	1 Month
Floating Amount:	The Floating Rate used to calculate the Floating Amount payable to Morgan on each Payment Date will be equal to the rate determined in accordance with the specified Floating Rate Option and Designated Maturity, multiplied by 67 percent. For the purposes of such, the Floating Amount payable by Morgan shall be calculated as follows:  Floating Amount = Notional Amount x Floating Rate x 67 percent x Day Count Fraction
Symbol:	None
Floating Rate Day Count Fraction:	Actual/Actual
Calculation Period:	Each period from, and including, each Payment Date to, but excluding, the next following Payment Date, subject to adjustment in accordance with the 180-day Floating Business Day Convention.
Reset Day:	Each Thursday in the Calculation Period, there to be no adjustment to the Reset Date.
Averaging:	Applicable
Method of Averaging:	Weighted
Compounding:	Not Applicable
Payment Business Day Location for Counterparty:	London, New York
Payment Business Day Location for JPMorgan Chase:	London, New York
Calculation Agent:	JPMorgan
Expendable With Ben:	Yes
Outstanding Principal Before Settlement:	

As of Reset Date	JP Morgan On Notional Outstanding	Counterparty On Notional Outstanding
6/15/2006	\$0,000,000	\$0,000,000
6/15/2007	\$0,000,000	\$0,000,000
6/15/2008	\$0,000,000	\$0,000,000
6/15/2009	\$0,000,000	\$0,000,000
6/15/2010	\$0,000,000	\$0,000,000
6/15/2011	\$0,000,000	\$0,000,000
6/15/2012	\$0,000,000	\$0,000,000
6/15/2013	\$0,000,000	\$0,000,000



**JPMorgan**

ABA/Block 10a  
Amount 10a  
Reference

210 Wall Street, National Association  
00000000  
DEA50000001400  
FICA 16  
Attention: Allen Jackson, CT 1578

**4. Office**

- (a) The Office of JPMorgan for the Group Transaction is NEW YORK, and
- (b) The Office of the Correspondent for the Group Transaction is NEWLAIN, FRIA.

All requests regarding correspondence should be sent to:

JPMorgan Chase Bank, N.A.  
200 Broadway, 10th Floor, New York, NY 10038  
New York, NY 10038-0001

Attention: International Control  
Telephone: 1-212-434-4000  
Facsimile: 1-212-434-4000

Please quote the JPMorgan Chase Bank Number indicated above.

JPMORGAN SECURITIES INCORPORATED is acting solely as agent for JPMorgan and will have no obligation under this Transaction.

**5. Representations**

Each party hereby represents to the other as follows:

- (a) **New York.** It is acting for its own account, and it has made its own independent decision to execute this Transaction and as to whether this Transaction is appropriate or proper for its investment. It is not relying on any representation (written or oral) of the other party as to the investment or as to the appropriateness of the Transaction. It is also not relying on any representation (written or oral) of the other party as to the investment or as to the appropriateness of the Transaction. It is also not relying on any representation (written or oral) of the other party as to the investment or as to the appropriateness of the Transaction.
- (b) **Investment and Underwriting.** It is capable of assessing the merits of and underwriting for its own behalf or through independent professional advice, and independently and through the merits, the risks and value of the Transaction. It is also capable of assessing and underwriting the risks of the Transaction.
- (c) **Status of Parties.** The other party is not acting as a fiduciary for or on behalf of it in respect of this Transaction.

JPMorgan

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us or by sending us a letter, telex or facsimile substantially similar to this letter, which letter, telex or facsimile sets forth the stated terms of the Transaction in which this Confirmation relates and indicates agreement to those terms. When returning to this Confirmation, please indicate JPMorgan Deal Number: 050820587739

JPMorgan Chase Bank, N.A.

*Carmine Pilla*

Name: Carmine Pilla  
Title: Vice President

Accepted and confirmed as of the date first written  
PROXY/VANKA INTERNATIONAL  
COORDINATION AUTHORITY

*Rob Doherty*

Name: Rob Doherty  
Title: Executive Director  
Your reference number: \_\_\_\_\_

Doc Ref: 050820587739/001

Expiry Date: 2008-10-21

Page 1 of 1





**Client Service Group**

All queries regarding credit facilities should be sent to:

JP Morgan Chase Bank, N.A.

**Contacts**

JP Morgan Contact Telephone Number

Client Service Group (800) 222-2440

**Group E-mail addresses**

Investment (800) 222-2440

Debt

Equity

Please quote the JP Morgan deal number(s) in all communications.

**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

By   
Rob Dubow, Executive Director

## 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 "1 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.

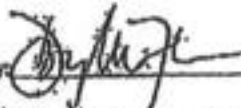
**Certification.** Our best estimate, in light of the passage of time, is that 4.37% would have been the fixed rate that would have been quoted to other persons, if any, to enter into a reasonably comparable bilateral forward starting interest rate swap with a trade date of November 16, 2001 and an effective 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

By:   
Nancy Borge Finkler  
Chief Managing Director



## 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.

**Certification.** 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



43684v3

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ATTN: Joseph Vignola, Executive Director  
PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY  
1429 Walnut Street, 14<sup>th</sup> Floor, Philadelphia, PA 19102

FAX NO: 215 563 2570

FROM: SAMUEL GRUER  
On behalf of JP MORGAN SECURITIES INCORPORATED  
As Agent for JP MORGAN CHASE BANK -- NEW YORK

RE: TRANSACTION CONFIRMATION  
TRADE DATE: 16 November 2001  
EFFECTIVE DATE: 6 December 2001

YOUR REF:

OUR REF: 507760

DATE SENT:

NO OF PAGES: 0(Excluding Cover)

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## Option On Interest Rate Swap Transaction

Date: 6 December 2001

The purpose of this document is to confirm the terms and conditions of the Option on an Interest Rate Swap Transaction entered into between:

JPMORGAN CHASE BANK -- NEW YORK

and

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ("Counterparty")

on the Trade Date and identified by the JPMorgan Chase Deal Number specified below (the "Swap Transaction"). This agreement constitutes a "Confirmation" as referred to in the agreement specified below. It is our intention to have this confirmation serve as final documentation for this transaction and accordingly, no other confirmation will follow.

The definitions and provisions contained in the 2000 ISDA Definitions, incorporating the June 2000 version of the Annex as amended and supplemented through the date of this Confirmation, and the 1992 ISDA U.S. Municipal Counterparty Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation (the "Swap Definitions"). In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

References in this Confirmation to "Transaction" shall be deemed to be references to "Swap Transaction" for the purposes of interpreting the Swap Definitions, and references in the Swap Definitions to "Swap Transaction" shall be deemed to be references to "Transaction" for the purposes of interpreting this Confirmation.

If JPMorgan Chase and the Counterparty are not yet parties to a Swap Agreement, the parties agree that this Transaction will be documented under a master agreement to be entered on the basis of the printed form of Master Agreement (Multicurrency-Cross Border) published by the International Swap Dealers Association, Inc., together with changes as shall be agreed between the parties (the "Master Agreement"). Upon execution and delivery by the parties of a Master Agreement, this Confirmation shall supplement, form a part of, and be subject to such Master Agreement. Until the parties execute and deliver a Master Agreement, this Confirmation shall supplement, form a part of, and be subject to the printed form of Master Agreement published by ISDA, as if the parties had executed that agreement (but without any Schedule therein) on the Trade Date of this Confirmation.

JPMorgan Chase Deal Number: 507760

Type Of Transaction: Call - Buyer has the right to receive fixed rate and pay floating rate, as referred to in the underlying swap transaction

Trade Date: 16 November 2001

Buyer: JPMorgan Chase Bank

Seller: Counterparty



Premium:	10,720,000.00 USD
Premium Settlement Date:	6 December 2001, subject to adjustment in accordance with the Modified Following Business Day Convention, based on Business Days in London, New York
Procedures For Exercise:	
Procedure for Exercise:	JPMorgan Chase has the right to exercise this option by notifying Counterparty by phone (immediately followed by written notification) on the date and during the time of day specified below.
Option Style:	American
Notification Date:	Notice of Exercise must be given between the hours of 9:00 AM and 11:00 AM New York time at least 90 New York Calendar Days prior to each Exercise Date.
Exercise Date:	On any local Business Day after 15 June 2003 up to and including 15 December, 2021.
Physical Settlement:	Applicable
1. The terms of the particular Swap Transaction to which this Option relates are as follows:	
Effective Date:	Exercise Date.
Termination Date:	15 June 2022
Fixed Amounts:	
Fixed Rate Payer:	Counterparty
Notional Amount:	See Outstanding Principal Balance Schedule
Fixed Rate Payer Payment Dates:	Each 15 December, 15 June starting with 15 December, June immediately following the Effective Date up to, and including, the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Fixed Rate:	See Fixed Rate Schedule
Fixed Rate Day Count Fraction:	30/360
Calculation Period:	Each period from, and including, one Payment Date to, but excluding the next following Payment Date and there will be no adjustment to the Calculation Period.





**Floating Amounts:**

**Floating Rate Payer:**

**Notional Amount:**

**Floating Rate Payer Payment Dates:**

**Floating Rate Option:**

**Designated Maturity:**

**Floating Rate Amount:**

**Spread:**

**Floating Rate Day Count Fraction:**

**Calculation Period:**

**Reset Day:**

**Averaging**

**Method of Averaging:**

**Compounding:**

**Payment Business Day Locations for Counterparty:**

**Payment Business Day Locations for JPMorgan Chase:**

JPMorgan Chase Bank

See Outstanding Principal Balance Schedule

Monthly on the 15<sup>th</sup> day of each calendar month starting with the calendar month immediately following the Effective Date up to, and including, the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.

USD-LIBOR-BBA

1 Month

The Floating Rate used to calculate the Floating Amount payable by JPMorgan Chase on each Payment Date will be equal to the rate determined in accordance with the specified Floating Rate Option and Designated Maturity, multiplied by 67 percent. For the avoidance of doubt, the Floating Amount payable by Morgan shall be calculated as follows.

$$\text{Floating Amount} = \text{Notional Amount} \times (\text{Floating Rate} \times 67 \text{ percent}) \times \text{Day Count Fraction}$$

None

Actual/Actual

Each period from, and including, one Payment Date to, but excluding, the next following Payment Date, subject to adjustment in accordance with the Modified Following Business Day Convention.

Each Thursday in the Calculation Period, there will be no adjustments to the Reset Date.

Applicable

Weighted.

Inapplicable

London, New York

London, New York



Calculation Agent:

JPMorgan Chase Bank, or as defined in the Master Agreement.

Payments will be:

Net

**Outstanding Principal Balance Schedule:**

Accrual Start Date:	JPMorgan Chase pays on Outstanding Notional:		Counterparty pays on Outstanding Notional:	
15-Jun-2003	163,185,000.00	USD	163,185,000.00	USD
15-Jun-2004	157,850,000.00	USD	157,850,000.00	USD
15-Jun-2005	152,255,000.00	USD	152,255,000.00	USD
15-Jun-2006	146,385,000.00	USD	146,385,000.00	USD
15-Jun-2007	140,220,000.00	USD	140,220,000.00	USD
15-Jun-2008	133,740,000.00	USD	133,740,000.00	USD
15-Jun-2009	126,915,000.00	USD	126,915,000.00	USD
15-Jun-2010	119,750,000.00	USD	119,750,000.00	USD
15-Jun-2011	112,225,000.00	USD	112,225,000.00	USD
15-Jun-2012	104,325,000.00	USD	104,325,000.00	USD
15-Jun-2013	96,030,000.00	USD	96,030,000.00	USD
15-Jun-2014	87,320,000.00	USD	87,320,000.00	USD
15-Jun-2015	78,175,000.00	USD	78,175,000.00	USD
15-Jun-2016	68,575,000.00	USD	68,575,000.00	USD
15-Jun-2017	58,495,000.00	USD	58,495,000.00	USD
15-Jun-2018	47,910,000.00	USD	47,910,000.00	USD
15-Jun-2019	36,790,000.00	USD	36,790,000.00	USD
15-Jun-2020	25,120,000.00	USD	25,120,000.00	USD
15-Jun-2021	12,865,000.00	USD	12,865,000.00	USD

**Fixed Rate Schedule:**

Beginning On:	Counterparty Fixed Rate Accrues At:
15-Jun-2003	5.01077 percent
15-Jun-2004	5.01621 percent
15-Jun-2005	5.01864 percent
15-Jun-2006	5.01738 percent
15-Jun-2007	5.01155 percent
15-Jun-2008	5.00000 percent

This transaction may not be assigned by either party without the prior written consent of the other party.

**2. Termination Option**

As provided in paragraph (b)(1) of Part 1 of the Schedule dated the date hereof between JP Morgan Chase Bank and the Counterparty, it is the intention of the parties that the Counterparty shall have the right to terminate the Transaction described in this Confirmation whether or not JP Morgan Chase Bank has exercised the option described in this Confirmation and whether or not the Effective Date with respect to such Transaction has occurred. In the event the Counterparty terminates the Transaction, the Termination payment shall be determined pursuant to Part 1(g) of the Schedule to Master Agreement.



### 3. Account Details

#### Payments to JPMorgan Chase:

Account for payments in USD:	JPMorgan Chase Bank
Favour:	MGT New York
ABA/Bank No.:	021000238
Account No.:	999-97-979
Reference:	Ref: Interest Rate Protection Payment

If in the event this Transaction is physically exercised into a swap, the office of JPMorgan Chase Bank will change from New York to London

Swap Payment Instructions:	JPMorgan Chase Bank
Favour:	JPMorgan London
ABA/Bank No.:	ABA #:021000238
Account No.:	670-07-054
Reference:	Further credit to swap group account

#### Payments to Counterparty:

Account for payments in USD:	JPMorgan Chase Bank
Favour:	PENNSYLVANIA INTERGOVERNMENTAL COOPERATIVE AUTHORITY C/o First Union National Bank
ABA/Bank No.:	053000219
Account No.:	1556397839
Reference:	Trust Operations DDA 500000006439 Attention: Howard Parker 215-670-4541

### 4. Offices

- (a) The Office of JPMorgan Chase for the Swap Transaction is NEW YORK; and
- (b) The Office of the Counterparty for the Swap Transaction is PHILADELPHIA.

All inquiries regarding confirmations should be sent to:  
JPMorgan Chase Bank  
4 Metrotech Center  
17<sup>th</sup> Floor  
Brooklyn, New York 11245

JPMORGAN SECURITIES INCORPORATED is acting solely as agent for JPMorgan Chase Bank and will have no obligations under this Transaction.

### 5. Representations.

Each party hereto represents to the other as follows:

- (a) Non-Reliance. It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgement and upon advice from such advisors as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms



and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(b) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, the conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(c) **Status of Parties.** The other party is not acting as a fiduciary for or an advisor to it in respect of that Transaction.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us or by sending to us a letter, telex or facsimile substantially similar to this letter, which letter, telex or facsimile sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms. When referring to this Confirmation, please indicate: JPMorgan Chase Deal Number: 507760.

Yours sincerely,

JPMORGAN CHASE BANK

By:  
Name:  
Title:

Confirmed as of the  
date first above written:

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

By: \_\_\_\_\_  
Name:  
Title:

Your Ref No. ....



Username: FIRM\450

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**SIXTH SUPPLEMENT TO THE AMENDED AND  
RESTATED INDENTURE OF TRUST**

**between**

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

**and**

**U.S. BANK NATIONAL ASSOCIATION, as Trustee**

**Dated as of June 1, 2009**

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**Exhibit A      Form of 2009 Bonds**  
**Schedule 1      Bond Maturity Schedule**

**SIXTH SUPPLEMENT TO THE AMENDED AND RESTATED  
INDENTURE OF TRUST**

THIS SIXTH SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST, dated as of June 1, 2009, 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 (the "**Commonwealth**"), and **U.S. BANK NATIONAL ASSOCIATION** (the "**Trustee**"), 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 in the Commonwealth 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 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**, 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,"** 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 the 2003 Bonds and of obtaining credit enhancement for the 2003 Bonds; and

**WHEREAS**, pursuant to the Fourth Supplement to the Amended and Restated Indenture dated as of June 1, 2006 (the **"Fourth Supplement to the Amended and Restated Indenture"**) between the Authority and Wachovia Bank, National Association, as Trustee, the Authority issued \$89,950,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program) Series of 2006 (Auction Rate Securities) (the **"2006 Bonds"**), to (i) pay the costs of currently refunding the outstanding 1996 Bonds, and (ii) pay the costs of obtaining credit enhancement for such 2006 Bonds (the **"2006 Refunding"**); and

**WHEREAS**, U.S. Bank National Association has succeeded Wachovia Bank, National Association, as Trustee, under the Indenture; and



WHEREAS, pursuant to the Fifth Supplement to the Amended and Restated Indenture dated as of May 1, 2008 (the "**Fifth Supplement to the Amended and Restated Indenture**") and together with the Amended and Restated Indenture, 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 Fourth Supplement to the Amended and Restated Indenture, the "**Existing Indenture**") between the Authority and U.S. Bank National Association, as Trustee, the Authority issued \$133,740,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program) Series 2008A (the "**2008A Bonds**") and \$80,825,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program) Series 2008B (the "**2008B Bonds**" and together with the 2008A Bonds, the "**2008 Bonds**") for the purpose of (i) refunding the 2003 Bonds and the 2006 Bonds and (ii) paying the costs of credit enhancement for and the costs of issuance of the 2008 Bonds (the "**2008 Refunding**"); and

WHEREAS, the Authority has previously entered into the 2009 Bonds Swap (as defined hereafter) in anticipation of the refunding of the 1999 Bonds; and

WHEREAS, the Authority has determined to issue and sell Additional Bonds to (i) pay the costs of currently refunding the 1999 Bonds and (ii) pay the costs of issuing such Additional Bonds, including the costs of terminating the 2009 Bonds Swap (as defined herein) (the "**2009 Refunding**"); and

WHEREAS, by a resolution adopted on May 5, 2009, the Authority has determined to issue and sell its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009 (the "**2009 Bonds**") for the purpose of financing, together with other available funds, the 2009 Refunding pursuant to the terms of this Sixth Supplement to the Amended and Restated Indenture (the "**Sixth Supplement to the Amended and Restated Indenture**" and, together with the Existing Indenture, the "**Indenture**"); and

WHEREAS, the 2009 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 1999 Bonds, the Authority shall direct the Trustee: (i) to deposit into the 1999 Bonds Account of the Bond Redemption Fund proceeds of the 2009 Bonds in an amount which, when added to certain funds held by the Trustee for the benefit of the 1999 Bonds and other available funds, will be sufficient to (a) pay the maturing principal of and interest on the 1999 Bonds through and including June 15, 2009, and (b) pay on June 15, 2009, the redemption price of all outstanding 1999 Bonds, which have been called for redemption on June 15, 2009 and (ii) to pay the costs of terminating the 2009 Bonds Swap; and

WHEREAS, the execution and delivery of this Sixth Supplement to the Amended and Restated Indenture and the 2009 Bonds have been duly authorized and all things necessary to make the 2009 Bonds, when executed by the Authority and authenticated by the Trustee, valid and binding legal obligations of the Authority and to make this Sixth Supplement to the Amended and Restated Indenture of Trust a valid and binding agreement have been done; and



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

That, in order to secure the principal of and interest and premium, if any, on the 2009 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 2009 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 Sixth 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 2009 Bonds.

**ARTICLE I AUTHORITY AND DEFINITIONS**

**Section 1.01 Supplemental Indenture Of Trust**

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

**Section 1.02 Authority for the Sixth Supplement to the Amended and Restated Indenture**

This Sixth 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**

(a) Except as provided in this Sixth 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, the Third Supplement to the Amended and Restated Indenture, the Fourth Supplement to the Amended and Restated Indenture, and the Fifth Supplement to the Amended and Restated Indenture, shall have the same meanings, respectively, in this Sixth 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, the Third Supplement to the Amended and Restated Indenture, the Fourth Supplement to the Amended and Restated Indenture, and the Fifth 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, the Third Supplement to the Amended and Restated Indenture, the Fourth Supplement to the Amended and Restated Indenture, and the Fifth 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 2009 Bonds) and by adding the following definitions with respect to the 2009 Bonds:

**"Authorized Denomination"** means \$5,000 and integral multiples thereof.

**"Closing Date"** means June 15, 2009, the date of delivery of the 2009 Bonds to the Underwriter against payment therefor.

**"DTC"** means The Depository Trust Company (a limited purpose trust company), New York, New York.

**"Interest Accrual Period"** means the period during which a 2009 Bond accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid, from the date of the original authentication and delivery of the 2009 Bonds) to, but not including, the Interest Payment Date on which interest is to be paid.

**"Interest Payment Date"** means December 15, 2009 and each June 15 and December 15 thereafter for so long as any 2009 Bonds remain outstanding.

**"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 whether or not such obligations are 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 paragraphs (1) or (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) That certain "Debt Service Reserve Forward Delivery Agreement" dated as of June 6, 2000 by and between the Trustee, the Authority and Wachovia Bank, National Association (successor to First Union Securities, Inc.) and any securities which are "Eligible Securities" as defined therein;

(9) That certain "Debt Service Reserve Forward Delivery Agreement" dated as of June 6, 2000 by and between the Trustee, the Authority and JPMorgan Chase Bank, National Association, and any securities which are "Eligible Securities" as defined therein;

(10) Government Obligations; and

(11) Investment Securities, as defined in the Amended and Restated Indenture.

Notwithstanding the foregoing, no moneys of the Authority may be invested in obligations issued by or obligations guaranteed by the City of Philadelphia, without the approval of a qualified majority of the board of the Authority, and, in any case, no moneys held in a debt service reserve fund may be invested in obligations issued by or obligations guaranteed by the City of Philadelphia.

**"Municipal Obligations"** means any obligations issued or guaranteed by any state or political subdivision of a state or by any public instrumentality of any of the foregoing.

**"Outstanding", "Bonds outstanding" or "outstanding Bonds"** means, with respect to the 2009 Bonds, as of any given date, all 2009 Bonds which have been duly authenticated and delivered under the Indenture, except:

(a) 2009 Bonds canceled after purchase in the open market or because of payment at or redemption prior to their maturity;

(b) 2009 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 2009 Bonds) in accordance with Article VII of the Amended and Restated Indenture; provided that if such Bonds are to be redeemed prior to their stated 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; and

(c) 2009 Bonds in lieu of which others have been authenticated under Section 2.07 or 2.08 of the Amended and Restated Indenture;

**"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.

**"Principal Office"** means, with respect to the 2009 Bonds, the corporate trust office of the Trustee responsible for the administration of this Sixth Supplement to the Amended and Restated Indenture, as designated in Section 11.07 of the Amended and Restated Indenture.

**"Rating Agency"** means each nationally recognized securities rating agency then maintaining a rating on the 2009 Bonds at the request of the Authority, which at the time of issuance of the 2009 Bonds includes S&P, Moody's and Fitch.

**"Record Date"** means, with respect to the 2009 Bonds, the close of business on the last day of the calendar month next preceding an Interest Payment Date.

**"Representation Letter"** means that blanket letter from the Authority to DTC with respect to the issuance of Bonds in book-entry form.



**"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 2009 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.

**"2009 Basis Cap"** means the transaction (basis cap) evidenced by the Master Agreement and the Schedule thereto, each dated as of December 6, 2001, and the Confirmation relating thereto, dated May 18, 2004, each by and between the Authority and JPMorgan Chase Bank, as amended, supplemented or otherwise modified and in effect from time to time.

**"2009 Bonds Swap"** means the interest rate swaption transaction evidenced by the Master Agreement and the Schedule thereto, each dated as of December 6, 2001, and the Confirmation relating thereto, dated as of May 1, 2002, each by and between the Authority and JPMorgan Chase Bank, in each case as amended, supplemented or otherwise modified and in effect from time to time, as such interest rate swap relates to the 2009 Bonds.

**"Underwriter"** means Goldman, Sachs & Co., as the representative of the underwriters for the 2009 Bonds, and its successors and assigns.

## **ARTICLE II THE 2009 BONDS**

### **Section 2.01 Authorization and Description of the 2009 Bonds**

(a) The 2009 Bonds are authorized to be issued in an aggregate principal amount of \$354,925,000. The 2009 Bonds shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009." The 2009 Bonds shall be issued as fully registered Bonds in Authorized Denominations.

(b) Unless the Authority shall otherwise direct, the 2009 Bonds shall be numbered consecutively from R-1 upward. Interest on the 2009 Bonds shall be payable on each Interest Payment Date, until payment of the principal amount of such 2009 Bond, or provision therefor, shall have been made upon redemption, at maturity or otherwise. 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 2009 Bonds.

(c) The 2009 Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in Schedule 1 attached hereto.

(d) The principal of and premium, if any, on the 2009 Bonds shall be payable at the Principal Office of the Trustee, upon presentation and surrender. Payment of principal of any 2009 Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2009 Bonds by wire transfer to such owner on the principal payment date for such 2009 Bonds upon written notice from such owner to the Trustee 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 2009 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2009 Bonds at the Principal Office of the Trustee on the principal payment date.

(e) Interest payments on a 2009 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 Registrar on the Record Date.

(f) The 2009 Bonds shall be substantially in the form hereinafter set forth as Exhibit A with such appropriate variations, omissions and insertions as are permitted or required by the Indenture or deemed necessary by the Trustee and the Authority.

#### **Section 2.02 Fixed Interest Rates**

The 2009 Bonds shall bear interest at fixed annual interest rates as set forth in Schedule 1 attached thereto.

#### **Section 2.03 Book Entry System**

(a) It is intended that the 2009 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 2009 Bonds shall be DTC and the 2009 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest on any 2009 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 2009 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 2009 Bonds shall be initially issued in the form of separate single fully registered 2009 Bond for each maturity, authenticated by the Trustee in the amount of each separately stated maturity for the 2009 Bonds. Upon initial issuance, the ownership of such 2009 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 2009 Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the 2009 Bonds, selecting the 2009 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Sixth Supplement to the Amended and Restated Indenture, registering the transfer of 2009 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar nor the Authority shall be affected by any notice to the contrary. Neither the Trustee, the Registrar nor the Authority shall have any responsibility or



obligation to any DTC Participant, any person claiming a beneficial ownership interest in the 2009 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, or redemption price of or interest on the 2009 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 2009 Bonds; or (v) any consent given or other action taken by DTC as Bondholder. The Trustee shall pay all principal of and premium, if any, and interest on the 2009 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 and premium, if any, and interest on the 2009 Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated 2009 Bond. 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 Sixth Supplement to the Amended and Restated Indenture shall be deemed to be changed to reflect such new nominee of DTC.

(c) In the event the Authority determines that it is in its best interest to discontinue the use of book entry system for the 2009 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 2009 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 2009 Bonds to any DTC Participant having 2009 Bonds credited to its DTC account, or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the 2009 Bonds.

(d) Notwithstanding any other provision of this Sixth Supplement to the Amended and Restated Indenture to the contrary, so long as any 2009 Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on such 2009 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 2009 Bondholder.

#### **Section 2.04 Delivery of the 2009 Bonds and Disposition of Proceeds**

(a) Upon the execution and delivery of this Sixth Supplement to the Amended and Restated Indenture, the Authority shall execute and deliver the 2009 Bonds to the Trustee and the Trustee shall authenticate the 2009 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 2009 Bonds. Proceeds from the sale of the 2009 Bonds, together with any other available funds deposited by the Authority with the Trustee for such purpose, 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 2009 Bonds as the costs of issuance of the 2009 Bonds;
- (2) to the Trustee, to be deposited in the 1999 Bonds Account of the Bond Redemption Fund, an amount equal to \$366,667,775, which will be applied to the current redemption of all Outstanding 1999 Bonds called for redemption on June 15, 2009; and
- (3) to JP Morgan Chase Bank, to pay the Authority's costs of terminating the 2009 Bonds Swap, an amount equal to \$52,750,000.

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 2009 Bonds.

#### **ARTICLE III AMENDMENT OF ADDITIONAL BONDS TEST**

Section 2.11(f) of the Existing Indenture is hereby amended prospectively to provide for the following new Additional Bonds test for all Additional Bonds issued after the 2009 Bonds:

- (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 all Outstanding Bonds, a certificate executed by the Authority, including a verification of the calculations by an independent certified public accountant, showing that (i) 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 last 300% of the Maximum Annual Debt Service Requirement (including the Authority's obligation 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 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 300% of the Debt Service Requirement during such 12 month period on Bonds to be Outstanding after the issuance of the Additional Bond. 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.

#### **ARTICLE IV REDEMPTION OF THE 2009 BONDS.**

##### **Section 4.01 Redemption Dates And Prices**

As long as there is no continuing Event of Default under the Indenture, the 2009 Bonds shall be subject to redemption prior to maturity in the amounts, at the times and in the manner provided in this Section 4.01.

(a) Optional Redemption. The 2009 Bonds maturing on or after June 15, 2020 are subject to optional redemption, at the Authority's option, on or after June 15, 2019 in whole or in part at any time, and from time to time in any order of maturity 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, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

(b) General Provisions Regarding Redemptions.

(i) No redemption of less than all of the 2009 Bonds outstanding shall be made unless in Authorized Denominations. Any redemption of less than all of the 2009 Bonds Outstanding shall be made in such a manner that all 2009 Bonds Outstanding after such redemption are in Authorized Denominations.

(ii) 2009 Bonds may be called for redemption by the Trustee pursuant to Section 4.01 hereof in accordance with the notice requirements of Section 4.02 hereof.

## **Section 4.02 Notice Of Redemption**

(a) Except as hereinafter provided, and upon direction of the Authority in the case of Section 4.01(a) above, a copy of the notice of the call for any redemption identifying the 2009 Bonds to be redeemed shall be given by the Trustee to the Bondholders by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the registered owners of 2009 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 2009 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 4.01(b) hereof the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2009 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.

(b) Failure to give notice in the manner prescribed hereunder with respect to any 2009 Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2009 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 2009 Bonds to be redeemed and to pay interest due thereon and premium, if any, the 2009 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.

(c) If any 2009 Bond is transferred or exchanged on the Bond Register by the Registrar after notice has been given calling such 2009 Bond for redemption, the Trustee will attach a copy of such notice to the 2009 Bond issued in connection with such transfer or exchange.

## **Section 4.03 Selection of Bonds To Be Redeemed**

If less than all the 2009 Bonds shall be called for redemption under any provision of the Indenture permitting such partial redemption, the particular 2009 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, and the portion of any 2009 Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination. In selecting 2009 Bonds for redemption, the Trustee shall treat each 2009 Bond as representing that number of 2009 Bonds which is obtained by dividing the principal amount of such 2009 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 2009 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 2009 Bond shall forthwith surrender such 2009 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 2009 Bond or 2009 Bonds in the aggregate principal amount of the unredeemed balance of the

principal amount of such 2009 Bond. New 2009 Bonds representing the unredeemed balance of the principal amount of such 2009 Bond shall be issued to the registered owner thereof without charge therefor.

## **ARTICLE V    TERMINATION OF THE 2009 BONDS SWAP**

### **Section 5.01    Termination of the 2009 Bonds Swap**

The Authority hereby confirms as follows in connection with the termination of the 2009 Bonds Swap: The Authority entered into the 2009 Bonds Swap in order to hedge its anticipated variable rate bond interest rate exposure in connection with the refunding of the 1999 Bonds. Current market circumstances, including the difficulty of completing a variable rate refunding of the 1999 Bonds and the lack of available credit enhancement and liquidity for the 2009 Bonds, have required the Authority to reconsider issuing the 2009 Bonds as variable rate debt. The Authority has determined, after careful review and consultation with Swap Financial Group, its financial and swap advisor, to issue the 2009 Bonds as fixed rate bonds and to terminate the 2009 Bonds Swap and pay the current market swap termination fee. The swap termination fee will be paid by the Authority to J.P. Morgan Chase Bank from the proceeds of the 2009 Bonds pursuant to Section 2.04(a)(3) hereof.

The Authority acknowledges that the Trustee has no knowledge of or information related to, and the Trustee disclaims all knowledge of, or information related to, the matters described in Section 5.01 hereof, except that the Trustee has transferred certain funds to the Authority in accordance with Section 2.04(a)(3) hereof.

## **ARTICLE VI    REVENUES AND FUNDS**

### **Section 6.01    Payments Under the 2003 Bonds Swap, the 2006 Bonds Swap and the 2009 Basis Cap**

(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 JP Morgan Chase Bank, or its successors and permitted assigns, as counterparty under the 2003 Bonds Swap, as counterparty under the 2006 Bonds Swap and as counterparty under the 2009 Basis Cap; provided, however, that all such payments to JPMorgan Chase Bank, or its successors and permitted assigns, pursuant to the terms of each of the 2009 Bonds Swap, the 2006 Bonds Swap and the 2009 Basis Cap on any date may be made only 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 direction of the Authority and upon written notice to the Trustee, one or more new accounts in the Revenue Fund shall be created with respect to any interest rate swap transactions relating to any Bonds (each a "Swap Account"). In the event that the Authority elects to create one or more such Swap Accounts, the Trustee shall (i) deposit on a monthly or other periodic basis in



such Swap Accounts, as directed by the Authority, and reserve in the Swap Accounts, such amounts as may be directed by the Authority with respect to amounts owing or to be owned 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 JP Morgan Chase Bank, or its successors and permitted assigns, as counterparty under the 2009 Bonds Swap, the 2006 Bonds Swap and the 2009 Basis Cap shall be deposited to the Debt Service Fund established pursuant to Section 5.06 of the Amended and Restated Indenture.

## **ARTICLE VII OTHER AMENDMENT OF INDENTURE**

### **Section 7.01 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, the Fourth Supplement to the Amended and Restated Indenture and the Fifth 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 2008 Bonds or the 2009 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, the Third Supplement to the Amended and Restated Indenture, the Fourth Supplement to the Amended and Restated Indenture and the Fifth 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 2008 Bonds and the 2009 Bonds, including the principal amount, maturities and CUSIP numbers thereof;”.

### **Section 7.02 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, the Fourth



Supplement to the Amended and Restated Indenture and the Fifth 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), delete the words "1999 Bonds" and add the words "or in the 2009 Bonds".

#### **Section 7.03 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, the Third Supplement to the Amended and Restated Indenture, the Fourth Supplement to the Amended and Restated Indenture and the Fifth Supplement to the Amended and Restated Indenture, is amended as follows:

In the fifth line of Section 8.09, delete the words "1999 Bonds", and add the words "or the 2009 Bonds".

#### **Section 7.04 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, the Third Supplement to the Amended and Restated Indenture, the Fourth Supplement to the Amended and Restated Indenture and the Fifth Supplement to the Amended and Restated Indenture, is amended as follows:

In the seventh line of the last paragraph of Section 10.02, delete the words "1999 Bond " and add "or 2009 Bonds".

### **ARTICLE VIII INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS**

#### **Section 8.01 Indenture to Remain in Effect**

Except as amended and supplemented by this Sixth 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 Sixth 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 Sixth Supplement to the Amended and Restated Indenture and the 2009 Bonds, as appropriate. In case of any conflict between the provisions of the Existing Indenture and this Sixth Supplement to the Amended and Restated Indenture of Trust, the provisions of this Sixth 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 2009 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 2009 Bonds).

#### **Section 8.02 Counterparts**

This Sixth 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 8.03 Governing Law**

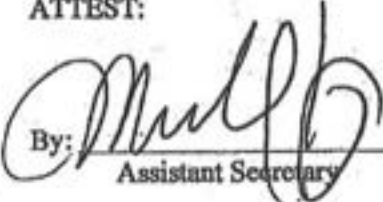
This Sixth Supplement to the Amended and Restated Indenture shall be governed by and construed in accordance with the laws of the Commonwealth.

#### **Section 8.04 Captions**

The captions and headings in this Sixth 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 Sixth Supplement to the Amended and Restated Indenture.


IN WITNESS WHEREOF, the Authority has caused this Sixth 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 Sixth 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:

By:   
Assistant Secretary

[SEAL]

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By:   
Chairperson

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By:   
Authorized Signatory

**EXHIBIT A**  
**Form of 2009 Bonds**



No. R-

\$

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)  
Series of 2009

Interest

Rate

\_\_\_\_%

Maturity Date

June 15, \_\_\_\_

Dated Date

June 15, 2009

CUSIP

REGISTERED OWNER: CEDE & CO.

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 June 15, 2009, on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing December 15, 2009, 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 U.S. Bank, National Association 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 U.S. Bank, National Association or its successor as Registrar and at the address appearing thereon on the last day of the month (whether or not a business day) 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 2009 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 or and interest on this Bond are payable in lawful money of the United States or America.

Interest on the Series 2009 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 2009 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 2009 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 2009 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office or 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 Sixth 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 2009 issued in the aggregate principal amount of \$354,925,000 (the "Series 2009 Bonds"). The Series 2009 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 2009 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on May 5, 2009 (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, a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006, a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 and a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 (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 2009 Bonds maturing on and after June 15, 2020 are redeemable by the Authority at its option, on or after June 15, 2019, 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 2009 Bonds to be redeemed, plus accrued interest to the redemption date.

### **Notice of Redemption**

When the Authority shall determine to redeem Series 2009 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 2009 Bonds to be redeemed, 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 2009 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 2009 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 2009 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 2009 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 2009 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 2009 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 2009 Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series 2009 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 2009 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 Assistant Secretary, as of the date first above written.

ATTEST:  
INTERGOVERNMENTAL

PENNSYLVANIA  
COOPERATION AUTHORITY

By: \_\_\_\_\_  
Assistant Secretary

By: \_\_\_\_\_  
Chairperson

[SEAL]

### AUTHENTICATION CERTIFICATE

This Bond is one of the Series 2009 Bonds described in the within mentioned Indenture. The text of the opinion of Bond 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 2009 Bonds.

U.S. BANK NATIONAL ASSOCIATION,  
Trustee

By: \_\_\_\_\_  
Authorized Signature

Date of Authentication:

TEXT OF OPINION OF BOND COUNSEL

June 15, 2009

Pennsylvania Intergovernmental Cooperation  
Authority  
1500 Walnut Street  
Suite 1600  
Philadelphia, PA 19103

Goldman, Sachs & Co., as representative  
of the Underwriters  
85 Broad Street  
New York, NY 10005

\$354,925,000 Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds (City of Philadelphia Funding  
Program), Series of 2009

Ladies and Gentlemen:

We have acted as Bond Counsel to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") in connection with the issuance and sale by the Authority of the above referenced bonds (the "2009 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 U.S. Bank National Association, as successor 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"), the Fourth Supplement to the Amended and Restated Indenture dated as of June 1, 2006 (the "Fourth Supplement to the Amended and Restated Indenture"), the Fifth Supplement to the Amended and Restated Indenture dated as of May 1, 2008 (the "Fifth Supplement to the Amended and Restated Indenture") and the Sixth Supplement to the Amended and Restated Indenture dated as of June 1, 2009 (the "Sixth 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, the Fourth Supplement to the Amended and Restated Indenture, the Fifth Supplement to the Amended and Restated Indenture and the Amended and Restated Indenture, collectively, the "Indenture").

The 2009 Bonds are being issued for the purpose of providing funds which, together with other available moneys, will be used to: (i) currently refund the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999, outstanding in the aggregate principal amount of \$326,865,000 (the "1999 Bonds"), (ii) pay the costs of terminating an interest rate swap transaction which relates to the 2009 Bonds and (iii) pay the costs of issuing the 2009 Bonds (collectively, the "Refunding Project").

As expressly stated in the form of the 2009 Bonds and in the Indenture, the 2009 Bonds are limited obligations of the Authority payable solely from the Pledged Revenues (as defined in the Indenture). The 2009 Bonds do not otherwise constitute a pledge of the general credit of the Authority. Further, the 2009 Bonds do not constitute a pledge of the credit of the Commonwealth of Pennsylvania ("Commonwealth") or any political subdivision thereof, including the City of Philadelphia ("City"), nor do the 2009 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 2009 Bonds.

In our capacity as Bond Counsel, we have examined: (a) the relevant provisions of the Constitution of the Commonwealth; (b) the Act; (c) the proceedings of the Authority with respect to the authorization, issuance and sale of the 1999 Bonds and the 2009 Bonds, including, *inter alia*, the Resolution of the Authority adopted May 5, 2009 ("Resolution"); (d) certain statements, certifications, affidavits and other documents and matters of law which we have considered relevant, including, without limitation, a tax certification of officials of the Authority having responsibility for issuing the 2009 Bonds ("Tax Compliance Certificate"), given pursuant to the Internal Revenue Code of 1986, as amended ("Code"), an opinion of counsel to the Authority of even date herewith ("Authority Counsel's Opinion") and the other documents and instruments listed on the Closing Agenda filed with the Trustee, which are dated the date of original delivery of the 2009 Bonds. We have also examined a fully executed and authenticated 2009 Bond and assume that all of the 2009 Bonds are in such form and are similarly executed and authenticated.

In rendering the opinion set forth below, we have relied upon the authenticity, accuracy, truthfulness and completeness of all documents, records, certifications and other instruments examined including, without limitation, the authenticity of all signatures appearing thereon. We have also relied, in the opinion set forth below, upon the Authority Counsel's Opinion, as to the valid existence of the Authority and the due authorization, execution and delivery by the Authority of certain operative documents.

Except with respect to paragraph 6 below, our opinion is given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof.

Based upon the foregoing, we are of the opinion that:

1. The Authority is a body corporate and politic validly existing under the laws of the Commonwealth with full power and authority to undertake the Refunding Project, to execute and deliver the Sixth Supplement to the Amended and Restated Indenture and to issue the 2009 Bonds.



2. The Sixth Supplement to the Amended and Restated Indenture has been duly authorized, executed and delivered by the Authority and the obligations of the Authority thereunder are legal, valid, binding, and enforceable in accordance with their terms, except as may be affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights ("Creditors' Rights Limitations").

3. The 2009 Bonds have been duly authorized, executed, issued and delivered by, and are the legal, valid and binding limited obligations of, the Authority, entitled to the benefit and security of the Indenture and enforceable in accordance with their terms, except as may be affected by Creditors' Rights Limitations.

4. The Indenture creates a valid pledge to the Trustee for the benefit of the holders of the 2009 Bonds of, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture), except as may be affected by Creditors' Rights Limitations.

5. Interest on the 2009 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax and the 2009 Bonds are exempt from personal property taxes in the Commonwealth.

Under current law, interest on the 2009 Bonds (including original issue discount) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain defined corporations.

Original issue premium on a 2009 Bond issued at an issue price that exceeds its principal amount is amortizable periodically over the term of a 2009 Bond through reductions in the holder's tax basis for the 2009 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss.

In rendering this opinion, we have assumed compliance by the Authority with the covenants contained in the Resolution, the Indenture and in the Tax Compliance Certificate that are intended to comply with the provisions of the Code relating to actions to be taken by the Authority in respect of the 2009 Bonds after the issuance thereof to the extent necessary to effect or maintain the federal tax-exempt status of the interest on the 2009 Bonds. These covenants relate to, *inter alia*, the use of proceeds of the 2009 Bonds and the rebating to the United States Treasury of specified arbitrage earnings, if required. Failure to comply with such covenants could result in the interest on the 2009 Bonds becoming includible in gross income for federal income tax purposes from their date of issuance.

Ownership of the 2009 Bonds may result in collateral federal income tax consequences to certain taxpayers. We express no opinion as to any collateral tax consequences, federal or state, as to which owners of the 2009 Bonds should consult their own tax advisors.

We express no opinion as to any matter not set forth in the numbered paragraphs herein including with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the Official Statement prepared in respect of the 2009 Bonds, and make no representation that we have independently verified the contents thereof. This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect changes in law which may occur or changes in facts or circumstances which may come to our attention hereafter.

Very truly yours,

### 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.

Date: \_\_\_\_\_

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.

SCHEDULE 1

MATURITIES, AMOUNTS AND INTEREST RATES

\$354,925,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)  
SERIES OF 2009

<u>DUE</u> <u>JUNE 15</u>	<u>AMOUNT</u>	<u>INTEREST</u> <u>RATE</u>
2010	\$27,940,000	2.000%
2011	765,000	2.500
2011	24,075,000	5.000
2012	925,000	3.000
2012	25,120,000	5.000
2013	890,000	3.000
2013	26,430,000	5.000
2014	4,395,000	4.000
2014	24,250,000	5.000
2015	375,000	4.000
2015	29,640,000	5.000
2016	31,485,000	5.000
2017	33,040,000	5.000
2018	900,000	4.000
2018	24,665,000	5.000
2019	18,110,000	5.000
2020	19,020,000	5.000
2021	1,965,000	4.000
2021	18,000,000	5.000
2022	20,945,000	5.000
2023	1,800,000	4.250
2023	20,190,000	5.000



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**SEVENTH SUPPLEMENT TO THE AMENDED AND  
RESTATED INDENTURE OF TRUST**

**between**

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

**and**

**U.S. BANK NATIONAL ASSOCIATION, as Trustee**

**Dated as of May 1, 2010**

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**SEVENTH SUPPLEMENT TO THE AMENDED AND RESTATED  
INDENTURE OF TRUST**

THIS SEVENTH SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST, dated as of May 1, 2010, 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 (the "**Commonwealth**"), and **U.S. BANK NATIONAL ASSOCIATION** (the "**Trustee**"), a national banking association organized under the laws of the United States, as successor trustee under the Indenture,

**W I T N E S S E T H :**

**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 in the Commonwealth 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, entered into 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 "**Original Indenture**"); and

**WHEREAS**, the Authority amended and restated the Original 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 issue its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994; and

**WHEREAS**, pursuant to the First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "**First Supplement**") 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; and

**WHEREAS**, pursuant to the Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "**Second Supplement**") between the Authority and First Union National Bank (successor to Meridian 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; and

**WHEREAS**, pursuant to the Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the **"Third Supplement"**) between the Authority and Wachovia Bank, National Association (successor to First Union National Bank), 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; and

**WHEREAS**, pursuant to the Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the **"Fourth Supplement"**) between the Authority and Wachovia Bank, National Association, as Trustee, the Authority issued \$89,950,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program) Series of 2006 (Auction Rate Securities); and

**WHEREAS**, pursuant to the Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 (the **"Fifth Supplement"**) between the Authority and U.S. Bank National Association (successor to Wachovia Bank, National Association), as Trustee, the Authority issued \$133,740,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program) Series of 2008A (the **"2008A Bonds"**) and \$80,825,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program) Series of 2008B (the **"2008B Bonds"** and together with the 2008A Bonds, the **"2008 Bonds"**); and

**WHEREAS**, pursuant to the Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 (the **"Sixth Supplement"** and together with the Amended and Restated Indenture, First Supplement, Second Supplement, Third Supplement, Fourth Supplement and Fifth Supplement, the **"Existing Indenture"**) between the Authority and U.S. Bank National Association, as Trustee, the Authority issued \$354,925,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program) Series of 2009 (the **"2009 Bonds"**); and

**WHEREAS**, as a result of various refundings of bonds issued under the Existing Indenture, the 2008 Bonds and the 2009 Bonds are the only bonds currently outstanding under the Existing Indenture; and

**WHEREAS**, the Authority has previously entered into the 2008 Swap Agreements (hereinafter defined) and has determined to issue and sell Additional Bonds to (i) pay the costs of currently refunding the 2008 Bonds and (ii) pay the costs of issuing such Additional Bonds, including the costs of terminating the 2008 Swap Agreements (the **"2010 Refunding"**); and

**WHEREAS**, by a resolution adopted on April 20, 2010, the Authority has determined to issue and sell its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010 (the **"2010 Bonds"**) for the purpose of financing, together with other available funds, the 2010 Refunding pursuant to the terms of this Seventh Supplement to the Amended and Restated Indenture (the **"Seventh Supplement"** and, together with the Existing Indenture, the **"Indenture"**); and

**WHEREAS**, the 2010 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 2008 Bonds, the Authority shall direct the Trustee: (i) to deposit into the Bond Redemption Fund a portion of the proceeds of the 2010 Bonds in an amount which, when added to certain funds held by the Trustee for the benefit of the 2008 Bonds and other available funds of the Authority, will be sufficient to pay on May 15, 2010, the redemption price of all outstanding 2008 Bonds, which have been called for redemption on May 15, 2010 and (ii) to pay the costs of terminating the 2008 Swap Agreements; and

**WHEREAS**, the execution and delivery of this Seventh Supplement and the 2010 Bonds have been duly authorized and all things necessary to make the 2010 Bonds, when executed by the Authority and authenticated by the Trustee, valid and binding legal obligations of the Authority and to make this Seventh Supplement a valid and binding agreement have been done; and

**NOW, THEREFORE, THIS SEVENTH SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST WITNESSETH:**

That, in order to secure the principal of and interest and premium, if any, on the 2010 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 2010 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 Seventh Supplement, which shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the 2010 Bonds.

**ARTICLE I**

**AUTHORITY AND DEFINITIONS**

**Section 1.01. Supplemental Indenture of Trust**

This Seventh Supplement is supplemental to the Existing Indenture.

**Section 1.02. Authority for the Seventh Supplement**

This Seventh Supplement 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**

(a) Except as provided in this Seventh Supplement, all terms which are defined in Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement and the Sixth Supplement, shall have the same meanings, respectively, in this Seventh Supplement as are given to such terms in said Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement and the Sixth Supplement.

(b) Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement and the Sixth Supplement, is hereby amended and supplemented by amending certain definitions contained in the Existing Indenture (but only to the extent such definitions apply to the 2010 Bonds) and by adding the following definitions with respect to the 2010 Bonds:

**“Authorized Denomination”** means \$5,000 and integral multiples thereof.

**“Closing Date”** means May 14, 2010, the date of delivery of the 2010 Bonds to the Underwriter against payment therefor.

**“Interest Payment Date”** means each June 15 and December 15, commencing on December 15, 2010, for so long as any 2010 Bonds remain outstanding.

**“Outstanding”, “Bonds outstanding” or “outstanding Bonds”** means, with respect to the 2010 Bonds, as of any given date, all 2010 Bonds which have been duly authenticated and delivered under the Indenture, except:

(a) 2010 Bonds canceled after purchase in the open market or because of payment at, or redemption prior to, their maturity;

(b) 2010 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 2010 Bonds) in accordance with Article VII of the Amended and Restated Indenture; provided that if such Bonds are to be redeemed prior to their stated 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; and

(c) 2010 Bonds in lieu of which others have been authenticated under Section 2.07 or 2.08 of the Amended and Restated Indenture;

**“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.

**“Principal Office”** means, with respect to the 2010 Bonds, the corporate trust office of the Trustee responsible for the administration of this Seventh Supplement, as designated in Section 11.07 of the Amended and Restated Indenture.

**“Record Date”** means, with respect to the 2010 Bonds, the close of business on the last day of the calendar month next preceding an Interest Payment Date.

**“Representation Letter”** means that blanket letter from the Authority to DTC with respect to the issuance of bonds in book-entry form.

**“Securities Depository”** means DTC, or, if applicable, any successor securities depository appointed pursuant to the Indenture.

**“Special Record Date”** means a special date fixed to determine the names and addresses of holders of the 2010 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.

**“2008 Swap Agreements”** means the two interest rate swap agreements evidenced by the Master Agreement and the Schedule thereto, each dated as of December 6, 2001, and each Confirmation relating thereto, each by and between the Authority and JPMorgan Chase Bank, N.A., in each case as amended, supplemented or otherwise modified and in effect from time to time, designated as JPMorgan Chase Deal Number 507760 and JPMorgan Chase Deal Number 507759, as each such interest rate swap agreement relates to the 2008A Bonds and the 2008B Bonds.

**“Underwriter”** means Goldman, Sachs & Co., as underwriter of the 2010 Bonds, and its successors and assigns.

## **ARTICLE II**

### **THE 2010 BONDS**

#### **Section 2.01. Authorization and Description of the 2010 Bonds**

(a) The 2010 Bonds are authorized to be issued in an aggregate principal amount of \$206,960,000. The 2010 Bonds shall be designated “Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010”. The 2010 Bonds shall be issued as fully registered bonds in Authorized Denominations. The 2010 Bonds shall be substantially in the form hereinafter set forth as Exhibit A with such appropriate variations, omissions and insertions as are permitted or required by the Indenture or deemed necessary by the Trustee and the Authority.

(b) Unless the Authority shall otherwise direct, the 2010 Bonds shall be numbered consecutively from R-1 upward. Interest on the 2010 Bonds shall be payable on each Interest Payment Date, until payment of the principal amount of such 2010 Bond, or provision therefor, shall have been made upon redemption, at maturity or otherwise. Each 2010 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 2010 Bonds.

(c) The 2010 Bonds shall mature on the dates and in the amounts and shall bear interest at the fixed interest rates set forth in Schedule 1 attached hereto.

(d) The principal of and premium, if any, on the 2010 Bonds shall be payable at the Principal Office of the Trustee, upon presentation and surrender. Payment of principal of any 2010 Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2010 Bonds by wire transfer to such owner on the principal payment date for such 2010 Bonds upon written notice from such owner to the Trustee containing the wire transfer instructions 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 2010 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2010 Bonds at the Principal Office of the Trustee on the principal payment date.

(e) Interest payments on a 2010 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 Registrar on 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 2010 Bonds, by wire transfer to an account in a bank located in the United States designated by such Bondholder.

#### **Section 2.02. Book Entry System**

(a) It is intended that the 2010 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 2010 Bonds shall be DTC and the 2010 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest on any 2010 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 each Interest Payment Date 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 2010 Bonds shall be initially issued in the form of separate single fully registered bond for each maturity, authenticated by the Trustee in the amount of each separately stated maturity for the 2010 Bonds. Upon initial issuance, the ownership of such 2010 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 2010 Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the 2010 Bonds, selecting the 2010 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Seventh Supplement, registering the transfer of 2010 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar nor the Authority shall be affected by any notice to the contrary. Neither the Trustee, the Registrar nor the Authority shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the 2010 Bonds under or through DTC or any 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 Participant; (ii) the payment of DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the



2010 Bonds; (iii) any notice which is permitted or required to be given to Bondholders under the Indenture; (iv) the selection by DTC or any Participant of any Person to receive payment in the event of a partial redemption of the 2010 Bonds; or (v) any consent given or other action taken by DTC as Bondholder. The Trustee shall pay all principal of and premium, if any, and interest on the 2010 Bonds only to or "upon the order of" (as that phrase 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 and premium, if any, and interest on the 2010 Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated 2010 Bond. 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 Seventh Supplement shall be deemed to be changed to reflect such new nominee of DTC.

(c) In the event the Authority determines that it is in its best interest to discontinue the use of book entry system for the 2010 Bonds, the Authority may notify in writing DTC and the Trustee, whereupon DTC will notify the 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 in appropriate amounts. DTC may determine to discontinue providing its services with respect to the 2010 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 the 2010 Bonds 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 2010 Bonds to any Participant having 2010 Bonds credited to its DTC account, or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the 2010 Bonds.

(d) Notwithstanding any other provision of this Seventh Supplement to the contrary, so long as any 2010 Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on such 2010 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 2010 Bondholder.

### **Section 2.03. Delivery of the 2010 Bonds; Disposition of Proceeds and Transfer of Funds**

Upon the execution and delivery of this Seventh Supplement, the Authority shall execute and deliver the 2010 Bonds to the Trustee and the Trustee shall authenticate the 2010 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 2010 Bonds. Proceeds from the sale of the 2010 Bonds, together with any other available funds deposited by the Authority with the Trustee for such purpose, 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 2010 Bonds as the costs of issuance of the 2010 Bonds;

(2) to the Trustee, to be deposited in the Bond Redemption Fund, an amount equal to \$190,539,318.59, which will be applied, together with other available funds of the Authority, to the current redemption of all Outstanding 2008 Bonds on May 17, 2010; and

(3) to JPMorgan Chase Bank, N.A. to pay the Authority's costs of terminating the 2008 Swap Agreements, an amount equal to \$39,678,000.00.

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 2010 Bonds.

The Trustee shall transfer a portion of the funds currently held in the Debt Service Fund to the Redemption Fund, in an amount equal to the amount necessary to effect the current redemption of the 2008 Bonds, less the amount to be deposited therein pursuant to 2.03(2) hereof.

## **ARTICLE III**

### **REDEMPTION OF THE 2010 BONDS**

#### **Section 3.01. Redemption Dates and Prices**

As long as there is no continuing Event of Default under the Indenture, the 2010 Bonds shall be subject to redemption prior to maturity in the amounts, at the times and in the manner provided in this Section 3.01.

(a) Optional Redemption. The 2010 Bonds maturing on or after June 15, 2021 are subject to redemption at the option of the Authority on and after June 15, 2020, in whole at any time, or in part, from time to time, if in part in such order of maturity and in such principal amount within a maturity as specified by the Authority, and within a maturity as selected by the

Trustee by lot, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

(b) General Provisions Regarding Redemptions.

(i) No redemption of less than all of the 2010 Bonds outstanding shall be made unless in Authorized Denominations. Any redemption of less than all of the 2010 Bonds Outstanding shall be made in such a manner that all 2010 Bonds Outstanding after such redemption are in Authorized Denominations.

(ii) 2010 Bonds may be called for redemption by the Trustee pursuant to Section 3.01 hereof in accordance with the notice requirements of Section 3.02 hereof.

**Section 3.02. Notice of Redemption**

(a) Except as hereinafter provided, and upon direction of the Authority in the case of Section 3.01(a) above, a copy of the notice of the call for any redemption identifying the 2010 Bonds to be redeemed shall be given by the Trustee to the Bondholders by first class mail, postage prepaid, not less twenty (20) than nor more than sixty (60) days prior to the date fixed for redemption, to the registered owners of 2010 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 2010 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 optional redemption the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2010 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.

(b) Failure to give notice in the manner prescribed hereunder with respect to any 2010 Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2010 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 2010 Bonds to be redeemed and to pay interest due thereon and premium, if any, the 2010 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.

(c) If any 2010 Bond is transferred or exchanged on the Bond Register by the Registrar after notice has been given calling such 2010 Bond for redemption, the Trustee will attach a copy of such notice to the 2010 Bond issued in connection with such transfer or exchange.

**Section 3.03. Selection of Bonds To Be Redeemed**

If less than all the 2010 Bonds shall be called for redemption under any provision of the Indenture permitting such partial redemption, the particular 2010 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, and the portion of any 2010 Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination. In selecting 2010 Bonds for redemption, the Trustee shall treat each 2010 Bond as representing that number of 2010 Bonds which is obtained by dividing the principal amount of such 2010 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 2010 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 2010 Bond shall forthwith surrender such 2010 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 2010 Bond or 2010 Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such 2010 Bond. New 2010 Bonds representing the unredeemed balance of the principal amount of such 2010 Bond shall be issued to the registered owner thereof without charge therefor.

#### **ARTICLE IV**

##### **TERMINATION OF THE 2008 SWAP AGREEMENTS**

###### **Section 4.01. Termination of the 2008 Swap Agreements**

The Authority hereby confirms as follows in connection with the termination of the 2008 Swap Agreements: The Authority entered into the 2008 Swap Agreements in order to hedge its variable rate bond interest rate exposure in connection with the 2008 Bonds. The Authority has determined, after review and consultation with Mohanty Gargiulo LLC, its financial and swap advisor, to issue the 2010 Bonds as fixed rate bonds and to terminate the 2008 Swap Agreements and pay the current market swap termination fee. The swap termination fee will be paid by the Authority to JPMorgan Chase Bank, N.A. from the proceeds of the 2010 Bonds pursuant to Section 2.03(a)(3) hereof.

The Authority acknowledges that the Trustee has no knowledge of or information related to, and the Trustee disclaims all knowledge of, or information related to, the matters described in Section 5.01 hereof, except that the Trustee has transferred certain funds to JPMorgan Chase Bank, N.A. in accordance with Section 2.03(a)(3) hereof.

#### **ARTICLE V**

##### **AMENDMENT OF INDENTURE**

###### **Section 5.01. Amendment of Section 8.01**

Section 8.01 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement and the Sixth Supplement, is amended as follows:



In the fifth to last line of the paragraph following subsection 8.01 (e), delete the words "2008 Bonds" and add the words "or in the 2010 Bonds".

## **ARTICLE VI**

### **INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS**

#### **Section 6.01. Indenture to Remain in Effect**

Except as amended and supplemented by this Seventh Supplement, 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 Seventh Supplement 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 Seventh Supplement and the 2010 Bonds, as appropriate. In case of any conflict between the provisions of the Existing Indenture and this Seventh Supplement, the provisions of this Seventh Supplement 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 2010 Bonds) according to their tenor and effect, and (ii) the performance and observance by the Authority of all covenants and agreements of the Authority expressed herein and in the Bonds (including without limitation the 2010 Bonds).

#### **Section 6.02. Counterparts**

This Seventh Supplement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

#### **Section 6.03. Governing Law**

This Seventh Supplement shall be governed by and construed in accordance with the laws of the Commonwealth.

#### **Section 6.04. Captions**

The captions and headings in this Seventh Supplement are for reference purposes only and shall not control or affect the meaning or interpretation of any provisions of this Seventh Supplement.

[The remainder of this page is left blank intentionally.]

IN WITNESS WHEREOF, the Authority has caused this Seventh 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 Seventh Supplement to the Amended and Restated Indenture to be executed in its name, as of the date first above written.


ATTEST:

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By:

  
(Assistant) Secretary

By:

  
(Vice) Chairperson

[SEAL]

**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee

By:

  
Authorized Signatory

EXHIBIT A  
Form of 2010 Bonds

No. R - \_\_\_\_\_

\$ \_\_\_\_\_

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)  
Series of 2010

Interest Rate  
\_\_\_\_\_%

Maturity Date  
June 15, \_\_\_\_

Dated Date  
May 14, 2010

CUSIP

REGISTERED OWNER: CEDE & CO.

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 (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid, from May 14, 2010, on June 15 and December 15 in each year, commencing December 15, 2010 (each, an "Interest Payment Date"), 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 U.S. Bank, National Association 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 U.S. Bank, National Association or its successor as Registrar and at the address appearing thereon on the last day of the month (whether or not a business day) 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 2010 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 or America.

Interest on the Series 2010 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 2010 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 2010 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 2010 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office or 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 Seventh Supplement to the Amended and Restated Indenture, dated as of May 1, 2010, between the Authority and the Trustee (the "Seventh Supplement") 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 2010 issued in the aggregate principal amount of \$206,960,000 (the "Series 2010 Bonds"). The Series 2010 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 2010 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on April 20, 2010 (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, a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006, a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008, a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 and the Seventh Supplement (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 2010 Bonds maturing on and after June 15, 2021 are subject to redemption at the option of the Authority on and after June 15, 2020, in whole at any time, or in part, from time to time, if in part in such order of maturity and in such 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 2010 Bonds to be redeemed, plus accrued interest to the redemption date.

### **Notice of Redemption**

When the Authority shall determine to redeem Series 2010 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 2010 Bonds to be redeemed, 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 2010 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 2010 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 2010 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, not less than twenty (20) days nor more than sixty (60) days prior to the redemption date, addressed to the Holders of Series 2010 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 2010 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 2010 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 2010 Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series 2010 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 2010 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, as of the date first above written.

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By: \_\_\_\_\_  
(Assistant) Secretary

By: \_\_\_\_\_  
(Vice) Chairperson

[SEAL]

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 2010 Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on or attached to this Bond is the complete text of the opinion of Greenberg Traurig, 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 2010 Bonds.

U.S. BANK NATIONAL ASSOCIATION,  
Trustee

By: \_\_\_\_\_  
Authorized Signature

Date of Authentication:



### 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.

Date: \_\_\_\_\_

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.

# SCHEDULE 1

## MATURITIES, AMOUNTS AND INTEREST RATES

\$206,960,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)  
SERIES OF 2010

DUE JUNE 15	AMOUNT	INTEREST RATE
2011	\$14,395,000	4.00%
2012	15,730,000	5.00
2013	16,335,000	5.00
2014	16,995,000	5.00
2015	17,670,000	5.00
2016	18,375,000	5.00
2017	19,110,000	5.00
2018	19,875,000	5.00
2019	20,650,000	5.00
2020	21,470,000	5.00
2021	12,925,000	5.00
2022	13,430,000	5.00

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**EIGHTH SUPPLEMENT TO THE AMENDED AND  
RESTATED INDENTURE OF TRUST**

**Between**

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

**And**

**U.S. BANK NATIONAL ASSOCIATION, as Trustee**

**Dated as of December 1, 2019**

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**EIGHTH SUPPLEMENT TO THE AMENDED AND RESTATED  
INDENTURE OF TRUST**

THIS EIGHTH SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST, dated as of December 1, 2019, 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 (the "**Commonwealth**") under and by virtue of the Constitution and laws of the Commonwealth, and **U.S. BANK NATIONAL ASSOCIATION** (the "**Trustee**"), a national banking association organized under the laws of the United States, as successor trustee under the Indenture,

**W I T N E S S E T H:**

**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 in the Commonwealth 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, entered into 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 "**Original Indenture**"); and

**WHEREAS**, the Authority amended and restated the Original 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 issue its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994; and

**WHEREAS**, pursuant to the First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "**First Supplement**") 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; and

**WHEREAS**, pursuant to the Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "**Second Supplement**") between the Authority and First Union National Bank (successor to Meridian 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; and

**WHEREAS**, pursuant to the Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the **"Third Supplement"**) between the Authority and Wachovia Bank, National Association (successor to First Union National Bank), 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; and

**WHEREAS**, pursuant to the Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the **"Fourth Supplement"**) between the Authority and Wachovia Bank, National Association, as Trustee, the Authority issued \$89,950,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities); and

**WHEREAS**, pursuant to the Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 (the **"Fifth Supplement"**) between the Authority and U.S. Bank National Association (successor to Wachovia Bank, National Association), as Trustee, the Authority issued \$133,740,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program) Series of 2008A (the **"2008A Bonds"**) and \$80,825,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2008B (the **"2008B Bonds"**) and together with the 2008A Bonds, the **"2008 Bonds"**); and

**WHEREAS**, pursuant to the Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 (the **"Sixth Supplement"**) between the Authority and U.S. Bank National Association, as Trustee, the Authority issued \$354,925,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program) Series of 2009 (the **"2009 Bonds"**); and

**WHEREAS**, pursuant to the Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 (the **"Seventh Supplement"**) and together with the Amended and Restated Indenture, First Supplement, Second Supplement, Third Supplement, Fourth Supplement, Fifth Supplement and Sixth Supplement, the **"Existing Indenture"**) between the Authority and U.S. Bank National Association, as Trustee, the Authority issued \$206,960,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program), Series of 2010 (the **"2010 Bonds"**); and

**WHEREAS**, as a result of various refundings of bonds issued under the Existing Indenture, the 2009 Bonds and the 2010 Bonds are the only bonds currently outstanding under the Existing Indenture; and

**WHEREAS**, the Authority has determined to issue and sell Additional Bonds in order to provide funds to refund the 2009 Bonds and the 2010 Bonds maturing after June 15, 2020 (the **"Refunding Project"**); and

**WHEREAS**, by a resolution adopted on September 17, 2019, the Authority has determined to issue and sell its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the **"2019 Bonds"**) for the purpose of financing, together with other available funds, the refunding of the outstanding 2009 Bonds and its Special Tax



Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "**2020 Bonds**", and together with the 2019 Bonds, the "**2019/2020 Bonds**") to refund the 2010 Bonds maturing after June 15, 2020 (the "Refunded 2010 Bonds"), pursuant to the terms of this Eighth Supplement to the Amended and Restated Indenture (the "**Eighth Supplement**" and, together with the Existing Indenture, the "**Indenture**"); and

**WHEREAS**, the 2019 Bonds are to be substantially in the form attached hereto as Exhibit A; and

**WHEREAS**, the 2020 Bonds are to be substantially in the form attached hereto as Exhibit A-1; and

**WHEREAS**, in order to provide for the authentication and delivery of the 2019/2020 Bonds, to establish and declare the terms and conditions upon which each respective series of the 2019/2020 Bonds are to be issued and to secure the payment of the principal thereof and premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Eighth Supplement; and

**WHEREAS**, all acts and proceedings required by law necessary to make the 2019/2020 Bonds, when executed by the Authority, and authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the Authority, and to constitute this Eighth Supplement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Eighth Supplement have been in all respects duly authorized.

**NOW, THEREFORE, THIS EIGHTH SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST WITNESSETH:**

That, in order to secure the principal of and interest and premium, if any, on the 2019/2020 Bonds at any time issued and outstanding 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 2019/2020 Bonds are to be issued and secured, and for and in consideration of the mutual covenants contained herein and in the Existing Indenture and of the purchase and acceptance (or agreement of acceptance in the case of the 2020 Bonds) of the 2019/2020 Bonds by the Holders thereof, the Authority and the Trustee are entering into this Eighth Supplement, which shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the 2019/2020 Bonds.

## **ARTICLE I** **AUTHORITY AND DEFINITIONS**

### **Section 1.01 Supplemental Indenture of Trust**

This Eighth Supplement is supplemental to the Existing Indenture.

## **Section 1.02 Authority for the Eighth Supplement**

This Eighth Supplement 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**

(a) Except as provided in this Eighth Supplement, all terms which are defined in Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, shall have the same meanings, respectively, in this Eighth Supplement as are given to such terms in said Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement.

(b) Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, is hereby amended and supplemented by amending certain definitions contained in the Existing Indenture (but only to the extent such definitions apply to the 2019/2020 Bonds) and by adding the following definitions with respect to the 2019/2020 Bonds:

**"2019 Bonds"** means the \$31,085,000 aggregate principal amount of Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019.

**"2020 Bonds"** means the \$24,990,000 aggregate principal amount of Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery).

**"2019 Closing Date"** means the date of delivery of the 2019 Bonds to the Representative against payment therefor.

**"Authorized Denomination"** means \$5,000 and integral multiples thereof.

**"Delayed Delivery Closing Date"** means the date of delivery of the 2020 Bonds to the Representative against payment therefor.

**"Escrow Agent"** means U.S. Bank National Association, as escrow agent under the Escrow Deposit Agreement.

**"Escrow Deposit Agreement"** means the Escrow Deposit Agreement related to the 2020 Bonds, to be entered into on or about the date of issuance of the 2020 Bonds, between the Authority and U.S. Bank National Association, as Escrow Agent with respect to the refunding of the 2010 Bonds.



**"Escrow Fund"** means the special and irrevocable escrow fund established and so designated by the Escrow Deposit Agreement.

**"Interest Payment Date"** means for purposes of this Eighth Supplement and: (i) in the case of the 2019 Bonds, each June 15 and December 15, commencing on June 15, 2020 for so long as any 2019 Bonds remain outstanding and (ii) in the case of the 2020 Bonds, each June 15, and December 15, commencing June 15, 2020 for so long as any 2020 Bonds remain outstanding.

**"Outstanding", "Bonds outstanding" or "outstanding Bonds"** means, with respect to the 2019/2020 Bonds, as of any given date, all 2019/2020 Bonds which have been duly authenticated and delivered under the Indenture, except:

(a) 2019/2020 Bonds canceled after purchase in the open market or because of payment at, or redemption prior to, their maturity;

(b) 2019/2020 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 2019/2020 Bonds) in accordance with Article VII of the Amended and Restated Indenture; provided that if such 2019/2020 Bonds are to be redeemed prior to their stated maturity date, 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

(c) 2019/2020 Bonds in lieu of which others have been authenticated under Section 2.07 or 2.08 of the Amended and Restated Indenture;

**"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.

**"Principal Office"** means, with respect to the 2019/2020 Bonds, the corporate trust office of the Trustee responsible for the administration of this Eighth Supplement, as designated in or pursuant to Section 11.07 of the Amended and Restated Indenture.

**"Record Date"** means, with respect to the 2019/2020 Bonds, the close of business on the last day of the calendar month next preceding an Interest Payment Date.

**"Refunded 2010 Bonds"** means the 2010 Bonds maturing after June 15, 2020 that are being refunded with proceeds of the 2020 Bonds together with other available funds.

**"Representation Letter"** means that blanket letter of representations from the Authority to DTC with respect to the issuance of bonds in book-entry form.

**“Securities Depository”** means DTC, or, if applicable, any successor securities depository appointed pursuant to the Indenture.

**“Special Record Date”** means a special date fixed to determine the names and addresses of holders of the 2019/2020 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.

**“Representative”** means RBC Capital Markets, LLC, as the representative of the underwriters of the 2019/2020 Bonds, and its successors and assigns.

## **ARTICLE II**

### **REVENUES AND FUNDS**

#### **Section 2.01 Establishment of Escrow Fund.**

An Escrow Fund shall be established pursuant to the Escrow Deposit Agreement in connection with the refunding of the 2010 Bonds. All amounts held by the Escrow Agent in the Escrow Fund shall be held exclusively for the benefit of the Refunded 2010 Bonds. Pursuant to the Escrow Deposit Agreement, the Escrow Agent shall apply the amounts on deposit in the Escrow Fund, together with investment earnings thereon and other monies made available for such purpose, to the payment of the principal of, interest on and redemption price of the Refunded 2010 Bonds.

#### **Section 2.02 Deposit in Escrow Deposit Agreement.**

The Trustee shall transfer the net proceeds of the 2020 Bonds, together with certain other available funds in the Debt Service Fund and the Debt Service Reserve Fund, in the amounts specified by the Authority in a Closing Certificate for the 2020 Bonds to the Escrow Agent under the Escrow Deposit Agreement to be deposited to the Escrow Fund and applied in accordance with the Escrow Deposit Agreement.

#### **Section 2.03 Remaining Monies After Redemption.**

To the extent there are any remaining monies in the Escrow Fund after redemption and payment of the Refunded 2010 Bonds (which are not required to pay the principal of and interest on any then-undelivered 2010 Bonds), said monies shall be transferred to the Debt Service Fund and used on the next succeeding Interest Payment Date to pay interest on the 2020 Bonds.

#### **Section 2.04 Debt Service Reserve Fund.**

No amounts shall be deposited into the Debt Service Reserve Fund upon the initial issuance of either series of the 2019/2020 Bonds. Upon the issuance of the 2019 Bonds, an amount equal to \$38,683,188.06 from the Debt Service Reserve Fund shall be deposited pursuant to Section 3.01 in the Bond Redemption Fund. Upon the issuance of the 2020 Bonds, an amount equal to \$273,735.04 from the Debt Service Reserve Fund shall be deposited pursuant to Section 3.02 in the Escrow Fund and invested in accordance with the Escrow Deposit Agreement.



**ARTICLE III**  
**APPLICATION OF PROCEEDS**

**Section 3.01 Delivery of the 2019 Bonds; Disposition of Proceeds and Transfer of Funds.**

Upon the execution and delivery of this Eighth Supplement, the Authority shall execute and deliver the 2019 Bonds to the Trustee and the Trustee shall authenticate the 2019 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 2019 Bonds. Proceeds from the sale of the 2019 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, and certain funds held in the Debt Service Fund and the Debt Service Reserve Fund shall be transferred and applied as follows:

- (1) the amount of 2019 Bond proceeds specified by the Authority at or after the 2019 Closing Date shall be applied as directed by the Authority to pay the costs of issuance of the 2019 Bonds;
- (2) an amount equal to \$38,683,188.06 shall be transferred from the Debt Service Reserve Fund and shall be deposited in the Bond Redemption Fund;
- (3) \$11,541,425.00, the amount currently held in the Debt Service Fund with respect to the 2009 Bonds shall be transferred to the Bond Redemption Fund; and
- (4) an amount of 2019 Bond proceeds equal to \$33,591,383.61, shall be transferred to the Bond Redemption Fund and applied, together with amounts specified in 3.01(2) and 3.01(3) above for the redemption of all Outstanding 2009 Bonds on December 3, 2019.

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 for application to the payment of debt service in respect of the 2019 Bonds.

**Section 3.02 Delivery of the 2020 Bonds; Disposition of Proceeds and Transfer of Funds**

After the execution and delivery of this Eighth Supplement and on the Delayed Delivery Closing Date, but only if the applicable requirements of Section 2.11 of the Indenture have been satisfied, the Authority may, in its sole discretion, execute and deliver the 2020 Bonds to the Trustee and the Trustee shall authenticate the 2020 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 2020 Bonds. Proceeds from the sale of the 2020 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, and certain funds

held in the Debt Service Fund and the Debt Service Reserve Fund shall be transferred and applied as follows:

- (1) the amount of 2020 Bonds proceeds specified by the Authority at or after the Delayed Delivery Closing Date shall be applied at the direction of the Authority to pay the costs of issuance of the 2020 Bonds;
- (2) an amount equal to \$273,735.04 shall be transferred from the Debt Service Reserve Fund and shall be deposited in the Escrow Fund;
- (3) \$439,250.00, the amount in the Debt Service Fund allocable to the payment of the Refunded 2010 Bonds shall be transferred to the Escrow Fund; and
- (4) \$26,300,889.96 of the 2020 Bond proceeds shall be transferred to the Escrow Fund and amounts in the Escrow Fund shall be invested in accordance with the Escrow Deposit Agreement in amounts sufficient to redeem all of the Refunded 2010 Bonds.

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 for application to the payment of debt service in respect of the 2020 Bonds.

#### **ARTICLE IV** **THE 2019/2020 BONDS**

##### **Section 4.01 Authorization and Description of the 2019/2020 Bonds**

(a) The 2019 Bonds are authorized to be issued in an aggregate principal amount of \$31,085,000. The 2019 Bonds shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019". The 2019 Bonds shall be issued as fully registered bonds in Authorized Denominations. The 2019 Bonds shall be substantially in the form hereinafter set forth as Exhibit A with such appropriate variations, omissions and insertions as are permitted or required by the Indenture or deemed necessary by the Trustee and the Authority.

(b) The 2020 Bonds are authorized to be issued in an aggregate principal amount of \$24,990,000. The 2020 Bonds shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery)." The 2020 Bonds shall be issued as fully registered bonds in Authorized Denominations. The 2020 Bonds shall be substantially in the form hereinafter set forth as Exhibit A-1 with such appropriate variations, omissions and insertions as are permitted or required by the Indenture or deemed necessary by the Trustee and the Authority.

(c) Unless the Authority shall otherwise direct, the 2019/2020 Bonds shall be numbered consecutively from R-1 upward. Interest on the 2019/2020 Bonds shall be payable on each Interest Payment Date for each series, until payment of the principal amount of such



2019/2020 Bond, or provision therefor, shall have been made upon redemption, at maturity or otherwise. Each 2019/2020 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 its respective date of initial issuance.

(d) The 2019/2020 Bonds shall mature on the dates and in the amounts and shall bear interest at the fixed interest rates set forth in Schedule 1 attached hereto.

(e) The principal of and premium, if any, on the 2019/2020 Bonds shall be payable at the Principal Office of the Trustee, upon presentation and surrender. Payment of principal of any 2019/2020 Bonds shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2019 Bonds, or to any owner of \$1,000,000 or more in aggregate principal amount of 2020 Bonds, as the case may be, by wire transfer to such owner on the principal payment date for such 2019/2020 Bonds upon written notice from such owner to the Trustee containing the wire transfer instructions within the 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 2019/2020 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2019/2020 Bonds at the Principal Office of the Trustee on the principal payment date.

(f) Interest payments on a 2019/2020 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 Registrar on 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 2019 Bonds or by a holder of \$1,000,000 or more in aggregate principal amount of 2020 Bonds, by wire transfer to an account in a bank located in the United States designated by such Bondholder.

#### **Section 4.02 Book Entry System**

(a) It is intended that the 2019/2020 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 2019/2020 Bonds shall be DTC and the 2019/2020 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest on any 2019/2020 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 each Interest Payment Date 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 2019/2020 Bonds shall be initially issued in the form of separate single fully registered bond for each series and maturity, authenticated by the Trustee in the amount of each separately stated series and maturity for the 2019/2020 Bonds. Upon initial issuance, the ownership of such 2019/2020 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 2019/2020

Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the 2019/2020 Bonds, selecting the 2019/2020 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Eighth Supplement, registering the transfer of 2019/2020 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar nor the Authority shall be affected by any notice to the contrary. Neither the Trustee, the Registrar nor the Authority shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the 2019/2020 Bonds under or through DTC or any 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 Participant; (ii) the payment of DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the 2019/2020 Bonds; (iii) any notice which is permitted or required to be given to Bondholders under the Indenture; (iv) the selection by DTC or any Participant of any Person to receive payment in the event of a partial redemption of the 2019/2020 Bonds; or (v) any consent given or other action taken by DTC as Bondholder. The Trustee shall pay all principal of and premium, if any, and interest on the 2019/2020 Bonds only to or "upon the order of (as that phrase 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 and premium, if any, and interest on the 2019/2020 Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated 2019/2020 Bond. 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 Eighth Supplement shall be deemed to be changed to reflect such new nominee of DTC.

(c) In the event the Authority determines that it is in its best interest to discontinue the use of book entry system for the 2019/2020 Bonds, the Authority may notify in writing DTC and the Trustee, whereupon DTC will notify the 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 in appropriate amounts. DTC may determine to discontinue providing its services with respect to the 2019/2020 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 the 2019/2020 Bonds 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 2019/2020 Bonds to any Participant having 2019/2020 Bonds credited to its DTC account, or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the 2019/2020 Bonds.

(d) Notwithstanding any other provision of this Eighth Supplement to the contrary, so long as any 2019/2020 Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on such



2019/2020 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 new Bondholder.

## **ARTICLE V**

### **REDEMPTION OF THE BONDS**

#### **Section 5.01 Redemption Dates and Prices**

The 2019/2020 Bonds are not subject to redemption prior to maturity.

## **ARTICLE VI**

### **AMENDMENT OF INDENTURE**

#### **Section 6.01 Amendment of Section 8.01**

Section 8.01 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, is amended as follows:

In the fifth to last line of the paragraph following subsection 8.01 (e), delete the words "2009 Bonds" and add the words "or in the 2019 Bonds or the 2020 Bonds (if issued)".

#### **Section 6.02 Amendment of Section 11.07**

Section 11.07 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, is amended by adding the following new paragraph at the end of such section:

"The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means; provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority, whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means

and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

"Electronic Means" shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder."

## **ARTICLE VII**

### **INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS**

#### **Section 7.01 Indenture to Remain in Effect**

Except as amended and supplemented by this Eighth Supplement, 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 Eighth Supplement 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 Eighth Supplement and the 2019/2020 Bonds, as appropriate. In case of any conflict between the provisions of the Existing Indenture and this Eighth Supplement, the provisions of



this Eighth Supplement 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 2019/2020 Bonds) according to their tenor and effect, and (ii) the performance and observance by the Authority of all covenants and agreements of the Authority expressed herein and in the Bonds (including without limitation the 2019/2020 Bonds).

#### **Section 7.02 Counterparts**

This Eighth Supplement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

#### **Section 7.03 Governing Law**

This Eighth Supplement shall be governed by and construed in accordance with the laws of the Commonwealth.

#### **Section 7.04 Captions**

The captions and headings in this Eighth Supplement are for reference purposes only and shall not control or affect the meaning or interpretation of any provisions of this Eighth Supplement.

[The remainder of this page is left blank intentionally.]

IN WITNESS WHEREOF, the Authority has caused this Eighth 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 Eighth Supplement to the Amended and Restated Indenture to be executed in its name, as of the date first above written.

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By:   
(Assistant) Secretary

By:   
Chairperson

[SEAL]

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

IN WITNESS WHEREOF, the Authority has caused this Eighth 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 Eighth Supplement to the Amended and Restated Indenture to be executed in its name, as of the date first above written.

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By: \_\_\_\_\_  
(Assistant) Secretary

By: \_\_\_\_\_  
Chairperson

[SEAL]

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By:  \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**  
**Form of 2019 Bonds**

No. R - \_\_\_\_\_

\$ \_\_\_\_\_

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)  
Series of 2019

Interest Rate  
\_\_\_\_\_%

Maturity Date  
June 15, \_\_\_\_\_

Dated Date  
\_\_\_\_\_, 2019

CUSIP

REGISTERED OWNER: CEDE & CO.

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 (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid, from the Dated Date identified above, on June 15 and December 15 in each year, commencing June 15, 2020 (each, an "Interest Payment Date"), 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 U.S. Bank National Association 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 U.S. Bank National Association or its successor as Registrar and at the address appearing thereon on the last day of the month (whether or not a business day) next 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 2019 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 or America.

Interest on the Series 2019 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 2019 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 2019 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 2019 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office or 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 or her 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 Eighth Supplement to the Amended and Restated Indenture, dated as of December 1, 2019, between the Authority and the Trustee (the "Eighth Supplement") 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 2019 issued in the aggregate principal amount of \$31,085,000 (the "Series 2019 Bonds"). The Series 2019 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 2019 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on September 17, 2019 (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, a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006, a

Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008, a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009, a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 and the Eighth Supplement (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 Series 2019 Bonds are not subject to redemption prior to maturity.

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 2019 Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series 2019 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 2019 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, as of the date first above written.

**ATTEST:**

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: \_\_\_\_\_  
(Assistant) Secretary

By: \_\_\_\_\_  
(Vice) Chairperson

[SEAL]



AUTHENTICATION CERTIFICATE

This Bond is one of the Series 2019 Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on or attached to this Bond is the complete text of the opinion of Saul Ewing Arnstein & Lehr 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 2019 Bonds.

U.S. BANK NATIONAL ASSOCIATION,  
Trustee

By: \_\_\_\_\_  
Authorized Signature

Date of Authentication:

## 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.

Date: \_\_\_\_\_

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 A-1**  
**Form of 2020 Bonds**

No. R - \_\_\_\_\_

\$ \_\_\_\_\_

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)  
Series of 2020  
(Forward Delivery)

Interest Rate  
\_\_\_\_ %

Maturity Date  
June 15, \_\_\_\_\_

Dated Date  
\_\_\_\_\_, \_\_\_\_\_

CUSIP

REGISTERED OWNER: CEDE & CO.

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 (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid, from the Dated Date specified above, on June 15 and December 15 in each year, commencing June 15, 2020 (each, an "Interest Payment Date"), 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 U.S. Bank National Association 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 U.S. Bank National Association or its successor as Registrar and at the address appearing thereon on the last day of the month (whether or not a business day) next 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 2020 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 or America.

Interest on the Series 2020 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 2019 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 2019 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 2020 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office or 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 or her 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 Eighth Supplement to the Amended and Restated Indenture, dated as of December 1, 2019, between the Authority and the Trustee (the "Eighth Supplement") 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 2020 (Forward Delivery) issued in the aggregate principal amount of \$24,990,000 (the "Series 2020 Bonds" or the "Bond"). The Series 2020 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 2020 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on September 17, 2019 (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, a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006, a

Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008, a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009, a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 and the Eighth Supplement (collectively, the "Indenture"), between the Authority and the Trustee, and, together with the Authority's \$31,085,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 which were issued pursuant to the Eighth Supplemental Indenture prior to the issuance of the Series 2020 Bonds and any 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 Series 2020 Bonds are not subject to redemption prior to maturity.

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 2020 Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series 2020 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 2020 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, as of the date first above written.

**ATTEST:**

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: \_\_\_\_\_  
(Assistant) Secretary

By: \_\_\_\_\_  
(Vice) Chairperson

[SEAL]

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 2020 Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on or attached to this Bond is the complete text of the opinion of Saul Ewing Arnstein & Lehr 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 2020 Bonds.

U.S. BANK NATIONAL ASSOCIATION,  
Trustee

By: \_\_\_\_\_  
Authorized Signature

Date of Authentication:



## 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.

Date: \_\_\_\_\_

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.

## SCHEDULE 1

### MATURITIES, AMOUNTS AND INTEREST RATES

\$31,085,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)  
SERIES OF 2019

<u>DUE JUNE 15</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>
2021	\$9,860,000	5.000%
2022	10,355,000	5.000
2023	10,870,000	5.000

\$24,990,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)  
SERIES OF 2020  
(Forward Delivery)

<u>DUE JUNE 15</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>
2021	\$12,260,000	5.000%
2022	12,730,000	5.000



Blanket Issuer Letter of Representations  
(To be Completed by Issuer)

Pennsylvania Intergovernmental Cooperation Authority  
(Name of Issuer)

April 12, 1999

(Date)

Attention: Underwriting Department — Eligibility  
The Depository Trust Company  
55 Water Street, 50th Floor  
New York, NY 10041-0099

Ladies and Gentlemen:

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 book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

(Issuer)  
By William J. Leonard

(Authorized Officer's Signature)

William J. Leonard  
(Vice) Chairperson

(Type Name & Title)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

Robert Bander

1425 Walnut Street - 14th Floor  
(Street Address)

Philadelphia, PA 19102  
(City) (State)

(Zip)

(215) 561-9160

(Phone Number)

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)  
Series of 2019

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.000%	June 15, 2021	December 3, 2019	708840JU8

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: NINE MILLION EIGHT HUNDRED SIXTY THOUSAND 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 (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid, from the Dated Date identified above, on June 15 and December 15 in each year, commencing June 15, 2020 (each, an "Interest Payment Date"), 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 U.S. Bank National Association 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 U.S. Bank National Association or its successor as Registrar and at the address appearing thereon on the last day of the month (whether or not a business day) next 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 2019 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 or America.



PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
 Special Tax Revenue Refunding Bonds  
 (City of Philadelphia Funding Program)  
 Series of 2019

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.000%	June 15, 2022	December 3, 2019	708840JV6

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TEN MILLION THREE HUNDRED FIFTY-FIVE THOUSAND 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 (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid, from the Dated Date identified above, on June 15 and December 15 in each year, commencing June 15, 2020 (each, an "Interest Payment Date"), 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 U.S. Bank National Association 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 U.S. Bank National Association or its successor as Registrar and at the address appearing thereon on the last day of the month (whether or not a business day) next 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 2019 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 or America.

## PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Refunding Bonds

(City of Philadelphia Funding Program)

Series of 2019

Interest Rate

5.000%

Maturity Date

June 15, 2023

Dated Date

December 3, 2019

CUSIP

708840JW4

REGISTERED OWNER: CEDE &amp; CO.

PRINCIPAL AMOUNT: TEN MILLION EIGHT HUNDRED SEVENTY THOUSAND 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 (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid, from the Dated Date identified above, on June 15 and December 15 in each year, commencing June 15, 2020 (each, an "Interest Payment Date"), 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 U.S. Bank National Association 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 U.S. Bank National Association or its successor as Registrar and at the address appearing thereon on the last day of the month (whether or not a business day) next 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 2019 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 or America.



Interest on the Series 2019 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 2019 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 2019 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 2019 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office or 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 or her 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 Eighth Supplement to the Amended and Restated Indenture, dated as of December 1, 2019, between the Authority and the Trustee (the "Eighth Supplement") 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 2019 issued in the aggregate principal amount of \$31,085,000 (the "Series 2019 Bonds"). The Series 2019 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 2019 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on September 17, 2019 (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, a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006, a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008, a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009, a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 and the Eighth Supplement (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 Series 2019 Bonds are not subject to redemption prior to maturity.

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 2019 Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series 2019 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 2019 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 Assistant Secretary, as of the date first above written.

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By: Harry M. Lee  
(Assistant) Secretary

By: Kevin S. Vaughn  
Chairperson

[SEAL]

SPECIMEN

[Signature Page – 2019 Bond]

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 2019 Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on or attached to this Bond is the complete text of the opinion of Saul Ewing Arnstein & Lehr 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 2019 Bonds.

U.S. BANK NATIONAL ASSOCIATION,  
Trustee

By:   
Authorized Signature

Date of Authentication: *December 3, 2019*

[Signature Page – 2019 Bonds]

## 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.

Date: \_\_\_\_\_

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.

SPECIMEN



**Form of 2020 Bonds**

No. R - \_\_\_\_\_

\$ \_\_\_\_\_

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**

**Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)  
Series of 2020  
(Forward Delivery)**

Interest Rate  
\_\_\_\_%

Maturity Date  
June 15, \_\_\_\_\_

Dated Date  
\_\_\_\_\_, \_\_\_\_\_

CUSIP

REGISTERED OWNER: CEDE & CO.

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 (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid, from the Dated Date specified above, on June 15 and December 15 in each year, commencing June 15, 2020 (each, an "Interest Payment Date"), 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 U.S. Bank National Association 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 U.S. Bank National Association or its successor as Registrar and at the address appearing thereon on the last day of the month (whether or not a business day) next 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 2020 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 or America.

Interest on the Series 2020 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 2019 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 2019 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 2020 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office or 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 or her 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 Eighth Supplement to the Amended and Restated Indenture, dated as of December 1, 2019, between the Authority and the Trustee (the "Eighth Supplement") 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 2020 (Forward Delivery) issued in the aggregate principal amount of \$24,990,000 (the "Series 2020 Bonds" or the "Bond"). The Series 2020 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 2020 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on September 17, 2019 (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, a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006, a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008, a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009, a

Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 and the Eighth Supplement (collectively, the "Indenture"), between the Authority and the Trustee, and, together with the Authority's \$31,085,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 which were issued pursuant to the Eighth Supplemental Indenture prior to the issuance of the Series 2020 Bonds and any 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 Series 2020 Bonds are not subject to redemption prior to maturity.

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 2020 Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series 2020 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 2020 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, as of the date first above written.

**ATTEST:**

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: \_\_\_\_\_  
(Assistant) Secretary

By: \_\_\_\_\_  
(Vice) Chairperson

[SEAL]

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 2020 Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on or attached to this Bond is the complete text of the opinion of Saul Ewing Arnstein & Lehr 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 2020 Bonds.

U.S. BANK NATIONAL ASSOCIATION,  
Trustee

By: \_\_\_\_\_  
Authorized Signature

Date of Authentication:

## 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.

Date: \_\_\_\_\_

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.

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM),  
SERIES OF 2020 (FORWARD DELIVERY)**

**October 29, 2019**

Pennsylvania Intergovernmental  
Cooperation Authority (the "Authority")  
1500 Walnut Street, Suite 1600  
Philadelphia, Pennsylvania 19102

**To the Authority:**

The undersigned RBC Capital Markets, LLC (the "Representative"), on behalf of itself and the underwriters named in the list attached hereto as Appendix I (collectively with the Representative, the "Underwriters"), hereby offers to enter into this Forward Delivery Bond Purchase Agreement (the "Forward Delivery Purchase Agreement") with the Authority for the purchase by the Underwriters and the sale by the Authority of the above captioned bonds (the "2020 Bonds") more particularly described below. This offer is made subject to acceptance hereof by the Authority by 5:00 P.M. prevailing time in Philadelphia, Pennsylvania, on the date hereof and, upon such acceptance, evidenced by the signature of a duly authorized officer of the Authority in the space provided below and upon approval by The City of Philadelphia, Pennsylvania (the "City") as evidenced by the signature of the Director of Finance on the Letter of Representations (hereafter defined), this Forward Delivery Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Authority and the Underwriters. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement (as hereafter defined) and in the Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Original Indenture") between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented by seven supplemental indentures and the Eighth Supplement to the Amended and Restated Indenture of Trust to be dated as of December 1, 2019 (the "Eighth Supplemental Indenture", and the Original Indenture, as amended by such seven supplemental indentures are collectively referred to herein as the "Indenture"), pursuant to which the 2020 Bonds are being issued.

**A. Purchase and Sale; Purchase Price; Liquidated Damages; Delivery of and Payment for the 2020 Bonds.**

1. Upon the terms and conditions and upon the basis of (i) the representations and warranties of the Authority set forth herein, and (ii) the representations and warranties of the City set forth in the Letter of Representations dated of even date herewith, in the form of Exhibit A hereto ("Letter of Representations"), which are incorporated by reference into this Forward Delivery Purchase Agreement, the Underwriters hereby agree to purchase from the Authority, and the Authority hereby agrees to sell to the Underwriters all (but not less than all) of the 2020 Bonds, at a purchase price of \$26,469,379.47 (the "Purchase Price"), which reflects



the aggregate principal amount of the 2020 Bonds (\$24,990,000.00), plus original issue premium of \$1,561,626.90, less an underwriters' discount of \$82,247.43. The 2020 Bonds shall be dated their date of issuance, shall mature on the dates set forth on Appendix II hereto and shall bear interest (from their date of issuance) at the rates and payable at the times and in the manner set forth in Appendix II hereto and shall otherwise have the terms and provisions set forth in the Official Statement (as hereinafter defined) for the 2020 Bonds.

2. The Representative shall send by check to the order of the Authority on the date hereof the sum of \$254,650.00 in immediately available funds, as security for the performance by the Representative of its obligation to accept and pay for all of the 2020 Bonds at the Delayed Delivery Closing (hereinafter defined) in accordance with this Forward Delivery Purchase Agreement (the "Good Faith Deposit"). The Good Faith Deposit will be held uninvested and uncashed by the Authority and will be returned to the Representative at the Delayed Delivery Closing assuming it has satisfied all conditions set forth herein, including providing payment for the 2020 Bonds. In the event the Authority does not accept this offer, such Good Faith Deposit shall be immediately returned to the Representative. In the event that the Representative fails (other than for a reason permitted herein) to accept and pay for the 2020 Bonds at the Delayed Delivery Closing as herein provided, the check for the Good Faith Deposit may be cashed and the amount of such Good Faith Deposit shall be retained by the Authority as and for liquidated damages for such failure and for any defaults hereunder on the part of the Representative, and such retention shall constitute a full release and discharge of all claims by the Authority against the Representative and the Underwriters arising out of the transactions contemplated hereby. The Representative and the Authority understand that in such event the actual damages of the Authority may be greater or may be less than such sum. Accordingly, the Representative and the Underwriters hereby waive any right to claim that the actual damages of the Authority are less than such sum, and the retention of the Good Faith Deposit by the Authority shall constitute a waiver of any right the Authority may have to additional damages from the Representative and the Underwriters. In the event of the Authority's failure to deliver the 2020 Bonds at the Delayed Delivery Closing, or if the Authority shall be unable to satisfy the conditions to the obligations of the Representative contained herein (unless such conditions are waived by the Representative) or if the obligations of the Representative shall be terminated for any reason permitted herein, the Authority shall immediately return the check for the Good Faith Deposit to the Representative, and, except as otherwise set forth in Section M, the delivery of the Good Faith Deposit as described above shall constitute a full release and discharge of all claims by the Representative and the Underwriters against the Authority arising out of the transactions contemplated hereby.
3. At or about 10:00 a.m., prevailing time in Philadelphia, Pennsylvania, on December 3, 2019, or at such other times or such earlier or later business day as the parties shall mutually agree (the "Initial Closing Date"), or at such other time or date as shall have been mutually agreed upon by the Authority and the Representative, the Authority will deliver to the Representative, at of the offices of Saul Ewing

Arnstein & Lehr LLP, 1500 Market Street, 38th Floor; Philadelphia, Pennsylvania 19102, or at such other place as the parties hereto shall both agree, at such time and on such date, the documents specified in Section L.6 below (the "Initial Closing").

4. The Authority and the Representative agree that there shall be a pre-Initial Closing held at the offices of Saul Ewing Arnstein & Lehr LLP, 1500 Market Street, 38th Floor; Philadelphia, Pennsylvania 19102, commencing at least 24 hours prior to the Initial Closing Date, or at such other time or place as the Authority and the Representative shall agree.
5. At or about 11:00 a.m., prevailing time in Philadelphia, Pennsylvania on the date of delivery of and payment for the 2020 Bonds, currently scheduled to be March 17, 2020 (the "Delayed Delivery Closing Date"), or at such other time or date as shall have been mutually agreed upon by the Authority and the Representative, the Authority will deliver to the Representative, at of the offices of Saul Ewing Arnstein & Lehr LLP, 1500 Market Street, 38th Floor; Philadelphia, Pennsylvania 19102, or at such other place as the parties hereto shall both agree, at such time and on such date, the documents specified in Section L.7 below. Such payment and the related delivery is herein called the "Delayed Delivery Closing".
6. The Authority and the Representative agree that there shall be a pre-Delayed Delivery Closing held at the offices of Saul Ewing Arnstein & Lehr LLP, 1500 Market Street, 38th Floor; Philadelphia, Pennsylvania 19102, commencing at least 24 hours prior to the Delayed Delivery Closing Date, or at such other time or place as the Authority and the Representative shall agree.
7. On the Delayed Delivery Closing Date, the Authority will cause the Trustee to deliver the 2020 Bonds to The Depository Trust Company ("DTC") in definitive form or to hold them pursuant to DTC's FAST System (all the 2020 Bonds to be issued in fully-registered form, in authorized denominations, bearing proper CUSIP numbers, and registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the 2020 Bonds), duly executed and authenticated by the Trustee, together with the other documents hereinafter mentioned; and, subject to the conditions contained herein, the Representative will accept such delivery and pay the Purchase Price by wire transfer, payable to the order of the Trustee.
8. The 2020 Bonds shall be issued in a form to satisfy the requirements of DTC's book entry system. The 2020 Bonds shall be made available to the Underwriters for purposes of inspection and packaging, at any time not more than two (2) business days nor less than one (1) business day prior to the Delayed Delivery Closing, at any place in Philadelphia, Pennsylvania, agreed upon by the Representative and the Authority.
9. Delivery of the definitive 2020 Bonds as aforesaid shall be made at the offices of DTC in New York, New York, or through DTC's FAST System as aforesaid, or at such other location as may be designated by the Underwriters at least two business

days prior to the Delayed Delivery Closing Date. Payment for the 2020 Bonds shall be made as set forth in Section A hereof in immediately available funds and delivery of the other documents shall be made at the offices of Saul Ewing Arnstein & Lehr LLP, 1500 Market Street, 38th Floor, Philadelphia, Pennsylvania 19102.

10. After execution by the Authority and authentication by the Trustee, the 2020 Bonds shall be held in safe custody by Cede & Co., as registered holder and nominee for DTC, or by the Trustee, as DTC's custodian. The Trustee shall release or authorize the release of the 2020 Bonds from safe custody at the Delayed Delivery Closing upon receipt of payment for the 2020 Bonds as aforesaid pursuant to DTC's FAST System.

**B. The 2020 Bonds.**

1. The 2020 Bonds shall be as described herein, and will be issued and secured under and pursuant to the Indenture. The Authority adopted a resolution on September 17, 2020 (the "Resolution") authorizing the issuance, sale and delivery of the 2020 Bonds.
2. The Authority has previously issued eleven (11) series of Bonds. Two (2) series of Bonds remain outstanding: (i) the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2009 issued in the original aggregate principal amount of \$354,925,000 (the "2009 Bonds"); and (ii) the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2010 issued in the original aggregate principal amount of \$206,960,000 (the "2010 Bonds"). On or about December 3, 2019, the Authority expects to issue its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 Bonds") and to currently refund and defease all of the 2009 Bonds with the proceeds of the 2019 Bonds.
3. Prior to the execution and delivery of the Eighth Supplemental 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 ("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 and on net profits of businesses, professions and other activities conducted by residents of the City (the "Authority Tax"); (b) an Intergovernmental Cooperation Agreement, dated as of January 8, 1992 (the "Cooperation Agreement"), between 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; and (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. On the Delayed Delivery Closing Date, there shall have been delivered (a) 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 2020 Bonds, are outstanding; and (b) an executed Escrow Deposit Agreement, between the Authority and the Trustee, acting as Escrow Agent, dated the Delayed Delivery Closing Date (the "Escrow Agreement") in the manner and for the purposes contemplated by the Resolution, such Escrow Agreement to be satisfactory in form and substance to Bond Counsel (as defined herein). The Resolution, the Indenture, the Disclosure Agreement (as defined herein), the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Certificate (as defined herein), the City Tax Certifications (as defined herein), the City Account Deposit Agreement, the Agency Letter, the Disbursement Letter, and the Escrow Agreement are sometimes herein collectively called the "Bond Documents." The Cooperation Ordinance and the Tax Ordinance are sometimes herein collectively called the "Ordinances."

4. A five-year financial plan of the City, covering Fiscal Years 2020 through 2024 was approved by a Qualified Majority of the Board of the Authority on July 16, 2019 and, including all amendments, supplements or revisions thereto required to be prepared in accordance with the requirements of the Act and the Cooperation Agreement, shall hereinafter be referred to as the "Plan."
5. The Bond Documents and the Ordinances shall be substantially in the forms heretofore submitted to the Representative, with only such changes therein as shall be mutually agreed upon between the Authority and the Representative and as shall be required by the Act, the Resolution and the Ordinances.

**C. Official Statement; Amendments and Supplements Thereto.**

1. The Authority hereby consents to and confirms the prior use by the Underwriters of the Preliminary Official Statement (in printed or electronic form) dated October 21, 2019 (the "Preliminary Official Statement"), in connection with the public offering of the 2020 Bonds by the Underwriters, and further confirms the authority of the Underwriters to use, and consents to the use of a final Official Statement (in printed or electronic form) with respect to the 2020 Bonds, to be dated the date hereof, and any amendments or supplements thereto that shall be approved by the Authority and the City (as so amended and supplemented prior to the date of the Closing Supplement to the Official Statement the "Official Statement") in connection with the public offering and sale of the 2020 Bonds. The Authority, in



part based on the Letter of Representations, hereby represents and warrants that the Preliminary Official Statement previously furnished to the Underwriters was "deemed final" by the Authority as of its date for purposes of Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission of the United States (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act") except for the omission of such information as is specified in Rule 15c2-12(b)(1).

2. The Authority shall provide, or cause to be provided, to the Underwriters within seven (7) business days after the date of this Forward Delivery Purchase Agreement or one business day prior to the Initial Closing Date, whichever comes first, ten (10) executed counterparts of the Official Statement, and conformed copies of the Official Statement in "designated electronic format" (as defined in MSRB Rule G-32) and in a sufficient quantity and form to permit the Underwriters to comply with Rule 15c2-12, and other applicable rules of the SEC and the Municipal Securities Rulemaking Board (the "MSRB").
3. The Authority hereby authorizes the Underwriters to file, and the Underwriters hereby agree to file, the Official Statement with the Electronic Municipal Market Access system maintained by the MSRB ("EMMA").
4. The Authority shall also deliver or cause to be delivered to the Underwriters printed copies of the Official Statement after the Initial Closing Date upon the request of the Underwriters in quantities sufficient to permit the Underwriters to comply with paragraph (b)(4) of Rule 15c2-12; provided, however, that such obligation on the part of the Authority shall terminate on the earlier of (i) the date which is twenty-five (25) days after the End of the Underwriting Period (as defined in Section H below), and (ii) ninety (90) days after the Initial Closing Date.

**D. Closing Supplement to Official Statement; Amendments and Supplements Thereto.**

1. After the Initial Closing Date, but not more than twenty-five (25) days and not less than ten (10) days prior to the Delayed Delivery Closing Date, the Authority shall prepare a Closing Supplement to the Official Statement relating to the 2020 Bonds in a form approved by the Representative (the "Closing Supplement to the Official Statement"). The Closing Supplement to the Official Statement, as of its date, (which shall include such updates to the information previously included in the Official Statement, including updates within the body of the document and to the Appendices thereto based on available information and any additional information deemed necessary such that the Closing Supplement to the Official Statement, as of its date of delivery) will be complete and correct in all material respects 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.
2. The Authority hereby consents to the use of the Closing Supplement to the Official Statement, and any amendments or supplements thereto that shall be approved by

the Authority and the City, in printed or electronic form, to be dated on its date of delivery, in connection with the closing of the sale of the 2020 Bonds and in order to comply with Rule 15c2-12, and other applicable rules of the SEC and the MSRB.

3. The Authority shall provide, or cause to be provided, to the Underwriters, not less than five (5) business days prior to the Delayed Delivery Closing or on such earlier requested date after the posted date of the Closing Supplement to the Official Statement, ten (10) executed counterparts of the Closing Supplement to the Official Statement, and conformed copies of the Closing Supplement to the Official Statement in "designated electronic format" (as defined in MSRB Rule G-32) and in a sufficient quantity and form to permit the Underwriters to comply with Rule 15c2-12, and other applicable rules of the SEC and the MSRB.
4. The Authority hereby authorizes the Underwriters to file, and the Underwriters hereby agree to file, the Closing Supplement to the Official Statement with the Electronic Municipal Market Access system maintained by the MSRB ("EMMA").
5. The Authority shall also deliver or cause to be delivered to the Underwriters printed copies of the Closing Supplement to the Official Statement) after the delivery of the 2020 Bonds upon the request of the Underwriters in quantities sufficient to permit the Underwriters to comply with paragraph (b)(4) of Rule 15c2-12; provided, however, that such obligation on the part of the Authority shall terminate on the earlier of (i) the date which is twenty-five (25) days after the End of the Underwriting Period, and (ii) ninety (90) days after the Delayed Delivery Closing Date.
6. The Authority covenants to promptly notify the Representative if, during the period from the date of delivery of the Closing Supplement to the Official Statement, up to and including the date which is twenty-five (25) days following the End of the Underwriting Period (the "Update Period"), any event shall occur, or any information shall come to the attention of the Authority that causes or is reasonably likely to cause the Closing Supplement to the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and if in the opinion of the Authority or the Representative such event requires the preparation and publication of a supplement or amendment to the Closing Supplement to the Official Statement, to prepare and furnish to the Underwriters, at the Authority's expense, such number of copies of the supplement or amendment to the Closing Supplement to the Official Statement, in form and substance mutually agreed upon by the Authority and the Representative, and approved by the City, as the Representative may reasonably request and if such notification shall be given subsequent to the Delayed Delivery Closing Date, such additional legal opinions, certificates, instruments, and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Closing Supplement to the Official Statement.



7. If during the Update Period, the Authority shall have prepared an official statement in connection with the issuance of obligations, secured in the same manner as the 2020 Bonds, the Authority shall deliver to the Underwriters a certificate to the effect that such official statement, as of its date, 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.

**E. Public Offering.**

The Underwriters agree to make a bona fide public offering of all of the 2020 Bonds at prices that do not exceed the initial public offering prices or yields not below the initial public offering yields set forth in the Official Statement, but the Underwriters reserve the right to change such initial prices as they shall deem necessary or desirable, in their sole discretion, in connection with the marketing of the 2020 Bonds (but in all cases subject to the requirements of Paragraph F hereof). The Underwriters may offer and sell the 2020 Bonds to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by one or more of the Underwriters at prices lower than the initial public offering price or prices set forth on the inside cover page of the Official Statement (but in all cases subject to the requirements of Paragraph F hereof). The Underwriters also reserve the right: (i) to over-allot or effect transactions which stabilize or maintain the market price of the 2020 Bonds at levels above those which might otherwise prevail in the open market; and (ii) to discontinue such stabilizing, if commenced, at any time without prior notice.

**F. Issue Price.**

1. The Representative, on behalf of the Underwriters, agrees to assist the Authority and the City in establishing the issue price of the 2019 Bonds and 2020 Bonds and shall execute and deliver to the Authority and the City on the Delayed Delivery Closing Date an "issue price" or similar certificate, acceptable to Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania ("Bond Counsel"), substantially in the form attached hereto as Exhibit B, together with the supporting pricing wires or equivalent communications, with modifications to such certificate as may be deemed appropriate or necessary, in the reasonable judgment of the Representative, the Authority and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2019 Bonds and the 2020 Bonds.
2. Except as otherwise set forth in Exhibit B attached hereto, the Authority will treat the first price at which 10% of each maturity of the 2020 Bonds (the "10% test") is sold to the public as the issue price of that maturity. At or promptly after the execution of this Forward Delivery Purchase Agreement, the Representative shall report to the Authority the price or prices at which the Underwriters have sold to the public each maturity of the 2019 Bonds and the 2020 Bonds. If, as of the date hereof, the 10% test has not been satisfied as to any maturity of the 2020 Bonds, the Representative agrees to promptly report to the Authority the prices at which

the Underwriters sell the unsold 2020 Bonds of that maturity to the public. That reporting obligation shall continue until the earlier of the date on which the 10% test has been satisfied as to the 2020 Bonds of that maturity or the Delayed Delivery Closing Date. For purposes of this Paragraph F.2., if 2020 Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the 2020 Bonds.

Exhibit B and subparagraph (3) apply only if the Representative agrees to apply the hold-the-offering-price rule, as described below.

3. The Representative confirms that the Underwriters have offered the 2020 Bonds to the public on or before the date of this Forward Delivery Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit B attached hereto, except as otherwise set forth therein. Exhibit B also sets forth, as of the date of this Forward Delivery Purchase Agreement, the maturities, if any, of the 2020 Bonds for which the 10% test has not been satisfied and for which the Authority and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the 2020 Bonds, the Underwriters will neither offer nor sell unsold 2020 Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:
  - (a) the close of the 5<sup>th</sup> business day after the sale date; or
  - (b) the date on which the Underwriters have sold at least 10% of that maturity of the 2020 Bonds to the public at a price that is no higher than the initial offering price to the public.
4. The Representative confirms that:
  - (a) any AAU (as hereinafter defined), any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the 2020 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:
    - (i) to (1) report the prices at which it sells to the public the unsold 2020 Bonds of each maturity allocated to it, whether or not the Delayed Delivery Closing has occurred, until either all 2020 Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the 2020 Bonds of that maturity, provided that, the reporting obligation after



the Delayed Delivery Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (2) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires,

- (ii) to promptly notify the Representative of any sales of 2020 Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the 2020 Bonds to the public (each such term being used as defined below), and
- (iii) to acknowledge that, unless otherwise advised by an Underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by an Underwriter, dealer or broker-dealer is a sale to the public.

(b) any AAU or selling group agreement relating to the initial sale of the 2020 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the 2020 Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (i) report the prices at which it sells to the public the unsold 2020 Bonds of each maturity allocated to it, whether or not the Closing has occurred, until either all 2020 Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such Underwriter or dealer that the 10% test has been satisfied as to the 2020 Bonds of that maturity, provided that, the reporting obligation after the Delayed Delivery Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such Underwriter or dealer, and (ii) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the Underwriters or the dealer and as set forth in the related pricing wires.

5. The Authority acknowledges that, in making the representations set forth in this paragraph, the Representative will rely on (a) the agreement of each Underwriter to comply with the requirements for establishing issue price of the 2020 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2020 Bonds, as set forth in the AAU and the related pricing wires, (b) in the event a selling group has been created in connection with the initial sale of the 2020 Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the 2020 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2020 Bonds, as set forth in a selling group agreement and the related pricing wires, and (c) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the 2020 Bonds to the public, the agreement of each broker-dealer that is a party

to such agreement to comply with the requirements for establishing issue price of the 2020 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2020 Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the 2020 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2020 Bonds, and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the 2020 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2020 Bonds.

6. The Underwriters acknowledge that sales of any 2020 Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public (each such term being used as defined below) for purposes of this paragraph. Further, for purposes of this Section F only:

- (a) "public" means any person other than an underwriter or a related party,

- (b) "underwriter" means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2020 Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2020 Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the 2020 Bonds to the public),

- (c) a purchaser of any of the 2020 Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (d) "sale date" means the date of execution of this Forward Delivery Purchase Agreement by all parties.

7. The parties acknowledge that provisions substantially similar to those set forth in this Section F will appear in the Bond Purchase Agreement, between the Authority

and the Representative, dated the date hereof, being executed in connection with the Authority's proposed issuance of the 2019 Bonds. The form of issue price certificate attached hereto as Exhibit B addresses the issue prices related to both the 2019 Bonds and the 2020 Bonds, which are being treated as a single issue for purposes of Section 141 and 148-150 of the Internal Revenue Code of 1986, as amended.

**G. Representation Regarding MSRB Rules G-37 and G-38.**

The Underwriters have heretofore designated the undersigned, RBC Capital Markets, LLC, as their Representative, and the undersigned represents and warrants that it has been duly authorized by the Underwriters in the Agreement Among Underwriters relating to the 2020 Bonds (the "AAU") to execute this Forward Delivery Purchase Agreement and to act hereunder on behalf of the other Underwriters solely for the purpose of carrying out the provisions of this Forward Delivery Purchase Agreement; any authority, discretion or other power conferred upon the Underwriters under any of the provisions of this Forward Delivery Purchase Agreement may be exercised by the Representative; and the payment for and acceptance of the 2020 Bonds and delivery and presentation of any receipt for the 2020 Bonds and any other instruments in connection with the closing of this transaction solely by the Representative on behalf of the Underwriters shall be valid and sufficient for all purposes and binding upon all of the Underwriters. Based solely on representations and warranties made by each Underwriter in the AAU, on which the Representative is entitled hereunder to rely, the Representative, on behalf of each Underwriter, hereby represents and warrants to the Authority that each Underwriter is registered under the Exchange Act as a broker or dealer, or is exempt from such registration pursuant to rules promulgated, or an order issued, by the SEC, and that each Underwriter is in compliance with the requirements of Rules G-37 and G-38 of the MSRB.

**H. End of Underwriting Period.**

1. For purposes of this Forward Delivery Purchase Agreement, the "End of the Underwriting Period" shall mean the earlier of the Delayed Delivery Closing Date, unless the Authority has been notified in writing to the contrary by the Representative on or prior to the Delayed Delivery Closing Date, or the date on which the "end of the underwriting period" for the 2020 Bonds has occurred under Rule 15c2-12. The Underwriters shall comply with all applicable securities laws and rules of the MSRB in connection with the offering and sale of the 2020 Bonds.
2. The Representative shall provide to the Authority upon request such information as may be reasonably required by the Authority in order to determine whether the "end of the underwriting period" for the 2020 Bonds has occurred under Rule 15c2-12 with respect to the unsold balance of 2020 Bonds that are held by any Underwriter for sale to the public within the meaning of Rule 15c2-12.
3. As soon as practicable following receipt thereof, the Representative shall deliver the Official Statement, and any supplement or amendment thereto, to EMMA pursuant to MSRB Rule G-32.



**I. Plan of Financing.**

1. The 2020 Bonds shall be as described in, and will be secured under the terms of the Indenture, substantially in the form delivered to the Representative, with only such changes therein as shall be mutually agreed upon between the Authority and the Representative and approved by the City prior to Delayed Delivery Closing.
2. The proceeds of the 2020 Bonds, together with certain other available monies, will be applied to: (i) refund all of the 2010 Bonds maturing after June 15, 2020, currently outstanding in the aggregate principal amount of \$26,355,000 (the "Refunded 2010 Bonds"; and (ii) pay the costs of issuing the 2020 Bonds.

**J. Representations and Warranties of the Authority.**

The Authority hereby represents and warrants to the Underwriters that as of the date hereof:

1. The Authority, a public instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and a body corporate and politic, was created pursuant to the Act No. 6 of the General Assembly of the Commonwealth of Pennsylvania approved June 5, 1991 (P.L. 9), as amended, and as it may be amended or supplemented from time to time (the "Act").
2. The Authority has on the date hereof, and on the Initial Closing Date and on the Delayed Delivery Closing Date, will have, full legal right, power and authority pursuant to the Resolution (a) to enter into, execute and deliver this Forward Delivery Purchase Agreement, the Official Statement and each of the Bond Documents to which it is a party, including the Eighth Supplemental Indenture; (b) to issue, sell, and deliver the 2020 Bonds as provided herein; (c) to prepare the Official Statement and the Closing Supplement to the Official Statement, and to authorize the distribution of the Official Statement and the Closing Supplement to the Official Statement by the Underwriters; and (d) to carry out and to consummate the transactions contemplated by this Forward Delivery Purchase Agreement, the 2020 Bonds, the Official Statement, the Closing Supplement to the Official Statement, any of the Bond Documents to which it is a party, and any and all other agreements relating thereto.
3. The Authority has duly authorized, or prior to the Delayed Delivery Closing will have duly authorized, all necessary action to be taken by it at or prior to the Delayed Delivery Closing Date for: (a) the issuance and sale of the 2020 Bonds upon the terms set forth herein, in the Act, in the Resolution and in the Indenture; (b) the execution, issuance and delivery by it of the 2020 Bonds and the execution and delivery by it of each of the Bond Documents to which it is a party, the Official Statement, the Closing Supplement to the Official Statement, and this Forward Delivery Purchase Agreement; and (c) 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 Forward Delivery Purchase Agreement, each of



the Bond Documents to which it is a party and the 2020 Bonds, and as described in the Official Statement and as will be described in the Closing Supplement to the Official Statement.

4. The Resolution has been duly adopted in accordance with the Act and on the date hereof, is in full force and effect and has not been amended, modified, repealed or rescinded since the date of adoption thereof.
5. On the date the Resolution was adopted and at all times subsequent thereto, in connection with the sale of the 2020 Bonds, the members of the Authority were duly appointed, qualified and elected and are presently acting as members of the Authority. The Resolution was duly adopted by affirmative vote of a qualified majority of the Board of the Authority at a public meeting duly called and held in accordance with all applicable laws and the by-laws of the Authority.
6. Except for information (a) furnished by or with respect to the City set forth in the sections of the Preliminary Official Statement and the Official Statement entitled "INTRODUCTION – The City of Philadelphia, "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX", and "THE AUTHORITY - Operating History"; (b) contained in Appendices B, C, G and J of the Official Statement; (c) with respect to FGIC, any of its affiliates or any other bond insurance company set forth in the Official Statement; and (d) with respect to the Underwriters set forth in the section of the Official Statement entitled "UNDERWRITING"; and (e) with respect to DTC set forth in Appendix G; (f) set forth in the section of the Official Statement entitled "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS - Additional Risks Related to the Forward Delivery Period"; and (g) the information described in the preceding (a) through (f) to be included in the Closing Supplement to the Official Statement, as to which no representation is made, the Preliminary Official Statement as of its date does not and will not, the Official Statement (as it may be subsequently amended or supplemented) as of its date does not and will not, and the Closing Supplement to the Official Statement (as it may be subsequently amended or supplemented) as of its date will not, and at all times subsequent to the date hereof until the date of and as of the Delayed Delivery 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.
7. On and as of the date hereof and, unless an event of the nature described in Section L.3 or L.4., as applicable, hereof subsequently occurs, the information in the Official Statement (as it may be subsequently amended or supplemented) with respect to the Authority and its affairs set forth under the captions "INTRODUCTION– The Authority," "THE AUTHORITY" and "LITIGATION" does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein with respect to the Authority and its affairs or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

8. On and as of the date of delivery of the Closing Supplement to the Official Statement, unless an event of the nature described in Section L.4 hereof subsequently occurs, at all times during the Update Period, the information in the Closing Supplement to the Official Statement (as it may be subsequently amended or supplemented) with respect to the Authority and its affairs set forth under the captions "INTRODUCTION- The Authority," "THE AUTHORITY" and "LITIGATION" will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein with respect to the Authority and its affairs or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
9. The Authority has complied, and will on the Initial Closing Date and the Delayed Delivery Closing Date be in compliance, in all respects, with the Act.
10. By official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly authorized and approved the distribution of the Preliminary Official Statement and the execution, delivery, and distribution of the Official Statement and has duly authorized and approved the issuance and sale of the 2020 Bonds upon the terms set forth herein, in the Bond Documents and in the Official Statement, and the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the 2020 Bonds, the Indenture, and this Forward Delivery Purchase Agreement.
11. The Authority is not in breach of or in default under its By-Laws, the Act or any applicable law or administrative regulation of the Commonwealth or the United States or any applicable judgment or decree or any loan agreement, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, or by which it or its properties may be bound, and the issuance and sale of the 2020 Bonds upon the terms set forth herein and in the Indenture and the Official Statement, and the execution and delivery by the Authority of the Bond Documents and this Forward Delivery Purchase Agreement, and its compliance with the provisions of each thereof and the Bond Documents, will not conflict with or constitute a breach of or default under its By-Laws, the Act or any law, administrative regulation, judgment, decree, indenture, loan agreement, note, resolution, agreement, or other instrument to which the Authority is a party or is otherwise subject.
12. The Authority has heretofore duly authorized the execution and delivery of, and the performance of its obligations under each of the Bond Documents and this Forward Delivery Purchase Agreement. The terms and provisions of the Bond Documents and this Forward Delivery Purchase Agreement will comply in all respects with the requirements of the Act and, when executed and delivered by the parties thereto, at the Initial Closing or the Delayed Delivery Closing (as the case may be), each of the Bond Documents and this Forward Delivery Purchase Agreement will constitute a valid, binding and legally enforceable obligation of the Authority, except as the same may be limited by bankruptcy, insolvency, reorganization, and other laws affecting creditors' rights generally from time to time in effect, and

rights of acceleration, indemnity, and contribution, and the availability of equitable remedies may be limited by equitable principles.

13. Except for the lien created by the Indenture, and a lien in favor of Financial Guaranty Insurance Company ("FGIC"), or its successors or assigns, 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 Forward Delivery Purchase Agreement and, as of the Delayed Delivery Closing Date, there will be no other lien on the Pledged Revenues. The proceeds of the Authority Tax as of the date of this Forward Delivery Purchase Agreement are, and at all times subsequent to the date hereof and as of and after the Delayed Delivery 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
14. All approvals, consents, and orders of any governmental authority, board, agency, or commission having jurisdiction that would constitute a condition precedent to the performance by the Authority of its obligations hereunder, the issuance of the 2020 Bonds, and the execution and delivery and performance by the Authority of the Eighth Supplemental Indenture, and the performance by the Authority pursuant to the Indenture, have been obtained or will be obtained prior to the Delayed Delivery Closing Date, except that the offer and sale of the 2020 Bonds in certain jurisdictions may be subject to compliance with the provisions of the securities or blue sky laws of such jurisdictions.
15. The 2020 Bonds, when issued, authenticated, and delivered in accordance with the Resolution, this Forward Delivery Purchase Agreement and the Indenture and sold to the Underwriters as provided herein, will be the duly authorized, legal, valid, and binding limited obligations of the Authority, enforceable against the Authority in accordance with their terms, issued in conformity with and entitled to the benefits and security therefor contained in the 2020 Bonds, the Act, the Resolution, and the Indenture, except as the same may be limited by bankruptcy, insolvency, reorganization, and other laws affecting creditors' rights generally from time to time in effect, and except that rights of indemnity and contribution, and the availability of equitable remedies may be limited by sovereign immunity, public policy and equitable principles. The Bond Documents to which the Authority is a party and this Forward Delivery Purchase Agreement, when executed and delivered, will be duly authorized and validly executed binding limited obligations of the Authority and enforceable in accordance with their terms except as enforceability or remedies provided therein may be affected by bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights generally, and except that rights of indemnity and contribution, and the availability of equitable remedies may be limited by sovereign immunity, public policy and equitable principles.



16. Except as is disclosed in the Preliminary Official Statement and the Official Statement (as it may be subsequently amended or supplemented), and as may be disclosed in the the Closing Supplement to the Official Statement (as it may be subsequently amended or supplemented) upon its delivery, there is and will be no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body, pending or, to the knowledge of the Authority, threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to prohibit, restrain, or enjoin the issuance, sale, or delivery of the 2020 Bonds or the collection of the revenues or assets of the Authority pledged or to be pledged to pay the principal of and interest on the 2020 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the 2020 Bonds, the Bond Documents or this Forward Delivery Purchase Agreement or contesting in any way the completeness or accuracy of the Preliminary Official Statement, the Official Statement (as it may be subsequently amended or supplemented), or the Closing Supplement to the Official Statement (as it may be subsequently amended or supplemented) or contesting the power or authority of the Authority to issue the 2020 Bonds or to execute and deliver the Bonds Documents or this Forward Delivery Purchase Agreement, or wherein an unfavorable decision, ruling, or finding would materially adversely affect the validity or enforceability of the 2020 Bonds, the Bond Documents or this Forward Delivery Purchase Agreement.
17. The proceeds received from the sale of the 2020 Bonds shall be used in accordance with the Act and the Indenture and as set forth in the Preliminary Official Statement, the Official Statement and the Closing Supplement to the Official Statement.
18. Any certificate signed by an authorized officer of the Authority and delivered to the Representative shall be deemed a representation and warranty of the Authority to the Underwriters as to the statements made therein.
19. The financial statements of, and other financial information regarding the Authority, in the Official Statement fairly present the financial position and results of operations of the Authority as of the dates and for the periods therein set forth. The financial statements of, and other financial information regarding the Authority, to be included in the Closing Supplement to the Official Statement will fairly present the financial position and results of operations of the Authority as of the dates and for the periods therein to be set forth. Prior to the Initial Closing Date and prior to the Delayed Delivery Closing Date, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Authority.
20. The Authority is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Authority, would have a materially adverse effect on the financial condition of the Authority.



**K. Covenants of the Authority.**

The Authority hereby covenants and agrees with the Underwriters that:

1. Except as required under Section D.3. hereof, the Authority shall not supplement or amend the Official Statement or the Closing Supplement to the Official Statement or cause either document to be supplemented or amended without the prior written consent of the Representative.
2. The Authority shall not amend, terminate, or rescind and will not agree to any amendment, termination or rescission of the Resolution, the Bond Documents or this Forward Delivery Purchase Agreement prior to the Initial Closing Date or the Delayed Delivery Closing Date (as the case may be) without the prior written consent of the Representative.
3. The Authority shall promptly advise the Representative by written notice of any matter arising or discovered after the date of this Forward Delivery Purchase Agreement and prior to the Delayed Delivery Closing Date that if existing or known at the date hereof would render any of the representations or warranties set forth herein to be untrue or misleading or would cause the Official Statement or the Closing Supplement to the Official Statement to contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or any developments that affect the accuracy and completeness of the information regarding the Authority contained in the Official Statement and to be included in the Closing Supplement to the Official Statement that may occur during the Update Period.
4. Concurrent with the Authority's acceptance hereof, the Authority will deliver or cause to be delivered to the Representative the Letter of Representations in the form attached as Exhibit A, dated the date hereof and signed by the Director of Finance of the City.
5. The Authority will notify the Representative of any notice received by the Authority pursuant to paragraph 16 of the Letter of Representation from the Director of Finance of the City. If, in the opinion of the Representative, such notice requires a supplement or amendment to the Official Statement or the Closing Supplement to the Official Statement, the Authority will cause, at the City's expense, the Official Statement or the Closing Supplement to the Official Statement to be supplemented or amended in a form and in a manner jointly approved by the Authority, the City and the Representative and furnish the Underwriters with a reasonable number of copies of the Official Statement as so supplemented or amended.
6. Prior to the Delayed Delivery Closing Date, the Authority shall not create, assume or guarantee any indebtedness payable from, or pledge or otherwise encumber, the

revenues, assets, properties, funds or interests that are or will be pledged pursuant to the Indenture, except for the 2020 Bonds and as permitted under the Indenture.

7. The Authority shall not voluntarily undertake any course of action inconsistent with satisfaction of the requirements applicable to the Authority as set forth in this Forward Delivery Purchase Agreement.
8. The Authority shall cooperate with the Underwriters in the qualification of the 2020 Bonds for offering and sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriters may designate; provided that Authority will not be required to consent to service of process, register as a foreign corporation in any other jurisdiction, submit to the general jurisdiction of another state or waive any sovereign immunity.
9. The Authority shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exemption from state and federal income taxation of interest on the 2020 Bonds.
10. The representations and warranties of the Authority set forth herein shall be true and correct throughout the Update Period and shall survive the Delayed Delivery Closing.

**L. Certain Conditions to Underwriters' Obligations.**

The Underwriters have entered into this Forward Delivery Purchase Agreement in reliance upon the representations, warranties, and agreements of the Authority contained herein and of the City contained in the Letter of Representations, all as of the date hereof, as of the Initial Closing Date and as of the Delayed Delivery Closing Date, and upon the accuracy of the statements to be contained in the documents and instruments set forth in Section L.6 hereof to be delivered at or prior to the Initial Closing Date and set forth in Section L.7 hereof to be delivered at or prior to the Delayed Delivery Closing Date. Accordingly, the Underwriters' obligations under this Forward Delivery Purchase Agreement to purchase, accept delivery of, and pay for the 2020 Bonds are subject to the performance by the Authority of its obligations hereunder required to be performed at or prior to the Initial Closing Date and the Delayed Delivery Closing Date, as the case may be, and to the following additional conditions precedent:

1. On the Initial Closing Date, 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 as if made on and as of such Initial Closing Date; the Official Statement shall have been executed and delivered by the Authority; the Bond Documents (excluding the Escrow Agreement and the Disbursement Letter) and this Forward Delivery Purchase Agreement, shall have been duly executed and delivered by the appropriate parties thereto, shall be in full force and effect, and shall not have been amended, modified, or supplemented, except as may have been agreed to in writing by the Representative; and the Authority shall have adopted and there shall be in full force and effect such resolutions as, in the opinion of Bond

Counsel and Ahmad Zaffarese LLC, Counsel for the Representative, shall be necessary in connection with the transactions contemplated hereby.

2. At the time of the Delayed Delivery Closing, 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 as if made on and as of such Delayed Delivery Closing Date; the Official Statement and any supplements thereto, and the Closing Supplement to the Official Statement and any supplements thereto shall have been executed and delivered by the Authority; the Bond Documents and this Forward Delivery Purchase Agreement shall have been duly executed and delivered by the appropriate parties thereto, shall be in full force and effect, and shall not have been amended, modified, or supplemented, except as may have been agreed to in writing by the Representative; the proceeds of the sale of the 2020 Bonds shall have been paid to the Trustee for deposit for use as described in the Official Statement, in the Closing Supplement to the Official Statement, and in the Indenture; and the Authority shall have adopted and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel and Ahmad Zaffarese LLC, counsel for the Underwriters, shall be necessary in connection with the transactions contemplated hereby.
3. The Representative shall have the right to cancel the Underwriters' obligation to purchase the 2020 Bonds if between the date hereof and the Initial Closing Date:
  - (a) legislation shall have been enacted or introduced by the Congress of the United States or the legislature of the Commonwealth or shall have been reported out of a committee of either body or be pending in a committee of either body, or a decision shall have been rendered by a court of the United States or the Commonwealth or the Tax Court of the United States, or a ruling, resolution, regulation, or temporary regulation, release, or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or any other federal or any state authority, with respect to federal or state taxation upon interest received on obligations of the general character of the 2020 Bonds, or which would have the effect of changing directly or indirectly the federal or state income tax consequences of interest on bonds of the general character of the 2020 Bonds in the hands of the holders thereof, which legislation, ruling, regulation or official statement would, in the Representative's reasonable judgment, materially adversely affect the market for the 2020 Bonds, or the market price generally of obligations of the general character of the 2020 Bonds, or the ability of the Underwriters to enforce contracts for sale of the 2020 Bonds; or
  - (b) there shall exist any event or circumstance that in the Representative's sole and reasonable judgment makes the Preliminary Official Statement or the Official Statement contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made



therein, in light of the circumstances under which they were made, not misleading, and in either such event, the Authority refuses to permit the Preliminary Official Statement or the Official Statement to be supplemented or amended to correct or supply such statement or information; or the effect of the Official Statement as so supplemented is to, in the Representative's sole and reasonable judgment, materially adversely affect the market price or marketability of the 2020 Bonds or the ability of the Underwriters to enforce contracts for the sale of the 2020 Bonds; or

- (c) there shall have occurred (1) a new outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war; or (2) any other calamity or crisis or any change in the financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (1) or (2), in the reasonable judgment of the Representative, makes it impracticable or inadvisable to proceed with the offering or the delivery of the 2020 Bonds on the terms and in the manner contemplated in the Preliminary Official Statement or the Official Statement; or
- (d) there shall 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 determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction that, in the Representative's reasonable judgment, makes it impracticable for the Underwriters to market the 2020 Bonds or enforce contracts for the sale of the 2020 Bonds; or
- (e) a general banking moratorium shall have been declared by federal or state authorities having jurisdiction and be in force or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred that, in the Representative's reasonable judgment makes it impracticable for the Underwriters to market the 2020 Bonds or enforce contracts for the sale of the 2020 Bonds; or
- (f) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation, or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the 2020 Bonds, or any comparable securities of the Authority, or any obligations of the general character of the 2020 Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect (the "Securities Act") or the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended and as



then in effect, or otherwise, or would be in violation of any provision of the federal securities laws; or

- (g) there shall have been any material adverse change in the affairs of the Authority or the City that, in the Representative's reasonable judgment, will materially adversely affect the market for the 2020 Bonds or the ability of the Underwriters to enforce contracts for the sale of the 2020 Bonds; or
- (h) there shall be established any new restriction on transactions in securities, that in the Representative's reasonable judgment, materially affects the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a change to the net capital requirements of, underwriters established by the New York Stock Exchange, the SEC, any other federal or Commonwealth agency or the Congress of the United States, or by Executive Order; or
- (i) a decision by a court of the United States shall have been rendered or a stop order, release, regulation, or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering, or sale of the 2020 Bonds, or any document relating to the issuance, offering or sale of the 2020 Bonds is or would be in violation of any provision of the federal securities laws at the Initial Closing Date, including the Securities Act, the Exchange Act, and the Trust Indenture Act of 1939, as amended; or
- (j) there shall have occurred, after the signing hereof, either a financial crisis or a default with respect to the debt obligations of the Authority, or proceedings under the bankruptcy laws of the United States or of the Commonwealth shall have been instituted by the Authority, in either case the effect of which, in the reasonable judgment of the Representative, is such as to materially and adversely affect the market price or the marketability of the 2020 Bonds or the ability of the Underwriters to enforce contracts for the sale of the 2020 Bonds; or
- (k) the Representative determines, in its sole discretion, that any modification or lack of modification to the text of any legal opinion required to be delivered hereunder, would have a material adverse effect on the marketability of the 2020 Bonds; or
- (l) there shall have occurred or any notice shall have been given of any intended review, withdrawal, downgrading or negative change in the credit watch status of the underlying bond rating assigned to the Authority or the rating assigned to any of the Authority's debt obligations, which in the reasonable judgment of the Representative, materially and adversely affects the ability of the Underwriters to market the 2020 Bonds at the

contemplated offering prices or to enforce contracts of the sale of the 2020 Bonds.

(m) the Authority fails to timely deliver the Official Statement.

4. The Representative shall have the right to cancel the Underwriters' obligation under this Forward Delivery Purchase Agreement by notification in writing to the Authority if at any time subsequent to the Initial Closing Date and at or prior to the Delayed Delivery Closing Date, upon the occurrence of any event set forth in Section L.2. (c), (d), (e), (f), and (i) above, or if any of the following additional events shall occur:

(a) any Change in Law shall have occurred. A "Change in Law" means (i) any change in or addition to applicable federal or State law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or State agencies, (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date that is on or before the Delayed Delivery Closing Date), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date that is on or before the Delayed Delivery Closing Date) or (iv) any judgment, ruling or order issued by any court or administrative body, which in the case of any of (i), (ii), (iii) or (iv) would, (A) as to the Underwriter, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from purchasing the 2020 Bonds as provided in this Forward Delivery Purchase Agreement or selling the 2020 Bonds or beneficial ownership interests therein to the public; (B) as to the Authority, would make the issuance, sale or delivery of the 2020 Bonds illegal (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized); or (C) eliminate the exclusion from gross income for federal income tax purposes of interest on the 2020 Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed or finalized); or (D) require the 2020 Bonds to be registered under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, or require the Resolution to be qualified under the Trust Indenture Act of 1939, as amended (if enacted, passed, finalized or adopted), and as to the foregoing, in the sole and reasonable judgment of Bond Counsel causes Bond Counsel to not issue its opinion as to the tax-exempt status of the interest on the 2020 Bonds for federal tax purposes; provided, however, that such change in or addition to law, legislation, rule or regulation or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, been proposed or enacted or been issued as the case may be, after the date of this Forward Delivery Purchase Agreement; or

- (b) there shall exist any event or circumstance that in the Representative's sole and reasonable judgment makes the Official Statement or the Closing Supplement to the Official Statement to contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and in either such event, the Authority refuses to permit the Official Statement or the Closing Supplement to the Official Statement to be amended or supplemented to correct or supply such statement or information; or
  - ✓ (c) any rating of the 2020 Bonds by a national rating agency rating the 2020 Bonds has been withdrawn or suspended; or
  - (d) Bond Counsel determines that for any reason, including a Change of Law, Bond Counsel will not be able to render its opinion substantially in the form attached as Appendix E to the Official Statement and Bond Counsel provides written notice thereof to the Authority and the Underwriters (the "Bond Counsel Notice"), and the Authority does not notify the Underwriters within five business days of receipt of the Bond Counsel Notice that it has retained a new firm or firms to deliver such opinion.
- 5. Upon the occurrence of an event listed in Section L.3. or L.4, as applicable, and the termination of this Forward Delivery Purchase Agreement by the Representative, all obligations of the Authority, the City and the Underwriters under this Forward Delivery Purchase Agreement shall terminate, without further liability, except that: (i) the Authority shall promptly return the Good Faith Deposit to the Representative, in accordance with Section A.2. of this Forward Delivery Purchase Agreement and (ii) the Authority and the Underwriters shall pay their respective expenses as set forth in Section M of this Purchase.
- 6. At or prior to the Initial Closing Date, the Representative shall receive the following:
  - (a) A copy of the Resolution, certified by an authorized officer of the Authority as having been duly adopted by the Board of the Authority pursuant to due authority, as being in full force and effect as of the Initial Closing Date and as not having been amended or supplemented since the date of its adoption.
  - (b) Copies of the Bond Documents (except the Escrow Agreement and the Disbursement Letter), each signed by the applicable parties thereto, together with an executed certificate of an Authorized Officer of the Authority, dated the date of the Initial Closing Date, to the effect that, with respect to Bond Documents (excluding the Escrow Agreement and the Disbursement Letter) to which the Authority is a party and which have been executed and delivered and are effective prior to the Initial Closing Date, 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.

- (c) A copy of the Plan (i) signed by the Mayor of the City and being in full force and effect as of the Initial Closing Date and (ii) 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 Initial Closing Date.
- (d) Copies of the Ordinances, with applicable notices (if such notices are available from the City), 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 Initial Closing Date and as not having been amended or supplemented since the respective dates of their enactment or adoption.
- (e) A letter of Bond Counsel, dated as of the date of the Initial Closing Date and addressed to the Authority, to the effect that it is not aware of any reason that will prevent it from delivering on the Delayed Delivery Closing Date (A) its approving opinion substantially in the form attached as Appendix E to the Official Statement and (B) a reliance letter from Bond Counsel addressed to the Representative and the Trustee, stating that the Representative and Trustee may rely on such opinions as though they were addressed to them.
- (f) A supplemental opinion of Bond Counsel, dated the Initial Closing Date, addressed to the Representative, in substantially the form set forth as Exhibit C hereto, with only such changes thereto as are reasonably satisfactory to the Representative.
- (g) The opinion of Counsel to the Authority, addressed to the Representative, dated the Initial Closing Date in substantially the form set forth as Exhibit D-1 hereto, with only such changes as are reasonably satisfactory to the Representative, and with an appropriate reliance letter addressed to Bond Counsel.
- (h) A certificate dated the Initial Closing Date and signed by an Authorized Officer of the Authority, in form and substance satisfactory to the Representative, in which such officers shall state that, to the best of their knowledge after reasonable investigation: (i) the Resolution is in full force and effect as of the Initial Closing Date and has not been amended or supplemented since the date of its adoption; (ii) the representations and warranties of the Authority contained in this Forward Delivery Purchase Agreement are true and correct as of the Initial Closing Date; (iii) the Official Statement, except for information (a) furnished by or with respect to the City set forth in the sections of the Preliminary Official Statement and the Official Statement entitled "INTRODUCTION – The City of



Philadelphia, "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX", and "THE AUTHORITY - Operating History"; (b) contained in Appendices B, C, G and J of the Official Statement; (c) with respect to FGIC, any of its affiliates or any other bond insurance company set forth in the Official Statement; and (d) with respect to the Underwriters set forth in the section of the Official Statement entitled "UNDERWRITING"; (e) with respect to DTC set forth in Appendix G; and (f) set forth in the section of the Official Statement entitled "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS - Additional Risks Related to the Forward Delivery Period", 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; (iv) no litigation is pending against the Authority (A) to restrain or enjoin the issuance or delivery of any of the 2020 Bonds or the pledge or collection of revenues pledged under the Indenture, (B) in any way contesting or affecting any authority for issuance of the 2020 Bonds, the Bond Documents or this Forward Delivery Purchase Agreement, or the validity of the Resolution or (C) in any way contesting the existence or powers of the Authority; (v) except as may have been disclosed to the Representative, 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 (vi) the Authority has complied with all agreements, and satisfied all conditions, on its part to be performed or satisfied on or before the Initial Closing Date.

- (i) The opinion of the City Solicitor, dated the Initial Closing Date, addressed to the Representative, the Trustee, Bond Counsel and the Authority, in form and substance as attached hereto in Exhibit E-1.
- (j) The opinion of Ahmad Zaffarese LLC, dated the Initial Closing Date, addressed to the Representative, in form and substance satisfactory to the Representative.
- (k) A certificate of an officer of the Trustee, acceptable to the Representative, dated the Initial Closing Date, to the effect that the Eighth Supplemental Indenture has been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery thereof by the Authority, the Indenture constitutes the valid and binding agreements of the Trustee, enforceable against the Trustee in accordance with its terms; and an incumbency certificate of the Trustee in form and content acceptable to the Representative and Bond Counsel, dated the Initial Closing Date, with respect to the officers or other signatories of the Trustee who have executed

the Indenture, and any other documents to be signed by the Trustee in connection with the Initial Closing.

- (l) 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 Initial Closing Date, 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.
- (m) A letter from S&P Global Ratings assigning the uninsured rating to the 2020 Bonds of "AAA", which rating remains in effect on the Initial Closing Date.
- (n) A letter from Fitch Ratings assigning the uninsured rating to the 2020 Bonds of "AAA", which remains in effect on the Initial Closing Date.
- (o) The Official Statement, and any supplement or amendment, executed on behalf of the Authority by a duly authorized officer thereof.
- (p) Copies of the By-Laws of the Authority as amended through the Initial Closing Date, and of the Resolution of the Authority authorizing the execution and delivery of the 2020 Bonds, the Eighth Supplemental Indenture, and this Forward Delivery Purchase Agreement, all certified by the Secretary or Assistant Secretary of the Authority.
- (q) A copy of the proposed form of the Escrow Agreement.
- (r) A copy of the fully executed Letter of Representations of the City in the form set forth in Exhibit A of this Forward Delivery Purchase Agreement.
- (s) A certificate dated the Initial Closing Date, of the Director of Finance, to the effect that: (i) the representations and warranties contained in the Letter of Representations of the City are true and correct in all material respects on and as of the Initial Closing Date with the same effect as if made on the Initial Closing Date; (ii) 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; (iii) 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; and (iv) the City has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Initial Closing Date.
- (t) Certificates of Phoenix Capital Partners, LLP, Philadelphia, Pennsylvania, and PFM Advisors LLC, Philadelphia, Pennsylvania, dated the Initial

Closing Date, addressed to the Authority, and in substantially the form attached hereto as Exhibit F, with only such changes thereto as are satisfactory to the Representative.

- (u) The Authority's Blanket Letter of Representations to DTC.
  - (v) Copies of the Original Indenture and all amendments and supplements thereto, including executed counterparts of the Eighth Supplemental Indenture, executed by the parties thereto.
  - (w) a letter from Maher Duessel addressed to the Authority, consenting to the inclusion of their report on the audited financial statements of the Authority in Appendix A of the Official Statement.
  - (x) An executed copy of any investment agreement related to the 2020 Bonds, if any, and any related opinion with respect to enforceability of any such investment agreement against the investment agreement provider.
  - (y) Executed copies of Delayed Delivery Contracts from each purchaser of the 2020 Bonds in the form attached to the Official Statement as Appendix J.
  - (z) The executed Verification Report of Robert Thomas CPA, LLC, in a final form acceptable to the Authority and the Representative, verifying, among other things, the mathematical accuracy of the cash and securities to be deposited with the trustee for the Refunded 2010 Bonds to pay the redemption price and interest coming due on the Refunded 2010 Bonds.
  - (aa) An executed copy of the notice of refunding sent to the holders of the Refunded 2010 Bonds.
  - (bb) Such additional legal opinions, certificates, instruments and other documents as Bond Counsel and the Representative shall reasonably request in form and substance satisfactory to the Representative, Bond Counsel and Counsel to the Underwriters.
7. At or prior to the Delayed Delivery Closing Date, the Representative shall receive the following:
- (a) The Closing Supplement to the Official Statement and each other supplement or amendment, if any, thereto, executed by an Authorized Officer of the Authority.
  - (b) A certificate, dated the Delayed Delivery Closing Date, of an Authorized Officer of the Authority stating that (i) since the Initial Closing Date, there has been no material change to any of the information certified in the certificates required by Sections L.6.(b) and L.6.(h) hereof, and that such certificates shall apply with full force and effect to the 2020 Bonds on the Delayed Delivery Closing Date.



- (c) A bring-down certificate of the Clerk of City Council stating the Ordinances remain in full force and effect as of the Delayed Delivery Closing Date and have not been amended or supplemented since the respective dates of their enactment or adoption.
- (d) The approving opinion of Bond Counsel, addressed to the Representative or a letter permitting reliance thereon, dated the Delayed Delivery Closing Date and in substantially the form set forth as Appendix E to the Official Statement, with only such changes thereto as are reasonably satisfactory to the Representative.
- (e) A supplemental opinion of Bond Counsel, dated the Delayed Delivery Closing Date, addressed to the Representative, in substantially the form set forth as Exhibit C hereto, with only such changes thereto as are reasonably satisfactory to the Representative.
- (f) The opinion of Counsel to the Authority, addressed to the Representative, dated the Delayed Delivery Closing Date, in substantially the form set forth as Exhibit D-2 hereto, with only such changes thereto as are reasonably satisfactory to the Representative, and with an appropriate reliance letter addressed to Bond Counsel and the Trustee.
- (g) A certificate dated the Delayed Delivery Closing Date and signed by an Authorized Officer of the Authority, in form and substance satisfactory to the Representative, in which such officers shall state that, to the best of their knowledge after reasonable investigation: (i) the Resolution is in full force and effect as of the Delayed Closing Date and has not been amended or supplemented since the date of its adoption; (ii) the representations and warranties of the Authority contained in this Forward Delivery Purchase Agreement are true and correct as of the Delayed Delivery Closing Date; (iii) the Supplement to the Official Statement, except for information (a) furnished by or with respect to the City set forth in the sections thereof entitled "INTRODUCTION – The City of Philadelphia, "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX", and "THE AUTHORITY - Operating History"; (b) contained in Appendices B, C, G and J thereof; (c) with respect to FGIC, any of its affiliates or any other bond insurance company set forth therein; and (d) with respect to the Underwriters set forth in the section thereof entitled "UNDERWRITING"; (e) with respect to DTC set forth in Appendix G; and (f) set forth in the section thereof entitled "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS - Additional Risks Related to the Forward Delivery Period", 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; (iv) no litigation is pending against the Authority (A) to restrain or enjoin the issuance or delivery of any of the 2020 Bonds or the pledge or collection of



revenues pledged under the Indenture, (B) in any way contesting or affecting any authority for issuance of the 2020 Bonds, the Bond Documents or this Forward Delivery Purchase Agreement, or the validity of the Resolution or (C) in any way contesting the existence or powers of the Authority; (v) except as may have been disclosed to the Representative, no event affecting the Authority has occurred since the date of the Closing Supplement to the Official Statement which should be disclosed in the Closing Supplement to 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 (vi) the Authority has complied with all agreements, and satisfied all conditions, on its part to be performed or satisfied on the Delayed Delivery Closing Date.

- (h) The opinion of the City Solicitor, dated the Delayed Delivery Closing Date, addressed to the Representative, the Trustee, Bond Counsel and the Authority, in form and substance as attached hereto in Exhibit E-2.
- (i) The opinion of Ahmad Zaffarese LLC, dated the Delayed Delivery Closing Date, addressed to the Representative, in form and substance satisfactory to the Representative.
- (j) A certificate of an officer of the Trustee, acceptable to the Representative, dated the Delayed Delivery Closing Date, to the effect that the Eighth Supplemental Indenture has been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery thereof by the Authority, the Indenture constitutes the valid and binding agreement of the Trustee, enforceable against the Trustee in accordance with its terms, and the 2020 Bonds have been authenticated in accordance with the Indenture by duly authorized officers or signatories of the Trustee; and an incumbency certificate of the Trustee in form and content acceptable to the Representative and Bond Counsel, dated the Delayed Delivery Closing Date, with respect to the officers or other signatories of the Trustee who have executed, authenticated and delivered the 2020 Bonds, the Indenture, and all other financing documents to be signed by the Trustee.
- (k) A bring-down certificate of the Revenue Commissioner of the City and the City Solicitor, dated the Delayed Delivery Closing Date, to the effect the Tax Collection Agreement is currently in full force and effect and there has been no material change to any of the certifications provided as required by Section L.6.
- (l) Evidence as of the Delayed Delivery Closing Date that the ratings of the 2020 Bonds by S&P and Fitch shall not have been withdrawn or suspended.
- (m) The Closing Supplement to the Official Statement, executed on behalf of the Authority by a duly Authorized Officer thereof.

- (n) A copy of the fully executed Continuing Disclosure Agreement entered into by the Authority (the "Disclosure Agreement").
- (o) A certificate dated the Delayed Delivery Closing Date, of the Director of Finance, to the effect that: (i) the representations and warranties contained in the Letter of Representations of the City are true and correct in all material respects on and as of the Delayed Delivery Closing Date with the same effect as if made on the Delayed Delivery Closing Date; (ii) the information concerning the City contained in the Closing Supplement to 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; (iii) there has been no material adverse change in the financial condition of the City since the Initial Closing Date which has not been disclosed in the Official Statement or the Closing Supplement to the Official Statement (as it may be subsequently amended or supplemented); and (iv) the City has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Delayed Delivery Closing Date.
- (p) Certificates of Phoenix Capital Partners, LLP, Philadelphia, Pennsylvania, and PFM Advisors LLC, Philadelphia, Pennsylvania, dated the Delayed Delivery Closing Date, addressed to the Authority, stating that, since the Initial Closing Date, there has been no material change to any of the information certified in the certificates required by Section L.6.(i) hereof in the form set forth in Exhibit F, and that such certificates shall apply with full force and effect to the 2020 Bonds on the Delayed Delivery Closing Date.
- (q) An executed copy of the Eighth Supplemental Indenture
- (r) Specimens of the 2020 Bonds.
- (s) 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.
- (t) A letter from Maher Duessel addressed to the Authority, consenting to the inclusion of their report on the audited financial statements of the Authority in Appendix A of the Closing Supplement to the Official Statement.
- (u) A federal tax certificate executed by an Authorized Officer of the Authority, in a form and substance acceptable to Bond Counsel (the "Tax Compliance Certificate"), (ii) the Certifications of the City with respect to the Tax Compliance Certificate (the "City Tax Certifications"), (iii) an Internal Revenue Service Form 8038-G for the 2020 Bonds executed by an authorized officer of the Authority and the preparer of the Form, and (iv) an

issue price certificate executed by the Representative in the form of Exhibit B hereto.

- (v) A copy of the fully executed Disbursement Letter.
  - (w) A copy of the fully executed Escrow Agreement.
  - (x) A certificate of an officer of the Escrow Agent, acceptable to the Representative, dated Delayed Delivery Closing Date, to the effect that the Escrow Agreement has been duly authorized, executed and delivered by the Escrow Agent and, assuming due authorization, execution and delivery thereof by the Authority, the Escrow Agreement constitutes the valid and binding agreement of the Escrow Agent, enforceable against the Escrow Agent in accordance with its terms; and an incumbency certificate of the Escrow Agent in form and content acceptable to the Representative and Bond Counsel, dated the Delayed Delivery Closing Date, with respect to the officers or other signatories of the Escrow Agent who have executed the Escrow Agreement.
  - (y) An opinion of Bond Counsel, dated the Delayed Delivery Closing Date, addressed to the Authority, to the effect that the Refunded 2010 Bonds have been deemed to have been paid in accordance with the Indenture and that the covenants, agreements and other obligations of the Authority under the Indenture to the holders of the Refunded 2010 Bonds have been discharged and satisfied in accordance with the terms of said Indenture (which opinion may be given in reliance upon the Verification Report), with an appropriate reliance letter addressed to the Representative and the Trustee.
  - (z) Any additional items required by the Indenture for the prepayment and/or refunding in full of the Refunded 2010 Bonds.
  - (aa) Such additional legal opinions, certificates, instruments and other documents as Bond Counsel and the Representative shall reasonably request in form and substance satisfactory to the Representative, Bond Counsel and Counsel to the Underwriters.
8. Except as otherwise expressly provided in this Forward Delivery Purchase Agreement, all of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Forward Delivery Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative.
9. If the Authority shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Forward Delivery Purchase Agreement, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Forward Delivery Purchase Agreement, this Forward Delivery Purchase Agreement shall terminate and neither the Underwriters nor the Authority shall have any further obligations hereunder, except as provided in Sections A.2 and M



hereof. However, the Representative may in its discretion waive one or more of the conditions imposed by this Forward Delivery Purchase Agreement for the protection of the Underwriters and proceed with the Initial Closing or the Delayed Delivery Closing.

**M. Payment of Expenses.**

1. The Underwriters shall be under no obligation to pay, and the Authority shall direct the Trustee under the Indenture to pay from, and only to the extent of the availability of, the proceeds of the 2020 Bonds, certain expenses set forth in this Section that are incidental to the performance of the Authority's obligations hereunder, including but not limited to: all expenses in connection with the printing of the Preliminary Official Statement, the Official Statement, the Closing Supplement to the Official Statement and any amendment or supplement to either thereof; all expenses in connection with the printing, issuance, and delivery of the 2020 Bonds; the fees and disbursements of Bond Counsel, Authority's Counsel, and auditors; the fees and disbursements of the Trustee and its counsel; all expenses in connection with obtaining a rating or ratings for the 2020 Bonds; all expenses of the Authority in connection with the preparation, printing, execution, and delivery, and any recording or filing required by Bond Counsel of the Eighth Supplemental Indenture, the Disclosure Agreement, this Forward Delivery Purchase Agreement, and any financing statement or notice with respect thereto; and all other expenses and costs of the Authority incident to its obligations in connection with the authorization, issuance, sale, and distribution of the 2020 Bonds. The Authority acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the 2020 Bonds.
2. The Underwriters shall pay the costs of qualifying the 2020 Bonds for sale in various states chosen by the Underwriters, all advertising expenses in connection with the public offering of the 2020 Bonds, and all other expenses incurred by the Representative or the other Underwriters in connection with the public offering and distribution of the 2020 Bonds, including the fees and disbursements of their counsel. The Authority acknowledges that a portion of the Underwriter's discount is intended to reimburse the Underwriters for incidental expenses (including, but not limited to, transportation, lodging and meals of the Underwriters' personnel) incurred by the Underwriters (on their own behalf and/or on behalf of the Underwriters' personnel) in connection with the execution of the transaction contemplated by this Forward Delivery Purchase Agreement.

**N. Blue Sky Qualification.**

The Authority agrees to cooperate with the Representative and its counsel in any endeavor to qualify the 2020 Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Representative may request; provided that the Authority shall not be required to qualify as a foreign corporation, consent to service of process, waive any sovereign immunity, or submit to the general jurisdiction of any other



state. The Authority consents to the use of the Preliminary Official Statement, the Official Statement and the Closing Supplement to the Official Statement by the Underwriters in obtaining such qualification.

**O. Notices.**

All notices provided for in this Forward Delivery Purchase Agreement shall be made in writing either by actual delivery of the notice into the hands of the parties entitled thereto, by confirmed facsimile transmission, or by sending the notice by air courier or mailing by certified or registered mail, return receipt requested, in the United States mail to the address as stated below (or to such other address as may have been designated by written notice) of the party entitled thereto. The notice shall be deemed to be received in case of actual delivery on the date of its actual receipt by the party entitled thereto, in case of delivery by facsimile, on the date receipt is confirmed, in case of delivery by air courier on the date of delivery, and in case of mailing on the date of receipt by United States mail, postage prepaid.

All communications hereunder, except as herein otherwise specifically provided, shall be in writing and mailed or delivered to the Authority at the address set forth above and to the Representative and the City at the following addresses:

RBC Capital Markets, LLC  
200 Vesey Street  
9<sup>th</sup> Floor  
New York, New York 10281

with a copy to:

The City of Philadelphia  
1401 John F. Kennedy Boulevard  
Room 1330, Municipal Services Building  
Philadelphia, Pennsylvania 19102  
Attention: Director of Finance

with a copy to:

The City of Philadelphia  
Law Department  
One Parkway, 17<sup>th</sup> Floor  
Philadelphia, Pennsylvania 19102  
Attention: City Solicitor

**P. No Fiduciary Duty.**

The Authority acknowledges and agrees that: (i) the primary role of the Underwriters is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Authority and the Underwriters and that the Underwriters have financial and

other interests that differ from those of the Authority; (ii) none of the Underwriters are acting as a municipal advisor, financial advisor, or fiduciary to the Authority and have not assumed any advisory or fiduciary responsibility to the Authority with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether any of the Underwriters have provided other services or are currently providing other services to the Authority on other matters); (iii) the only obligations the Underwriters have to the Authority with respect to the transaction contemplated hereby expressly are set forth in this Forward Delivery Purchase Agreement or pursuant to applicable law and regulations; and (iv) the Authority has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

**Q. Governing Law.**

This Forward Delivery Purchase Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

**R. Parties Benefited.**

This Forward Delivery Purchase Agreement is made solely for the benefit of the signatories hereto (including the successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. The term "successor" shall not include any holder of any 2020 Bonds merely by virtue of such holding. The terms "successors" and "assigns" as used herein shall not include any purchaser, as such purchaser, of any of the 2020 Bonds from the Underwriters.

**S. Entire Agreement.**

This Forward Delivery Purchase Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby, and supersedes all prior agreements and understandings between the parties. This Forward Delivery Purchase Agreement shall only be amended, supplemented or modified in a writing signed by both of the parties and approved in writing by the City.

**T. Limited Obligations.**

The obligations and agreements of the Authority contained herein shall constitute limited obligations of the Authority and the liability of the Authority hereunder is strictly limited to the amounts payable only out of the revenues from the Authority Income Tax, the proceeds of the 2020 Bonds and other funds available under the Indenture. The obligations and agreements of the Authority shall not be deemed the obligations and agreements of any elected or appointed official, director, officer, agent or employee of the Authority in his or her individual capacity, and the elected or appointed directors, officers, agents and employees of the Authority shall not be liable personally hereon or be subject to any personal liability or accountability based upon or in respect hereof.

**U. Counterparts.**

This Forward Delivery Purchase Agreement may be executed in counterparts with the same force and effect as if all signatures appeared on a single instrument.

[Remainder of page intentionally left blank.]

Very truly yours,

RBC CAPITAL MARKETS, LLC  
as Representative

By: 

Name: Daniel O'Brien

Title: Director



ACCEPTED at [ 5:00 ] [ a.m./p.m. ] E.S.T. this [ 29<sup>th</sup> ] day of October, 2019:

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: \_\_\_\_\_

Kevin Vaughan,  
Chairperson of the Board

## **APPENDIX I**

### **Underwriters**

**RBC Capital Markets, LLC**

**PNC Capital Markets**

**Siebert Cisneros Shank & Co, LLC**

## APPENDIX II

### Maturity Schedule

	<u>Maturity Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
Bond Component					
PICA Series 2020	06/15/2021	\$12,260,000	5.000%	1.370%	104.461
Serial Bonds:	06/15/2022	\$12,730,000	5.000%	1.380%	107.971

**EXHIBIT A**  
**LETTER OF REPRESENTATIONS**

October 29, 2019

RBC Capital Markets, LLC,  
As Representative for the Underwriters

Pennsylvania Intergovernmental  
Cooperation Authority  
1500 Walnut Street  
Suite 1600  
Philadelphia, PA 19102

Re: \$24,990,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax  
Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of  
2020 (Forward Delivery)

Ladies and Gentlemen:

Pursuant to the Forward Delivery Bond Purchase Agreement of even date herewith (the "Forward Delivery Purchase Agreement") between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and RBC Capital Markets, LLC, on behalf of itself and as Representative (the "Representative") of the Underwriters specified therein (the "Underwriters"), the Authority has agreed, *inter alia*, to sell to the Underwriters the above captioned bonds (the "2020 Bonds"), and the Underwriters have agreed to purchase said 2020 Bonds upon the terms and conditions set forth in the Forward Delivery Purchase Agreement. Unless otherwise defined herein, the terms defined in the Forward Delivery Purchase Agreement are used herein with the same meanings. This Letter of Representations is delivered to you pursuant to the Forward Delivery Purchase Agreement.

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 City of Philadelphia (the "City") approves of the terms and conditions upon which the 2020 Bonds are being sold to the Underwriters as set forth in the Forward Delivery Purchase Agreement, without waiving any of the City's rights due to provisions of Section S. thereof;
2. The City has duly and validly acknowledged and approved the Official Statement;
3. The City has duly and validly authorized and approved the execution and delivery of the Cooperation Agreement, the Tax Collection Agreement and the City Tax Certifications, and the performance by the City of its obligations, covenants and agreements contained therein;



4. The City has duly and validly acknowledged and approved the City Account Deposit Agreement;

5. The City had and has full legal right, power and authority to enter into the City Cooperation Agreement and the Tax Collection Agreement and has duly authorized the execution and delivery of, and the performance of its obligations under, this Letter of Representations, the Cooperation Agreement, the Tax Collection Agreement and the City Tax Certifications (collectively, the "City Agreements"). Each of the City Agreements constitutes a valid, binding and legally enforceable obligation of the City, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, and other laws affecting creditors' rights generally from time to time in effect, and rights of acceleration, indemnity, and contribution, and the availability of equitable remedies may be affected by equitable principles. The City has, and at the Delayed Delivery Closing Date will have, full legal right, power and authority to perform its obligations under the City Agreements.

6. The Ordinances have been duly and validly enacted or adopted, as applicable, by the City Council and approved by the Mayor, all in accordance with the City's Home Rule Charter and Code of General Ordinances and all applicable laws of the Commonwealth, are in full force and effect and have not been modified, amended, repealed or rescinded since the date of enactment.

7. 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 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 of the Commonwealth 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.

8. 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 Delayed Delivery Closing Date 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;

9. Except as otherwise disclosed in the Preliminary Official Statement and in the Official Statement, or as may be disclosed in the subsequent Closing Supplement to 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 adversely affect the financial condition or results of operations of the City as a whole.

10. 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;

11. The execution and delivery of the City Tax Certifications 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;

12. 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;

13. The City is currently in compliance in all material respects with its previous undertakings with regard to continuing disclosure.

14. The execution and delivery of, and compliance by the City with the terms of this Letter of Representations, the Official Statement and the Closing Supplement to the Official Statement, will not, constitute a breach of or default under the City's Home Rule Charter, the Code of General Ordinances, the Ordinance or any existing applicable law or administrative regulation (except that no representation or warranty is made in this paragraph 14 as to any federal or state securities law) or the Constitution of the Commonwealth or the United States or any applicable judgment or decree and will 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.

15. The information with respect to the City contained in the Preliminary Official Statement, in the Official Statement, as of its date, and at the time of acceptance hereof, and to be disclosed in the Closing Supplement to the Official Statement, as of its date, under the captions "INTRODUCTION - The City of Philadelphia", and in Appendix B and Appendix C, did not, and 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 in any material respect.

16. The City will notify the Representative, and the Authority, to the extent not disclosed in the Preliminary Official Statement, the Official Statement or to be disclosed in the Closing Supplement to 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

Delayed Delivery Closing Date or within the Update Period and will promptly notify the Representative if, during the Update Period, any event shall occur, or information come to its attention that would cause the Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to 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.

17. The City agrees that between the date hereof and the Delayed Delivery Closing Date 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 Delayed Delivery Closing Date.

18. The City agrees to comply with and acknowledges its obligation to provide the Authority and the Underwriters with certain certifications and updating information in connection with the preparation of the Official Statement (including any amendments or supplements thereto), the Initial Closing of the 2020 Bonds, the preparation of the Closing Supplement to the Official Statement (including any amendments and supplements thereto), and the Delayed Delivery Closing, all as set forth in the Forward Delivery Purchase Agreement.

19. Based solely on the information provided to me by the Law Department of the City (the "Law Department") after inquiry within the Law Department, except for litigation which in the opinion of the Law Department is without merit, and except as disclosed in the Preliminary Official Statement, to be disclosed in the Official Statement or to be disclosed in the Closing Supplement to the Official Statement, no litigation or other legal proceeding is pending against the City or, to the best of the Law Department's knowledge, threatened in writing against the City:

- (i) to restrain or enjoin the issuance or sale of the 2020 Bonds or the City's execution or delivery of, or performance under the Bond Documents, this Letter of Representations or in any way contesting any authority for or the validity or enforceability of the 2020 Bonds or the Ordinances; 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 results of operations of the City as a whole; or

- (iii) contesting in any way the completeness or accuracy of the information concerning the City contained in the Preliminary Official Statement and the Official Statement, and to be contained in the Closing Supplement to the Official Statement; or

- (iv) contesting in any way the validity or enforceability of the City's obligations under the Cooperation Agreement, the Tax Collection Agreement or this Letter of Representations; or

- (v) in any way challenging the right of the Director of Finance or the City Treasurer 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 Forward Delivery Purchase Agreement or herein to hold his or her office, or the respective powers of such offices.



20. The City agrees and acknowledges that: (a) the primary role of the Underwriters is to purchase securities for resale to investors, in an arm's-length commercial transaction between the Authority and the Underwriters and that the Underwriters have financial and other interests that differ from those of the Authority and the City; (b) with respect to the engagement of the Underwriters by the Authority, including in connection with the purchase, sale and offering of the 2020 Bonds, and the discussions, conferences, negotiations and undertakings in connection therewith, each of the Underwriters is and has been acting as a principal and not an agent or municipal or financial advisor of, or fiduciary to, the Authority or the City; (c) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate; and (d) the Forward Delivery Purchase Agreement and this Letter of Representations express the entire relationship among the Underwriters, the Authority and the City with respect to the sale and offering of the 2020 Bonds.

This Letter of Representations is made solely for the benefit of the addressees hereof and the signatories hereto (including the successors and assigns of any 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 2020 Bonds from the Underwriters or otherwise.

All representations, warranties and agreements in this Letter of Representations shall remain operative and survive the execution hereof.



Very truly yours,

THE CITY OF PHILADELPHIA

By:   
Rob Dubow,  
Director of Finance

This Letter of Representations is acknowledged and accepted October 29, 2019

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: Kevin Vaughan  
Kevin Vaughan,  
Chairperson of the Board

**RBC CAPITAL MARKETS, LLC,**  
*as Representative of the Underwriters*

By: \_\_\_\_\_  
Daniel O'Brien,  
Director

This Letter of Representations is acknowledged and accepted October 29, 2019

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: \_\_\_\_\_  
Kevin Vaughan,  
Chairperson of the Board

**RBC CAPITAL MARKETS, LLC,**  
*as Representative of the Underwriters*


By:  \_\_\_\_\_  
Daniel O'Brien,  
Director

EXHIBIT B

FORM OF ISSUE PRICE CERTIFICATE

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)

\$31,085,000  
Series of 2019

\$24,990,000  
Series of 2020  
(Forward Delivery)

The undersigned, on behalf of RBC Capital Markets, LLC and as representative (the "Representative") of the other underwriters (together, the "Underwriting Group") of the above-captioned bonds (the "Bonds"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned Bonds.

1. ***Sale of the Bonds.*** As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."

(a) ***Issuer*** means Pennsylvania Intergovernmental Cooperation Authority.

(b) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) ***Sale Date*** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October \_\_\_\_, 2019.

(e) ***Underwriter*** means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).



3. **Yield.** The yield on the Bonds is \_\_\_\_\_%. For this purpose, the term "yield" refers to that discount rate that, when used in computing the present value as of the date hereof of all expected payments of principal and interest on the Bonds produces an amount equal to the present value, using the same.

4. **Weighted Average Maturity.** The weighted average maturity ("WAM") of the Bonds has been calculated to be \_\_\_\_\_ years. The WAM is the sum of the products of the Issue Price of each maturity and the number of years to maturity (determined separately for each maturity and by taking into account mandatory redemptions) as of the date hereof, divided by the aggregate Issue Price of the Bonds.

The WAM of the 2019 Bonds is \_\_\_\_\_ years. The WAM of the 2020 Bonds is \_\_\_\_\_ years.

5. **Remaining Weighted Average Maturity.** We have been requested by the Authority to calculate the remaining WAM of the 2009 Bonds being refunded by the 2019 Bonds and the remaining WAM of the Refunded 2010 Bonds (together with the 2009 Bonds, the "Refunded Bonds") being refunded by the 2020 Bonds. For this purpose, the term "remaining WAM" of the Refunded Bonds is the sum of the products of the issue price of each maturity of such bonds and the number of years to maturity (determined separately for each maturity and by taking into account mandatory redemptions or prepayments), divided by the aggregate issue price of the Refunded Bonds, as of the date hereof. We have computed the remaining WAM of the Refunded Bonds to be not less than \_\_\_\_\_ years.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Authority with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania, bond counsel in connection with rendering their opinions that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice they may give to the Authority from time to time relating to the Bonds. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.

RBC CAPITAL MARKETS, LLC

By: \_\_\_\_\_  
Name:  
Title:

Dated: \_\_\_\_\_, 2020

## **EXHIBIT C**

### **Form of Supplemental Opinions of Bond Counsel**

Points to be covered in Supplemental Opinion of Bond Counsel Provided  
at the Initial Closing and at the Delayed Delivery Closing

(Terms defined in the Forward Delivery Bond Purchase Agreement are used herein with the same meanings.)

1. The Forward Delivery Purchase Agreement has been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery by and enforceability against the other parties thereto, constitutes a legal, valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as enforcement may be limited by laws relating to bankruptcy, reorganization, insolvency, receivership, arrangement, moratorium and other laws affecting creditors' rights, by equitable principles whether considered at law or in equity, and by the exercise of judicial discretion in appropriate cases.

2. The statements contained in the subsections of the Official Statement [and the Closing Supplement to the Official Statement] captioned "INTRODUCTION – Authorization to Issue the 2019/2020 Bonds" and "Sources of Payment and Security for the 2019/2020 Bonds," "THE 2019/2020 BONDS" and "SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS" and Appendix D thereto, insofar as they relate to (A) the 2019/2020 Bonds, (B) the Ordinances, (C) the Bond Documents, (D) certain federal and Commonwealth statutes relating to bankruptcy and remedies of bondholders, and (E) the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, accurately summarize the terms and provisions purported to be summarized therein in all material respects. The statements appearing in the Official Statement [and in the Closing Supplement to the Official Statement] under the caption "TAX MATTERS" accurately reflect the opinion of Bond Counsel as to the application of federal and Commonwealth tax law summarized therein in all material respects. No opinion is given with respect to any tabular, numerical, financial or statistical data or projections contained in such portions of the Official Statement [and in the Closing Supplement to the Official Statement].

3. Based on current law as of the date hereof, the 2020 Bonds [are/will be] exempt from the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

## EXHIBIT D-1

### Substantial Form of Opinion of Counsel to the Authority Provided on the Initial Closing Date

[Initial Closing Date]

RBC Capital Markets, LLC  
as Representative of the Several Underwriters  
New York, NY

*Re: Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program), Series of 2020 (Forward Delivery)*

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 Forward Delivery Bond Purchase Agreement, dated October 29, 2019 (the "Forward Delivery Bond Purchase Agreement"), between the Authority and RBC Capital Markets, LLC, as the representative of the several underwriters named therein (the "Underwriters"), that relates to the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery), in the aggregate principal amount of \$24,990,000 (the "2020 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 proposes to issue the 2020 Bonds under an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and U.S. Bank National Association, as successor 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"), by the Fourth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2006 (the "Fourth Supplemental Indenture"), by the Fifth Supplement to the Amended and Restated Indenture of Trust, dated as of May 1, 2008 (the "Fifth Supplemental Indenture"), by the Sixth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2009 (the "Sixth Supplemental Indenture"), by the Seventh Supplement to the Amended and Restated Indenture of Trust, dated as of May 1, 2010 (the "Seventh Supplemental Indenture") and by the Eighth Supplement to the Amended and Restated Indenture of Trust, dated as of December 1, 2019 (the "Eighth Supplemental Indenture") and, together with the 1994 Indenture, the First Supplemental Indenture, the Second Supplemental



Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, and the Seventh Supplemental Indenture, the "Indenture"), for the purpose of refunding certain outstanding bonds of the Authority, as more particularly described in the Indenture. The Eighth Supplemental Indenture provides that, when issued, the 2020 Bonds will be secured thereunder 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").

The Authority proposes to sell the 2020 Bonds to the Underwriters for reoffering by the Underwriters to the public. In connection with such public offering of the 2020 Bonds, the Authority has prepared an Official Statement, dated October 29, 2019 (the "Official Statement"), relating to the 2020 Bonds. In connection with the issuance of the 2020 Bonds, the Authority proposes to enter into a Continuing Disclosure Agreement substantially in the form attached to the Official Statement as Appendix F (the "Disclosure Agreement"). 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").

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 Forward Delivery Bond Purchase Agreement, the Intergovernmental Cooperation Agreement, the Official Statement (including the form of the Disclosure Agreement appended thereto), the Authority Income Tax Ordinance 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.

In rendering this opinion letter, we have assumed, with respect to all documents and instruments reviewed by us, the genuineness of all signatures (other than those of the Authority), 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 2020 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 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 Credit Facility (as defined in the Indenture) issued by such Credit Facility Issuer. 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 (or at the relevant time had) the power and the authority under the Act to enter into the Indenture and to issue the 2020 Bonds thereunder, and to enter into the Intergovernmental Cooperation Agreement and the Forward Delivery Bond Purchase Agreement and the Disclosure Agreement.

3. The Indenture, the Intergovernmental Cooperation Agreement and the Forward Delivery Bond Purchase Agreement have each been duly authorized, executed and delivered by the Authority. The Authority has duly authorized the issuance of the 2020 Bonds and the execution and delivery of the Disclosure Agreement.

4. The Official Statement has been duly authorized and executed by the Authority.

5. The Indenture, the Intergovernmental Cooperation Agreement and the Forward Delivery Bond Purchase Agreement are each legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.

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 2020 Bonds by the Authority or which in any way contest the validity or enforceability of the 2020 Bonds, the Indenture, the Forward Delivery Bond Purchase Agreement or the Intergovernmental Cooperation 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 Authority's bonds issued under the Indenture.

Although we have not undertaken to determine independently the accuracy, completeness or fairness of the information contained in the Official Statement and express no opinion with respect thereto, nothing has come to our attention during the course of the performance of our duties as counsel to the Authority in this transaction 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 concerning the City, any information concerning any bond insurance company or any of the Underwriters, any information under the headings "TAX MATTERS", "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS" and "UNDERWRITING", and any financial, statistical or demographic information, 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 2020 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 2020 Bonds. We express no opinion with respect to any liquidated damages provisions. We express no opinion concerning the status of the Indenture, the 2020 Bonds or the offering or sale of the 2020 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 2020 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, (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) and (c) in the particular case of indemnities or rights of contribution, the application of Federal or state securities or other laws, regulations or judicial decisions or public policy considerations which may limit the validity or enforceability thereof. We call to your attention that, as provided in the Act, the Authority enjoys sovereign and official immunity and shall remain immune from suit except as provided therein. We further call to your attention that the issuance and delivery of the 2020 Bonds in the future is subject to the satisfaction of certain legal and contractual conditions as set forth in the Forward Delivery Bond Purchase Agreement, the Indenture and the Act, as to which we express no opinion herein.

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 in this transaction.

This opinion letter is being rendered solely for your benefit in connection with the issuance of the 2020 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 2020 Bonds.

Very truly yours,



## Exhibit D-2

### Substantial Form of Opinion of Counsel to the Authority Provided on the Delayed Delivery Closing Date

[Delayed Delivery Closing Date]

RBC Capital Markets, LLC  
as Representative of the Several Underwriters  
New York, NY

*Re: Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program), Series of 2020 (Forward Delivery)*

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 \$24,990,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 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 2020 Bonds under an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and U.S. Bank National Association, as successor 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"), by the Fourth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2006 (the "Fourth Supplemental Indenture"), by the Fifth Supplement to the Amended and Restated Indenture of Trust, dated as of May 1, 2008 (the "Fifth Supplemental Indenture"), by the Sixth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2009 (the "Sixth Supplemental Indenture"), by the Seventh Supplement to the Amended and Restated Indenture of Trust, dated as of May 1, 2010 (the "Seventh Supplemental Indenture") and by the Eighth Supplement to the Amended and Restated Indenture of Trust, dated as of December 1, 2019 (the "Eighth Supplemental Indenture") and, together with the 1994 Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, and the Seventh Supplemental Indenture, the "Indenture"), for the purpose of refunding certain outstanding bonds of the Authority, as more particularly described in the Indenture.

The 2020 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 Forward Delivery Bond Purchase Agreement, dated October 29, 2019 (the "Forward Delivery Bond Purchase Agreement") between the Authority and RBC Capital Markets, LLC, as the representative of the several underwriters named therein (the "Underwriters"), the Authority is selling the 2020 Bonds to the Underwriters for reoffering by the Underwriters to the public. In connection with such public offering of the 2020 Bonds, the Authority has prepared an Official Statement, dated October 29, 2019, as supplemented by the [Supplement] to the Official Statement dated \_\_\_\_\_, 2020 (as so supplemented, the "Official Statement"), relating to the 2020 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 2020 Bonds, the Authority has executed and delivered a Tax Compliance Certificate, dated \_\_\_\_\_, 2020 (the "Tax Compliance Certificate"), and an Escrow Deposit Agreement, dated as of \_\_\_\_\_, 2020 (the "Escrow Agreement"), between the Authority and U.S. Bank National Association, as escrow agent; and the Authority has entered into a Continuing Disclosure Agreement, dated \_\_\_\_\_, 2020 (the "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 Forward Delivery Bond Purchase Agreement, the Intergovernmental Cooperation Agreement, the Official Statement, the Authority Income Tax Ordinance, the Tax Compliance Certificate, the Escrow Agreement, the 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 2020 Bonds.

In rendering this opinion letter, we have assumed, with respect to all documents and instruments reviewed by us, the genuineness of all signatures (other than those of the Authority), 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 2020 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 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 Credit Facility (as defined in the Indenture) issued by such Credit Facility Issuer. 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:

9. The Authority is a body corporate and politic, constituting a public authority and instrumentality of the Commonwealth, created pursuant to the Act.

10. The Authority has (or at the relevant time had) the power and the authority under the Act to enter into the Indenture and to issue the 2020 Bonds thereunder, and to enter into the Intergovernmental Cooperation Agreement, the Forward Delivery Bond Purchase Agreement, the Tax Compliance Certificate, the Escrow Agreement and the Disclosure Agreement.

11. The Indenture, the 2020 Bonds, the Intergovernmental Cooperation Agreement, the Forward Delivery Bond Purchase Agreement, the Tax Compliance Certificate, the Escrow Agreement and the Disclosure Agreement have each been duly authorized, executed and delivered by the Authority.

12. The Official Statement has been duly authorized and executed by the Authority.

13. The Indenture, the 2020 Bonds, the Intergovernmental Cooperation Agreement, the Forward Delivery Bond Purchase Agreement, the Tax Compliance Certificate, the Escrow Agreement and the Disclosure 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 2020 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 2020 Bonds. According to the Act, the 2020 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.



14. 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 2020 Bonds by the Authority or which in any way contest the validity or enforceability of the 2020 Bonds, the Indenture, the Forward Delivery Bond Purchase Agreement, the Intergovernmental Cooperation Agreement, the Tax Compliance Certificate, the Escrow Agreement, the Disclosure Agreement or the pledge of the revenues from the Authority Income Tax under the Indenture.

15. 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.

16. 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 2020 Bonds.

Although we have not undertaken to determine independently the accuracy, completeness or fairness of the information contained in the Official Statement and express no opinion with respect thereto, nothing has come to our attention during the course of the performance of our duties as counsel to the Authority in this transaction 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 concerning the City, any information concerning any bond insurance company or any of the Underwriters, any information under the headings "TAX MATTERS", "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS" and "UNDERWRITING", and any financial, statistical or demographic information, 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 2020 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 2020 Bonds. We express no opinion concerning the status of the Indenture, the 2020 Bonds or the offering or sale of the 2020 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 2020 Bonds as legal investments for any person or entity under any Federal or state laws or regulations. We express no opinion with respect to any liquidated damages provisions. 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, (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) and (c) in the particular case of indemnities or rights of contribution, the application of Federal or state securities or other laws, regulations or judicial decisions or public policy considerations which may limit the validity or enforceability thereof. We call to your attention that, as provided in the Act, the Authority enjoys sovereign and official immunity and shall remain immune from suit except as provided therein.



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 in this transaction.

This opinion letter is being rendered solely for your benefit in connection with the issuance of the 2020 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 2020 Bonds.

Very truly yours,

**Exhibit E-1**

**Form of City Solicitor's Opinion  
Provided on the Initial Closing Date**

[LAW DEPARTMENT LETTERHEAD]

December \_\_, 2019

RBC Capital Markets, LLC,  
as Representative of the Underwriters  
200 Vesey Street, 9th Floor  
New York, New York 10281

Saul Ewing Arnstein & Lehr LLP  
Center Square West  
1500 Market Street, 38th Floor  
Philadelphia, Pennsylvania 19102

U.S. Bank National Association, as Trustee  
(the "Trustee")  
Two Liberty Place  
50th South 16th St., Ste. 2000  
Philadelphia, Pennsylvania 19102

Pennsylvania Intergovernmental  
Cooperation Authority  
1500 Walnut Street, Suite 1600  
Philadelphia, Pennsylvania 19102

Re: \$24,990,000 Pennsylvania Intergovernmental Cooperation Authority (the  
"Authority") Special Tax Revenue Refunding Bonds (City of Philadelphia  
Funding Program), Series of 2020 (Forward Delivery)

To the Above-Named Addressees:

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 proposed issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of its \$24,990,000 aggregate principal amount Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "Bonds"). This opinion is being delivered to you pursuant to Section L.(6)(i) of the Forward Delivery Bond Purchase Agreement dated October 29, 2019, between the Authority and RBC Capital Markets, LLC, as representative to the Underwriters named therein (the "Forward Delivery Purchase Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Forward Delivery Purchase Agreement.

In rendering the opinions expressed below, the Department has examined such proceedings, documents, statutes, and ordinances as the Department deemed necessary as the basis for the opinions hereinafter expressed, including:

- (1) certified copies of the Ordinances;
- (2) a fully executed copy of the Letter of Representations;
- (3) a fully executed copy of the Cooperation Agreement;
- (4) a fully executed copy of the Tax Collection Agreement;
- (5) a fully executed copy of the Certificate of the City attached to the Tax Compliance Certificate;
- (6) the Official Statement; and
- (7) 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 on June 5, 1991, as amended (the "PICA Act").

As to certain factual matters material to the opinions hereinafter expressed, the Department has 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. The Department has 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. The Department has 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 PICA 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 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 of the Commonwealth 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 PICA Act and the Philadelphia Home Rule Charter to execute and deliver the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement, and the Certificate of the City attached to the Tax Compliance Certificate. The Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate or the Tax Collection Agreement, or in any way contesting the validity or enforceability of the Cooperation Agreement, the Tax Collection Agreement, the Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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, 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.

10. The Bonds are authorized to be issued by the Authority by virtue of and pursuant to the PICA Act.

11. Pursuant to authority granted by the PICA Act, the City has, by the City Council's adoption of the Tax Ordinance, enacted the Authority Tax.

12. In the PICA 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 PICA Act further provides that the terms of the PICA 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 PICA Act. In addition, the PICA 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 PICA Act, the City has, in the Tax Ordinance and the 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.

13. 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.

14. 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.

15. 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 affected 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.

This opinion is subject to the following exceptions, limitations, and qualifications:

(1) 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.

(2) 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 the Certificate of the City attached to the Tax Compliance Certificate.

(3) The Department expresses no opinion as to the validity or enforceability of any provision of the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or the Certificate of the City attached to the Tax Compliance Certificate 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.

The Department calls 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 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.

This opinion is given to you as of the date hereof and the Department expresses 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. The Department undertakes no obligation to update or supplement this letter under any circumstance including if, after the date hereof, facts or events come to our attention or changes in law occur which could affect the opinions expressed herein. The Department expresses no opinion herein as to any matter not set forth in the numbered sections above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary or definitive official statements prepared in respect of the Bonds, including the appendices thereto, and make no representation that the Department has independently verified the contents thereof. This opinion is furnished solely for your benefit under the Forward Delivery Purchase Agreement and may not be relied upon by any person or for any other purpose.

The Department has rendered this opinion to you solely in connection with the consummation of the transactions contemplated by the Forward Delivery Purchase Agreement 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,

Marcel S. Pratt,  
City Solicitor  
The City of Philadelphia



**Exhibit E-2**

**Form of City Solicitor's Opinion  
Provided on the Delayed Delivery Closing Date**

[LAW DEPARTMENT LETTERHEAD]

\_\_\_\_\_, 2020

RBC Capital Markets, LLC,  
as Representative of the Underwriters  
200 Vesey Street, 9th Floor  
New York, New York 10281

Saul Ewing Arnstein & Lehr LLP  
Center Square West  
1500 Market Street, 38th Floor  
Philadelphia, Pennsylvania 19102

U.S. Bank National Association, as Trustee  
(the "Trustee")  
Two Liberty Place  
50th South 16th St., Ste. 2000  
Philadelphia, Pennsylvania 19102

Pennsylvania Intergovernmental  
Cooperation Authority  
1500 Walnut Street, Suite 1600  
Philadelphia, Pennsylvania 19102

Re: \$24,990,000 Pennsylvania Intergovernmental Cooperation Authority (the  
"Authority") Special Tax Revenue Refunding Bonds (City of Philadelphia  
Funding Program), Series of 2020 (Forward Delivery)

To the Above-Named Addressees:

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 (the "Authority") of its \$24,990,000 aggregate principal amount Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "Bonds"). This opinion is being delivered to you pursuant to Section L.(7)(h) of the Forward Delivery Bond Purchase Agreement dated October 29, 2019, between the Authority and RBC Capital Markets, LLC, as representative to the Underwriters named therein (the "Forward Delivery Purchase Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Forward Delivery Purchase Agreement.

In rendering the opinions expressed below, the Department has examined such proceedings, documents, statutes, and ordinances as the Department deemed necessary as the basis for the opinions hereinafter expressed, including:

- (1) certified copies of the Ordinances;



- (2) a fully executed copy of the Letter of Representations;
- (3) a fully executed copy of the Cooperation Agreement;
- (4) a fully executed copy of the Tax Collection Agreement;
- (5) a fully executed copy of the Certificate of the City attached to the Tax Compliance Certificate;
- (6) the Official Statement and the Closing Supplement to the Official Statement; and
- (7) 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 on June 5, 1991, as amended (the "PICA Act").

As to certain factual matters material to the opinions hereinafter expressed, the Department has 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. The Department has 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. The Department has 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 PICA 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 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 of the Commonwealth 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 PICA Act and the Philadelphia Home Rule Charter to execute and deliver the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement, and the Certificate of the City attached to the Tax Compliance Certificate. The Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate or the Tax Collection Agreement which has not been obtained.

7. Except as disclosed in the Official Statement and the Closing Supplement to 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 Certificate of the City attached to the Tax Compliance Certificate or the Tax Collection Agreement, or in any way contesting the validity or enforceability of the Cooperation Agreement, the Tax Collection Agreement, the Certificate of the City attached to the Tax Compliance Certificate or the Ordinances, or (ii) contesting in any way the accuracy or completeness of the Official Statement or the Closing Supplement to 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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, the description contained in Appendix B to the Official Statement and the Closing Supplement 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.

10. The Bonds are authorized to be issued by the Authority by virtue of and pursuant to the PICA Act.

11. Pursuant to authority granted by the PICA Act, the City has, by the City Council's adoption of the Tax Ordinance, enacted the Authority Tax.

12. In the PICA 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 PICA Act further provides that the terms of the PICA 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 PICA Act. In addition, the PICA 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 PICA Act, the City has, in the Tax Ordinance and the 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.

13. 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.



14. 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.

15. 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 affected 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.

This opinion is subject to the following exceptions, limitations, and qualifications:

(4) 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.

(5) 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 the Certificate of the City attached to the Tax Compliance Certificate.

(6) The Department expresses no opinion as to the validity or enforceability of any provision of the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or the Certificate of the City attached to the Tax Compliance Certificate 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.

The Department calls 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 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.

This opinion is given to you as of the date hereof and the Department expresses 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. The Department undertakes no obligation to update or supplement this letter under any circumstance including if, after the date hereof, facts or events come to our attention or changes in law occur which could affect the opinions expressed herein. The Department expresses no opinion herein as to any matter not set forth in the numbered sections above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary or definitive official statements prepared in respect of the Bonds, including the appendices thereto, and make no representation that the Department has independently verified the contents thereof. This opinion is furnished solely for your benefit under the Forward Delivery Purchase Agreement and may not be relied upon by any person or for any other purpose.

The Department has rendered this opinion to you solely in connection with the consummation of the transactions contemplated by the Forward Delivery Purchase Agreement 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,

Marcel S. Pratt,  
City Solicitor  
The City of Philadelphia

## EXHIBIT F

### Form of Certificate of Co-Financial Advisor

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM),  
SERIES OF 2020 (FORWARD DELIVERY)**

[Dated the Initial Closing Date or the Delayed Delivery Closing Date]

**CERTIFICATE OF CO-FINANCIAL ADVISOR**  
**([Name of Financial Advisor])**

The undersigned duly authorized officer of \_\_\_\_\_ (the "Co-Financial Advisor") hereby certifies on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, as follows on behalf of \_\_\_\_\_:

1. This Certificate is being executed and delivered by the Co-Financial Advisor in connection with the [proposed] issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of its \$24,990,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "Bonds"), as authorized by (a) the Act; (b) the Resolution; (c) Ordinances of the City Council of The City of Philadelphia, Pennsylvania; and (d) the Indenture, as amended and supplemented from time, including by the Eighth Supplemental Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed in the Official Statement (hereinafter defined).

2. The Co-Financial Advisor has acted as a financial advisor to the Authority in connection with the Authority's [proposed] issuance of the 2020 Bonds.

3. We have read the Preliminary Official Statement, dated October 21, 2019, [and] the Official Statement dated \_\_\_\_\_ 2019, [and the Closing Supplement to the Official Statement dated \_\_\_\_\_, 2020] relating to the 2020 Bonds (collectively referred to as the "Official Statement") and without having undertaken to independently determine the accuracy, completeness or fairness of the statements contained in the Official Statement (including the Appendices and Tables thereto), nothing has come to our attention in connection with our engagement in respect to the issuance of the 2020 Bonds that would lead us to believe that, as of the date hereof, the Official Statement (except for information contained in Appendix G – "BOOK-ENTRY ONLY SYSTEM," 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.

4. I further certify on behalf of \_\_\_\_\_ that \_\_\_\_\_ (a) is a financial advisory and consulting organization; (b) is not in the business of underwriting, marketing or trading municipal securities or any other negotiable instruments; and (c) is registered as a Municipal Advisor with the Securities and Exchange Commission pursuant to Section 15B of the Securities and Exchange Act of 1934 and all rules and regulations thereunder.

I have executed this *Certificate of Co-Financial Advisor* on behalf of \_\_\_\_\_ on the date first written above.

\_\_\_\_\_

By: \_\_\_\_\_  
\_\_\_\_\_.

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM),  
SERIES OF 2019**

**October 29, 2019**

Pennsylvania Intergovernmental  
Cooperation Authority (the "Authority")  
1500 Walnut Street, Suite 1600  
Philadelphia, Pennsylvania 19102

**To the Authority:**

The undersigned RBC Capital Markets, LLC (the "Representative"), on behalf of itself and the underwriters named in the list attached hereto as Appendix I (collectively with the Representative, the "Underwriters"), hereby offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with the Authority for the purchase by the Underwriters and the sale by the Authority of the above captioned bonds (the "2019 Bonds") more particularly described below. This offer is made subject to acceptance hereof by the Authority by 5:00 P.M. prevailing time in Philadelphia, Pennsylvania, on the date hereof and, upon such acceptance, evidenced by the signature of a duly authorized officer of the Authority in the space provided below and upon approval by The City of Philadelphia, Pennsylvania (the "City") as evidenced by the signature of the Director of Finance on the Letter of Representations (hereafter defined), this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Authority and the Underwriters. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement (as hereafter defined) and in the Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Original Indenture") between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented by seven supplemental indentures and the Eighth Supplement to the Amended and Restated Indenture of Trust to be dated as of December 1, 2019 (the "Eighth Supplemental Indenture", and the Original Indenture, as amended by such seven supplemental indentures are collectively referred to herein as the "Indenture"), pursuant to which the 2019 Bonds are being issued.

**A. Purchase and Sale; Purchase Price; Liquidated Damages; Delivery of and Payment for the 2019 Bonds.**

- I. Upon the terms and conditions and upon the basis of (i) the representations and warranties of the Authority set forth herein, and (ii) the representations and warranties of the City set forth in the Letter of Representations dated of even date herewith, in the form of Exhibit A hereto ("Letter of Representations"), which are incorporated by reference into this Purchase Agreement, the Underwriters hereby agree to purchase from the Authority, and the Authority hereby agrees to sell to the Underwriters all (but not less than all) of the 2019 Bonds, at a purchase price of \$33,898,011.57 (the "Purchase Price"), which reflects the aggregate principal



amount of the 2019 Bonds (\$31,085,000.00), plus original issue premium of \$2,933,977.30, less an underwriters' discount of \$120,965.73. The 2019 Bonds shall be dated their date of issuance, shall mature on the dates set forth on Appendix II hereto and shall bear interest from their date of issuance at the rates and payable at the times and in the manner set forth in Appendix II hereto and shall otherwise have the terms and provisions set forth in the Official Statement (as hereinafter defined) for the 2019 Bonds.

2. The Representative shall send by check to the order of the Authority, on the date hereof the sum of \$435,700.00 in immediately available funds, as security for the performance by the Representative of its obligation to accept and pay for all of the 2019 Bonds at the Closing (hereinafter defined) in accordance with this Purchase Agreement (the "Good Faith Deposit"). The Good Faith Deposit will be held uninvested and uncashed by the Authority and will be returned to the Representative at the Closing assuming it has satisfied all conditions and requirements set forth herein, including providing payment for the 2019 Bonds. In the event the Authority does not accept this offer, such Good Faith Deposit shall be immediately returned to the Representative. In the event that the Representative fails (other than for a reason permitted herein) to accept and pay for the 2019 Bonds at the Closing as herein provided, the check for the Good Faith Deposit may be cashed and the amount of such Good Faith Deposit shall be retained by the Authority as and for liquidated damages for such failure and for any defaults hereunder on the part of the Representative, and such retention shall constitute a full release and discharge of all claims by the Authority against the Representative and the Underwriters arising out of the transactions contemplated hereby. The Representative and the Authority understand that in such event the actual damages of the Authority may be greater or may be less than such sum. Accordingly, the Representative and the Underwriters hereby waive any right to claim that the actual damages of the Authority are less than such sum, and the retention of the Good Faith Deposit by the Authority shall constitute a waiver of any right the Authority may have to additional damages from the Representative and the Underwriters. In the event of the Authority's failure to deliver the 2019 Bonds at Closing, or if the Authority shall be unable to satisfy the conditions to the obligations of the Representative contained herein (unless such conditions are waived by the Representative) or if the obligations of the Representative shall be terminated for any reason permitted herein, the Authority shall immediately return check for the Good Faith Deposit to the Representative, and, except as otherwise set forth in Section M, the delivery of the Good Faith Deposit as described above shall constitute a full release and discharge of all claims by the Representative and the Underwriters against the Authority arising out of the transactions contemplated hereby.
3. At or about 11:00 a.m., prevailing time in Philadelphia, Pennsylvania on the date of delivery of and payment for the 2019 Bonds, currently scheduled to be December 3, 2019 (the "Closing Date"), or at such other time or date as shall have been mutually agreed upon by the Authority and the Representative, the Authority will deliver to the Representative, at the offices of Saul Ewing Arnstein & Lehr LLP,

1500 Market Street, 38th Floor; Philadelphia, Pennsylvania 19102, or at such other place as the parties hereto shall both agree, at such time and on such date, the documents specified in Section L.3 below. Such payment and the related delivery is herein called the "Closing."

4. The Authority and the Representative agree that there shall be a pre-closing held at the offices of Saul Ewing Arnstein & Lehr LLP, 1500 Market Street, 38th Floor; Philadelphia, Pennsylvania 19102, commencing at least 24 hours prior to the Closing Date, or at such other time or place as the Authority and the Representative shall agree.
5. On the Closing Date, the Authority will cause the Trustee to deliver the 2019 Bonds to The Depository Trust Company ("DTC") in definitive form or to hold them pursuant to DTC's FAST System (all the 2019 Bonds to be issued in fully-registered form, in authorized denominations, bearing proper CUSIP numbers, and registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the 2019 Bonds), duly executed and authenticated by the Trustee, together with the other documents hereinafter mentioned; and, subject to the conditions contained herein, the Representative will accept such delivery and pay the Purchase Price by wire transfer, payable to the order of the Trustee.
6. The 2019 Bonds shall be issued in a form to satisfy the requirements of DTC's book entry system. The 2019 Bonds shall be made available to the Underwriters for purposes of inspection and packaging, at any time not more than two (2) business days nor less than one (1) business day prior to the Closing, at any place in Philadelphia, Pennsylvania, agreed upon by the Representative and the Authority.
7. Delivery of the definitive 2019 Bonds as aforesaid shall be made at the offices of DTC in New York, New York, or through DTC's FAST System as aforesaid, or at such other location as may be designated by the Underwriters at least two business days prior to the Closing Date. Payment for the 2019 Bonds shall be made as set forth in Section A hereof in immediately available funds and delivery of the other documents shall be made at the offices of Saul Ewing Arnstein & Lehr LLP, 1500 Market Street, 38<sup>th</sup> Floor; Philadelphia, Pennsylvania 19102.
8. After execution by the Authority and authentication by the Trustee, the 2019 Bonds shall be held in safe custody by Cede & Co., as registered holder and nominee for DTC, or by the Trustee, as DTC's custodian. The Trustee shall release or authorize the release of the 2019 Bonds from safe custody at the Closing upon receipt of payment for the 2019 Bonds as aforesaid pursuant to DTC's FAST System.

**B. The 2019 Bonds.**

1. The 2019 Bonds shall be as described herein, and will be issued and secured under and pursuant to the Indenture. The Authority adopted a resolution on September 17, 2019 (the "Resolution") authorizing the issuance, sale and delivery of the 2019 Bonds.

2. The Authority has previously issued eleven (11) series of Bonds. Two (2) series of Bonds remain outstanding: (i) the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2009 issued in the original aggregate principal amount of \$354,925,000 (the "2009 Bonds"); and (ii) the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2010 issued in the original aggregate principal amount of \$206,960,000 (the "2010 Bonds"). On or about March 17, 2019, the Authority expects to issue its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 Bonds") and to currently refund and defease all of the 2010 Bonds maturing after June 15, 2020 with the proceeds of the 2020 Bonds.
3. Prior to the execution and delivery of the Eighth Supplemental 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 ("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 and on net profits of businesses, professions and other activities conducted by residents of the City (the "Authority Tax"); (b) an Intergovernmental Cooperation Agreement, dated as of January 8, 1992 (the "Cooperation Agreement"), between 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 2019 Bonds, are outstanding. The Resolution, the Indenture, the Disclosure Agreement (as defined herein), the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Certificate (as defined herein), the City Tax Certifications (as defined herein), the City Account Deposit Agreement, the Agency Letter, and the Disbursement Letter are sometimes herein collectively called the "Bond Documents." The Cooperation Ordinance and the Tax Ordinance are sometimes herein collectively called the "Ordinances."



4. A five-year financial plan of the City, covering Fiscal Years 2020 through 2024 was approved by a Qualified Majority of the Board of the Authority on July 16, 2019 and, including all amendments, supplements or revisions thereto required to be prepared in accordance with the requirements of the Act and the Cooperation Agreement, shall hereinafter be referred to as the "Plan."
5. The Bond Documents and the Ordinances shall be substantially in the forms heretofore submitted to the Representative, with only such changes therein as shall be mutually agreed upon between the Authority and the Representative and as shall be required by the Act, the Resolution and the Ordinances.

**C. Official Statement.**

1. The Authority hereby consents to and confirms the prior use by the Underwriters of the Preliminary Official Statement (in printed or electronic form) dated October 21, 2019 (the "Preliminary Official Statement"), in connection with the public offering of the 2019 Bonds by the Underwriters, and further confirms the authority of the Underwriters to use, and consents to the use of, a final Official Statement (in printed or electronic form) with respect to the 2019 Bonds, to be dated the date hereof, and any amendments or supplements thereto that shall be approved by the Authority and the City (as so amended and supplemented, the "Official Statement") in connection with the public offering and sale of the 2019 Bonds. The Authority, in part based on the Letter of Representations, hereby represents and warrants that the Preliminary Official Statement previously furnished to the Underwriters was "deemed final" by the Authority as of its date for purposes of Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission of the United States (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act") except for the omission of such information as is specified in Rule 15c2-12(b)(1).
2. The Authority shall provide, or cause to be provided, to the Underwriters within seven (7) business days after the date of this Purchase Agreement or one business day prior to the Closing, whichever comes first, ten (10) executed counterparts of the Official Statement, and conformed copies of the Official Statement in "designated electronic format" (as defined in MSRB Rule G-32) and in a sufficient quantity and form to permit the Underwriters to comply with Rule 15c2-12, and other applicable rules of the SEC and the Municipal Securities Rulemaking Board (the "MSRB").
3. The Authority hereby authorizes the Underwriters to file, and the Underwriters hereby agree to file, the Official Statement with the Electronic Municipal Market Access system maintained by the MSRB ("EMMA").
4. The Authority shall also deliver or cause to be delivered to the Underwriters printed copies of the Official Statement after the delivery of the 2019 Bonds upon the request of the Underwriters in quantities sufficient to permit the Underwriters to comply with paragraph (b)(4) of Rule 15c2-12; provided, however, that such



obligation on the part of Authority shall terminate on the earlier of (i) the date which is twenty-five (25) days after the End of the Underwriting Period (as defined in Section H below), and (ii) ninety (90) days after the Closing Date.

**D. Amendments to Official Statement.**

The Authority covenants to promptly notify the Representative if, during the Update Period (as hereinafter defined), any event shall occur, or any information shall come to the attention of the Authority that causes or is reasonably likely to cause the Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to 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 if in the reasonable judgment of the Representative such event requires the preparation and distribution of a supplement or amendment to the Official Statement, to prepare and furnish to the Underwriters, at the Authority's expense, such number of copies of the supplement or amendment to the Official Statement, in form and substance mutually agreed upon by the Authority and the Representative, and approved by the City, as the Representative may reasonably request and if such notification shall be given subsequent to the Closing Date, such additional legal opinions, certificates, instruments, and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement.

**E. Public Offering.**

The Underwriters agree to make a bona fide public offering of all of the 2019 Bonds at prices that do not exceed the initial public offering prices or yields not below the initial public offering yields set forth in the Official Statement, but the Underwriters reserve the right to change such initial prices as they shall deem necessary or desirable, in their sole discretion, in connection with the marketing of the 2019 Bonds (but in all cases subject to the requirements of Paragraph F hereof). The Underwriters may offer and sell the 2019 Bonds to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by one or more of the Underwriters at prices lower than the initial public offering price or prices set forth on the inside cover page of the Official Statement (but in all cases subject to the requirements of Paragraph F hereof). The Underwriters also reserve the right: (i) to over-allot or effect transactions which stabilize or maintain the market price of the 2019 Bonds at levels above those which might otherwise prevail in the open market; and (ii) to discontinue such stabilizing, if commenced, at any time without prior notice.

**F. Issue Price.**

1. The Representative, on behalf of the Underwriters, agrees to assist the Authority and the City in establishing the issue price of the 2019 Bonds and the 2020 Bonds and shall execute and deliver to the Authority and the City on the Closing Date an "issue price" or similar certificate, acceptable to Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania ("Bond Counsel"), substantially in the form attached hereto as Exhibit B, together with the supporting pricing wires or equivalent

communications, with modifications to such certificate as may be deemed appropriate or necessary, in the reasonable judgment of the Representative, the Authority and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2019 Bonds and the 2020 Bonds.

2. Except as otherwise set forth in Exhibit B attached hereto, the Authority will treat the first price at which 10% of each maturity of the 2019 Bonds and the 2020 Bonds (the "10% test") is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Representative shall report to the Authority the price or prices at which the Underwriters have sold to the public each maturity of the 2019 Bonds and the 2020 Bonds. If, as of the date hereof, the 10% test has not been satisfied as to any maturity of the 2019 Bonds, the Representative agrees to promptly report to the Authority the prices at which the Underwriters sell the unsold 2019 Bonds of that maturity to the public. That reporting obligation shall continue until the earlier of the date on which the 10% test has been satisfied as to the 2019 Bonds of that maturity or the Closing Date. For purposes of this Paragraph F.2., if 2019 Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the 2019 Bonds.

Exhibit B and subparagraph (3) apply only if the Representative agrees to apply the hold-the-offering-price rule, as described below.

3. The Representative confirms that the Underwriters have offered the 2019 Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit B attached hereto, except as otherwise set forth therein. Exhibit B also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the 2019 Bonds for which the 10% test has not been satisfied and for which the Authority and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the 2019 Bonds, the Underwriters will neither offer nor sell unsold 2019 Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:
  - (a) the close of the 5<sup>th</sup> business day after the sale date; or
  - (b) the date on which the Underwriters have sold at least 10% of that maturity of the 2019 Bonds to the public at a price that is no higher than the initial offering price to the public.

4. The Representative confirms that:

(a) any AAU (as hereinafter defined), any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the 2019 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

- (i) to (1) report the prices at which it sells to the public the unsold 2019 Bonds of each maturity allocated to it, whether or not the Closing has occurred, until either all 2019 Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the 2019 Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (2) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires;
- (ii) to promptly notify the Representative of any sales of 2019 Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the 2019 Bonds to the public (each such term being used as defined below); and
- (iii) to acknowledge that, unless otherwise advised by an Underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by an Underwriter, dealer or broker-dealer is a sale to the public.

(b) any AAU or selling group agreement relating to the initial sale of the 2019 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the 2019 Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (i) report the prices at which it sells to the public the unsold 2019 Bonds of each maturity allocated to it, whether or not the Closing has occurred, until either all 2019 Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such Underwriter or dealer that the 10% test has been satisfied as to the 2019 Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such Underwriter or dealer, and (ii) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the Underwriters or the dealer and as set forth in the related pricing wires.



5. The Authority acknowledges that, in making the representations set forth in this paragraph, the Representative will rely on (a) the agreement of each Underwriter to comply with the requirements for establishing issue price of the 2019 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2019 Bonds, as set forth in the AAU and the related pricing wires, (b) in the event a selling group has been created in connection with the initial sale of the 2019 Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the 2019 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2019 Bonds, as set forth in a selling group agreement and the related pricing wires, and (c) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the 2019 Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the 2019 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2019 Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the 2019 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2019 Bonds, and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the 2019 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2019 Bonds.
6. The Underwriters acknowledge that sales of any 2019 Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public (each such term being used as defined below) for purposes of this paragraph. Further, for purposes of this Section F only:
- (a) "public" means any person other than an underwriter or a related party,
  - (b) "underwriter" means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2019 Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2019 Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the 2019 Bonds to the public),
  - (c) a purchaser of any of the 2019 Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock,



if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(d) “sale date” means the date of execution of this Purchase Agreement by all parties.

7. The parties acknowledge that provisions substantially similar to those set forth in this Section F will appear in the Forward Delivery Bond Purchase Agreement, between the Authority and the Representative, dated the date hereof, being executed in connection with the Authority’s proposed issuance of the 2020 Bonds. The form of issue price certificate attached hereto as Exhibit B addresses the issue prices related to both the 2019 Bonds and the 2020 Bonds, which are being treated as a single issue for purposes of Section 141 and 148-150 of the Internal Revenue Code of 1986, as amended.

**G. Representation Regarding MSRB Rules G-37 and G-38.**

The Underwriters have heretofore designated the undersigned, RBC Capital Markets, LLC, as their Representative, and the undersigned represents and warrants that it has been duly authorized by the Underwriters in the Agreement Among Underwriters relating to the 2019 Bonds (the “AAU”) to execute this Purchase Agreement and to act hereunder on behalf of the other Underwriters solely for the purpose of carrying out the provisions of this Purchase Agreement; any authority, discretion or other power conferred upon the Underwriters under any of the provisions of this Purchase Agreement may be exercised by the Representative; and the payment for and acceptance of the 2019 Bonds and delivery and presentation of any receipt for the 2019 Bonds and any other instruments in connection with the closing of this transaction solely by the Representative on behalf of the Underwriters shall be valid and sufficient for all purposes and binding upon all of the Underwriters. Based solely on representations and warranties made by each Underwriter in the AAU, on which the Representative is entitled hereunder to rely, the Representative, on behalf of each Underwriter, hereby represents and warrants to the Authority that each Underwriter is registered under the Exchange Act as a broker or dealer, or is exempt from such registration pursuant to rules promulgated, or an order issued, by the SEC, and that each Underwriter is in compliance with the requirements of Rules G-37 and G-38 of the MSRB.

**H. End of Underwriting Period.**

1. For purposes of this Purchase Agreement, the “End of the Underwriting Period” shall mean the earlier of the Closing Date, unless the Authority has been notified in writing to the contrary by the Representative on or prior to the Closing Date, or the

date on which the "end of the underwriting period" for the 2019 Bonds has occurred under Rule 15c2-12. The Underwriters shall comply with all applicable securities laws and rules of the MSRB in connection with the offering and sale of the 2019 Bonds.

2. The Representative shall provide to the Authority upon request such information as may be reasonably required by the Authority in order to determine whether the "end of the underwriting period" for the 2019 Bonds has occurred under Rule 15c2-12 with respect to the unsold balance of 2019 Bonds that are held by any Underwriter for sale to the public within the meaning of Rule 15c2-12.
3. As soon as practicable following receipt thereof, the Representative shall deliver the Official Statement, and any supplement or amendment thereto, to EMMA pursuant to MSRB Rule G-32.

**I. Plan of Financing.**

1. The 2019 Bonds shall be as described in, and will be secured under the terms of the Indenture, substantially in the form delivered to the Representative, with only such changes therein as shall be mutually agreed upon between the Authority and the Representative and approved by the City prior to Closing.
2. The proceeds of the 2019 Bonds, together with certain other available monies, will be applied to: (i) refund all of the Authority's outstanding 2009 Bonds currently outstanding in the aggregate principal amount of \$81,920,000; and (ii) pay the costs of issuing the 2019 Bonds.

**J. Representations and Warranties of the Authority.**

The Authority hereby represents and warrants to the Underwriters that as of the date hereof:

1. The Authority, a public instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and a body corporate and politic, was created pursuant to the Act No. 6 of the General Assembly of the Commonwealth of Pennsylvania approved June 5, 1991 (P.L. 9), as amended, and as it may be amended or supplemented from time to time (the "Act").
2. The Authority has, and at the Closing Date will have, full legal right, power and authority pursuant to the Resolution (a) to enter into, execute and deliver this Purchase Agreement, the Official Statement and each of the Bond Documents to which it is a party, including the Eighth Supplemental Indenture; (b) to issue, sell, and deliver the 2019 Bonds as provided herein; (c) to prepare the Official Statement and to authorize the distribution of the Official Statement by the Underwriters, and (d) to carry out and to consummate the transactions contemplated by this Purchase Agreement, the 2019 Bonds, the Official Statement, any of the Bond Documents to which it is a party, and any and all other agreements relating thereto.

3. The Authority has duly authorized, or prior to the Closing Date will have duly authorized, all necessary action to be taken by it at or prior to the Closing for: (a) the issuance and sale of the 2019 Bonds upon the terms set forth herein, in the Act, in the Resolution and in the Indenture; (b) the execution, issuance and delivery by it of the 2019 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 Agreement; and (c) 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 Agreement, each of the Bond Documents to which it is a party and the 2019 Bonds, and as described in the Official Statement.
4. The Resolution has been duly adopted in accordance with the Act and on the date hereof, is in full force and effect and has not been amended, modified, repealed or rescinded since the date of adoption thereof.
5. On the date the Resolution was adopted and at all times subsequent thereto, in connection with the sale of the 2019 Bonds, the members of the Authority were duly appointed, qualified and elected and are presently acting as members of the Authority. The Resolution was duly adopted by affirmative vote of a qualified majority of the Board of the Authority at a public meeting duly called and held in accordance with all applicable laws and the by-laws of the Authority.
6. Except for information (a) furnished by or with respect to the City set forth in the sections of the Preliminary Official Statement and the Official Statement entitled "INTRODUCTION – The City of Philadelphia, "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX", and "THE AUTHORITY - Operating History"; (b) contained in Appendix B, Appendix C, Appendix G and Appendix J of the Official Statement; (c) with respect to FGIC, any of its affiliates or any other bond insurance company set forth in the Official Statement; and (d) with respect to the Underwriters set forth in the section of the Official Statement entitled "UNDERWRITING"; (e) with respect to DTC set forth in Appendix G; and (f) set forth in the section of the Official Statement entitled "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS - Additional Risks Related to the Forward Delivery Period", as to which no representation is made, the Preliminary Official Statement as of its date, and the Final 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.
7. On and as of the date hereof and, unless an event of the nature described in Section L hereof subsequently occurs, at all times during the period from the date hereof to and including the date which is twenty-five (25) days following the End of the Underwriting Period (the "Update Period"), the information in the Official Statement with respect to the Authority and its affairs set forth under the captions



"INTRODUCTION- The Authority," "THE AUTHORITY" and "LITIGATION" does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein with respect to the Authority and its affairs or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

8. The Authority has complied, and will at the Closing be in compliance, in all respects, with the Act.
9. By official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly authorized and approved the distribution of the Preliminary Official Statement and the execution, delivery, and distribution of the Official Statement and has duly authorized and approved the issuance and sale of the 2019 Bonds upon the terms set forth herein, in the Bond Documents and in the Official Statement, and the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the 2019 Bonds, the Indenture, and this Purchase Agreement.
10. The Authority is not in breach of or in default under its By-Laws, the Act or any applicable law or administrative regulation of the Commonwealth or the United States or any applicable judgment or decree or any loan agreement, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, or by which it or its properties may be bound, and the issuance and sale of the 2019 Bonds upon the terms set forth herein and in the Indenture and the Official Statement, and the execution and delivery by the Authority of the Bond Documents and this Purchase Agreement, and its compliance with the provisions of each thereof and the Bond Documents, will not conflict with or constitute a breach of or default under its By-Laws, the Act or any law, administrative regulation, judgment, decree, indenture, loan agreement, note, resolution, agreement, or other instrument to which the Authority is a party or is otherwise subject.
11. The Authority has heretofore duly authorized the execution and delivery of, and the performance of its obligations under each of the Bond Documents and this Purchase Agreement. The terms and provisions of the Bond Documents and this Purchase Agreement will comply in all respects with the requirements of the Act and, when executed and delivered by the parties thereto, at Closing, each of the Bond Documents and this Purchase Agreement will constitute a valid, binding and legally enforceable obligation of the Authority, except as the same may be limited by bankruptcy, insolvency, reorganization, and other laws affecting creditors' rights generally from time to time in effect, and rights of acceleration, indemnity, and contribution, and the availability of equitable remedies may be limited by equitable principles.
12. Except for the lien created by the Indenture, and a lien in favor of Financial Guaranty Insurance Company ("FGIC"), or its successors or assigns, 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 Agreement 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 Agreement 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

13. All approvals, consents, and orders of any governmental authority, board, agency, or commission having jurisdiction that would constitute a condition precedent to the performance by the Authority of its obligations hereunder, the issuance of the 2019 Bonds, and the execution and delivery and performance by the Authority of the Eighth Supplemental Indenture, and the performance by the Authority pursuant to the Indenture, have been obtained or will be obtained prior to the Closing, except that the offer and sale of the 2019 Bonds in certain jurisdictions may be subject to compliance with the provisions of the securities or blue sky laws of such jurisdictions.
14. The 2019 Bonds, when issued, authenticated, and delivered in accordance with the Resolution, this Purchase Agreement and the Indenture and sold to the Underwriters as provided herein, will be the duly authorized, legal, valid, and binding limited obligations of the Authority, enforceable against the Authority in accordance with their terms, issued in conformity with and entitled to the benefits and security therefor contained in the 2019 Bonds, the Act, the Resolution, and the Indenture, except as the same may be limited by bankruptcy, insolvency, reorganization, and other laws affecting creditors' rights generally from time to time in effect, and except that rights of indemnity and contribution, and the availability of equitable remedies may be limited by sovereign immunity, public policy and equitable principles. The Bond Documents to which the Authority is a party and this Purchase Agreement, when executed and delivered, will be duly authorized and validly executed binding limited obligations of the Authority and enforceable in accordance with their terms except as enforceability or remedies provided therein may be affected by bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights generally, and except that rights of indemnity and contribution, and the availability of equitable remedies may be limited by sovereign immunity, public policy and equitable principles.
15. Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body, pending or, to the knowledge of the Authority, threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to prohibit, restrain, or enjoin the issuance, sale, or delivery of the 2019 Bonds or the collection of the revenues or assets of the Authority pledged or to be pledged to pay the principal of and interest on the 2019 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the 2019 Bonds, the Bond Documents or this Purchase Agreement or contesting in any

way the completeness or accuracy of the Preliminary Official Statement, or the Official Statement, or any amendment or supplement thereto, or contesting the power or authority of the Authority to issue the 2019 Bonds or to execute and deliver the Bonds Documents or this Purchase Agreement, or wherein an unfavorable decision, ruling, or finding would materially adversely affect the validity or enforceability of the 2019 Bonds, the Bond Documents or this Purchase Agreement.

16. The proceeds received from the sale of the 2019 Bonds shall be used in accordance with the Act and the Indenture and as set forth in the Preliminary Official Statement and the Official Statement.
17. Any certificate signed by an authorized officer of the Authority and delivered to the Representative shall be deemed a representation and warranty of the Authority to the Underwriters as to the statements made therein.
18. The financial statements of, and other financial information regarding the Authority, in the Official Statement fairly present the financial position and results of operations of the Authority as of the dates and for the periods therein set forth. Prior to the Closing Date, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Authority.
19. The Authority is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Authority, would have a materially adverse effect on the financial condition of the Authority.

**K. Covenants of the Authority.**

The Authority hereby covenants and agrees with the Underwriters that:

1. The Authority shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Representative.
2. The Authority shall not amend, terminate, or rescind and will not agree to any amendment, termination or rescission of the Resolution, the Bond Documents or this Purchase Agreement prior to the Closing Date without the prior written consent of the Representative.
3. The Authority shall promptly advise the Representative by written notice of any matter arising or discovered after the date of this Purchase Agreement and prior to the Closing Date that if existing or known at the date hereof would render any of the representations or warranties set forth herein to be untrue or misleading or would cause the Official Statement to contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or any developments that affect the accuracy and completeness of the information

regarding the Authority contained in the Official Statement that may occur during the Update Period.

4. Concurrent with the Authority's acceptance hereof, the Authority will deliver or cause to be delivered to the Representative the Letter of Representations in the form attached as Exhibit A, dated the date hereof and signed by the Director of Finance of the City.
5. The Authority will notify the Representative of any notice received by the Authority pursuant to paragraph 16 of the Letter of Representation from the Director of Finance of the City. If, in the opinion of the Representative, such notice requires a supplement or amendment to the Official Statement, the Authority will cause, at the City's expense, the Official Statement to be supplemented or amended in a form and in a manner jointly approved by the Authority, the City and the Representative and furnish the Underwriters with a reasonable number of copies of the Official Statement as so supplemented or amended.
6. Prior to the Closing Date, the Authority shall not create, assume or guarantee any indebtedness payable from, or pledge or otherwise encumber, the revenues, assets, properties, funds or interests that are or will be pledged pursuant to the Indenture, except for the 2019 Bonds and as permitted under the Indenture.
7. The Authority shall not voluntarily undertake any course of action inconsistent with satisfaction of the requirements applicable to the Authority as set forth in this Purchase Agreement.
8. The Authority shall cooperate with the Underwriters in the qualification of the 2019 Bonds for offering and sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriters may designate; provided that Authority will not be required to consent to service of process, register as a foreign corporation in any other jurisdiction, submit to the general jurisdiction of another state or waive any sovereign immunity.
9. The Authority shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exemption from state and federal income taxation of interest on the 2019 Bonds.
10. The representations and warranties of the Authority set forth herein shall be true and correct on the Closing Date and shall survive the Closing.

**L. Certain Conditions to Underwriters' Obligations.**

The Underwriters have entered into this Purchase Agreement in reliance upon the representations, warranties, and agreements of the Authority contained herein and of the City contained in the Letter of Representations, and upon the accuracy of the statements to be contained in the documents and instruments to be delivered at the Closing. Accordingly, the Underwriters' obligations under this Purchase Agreement to purchase, accept delivery of, and pay for the 2019 Bonds are subject to the performance by the Authority of its



obligations hereunder required to be performed at or prior to the Closing Date, and to the following additional conditions precedent:

1. On the Closing Date, 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 as if made on and as of the Closing Date; the Official Statement shall have been executed and delivered by the Authority; the Bond Documents shall have been duly executed and delivered by the appropriate parties thereto, shall be in full force and effect, and shall not have been amended, modified, or supplemented, except as may have been agreed to in writing by the Representative; the proceeds of the sale of the 2019 Bonds shall have been paid to the Trustee for deposit for use as described in the Official Statement and in the Indenture; and the Authority shall have adopted and there shall be in full force and effect such resolutions as, in the opinions of Bond Counsel and Ahmad Zaffarese LLC, counsel for the Underwriters, shall be necessary in connection with the transactions contemplated hereby.
2. The Representative shall have the right to cancel the Underwriters obligation to purchase the 2019 Bonds if between the date hereof and the Closing:
  - (a) legislation shall have been enacted or introduced by the Congress of the United States or the legislature of the Commonwealth or shall have been reported out of a committee of either body or be pending in a committee of either body, or a decision shall have been rendered by a court of the United States or the Commonwealth or the Tax Court of the United States, or a ruling, resolution, regulation, or temporary regulation, release, or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or any other federal or any state authority, with respect to federal or state taxation upon interest received on obligations of the general character of the 2019 Bonds, or which would have the effect of changing directly or indirectly the federal or state income tax consequences of interest on bonds of the general character of the 2019 Bonds in the hands of the holders thereof, which legislation, ruling, regulation or official statement would, in the Representative's reasonable judgment, materially adversely affect the market for the 2019 Bonds, or the market price generally of obligations of the general character of the 2019 Bonds, or the ability of the Underwriters to enforce contracts for sale of the 2019 Bonds; or
  - (b) there shall exist any event or circumstance that in the Representative's sole and reasonable judgment makes the Preliminary Official Statement or the Official Statement contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, and in either such event, the Authority refuses to permit the Preliminary Official Statement or the Official Statement to be



supplemented or amended to correct or supply such statement or information; or the effect of the Official Statement as so supplemented is to, in the Representative's sole and reasonable judgment, materially adversely affect the market price or marketability of the 2019 Bonds or the ability of the Underwriters to enforce contracts for the sale of the 2019 Bonds; or

- (c) there shall have occurred (1) a new outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war; or (2) any other calamity or crisis or any change in the financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (1) or (2), in the reasonable judgment of the Representative, makes it impracticable or inadvisable to proceed with the offering or the delivery of the 2019 Bonds on the terms and in the manner contemplated in the Preliminary Official Statement or the Official Statement; or
- (d) there shall 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 determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction that, in the Representative's reasonable judgment, makes it impracticable for the Underwriters to market the 2019 Bonds or enforce contracts for the sale of the 2019 Bonds; or
- (e) a general banking moratorium shall have been declared by federal or state authorities having jurisdiction and be in force or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred that, in the Representative's reasonable judgment makes it impracticable for the Underwriters to market the 2019 Bonds or enforce contracts for the sale of the 2019 Bonds; or
- (f) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation, or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the 2019 Bonds, or any comparable securities of the Authority, or any obligations of the general character of the 2019 Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect (the "Securities Act") or the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended and as then in effect, or otherwise, or would be in violation of any provision of the federal securities laws; or

- (g) there shall have been any material adverse change in the affairs of the Authority or the City that, in the Representative's reasonable judgment, will materially adversely affect the market for the 2019 Bonds or the ability of the Underwriters to enforce contracts for the sale of the 2019 Bonds; or
- (h) there shall be established any new restriction on transactions in securities, that in the Representative's reasonable judgment, materially affects the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a change to the net capital requirements of, underwriters established by the New York Stock Exchange, the SEC, any other federal or Commonwealth agency or the Congress of the United States, or by Executive Order; or
- (i) a decision by a court of the United States shall have been rendered or a stop order, release, regulation, or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering, or sale of the 2019 Bonds, or any document relating to the issuance, offering or sale of the 2019 Bonds is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange Act, and the Trust Indenture Act of 1939, as amended; or
- (j) there shall have occurred, after the signing hereof, either a financial crisis or a default with respect to the debt obligations of the Authority, or proceedings under the bankruptcy laws of the United States or of the Commonwealth shall have been instituted by the Authority, in either case the effect of which, in the reasonable judgment of the Representative, is such as to materially and adversely affect the market price or the marketability of the 2019 Bonds or the ability of the Underwriters to enforce contracts for the sale of the 2019 Bonds; or
- (k) the Representative determines, in its sole discretion, that any modification or lack of modification to the text of any legal opinion required to be delivered hereunder, would have a material adverse effect on the marketability of the 2019 Bonds; or
- (l) there shall have occurred or any notice shall have been given of any intended review, withdrawal, downgrading or negative change in the credit watch status of the underlying bond rating assigned to the Authority or the rating assigned to any of the Authority's debt obligations, which in the reasonable judgment of the Representative, materially and adversely affects the ability of the Underwriters to market the 2019 Bonds at the contemplated offering prices or to enforce contracts of the sale of the 2019 Bonds; or
- (m) the Authority fails to timely deliver the Official Statement.

Upon the occurrence of an event listed in Section L.2. and the termination of this Purchase Agreement by the Representative, all obligations of the Authority, the City and the Underwriters under this Purchase Agreement shall terminate, without further liability, except that: (i) the Authority shall promptly return the Good Faith Deposit to the Representative, in accordance with Section A.2. of this Purchase Agreement and (ii) the Authority and the Underwriters shall pay their respective expenses as set forth in Section M of this Purchase Agreement.

3. At or prior to the Closing, the Representative shall receive the following:
  - (a) A copy of the Resolution, certified by an authorized officer of the Authority as having been duly adopted by the Board of the Authority 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 date of its adoption.
  - (b) Copies of the Bond Documents, each signed by the applicable parties thereto, together with an executed certificate of an Authorized Officer 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.
  - (c) A copy of the Plan (i) signed by the Mayor of the City and being in full force and effect as of the date of Closing and (ii) 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.
  - (d) Copies of the Ordinances, with applicable notices (if such notices are available from the City), 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.
  - (e) The approving opinion of Bond Counsel, addressed to the Representative and the Trustee or a letter permitting reliance thereon, dated the Closing Date and in substantially the form set forth as Appendix E to the Official Statement, with only such changes thereto as are reasonably satisfactory to the Representative.
  - (f) A supplemental opinion of Bond Counsel, dated the Closing Date, addressed to the Representative, in substantially the form set forth as



Exhibit C hereto, with only such changes thereto as are reasonably satisfactory to the Representative.

- (g) The opinion of Counsel to the Authority, addressed to the Representative, dated the Closing Date in substantially the form set forth as Exhibit F hereto, with only such changes as are reasonably satisfactory to the Representative, and with an appropriate reliance letter addressed to the Bond Counsel and the Trustee.
- (h) a certificate dated the date of the Closing and signed by an Authorized Officer of the Authority, in form and substance satisfactory to the Representative, in which such officers shall state that, to the best of their knowledge after reasonable investigation: (i) 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; (ii) the representations and warranties of the Authority contained in this Purchase Agreement are true and correct as of the Closing; (iii) the Official Statement, except for information (a) furnished by or with respect to the City set forth in the sections of the Preliminary Official Statement and the Official Statement entitled "INTRODUCTION – The City of Philadelphia, "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX", and "THE AUTHORITY - Operating History"; (b) contained in Appendix B, Appendix C, Appendix G and Appendix J of the Official Statement; (c) with respect to FGIC, any of its affiliates or any other bond insurance company set forth in the Official Statement; and (d) with respect to the Underwriters set forth in the section of the Official Statement entitled "UNDERWRITING"; (e) with respect to DTC set forth in Appendix G; and (f) set forth in the section of the Official Statement entitled "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS - Additional Risks Related to the Forward Delivery Period", 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; (iv) no litigation is pending against the Authority (A) to restrain or enjoin the issuance or delivery of any of the 2019 Bonds or the pledge or collection of revenues pledged under the Indenture, (B) in any way contesting or affecting any authority for issuance of the 2019 Bonds, the Bond Documents or this Purchase Agreement, or the validity of the Resolution or (C) in any way contesting the existence or powers of the Authority; (v) except as may have been disclosed to the Representative, 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 (vi) 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 2019 Bonds.

- (i) The opinion of the City Solicitor, dated the Closing Date, addressed to the Representative, the Trustee, Bond Counsel and the Authority, in form and substance as attached hereto in Exhibit D.
- (j) The opinion of Ahmad Zaffarese LLC, dated the Closing Date, addressed to the Representative, in form and substance satisfactory to the Representative.
- (k) A certificate of an officer of the Trustee, acceptable to the Representative, dated the Closing Date, to the effect that the Eighth Supplemental Indenture has been duly authorized, executed and delivered by the Trustee, and, assuming due authorization, execution and delivery thereof by the Authority, constitutes the valid and binding agreement of the Trustee, enforceable against the Trustee in accordance with its terms, and the 2019 Bonds have been authenticated in accordance with the Indenture by duly authorized officers or signatories of the Trustee; and an incumbency certificate of the Trustee, in form and content acceptable to the Representative and Bond Counsel, dated the Closing Date, with respect to the officers or other signatories of the Trustee who have executed, authenticated and delivered the 2019 Bonds, the Indenture, and all other financing documents to be signed by the Trustee.
- (l) 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.
- (m) A letter from S&P Global Ratings assigning the uninsured rating to the 2019 Bonds of "AAA", which rating remains in effect on the Closing Date.
- (n) A letter from Fitch Ratings assigning the uninsured rating to the 2019 Bonds of "AAA", which remains in effect on the Closing Date.
- (o) The Official Statement, executed on behalf of the Authority by a duly Authorized Officer thereof.
- (p) A copy of the fully executed Continuing Disclosure Agreement entered into by the Authority (the "Disclosure Agreement").
- (q) Copies of the By-Laws of the Authority as amended through the Closing Date, and of the Resolution of the Authority authorizing the execution and delivery of the 2019 Bonds, the Eighth Supplemental Indenture, and this

Purchase Agreement, all certified by the Secretary or Assistant Secretary of the Authority.

- (r) A copy of the fully executed Letter of Representations of the City in the form set forth in Exhibit A of this Purchase Agreement.
- (s) A certificate dated the Closing Date, of the Director of Finance, to the effect that: (i) the representations and warranties contained in the Letter of Representations of the City are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) 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; (iii) there has been no material adverse change in the financial condition of the City since the date of the Final Official Statement which has not been disclosed in the Official Statement; and (iv) the City has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing.
- (t) Certificates of Phoenix Capital Partners, LLP, Philadelphia, Pennsylvania, and PFM Advisors LLC, Philadelphia, Pennsylvania, dated the Closing Date, addressed to the Authority, and in substantially the form attached hereto as Exhibit E, with only such changes thereto as are satisfactory to the Representative.
- (u) The Authority's Blanket Letter of Representations to DTC.
- (v) A copy of the fully executed Disbursement Letter.
- (w) Copies of the Original Indenture and all amendments and supplements thereto, including executed counterparts of the Eighth Supplemental Indenture, executed by the parties thereto.
- (x) Specimens of the 2019 Bonds.
- (y) 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.
- (z) A letter from Maher Duessel addressed to the Authority, consenting to the inclusion of their report on the audited financial statements of the Authority in Appendix A of the Official Statement.
- (aa) (i) A federal tax certificate executed by an authorized officer of the Authority in a form and substance acceptable to Bond Counsel (the "Tax Compliance Certificate"), (ii) the Certifications of the City with respect to the Tax Compliance Certificate (the "City Tax Certifications"), (iii) an

Internal Revenue Service Form 8038-G for the 2019 Bonds executed by an authorized officer of the Authority and the preparer of the Form, and (iv) an issue price certificate executed by the Representative in the form of Exhibit B hereto.

- (bb) Those items required by the Indenture for the prepayment and/or refunding in full of the 2009 Bonds.
  - (cc) Such additional legal opinions, certificates, instruments and other documents as Bond Counsel and the Representative shall reasonably request in form and substance satisfactory to the Representative, Bond Counsel and Counsel to the Underwriters.
- 4. Except as otherwise expressly provided in this Purchase Agreement, all of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative.
  - 5. If the Authority shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Agreement, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriters nor the Authority shall have any further obligations hereunder, except as provided in Sections A.2 and M hereof. However, the Representative may in its discretion waive one or more of the conditions imposed by this Purchase Agreement for the protection of the Underwriters and proceed with the Closing.

**M. Payment of Expenses.**

- 1. The Underwriters shall be under no obligation to pay, and the Authority shall direct the Trustee under the Indenture to pay from, and only to the extent of the availability of, the proceeds of the 2019 Bonds, certain expenses set forth in this Section that are incidental to the performance of the Authority's obligations hereunder, including but not limited to: all expenses in connection with the printing of the Preliminary Official Statement, the Official Statement, and any amendment or supplement to either thereof; all expenses in connection with the printing, issuance, and delivery of the 2019 Bonds; the fees and disbursements of Bond Counsel, Authority's Counsel, and auditors; the fees and disbursements of the Trustee and its counsel; all expenses in connection with obtaining a rating or ratings for the 2019 Bonds; all expenses of the Authority in connection with the preparation, printing, execution, and delivery, and any recording or filing required by Bond Counsel of the Eighth Supplemental Indenture, the Disclosure Agreement, this Purchase Agreement, and any financing statement or notice with respect thereto; and all other expenses and costs of the Authority incident to its obligations in connection with the authorization, issuance, sale, and distribution of the 2019 Bonds. The Authority acknowledges that it has had an opportunity, in consultation



with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the 2019 Bonds.

2. The Underwriters shall pay the costs of qualifying the 2019 Bonds for sale in various states chosen by the Underwriters, all advertising expenses in connection with the public offering of the 2019 Bonds, and all other expenses incurred by the Representative or the other Underwriters in connection with the public offering and distribution of the 2019 Bonds, including the fees and disbursements of their counsel. The Authority acknowledges that a portion of the Underwriter's discount is intended to reimburse the Underwriters for incidental expenses (including, but not limited to, transportation, lodging and meals of the Underwriters' personnel) incurred by the Underwriters (on their own behalf and/or on behalf of the Underwriters' personnel) in connection with the execution of the transaction contemplated by this Purchase Agreement.

**N. Blue Sky Qualification.**

The Authority agrees to cooperate with the Representative and its counsel in any endeavor to qualify the 2019 Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Representative may request; provided that the Authority shall not be required to qualify as a foreign corporation, consent to service of process, waive any sovereign immunity or submit to the general jurisdiction of any other state. The Authority consents to the use of the Preliminary Official Statement and the Official Statement by the Underwriters in obtaining such qualification.

**O. Notices.**

All notices provided for in this Purchase Agreement shall be made in writing either by actual delivery of the notice into the hands of the parties entitled thereto, by confirmed facsimile transmission, or by sending the notice by air courier or mailing by certified or registered mail, return receipt requested, in the United States mail to the address as stated below (or to such other address as may have been designated by written notice) of the party entitled thereto. The notice shall be deemed to be received in case of actual delivery on the date of its actual receipt by the party entitled thereto, in case of delivery by facsimile, on the date receipt is confirmed, in case of delivery by air courier on the date of delivery, and in case of mailing on the date of receipt by United States mail, postage prepaid.

All communications hereunder, except as herein otherwise specifically provided, shall be in writing and mailed or delivered to the Authority at the address set forth above and to the Representative and the City at the following addresses:

RBC Capital Markets, LLC  
200 Vesey Street  
9<sup>th</sup> Floor  
New York, New York 10281



with a copy to:

The City of Philadelphia  
1401 John F. Kennedy Boulevard  
Room 1330, Municipal Services Building  
Philadelphia, Pennsylvania 19102  
Attention: Director of Finance

with a copy to:

The City of Philadelphia  
Law Department  
One Parkway, 17<sup>th</sup> Floor  
Philadelphia, Pennsylvania 19102  
Attention: City Solicitor

**P. No Fiduciary Duty.**

The Authority acknowledges and agrees that: (i) the primary role of the Underwriters is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Authority and the Underwriters and that the Underwriters have financial and other interests that differ from those of the Authority; (ii) none of the Underwriters were acting as a municipal advisor, financial advisor, or fiduciary to the Authority and have not assumed any advisory or fiduciary responsibility to the Authority with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether any of the Underwriters have provided other services or are currently providing other services to the Authority on other matters); (iii) the only obligations the Underwriters have to the Authority with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement or pursuant to applicable law and regulations; and (iv) the Authority has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

**Q. Governing Law.**

This Purchase Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

**R. Parties Benefited.**

This Purchase Agreement is made solely for the benefit of the signatories hereto (including the successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. The term "successor" shall not include any holder of any 2019 Bonds merely by virtue of such holding. The terms "successors" and "assigns" as used herein shall not include any purchaser, as such purchaser, of any of the 2019 Bonds from the Underwriters.

**S. Entire Agreement.**

This Purchase Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby, and supersedes all prior agreements and understandings between the parties. This Purchase Agreement shall only be amended, supplemented or modified in a writing signed by both of the parties and approved in writing by the City.

**T. Limited Obligations.**

The obligations and agreements of the Authority contained herein shall constitute limited obligations of the Authority and the liability of the Authority hereunder is strictly limited to the amounts payable only out of the revenues from the Authority Income Tax, the proceeds of the 2019 Bonds and other funds available under the Indenture. The obligations and agreements of the Authority shall not be deemed the obligations and agreements of any elected or appointed official, director, officer, agent or employee of the Authority in his or her individual capacity, and the elected or appointed directors, officers, agents and employees of the Authority shall not be liable personally hereon or be subject to any personal liability or accountability based upon or in respect hereof.

**U. Counterparts.**

This Purchase Agreement may be executed in counterparts with the same force and effect as if all signatures appeared on a single instrument.

[Remainder of page intentionally left blank.]

Very truly yours,

RBC CAPITAL MARKETS, LLC  
as Representative

By:   
Name: Daniel O'Brien  
Title: Director

ACCEPTED at [ 5:00 ] [ a.m. ~~(p.m.)~~ ] E.S.T. this [ 29<sup>th</sup> ] day of October, 2019:

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: \_\_\_\_\_

*Kevin Vaughan*

Kevin Vaughan,  
Chairperson of the Board



**APPENDIX I**

**Underwriters**

**RBC Capital Markets, LLC**

**PNC Capital Markets**

**Siebert Cisneros Shank & Co, LLC**

## APPENDIX II

### Maturity Schedule

	<u>Maturity Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
Bond Component PICA Series 2019 Serial Bonds:	06/15/2021	\$9,860,000	5.000%	1.230%	105.708
	06/15/2022	\$10,355,000	5.000%	1.230%	109.374
	06/15/2023	\$10,870,000	5.000%	1.260%	112.884

**EXHIBIT A**  
**LETTER OF REPRESENTATIONS**

October 29, 2019

RBC Capital Markets, LLC,  
As Representative for the Underwriters

Pennsylvania Intergovernmental  
Cooperation Authority  
1500 Walnut Street  
Suite 1600  
Philadelphia, PA 19102

Re: \$31,085,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax  
Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of  
2019

Ladies and Gentlemen:

Pursuant to the Bond Purchase Agreement of even date herewith (the "Purchase Agreement") between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and RBC Capital Markets, LLC, on behalf of itself and as Representative (the "Representative") of the Underwriters specified therein (the "Underwriters"), the Authority has agreed, *inter alia*, to sell to the Underwriters the above captioned bonds (the "2019 Bonds"), and the Underwriters have agreed to purchase said 2019 Bonds upon the terms and conditions set forth in the Purchase Agreement. Unless otherwise defined herein, the terms defined in the Purchase Agreement are used herein with the same meanings. This Letter of Representations is delivered to you pursuant to the Purchase Agreement.

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 City of Philadelphia (the "City") approves of the terms and conditions upon which the 2019 Bonds are being sold to the Underwriters as set forth in the Purchase Agreement, without waiving any of the City's rights due to provisions of Section S. thereof;
2. The City has duly and validly acknowledged and approved the Official Statement;
3. The City has duly and validly authorized and approved the execution and delivery of the Cooperation Agreement, the Tax Collection Agreement and the City Tax Certifications, and the performance by the City of its obligations, covenants and agreements contained therein;

4. The City has duly and validly acknowledged and approved the City Account Deposit Agreement;

5. The City had and has full legal right, power and authority to enter into the City Cooperation Agreement and the Tax Collection Agreement and has duly authorized the execution and delivery of, and the performance of its obligations under, this Letter of Representations, the Cooperation Agreement, the Tax Collection Agreement and the City Tax Certifications (collectively, the "City Agreements"). Each of the City Agreements constitutes a valid, binding and legally enforceable obligation of the City, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, and other laws affecting creditors' rights generally from time to time in effect, and rights of acceleration, indemnity, and contribution, and the availability of equitable remedies may be affected by equitable principles. The City has, and at the date of Closing will have, full legal right, power and authority to perform its obligations under the City Agreements.

6. The Ordinances have been duly and validly enacted or adopted, as applicable, by the City Council and approved by the Mayor, all in accordance with the City's Home Rule Charter and Code of General Ordinances and all applicable laws of the Commonwealth, are in full force and effect and have not been modified, amended, repealed or rescinded since the date of enactment.

7. 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 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 of the Commonwealth 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.

8. 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;

9. Except as otherwise disclosed in the Preliminary Official Statement and 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 adversely affect the financial condition or results of operations of the City as a whole.

10. 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;

11. The execution and delivery of the City Tax Certifications 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;

12. 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;

13. The City is currently in compliance in all material respects with its previous undertakings with regard to continuing disclosure.

14. The execution and delivery of, and compliance with the terms of this Letter of Representations and the Official Statement by the City, will not, constitute a breach of or default under the City's Home Rule Charter, the Code of General Ordinances, the Ordinance or any existing applicable law or administrative regulation (except that no representation or warranty is made in this paragraph 14 as to any federal or state securities law) or the Constitution of the Commonwealth or the United States or any applicable judgment or decree and will 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.

15. The information with respect to the City contained in the Preliminary Official Statement and in the Official Statement, as of its date, and at the time of acceptance hereof, under the captions "INTRODUCTION – The City of Philadelphia", and in Appendix B and Appendix C, did not, 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.

16. The City will notify the Representative, and the Authority, to the extent not disclosed in the Preliminary Official Statement or 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 the Update Period and will promptly notify the Representative if, during the Update Period, any event shall occur, or information come to its attention that would cause the Official Statement (whether or not previously supplemented or

amended) to contain any untrue statement of a material fact or to 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.

17. 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.

18. The City agrees to comply with and acknowledges its obligation to provide the Authority and the Underwriters with certain certifications and updating information in connection with the preparation of the Official Statement (including any amendments or supplements thereto) at the Closing of the 2019 Bonds, all as set forth in the Purchase Agreement.

19. Based solely on the information provided to me by the Law Department of the City (the "Law Department") after inquiry within the Law Department, except for litigation which in the opinion of the Law Department is without merit, and except as disclosed in the Preliminary Official Statement, to be disclosed in the Official Statement, no litigation or other legal proceeding is pending against the City or, to the best of the Law Department's knowledge, threatened in writing against the City:

(i) to restrain or enjoin the issuance or sale of the 2019 Bonds or the City's execution or delivery of, or performance under the Bond Documents, this Letter of Representations or in any way contesting any authority for or the validity or enforceability of the 2019 Bonds or the Ordinances; 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 results of 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 Preliminary Official Statement or the Official Statement; or

(iv) contesting in any way the validity or enforceability of the City's obligations under the Cooperation Agreement, the Tax Collection Agreement or this Letter of Representations; or

(v) in any way challenging the right of the Director of Finance or the City Treasurer 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 Agreement or herein to hold his or her office, or the respective powers of such offices.

20. The City agrees and acknowledges that: (a) the primary role of the Underwriters is to purchase securities for resale to investors, in an arm's-length commercial transaction between the Authority and the Underwriters and that the Underwriters have financial and other interests that differ from those of the Authority and the City; (b) with respect to the engagement of the Underwriters by the Authority, including in connection with the purchase, sale and offering of the

2019 Bonds, and the discussions, conferences, negotiations and undertakings in connection therewith, each of the Underwriters is and has been acting as a principal and not an agent or municipal or financial advisor of, or fiduciary to, the Authority or the City; (c) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate; and (d) the Purchase Agreement and this Letter of Representations express the entire relationship among the Underwriters, the Authority and the City with respect to the sale and offering of the 2019 Bonds.

This Letter of Representations is made solely for the benefit of the addressees hereof and the signatories hereto (including the successors and assigns of any 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 2019 Bonds from the Underwriters or otherwise.

All representations, warranties and agreements in this Letter of Representations shall remain operative and survive the execution hereof.

Very truly yours,

THE CITY OF PHILADELPHIA

By: \_\_\_\_\_



Rob Dubow,  
Director of Finance



This Letter of Representations is acknowledged and accepted October 29, 2019

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: Kevin Vaughan  
Kevin Vaughan,  
Chairperson of the Board

**RBC CAPITAL MARKETS, LLC,**  
*as Representative of the Underwriters*

By: \_\_\_\_\_  
Daniel O'Brien,  
Director

This Letter of Representations is acknowledged and accepted October 29, 2019

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: \_\_\_\_\_  
Kevin Vaughan,  
Chairperson of the Board

**RBC CAPITAL MARKETS, LLC,**  
*as Representative of the Underwriters*

By:  \_\_\_\_\_  
Daniel O'Brien,  
Director

## EXHIBIT B

### FORM OF ISSUE PRICE CERTIFICATE

#### PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM)

\$31,085,000  
Series of 2019

\$24,990,000  
Series of 2020  
(Forward Delivery)

The undersigned, on behalf of RBC Capital Markets, LLC and as representative (the "Representative") of the other underwriters (together, the "Underwriting Group") of the above-captioned bonds (the "Bonds"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned Bonds.

1. ***Sale of the Bonds.*** As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."

(a) ***Issuer*** means Pennsylvania Intergovernmental Cooperation Authority.

(b) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) ***Sale Date*** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 29, 2019.

(e) ***Underwriter*** means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

3. **Yield.** The yield on the Bonds is \_\_\_\_\_%. For this purpose, the term "yield" refers to that discount rate that, when used in computing the present value as of the date hereof of all expected payments of principal and interest on the Bonds produces an amount equal to the present value, using the same.

4. **Weighted Average Maturity.** The weighted average maturity ("WAM") of the Bonds has been calculated to be \_\_\_\_\_ years. The WAM is the sum of the products of the Issue Price of each maturity and the number of years to maturity (determined separately for each maturity and by taking into account mandatory redemptions) as of the date hereof, divided by the aggregate Issue Price of the Bonds.

The WAM of the 2019 Bonds is \_\_\_\_\_ years. The WAM of the 2020 Bonds is \_\_\_\_\_ years.

5. **Remaining Weighted Average Maturity.** We have been requested by the Authority to calculate the remaining WAM of the 2009 Bonds being refunded by the 2019 Bonds and the remaining WAM of the Refunded 2010 Bonds (together with the 2009 Bonds, the "Refunded Bonds") being refunded by the 2020 Bonds. For this purpose, the term "remaining WAM" of the Refunded Bonds is the sum of the products of the issue price of each maturity of such bonds and the number of years to maturity (determined separately for each maturity and by taking into account mandatory redemptions or prepayments), divided by the aggregate issue price of the Refunded Bonds, as of the date hereof. We have computed the remaining WAM of the Refunded Bonds to be not less than \_\_\_\_\_ years.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Authority with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania, bond counsel in connection with rendering their opinions that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice they may give to the Authority from time to time relating to the Bonds. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.



RBC CAPITAL MARKETS, LLC

By: \_\_\_\_\_  
Name:  
Title:

Dated: \_\_\_\_\_, 2019

## **EXHIBIT C**

### **Form of Supplemental Opinion of Bond Counsel**

#### **Points to be covered in Supplemental Opinion of Bond Counsel**

(Terms defined in the Bond Purchase Agreement are used herein with the same meanings.)

1. The Purchase Agreement has been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery by and enforceability against the other parties thereto, constitutes a legal, valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as enforcement may be limited by laws relating to bankruptcy, reorganization, insolvency, receivership, arrangement, moratorium and other laws affecting creditors' rights, by equitable principles whether considered at law or in equity, and by the exercise of judicial discretion in appropriate cases.

2. The statements contained in the subsections of the Official Statement captioned "INTRODUCTION – Authorization to Issue the 2019/2020 Bonds" and "Sources of Payment and Security for the 2019/2020 Bonds," "THE 2019/2020 BONDS" and "SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS" and Appendix D thereto, insofar as they relate to (A) the 2019/2020 Bonds, (B) the Ordinances, (C) the Bond Documents, (D) certain federal and Commonwealth statutes relating to bankruptcy and remedies of bondholders, and (E) the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, accurately summarize the terms and provisions purported to be summarized therein in all material respects. The statements appearing in the Official Statement under the caption "TAX MATTERS" accurately reflect the opinion of Bond Counsel as to the application of federal and Commonwealth tax law summarized therein in all material respects. No opinion is given with respect to any tabular, numerical, financial or statistical data or projections contained in such portions of the Official Statement.

3. The 2019 Bonds are exempt from the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

## EXHIBIT D

### Form of City Solicitor's Opinion

[LAW DEPARTMENT LETTERHEAD]

December 3, 2019

RBC Capital Markets, LLC,  
as Representative of the Underwriters  
200 Vesey Street, 9th Floor  
New York, New York 10281

Saul Ewing Arnstein & Lehr LLP  
Center Square West  
1500 Market Street, 38th Floor  
Philadelphia, Pennsylvania 19102

U.S. Bank National Association, as Trustee  
(the "Trustee")  
Two Liberty Place  
50th South 16th St., Ste. 2000  
Philadelphia, Pennsylvania 19102

Pennsylvania Intergovernmental  
Cooperation Authority  
1500 Walnut Street, Suite 1600  
Philadelphia, Pennsylvania 19102

Re: \$31,085,000 Pennsylvania Intergovernmental Cooperation Authority (the  
"Authority") Special Tax Revenue Refunding Bonds (City of Philadelphia  
Funding Program), Series of 2019 (the "2019 Bonds")

To the Above-Named Addressees:

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 (the "Authority") of its \$31,085,000 aggregate principal amount Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "Bonds"). This opinion is being delivered to you pursuant to Section L.(4)(i) of the Bond Purchase Agreement dated October 29, 2019, between the Authority and RBC Capital Markets, LLC, as representative to the Underwriters named therein (the "Purchase Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Agreement.

In rendering the opinions expressed below, the Department has examined such proceedings, documents, statutes, and ordinances as the Department deemed necessary as the basis for the opinions hereinafter expressed, including:

- (1) certified copies of the Ordinances;

- (2) a fully executed copy of the Letter of Representations;
- (3) a fully executed copy of the Cooperation Agreement;
- (4) a fully executed copy of the Tax Collection Agreement;
- (5) a fully executed copy of the Certificate of the City attached to the Tax Compliance Certificate;
- (6) the Official Statement; and
- (7) 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 on June 5, 1991, as amended (the "PICA Act").

As to certain factual matters material to the opinions hereinafter expressed, the Department has 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. The Department has 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. The Department has 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 PICA 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 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 of the Commonwealth 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 PICA Act and the Philadelphia Home Rule Charter to execute and deliver the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement, and the Certificate of the City attached to the Tax Compliance Certificate. The Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate or the Tax Collection Agreement, or in any way contesting the validity or enforceability of the Cooperation Agreement, the Tax Collection Agreement, the Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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, the description contained in Appendix B and 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.

10. The Bonds are authorized to be issued by the Authority by virtue of and pursuant to the PICA Act.

11. Pursuant to authority granted by the PICA Act, the City has, by the City Council's adoption of the Tax Ordinance, enacted the Authority Tax.

12. In the PICA 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 PICA Act further provides that the terms of the PICA 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 PICA Act. In addition, the PICA 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 PICA Act, the City has, in the Tax Ordinance and the 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.

13. 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.

14. 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.

15. 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 affected 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.

This opinion is subject to the following exceptions, limitations, and qualifications:

(1) 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.

(2) 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 the Certificate of the City attached to the Tax Compliance Certificate.

(3) The Department expresses no opinion as to the validity or enforceability of any provision of the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or the Certificate of the City attached to the Tax Compliance Certificate 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.

The Department calls 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 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.

This opinion is given to you as of the date hereof and the Department expresses 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. The Department undertakes no obligation to update or supplement this letter under any circumstance including if, after the date hereof, facts or events come to our attention or changes in law occur which could affect the opinions expressed herein. The Department expresses no opinion herein as to any matter not set forth in the numbered sections above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary or definitive official statements prepared in respect of the Bonds, including the appendices thereto, and make no representation that the Department has independently verified the contents thereof. This opinion is furnished solely for your benefit under the Purchase Agreement and may not be relied upon by any person or for any other purpose.

The Department has rendered this opinion to you solely in connection with the consummation of the transactions contemplated by the Purchase Agreement 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,

Marcel S. Pratt,  
City Solicitor  
The City of Philadelphia



EXHIBIT E

Form of Certificate of Co-Financial Advisor

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM),  
SERIES OF 2019

CERTIFICATE OF CO-FINANCIAL ADVISOR

( )

The undersigned duly authorized officer of \_\_\_\_\_ (the "Co-Financial Advisor") hereby certifies on this \_\_\_\_ day of December, 2019, as follows on behalf of \_\_\_\_\_;

1. This Certificate is being executed and delivered by the Co-Financial Advisor in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of its \$31,085,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "Bonds"), as authorized by (a) the Act; (b) the Resolution; (c) Ordinances of the City Council of The City of Philadelphia, Pennsylvania; and (d) the Indenture, as amended and supplemented from time to time, including by the Eighth Supplemental Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed in the Official Statement (hereinafter defined).

2. The Co-Financial Advisor has acted as a financial advisor to the Authority in connection with the Authority's issuance of the Bonds.

3. We have read the Preliminary Official Statement, dated October 21, 2019, and the Official Statement dated October \_\_\_\_, 2019 relating to the Bonds (collectively referred to as the "Official Statement") and without having undertaken to independently determine the accuracy, completeness or fairness of the statements contained in the Official Statement (including the Appendices and Tables thereto), nothing has come to our attention in connection with our engagement in respect to the issuance of the Bonds that would lead us to believe that, as of the date hereof, the Official Statement (except for information contained in Appendix G – "BOOK-ENTRY ONLY SYSTEM," 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.

4. I further certify on behalf of \_\_\_\_\_ that \_\_\_\_\_ (a) is a financial advisory and consulting organization; (b) is not in the business of underwriting, marketing or trading municipal securities or any other negotiable instruments; and (c) is registered as a Municipal Advisor with the Securities and Exchange Commission pursuant to Section 15B of the Securities and Exchange Act of 1934 and all rules and regulations thereunder.

I have executed this *Certificate of Co-Financial Advisor* on behalf of \_\_\_\_\_  
on the date first written above.

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*Signature page to:*  
*Certificate of Co-Financial Advisor (\_\_\_\_\_)*

## EXHIBIT F

### Form of Opinion of Counsel to the Authority

(Closing Date)

RBC Capital Markets, LLC  
as Representative of the Several Underwriters  
New York, NY

*Re: Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program), Series of 2019*

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 \$31,085,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 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 2019 Bonds under an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and U.S. Bank National Association, as successor 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"), by the Fourth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2006 (the "Fourth Supplemental Indenture"), by the Fifth Supplement to the Amended and Restated Indenture of Trust, dated as of May 1, 2008 (the "Fifth Supplemental Indenture"), by the Sixth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2009 (the "Sixth Supplemental Indenture"), by the Seventh Supplement to the Amended and Restated Indenture of Trust, dated as of May 1, 2010 (the "Seventh Supplemental Indenture") and by the Eighth Supplement to the Amended and Restated Indenture of Trust, dated as of December 1, 2019 (the "Eighth Supplemental Indenture") and, together with the 1994 Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, and the Seventh Supplemental Indenture, the "Indenture"), for the purpose of refunding certain outstanding bonds of the Authority, as more particularly described in the Indenture. The 2019 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 Agreement, dated October 29, 2019 (the "Bond Purchase Agreement"), between the Authority and RBC Capital Markets, LLC, as the representative of the several underwriters named therein (the "Underwriters"), the Authority is selling the 2019 Bonds to the Underwriters for reoffering by the Underwriters to the public. In connection with such public offering of the 2019 Bonds, the Authority has prepared an Official Statement, dated October 29, 2019 (the "Official Statement"), relating to the 2019 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 2019 Bonds, the Authority has executed and delivered a Tax Compliance Certificate, dated \_\_\_\_\_, 2019 (the "Tax Compliance Certificate"); and the Authority has entered into a Continuing Disclosure Agreement, dated \_\_\_\_\_, 2019 (the "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 Agreement, the Intergovernmental Cooperation Agreement, the Official Statement, the Authority Income Tax Ordinance, the Tax Compliance Certificate, the 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 2019 Bonds.

In rendering this opinion letter, we have assumed, with respect to all documents and instruments reviewed by us, the genuineness of all signatures (other than those of the Authority), 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 2019 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 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 Credit Facility (as defined in the Indenture) issued by such Credit Facility Issuer. 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 (or at the relevant time had) the power and the authority under the Act to enter into the Indenture and to issue the 2019 Bonds thereunder, and to enter into the Intergovernmental Cooperation Agreement, the Bond Purchase Agreement, the Tax Compliance Certificate and the Disclosure Agreement.

3. The Indenture, the 2019 Bonds, the Intergovernmental Cooperation Agreement, the Bond Purchase Agreement, the Tax Compliance Certificate and the Disclosure 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 2019 Bonds, the Intergovernmental Cooperation Agreement, the Bond Purchase Agreement, the Tax Compliance Certificate and the Disclosure 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 2019 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 2019 Bonds. According to the Act, the 2019 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 2019 Bonds by the Authority or which in any way contest the validity or enforceability of

the 2019 Bonds, the Indenture, the Bond Purchase Agreement, the Intergovernmental Cooperation Agreement, the Tax Compliance Certificate, the Disclosure 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 2019 Bonds.

Although we have not undertaken to determine independently the accuracy, completeness or fairness of the information contained in the Official Statement and express no opinion with respect thereto, nothing has come to our attention during the course of the performance of our duties as counsel to the Authority in this transaction 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 concerning the City, any information concerning any bond insurance company or any of the Underwriters, any information under the headings "TAX MATTERS", "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS" and "UNDERWRITING", and any financial, statistical or demographic information, 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 2019 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 2019 Bonds. We express no opinion with respect to any liquidated damages provisions. We express no opinion concerning the status of the Indenture, the 2019 Bonds or the offering or sale of the 2019 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 2019 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, (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) and (c) in the particular case of indemnities or rights of contribution, the application of Federal or state securities or other laws, regulations or judicial decisions or public policy considerations which may limit the validity or enforceability thereof. We call to your attention that, as provided in the Act, the Authority enjoys sovereign and official immunity and shall remain immune from suit except as provided therein.

No opinion is expressed herein concerning the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 Bonds") that are described in the Official Statement. We call to your attention that the issuance and delivery of the 2020 Bonds in the future is subject to the satisfaction of certain legal and contractual conditions, as to which we express no opinion herein.

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 in this transaction.

This opinion letter is being rendered solely for your benefit in connection with the issuance of the 2019 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 2019 Bonds.

Very truly yours,



## PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 21, 2019

NEW ISSUE: BOOK-ENTRY ONLY

RATINGS:  
See "Ratings" herein.

*In the opinion of Bond Counsel, interest on the 2019 Bonds (as defined herein) is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "TAX MATTERS" herein and interest on the 2019 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the federal alternative minimum tax. Under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), the 2019 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2019 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS" herein.*

*On the Delayed Delivery Closing Date (as defined herein) of the 2020 Bonds (as defined herein) assuming that no Change In Law (as defined herein) has occurred, Bond Counsel will deliver its opinion on the Delayed Delivery Closing Date that interest on the 2020 Bonds (as defined herein) is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "TAX MATTERS" herein and interest on the 2020 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax. Assuming that no Change in Law has occurred, on the Delayed Delivery Closing Date, Bond Counsel will deliver its opinion that under the laws of the Commonwealth, as enacted and construed on the Delayed Delivery Closing Date, the 2020 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2020 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS" herein*



### PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM)

\$43,570,000\*  
Series of 2019

\$25,465,000\*  
Series of 2020  
(Forward Delivery)

Dated: For 2019 Bonds: December \_\_, 2019  
For 2020 Bonds: Delayed Delivery Closing Date

Due: As shown on inside front cover

The Pennsylvania Intergovernmental Cooperation Authority's \$43,570,000\* Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 Bonds") and \$25,465,000\* Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 Bonds", together with the 2019 Bonds, the "2019/2020 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 U.S. Bank National Association, Philadelphia, Pennsylvania, as successor trustee (the "Trustee"), as amended and supplemented, including by the Eighth Supplement (as defined herein) (as so amended and supplemented, the "Indenture"), between the Authority and the Trustee.

The 2019/2020 Bonds will be issued as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Interest on the 2019/2020 Bonds is payable semiannually on each June 15 and December 15 (each an "Interest Payment Date"), commencing June 15, 2020, by check or draft mailed or under certain conditions by wire transfer, to the persons in whose names the 2019/2020 Bonds are registered at the close of business on the Record Date, which is the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date. The 2019/2020 Bonds will be payable as to principal at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

**The 2019/2020 Bonds are not subject to redemption prior to maturity. The 2019/2020 Bonds are not subject to acceleration upon the occurrence of an Event of Default (as defined in the Indenture).**

The proceeds from the sale of the 2019 Bonds, together with other available funds of the Authority, will be used to (i) currently refund all of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2009, currently outstanding in the aggregate principal amount of \$81,920,000 (the "2009 Bonds"); and (ii) pay the costs of issuing the 2019 Bonds. The proceeds from the sale of the 2020 Bonds, together with 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 2010 maturing after June 15, 2020, which are currently outstanding in the aggregate principal amount of \$26,355,000 (the "Refunded 2010 Bonds"); and (ii) pay the costs of issuing the 2020 Bonds. See "PLAN OF FINANCE" herein.

The 2019/2020 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 2019/2020 Bonds. Purchases of beneficial ownership interests in the 2019/2020 Bonds will be made in book-entry only form. So long as DTC or its nominee, Cede & Co., is the registered owner, principal of and interest on the 2019/2020 Bonds is payable directly to Cede & Co., for redistribution to DTC Participants and in turn to the beneficial owners as described herein. Purchasers of Bonds will not receive physical delivery of certificates representing their ownership interests in the 2019/2020 Bonds. See APPENDIX G herein.

**THE 2019/2020 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, PENNSYLVANIA (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 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 2019/2020 BONDS" HEREIN.**

**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 OR INTEREST ON THE 2019/2020 BONDS. THE 2019/2020 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 OR INTEREST ON THE 2019/2020 BONDS. THE AUTHORITY HAS NO TAXING POWER.**

*Each of the 2019 Bonds and the 2020 Bonds is 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 Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Reed Smith LLP, Philadelphia, Pennsylvania; for the Underwriters by their counsel, Ahmad Zaffarese LLC, Philadelphia, Pennsylvania; and for the City by the Office of the City Solicitor. It is anticipated that the 2019 Bonds in definitive form will be available for delivery to DTC in New York, on or about December 3, 2019. It is anticipated that the 2020 Bonds in definitive form will be available for delivery to DTC in New York, on or about March 17, 2020. See "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS" for certain conditions regarding the obligations of the Underwriters to purchase the 2020 Bonds and certain risks to the purchasers of the 2020 Bonds resulting from the forward delivery thereof.*

RBC CAPITAL MARKETS  
SIEBERT CISNEROS SHANK & CO., LLC  
PNC CAPITAL MARKETS LLC

\* Preliminary; subject to change.  
Official Statement dated October \_\_, 2019



\$43,570,000\*

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM),  
SERIES OF 2019**

**MATURITY SCHEDULE**

<b>DUE JUNE 15</b>	<b>AMOUNT</b>	<b>INTEREST RATE</b>	<b>PRICE</b>	<b>YIELD</b>	<b>CUSIP<sup>†</sup></b>
2020	\$10,855,000*				
2021	10,375,000*				
2022	10,900,000*				
2023	11,440,000*				

\$25,465,000\*

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM),  
SERIES OF 2020 (FORWARD DELIVERY)**

**MATURITY SCHEDULE**

<b>DUE JUNE 15</b>	<b>AMOUNT</b>	<b>INTEREST RATE</b>	<b>PRICE</b>	<b>YIELD</b>	<b>CUSIP<sup>†</sup></b>
2020	\$ 185,000*				
2021	12,400,000*				
2022	12,880,000*				

\* Preliminary; subject to change.

† The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Authority nor the Underwriters have agreed, and there is no duty or obligation, to update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
1500 WALNUT STREET, SUITE 1600  
PHILADELPHIA, PENNSYLVANIA 19102  
TEL.: (215) 561-9160**

**BOARD MEMBERS**

Kevin Vaughan	Chairperson
Alan C. Kessler, Esquire	Vice Chairperson
Michael A. Karp	Treasurer/ Secretary
James F. Cawley	Assistant Treasurer/ Secretary
Tina Byles Williams	Member
Jen Swails	Secretary of the Budget and Ex- Officio Representative of the Commonwealth of Pennsylvania
Rob Dubow	Director of Finance and Ex-Officio Representative of the City of Philadelphia

**AUTHORITY STAFF**

**Executive Director**

Harvey M. Rice

**Deputy Executive Director**

Konstantinos G. Tsakos

**Senior Associates**

Dora Ward

Daniel Esposito

**AUTHORITY GENERAL COUNSEL**

Reed Smith LLP

Philadelphia, Pennsylvania

**BOND COUNSEL**

Saul Ewing Arnstein & Lehr, LLP

Philadelphia, Pennsylvania

**No Offering May Be Made Except by this** Official Statement is not to be construed as a contract or agreement among the Authority, the City, the Underwriters and the purchasers or owners of any offered 2019/2020 Bonds. This Official Statement is being provided to prospective purchasers either in bound printed form (“Original Bound Format”) or in electronic format on the following websites: [www.mcelweequinn.com](http://www.mcelweequinn.com) and <https://emma.msrb.org>. This Official Statement may be relied upon only if it is in its Original Bound Format or if it is printed in full directly from such website.

**Preparation of this Official Statement.** The information set forth herein has been furnished by the Authority and the City and includes information obtained from other sources, all of which are believed to be reliable. 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 any implication that there has been no change in the affairs of the Authority or the City since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**Order and Placement of Materials.** The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the cover page, the inside cover page and the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement.

**Estimates and Forecasts.** The statements contained in this Official Statement and the Appendices hereto that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “illustrate,” “example,” and “continue,” or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. 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. All forward-looking statements included in this Official Statement are based on information available to such parties on the date of this Official Statement, and neither the Authority nor the City assumes any obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the ability to fulfill some or all of the obligations under the 2019/2020 Bonds.

**Public Offering Prices.** In connection with the offering of the 2019/2020 Bonds, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of the 2019/2020 Bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

**No Recommendation or Registration.** The 2019/2020 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The 2019/2020 Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption contained in Section 3(a)(2) of such act; and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such act.

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## **Summary of the Offering**

*This summary is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the 2019/2020 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page, the inside cover page, and the Appendices. Capitalized terms used in this summary and not otherwise defined in the front portion of this Official Statement have the meanings given to such terms in APPENDIX D.*

<b>Issuer:</b>	The Pennsylvania Intergovernmental Cooperation Authority (the “Authority”).
<b>Bonds Offered:</b>	<p>\$43,570,000* aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the “2019 Bonds”).</p> <p>\$25,465,000* aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the “2020 Bonds”, and together with the 2019 Bonds, the “2019/2020 Bonds”).</p>
<b>Interest Payment Dates:</b>	Interest on the 2019/2020 Bonds is payable semiannually on each June 15 and December 15, commencing June 15, 2020.
<b>Security and Sources of Payment:</b>	<p>The following is qualified in all respects by the information in this Official Statement under the caption “SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS” and the documents referenced under such caption.</p> <p>The 2019/2020 Bonds are payable by the Authority 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 of Philadelphia (the “City”), pursuant to the Act and an ordinance adopted by the City Council of the City and approved by the Mayor on June 12, 1991 (Bill No. 1437, effective July 1, 1991) (the “Authority Tax Ordinance”); (ii) certain moneys and securities and investment earnings thereon, together with a Debt Service Reserve Fund Policy (described herein) originally issued by Financial Guaranty Insurance Company, all held by the Trustee in certain funds established under the Indenture; (iii) and certain other funds and moneys held by the Trustee under the Indenture. Pursuant to the Indenture and except as otherwise provided therein, the Authority has assigned to the Trustee all of its right, title and interest to Authority Tax receipts as security for the 2019/2020 Bonds and any other Bonds previously or hereafter issued under the Indenture.</p> <p><b><u>Special Limited Obligations</u></b></p> <p><b>The 2019/2020 Bonds are special limited obligations of the Authority payable solely from the Trust Estate established under the Indenture and are not obligations of the City, the Commonwealth of Pennsylvania (the “Commonwealth”) or any other political subdivision or agency thereof. The 2019/2020 Bonds are not secured by the General Fund of the City, and neither the general credit of the Authority nor the credit or taxing power of the City, the Commonwealth or any other political subdivision or agency thereof is pledged to the payment of the principal of the 2019/2020 Bonds, or the interest thereon or any premium or other costs incidental thereto. The Authority has no taxing power.</b></p>
<b>Additional Obligations:</b>	The Authority has reserved the right to issue additional obligations secured on a parity basis with the 2019/2020 Bonds under the circumstances and upon satisfaction of certain conditions described in the Ordinances and the Indenture, all as described herein. See “THE 2019/2020 BONDS – Additional Debt” herein.

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\* Preliminary, subject to change.



<b>Use of Proceeds:</b>	The 2019 Bonds are being issued to (i) refund the 2009 Bonds, as defined and further described herein, and (ii) pay the costs of issuing the 2019 Bonds. The 2020 Bonds are being issued to (i) refund the Refunded 2010 Bonds, as defined and further described herein, and (ii) pay the costs of issuing the 2020 Bonds. <i>See</i> “PLAN OF FINANCE” herein.
<b>Redemption:</b>	The 2019/2020 Bonds are <b><u>not</u></b> subject to redemption prior to maturity, as described herein.
<b>Authorized Denominations:</b>	The 2019/2020 Bonds will be issued as registered bonds in denominations of \$5,000 and integral multiples thereof.
<b>Form and Depository:</b>	The 2019/2020 Bonds will be delivered solely in registered form under a global book-entry system through the facilities of DTC. <i>See</i> APPENDIX G.
<b>Tax Status:</b>	For information on the tax status of the 2019/2020 Bonds, see the italicized language at the top of the cover page of this Official Statement and “TAX MATTERS” herein.
<b>Ratings:</b>	S&P: “AAA” (stable outlook) Fitch: “AAA” (stable outlook) <i>See</i> “RATINGS” herein.

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## OFFICIAL STATEMENT

Relating to

### **PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM)**

**\$43,570,000\***  
**Series of 2019**

**\$25,465,000\***  
**Series of 2020**  
**(Forward Delivery)**

## INTRODUCTION

### **General**

This Official Statement (“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” or “PICA”) of the \$43,570,000\* Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the “2019 Bonds”) and \$25,465,000\* Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the “2020 Bonds”, and together with the 2019 Bonds, the “2019/2020 Bonds” when referred to collectively herein). The 2019/2020 Bonds will be dated, mature and bear interest, all as described herein. The 2020 Bonds are forward delivery bonds and are not expected to be issued and delivered until March 17, 2020.

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 2019/2020 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 D attached hereto or in the Indenture (as defined herein).

Certain factors that may affect an investment decision concerning the 2019/2020 Bonds are described throughout this Official Statement. Prospective purchasers considering a purchase of the 2019/2020 Bonds should read this Official Statement, including the cover page, the inside cover pages and the Appendices, which are an integral part hereof, in its entirety. If and when included in this Official Statement, including the appendices hereto, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the Authority include, among others, changes in economic conditions, mandates from other governmental bodies or authorities, and various other events, conditions and circumstances, many of which are beyond the control of the Authority. Such forward-looking statements speak only as of the date of this Official Statement.

All estimates and assumptions of financial and other information are based on information currently available, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting forward-looking statements may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from the adopted and proposed budgets of The City of Philadelphia (the “City”), as well as from the City’s five-year

\* Preliminary; subject to change.



financial plans (each, a “Financial Plan”). *See* APPENDIX B – “CITY OF PHILADELPHIA GOVERNMENTAL AND FINANCIAL INFORMATION” attached hereto. Accordingly, no assurance is given that any projected future results will be achieved. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## **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” or the “PICA Act”). Pursuant to the Act, the Authority was established to provide financial assistance to and financial oversight over cities of the first class in the Commonwealth of Pennsylvania (the “Commonwealth”). 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 shall also 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 Financial Plans prepared at least annually by the City, to certify 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), to evaluate the City’s financial reporting, to analyze the City’s financial and budgetary practices and programs, and to oversee 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 its bonds. *See* “THE AUTHORITY - Operating History” herein.

## **Authorization to Issue the 2019/2020 Bonds**

The Authority is authorized to issue and sell the 2019/2020 Bonds pursuant to the provisions of the Act and pursuant to a resolution of the Authority adopted September 17, 2019. The 2019/2020 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 U.S. Bank National Association (successor in interest to Wachovia Bank, National Association), 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 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”), a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the “Fourth Supplement”), a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1 2008, (the “Fifth Supplement”), a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 (the “Sixth Supplement”), a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 (the “Seventh Supplement”), and an Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019 (the “Eighth Supplement”, and, together with the Amended and Restated Indenture, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement, and the Seventh Supplement (the “Indenture”). The Amended and Restated Indenture amended and restated the 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 D attached hereto.

The Indenture provides that the Bonds and any Additional Bonds (as both such terms are defined in the Indenture and in the summary thereof attached to this Official Statement as APPENDIX D) issued pursuant thereto 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 other bonds, including Additional Bonds issued under the Indenture, and the limitations on such issuance, see “SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS - Additional Bonds” herein.

### **The Authority’s Outstanding Indebtedness**

The Authority has issued eleven Series of Bonds under the Indenture at the request of the City. Two Series of Bonds remain Outstanding: (i) the 2009 Bonds; and (ii) the Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2010 (the “2010 Bonds”).

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. *See* APPENDIX B attached hereto. As of June 30, 2019, the principal amount of Outstanding Bonds was \$129,745,000. The final maturity date for such Outstanding Bonds is June 15, 2023.

The proceeds of the Bonds were used to: (i) make grants to the City to fund its General Fund deficits, to fund all or a portion of the costs of certain City capital projects, to provide other financial assistance to the City to enhance operational productivity, and to defease certain of the City’s general obligation bonds; (ii) refund other Bonds issued under the Indenture, including termination payments for related interest rate swaps; and (iii) pay costs of issuance.

### **Purpose of the 2019/2020 Bonds**

The proceeds of the 2019 Bonds, together with other available moneys of the Authority, will be applied to currently refund the outstanding 2009 Bonds and to pay the costs of issuance. The proceeds of the 2020 Bonds, together with other available moneys of the Authority, will be applied to currently refund, on a forward delivery basis, the 2010 Bonds maturing after June 15, 2020 (the “Refunded 2010 Bonds”) and to pay the costs of issuance. *See* “PLAN OF FINANCE” herein.

### **Sources of Payment and Security for the 2019/2020 Bonds**

The 2019/2020 Bonds are limited obligations of the Authority and the principal of and interest on the 2019/2020 Bonds are payable, together with the 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 the City Council of the City (the “City Council”) and approved by the Mayor of the City (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) issued by Financial Guaranty Insurance Company (“FGIC”), all held by the Trustee in certain funds established under the Indenture. **Investors should assume that FGIC may not be able to meet its obligations under the Debt Service Reserve Fund Policy and therefore should not rely on the Debt Service Reserve Fund Policy in making their investment decision. *See* “SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS - Debt Service Reserve Fund Policy” herein.** 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 2019/2020 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 the 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. The Authority will direct 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 Bonds remain 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 OR INTEREST ON THE 2019/2020 BONDS. THE 2019/2020 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 OR INTEREST ON THE 2019/2020 BONDS. THE AUTHORITY HAS NO TAXING POWER.**

### **The City of Philadelphia**

Although the 2019/2020 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 2019/2020 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.

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*City of Philadelphia Governmental, Financial and Socioeconomic Information*

APPENDIX B - “CITY OF PHILADELPHIA GOVERNMENTAL AND FINANCIAL INFORMATION” provides information regarding the City, including relevant statutory provisions, financial information, litigation information, the relationship with the Authority and the City’s Financial Plans.<sup>1</sup> APPENDIX C – “CITY OF PHILADELPHIA SOCIOECONOMIC INFORMATION” contains socioeconomic and demographic information about the City.

The City’s Comprehensive Annual Financial Report and other information about the City can be found on the City’s website at [www.phila.gov/investor](http://www.phila.gov/investor) (the “City’s Investor Website”). The “Terms of Use” statement of the City’s Investor Website, which applies to all users of the City’s Investor Website, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City’s Investor Website does not constitute an offer to buy or sell securities, nor is it a solicitation therefor. The information contained on the City’s Investor Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2019/2020 Bonds should rely only on information contained in this Official Statement or incorporated by reference herein.

The Authority makes no representation as to the accuracy of any information contained in or referenced in this Official Statement relating to the City.

*General Financial Condition of the City*

As of August 15, 2019, results for Fiscal Year 2019 reflect revenues of \$4,742 million and obligations of \$4,832 million on a legally enacted basis and an estimated fund balance of \$297.7 million. Tax revenues were \$106.6 million above adopted budget levels. Total general fund revenue was \$125.2 million above budget. *See* APPENDIX B – “CITY OF PHILADELPHIA GOVERNMENTAL AND FINANCIAL INFORMATION” attached hereto.

*Fiscal Year 2020 Adopted Budget of the City*

The City’s Fiscal Year 2020 budget was presented to the City Council on March 7, 2019, was approved by City Council on June 13, 2019, and signed by the Mayor on June 18, 2019. The budget projects estimated revenues of \$4,918 million, obligations of \$5,025 million and an ending fund balance of \$209.9 million after discharging the Fiscal Year 2019 fund balance deficit on the legally enacted basis.

*Fiscal Year 2020-2024 Five-Year Financial Plan*

On June 18, 2019, the City submitted to the Authority its FY 2020-2024 Financial Plan in accordance with the City Council’s approved budget. The Authority approved the Financial Plan on July 16, 2019.

**Description of the 2019/2020 Bonds**

The 2019/2020 Bonds will be issued as fully registered bonds, without coupons, will be dated the respective dates of their initial authentication and delivery, will be issued in the denominations of \$5,000 or any integral multiple thereof, and will mature and bear interest as described on the inside front cover of this Official Statement. The 2019/2020 Bonds are not subject to redemption prior to scheduled maturity. THE BONDS OF THE AUTHORITY WHICH ARE OUTSTANDING UNDER THE INDENTURE, INCLUDING THE 2019/2020 BONDS, ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT.

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<sup>1</sup> APPENDIX A contains the Audited Financial Statements of the Authority for the Fiscal Year ended June 30, 2019. Certain information contained in APPENDIX B regarding the Authority is for periods prior to or subsequent to June 30, 2019. As a result, certain of the information in APPENDIX B is, at times, at variance with corresponding information concerning the Authority in APPENDIX A.



The 2019/2020 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 2019/2020 Bonds. *See* “THE 2019/2020 BONDS - Book-Entry Only System” herein.

Interest on the 2019/2020 Bonds will be paid semiannually on each June 15 and December 15 (each an “Interest Payment Date”), commencing June 15, 2020 by check or draft of the Trustee. The Trustee will mail such interest to the person in whose name the 2019/2020 Bonds are registered on the registration books of the Authority maintained by the Trustee, as bond registrar, at the address appearing thereon at the close of business on the last day of the calendar month (whether or not a Business Day) next preceding any Interest Payment Date (the “Record Date”); provided, however, at the request of any registered owner of 2019 Bonds in an aggregate principal amount of \$1,000,000 or more, or an owner of 2020 Bonds in an aggregate principal amount of \$1,000,000 or more, interest shall be paid by bank wire transfer of funds to a bank account in a bank located in the United States designated in writing by such registered owner not less than ten (10) days prior to the applicable Interest Payment Date.

The 2019/2020 Bonds are payable as to principal upon presentation and surrender thereof at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

### **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 no longer issue any bonds for the purpose of financing a capital project or deficit of the City. 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 2019/2020 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 2019/2020 BONDS - Additional Bonds” herein.

### **Continuing Disclosure Undertaking**

In order to enable the Underwriters to comply with the requirements of Rule 15c2-12, as amended (“Rule 15c2-12”), promulgated under the Securities Exchange Act of 1934, as amended, the Authority will enter into a Continuing Disclosure Agreement for the 2019 Bonds and a Continuing Disclosure Agreement for the 2020 Bonds, each dated the respective dates of delivery and payment for the 2019 Bonds and the 2020 Bonds, as the case may be, each of which Continuing Disclosure Agreements will constitute a written undertaking for the benefit of the registered owners from time to time of the 2019 Bonds or the 2020 Bonds, as applicable, including owners of book-entry credits evidencing interests in the 2019 Bonds or the 2020 Bonds. The proposed form of Continuing Disclosure Agreement is attached to this Official Statement as APPENDIX F. *See* “MISCELLANEOUS - Continuing Disclosure Undertaking.”

### **Forward Delivery of the 2020 Bonds**

The 2020 Bonds are expected to be delivered on or about March 17, 2020. *See* “PLAN OF FINANCE – Forward Delivery Bond Purchase Agreement for the 2020 Bonds.” *See also* “CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS.”

### **Certain References**

Brief descriptions of the Act, the Authority, the 2019/2020 Bonds, the Indenture, the Cooperation Agreement, the Tax Collection Agreement, the Authority Tax Ordinance, and the Disclosure Agreement are included in this Official Statement. All summaries of the provisions of the 2019/2020 Bonds and the security therefor, the Act, the Indenture and of other documents 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 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 2019/2020 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, the Disclosure Agreement and the Tax Collection Agreement may be obtained from the Authority after the date of delivery of the 2019 Bonds and the Initial Closing Date (as defined herein) of the 2020 Bonds 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.

Certain information concerning the City has been furnished by the City and is included as APPENDIX B and APPENDIX C attached hereto. THE AUTHORITY MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION INCLUDED AS APPENDIX B AND APPENDIX C 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, 2019; APPENDIX B, which speaks as of June 30, 2019 unless otherwise noted therein; and APPENDIX C, which speaks as of December 31, 2018 unless otherwise noted therein), 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**

The proceeds from the sale of the 2019 Bonds shall be used, together with other available moneys of the Authority, to (i) currently refund the 2009 Bonds, and (ii) pay the costs of issuing the 2019 Bonds (the "2019 Refunding Project"). The 2009 Bonds will be called for redemption on or about December 3, 2019 (the "2009 Bonds Redemption Date"), at a redemption price of 100% of the principal amount thereof plus accrued interest to the 2009 Bonds Redemption Date.

The proceeds from the sale of the 2020 Bonds shall be used, together with other available moneys of the Authority, to (i) currently refund the Refunded 2010 Bonds, and (ii) pay the costs of issuing the 2020 Bonds (the "2020 Refunding Project"). The 2010 Bonds will be called for redemption on June 15, 2020 (the "2010 Bonds Redemption Date"), at a redemption price of 100% of the principal amount thereof plus accrued interest to the 2010 Bonds Redemption Date. *See* "VERIFICATION" herein.

Pursuant to the Escrow Deposit Agreement, dated as of \_\_\_\_\_, 2020 (the "Escrow Agreement") between the Authority and U.S. Bank National Association, as escrow agent (the "Escrow Agent"), the Authority will cause to be deposited with the Escrow Agent 2020 Bond proceeds and other available amounts in an amount that will be sufficient to pay the redemption price of, and accrued interest on, the Refunded 2010 Bonds at their 2010 Bonds Redemption Date.

The funds deposited with the Escrow Agent pursuant to the Escrow Agreement are anticipated to be invested in United States Treasury Securities – State and Local Government Series or non-callable direct obligations of the United States of America (the "Government Obligations") pending application to the redemption of the Refunded 2010 Bonds.

### **Forward Delivery Bond Purchase Agreement for the 2020 Bonds**

The 2020 Bonds are being sold pursuant to a Forward Delivery Bond Purchase Agreement dated \_\_\_\_\_, 2019 (the "Forward Delivery Bond Purchase Agreement") between the Authority and RBC Capital Markets, LLC, acting on its own behalf, and as representative (the "Representative") of the underwriters named therein

(collectively, the “Underwriters”). The 2020 Bonds will be delivered on or about March 17, 2020, subject to delivery by Bond Counsel of its approving opinion and the satisfaction of certain other conditions set forth in the Forward Delivery Bond Purchase Agreement. See “CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS” herein.

An investment in the 2020 Bonds involves certain additional risks due to the forward delivery of the 2020 Bonds. The issuance and delivery of the 2020 Bonds is subject to satisfaction of certain conditions precedent. For a discussion of certain factors that should be considered by prospective investors in evaluating an investment in the 2020 Bonds, see “CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS” herein. Such factors are not intended to be exhaustive of all of the potential factors which might apply to the issuance and delivery of the 2020 Bonds. Each prospective purchaser of the 2020 Bonds should make an independent evaluation of all of the information presented in this Official Statement, including the information under the caption “CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS.”

### Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2019 Refunding Project are as follows:

#### Sources of Funds:

Principal Amount of 2019 Bonds	\$
Net Original Issue [Discount/Premium]	
Transfer from Debt Service Fund for the 2009 Bonds	
Transfer from Debt Service Reserve Fund Allocable to 2009 Bonds	
<u>Total</u>	\$

#### Uses of Funds:

Current Refunding of 2009 Bonds	\$
Costs of Issuance*	
<u>Total</u>	\$

\* Includes legal, accounting, financial advisory fees and expenses, printing, rating fees, underwriters’ discount, contingency and miscellaneous fees and expenses.

The estimated sources and uses of funds relating to the 2020 Refunding Project are as follows:

#### Sources of Funds:

Principal Amount of 2020 Bonds	\$
Net Original Issue [Discount/Premium]	
Transfer from Debt Service Fund for the Refunded 2010 Bonds	
Transfer from Debt Service Reserve Fund Allocable to Refunded 2010 Bonds	
<u>Total</u>	\$

#### Uses of Funds:

Deposit under Escrow Agreement for Refunded 2010 Bonds	\$
Costs of Issuance**	
<u>Total</u>	\$

\*\* Includes legal, accounting, financial advisory fees and expenses, printing, rating fees, underwriters’ discount, verification agent fees, contingency and miscellaneous fees and expenses.

## **THE 2019/2020 BONDS**

### **General**

The 2019/2020 Bonds will be dated on their respective dates of original issuance and delivery thereof, will be payable as to interest at the rates and on the dates, and will mature in the amounts on the dates set forth on the inside front cover hereof. Purchases of beneficial ownership interests in the 2019/2020 Bonds may be made in denominations of \$5,000 or integral multiples thereof. Descriptions of the provisions regarding redemption, transfer and payment of the 2019/2020 Bonds are set forth below.

### **THE 2019/2020 BONDS ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF AN EVENT OF DEFAULT.**

DTC will serve as securities depository under a book-entry only system for the 2019/2020 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 2019/2020 Bonds) will be applicable to the 2019/2020 Bonds. If such system is discontinued, the provisions described under “Discontinuation 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 2019 Bonds, payments of the principal of and interest on the 2019 Bonds 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 2019 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined) thereof. Likewise, so long as DTC, or its partnership nominee, Cede & Co., is the registered owner of the 2020 Bonds, payments of the principal of and interest on the 2020 Bonds 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 2020 Bonds is the responsibility of the DTC Participants and the Indirect Participants thereof. *See* APPENDIX H - “BOOK-ENTRY ONLY SYSTEM”.

### **Redemption Provisions**

The 2019/2020 Bonds are not subject to optional redemption, mandatory redemption or any other form of redemption prior to maturity.

### **Transfers and Exchanges of Bonds**

Upon presentation for transfer and exchange of any 2019/2020 Bond entitled to registration of exchange or registration of transfer at the corporate trust office of U.S. Bank National Association, Philadelphia, Pennsylvania (the “Registrar”), the Registrar will register the exchange or register the transfer of such 2019/2020 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 2019/2020 Bonds at its corporate trust office in Philadelphia, Pennsylvania. Until the discontinuance of the book-entry only system, as described above, one fully registered 2019 Bond for each maturity of the 2019 Bonds and one fully registered 2020 Bond for each maturity of the 2020 Bonds, each in the aggregate principal amount of such maturity will be registered in the name of Cede & Co., as nominee for DTC.

The transfer of any 2019/2020 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 each 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 2019/2020 Bond or 2019/2020 Bonds, the Authority shall issue in the name of the



transferee, in authorized denominations permitted by the Indenture, a new fully registered 2019/2020 Bond or new fully registered 2019/2020 Bonds of the same series in the same aggregate principal amount and of like tenor as the surrendered 2019/2020 Bond or 2019/2020 Bonds.

Any 2019/2020 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 2019/2020 Bonds of the same series and maturity, and having the same interest rate and other provisions, as the surrendered 2019/2020 Bond.

In all cases in which the privilege of exchanging 2019/2020 Bonds or registering the transfer of 2019/2020 Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver 2019/2020 Bonds in accordance with the provisions of the Indenture.

For every such exchange or registration of transfer of the 2019/2020 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 2019/2020 Bond during the period from a Record Date through the next Interest Payment Date, inclusive, nor to transfer or exchange any 2019/2020 Bond selected for redemption in whole or in part.

#### **Payments of Principal of, and Interest on, the 2019/2020 Bonds**

The principal of the 2019/2020 Bonds shall be payable upon presentation and surrender thereof at the corporate trust office of the Trustee in Philadelphia, Pennsylvania. Interest shall be payable by check or draft mailed to the registered owners of the 2019/2020 Bonds as shown on the registration books kept by the Registrar as of the close of business on the applicable record dates described below. Interest payable to any registered owner of 2019 Bonds in the aggregate principal amount of \$1,000,000 or more, or to any registered owner of 2020 Bonds in the aggregate principal amount of \$1,000,000 or more, may, upon request by such registered owner, be paid by bank wire transfer of funds to a bank account in a bank located in the United States designated in writing by such registered owner not less than ten (10) days prior to the applicable Interest Payment Date.

The Authority, the Trustee and the Registrar may deem and treat the registered owner of any 2019/2020 Bond as the absolute owner of such 2019/2020 Bond, whether such 2019/2020 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such 2019/2020 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 2019/2020 Bond to the extent of the sum or sums to be so paid.

#### **Record Dates**

Except in the case of overdue interest, the record date (the “Record Date”) for interest due on the 2019/2020 Bonds on any June 15 shall be the immediately preceding May 31 (whether or not a Business Day) and the record date for interest due on any December 15 shall be the immediately preceding November 30 (whether or not a Business Day).

Interest which is due and payable on any June 15 or December 15 but cannot be paid on such date from available funds under the Indenture, shall thereupon cease to be payable to the registered owners otherwise entitled thereto as of such date. At such time as sufficient funds are available for the payment of such overdue interest, the Trustee shall establish a special payment date (which shall be a Business Day) and a special record date in respect thereof. With respect to the 2019 Bonds, the Trustee shall mail a notice specifying the special payment date so established to each

registered owner of the 2019 Bonds as of the special record date, such notice to be mailed at least ten (10) days prior to the special payment date. With respect to the 2020 Bonds, the Trustee shall mail a notice specifying the special payment date so established to each registered owner of the 2020 Bonds as of the special record date, such notice to be mailed at least ten (10) days prior to the special payment date.

## **SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS**

### **General**

The 2019/2020 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 2019/2020 Bonds are payable from and are equally and ratably secured under the Indenture, together with the Bonds and any 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 that are Outstanding under the Indenture 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 any Outstanding 2010 Bonds, 2019 Bonds, and 2020 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, and interest on, all Bonds issued under the Indenture, including any Outstanding 2010 Bonds, 2019 Bonds, and 2020 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 and APPENDIX C attached hereto), the City and the Pennsylvania Revenue Department currently attribute 61.50% of wage tax remittances, 89.88% of earnings tax remittances, and 47.06% 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. In connection with the issuance of the 2019 Bonds and the issuance of the 2020 Bonds, the Authority will direct 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 there are any Bonds 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 under the Indenture paying interest semiannually of  $\frac{1}{6}$  (such fraction to be increased or decreased, as appropriate, for a Series of Bonds Outstanding under the Indenture 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 Outstanding under the Indenture 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 Outstanding during such month (assuming that interest due on such Bonds Outstanding will be payable at the maximum interest rate applicable to such Bonds Outstanding, 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, 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 Outstanding under the Indenture for such prior months), (iii) the aggregate for all Series of Bonds Outstanding under the Indenture of  $\frac{1}{12}$  (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 Outstanding under the Indenture, including the 2019/2020 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 Outstanding under the Indenture;
- (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, 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, if any, 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) above have been made shall be transferred by the Trustee to U.S. 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 U.S. Bank National Association), Philadelphia, Pennsylvania, as depository. The City Account Deposit and Disbursement Agreement has been acknowledged and agreed to by the City.

The total amount of PICA Tax remitted by the State Treasurer to the Authority (which is net of the costs of the Pennsylvania Revenue Department in collecting the Authority Tax), PICA annual debt service and expenses, and net PICA tax revenue remitted to the City for Fiscal Years 2016-2018, the budgeted amounts and current estimates for Fiscal Year 2019, and the budgeted amounts for Fiscal year 2020 are set forth below, as of June 30, 2019.

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**Summary of PICA Tax Remitted by the State Treasurer to the Authority  
and Net Taxes Remitted by the Authority to the City  
(Amounts in Millions of USD)<sup>(1),(2)</sup>  
(As of June 30, 2019)**

<b>Fiscal Year</b>	<b>PICA Tax<sup>(3)</sup></b>	<b>PICA Annual Debt</b>	
		<b>Service and Expenses<sup>(3)</sup></b>	<b>Net Taxes Remitted to the City<sup>(4)</sup></b>
2016 (Actual)	\$444.5	\$61.1	\$383.4
2017 (Actual)	\$469.2	\$59.7	\$409.5
2018 (Actual)	\$497.0	\$42.8	\$454.2
2019 (Adopted Budget)	\$516.0	\$47.1	\$469.0
2019 (Current Estimate)	\$521.7	\$47.1	\$474.6
2020 (Adopted Budget)	\$546.1	\$46.8	\$499.3

(1) Figures may not sum due to rounding.

(2) All information contained in this table has been provided by the City. A variance exists between the City's calculation and reporting of both the PICA Tax and the Authority's annual debt service and expenses (as set forth in this table, elsewhere in the body of this Official Statement, and in APPENDIX B), as opposed to the Authority's calculation and reporting of similar items (as set forth in the body of this Official Statement, in APPENDIX A and in the Authority's audited financial statements for prior fiscal years). This variance is due to the City's utilization of a cash-basis accounting method in contrast to the Authority's utilization of a modified accrual accounting method based on month-to-month and year-to-year payments and receipts, which the Authority then reconciles with the Office of the City Treasurer of the City at the end of each fiscal year.

(3) Source: The City's Quarterly City Manager's Reports or the budget for the applicable Fiscal Year.

(4) Source: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Years 2019-2020, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Financial Plan, as applicable.

The Authority's bonds (including the 2019/2020 Bonds, upon their respective issuances) are not secured by, and the owners of such bonds (including the owners of the 2019/2020 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 bonds of the Authority (including the Bonds and the 2019/2020 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 the bonds of the Authority. 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 bonds of the Authority 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 2019/2020 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 the bonds of the Authority, including the 2019/2020 Bonds, and (iii) such revenues are not subject to appropriation by City Council.

## Defined Benefit Pension Plan for Authority Employees

The Authority covers all full-time employees in the Pennsylvania State Employees' Retirement System (SERS). SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. SERS issues a publicly available financial report that includes financial statements and required supplementary information. For more information, see "Defined Benefit Pension Plan" in APPENDIX A.

## Debt Service Reserve Fund

The Debt Service Reserve Fund will, upon the respective issuance dates of the 2019 Bonds and of the 2020 Bonds, be maintained in an amount not less than the Debt Service Reserve Requirement, as of such issuance dates, and will secure, equally and ratably, all Bonds Outstanding under the Indenture, including any Outstanding 2010 Bonds, 2019 Bonds, and 2020 Bonds.

Under the Indenture the term "Debt Service Reserve Requirement" means, with respect to all Bonds Outstanding under the Indenture, 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 Series of Additional Bonds will be specified in the Supplemental Indenture executed in connection with the issuance of each Series of Additional Bonds, and will be that amount sufficient to satisfy the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture as of the respective issue dates of the 2019 Bonds and the 2020 Bonds. The Indenture provides that in lieu of a deposit at the time of issuance of a Series of Bonds Outstanding under the Indenture, the Authority may cause a Credit Facility to be provided to the Trustee. *See* APPENDIX D - "Debt Service Reserve Fund."

As of the date hereof, the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture is currently satisfied, without regard to the Reserve Policy described hereafter. Upon the issuance of the 2019 Bonds, the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture as of such date will be \$\_\_\_\_\_, and the Authority will satisfy the Debt Service Reserve Requirement with \$\_\_\_\_\_ in cash and investments. Upon the issuance of the 2020 Bonds, the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture as the Delayed Delivery Closing Date will be \$\_\_\_\_\_, and the Authority will satisfy the Debt Service Reserve Requirement with \$\_\_\_\_\_ in cash and investments.

The Authority is not required to maintain amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement. If there are insufficient moneys to pay the debt service requirements on any Series of Bonds Outstanding under the Indenture on any Interest Payment Date, mandatory sinking fund redemption date or maturity date of such Series of Bonds Outstanding under the Indenture, 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 Outstanding under the Indenture before making any draws on the Reserve Policy (hereinafter defined). Repayment of any draws, expenses and interest thereon with respect to the Reserve Policy shall be made prior to replenishment of the Debt Service Reserve Fund. Draws on the Reserve 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 the 2019/2020 Bonds will have equal and ratable rights or claims to all assets and funds, including the Reserve Policy, held by the Trustee in the Debt Service Reserve Fund. **Investors should assume that FGIC may not be able to meet its obligations under the Reserve Policy and therefore should not rely on the Reserve Policy in making their investment decision. *See* "SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS -Debt Service Reserve Fund Policy" herein.**

## **Debt Service Reserve Fund Policy**

The Authority currently satisfies, and will satisfy on the respective dates of issuance of the 2019 Bonds and the 2020 Bonds, the Debt Service Reserve Requirement. In addition, the Trustee is the holder of a Debt Service Reserve Fund Policy in the maximum amount of \$30,458,126.54 (the “Reserve Policy”) originally issued by FGIC and originally delivered to the Trustee in 1999. The Reserve Policy has been novated to National Public Finance Guarantee Corporation (“NPFGC”). The Reserve Policy met the rating requirement of the Indenture at the time the Reserve Policy was obtained. The Authority has no intention at this time of terminating or replacing the Reserve Policy.

**Investors should not rely on the Reserve Policy or on the credit of FGIC or NPFGC in making their investment decisions. Information regarding FGIC, NPFGC or the Reserve Policy has not been provided for inclusion in this Official Statement. The Authority and the Underwriters make no representations regarding the Reserve Policy, FGIC or NPFGC.**

The specific rights, if any, originally granted to FGIC in connection with its issuance of the Reserve Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement.

## **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 shall be equally and ratably secured with the 2019/2020 Bonds, except for moneys otherwise specifically pledged under the Indenture. Pursuant to the Act, additional bonds, including Additional Bonds issued under the Indenture, may not be issued by the Authority for the purpose of financing a capital project or deficit of the City.

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 three hundred percent (300%) of the Maximum Annual Debt Service Requirement (including the Authority’s obligations with respect to the payment 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 Outstanding under the Indenture and any amounts due to the provider of a credit or liquidity facility issued with respect to a Series of Bonds Outstanding under the Indenture) on Bonds to be Outstanding under the Indenture 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 to at least three hundred percent (300%) of the Debt Service Requirement during such twelve (12) month period on Bonds to be Outstanding under the Indenture after the issuance of the Additional Bonds. 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. The certificate referenced in this paragraph shall not be required in the case of Additional Bonds issued to refund Bonds under the Indenture 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 2019/2020 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 2019 Bonds and the 2020 Bonds both satisfy this requirement.

## **Certain Remedies of Bondholders**

Upon the occurrence of any Event of Default (as defined in the Indenture) 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 then Outstanding under the Indenture 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 Outstanding under the Indenture. *See APPENDIX D attached hereto.*

## **Limitation of Remedies**

THE 2019/2020 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE PLEDGED REVENUES. THE 2019/2020 BONDS DO NOT OTHERWISE CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OF THE AUTHORITY. FURTHER, THE 2019/2020 BONDS DO NOT CONSTITUTE A PLEDGE OF THE CREDIT OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE CITY), NOR DO THE 2019/2020 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 OR INTEREST ON THE 2019/2020 BONDS.

THE 2019/2020 BONDS SHALL NOT BE SECURED BY, AND ARE NOT PAYABLE FROM, AND THE OWNERS OF THE 2019/2020 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 2019/2020 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 JPMorgan Chase Bank (the “Swap Counterparty”) previously entered into interest rate “swaption” transactions and “basis cap” transactions with respect to certain series of bonds previously issued by the Authority. These transactions were 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”); and various transaction confirmations. The only such transactions that remain outstanding are two



basis cap transactions between the Authority and the Swap Counterparty. Under one such basis cap (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 SIFMA 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 of the 1993A Bonds Basis Cap is currently \$36,790,000, and such notional amount reduces by certain scheduled amounts on each June 15 until the end of the term of the 1993A Bonds Basis Cap on June 15, 2022.

Under the second outstanding basis cap transaction (the “1999 Bonds Basis Cap”) the Swap Counterparty pays to the Authority an amount each month 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 an amount equal to the greater of (a) the average of the SIFMA 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 of the 1999 Bonds Basis Cap is currently \$72,960,000, and such notional amount reduces by certain scheduled amounts on each June 15 until the end of the term of the 1999 Bonds Basis Cap on June 15, 2023.

Under each of these transactions, the Authority has the right at its option to terminate the related basis cap, 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 basis cap 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 S&P Global Ratings (“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 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 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 other revenues or assets to secure payment or performance of any of the Authority’s obligations under the basis caps.

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## DEBT SERVICE REQUIREMENTS

The following table shows total debt service requirements on all Outstanding Bonds prior to the issuance of the 2019 Bonds and after the issuance of the 2019 Bonds and the redemption of the 2009 Bonds.

Period Ending (June 30)	Total Debt Service on All Outstanding Bonds Prior to Issuance of 2019 Bonds	(Minus) Total Debt Service on 2009 Bonds	Principal on 2019 Bonds	Interest on 2019 Bonds	(Plus) Total Debt Service Requirements on 2019 Bonds	Total Debt Service Requirements After Issuance of 2019 Bonds and Redemption of 2009 Bonds
2020	\$ 46,944,100					
2021	37,319,600					
2022	37,179,750					
2023	<u>23,076,000</u>					
Total:	\$ 144,519,450					

The following table shows total debt service requirements on all Outstanding Bonds prior to the issuance of the 2020 Bonds and after the issuance of the 2020 Bonds and the defeasance of the Refunded 2010 Bonds.

Period Ending (June 30)	Total Debt Service on All Outstanding Bonds Prior to Issuance of 2020 Bonds	(Minus) Total Debt Service on Refunded 2010 Bonds	Principal on 2020 Bonds	Interest on 2020 Bonds	(Plus) Total Debt Service Requirements on 2020 Bonds	Total Debt Service Requirements After Issuance of 2020 Bonds and Defeasance of the Refunded 2010 Bonds
2020						
2021						
2022						
2023						
Total:						

## 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 2019. The current rate is 2.3712% which, when added to the Authority Tax, results in a tax rate of 3.8712%. These reduced rates include rate reductions funded through tax reduction funding provided by the Commonwealth from gaming proceeds. Additional Commonwealth-funded rate reductions may occur depending on the level of gaming proceeds received by the Commonwealth.

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. 43), 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 (as of May 1, 2012, the Business Privilege Tax was renamed the Business Income and Receipts Tax (or BIRT) 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%). Beginning with tax year 2016, the City allowed an exemption of the first \$100,000 in gross receipts and a proportionate share of net income from the business income and receipts tax.

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 following table sets forth 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 2010 to 2019.

**Authority Tax Collected By Commonwealth by Fiscal Year<sup>2</sup>**

<u>Fiscal Year</u>	<u>Amount (in millions)</u>
2010	\$342.6
2011	358.9
2012	357.7
2013	376.3
2014	380.5
2015	409.2
2016	446.6
2017	465.1
2018	498.7
2019	528.7

The following table sets forth Authority Tax receipts from the Commonwealth for the 12-month period indicated below.

**Authority Tax Collected By Commonwealth October 2018 to September 2019<sup>3</sup>**

<u>MONTH</u>	<u>AMOUNT</u>
October 2018	37.1
November 2018	43.4
December 2018	37.2
January 2019	42.1
February 2019	40.9
March 2019	51.4
April 2019	60.4
May 2019	54.9
June 2019	36.5
July 2019	44.3
August 2019	40.4
September 2019	35.1
Total	532.2

<sup>2</sup> All information contained in this table, the following table and the following subsection entitled “Historical Revenues and Debt Service Coverage Ratios” has been provided by the Authority. A variance exists between the Authority’s calculation and reporting of both the PICA Tax and the Authority’s annual debt service and expenses (as set forth in the aforementioned tables and sections, elsewhere in the body of this Official Statement, and in APPENDIX A), as opposed to the City’s calculation and reporting of similar items (as set forth in the body of this Official Statement, in APPENDIX A and in the City’s audited financial statements and Quarterly City Manager Reports for prior fiscal years). This variance is due to the City’s utilization of a cash-basis accounting method in contrast to the Authority’s utilization of a modified accrual accounting method based on month-to-month and year-to-year payments and receipts, which the Authority then reconciles with the Office of the City Treasurer of the City at the end of each fiscal year.

<sup>3</sup> See Footnote 2 above.

## Historical Revenues and Debt Service Coverage Ratios <sup>4</sup>

The revenues of the Authority available for debt service from the Authority Tax for Fiscal Years 2016 through 2019 and the debt service coverage ratios for Fiscal Years 2016 through 2019 are shown in the following table:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues Available for Debt Service (in millions)	\$446,600,000	\$465,100,000	\$498,700,000	\$528,700,000
Actual Debt Service	65,615,600	65,457,235	56,095,100	47,152,100
Debt Service Coverage Ratio	6.81	7.11	8.89	11.21

In its current proposed Financial Plan, the City estimates that the amount of the Authority Tax to be collected in Fiscal Years 2020 and 2021 will be approximately \$546.1 million and \$566.5 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 three (3) months of Fiscal Year 2020 totaled \$104.3 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 has the power to issue its bonds to grant or lend the proceeds thereof to the City. Such power to issue debt for the purposes of financing a deficit or a capital project of the City has expired. 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.

### Operating History

Since the issuance of its first series of bonds in 1992, 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 bonds in 1992, 1993 and 1994.

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<sup>4</sup> See Footnote 2 above.



## **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, 2020.

Members of the Board shall not be liable personally on the 2019/2020 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:

**KEVIN VAUGHAN**, Chair. Mr. Vaughan's extensive career in government service began as Legislative Director for Philadelphia City Councilman Angel Ortiz before being appointed by then-Mayor Rendell as Executive Director of the Philadelphia Commission on Human Relations. Mr. Vaughan was then appointed by President Clinton as a Regional Director of the US Department of Health and Human Services. He returned to service in Philadelphia as the Associate Director of the Free Library, Chief of Staff of the Managing Director's Office, Deputy Commissioner of the Department of Public Health, and finally as the Director of the Deputy Mayor's Office for Health and Opportunity/Deputy Health Commissioner. Mr. Vaughan is a graduate of the University of Pennsylvania (C'77), attended the Fels School of Government, and holds executive education certificates from Columbia University and Harvard University. He was initially appointed to the PICA Board in 2016 by Governor Wolf.

**ALAN C. KESSLER, ESQUIRE**, Vice-Chair. Mr. Kessler is an attorney in the area of commercial litigation with a focus on class actions and other complex litigation, government relations, and general counseling as a partner at Duane Morris LLP. Mr. Kessler's public service includes serving as a presidential appointee by President Clinton as the Vice Chair of the Presidential/Congressional Commission on Risk Assessment and Risk Management; and as a presidential appointee by President Clinton to the Board of Governors of the United States Postal Service. He was elected Chair of the USPS Board of Governors in 2008. Mr. Kessler was initially appointed to serve as a member of the Board by the Democratic Leader of the Senate in 2015.

**MICHAEL A. KARP**, Secretary/Treasurer. Mr. Karp's 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. He was first 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.

**JAMES F. CAWLEY**, Assistant Secretary/Treasurer. Mr. Cawley is Temple University's Vice President of Institutional Advancement. Previously, he served as president and CEO of United Way of Greater Philadelphia and Southern New Jersey and as Lieutenant Governor of the Commonwealth of Pennsylvania, from 2011 to 2015. Prior to being elected to statewide office, Mr. Cawley served on the Bucks County Board of Commissioners, as Chief of Staff to State Senator Tommy Tomlinson, and as a member of the board of the Bristol Township School District. Mr. Cawley earned a bachelor's degree in political science and a law degree from Temple University. He was appointed to serve as a member of the PICA board by the Pro Tempore of the Pennsylvania Senate in 2017.

**TINA BYLES WILLIAMS**, Member. Ms. Byles Williams founded FIS Group 21 years ago and has over 33 years of investment experience. She is the chief investment strategist and portfolio manager for the firm's global equities product. As Chief Investment Officer, she chairs the firm's Investment Committee, overseeing all investment strategy, manager search and disposition decisions. Prior to founding FIS Group, Ms. Byles Williams was a principal and senior consultant with the investment consulting firm WHP, Inc. Before joining WHP, Ms. Byles Williams served as Chief Investment Officer to the City of Philadelphia's Board of Pensions and Retirement. Ms. Byles Williams completed her undergraduate work at New York University where she graduated Magna Cum Laude and earned her Master's degree in Public Policy with an emphasis in Finance from Harvard University. She was initially appointed to the PICA Board in 2017 by the Democratic Leader of the Pennsylvania House of Representatives.

**JEN SWAILS**, Ex Officio. Ms. Swails is the Secretary of the Budget of the Commonwealth.

**ROB DUBOW**, Ex Officio. Mr. Dubow is the Director of Finance of the City. Mr. Dubow previously served as the Executive Director of the Authority.

### **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, a deputy executive director, two (2) financial analysis specialists and two (2) administrative 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:

**HARVEY M. RICE**, Executive Director. Mr. Rice joined the Authority as Executive Director in January 2014. Prior to this role, he served as the City of Philadelphia's First Deputy City Controller and Chief of Staff. He was responsible for the management and oversight of 125 employees in the nine divisions within the Controller's Office. Under Mr. Rice's leadership, the City Controller's Office uncovered more than \$500 million in revenues and savings for the City of Philadelphia through audits, reports and investigations. The Controller's Office also has received numerous national awards for its performance audits under his direction. Prior to his appointment as City Controller, Mr. Rice served as the Pennsylvania Department of Education's Safe Schools Advocate for the School District of Philadelphia. He was appointed by then Governor Tom Ridge. As the Safe School Advocate, Mr. Rice was responsible for monitoring the School District's compliance with the Safe Schools Act, as well as assisting and advocating on behalf of victims of school violence and ensuring the quick removal of violent and disruptive students from city schools. Mr. Rice is an attorney with a law degree from the Beasley School of Law at Temple University. He served as Co-Chair for the Philadelphia Coalition for Victim Advocacy, and as a member of the Collaborative Response to Crime Victims.

### **Financing Program**

The Authority was established and organized by the Commonwealth in June 1991 pursuant to the Act. The Authority has previously issued eleven Series of Bonds under the Indenture, only two of which are currently Outstanding: the 2009 Bonds and the 2010 Bonds. Upon the issuance of the 2019 Bonds, only the 2019 Bonds and the 2010 Bonds will remain Outstanding. The Authority may from time to time, subject to the limitations prescribed in the Act, enter into financing or refinancing transactions. Each additional financing or 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 2010 Bonds and the 2019 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 of the Board, and (ii) the development and revision at least annually by the City of, and in 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 first series of bonds by the Authority in 1992. 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) 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* "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.

## **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 2019/2020 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 2019/2020 Bonds or the existence or powers of the Authority.

## **LEGAL INVESTMENT**

The Act provides that the 2019/2020 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 2019/2020 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.

## **CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS**

The Authority will enter into the Forward Delivery Bond Purchase Agreement for the 2020 Bonds with the Representative acting on behalf of itself and on behalf of the Underwriters. Subject to the terms of the Forward Delivery Bond Purchase Agreement, the Authority expects to issue and deliver the 2020 Bonds on March 17, 2020, or such later date as may be mutually agreed by the Authority and the Underwriters (the “Delayed Delivery Closing Date”).

The obligation of the Underwriters to purchase the 2020 Bonds from the Authority is subject to the satisfaction of certain conditions, as outlined in the Forward Delivery Bond Purchase Agreement on the Initial Closing Date (the “Initial Closing Date”, which is expected to be \_\_\_\_\_, 2019), the date of issuance of the 2019 Bonds) and on the Delayed Delivery Closing Date. The conditions to be satisfied during the period from and including the date of the Forward Delivery Bond Purchase Agreement to the Initial Closing Date are, in general, comparable to those required in connection with bond closings that use a customary period of up to six weeks between sale dates and final closing dates. Because of the longer period between the sale and settlement of the 2020 Bonds, there are certain certificate, legal opinion and other document delivery requirements and settlement conditions that must be met as of the Delayed Delivery Closing Date, and certain of those requirements and conditions are summarized below. All the conditions with respect to the sale and settlement of the 2020 Bonds are set forth in the Forward Delivery Bond Purchase Agreement. The following is a description of certain provisions of the Forward Delivery Bond Purchase Agreement. The following description is not to be considered a full statement of the terms of the Forward Delivery Bond Purchase Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof, a copy of which is available from the Authority and the Underwriters.

BY PLACING AN ORDER WITH THE UNDERWRITERS FOR THE PURCHASE OF THE 2020 BONDS, EACH PURCHASER ACKNOWLEDGES AND AGREES THAT THE 2020 BONDS ARE BEING SOLD ON A “FORWARD DELIVERY” BASIS, THAT THE PURCHASER IS OBLIGATED TO ACCEPT DELIVERY OF AND PAY FOR THE 2020 BONDS ON THE DELAYED DELIVERY CLOSING DATE SUBJECT TO THE CONDITIONS IN THE FORWARD DELIVERY BOND PURCHASE AGREEMENT, AND THAT EACH PURCHASER WILL BE REQUIRED TO SIGN, AND DELIVER TO THE UNDERWRITERS, A DELAYED DELIVERY CONTRACT SUBSTANTIALLY IN THE FORM ATTACHED AS APPENDIX J (A “DELAYED DELIVERY CONTRACT”) AS A CONDITION TO ANY 2020 BONDS BEING ALLOCATED TO SUCH PURCHASER. ADDITIONALLY, EACH PURCHASER ACKNOWLEDGES AND AGREES THAT IT WILL REMAIN OBLIGATED TO PURCHASE SUCH 2020 BONDS EVEN IF THE PURCHASER DECIDES TO SELL SUCH 2020 BONDS FOLLOWING THE DATE OF PURCHASE, UNLESS THE PURCHASER SELLS SUCH 2020



BONDS TO ANOTHER INSTITUTION WITH THE PRIOR WRITTEN CONSENT OF THE REPRESENTATIVE OF THE UNDERWRITERS AND SUCH INSTITUTION PROVIDES A WRITTEN ACKNOWLEDGEMENT OF CONFIRMATION OF PURCHASE ORDER AND A DELAYED DELIVERY CONTRACT IN THE SAME RESPECTIVE FORM AS THAT EXECUTED BY THE PURCHASER.

### **Delayed Delivery Closing Date for 2020 Bonds**

The issuance of the 2020 Bonds and the Underwriters' obligations under the Forward Delivery Bond Purchase Agreement to purchase, accept delivery of and pay for the 2020 Bonds on the Delayed Delivery Closing Date are conditioned upon the performance by the Authority of its obligations thereunder, the delivery of certain certificates, legal opinions and other documents, including, without limitation, the delivery of an approving opinion of Bond Counsel dated the Delayed Delivery Closing Date, substantially in the form and to the effect as set forth in APPENDIX E-2 to this Official Statement (the "2020 Bond Counsel Opinion"), and the satisfaction of other conditions as of the Delayed Delivery Closing Date, certain of which are described below.

#### *No Change in Law*

The Forward Delivery Bond Purchase Agreement provides as a condition to the Underwriters' obligation to purchase, accept delivery of and pay for the 2020 Bonds, that as of the Delayed Delivery Closing Date, no Change in Law shall have occurred. For purposes of this condition, "Change in Law" shall mean any of the following events that occur at any time after the Initial Closing Date and on or prior to the Delayed Delivery Closing Date: (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies, (ii) any legislation enacted by the Congress of the United States or introduced into Congress and recommended for passage by the President of the United States (whether or not such enacted or recommended legislation has a proposed effective date which is on or before the Delayed Delivery Closing Date), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (whether or not such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Delayed Delivery Closing Date), or (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case cited in (i) through (iv) above would on the Delayed Delivery Closing Date: (A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) their purchase of the 2020 Bonds, as provided in the Forward Delivery Bond Purchase Agreement or their sale of the 2020 Bonds or beneficial ownership interests therein to the public; or (B) as to the Authority, make illegal the issuance, sale or delivery of the 2020 Bonds (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized); or (C) eliminate the exclusion from gross income for federal income tax purposes of interest on the 2020 Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed or finalized); or (D) require the 2020 Bonds to be registered under the Securities Act of 1933, as amended or under the Securities Exchange Act of 1934, as amended or require the Indenture to be qualified under the Trust Indenture Act of 1939, as amended (if enacted, passed, finalized or adopted), and as to the foregoing, in the sole and reasonable judgment of Bond Counsel causes Bond Counsel to not issue its opinion as to the tax-exempt status of the interest on the 2020 Bonds for federal tax purposes; provided, however, that such change in or addition to law, legislation, rule or regulation or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, been proposed or enacted or been issued as the case may be, after the date of the Forward Delivery Bond Purchase Agreement. The Underwriters' right to cancel their obligation to purchase the 2020 Bonds pursuant to the provisions of the Forward Delivery Bond Purchase Agreement described in this paragraph shall only arise on the Delayed Delivery Closing Date and only if a Change in Law exists on the Delayed Delivery Closing Date, irrespective of when such Change in Law arose.

### *Existence of Ratings*

It shall also be a condition to the Underwriters' obligation to purchase, accept delivery of, and pay for the 2020 Bonds that the Authority deliver evidence to the Underwriters that as of the Delayed Delivery Closing Date, that the ratings which are required to be obtained by the Initial Closing Date have not been withdrawn or suspended as of the Delayed Delivery Closing Date. *See* "RATINGS" herein for information about the ratings for the 2020 Bonds to be obtained by the Initial Closing Date.

### *Confirmation of Representations*

It shall also be a condition to the Underwriters' obligation to purchase, accept delivery of and pay for the 2020 Bonds that the Authority deliver a certificate to the Underwriters, dated the Delayed Delivery Closing Date, signed by the Chairperson or Vice Chairperson and Secretary or Assistant Secretary of the Authority to the effect that, to the best of their knowledge, the Authority's representations and warranties in the Forward Delivery Bond Purchase Agreement are true and correct in all material respects on and as of the Delayed Delivery Closing Date.

### *Delivery of Supplement to the Official Statement*

During the period of time subsequent to the Initial Closing Date and up to and including the Delayed Delivery Closing Date (the "Forward Delivery Period"), certain information contained in this Official Statement may change in a material respect. The Authority has agreed in the Forward Delivery Bond Purchase Agreement to deliver a supplement to the Official Statement (the "Supplement to the Official Statement") not more than twenty-five (25) days nor less than ten (10) days prior to the Delayed Delivery Closing Date. The Supplement to the Official Statement is expected to provide, among other things, a discussion of, and any updates with respect to, matters of the type addressed under "TAX MATTERS" which are applicable to the 2020 Bonds as of the date of the Supplement to the Official Statement.

If, on the Delayed Delivery Closing Date, the conditions to the obligations of the Underwriters to purchase, accept delivery of and pay for the 2020 Bonds as set forth in the Forward Delivery Bond Purchase Agreement have not been met or waived, the Forward Delivery Bond Purchase Agreement will terminate and neither the Underwriters nor the Authority will be under any further obligation under the Forward Delivery Bond Purchase Agreement.

If the Change in Law involves the enactment of legislation (such as, for example, a change in tax rates) which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes of, interest payable on "state or local bonds," the Authority may, nonetheless, be able to satisfy the requirements for the delivery of the 2020 Bonds. In such event, the Underwriters would be obligated to purchase the 2020 Bonds from the Authority and the purchasers would be required to accept delivery of the purchased 2020 Bonds from the Underwriters.

The Underwriters have advised the Authority that the 2020 Bonds will be sold only to purchasers who execute a Delayed Delivery Contract, a form of which is set forth in APPENDIX J. The Authority will not be a party to the Delayed Delivery Contracts, and the Authority is not in any way responsible for the performance thereof or for any representations or warranties contained therein. The rights and obligations under the Forward Delivery Bond Purchase Agreement are not conditioned or dependent upon the performance of any Delayed Delivery Contract. The Underwriters may not refuse to purchase the 2020 Bonds from the Authority except as expressly provided in the Forward Delivery Bond Purchase Agreement.

THE UNDERWRITERS (AND, IN TURN, THE PURCHASERS OF THE 2020 BONDS FROM THE UNDERWRITERS) MAY NOT REFUSE TO PURCHASE THE 2020 BONDS BY REASON OF GENERAL MARKET OR CREDIT CHANGES INCLUDING, BUT NOT LIMITED TO, CHANGES IN THE RATINGS ANTICIPATED TO BE ASSIGNED TO THE 2020 BONDS, CHANGES IN THE FINANCIAL CONDITION, OPERATIONS, PERFORMANCE, PROPERTIES OR PROSPECTS OF THE AUTHORITY AFTER THE INITIAL CLOSING DATE AND PRIOR TO THE DELAYED DELIVERY CLOSING DATE, CHANGES IN THE GENERAL LEVEL OF INTEREST RATES OR CHANGES IN VALUE OF THE 2020 BONDS OR FOR ANY OTHER REASON EXCEPT A FULL ELIMINATION OF TAX EXEMPTION, ANY OTHER 'CHANGE IN LAW'

DESCRIBED ABOVE, OR THE FAILURE OF THE DELIVERY OF THE CERTIFICATES, LEGAL OPINIONS AND DOCUMENTS REQUIRED TO BE DELIVERED ON OR BEFORE THE DELAYED DELIVERY CLOSING DATE PURSUANT TO THE FORWARD DELIVERY BOND PURCHASE AGREEMENT.

### **Additional Risks Related to the Forward Delivery Period**

The discussion of risks set forth below has been provided by the Underwriters and may not be exhaustive of all of the risks that may arise during the Forward Delivery Period. The Authority disclaims any responsibility therefor.

During the Forward Delivery Period, certain information contained in this Official Statement could change in a material respect. Changes in such information will not permit the Underwriters to terminate the Forward Delivery Bond Purchase Agreement unless the change results in the Authority's inability to satisfy the conditions set forth in the Forward Delivery Bond Purchase Agreement or release the purchasers of their obligation to purchase the 2020 Bonds as described in the Delayed Delivery Contracts.

In addition to the risks set forth above, purchasers of the 2020 Bonds are subject to certain additional risks, some of which are described below, and which will not constitute grounds for purchasers to refuse to accept delivery of and pay for the 2020 Bonds.

Prospective purchasers should consult their investment advisors before making any decision as to the purchase of the 2020 Bonds. The following discussion, while not setting forth all of the factors that should be considered, contains some of the factors which should be considered, in addition to the other information in this Official Statement, prior to purchasing the 2020 Bonds. This section is not meant to be comprehensive or definitive, and there may be other risk factors which will become material in the future.

#### *2020 Bond Counsel Opinion: Tax Law Risk*

Subject to the additional conditions of settlement described under "Delayed Delivery Closing Date" above, the Forward Delivery Bond Purchase Agreement obligates the Authority to deliver and the Underwriters to acquire the 2020 Bonds if the Authority delivers the 2020 Bond Counsel Opinion. During the Forward Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, promulgated or interpreted that might prevent Bond Counsel from rendering its approving opinion or otherwise affect the substance of such opinion. Notwithstanding that the enactment of new legislation, new court decisions or the promulgation of new regulations or rulings might diminish the value of, or otherwise affect, the exclusion of interest on the 2020 Bonds for purposes of federal income taxation payable on "state or local bonds," the Authority might be able to satisfy the requirements for the delivery of the 2020 Bonds. In such event, the Underwriters would be required to accept delivery of the 2020 Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood of any changes in tax law and the consequences of such changes to such purchasers. Any Change in Law occurring during the Forward Delivery Period does not relieve the Underwriters of their obligation under the Forward Delivery Bond Purchase Agreement at any time prior to the Delayed Delivery Closing Date. The facts and circumstances giving rise to any Change in Law occurring during the Forward Delivery Period may change due to legislative or regulatory action or other facts and circumstances at any time prior to the Delayed Delivery Closing Date with the resulting effect that a Change in Law may then no longer exist as of the Delayed Delivery Closing Date. See "TAX MATTERS – 2020 Bonds - Opinion of Bond Counsel."

#### *Ratings Risk*

Ratings have been assigned to the 2020 Bonds as described under "RATINGS." No assurances can be given that the ratings assigned to the 2020 Bonds on the Delayed Delivery Closing Date will not be different from those currently assigned to the 2020 Bonds. Issuance of the 2020 Bonds and the Underwriters' obligations under the Forward Delivery Bond Purchase Agreement are not conditioned upon the assignment of any particular ratings for the 2020 Bonds as of the Delayed Delivery Closing Date or the maintenance of ratings of the 2020 Bonds during the Forward Delivery Period at the levels assigned at the Initial Closing Date. Any suspension or withdrawal of any such rating

during the Forward Delivery Period may be cured up to the Delayed Delivery Closing Date and does not relieve the Underwriters of their obligation under the Forward Delivery Bond Purchase Agreement at any time prior to the Delayed Delivery Closing Date.

#### *Market Value Risk*

The market value of the 2020 Bonds as of the Delayed Delivery Closing Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the 2020 Bonds, the financial condition and operations of the Authority, and federal and state income tax rates and/or law and other laws. The market value of the 2020 Bonds as of the Delayed Delivery Closing Date could therefore be higher or lower than the price to be paid by the initial purchasers of the 2020 Bonds and that difference could be substantial. The Underwriters will nevertheless be obligated to take delivery of and pay for the 2020 Bonds if the conditions in the Forward Delivery Bond Purchase Agreement are satisfied on the Delayed Delivery Closing Date. **NEITHER THE AUTHORITY NOR THE UNDERWRITERS MAKE ANY REPRESENTATION AS TO THE EXPECTED MARKET PRICE OF THE 2020 BONDS AS OF THE DELAYED DELIVERY CLOSING DATE.** Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the 2020 Bonds as of the Delayed Delivery Closing Date or thereafter or not have a materially adverse impact on any secondary market for the 2020 Bonds.

#### *Circumstances That May Result in Failure of Conditions of Forward Delivery Bond Purchase Agreement to be Satisfied*

The Underwriters' obligation to purchase, accept delivery of, and pay for the 2020 Bonds is subject to certain conditions of the Forward Delivery Bond Purchase Agreement being satisfied as of the Delayed Delivery Closing Date. Although the Authority is not aware, as of the date of this Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations under the Forward Delivery Bond Purchase Agreement on the Delayed Delivery Closing Date, no assurances can be made that, as of the Delayed Delivery Closing Date: (i) there will have been no Change in Law; (ii) the facts and circumstances that are material to one or more of the required legal opinions will not differ from the facts and circumstances as of the Initial Closing Date; or (iii) that all necessary certifications and representations can or will be delivered and made in connection with the proposed issuance and delivery of the 2020 Bonds. As a consequence of any of the foregoing, one or more of the foregoing legal opinions may not be rendered or one or more of the Delayed Delivery Closing Date conditions in the Forward Delivery Bond Purchase Agreement may not be met, with the possible result that the delivery of the 2020 Bonds will not occur.

#### *Secondary Market Risk*

The Underwriters are not obligated to make a secondary market in the 2020 Bonds, and no assurances can be given that a secondary market will exist for the 2020 Bonds during the Forward Delivery Period. Purchasers of the 2020 Bonds should assume that the 2020 Bonds will be illiquid throughout the Forward Delivery Period.

### **TAX MATTERS**

#### **2019 Bonds - Opinion of Bond Counsel**

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2019 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2019 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority subsequent to the issuance and delivery of the 2019 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority has made covenants to comply with such requirements.



In the opinion of Bond Counsel, interest [(including accrued original issue discount)] on the 2019 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the Authority comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2019 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2019 Bonds to be so includable in gross income retroactive to the date of issuance of the 2019 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2019 Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax.

In addition to the matters addressed below, prospective purchasers of the 2019 Bonds should be aware that ownership of the 2019 Bonds may result in collateral tax consequences to certain taxpayers, including but not limited to, foreign corporations, certain S corporations, financial institutions, recipients of social security and railroad retirement benefits and property or casualty insurance companies. Bond Counsel expresses no opinion regarding any other federal tax consequences relating to the 2019 Bonds or the receipt of interest thereon. **Prospective purchasers of the 2019 Bonds should consult their own tax advisors as to the impact of these other tax consequences.**

In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, the 2019 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2019 Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange, or other disposition of the 2019 Bonds are subject to state and local taxation within the Commonwealth of Pennsylvania. Specifically, the 2019 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2019 Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Bond Counsel's opinion will be based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date of delivery of the 2019 Bonds. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective.

### **Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations**

The Code, subject to limited exceptions not applicable to the 2019 Bonds, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the 2019 Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the 2019 Bonds and any other tax-exempt obligations acquired after August 7, 1986.

### **Property or Casualty Insurance Company**

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

### **Reportable Payments and Backup Withholding**

The payments of interest on the 2019 Bonds will be reported to the Internal Revenue Service by the payor on Form 1099 unless the holder is an "exempt person" under Section 6049 of the Code. A holder who is not an exempt person may be subject to "backup withholding" at a specified rate prescribed in the Code if the holder does not file Form W-9 with the payor advising the payor of the holder's taxpayer identification number. Holders should consult with their brokers regarding this matter.

The payor will report to the holders and to the Internal Revenue Service for each calendar year the amount of any “reportable payments” during such year and the amount of tax, if any, with respect to payments made on the 2019 Bonds.

#### **[Accounting Treatment of Original Issue Discount [and Amortizable Bond Premium]**

[The 2019 Bonds maturing on and after \_\_\_\_\_ are herein referred to as the “Discount Bonds.” In the opinion of Bond Counsel, the difference between the initial public offering price of the Discount Bonds set forth on the [cover page] and the stated redemption price at maturity of each such 2019 Bond constitutes “original issue discount,” all or a portion of which will, on the disposition or payment of such 2019 Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a “constant interest method,” which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

Purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. Prospective purchasers of the Discount Bonds should consult their tax advisors regarding the Pennsylvania tax treatment of original issue discount.]

[The 2019 Bonds maturing on \_\_\_\_\_ are hereinafter referred to as the “Premium Bonds.” An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the [cover] page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Bonds.]

#### **2020 Bonds - Opinion of Bond Counsel**

The Code contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2020 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2020 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority subsequent to the issuance and delivery of the 2020 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority has made covenants to comply with such requirements.

Assuming that no Change In Law has occurred, Bond Counsel, on the Delayed Delivery Closing Date for the 2020 Bonds, will deliver its opinion on the Delayed Delivery Closing Date that interest on the 2020 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel assumes that the Authority complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2020 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the

2020 Bonds to be so includable in gross income retroactive to the date of issuance of the 2020 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2020 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax.

Assuming no Change in Law has occurred on the Delayed Delivery Closing Date for the 2020 Bonds, Bond Counsel will deliver its opinion that under the laws of the Commonwealth of Pennsylvania as enacted and construed on the Delayed Delivery Closing Date, the 2020 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2020 Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange, or other disposition of the 2020 Bonds are subject to state and local taxation within the Commonwealth. Specifically, the 2020 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2020 Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Prospective purchasers of the 2020 Bonds should be aware that ownership of the 2020 Bonds may result in collateral tax consequences to certain taxpayers, including but not limited to, foreign corporations, certain S corporations, financial institutions, recipients of social security and railroad retirement benefits, and property or casualty insurance companies. Bond Counsel expresses no opinion regarding any other federal tax consequences relating to the 2020 Bonds or the receipt of interest thereon. **Prospective purchasers of the 2020 Bonds should consult their own tax advisors as to the impact of these other tax consequences.**

## CHANGES IN FEDERAL TAX LAW

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the treatment of interest on the 2019/2020 Bonds for federal or state income tax purposes, and thus on the value or marketability of the 2019/2020 Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or otherwise. It cannot be predicted whether or in what form any such proposals may be enacted or whether if enacted such proposals would apply to bonds issued prior to enactment. In addition, regulatory or other actions are from time to time announced or proposed which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the 2019/2020 Bonds. It cannot be predicted whether any such regulatory or other actions will be implemented or whether the 2019/2020 Bonds would be impacted thereby.

Purchasers of the 2019/2020 Bonds should consult their own tax advisors regarding any pending or proposed legislation, regulations or other potential changes in law. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities on the date of delivery on the 2019 Bonds, and on the Delayed Delivery Closing Date, with respect to the 2020 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulations or other potential changes in law.

**Prospective purchasers of the 2019/2020 Bonds should be aware that the ownership of tax-exempt obligations, such as the 2019/2020 Bonds, may result in collateral federal income tax consequences. Such prospective purchasers should consult their own tax advisors as to the consequences of investing in the 2019/2020 Bonds.**

## RATINGS

S&P and Fitch Ratings have both assigned the 2019 Bonds ratings of “AAA”. S&P and Fitch Ratings have both assigned the 2020 Bonds ratings of “AAA”. 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: S&P Global Ratings, 55 Water Street, New York, New York 10041; and 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. A rating is not a recommendation

to buy, sell or hold securities and may be subject to revision or withdrawal at any time. 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.

None of the Authority, the City, or the Underwriters has undertaken any responsibility to assure the maintenance of any rating. The Authority has agreed, in the Disclosure Agreement, to report actual rating changes on the 2019/2020 Bonds. *See* “MISCELLANEOUS - Continuing Disclosure Undertaking” herein and APPENDIX F hereto. Any downgrade, revision or withdrawal of a rating may have an adverse effect on the market price of or the market for the 2019/2020 Bonds.

## **CERTAIN LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance, sale and delivery of both the 2019 Bonds and the 2020 Bonds are subject to the approving opinions of Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania, Bond Counsel. The proposed form of the opinions of Bond Counsel is appended hereto as APPENDIX E. Certain legal matters will be passed upon for the Authority by its counsel, Reed Smith LLP, Philadelphia, Pennsylvania; for the Underwriters by their counsel, Ahmad Zaffarese, LLC, Philadelphia, Pennsylvania; and for the City by the Office of the City Solicitor.

The various legal opinions to be delivered concurrently with the delivery of the 2019 Bonds and the delayed delivery of the 2020 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.

## **VERIFICATION**

It is anticipated that Robert Thomas CPA, LLC will serve as verification agent (the “Verification Agent”) in connection with the refunding of the Refunded 2010 Bonds with the proceeds of the 2020 Bonds and will deliver to the Authority on the Initial Closing Date for the 2020 Bonds and on the Delayed Delivery Closing Date for the 2020 Bonds its report (the “Verification Report”) indicating that it has verified the mathematical accuracy of the information provided by the Authority and its representatives with respect to the refunding requirements of the Refunded 2010 Bonds. Included within the scope of its engagement will be a verification of the mathematical accuracy of the computations of the adequacy of the cash and maturing principal of the securities to be placed in an escrow account, pursuant to the terms and provisions in the Escrow Agreement, to meet the payment of the redemption price of the Refunded 2010 Bonds, together with accrued interest thereon, on the 2010 Bonds Redemption Date, as further described in “PLAN OF FINANCE” above.

The verification performed by the Verification Agent will be based solely upon data, information and documents provided to the Verification Agent. The Verification Report will state that the Verification Agent has no obligation to update the Verification Report for events occurring, or data or information coming to their attention, subsequent to the date of the Verification Report.

## **UNDERWRITING**

The 2019 Bonds are being purchased by the Underwriters named on the cover page of this Official Statement (the “Underwriters”), for whom RBC Capital Markets, LLC is acting as the representative (the “Representative”), subject to certain terms and conditions set forth in a Bond Purchase Agreement between the Authority and the Representative, on behalf of the Underwriters. The 2019 Bonds are being purchased for reoffering by the Underwriters at an aggregate purchase price of \$\_\_\_\_\_ which price reflects an underwriter’s discount in the amount of \$\_\_\_\_\_



[plus/minus] and net original issue [premium/discount] of \$ \_\_\_\_\_. The initial public offering prices of the 2019 Bonds may be changed from time to time by the Underwriters without notice. The Bond Purchase Agreement for the 2019 Bonds provides that the Underwriters' obligation to purchase the 2019 Bonds is subject to certain conditions and that the Underwriters are obligated to purchase all of the 2019 Bonds, if any 2019 Bonds are purchased.

The 2020 Bonds are being purchased by the Underwriters, with RBC Capital Markets, LLC acting as Representative, subject to certain terms and conditions set forth in the Forward Delivery Bond Purchase Agreement. The 2020 Bonds are being purchased for reoffering by the Underwriters at an aggregate purchase price of \$ \_\_\_\_\_ which price reflects an underwriter's discount in the amount of \$ \_\_\_\_\_ [plus/minus] and net original issue [premium/discount] of \$ \_\_\_\_\_. The initial public offering prices of the 2020 Bonds may be changed from time to time by the Underwriters without notice. The Forward Delivery Bond Purchase Agreement for the 2020 Bonds provides that the Underwriters' obligation to purchase the 2020 Bonds is subject to certain conditions and that the Underwriters are obligated to purchase all of the 2020 Bonds, if any 2020 Bonds are purchased.

The 2019/2020 Bonds are offered for sale to the public at prices set forth on the inside front cover page of this Official Statement. The 2019/2020 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2019/2020 Bonds into investment trusts) at prices lower than such offering prices, and such public offering prices may be changed from time to time by the Underwriters without prior notice.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

## **FINANCIAL STATEMENTS**

The financial statements of the Authority as of June 30, 2019 included in APPENDIX A to this Official Statement have been audited by Maher Duessel, independent auditors, as stated in their report appearing in APPENDIX A.

## **FINANCIAL ADVISORS**

Phoenix Capital Partners, LLP, Philadelphia, Pennsylvania, and PFM Financial Advisors LLC, Philadelphia, Pennsylvania, are acting as co-financial advisors (together, the "Financial Advisors") to the Authority in connection with the issuance of the 2019/2020 Bonds. The Financial Advisors have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2019/2020 Bonds. They have received and reviewed but have not independently verified information in this Official Statement for accuracy or completeness (except, as to each Financial Advisor, the information in this section). Investors should not draw any conclusions as to the suitability of the 2019/2020 Bonds from, or base any investment decisions upon, the fact that the Financial Advisors have advised the Authority with respect to the 2019/2020 Bonds. The Financial Advisors' fees for this issue are contingent upon the sale and issuance of the 2019/2020 Bonds.

The Financial Advisors are financial advisory and consulting organizations and not organizations engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

## **CERTAIN RELATIONSHIPS**

Reed Smith LLP from time to time provides legal services to the Trustee and certain of the Underwriters with respect to unrelated matters.

Ahmad Zaffarese LLC, Counsel to the Underwriters, provides certain legal services to the City.

## **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.

### **Continuing Disclosure Undertaking**

In order to enable the Underwriters to comply with the requirements of Rule 15c2-12, the Authority will enter into a Disclosure Agreement for the benefit of the registered owners from time to time of the 2019 Bonds, to be dated the date of original delivery and payment for the 2019 Bonds, and the Authority will enter into a Disclosure Agreement for the benefit of the registered owners from time to time of the 2020 Bonds, to be dated the date of original delivery and payment for the 2020 Bonds (collectively, the “Disclosure Agreements”). The Disclosure Agreement for each of the 2019 Bonds and the 2020 Bonds shall constitute a written undertaking for the benefit of the owners and beneficial owners of the 2019 Bonds and the 2020 Bonds, as applicable. The proposed form of the Disclosure Agreement that will be delivered for the 2019 Bonds and also will be delivered for the 2020 Bonds is attached to this Official Statement as APPENDIX F. During the past five years, the Authority has complied in all material respects with its obligations under all continuing disclosure agreements to which it is or was a party. The Authority has reviewed and updated its disclosure policies and procedures to assist in complying with its continuing disclosure undertakings in the future.

### **Official Statement Not a Contract**

This Official Statement has been duly authorized, executed and delivered by the Authority. Neither this Official Statement nor any advertisement for the 2019/2020 Bonds is to be deemed or construed as constituting a contract between the Authority and the purchasers of the 2019/2020 Bonds.

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**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: \_\_\_\_\_  
Kevin Vaughan, Chairperson

## **APPENDIX A**

**Audited Financial Statements of the Authority as of June 30, 2019**



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# **Pennsylvania Intergovernmental Cooperation Authority**

A Blended Component Unit of the  
City of Philadelphia

Financial Statements with Required  
Supplementary Information and  
Supplementary Information

Year Ended June 30, 2019  
with Independent Auditor's Report

**MaherDuessel**  
Certified Public Accountants

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# **PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**

(A Blended Component Unit of the City of Philadelphia)

YEAR ENDED JUNE 30, 2019

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# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

YEAR ENDED JUNE 30, 2019

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## **Independent Auditor's Report**

### **Board of Directors Pennsylvania Intergovernmental Cooperation Authority**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pennsylvania Intergovernmental Cooperation Authority (Authority), a blended component unit of the City of Philadelphia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension and other post-employment benefit information on pages i through x and pages 34 through 38, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining nonmajor fund financial statements, schedule of cash activity – General Fund, and schedule of cash activity – PICA Tax Revenue Fund (collectively, supplementary information) on pages 39 through 42 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Maher Duessel*

Harrisburg, Pennsylvania  
September 23, 2019



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## **Management's 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, 2019 ("FY2019"). Please read it in conjunction with the Authority's financial statements, which begin on page 1.

### **Using this Annual Report**

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 four components:

- (1) Government-wide financial statements – which provide both long-term and short-term information about the Authority's overall financial condition.
- (2) Fund financial statements – which provide a more detailed look at major individual funds.
- (3) Notes to the financial statements – which explain some information contained in the financial statements and provide more detailed data.
- (4) Supplementary information – which further explain and support the information in the financial statements.

### **Brief Description and Financial Highlights**

PICA is a blended component unit of the City of Philadelphia ("City"). PICA is a body corporate and politic, a public authority and instrumentality of the Commonwealth of Pennsylvania ("Commonwealth"). It was created in 1991 to assist the City in overcoming a severe fiscal crisis by issuing bonds to finance the accumulated operating deficit of the City, and by overseeing the creation of a long-term financial planning process. Since 1991, the City has submitted, and PICA has approved, twenty-eight five-year financial plans. PICA approved the Five-Year Financial Plan for fiscal years 2020 through 2024, on July 16, 2019.

PICA is governed by a Board consisting of five voting members appointed by the following state officials: 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. The Board also includes two non-voting, *ex officio* members: The Secretary of the Budget of the Commonwealth and the Director of Finance of the City. The Authority currently employs six full-time staff.

The financial activity and statements presented in this report reflect only the financial activity of PICA. However, as a blended component unit of the City, the Authority's financial activity is included in the City's *Comprehensive Annual Financial Report*, as part of governmental activities. The following is a summary of some of the highlights of the Authority's financial activity in FY2019:

- The Authority's total net position at the close of FY2019 was (\$67,024,048), representing a positive change in net position of \$32,619,074 from the prior year. The largest contributor to the negative net position was \$143,305,094 in bonds payable.
- The positive change in net position was primarily due to a reduction of \$38,760,000 in bonds payable from the prior year. This reduction reflected scheduled payments of bond principal during the year.
- The Authority's most significant expenses in FY2019 were \$493,976,605 for grants to the City and \$8,392,100 for interest on long-term debt. The most significant revenue source was \$528,763,262 in PICA taxes.
- At the close of FY2019, the combined fund balance in all governmental funds was \$78,322,983. This amount included \$19,077,827 in the General Fund, \$48,011,448 in Debt Service Reserve Fund, and \$11,233,708 in the nonmajor governmental funds (consisting of \$3,959,787 in the 2009 and 2010 Debt Service Funds, \$2,070,932 in the Rebate Fund, and \$5,202,989 in the Special Revenue Funds).

## **Overview of Financial Statements**

*Government-Wide Financial Statements.* The government-wide financial statements provide information about the activities of the Authority as a whole. They are reported using the economic resource measurement focus and the accrual basis of accounting. In these statements, all current year revenues and expenses are taken into account, regardless of when cash is received or paid.

There are two government-wide financial statements: The Statement of Net Position and the Statement of Activities (pages 1 and 2). The Statement of Net Position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position should indicate whether the financial position of the Authority is improving or deteriorating. The Statement of Activities presents information showing how the Authority's net position changed during FY2019. All changes in net position 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).

*Fund Financial Statements.* The two governmental fund financial statements are the Statement of Revenue, Expenditures, and Changes in Fund Balance; and the Balance Sheet (pages 3 and 4). 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. The Authority maintains nine governmental funds, and information for each major fund is presented separately in the fund 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. Both fund financial statements provide a reconciliation to facilitate this comparison between the fund statements and government-wide statements.

*Notes to the Financial Statements.* The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 5 through 33.

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

Required Supplementary Information: Certain information regarding the General Fund operating budget, the proportionate share of the collective net pension and other post-employment benefit (OPEB) liability, and the contributions to the Commonwealth's pension and OPEB system is presented in this section. This required supplementary information can be found immediately following the notes to the financial statements.

Supplementary Information: The combining nonmajor governmental fund financial statements and the schedules of cash activity for both the General Fund and the PICA Tax Revenue Fund are presented in this section. The supplementary information can be found immediately following the Required Supplementary Information.

## **Government-Wide Financial Statements**

### **Statement of Net Position**

PICA's total assets as of June 30, 2019 were \$84,931,178, a decrease of 7.7 percent from the previous year. The most significant changes were an increase of \$2,208,403 in PICA taxes receivable, offset by decreases of (\$8,049,657) in other cash and cash equivalents held by trustee, (\$647,953) in investments, (\$333,883) in fair value of derivative instruments, and (\$245,556) in other cash and cash equivalents

Total deferred outflows of resources as of June 30, 2019 totaled \$655,467, an increase of 26.5 percent from the prior year, with a majority of the increase attributable to other post-employment benefits, and the remaining increase representing the difference between projected and actual earnings on investments related to the valuation of the net pension liability.

<b>Table 1: Net Position</b>			
	<b>FY2019</b>	<b>FY2018</b>	<b>Percent Change</b>
<b>Assets</b>			
Cash and cash equivalents			
Held by trustee	\$13,223,736	\$21,273,393	-37.8%
Other	19,237,856	19,483,412	-1.3%
Investments	45,956,994	46,604,947	-1.4%
PICA taxes receivable	5,211,408	3,003,005	73.5%
Fair value of derivative instruments	1,211,304	1,545,187	-21.6%
Accrued interest receivable	67,198	59,256	13.4%
Prepaid expenses	21,242	39,450	-46.2%
Equipment, net	1,440	3,579	-59.8%
<b>Total Assets</b>	<b>\$84,931,178</b>	<b>\$92,012,229</b>	<b>-7.7%</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pension	\$484,581	\$404,302	19.9%
Deferred outflows related to OPEB	57,166	0	100.0%
Contributions subsequent to measurement date:			
OPEB	32,654	32,829	-0.5%
Pension	81,066	80,868	0.2%
<b>Total Deferred Outflows of Resources</b>	<b>\$655,467</b>	<b>\$517,999</b>	<b>26.5%</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$184,043	\$126,284	45.7%
Due to the City of Philadelphia	5,211,408	3,003,005	73.5%
Current portion of bonds payable	40,490,000	38,760,000	4.5%
Current portion of net OPEB liability	32,654	32,829	-0.5%
Net pension liability	1,553,260	1,383,379	12.3%
Noncurrent portion of net OPEB liability	1,119,155	1,044,664	7.1%
Noncurrent portion of bonds payable	102,815,094	147,217,805	-30.2%
<b>Total Liabilities</b>	<b>\$151,405,614</b>	<b>\$191,567,966</b>	<b>-21.0%</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pension	\$699,216	\$508,745	37.4%
Deferred inflows related to OPEB	505,863	96,639	423.5%
<b>Total Deferred Inflows of Resources</b>	<b>\$1,205,079</b>	<b>\$605,384</b>	<b>99.1%</b>
<b>Net Position</b>			
Net investment in capital assets	\$1,440	\$3,579	-59.8%
Restricted for:			
Debt service	53,442,167	61,823,513	-13.6%
Benefit of the City of Philadelphia	5,202,989	5,514,017	-5.6%
Unrestricted	(125,670,644)	(166,984,231)	-24.7%
<b>Total Net Position</b>	<b>(\$67,024,048)</b>	<b>(\$99,643,122)</b>	<b>-32.7%</b>



Total liabilities as of June 30, 2019 were \$151,405,614, a decrease of 21.0 percent from the previous year. The most significant change in liabilities included a decrease of (\$44,402,711) in the noncurrent portion of bonds payable, offset by an increase of \$2,208,403 in due to the City of Philadelphia, and an increase of \$1,730,000 in the current portion of bonds payable. The increase in the noncurrent portion of bonds payable reflected payments of principal for maturing bonds.

Total deferred inflows of resources as of June 30, 2019, were \$1,205,079, an increase of 99.1 percent over the prior year, representing the changes in proportion and difference between the Authority's contributions and proportionate share of contributions related to its pension plan, and the difference between expected and actual experience in its other post-employment benefits plan.

The Authority's total net position as of June 30, 2019, is (\$67,024,048). Of this amount, \$53,442,167 is restricted for debt service. The amount restricted for debt service includes the following elements:

<b>Restricted for Debt Service</b>	
<b>Debt Service Reserve Fund</b>	
Current assets held for debt service reserve purposes as required by Trust Indenture	\$48,011,448
<b>2009 and 2010 Debt Service Funds</b>	
Current assets held for debt service payments due in FY2020	3,959,787
<b>Rebate Fund</b>	
Current assets held for future potential rebate/debt service purposes	2,070,932
Sub-Total	\$54,042,167
<b>Less: Debt Service Reserve Fund</b>	
Current assets held for subsequent PICA administration purposes in FY2020 per the adopted budget	(600,000)
<b>Net Position restricted for debt service at June 30, 2019</b>	<b>\$53,442,167</b>

Of the total net position, \$5,202,989 is restricted for the benefit of the City, to be used for capital projects. Unrestricted net position/(deficit) of (\$125,670,644) includes \$600,000 committed by the PICA Board for Authority operations. The deficit in unrestricted net position was due primarily to long-term debt outstanding in excess of total assets. In the future, as the Authority continues to retire outstanding debt, its net position should improve.

## Statement of Activities

As shown in Table 2, total expenses for FY2019 were \$504,323,310, an increase of 8.1 percent from the previous year. The most significant changes in expenses included a \$39,762,998 increase in grants to the City, offset by a \$2,263,000 decline in interest on long-term debt. Total revenues for FY2019 were \$536,942,384, an increase of 6.2 percent from the prior year. The most significant changes in revenues included a \$30,050,109 (or 6.0 percent) increase in PICA taxes, and an increase of \$1,422,674 (or 62.2 percent) in investment income.

Revenues exceed expenses by \$32,619,074 in FY2019, resulting in an increase in net position of that amount. Net position/(deficit) at the beginning of the year was (\$99,643,122). Consequently, the yearend net position/(deficit) for FY2019 is (\$67,024,048).

**Table 2: Activities**

	<b>FY2019</b>	<b>FY2018</b>	<b>Percent Change</b>
<b>Expenses</b>			
Grants to City of Philadelphia	\$493,976,605	\$454,213,607	8.8%
General management and support	1,938,903	1,584,845	22.3%
Interest on long-term debt	8,392,100	10,655,100	-21.2%
Investment expenses	15,702	139,293	-88.7%
<b>Total Expenses</b>	<b>\$504,323,310</b>	<b>\$466,592,845</b>	<b>8.1%</b>
<b>Revenues</b>			
PICA taxes	\$528,763,262	\$498,713,153	6.0%
Amortization of bond premium	3,912,711	3,912,712	0.0%
Investment income	3,709,331	2,286,657	62.2%
Other income	557,080	593,181	-6.1%
<b>Total Revenues</b>	<b>\$536,942,384</b>	<b>\$505,505,703</b>	<b>6.2%</b>
<b>Change in Net Position</b>	<b>\$32,619,074</b>	<b>\$38,912,858</b>	<b>-16.2%</b>
<b>Net Position</b>			
Beginning of fiscal year	(\$99,643,122)	(\$137,427,785)	-27.5%
Adjustment due to GASB implementation	0	(1,128,195)	-100.0%
<b>End of fiscal year</b>	<b>(\$67,024,048)</b>	<b>(\$99,643,122)</b>	<b>-32.7%</b>

### **Governmental Fund Financial Statements**

The Authority's governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Both governmental fund financial statements are reconciled to the government-wide financial statements.

PICA maintains nine governmental funds. They include: the general fund; the PICA tax revenue fund; the debt service reserve fund; the 2009 and 2010 debt service funds; the rebate fund; and the 1992, 1993, and 1994 special revenue funds. A description of each fund is provided below.

*General Fund.* The General Fund accounts for all resources utilized for PICA operations. All FY2019 administration expenses were funded from earnings on the General Fund, a transfer of a portion of earnings on the Debt Service Reserve Fund to the General Fund, and the portion of the prior year's unassigned General Fund fund balance.

*PICA Tax Revenue Fund.* The PICA Tax Revenue Fund accounts for the receipts of PICA tax revenue and its allocation to other PICA funds and to the City in accordance with the PICA bond indenture. The fund receives PICA taxes, interest earnings on such collections, and net interest earnings on bond issue funds other than Special Revenue Funds (the earnings on Special Revenue Funds are restricted to providing grants to the City for PICA-approved capital projects). These funds are utilized to provide monthly, from the first available funds in that month, one-sixth of the next semi-annual interest requirement, 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 annual principal payments at the close of the month prior to each required payment. After provision of monthly debt service requirements, the residual balances in the PICA Tax Revenue Fund are paid to the City as grants to the City General Fund.

*Debt Service Reserve Fund.* The Debt Service Reserve Fund contains assets sufficient to meet the debt service reserve requirement for PICA bonds, as required under the trust indenture. Current year investment earnings are transferred to other funds to pay current year debt service requirements and to finance a portion of each year's administrative expenses in the General Fund.

The General, PICA Tax Revenue, and Debt Service Reserve Funds are considered major funds, while the funds below are considered to be nonmajor.

*Debt Service Funds.* The 2009 and 2010 debt service funds account for the accumulation of resources for, and payment of, debt service on outstanding 2009 and 2010 series PICA bonds.

*Rebate Fund.* The Rebate Fund accounts for resources that may be necessary to meet federal arbitrage requirements and/or debt service requirements.

*Special Revenue Funds.* The Special Revenue Funds account for resources that have been allocated to fund City capital projects. They include amounts held separately by bond issue from which such funds were provided, for purposes of grants to the City for specific PICA-approved capital projects. The PICA Act restricts the City's use of PICA capital funding to specific "emergency" and "productivity" projects approved by the PICA Board and, where necessary, by certain Commonwealth elected officials.

The Authority, in connection with its four 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, 2019, sufficient PICA-controlled special revenue funds (nonmajor funds) were available to complete all the initially approved PICA projects and additional projects subsequently approved by the PICA Board. Additional funds remain to be reprogrammed. Special revenue funds (nonmajor funds) held for PICA capital project grants to the City totaled \$5,202,989 at June 30, 2019.

## Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds

The Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds, presents revenues, expenditures, other financing sources and uses, and change in fund balance for the Authority's nine governmental funds for the year ended June 30, 2019. In addition, the statement presents fund balances at the beginning and at the end of FY2019. Table 3 presents a summary of the information in this statement.

Table 3: Revenues, Expenditures, and Changes in Fund Balance				
	Revenues	Expenditures	Other Financing Sources/(Uses)	Fund Balance (June 30, 2019)
<b>Governmental Fund</b>				
General	\$931,549	\$1,230,340	(\$20,026)	\$19,077,827
PICA Tax Revenue	529,112,416	493,556,605	(35,555,811)	0
Debt Service Reserve	2,618,636	15,702	(11,021,936)	48,011,448
<b>Total Major</b>	<b>\$532,662,601</b>	<b>\$494,802,647</b>	<b>(\$46,597,773)</b>	<b>\$67,089,275</b>
Nonmajor:				
2010 Debt Service	278,243	24,073,750	23,786,204	2,012,876
2009 Debt Service	270,464	23,078,350	22,811,569	1,946,911
Rebate	43,276	0	0	2,070,932
1992 Special Revenue	62	0	0	2,944
1993 Special Revenue	3,998	0	0	191,318
1994 Special Revenue	104,912	420,000	0	5,008,727
<b>Total Nonmajor</b>	<b>700,955</b>	<b>\$47,572,100</b>	<b>46,597,773</b>	<b>11,233,708</b>
<b>Total Governmental Funds</b>	<b>\$533,363,556</b>	<b>\$542,374,747</b>	<b>\$0</b>	<b>\$78,322,983</b>

The Authority's governmental funds received \$533,363,556 in revenue in FY2019. This amount included \$528,763,262 in PICA taxes received in the PICA Tax Revenue Fund. Other major sources of revenue included \$2,618,636 in investment income in the Debt Service Reserve Fund and \$700,955 in investment income in the nonmajor funds. Expenditures in all governmental funds totaled \$542,374,747 in FY2019. This amount included: \$493,556,605 in grants to the City from the PICA Tax Revenue Fund, and \$420,000 in grants from the Special Revenue Funds; \$38,760,000 in debt service payments from the 2009 and 2010 Debt Service Funds (nonmajor funds), along with \$8,392,100 in debt service interest expenses; \$15,702 in investment expenses; and \$1,230,340 in expenditures for PICA operations, all of which were paid from the General Fund.

Other financing sources and uses included various operating transfers among funds. Funds were transferred from the General Fund, PICA Tax Revenue Fund, and the Debt Service Reserve Fund to the 2010 and 2009 Debt Service Funds (nonmajor funds) to pay for principal and interest payments due on outstanding PICA bonds during FY2019.

The sum of revenues, expenditures and other financing sources and uses for all governmental funds equals the change in fund balance for FY2019, which was (\$9,011,191). Accordingly, the total fund balance in all governmental funds decreased from \$87,334,174 as of July 1, 2018, to \$78,322,983 as of June 30, 2019, or approximately a 10.3 percent decline.

### Balance Sheet – Governmental Funds

The Balance Sheet – Governmental Funds, presents assets, liabilities, and fund balance for the Authority's nine governmental funds as of June 30, 2019. Total assets for all governmental funds are \$83,718,434. This amount includes \$19,261,870 in the General Fund, primarily consisting of cash and cash equivalents. Total assets in the Debt Service Reserve Fund are \$48,011,448, which includes cash and cash equivalents and investments. The remaining governmental fund assets – in the debt service funds and special revenue funds (nonmajor funds) and PICA Tax Revenue Fund – are primarily classified as cash and cash equivalents, PICA taxes receivable, or accrued interest receivable. Table 4 presents a summary of the information in this Statement.

Table 4: Balance Sheet			
	Assets	Liabilities	Fund Balance (June 30, 2019)
<b>Governmental Fund</b>			
General	\$19,261,870	\$184,043	\$19,077,827
PICA Tax Revenue	5,211,408	5,211,408	0
Debt Service Reserve	48,011,448	0	48,011,448
<b>Total Major</b>	<b>\$72,484,726</b>	<b>\$5,395,451</b>	<b>\$67,089,275</b>
<b>Nonmajor</b>			
2010 Debt Service	2,012,876	0	2,012,876
2009 Debt Service	1,946,911	0	1,946,911
Rebate	2,070,932	0	2,070,932
1992 Special Revenue	2,944	0	2,944
1993 Special Revenue	191,318	0	191,318
1994 Special Revenue	5,008,727	0	5,008,727
<b>Total Nonmajor</b>	<b>11,233,708</b>	<b>0</b>	<b>11,233,708</b>
<b>Total Governmental</b>	<b>\$83,718,434</b>	<b>\$5,395,451</b>	<b>\$78,322,983</b>

Total fund balances for all governmental funds are \$78,322,983. Within the General Fund, the total fund balance is \$19,077,827, of which \$14,483,145 is committed for future swaption activity and \$4,594,682 is unassigned. This unassigned fund balance is available for Authority administration expenditures. Within the Debt Service Reserve Fund, total fund balance is \$48,011,448, of which \$47,411,448 is restricted for



debt service, and \$600,000 is committed to subsequent PICA administration. In recent years, the Authority has annually transferred \$600,000 from the Debt Service Reserve Fund to the General Fund to finance a portion of PICA's operating expenditures. The fund balances in the 2009 and 2010 Debt Service Funds and Rebate Fund (nonmajor funds) are restricted for debt service. The fund balances in the special revenue funds (nonmajor funds) are restricted for the benefit of the City. These funds can only be used to finance City capital projects that meet specific criteria contained in the PICA Act.

### **General Fund Budget**

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 its format and additional information to be provided to the Governor and General Assembly of the Commonwealth.

The philosophy underlying the Authority's General Fund budget is that the Authority should maintain a personnel and expenditure level sufficient to permit it to respond to the demands placed upon it. The FY2020 General Fund operating budget totals \$1,586,000, the same as it was in FY2019. Table 5 presents a summary of the FY2019 and FY2020 General Fund budgets, as well as actual figures for FY2019.

The Authority's General Fund administrative expenditures are financed through a transfer of \$600,000 in interest earnings from the Debt Service Reserve Fund, appropriation of a portion of the existing General Fund surplus, and interest earnings. Total expenditures in FY2020 are budgeted at \$1,586,000. Expenditures for salaries and benefits comprise \$980,000. The next largest category is additional oversight duties, at \$250,000. This line item is reserved for special projects, commissioned research, or other needs that may arise during the fiscal year related to financial oversight of the City. Professional services are budgeted at \$190,000. Other expenses and capital outlay is budgeted at \$166,000 representing a slight decrease from the FY2019 budget.

<b>Table 5: General Fund Budget</b>				
	<b>FY2020 Budget</b>	<b>FY2019 Budget</b>	<b>FY2019 Actual</b>	<b>Percent Change FY2019 vs. FY2020 Budget</b>
<b>Revenues and Other Financing Sources</b>				
Interest Earnings – General Fund	\$18,000	\$18,000	\$73,353	0.0%
Use of Existing General Fund Surplus	968,000	968,000	556,987	0.0%
Other Financing Sources:				
Transfer of Interest Earnings from Debt Service Reserve Fund	600,000	600,000	600,000	0.0%
<b>Total Revenues and Other Financing Sources</b>	<b>\$1,586,000</b>	<b>\$1,586,000</b>	<b>\$1,230,340</b>	<b>0.0%</b>
<b>Expenditures</b>				
Salaries and benefits	\$980,000	\$955,000	\$840,014	2.6%
Professional services	190,000	190,000	167,354	0.0%
Other expenses	163,500	188,500	147,080	-13.3%
Capital outlay	2,500	2,500	0	0.0%
Additional oversight duties	250,000	250,000	75,892	0.0%
<b>Total Expenditures</b>	<b>\$1,586,000</b>	<b>\$1,586,000</b>	<b>\$1,230,340</b>	<b>0.0%</b>

In FY2019, actual PICA expenditures for operations were \$1,230,340, well below the budgeted amount. This reflected actual expenditures that were below budget in all major categories. Professional services, including legal, audit, and consulting, were below budgeted amounts, because PICA maintains a consistent level, year-to-year, for services pertaining to arbitrage and legal advice, which are only used to the extent they are needed in any given year. Actual costs for capital outlays and additional oversight duties were also below budgeted amounts.

## **Debt**

The Authority issued four series of bonds from 1992 to 1994 to finance the City's operating deficit, provide funding for City capital projects, establish a revolving loan fund to finance productivity-enhancing projects for the City, and for other purposes. PICA's statutory authorization to issue new-money bonds for capital or deficit financing expired on December 31, 1994. Since that time, the Authority has issued seven series of refunding bonds with the objective of lowering debt service costs. The most recent series of refunding bonds was issued in 2010.

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 debt service requirements. The Authority's bonds payable activity for the year ended June 30, 2019 is summarized as follows:

<b>Bond Payable Activity</b>	
Outstanding Debt at July 1, 2018	\$168,505,000
Debt Retired	38,760,000
<b>Outstanding Debt at June 30, 2019</b>	<b>\$129,745,000</b>

## **Economic Factors and Next Year's Budget**

PICA Tax revenues reflect the underlying strength of the Philadelphia employment base, which has exhibited modest to strong growth in recent years. It is expected that this trend will continue in FY2020.

In FY2020, the Authority will continue to receive PICA Tax revenues in accordance with existing agreements between the City, Commonwealth, and PICA. These revenues will be allocated to the Debt Service Funds to meet debt service requirements on the outstanding series of 2009 and 2010 bonds. If necessary, PICA Tax revenues will be allocated to the Debt Service Reserve Fund to ensure that the debt service reserve requirement required under the Trust Indenture is maintained. The process for spending PICA funds on PICA-approved capital projects will also continue in FY2020, resulting in a continued reduction in the fund balance in the special revenue funds (nonmajor funds).

At this time, there are no major factors that are expected to significantly impact the Authority's operating expenditures in FY2020. The budget for FY2020 anticipates the use of \$968,000 of the existing General Fund surplus as a revenue source. This should result in a reduction in the unassigned General Fund balance in FY2020.

## **Additional Information**

In accordance with IRS regulations, certain funds already granted to the City by PICA continue to be classified as PICA Arbitrage Reportable Funds until the City expends such funds for the purpose for which they were provided. Accordingly, and also for oversight purposes, PICA tracks the uses/balances of such funds and interest earnings thereon until they are spent by the City. When the City encumbers funds for PICA-funded capital projects, the funds are transferred from the special revenue funds (nonmajor funds) to encumbered funds accounts also maintained by PICA's Trustee. Subsequent to incurring the capital expenditure, the City requests reimbursement from the encumbered funds accounts. As of June 30, 2019, the balance in the three encumbered funds accounts was as follows:

Capital Projects Encumbered Funds	
1992 Capital Projects Encumbered Funds	\$599,156
1993 Capital Projects Encumbered Funds	1,598,573
1993 Criminal Justice Encumbered Funds	746,784
1994 Capital Projects Encumbered Funds	4,259,375
<b>Total</b>	<b>\$7,203,888</b>

### **Contacting PICA's Financial Management**

This financial report is designed to present an accurate overview of the financial activities of the Authority during FY2019. If you have questions about this report or require additional information about the Authority's finances, please contact PICA staff at Pennsylvania Intergovernmental Cooperation Authority, 1500 Walnut Street, Suite 1600, Philadelphia, PA 19102.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

JUNE 30, 2019

<b>Assets</b>	
Cash and cash equivalents:	
Held by Trustee	\$ 13,223,736
Other	19,237,856
Investments	45,956,994
PICA taxes receivable	5,211,408
Fair value of derivative instruments	1,211,304
Accrued interest receivable	67,198
Prepaid expenses	21,242
Equipment, net	1,440
<b>Total Assets</b>	<b>84,931,178</b>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pension	484,581
Deferred outflows related to other post-employment benefits	57,166
Contributions subsequent to measurement date:	
Other post-employment benefits	32,654
Pension	81,066
<b>Total Deferred Outflows of Resources</b>	<b>655,467</b>
<b>Liabilities</b>	
Accounts payable and accrued expenses	184,043
Due to City of Philadelphia	5,211,408
Current portion of bonds payable	40,490,000
Current portion of net other post-employment benefit liability	32,654
Net pension liability	1,553,260
Noncurrent portion of net other post-employment benefit liability	1,119,155
Noncurrent portion of bonds payable	102,815,094
<b>Total Liabilities</b>	<b>151,405,614</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pension	699,216
Deferred inflows related to other post-employment benefits	505,863
<b>Total Deferred Inflows of Resources</b>	<b>1,205,079</b>
<b>Net Position</b>	
Net investment in capital assets	1,440
Restricted for:	
Debt service	53,442,167
Benefit of the City of Philadelphia	5,202,989
Unrestricted	(125,670,644)
<b>Total Net Position</b>	<b>\$ (67,024,048)</b>

The accompanying notes are an integral part of these financial statements.



**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

(A Blended Component Unit of the City of Philadelphia)  
**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**

YEAR ENDED JUNE 30, 2019

**Expenses:**

Grants to City of Philadelphia	\$ 493,976,605
General management and support - general operations	1,938,903
Interest on long-term debt	8,392,100
Investment expenses	15,702
Total Expenses	<u>504,323,310</u>

**Revenues:**

PICA taxes	528,763,262
Amortization of bond premium	3,912,711
Investment income	3,709,331
Other income	557,080
Total Revenues	<u>536,942,384</u>

<b>Change in Net Position</b>	32,619,074
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**Net Position:**

Beginning of year	<u>(99,643,122)</u>
End of year	<u><u>\$ (67,024,048)</u></u>

The accompanying notes are an integral part of these financial statements.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	General	PICA Tax Revenue	Debt Service Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Assets:					
Cash and cash equivalents	\$ 19,237,856	\$ -	\$ 2,051,253	\$ 11,172,483	\$ 32,461,592
Investments	-	-	45,956,994	-	45,956,994
PICA taxes receivable	-	5,211,408	-	-	5,211,408
Accrued interest receivable	2,772	-	3,201	61,225	67,198
Prepaid expenses	21,242	-	-	-	21,242
<b>Total Assets</b>	<b>\$ 19,261,870</b>	<b>\$ 5,211,408</b>	<b>\$ 48,011,448</b>	<b>\$ 11,233,708</b>	<b>\$ 83,718,434</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts payable	\$ 64,314	\$ -	\$ -	\$ -	\$ 64,314
Due to the City of Philadelphia	-	5,211,408	-	-	5,211,408
Accrued payroll and taxes	119,729	-	-	-	119,729
<b>Total liabilities</b>	<b>184,043</b>	<b>5,211,408</b>	<b>-</b>	<b>-</b>	<b>5,395,451</b>
Fund Balance:					
Restricted:					
For debt service	-	-	47,411,448	6,030,719	53,442,167
For benefit of City of Philadelphia	-	-	-	5,202,989	5,202,989
Committed:					
For subsequent PICA administration	-	-	600,000	-	600,000
For future swaption activity	14,483,145	-	-	-	14,483,145
Unassigned	4,594,682	-	-	-	4,594,682
<b>Total fund balance</b>	<b>19,077,827</b>	<b>-</b>	<b>48,011,448</b>	<b>11,233,708</b>	<b>78,322,983</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 19,261,870</b>	<b>\$ 5,211,408</b>	<b>\$ 48,011,448</b>	<b>\$ 11,233,708</b>	<b>\$ 83,718,434</b>

Amounts reported for governmental activities in the statement of net position are different due to:

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	\$ (129,745,000)
Fair value of derivative instruments is not reported in the governmental funds	1,211,304
Capital assets are not financial resources and, therefore, are not reported in the governmental funds	1,440
Net pension liability and related deferred inflows and outflows of resources are not reported in the governmental funds	(1,686,829)
Net OPEB liability and related deferred inflows and outflows of resources are not reported in the governmental funds	(1,567,852)
Premium on bonds is reported in the government-wide statements	(13,560,094)
Net position - governmental activities	<u>\$ (67,024,048)</u>

The accompanying notes are an integral part of these financial statements.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	General	PICA Tax Revenue	Debt Service Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
PICA taxes	\$ -	\$ 528,763,262	\$ -	\$ -	\$ 528,763,262
Investment income	374,469	349,154	2,618,636	700,955	4,043,214
Other	557,080	-	-	-	557,080
Total revenues	931,549	529,112,416	2,618,636	700,955	533,363,556
<b>Expenditures:</b>					
Grants to the City of Philadelphia	-	493,556,605	-	420,000	493,976,605
Debt service:					
Principal	-	-	-	38,760,000	38,760,000
Interest	-	-	-	8,392,100	8,392,100
Administration:					
Investment expenses	-	-	15,702	-	15,702
Operations	1,230,340	-	-	-	1,230,340
Total expenditures	1,230,340	493,556,605	15,702	47,572,100	542,374,747
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(298,791)	35,555,811	2,602,934	(46,871,145)	(9,011,191)
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	(20,026)	(35,555,811)	(11,021,936)	46,597,773	-
<b>Net Change in Fund Balance</b>	(318,817)	-	(8,419,002)	(273,372)	(9,011,191)
<b>Fund Balance:</b>					
Beginning of year	19,396,644	-	56,430,450	11,507,080	87,334,174
End of year	\$ 19,077,827	\$ -	\$ 48,011,448	\$ 11,233,708	\$ 78,322,983

Reconciliation of change in fund balance to change in net position:

Change in fund balance	\$ (9,011,191)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the government-wide statements	38,760,000
Bond premium is amortized over the life of the bonds in the government-wide statements	3,912,711
Cost of capital outlays is allocated over their estimated useful lives as depreciation in the government-wide statements	(2,139)
Pension expense difference between governmental funds and government-wide statements	(279,875)
Other post-employment benefit expense difference between governmental funds and government-wide statements	(426,549)
Derivative valuation adjustment is recognized as an asset and revenue/expense in the government-wide statements	(333,883)
Change in net position	<u>\$ 32,619,074</u>

The accompanying notes are an integral part of these financial statements.

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**  
(A BLENDED COMPONENT UNIT OF THE CITY OF PHILADELPHIA)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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**1. Summary of Significant Accounting Policies and Organization**

Organization

The Pennsylvania Intergovernmental Cooperation Authority (Authority) was created on June 5, 1991 by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (Act) for the purpose of providing financial assistance to the City of Philadelphia (City) in overcoming a severe financial crisis. Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex-officio nonvoting members. The ex-officio members are presently the Director of Finance of the City and the Budget Secretary of the Commonwealth of Pennsylvania (Commonwealth). 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. Future operations of the Authority may be subject to legislative action.

The Act provides that the Authority shall have certain financial and oversight functions. The Authority had the power to issue 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 issue refunding bonds and grant or lend the proceeds to the City.

Under the Act, the Authority also has 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.

The Authority is considered a blended component unit of the City.

The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) as applicable to municipalities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the authoritative standard-setting body for establishing governmental accounting and financial reporting principles.



**PENNSYLVANIA INTERGOVERNMENTAL  
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on the activities of the primary government. All material interfund accounts and transactions have been eliminated in the government-wide financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Authority reports the following major governmental funds:

The **General Fund** is used to account for the administrative operations of the Authority, for which a budget is adopted annually.

The **PICA Tax Revenue (Special Revenue) Fund** accounts for the proceeds of the PICA Tax 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 Trustees by the Trust Indentures (see Note 5).

The **Debt Service Reserve Fund** holds assets for debt service reserve purposes as required by the Trust Indentures.

The Authority reports the following nonmajor governmental funds:

The **2010 and 2009 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 **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 aggregate fund balances of the Debt Service Funds are included in net position on the Balance Sheet and the Statement of Net Position as restricted for debt service.

The **1992, 1993, and 1994 Special Revenue Funds** account for assets held by the Authority for expenditures for the benefit of the City. The principal and income of these funds must be expended for their designated purpose. The Authority provided \$420,000

**PENNSYLVANIA INTERGOVERNMENTAL  
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**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

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to the City during the year ended June 30, 2019. The 1992, 1993, and 1994 Special Revenue Funds also include the Deficit and Settlement funds, which completed their designated purpose in prior years and are presently inactive. The aggregate fund balances of the 1992, 1993, and 1994 Special Revenue Funds are included in net position on the Balance Sheet and the Statement of Net Position as restricted for the benefit of the City.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues from the PICA Tax (a tax levied by the City on the wages and net profits of Philadelphia residents and businesses) are recorded when the Authority is advised by the Commonwealth of the amounts to be remitted and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority cannot and does not account for any PICA Tax due to, but not yet collected, by the City.

Governmental fund financial statements use a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both “measurable” and “available to finance expenditures of the current period.” The Authority considers amounts collected within 60 days after year-end on all governmental funds to be available and recognizes them as revenues of the current year. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt services funds for payments to be made early the following year.

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Authority did not have any fund balance classified as nonspendable at year-end.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources which are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Management has

**PENNSYLVANIA INTERGOVERNMENTAL  
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**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

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classified all fund balance in the special revenue funds and debt service funds as restricted (except as noted below).

- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors (Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same course of action that was employed when the funds were initially committed. Management has classified any fund balance that is related to the budget or that has been designated for future swaption activity as committed.
- **Assigned:** This classification includes amounts that are constrained by management's intent to be used for a specific purpose, but are neither restricted nor committed. This intent should be expressed by the Board or an official, such as the Executive Director. The Authority did not have any fund balance classified as assigned at year-end.
- **Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed, restricted, or nonspendable. Management has classified the remaining portion of the General Fund fund balance as unassigned.

When fund balance resources are available for a specific purpose from multiple classifications, the Authority will generally use the most restrictive funds in the following order: restricted, committed, and assigned as they are needed.

**PICA Tax**

The "PICA Tax" was enacted by an ordinance adopted by the City Council and approved by the Mayor of the City 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 and businesses. 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. The Authority does not administer the collection of the PICA Tax from taxpayers.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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Cash and Cash Equivalents

The Authority considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Investments

All investments are stated at fair value. Investment income is recorded on the Statement of Activities and includes any unrealized gains or losses earned during the period.

Bond Premium

The premium on bonds payable is being amortized on a straight-line basis over the term of the bonds.

Capital Assets

Capital assets, which include equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The Authority does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Capital assets of the Authority are depreciated using the straight-line method over the useful lives of the assets. The estimated useful life of the equipment is five years.

Compensated Absences

Accrued expenses include an accrual for vacation pay earned but not taken as of June 30, 2019 of \$69,132.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the State Employees' Retirement System (SERS) and additions to/deductions from SERS' fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of



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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined under a separate payment arrangement based on the Retired Employees Health Program (REHP). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## **2. Deposits and Investments**

Deposits

Authority funds may be deposited in any bank that is insured by the Federal Deposit Insurance Corporation. 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, or any political subdivision of the Commonwealth to eliminate the risk of uninsured funds. Under Act 72 of 1971 Session of the Pennsylvania General Assembly (Act 72), as amended, the depositories may meet this requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

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YEAR ENDED JUNE 30, 2019

At June 30, 2019, the Authority's deposits consist of the following:

Cash	\$ 1,079,712
Certificates of deposit	<u>3,675,000</u>
Total deposits	<u><u>\$ 4,754,712</u></u>

The Authority's deposits include bank certificates of deposit that have a remaining maturity, at the time of purchase, of one year or less. U.S. Treasury and Agency obligations with a remaining maturity of one year or less are classified as short-term investments.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has no policy, other than as noted above, that further limits its custodial credit risk. As of June 30, 2019, the Authority's book balance was \$4,754,712 and the bank balance was \$4,774,614. Of the bank balance, \$3,925,000 was covered by federal depository insurance and \$849,614 was collateralized under Act 72.

Investments

As of June 30, 2019, the Authority had the following investments:

	<u>Fair Value</u>	<u>Cost</u>	<u>Maturity Date</u>
Money market funds	\$ 27,706,880	\$ 27,706,880	N/A
U.S. Treasury and Agency obligations	15,606,406	15,656,369	09/19-06/24
Municipal bonds/short-term notes	6,315,061	5,870,710	09/21-04/22
Commercial paper	<u>24,035,527</u>	<u>23,864,167</u>	08/19-10/19
	<u><u>\$ 73,663,874</u></u>	<u><u>\$ 73,098,126</u></u>	

The Authority complies with Pennsylvania statutes (72 P.S. Section 301.1 and Section 3603) which enumerate the permissible investments for funds of the Commonwealth. These statutes are applicable to the Authority as a result of Section 311(b) of the Act. Specifically, all funds of the Authority, including the proceeds of bonds, which are not required for immediate use may be invested in other obligations of an assisted city, or in obligations of

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the Federal Government or of the Commonwealth, or obligations which are legal investments of Commonwealth funds, including certain types of commercial paper.

Investments in the PICA Tax Revenue Fund, the Debt Service Funds, and the 1992, 1993, and 1994 Special Revenue Funds must be invested in accordance with the various Trust Indentures.

The Trust Indentures restrict investments to the following types of securities:

- (a) Obligations to the City;
- (b) Other government obligations;
- (c) Federal funds, unsecured certificates of deposit, 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 of 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

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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; 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 issues 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;

- (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 type specified in clauses (b) or (f) above and is rated "AAAm" or "AAAm-g" by S&P.

Investments in the Debt Service Reserve Fund may be only invested in the investments included in (b) through (h) above with a maturity of five years or less or guaranteed investment contracts that can be withdrawn without penalty.

*Custodial Credit Risk* - Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in the possession of an outside party. The Authority has no policy, other than as noted above, that further limits its custodial credit risk.

All of the Authority's investments are insured and registered securities held by the entity or its agent (bank trust department) in the entity's name, with the exception of money market funds which are not exposed to custodial credit risk because those investments are not evidenced by securities in book entry or paper form.



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*Concentration of Credit Risk* - The Authority places no limit on the amount the Authority may invest in any one issuer. More than 5% of the Authority's investments were invested in the following:

Investment	Fair Value	% of Total Investments
Cty Hstn Tx Combnd Utl C P	\$ 14,603,058	20%
Curators of Univ Of Mo C P	9,432,469	13%
New Jersey ST Transit Corp Gans	4,415,400	6%

*Credit Risk* - The Authority investments had the following level of exposure to credit risk at June 30, 2019:

Investment	Fair Value	Rating
Money market funds	\$ 27,706,880	AAA
U.S. Treasury and Agency obligations	15,606,406	AA
Municipal bonds/short-term notes	6,315,061	A
Commercial paper	24,035,527	A-1

*Interest Rate Risk* – The Authority does not have a formal investment policy, other than as noted above, that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Fair Value of Investments* – With the exception of commercial paper, investments and derivatives are recorded at fair value as of June 30, 2019. Commercial paper is valued at amortized cost, which approximates fair value. GASB Statement No. 72, "Fair Value Measurement and Application," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a hierarchy of value inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest, and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market

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participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.
- Level 2 - Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset (or liability), either directly or indirectly.
- Level 3 - Investments with unobservable inputs for an asset (or liability) and may require a degree of professional judgement.

The following table summarizes the Authority's investments within the fair value hierarchy as of June 30, 2019:

Investment Type	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 27,706,880	\$ -	\$ -	\$ 27,706,880
U.S. Treasury and Agency obligations	15,606,406	-	-	15,606,406
Municipal bonds/short-term notes	-	6,315,061	-	6,315,061
Commercial paper	-	24,035,527	-	24,035,527
Total	<u>\$ 43,313,286</u>	<u>\$ 30,350,588</u>	<u>\$ -</u>	<u>\$ 73,663,874</u>

The Authority's Level 1 investments are based on active market quotes. The Authority's Level 2 investments are based on secondary market quotes.

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**3. Interfund Transfers**

The composition of interfund transfers for the year ended June 30, 2019 is as follows:

	Transfers In	Transfers Out	Net Transfers In (Out)
General Fund	\$ 15,082,365	\$ 15,102,391	\$ (20,026)
PICA Tax Revenue Fund	2,913,309	38,469,120	(35,555,811)
Debt Service Reserve Fund	600,000	11,621,936	(11,021,936)
Nonmajor governmental funds:			
Debt Service Fund - 2010	24,056,042	269,838	23,786,204
Debt Service Fund - 2009	23,819,906	1,008,337	22,811,569
Total	<u>\$ 66,471,622</u>	<u>\$ 66,471,622</u>	<u>\$ -</u>

Interfund transfers are made on a regular basis to record the transfer of the portion of the PICA tax revenue withheld for debt service, operating transfers from the debt service reserve funds as permitted under the Trust Indenture, and transfers of the basis cap payments used for debt service.

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Deletions	Additions	Balance June 30, 2019
Equipment	\$ 10,699	\$ -	\$ -	\$ 10,699
Less: Accumulated depreciation	(7,120)	-	(2,139)	(9,259)
Equipment, net	<u>\$ 3,579</u>	<u>\$ -</u>	<u>\$ (2,139)</u>	<u>\$ 1,440</u>

Depreciation for the year ended June 30, 2019 was \$2,139 and is reflected in the Statement of Activities.

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**5. Special Tax Revenue Bonds**

The following summary shows the changes in bonds payable for the year ended June 30, 2019:

Series of:	Outstanding July 1, 2018	Additions	Principal Repayments	Outstanding June 30, 2019	Amounts Due Within One Year
2009	\$ 100,030,000	\$ -	\$ 18,110,000	\$ 81,920,000	\$ 19,020,000
2010	68,475,000	-	20,650,000	47,825,000	21,470,000
Total	<u>\$ 168,505,000</u>	<u>\$ -</u>	<u>\$ 38,760,000</u>	129,745,000	<u>\$ 40,490,000</u>
			Add bond premiums	13,560,094	
				<u>\$ 143,305,094</u>	

In conjunction with the 1992 bond issue, the Authority entered into an Indenture of Trust dated as of June 1, 1992 which was supplemented by a First Supplemental Indenture of Trust dated as of June 22, 1992 (1992 Indenture). Two 1993 bond issues were issued pursuant to the 1992 Indenture as amended and supplemented, respectively, by 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.

In conjunction with the 1994 bond issue, the Authority entered into an Amended and Restated Indenture of Trust dated as of December 1, 1994 (1994 Indenture). The 1994 Indenture replaced the 1992 Indenture as amended and supplemented by the Second Supplemental Indenture of Trust and Third Supplemental Indenture of Trust. Subsequent bond issues in 1996, 1999, 2003, 2006, 2008, 2009, and 2010 were issued pursuant to the 1994 Indenture as amended and supplemented, respectively, by supplements dated May 15, 1996, April 1, 1999, June 1, 2003, June 1, 2006, May 1, 2008, June 1, 2009, and May 1, 2010.

Only the Series 2009 and 2010 bonds are currently outstanding. These bonds were issued, respectively, pursuant to the Sixth and Seventh Supplemental Indentures to the 1994 Indenture. These supplemental indentures are between the Authority and the U.S. Bank National Association (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 1994 Indenture, as amended.



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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 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 for the 2009 Trust Indenture and 300% of the same for the 2010 Trust Indenture. The PICA Taxes collected during the year ended June 30, 2019 (\$528,763,262) equaled approximately 1126% of the maximum annual debt service (\$46,944,100) of the bonds outstanding at June 30, 2019 (the 2009 - \$23,082,850 and 2010 - \$23,861,250 bonds).

Total annual debt service requirements (annual principal or sinking fund requirements and interest payments) on the outstanding bonds at June 30, 2019 are as follows:

Fiscal Year Ending	Total Debt Service Requirements
2020	\$ 46,944,100
2021	37,319,600
2022	37,179,750
2023	23,076,000

Details as to the purpose of each of the respective series of bonds issued by the Authority through June 30, 2019, and as to bonds outstanding at that date follow.

A. Series of 1992, 1993, 1993A, and 1994

The proceeds from the sale of the Series of 1992, 1993, 1993A, and 1994 Bonds were used to (1) make grants to the City to 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 cost 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)

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fund a portion of the Authority's first fiscal year operating budget, (7) make a grant to the City for refunding of certain of the City's General Fund Obligation Bonds, (8) provide for the advance refunding of a portion of the Authority's Special Tax Revenue Bonds, Series of 1992, and (9) pay the costs of issuing each series of bonds.

The Refunded 1992, 1993, 1993A, and 1994 Bonds are no longer deemed to be outstanding under the Trust Indenture.

B. Series of 1996, 1999, 2003, 2006, and 2008 A and B

The proceeds from the sale of the Series of 1996, 1999, 2003, 2006, and 2008 A and B Bonds, together with other available funds, were used to (1) provide for the advance refunding of outstanding Authority Special Tax Revenue Bonds, (2) pay the premium for a Debt Service Reserve Fund insurance policy to satisfy Debt Service Reserve Fund Requirements, and (3) pay the costs of issuing each series bonds.

The Refunded 1996, 1999, 2003, 2006, and 2008 A and B Bonds are no longer deemed to be outstanding under the Trust Indentures.

C. Series of 2009 (2009 Bonds)

The net proceeds from the sale of the 2009 Bonds were used to (1) provide for the current refunding of all of the Authority's Special Tax Revenue Bonds, Series of 1999, outstanding as of May 15, 2009, (2) pay all the costs of terminating an interest rate Swaption related to the 1999 Bonds, and (3) pay the cost of issuing the 2009 Bonds. The proceeds of these bonds were used to refund the remaining portion of the 1999 Series maturing through 2023 in the total amount of \$326,865,000.

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The following table shows the annual principal or sinking fund requirements, interest payments, and the total debt service requirements for the 2009 Bonds outstanding at June 30, 2019:

Fiscal Year Ending	Interest Rate	Principal or Sinking Fund Requirements	Interest	Total Debt Service
2020	5%	\$ 19,020,000	\$ 4,062,850	\$ 23,082,850
2021	4% and 5%	19,965,000	3,111,850	23,076,850
2022	5%	20,945,000	2,133,250	23,078,250
2023	4.25% and 5%	21,990,000	1,086,000	23,076,000
		<u>\$ 81,920,000</u>	<u>\$ 10,393,950</u>	<u>\$ 92,313,950</u>

D. Series of 2010 (2010 Bonds)

The net proceeds from the sale of the 2010 Bonds were used to (1) provide for the current refunding of all of the Authority's Special Tax Revenue Bonds, Series of 2008 A and B, outstanding as of May 17, 2010, (2) to pay the costs of terminating an interest swap transaction related to the 2008 A and B Bonds, and (3) pay the cost of issuing the 2010 Bonds.

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the 2010 Bonds outstanding at June 30, 2019:

Fiscal Year Ending	Interest Rate	Principal or Sinking Fund Requirements	Interest	Total Debt Service
2020	5%	\$ 21,470,000	\$ 2,391,250	\$ 23,861,250
2021	5%	12,925,000	1,317,750	14,242,750
2022	5%	13,430,000	671,500	14,101,500
		<u>\$ 47,825,000</u>	<u>\$ 4,380,500</u>	<u>\$ 52,205,500</u>

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In June 2003 and 2004, the Authority entered into basis cap transactions with the counterparty as follows:

Investment Derivative Instruments

As of June 30, 2019, the Authority's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

Governmental Activities	Classification	Fair Value at June 30, 2019:			Notional Amount
		Amount	Classification	Amount	
Investment Derivatives:					
2003 Basis Cap	Investment Income:	\$ 2,845	Investment:	\$ 322,889	\$ 36,790,000
1999 Basis Cap	Investment Income:	6,980	Investment:	888,415	72,960,000

The Authority entered into two basis cap transactions with JPMorgan Chase Bank, one in June 2003 related to the 2003 swap and one in April 2004 related to the 1999 swaption. For the 2003 basis cap transaction, beginning in June 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year times the notional amount times the day count fraction and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of Securities Industry and Financial Markets Association (SIFMA) for the month divided by one-month London Interbank Offered Rate (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 the agreement equals the notional amount and term of the 2003 interest rate swap noted above.

For the 1999 basis cap transaction, beginning June 15, 2009, the counterparty pays the Authority a fixed rate each month of .46% per year times the notional amount times the day count fraction and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by 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 the agreement equals the notional amount and term of the 1999 interest rate swap noted above.

If the ratio of SIFMA/LIBOR rises sharply, the anticipated benefit may not be realized.



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*Fair Value* – As of June 30, 2019, the 2003 basis cap had a positive fair value of \$322,889. This means that the Authority would receive this amount to terminate the 2003 basis cap. As of June 30, 2019, the 1999 basis cap had a positive fair value of \$888,415. This means that the Authority would receive this amount to terminate the 1999 basis cap. The fair values of these swaps were measured using the zero-coupon discount method and are categorized within Level 2 of the fair value hierarchy.

*Termination Risk* – The basis caps include an additional termination event based on credit ratings. The basis caps may be terminated by the Authority if the counterparty's ratings fall below A- or A3 and collateral is not posted within 15 days.

## **6. Defined Benefit Pension Plan**

### Plan Description

The Authority covers all full-time employees in the Pennsylvania State Employees' Retirement System (SERS) which was established as of June 27, 1923, under the provisions of Public Law 858, No 331. SERS 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.

SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. SERS also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Commonwealth of Pennsylvania, State Employees' Retirement Board, 30 North Third Street, P.O. Box 1147, Harrisburg, Pennsylvania, 17108.

### Benefits Provided

SERS 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. For employees hired prior to January 1, 2011, the general annual benefit provided by statute is 2.5% of the member's highest three-year average salary times years of service. Effective

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January 1, 2011, the general annual benefit required by statute was reduced to 2.0% of the member's highest three-year annual average salary times years of service times class of service multiplier. The Authority's total and annual covered payroll for the year ended June 30, 2019 was \$479,052.

Contributions Required

Covered employees are required by statute to contribute to SERS at a rate of 6.25% (Class A3 and AA employees) and 9.30% (Class A4) 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.

The employer contribution rate for each fiscal year is certified by the SERS Board based on the annual actuarial valuation conducted by the SERS actuary. The Authority actuarially determined contribution rate was 23.94% and 23.80% (Class A3/A4) and 34.63% (Class AA) of the gross pay of its employees during the year ended June 30, 2019. The Authority contributed \$153,785 and \$161,514 to SERS during the fiscal years 2019 and 2018, respectively.

According to the retirement code, all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2019, the Authority reported a liability of \$1,553,260 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At December 31, 2018, the Authority's proportion was .0075%, which represents a .0005% decrease on its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Authority recognized pension expense of \$279,875.

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At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,062	\$ 28,255
Changes of assumptions	71,127	-
Net difference between projected and actual earnings on pension plan investments	259,743	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	113,649	670,961
Authority contributions subsequent to the measurement date	81,066	-
Total	<u>\$ 565,647</u>	<u>\$ 699,216</u>

Deferred outflows of resources totaling \$81,066 related to pensions, resulting from Authority contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	Amount
2020	\$ (38,764)
2021	(55,289)
2022	(96,397)
2023	(26,026)
2024	1,841
	<u>\$ (214,635)</u>

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*Actuarial Methods and Assumptions*

The following methods and assumptions were used in the December 31, 2018 actuarial valuations. These methods and assumptions were applied to all periods included in the measurement period.

Actuarial cost method	Entry age
Amortization method	Straight-line amortization of difference between projected and actual earnings on pension plan investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	7.25% net of expenses, including inflation
Projected salary increases	Average of 5.60% with range of 3.70% - 8.90%, including inflation
Asset valuation method	Fair (market) value
Inflation	2.60%
Mortality	Projected RP-2000 mortality tables adjusted for actual plan experience and future improvement
Cost-of-living adjustments	Ad hoc

Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The *18th Investigation of Actuarial Experience*, which was published in March of 2016, analyzed experience from 2011 through 2015. The SERS Board accepted the actuarial assumptions set forth in the *18th Investigation of Actuarial Experience* at its March 2016 meeting.



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The long-term expected real rate of return on pension plan investments is determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included on the pension plan's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16%	7.25%
Global Public Equity	48%	5.15%
Real Estate	12%	5.26%
Multi-Strategy	10%	4.44%
Fixed Income	11%	1.26%
Cash	3%	-
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flow used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary. Based on those assumptions, SERS' fiduciary net position was projected to be available to make all projected future benefit payments of current and non-active SERS members. Therefore, the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Authority's proportionate share of the net pension liability	\$ 1,907,277	\$ 1,553,260	\$ 1,249,888

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued SERS financial report.

Payables to the Pension Plan

There were no amounts payable to the pension plan as June 30, 2019.

## 7. Other Post-Employment Benefits (OPEB)

Plan Description

The Authority covers all full-time employees in the Retired Employees Health Program (REHP). The REHP is a single-employer, defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement. The REHP is administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator under an administrative agreement with the Commonwealth. The REHP is provided as part of collective bargaining agreements with most Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board, Secretary of Administration. The REHP does not have a governing board.

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The Authority does not participate in the REHP trust and, as such, does not contribute to the trust, but instead contributes under a separate payment arrangement.

Benefits Provided

The Commonwealth sponsors the REHP for eligible retirees and their dependents to receive subsidized health coverage for the retiree's lifetime.

Eligible employees who retire from the state and meet one of the following eligibility criteria are eligible to receive REHP benefits:

- 25 or more years of service
- 20 or more years of service and superannuation age – 60 for general employees (age 55 or 65 for employees subject to Act 120 of 2010)
- Disability retirement – requires five years of service

Spouses and dependents are eligible for subsidized post-employment medical coverage while the retiree is alive. The Patient Protection and Affordable Care Act (PPACA), signed into law on March 23, 2010, increased the dependent child age limit to age 26 and applied to the Commonwealth effective January 1, 2011.

Contributions

The Authority's contribution rate to the REHP is determined by annual agreement with the Commonwealth of Pennsylvania and the Philadelphia Regional Port Authority (PRPA).

The Authority does not participate in the trust and, as such, contributes the actual fiscal year benefit payments attributable to its retirees. The Authority contributed \$224 per biweekly pay period for each current REHP eligible active employee during fiscal year ended June 30, 2019 to the REHP Trust. The Authority's contributions to the REHP for the years ended June 30, 2019 and 2018 were \$32,654 and \$32,829, respectively.

Health Care Reform

PPACA was signed into law in 2010 with the purpose of increasing the number of Americans with health insurance coverage. There are several provisions within PPACA with potentially significant short- and long-term cost implications for employers. In future years, there may

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continue to be increased cost impact to the extent the health and welfare program experiences increased utilization due to these changes, all of which are assumed to be in place indefinitely.

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2019, the Authority reported a liability of \$1,151,809 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's portion of the net OPEB liability was allocated based on a projections of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the Authority's proportion of the net OPEB liability was approximately 0.0078%, which is an increase of .0024% from its proportion measured at June 30, 2017.

For the year ended June 30, 2019, the Authority recognized OPEB expense of \$426,549.



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At June 30, 2019, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority contributions subsequent to the measurement date	\$ 32,654	\$ -
Changes in proportion and differences between Authority contributions and proportionate share of contributions	57,166	-
Difference between expected and actual experience	-	352,710
Net difference between projected and actual earnings on OPEB plan investments	-	1,743
Changes of assumptions	-	151,410
Total	<u>\$ 89,820</u>	<u>\$ 505,863</u>

Deferred outflows of resources totaling \$32,654 related to OPEB, resulting from Authority contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	\$ (113,177)
2021	(98,886)
2022	(98,886)
2023	(89,953)
2024	(47,143)
2025	(652)
	<u>\$ (448,697)</u>

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Actuarial Methods and Assumptions

The following methods and assumptions were used in the June 30, 2018 actuarial valuation. These methods and assumptions were applied to all periods included in the measurement period:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, 30-year open amortization (fresh start each year)
Investment rate of return	5.00%
Projected salary increases	Average of 2.65% with range of 0.80% - 6.00%, including inflation
Inflation	2.60%
Mortality rate	Projected RP-2000 Mortality Tables (using projection scale AA) adjusted for actual plan experiences and future improvement
Healthcare trend increases:	
Initial rate for medical benefits	6.20% for Medicare and 5.90% for Medicare
Ultimate rate for medical benefits	4.10% for both Medicare and non-Medicare
Year ultimate trend rate reached	2075

The Commonwealth's SERS performs experience studies periodically to determine reasonable and appropriate economic and demographic assumptions for valuing the defined benefit pension plan. The inflation assumption selected by the SERS Board during an April 2017 meeting are also used for the retiree health benefit valuation.

One significant assumption where the recommendation of the experience study is not applicable to this retiree health benefit valuation is the discount rate. Since REHP has insufficient assets to meet future years' projected benefit payments, as prescribed by GASB Statements No. 74 and 75, the discount rate was based on the 20-year Bond Buyer General Obligation Index municipal bond rate as of the measurement date. The discount rate was 3.87% as of June 30, 2018 and 3.58% as of June 30, 2017.

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Medicare Part D subsidy payments are not reflected under GASB Statement No. 45 (predecessor statement to GASB No. 75) which is consistent with GASB Technical Bulletin 2006-1.

Discount Rate

The discount rate used to measure the total pension liability was 3.87% as of June 30, 2018 and 3.58% as of June 30, 2017. Since REHP has insufficient assets to meet next year's projected benefit payments, as prescribed by GASB Statements No. 74 and 75, the discount rate will be based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date. The Commonwealth elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. Since REHP has insufficient assets to meet projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each measurement period assumed that employer contributions will be made based on the current funding policy for future years.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following represents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 3.87%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Authority's proportionate share of the net OPEB liability	\$ 1,319,559	\$ 1,151,809	\$ 1,013,579

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Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the Authority's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate of 6.20%, grading down to 4.10%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.20% grading down to 3.10%) or 1-percentage-point higher (7.20% grading down to 5.10%) than the current rate.

	1% Decrease (5.20% grading down to 3.1%)	Current Trend Rate (6.20% grading down to 4.10%)	1% Increase (7.20% grading down to 5.1%)
Authority's proportionate share of the net OPEB liability	\$ 988,743	\$ 1,151,809	\$ 1,354,416

## 8. Lease Commitment

The Authority is obligated under an operating lease for office space, expiring August 31, 2024. The following is a schedule of future minimum lease payments:

Fiscal Year Ending June 30	Amount
2020	\$ 106,170
2021	108,500
2022	120,368
2023	122,912
2024	125,456
2025	20,980
	\$ 604,386

Rent expense, including utilities, for the year ended June 30, 2019 was \$115,210.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - OPERATIONS

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
<b>Revenues - administration:</b>				
Interest and short-term investment earnings	\$ 18,000	\$ 18,000	\$ 73,353	\$ 55,353
<b>Expenditures - administration:</b>				
Personnel - salaries and benefits	955,000	955,000	840,014	114,986
Professional services:				
Legal	30,000	30,000	65,353	(35,353)
Audit	65,000	65,000	61,075	3,925
Consulting/research	75,000	75,000	23,651	51,349
Trustee	20,000	20,000	17,275	2,725
Rent	145,000	145,000	115,210	29,790
Computer software and minor hardware	10,000	10,000	7,934	2,066
Office supplies	1,500	1,500	2,081	(581)
Telephone	6,000	6,000	4,149	1,851
Subscription and reference services	1,000	1,000	662	338
Postage and express	1,000	1,000	337	663
Dues and professional education	2,000	2,000	125	1,875
Travel	1,000	1,000	2,733	(1,733)
General and administrative	10,000	10,000	11,957	(1,957)
Printing	10,000	10,000	1,425	8,575
Miscellaneous	1,000	1,000	467	533
	1,333,500	1,333,500	1,154,448	179,052
Capital outlays - furniture/fixtures and equipment	2,500	2,500	-	2,500
Addition oversight duties - studies/implementation	250,000	250,000	75,892	174,108
Total expenditures - administration	1,586,000	1,586,000	1,230,340	355,660
<b>Excess of Expenditures over Revenues</b>	(1,568,000)	(1,568,000)	(1,156,987)	411,013
<b>Other Financing Sources:</b>				
Transfers in for PICA draw for operations	600,000	600,000	600,000	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures</b>	(968,000)	(968,000)	(556,987)	411,013
<b>Fund Balance, June 30, 2018</b>	968,000	968,000	5,112,466	4,144,466
<b>Fund Balance, June 30, 2019</b>	\$ -	\$ -	\$4,555,479	\$4,555,479

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY

### COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

YEAR ENDED JUNE 30, 2019

	2018*	2017	2016	2015	2014
Authority's proportion of the collective net pension liability	0.0075%	0.0080%	0.0072%	0.0068%	0.0078%
Authority's proportionate share of the collective net pension liability	\$ 1,553,260	\$ 1,383,379	\$ 1,386,907	\$ 1,235,584	\$ 1,074,154
Authority's covered payroll	\$ 479,052	\$ 496,274	\$ 433,971	\$ 409,647	\$ 428,514
Authority's proportionate share of the collective net pension liability as a percentage of its covered payroll	324.24%	278.75%	319.59%	301.62%	250.67%
Plan fiduciary net position as a percentage of the total pension liability	56.40%	63.00%	57.80%	58.90%	64.80%

\* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.



# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## SCHEDULE OF THE AUTHORITY'S PENSION CONTRIBUTIONS COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

YEAR ENDED JUNE 30, 2019

	2018*	2017	2016	2015	2014
Contractually required contribution	\$ 157,074	\$ 153,554	\$ 110,642	\$ 94,374	\$ 73,598
Contributions in relation to the contractually required contribution	159,720	151,901	112,913	102,102	72,530
Contribution deficiency (excess)	<u>\$ (2,646)</u>	<u>\$ 1,653</u>	<u>\$ (2,271)</u>	<u>\$ (7,728)</u>	<u>\$ 1,068</u>
Authority's covered payroll	\$ 479,052	\$ 496,274	\$ 433,971	\$ 409,647	\$ 428,514
Contributions as a percentage of covered payroll	33.34%	30.61%	26.02%	24.92%	16.93%

\* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY

### COMMONWEALTH OF PENNSYLVANIA RETIRED EMPLOYEES HEALTH PROGRAM

YEAR ENDED JUNE 30, 2019

	2018*	2017
Authority's proportion of the collective net OPEB liability	0.0078%	0.0054%
Authority's proportionate share of the collective net OPEB liability	\$ 1,151,809	\$ 1,077,493
Authority's covered payroll	\$ 413,710	\$ 315,915
Authority's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	278.41%	341.07%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

\* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## SCHEDULE OF THE AUTHORITY'S OPEB CONTRIBUTIONS

### COMMONWEALTH OF PENNSYLVANIA RETIRED EMPLOYEES HEALTH PROGRAM

YEAR ENDED JUNE 30, 2019

	2018*	2017
Contractually required contribution	\$ 32,787	\$ 10,193
Contributions in relation to the contractually required contribution	<u>32,829</u>	<u>14,330</u>
Contribution deficiency (excess)	<u>\$ (42)</u>	<u>\$ (4,137)</u>
Authority's covered payroll	\$ 413,710	\$ 315,915
Contributions as a percentage of covered payroll	7.94%	4.54%

\* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.

## **SUPPLEMENTARY INFORMATION**



# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2019

	Debt Service Funds		Rebate Fund	Special Revenue Funds			Total Nonmajor Governmental Funds
	2010	2009		1992	1993	1994	
<b>ASSETS</b>							
Assets:							
Cash and cash equivalents	\$ 1,988,438	\$ 1,923,571	\$ 2,067,104	\$ 2,938	\$ 190,965	\$ 4,999,467	\$ 11,172,483
Accrued interest receivable	24,438	23,340	3,828	6	353	9,260	61,225
<b>Total Assets</b>	<u>\$ 2,012,876</u>	<u>\$ 1,946,911</u>	<u>\$ 2,070,932</u>	<u>\$ 2,944</u>	<u>\$ 191,318</u>	<u>\$ 5,008,727</u>	<u>\$ 11,233,708</u>
<b>FUND BALANCE</b>							
Fund Balance:							
Restricted:							
For debt service	\$ 2,012,876	\$ 1,946,911	\$ 2,070,932	\$ -	\$ -	\$ -	\$ 6,030,719
For benefit of City of Philadelphia	-	-	-	2,944	191,318	5,008,727	5,202,989
Total restricted fund balance	<u>2,012,876</u>	<u>1,946,911</u>	<u>2,070,932</u>	<u>2,944</u>	<u>191,318</u>	<u>5,008,727</u>	<u>11,233,708</u>
<b>Total Fund Balance</b>	<u>\$ 2,012,876</u>	<u>\$ 1,946,911</u>	<u>\$ 2,070,932</u>	<u>\$ 2,944</u>	<u>\$ 191,318</u>	<u>\$ 5,008,727</u>	<u>\$ 11,233,708</u>

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	Debt Service Funds		Special Revenue Funds		Total Nonmajor Governmental Funds
	2010	2009	1992	1993	
<b>Revenues:</b>					
Investment income	\$ 278,243	\$ 270,464	\$ 62	\$ 3,998	\$ 700,955
Total revenues	278,243	270,464	62	3,998	700,955
<b>Expenditures:</b>					
Grants to the City of Philadelphia	-	-	-	-	420,000
Debt service:					
Principal	20,650,000	18,110,000	-	-	38,760,000
Interest	3,423,750	4,968,350	-	-	8,392,100
Total expenditures	24,073,750	23,078,350	-	-	47,572,100
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(23,795,507)	(22,807,886)	62	3,998	(46,871,145)
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	23,786,204	22,811,569	-	-	46,597,773
<b>Net Change in Fund Balance</b>	(9,303)	3,683	62	3,998	(273,372)
<b>Fund Balance:</b>					
Beginning of year	2,022,179	1,943,228	2,882	187,320	11,507,080
End of year	\$ 2,012,876	\$ 1,946,911	\$ 2,944	\$ 191,318	\$ 11,233,708

**PENNSYLVANIA INTERGOVERNMENTAL  
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**SCHEDULE OF CASH ACTIVITY - GENERAL FUND**

YEAR ENDED JUNE 30, 2019

Cash receipts:

Revenues collected - interest and other  
income

\$ 928,843

Transfers in

600,000

Total cash receipts

1,528,843

Cash disbursements:

Administration

1,154,373

Transfers out

620,026

Total cash disbursements

1,774,399

Excess cash disbursements over cash receipts

(245,556)

Cash, cash equivalents, and short-term  
investments - beginning of year

19,483,412

Cash, cash equivalents, and short-term  
investments - end of year

\$ 19,237,856

**PENNSYLVANIA INTERGOVERNMENTAL  
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**SCHEDULE OF CASH ACTIVITY - PICA TAX REVENUE FUND**  
YEAR ENDED JUNE 30, 2019

Cash receipts:	
PICA taxes	\$ 526,554,859
Investment Income	349,154
Total cash receipts	<u>526,904,013</u>
Cash disbursements:	
Expenditures paid - grants to the City of Philadelphia	491,348,202
Other financing uses - transfers out for debt service requirements	35,555,811
Total cash disbursements	<u>526,904,013</u>
Excess cash receipts over cash disbursements	-
Cash, cash equivalents, and short-term investments - beginning of year	<u>-</u>
Cash, cash equivalents, and short-term investments - end of year	<u><u>\$ -</u></u>



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## **APPENDIX B**

### **City of Philadelphia Government and Financial Information<sup>1</sup>**

#### **OVERVIEW**

The City of Philadelphia (the “City” or “Philadelphia”), located along the southeastern border of the Commonwealth of Pennsylvania (the “Commonwealth” or “Pennsylvania”), is the largest city in the Commonwealth and the sixth largest city in the United States with approximately 1.584 million residents (based on 2018 estimates). According to the 2010 U.S. Census, the City increased its population in the ten years from 2000 to 2010, reflecting the City’s first population gain in 60 years. From 2010 to 2018, the City increased its population by 3.6%. The City is also the center of the United States’ eighth largest metropolitan statistical area, which is an 11-county area encompassing the City, Camden, NJ, and Wilmington, DE and represents approximately 6.1 million residents (based on 2018 estimates).

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. The City’s economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major regional business and personal services center with strengths in insurance, law, finance, healthcare, higher education, utilities, and the arts. In addition, the City is a center for health, education, research and science facilities with the nation’s largest concentration of healthcare resources within a 100-mile radius.

The cost of living in the City is relatively moderate and affordable compared to other major metropolitan areas in the northeast United States. The City, as one of the country’s education centers, offers its business community a large and diverse labor pool that draws from major universities including, within the geographical boundaries of the City, the University of Pennsylvania (“Penn”), Temple University, Drexel University, St. Joseph’s University, and LaSalle University, among others.

#### **Fiscal Health of the City**

The City has implemented several strategies to address anticipated fiscal challenges over the course of the Twenty-Eighth Five-Year Plan (Fiscal Years 2020-2024), which are described below.

General Fund Reserves: For Fiscal Year 2020, the City’s projected General Fund balance available for appropriation is \$209.9 million, or approximately 4% of projected expenditures. The Mayor’s current target for the General Fund balance is 6-8% of expenditures. Over the course of the Twenty-Eighth Five-Year Plan (Fiscal Years 2020-2024), the City’s projected General Fund balance averages approximately \$167.4 million per Fiscal Year (as defined herein), with a low of \$128.9 million in Fiscal Year 2022. These projected General Fund balances incorporate budgeted amounts for the federal and state budget reserve and contributions to the Budget Stabilization Fund (each as described below). The City’s General Fund balance still remains below recommended levels. The Government Finance Officers Association (“GFOA”) recommends fund balances of approximately 17% of revenues or expenditures and the City’s General Fund balances over the course of the Twenty-Eighth Five-Year Plan are not projected to reach the City’s 6-8% goal. If the City is successful in funding the Budget Stabilization Fund as planned and does not use amounts included in the federal and state budget reserve, the City’s overall reserve balances, inclusive of its General Fund and the Budget Stabilization Fund, will increase as a percentage of expenditures.

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<sup>1</sup> Unless otherwise noted, all information contained in this Appendix B is current as of June 30, 2019.

For more information on the City's historical financial operations and the City's projected General Fund balances for Fiscal Years 2019-2024, see "DISCUSSION OF FINANCIAL OPERATIONS" and Tables 1 and 2 (and the text following Table 2) herein.

Budget Stabilization Reserve: To provide the City with a financial cushion should unexpected costs arise, the City has made a deposit of \$34.3 million to the Budget Stabilization Reserve (as defined herein), pursuant to the Fiscal Year 2020 Adopted Budget. In addition to the Fiscal Year 2020 deposit, the City projects the following deposits to be made to the Budget Stabilization Reserve over the course of the Twenty-Eighth Five-Year Plan: (i) \$35.1 million (Fiscal Year 2021), (ii) \$36.1 million (Fiscal Year 2022), (iii) \$37.2 million (Fiscal Year 2023), and (iv) \$38.2 million (Fiscal Year 2024).

For more information on the Budget Stabilization Reserve, see "DISCUSSION OF FINANCIAL OPERATIONS – Budget Stabilization Reserve" herein.

Federal and State Budget Reserve: To continue mitigating against potential state and federal cuts in funds provided to the City, the Fiscal Year 2020 Adopted Budget sets aside \$55.1 million in a federal and state budget reserve. The Twenty-Eighth Five-Year Plan continues funding such a reserve through Fiscal Year 2024. Although this reserve would help to offset any such cuts, it represents only a small fraction of what the City projects to receive in grants from the state and federal governments in Fiscal Years 2020-2024. Accordingly, if potential cuts exceed the amount in the reserve, it could require the City to make difficult decisions about what to continue funding. If potential cuts in any Fiscal Year are less than the reserve amount established for such year, the difference would increase the General Fund balance at the end of such year unless the City uses the funds in such reserve for other purposes. Based on the current estimate for Fiscal Year 2019, \$53.6 million has been budgeted for the federal and state funding reserve. The City has not utilized such funds for Fiscal Year 2019, and expects any remaining balance in the reserve to be included in the General Fund balance for such Fiscal Year.

Labor Reserve: While all of the City's unions are covered by bargaining agreements through June 30, 2020, the Twenty-Eighth Five-Year Plan includes a labor reserve for potential future labor cost increases once such agreements expire. As such, the Twenty-Eighth Five-Year Plan includes labor reserves of (i) \$20 million (Fiscal Year 2021), (ii) \$30 million (Fiscal Year 2022), (iii) \$40 million (Fiscal Year 2023), and (iv) \$50 million (Fiscal Year 2024).

Tax Revenues: Approximately three-quarters of the City's revenues come from local taxes and more than 85% of tax revenues come from just four taxes: Wage and Earnings Taxes, Real Estate Taxes, Business Income and Receipts Taxes ("BIRT"), and Real Property Transfer Taxes. The largest portion of these tax revenues, more than 40%, comes from the Wage and Earnings Tax (see Table 3 and "REVENUES OF THE CITY – Wage, Earnings, and Net Profits Taxes" herein). Approximately 40% of the Wage and Earnings Tax is paid by non-resident workers. Additionally, the City remains unique among the nation's largest cities in that it imposes a tax on both corporate profits and revenue through the BIRT, which is projected to generate 13.7% of the City's local tax revenue in Fiscal Year 2020 (based on projections included in the Fiscal Year 2020 Adopted Budget). See "REVENUES OF THE CITY" and Table 3 herein.

High Fixed Costs: The City's high fixed costs consume a significant portion of the City's budget. The largest of such costs is the City's payment to the Municipal Pension Fund. Pension costs are budgeted to consume approximately 15% of the Fiscal Year 2020 Adopted Budget, with a City pension cost of approximately \$749.1 million (from the General Fund). Even with such large payments, the Municipal Pension Fund is under 50% funded. See "PENSION SYSTEM" herein.

Increased Funding for the School District: In the Fiscal Year 2020 Adopted Budget, the City's direct contribution to The School District of Philadelphia (the "School District") from the General Fund is

\$222.5 million in Fiscal Year 2020, an amount \$36.7 million higher than the current estimate for Fiscal Year 2019 (\$185.8 million). The School District is an independent governmental entity.

For more information on the School District, see “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – Mayoral-Appointed or Nominated Agencies – The School District.” For more information on the City’s historical contributions to the School District, see “EXPENDITURES OF THE CITY – City Payments to School District” and Table 21 herein.

In addition to the fiscal challenges and related strategic planning described above, the City faces several near-term fiscal uncertainties, such as (i) continued increases in pension costs, (ii) the possibility of an economic downturn, (iii) uncertainties related to how amendments to the federal tax code may impact the City’s economy (such as the limits placed on the state and local tax deduction, among others), (iv) possible decreases in federal and state spending, (v) potential increases in labor costs under future labor agreements (as noted above, the City’s unions are covered by bargaining agreements through June 30, 2020), and (vi) continued increases in City contributions to the School District.

This “OVERVIEW” is intended to highlight the strategies implemented by the City to address its principal anticipated fiscal challenges. The reader is cautioned to review with care the more detailed information presented in this APPENDIX B.

## **THE GOVERNMENT OF THE CITY OF PHILADELPHIA**

### **Introduction**

As noted above, the City is the largest city in the Commonwealth, the sixth largest city in the United States, and the center of the United States’ eighth largest metropolitan statistical area. The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries.

As one of the country’s education centers, the City offers the business community a large and diverse labor pool. Penn, Temple University, Drexel University, St. Joseph’s University, La Salle University, and Community College of Philadelphia are certain of the well-known institutions of higher education located in the City. There are also a number of other well-known colleges and universities located near the City, notably including Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University, among others.

The City is a center for health, education, research and science facilities. In the City, there are more than 30 hospitals, including the Children’s Hospital of Philadelphia, Hospital of the University of Pennsylvania, Einstein Medical Center-Philadelphia, Temple University Hospital, and Thomas Jefferson University Hospitals and Jefferson Health, among others, and schools of medicine, dentistry, pharmacy, optometry, podiatry, and veterinary medicine.

Tourism is important to the City and is driven by the City’s extraordinary historic and cultural assets. The City’s Historic District includes Independence Hall, the Liberty Bell, Carpenters’ Hall, the Betsy Ross House, and Elfreth’s Alley, the Nation’s oldest residential street. The Benjamin Franklin Parkway District (referred to as the “Parkway” in APPENDIX C to this Official Statement) includes the Philadelphia Museum of Art, the Barnes Foundation, and the Rodin Museum. The Avenue of the Arts, located along a mile-long section of South Broad Street between City Hall and Washington Avenue, includes the Kimmel Center, the Academy of Music, and other performing arts venues. All of the foregoing are key tourist attractions in the City.



For more information on the City's demographic and economic resources and economic development initiatives, see APPENDIX C to this Official Statement.

## **History and Organization**

The City was incorporated in 1789 by an Act of the General Assembly of the Commonwealth (the "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 1682). In 1854, the General Assembly, by an act commonly referred to as the Consolidation Act: (i) made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"); (ii) abolished all governments within these boundaries other than the City and the County; and (iii) 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, provides that the City performs all functions of county government, and states 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 pursuant to the First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17, and adopted by the voters of the City (as amended and supplemented, the "City Charter"). The City Charter provides, among other things, for the election, organization, powers and duties of the legislative branch (the "City Council") and the executive and administrative branch, as well as the basic rules governing the City's fiscal and budgetary matters, contracts, procurement, property, and records. Under Article XII of the City Charter, the School District operates as a separate and independent 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 City Charter, there are two distinct principal governmental entities in the City: (i) the City, which performs municipal and county functions; and (ii) the School District, which has boundaries coterminous with the City and responsibility for all public primary and secondary education.

The court system in the City, consisting of Common Pleas and Municipal Courts, is part of the Commonwealth judicial system. Although judges are paid by the Commonwealth, most other court costs are paid by the City, with partial reimbursement from the Commonwealth.

## **Elected and Appointed Officials**

The Mayor is elected for a term of four years and is eligible to be elected for no more than two successive terms. Each of the seventeen members of 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 City Council. Of the members of City Council, ten are elected from districts and seven are elected at-large. No more than five of the seven at-large candidates for City Council may be nominated by any one party or political body. 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 City Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards, established by the federal Government Accountability Office (formerly known as the General Accounting Office), and Generally Accepted Auditing Standards, promulgated by the American Institute of Certified Public Accountants.

The City Controller audits and reports on the City's and the School District's Comprehensive Annual Financial Reports ("CAFRs"), federal assistance received by the City, and the performance of City departments. The City Controller also conducts a pre-audit program of City expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit by category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the City 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 ("PICA") on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

Under the City Charter, the principal officers of the City's government are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), the City Solicitor (the "City Solicitor"), the Director of Commerce (the "Director of Commerce"), the City Representative (the "City Representative"), and the Director of Planning and Development (the "Director of Planning and Development"). Under the City Charter, the Mayor appoints the Managing Director, the Director of Finance, the Director of Commerce, the City Representative, and the Director of Planning and Development. The Mayor, with the advice and consent of a majority of City Council, also appoints the City Solicitor.

The Managing Director, in coordination with the senior officials of City departments and agencies, is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The Director of Commerce is charged with the responsibility of promoting and developing commerce and industry. The City Representative is the Ceremonial Representative of the City and especially of the Mayor. The City Representative is charged with the responsibility of giving wide publicity to any items of interest reflecting the activities of the City and its inhabitants, and for the marketing and promotion of the image of the City. Under the City Charter, the Director of Planning and Development oversees the Department of Planning and Development, which includes three divisions: (i) the Division of Development Services; (ii) the Division of Planning and Zoning; and (iii) the Division of Housing and Community Development. Such divisions represent five budgetary programs/fiscal divisions, including Executive Administration, Planning & Zoning, Development Services, Community Development, and Housing Development.

The City Solicitor is head of the Law Department and acts as legal advisor to the Mayor, City Council, and all of the agencies of the City government. The City Solicitor is also responsible for: (i) advising on legal matters pertaining to all of the City's contracts and bonds; (ii) assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council; and (iii) conducting litigation involving the City.

The Director of Finance is the chief financial and budget officer of the City and is selected from three names submitted to the Mayor by a Finance Panel, which is established pursuant to the City Charter and is comprised of the President of the Philadelphia Clearing House Association, the Chairman of the Philadelphia Chapter of the Pennsylvania Institute of Certified Public Accountants, and the Dean of the Wharton School of Finance and Commerce of the University of Pennsylvania. Under Mayor Kenney's administration, the Director of Finance is responsible for the financial functions of the City, including: (i) development of the annual operating budget, the capital budget, and capital program; (ii) the City's program for temporary and long-term borrowing; (iii) supervision of the operating budget's execution; (iv) the collection of revenues through the Department of Revenue; (v) the oversight of pension administration as Chairperson of the Board of Pensions and Retirement; and (vi) the supervision of the

Office of Property Assessment. The Director of Finance is also responsible for the appointment and supervision of the City Treasurer, whose office manages the City's debt program and serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury and the management of cash resources.

The following are brief biographies of Mayor Kenney, his Chief of Staff, the Director of Finance, and the City Treasurer.

**James F. Kenney, Mayor.** On November 3, 2015, James F. Kenney was elected as the City's 99th Mayor and was sworn into office on January 4, 2016. Mayor Kenney is a lifelong resident of the City and a graduate of La Salle University. In 1991, Mayor Kenney was elected to serve as a Democratic City Councilman At-Large and was a member of City Council for 23 years.

**James Engler, Chief of Staff.** Mr. Engler was appointed Chief of Staff effective August 10, 2018. Prior to that, Mr. Engler served as Deputy Mayor for Policy and Legislation since January 2016. In that role, Mr. Engler served as a senior liaison between the Mayor's Office and City Council and was responsible for developing administration policy priorities and working with stakeholders inside and outside of government to advance those goals.

**Rob Dubow, Director of Finance.** Mr. Dubow has served as Director of Finance since being appointed on January 7, 2008. Prior to that appointment, Mr. Dubow was the Executive Director of PICA. He has also served as Executive Deputy Budget Secretary of the Commonwealth, from 2004 to 2005, and as Budget Director for the City, from 2000 to 2004.

**Christian Dunbar, City Treasurer.** Mr. Dunbar was appointed City Treasurer in July 2019. Prior to his appointment, Mr. Dunbar served as Deputy City Treasurer. As City Treasurer, Mr. Dunbar oversees the issuance of all notes and bonds on behalf of the City's General Fund and Enterprise Funds used to finance capital projects. Prior to joining the City, Mr. Dunbar was a wealth manager with Wells Fargo Advisors.

## **Government Services**

Municipal services provided by the City include: (i) police and fire protection; (ii) health care; (iii) certain welfare programs; (iv) construction and maintenance of local streets, highways, and bridges; (v) trash collection, disposal and recycling; (vi) provision for recreational programs and facilities; (vii) maintenance and operation of the water and wastewater systems (the "Water and Wastewater Systems"); (viii) acquisition and maintenance of City real and personal property, including vehicles; (ix) maintenance of building codes and regulation of licenses and permits; (x) maintenance of records; (xi) collection of taxes and revenues; (xii) purchase of supplies and equipment; (xiii) construction and maintenance of airport facilities (the "Airport System"); and (xiv) maintenance of a prison system. For information on the Water and Wastewater Systems, see APPENDIX C – "KEY CITY-RELATED SERVICES AND BUSINESSES – Water and Wastewater." For information on the Airport System, see APPENDIX C – "TRANSPORTATION – Airport System."

The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW serves residential, commercial, and industrial customers in the City. PGW is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate PGW for the benefit of the City. For more information on PGW, see "PGW PENSION PLAN," "PGW OTHER POST-EMPLOYMENT BENEFITS," "EXPENDITURES OF THE CITY – PGW Annual Payments," and "LITIGATION – PGW."

## Local Government Agencies

There are a number of governmental authorities and quasi-governmental non-profit corporations that also provide services within the City. Certain of these entities are comprised of governing boards, the members of which are either appointed or nominated, in whole or part, by the Mayor, while others are independent of the Mayor's appointment or recommendation.

### *Mayoral-Appointed or Nominated Agencies*

**Philadelphia Industrial Development Corporation and Philadelphia Authority for Industrial Development.** The Philadelphia Industrial Development Corporation ("PIDC") and the Philadelphia Authority for Industrial Development ("PAID"), along with the City's Commerce Department, coordinate the City's efforts to maintain an attractive business environment, attract new businesses to the City, and retain existing businesses. PIDC manages PAID's activities through a management agreement. Of the 30 members of the board of PIDC, eight are City officers or officials (the Mayor, the Managing Director, the Finance Director, the Commerce Director, the Director of Planning and Development, the City Solicitor, and two members of City Council), nine members are designated by the President of the Chamber of Commerce of Greater Philadelphia (the "Chamber of Commerce"), and the remaining 13 members are jointly designated by the Chamber of Commerce and the Commerce Director. The five-member board of PAID is appointed by the Mayor.

**Philadelphia Municipal Authority.** 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 any project authorized under applicable law that is specifically authorized by ordinance of City Council. PMA is governed by a five-member board appointed by City Council from nominations made by the Mayor.

**Philadelphia Energy Authority.** The Philadelphia Energy Authority ("PEA") was established by the City and incorporated in 2011 for the purpose of facilitating and developing energy generation projects, facilitating and developing energy efficiency projects, the purchase or facilitation of energy supply and consumer energy education. PEA is authorized to participate in projects on behalf of the City, other government agencies, institutions and businesses. PEA is governed by a five-member board appointed by City Council from four nominations made by the Mayor and one nomination from City Council.

**Philadelphia Redevelopment Authority.** The Philadelphia Redevelopment Authority (formerly known as the Redevelopment Authority of the City of Philadelphia) (the "PRA"), 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. PRA is governed by a five-member board appointed by the Mayor.

**Philadelphia Land Bank.** The Philadelphia Land Bank (the "PLB") is an independent agency formed under the authority of City ordinance and Pennsylvania law to return vacant and tax delinquent properties to productive reuse. The PLB has an 11-member board of directors, of which five are appointed by the Mayor and five are appointed by City Council. The final board member is appointed by a majority vote of the other board members. The City provides funds for its operations. For more information on the PLB, see APPENDIX C – "ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – City and Quasi-City Economic Development Agencies and Related Programs – Philadelphia Land Bank."

**Philadelphia Housing Authority.** The Philadelphia Housing Authority (the "PHA") is a public body organized pursuant to the Housing Authorities Law of the Commonwealth and is neither a department nor an agency of the City. PHA is responsible for developing and managing low and moderate income



rental units and limited amounts of for-sale housing in the City. PHA is also responsible for administering rental subsidies to landlords who rent their units to housing tenants qualified by PHA for such housing assistance payments. PHA is governed by a nine-member Board of Commissioners, all of whom are appointed by the Mayor with the approval of a majority of the members of City Council. The terms of the Commissioners are concurrent with the term of the appointing Mayor. Two of the members of the Board are required to be PHA residents. For more information on PHA, see APPENDIX C – “ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – City and Quasi-City Economic Development Agencies and Related Programs – The Philadelphia Housing Authority.”

**Hospitals and Higher Education Facilities Authority of Philadelphia.** The Hospitals and Higher Education Facilities Authority of Philadelphia (the “Hospitals Authority”) assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority also permit the financing of construction of buildings and facilities for certain colleges and universities and other health care facilities and nursing homes. The Hospitals Authority is governed by a five-member board appointed by City Council from nominations made by the Mayor.

**Southeastern Pennsylvania Transportation Authority.** 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. Two of the 15 members of SEPTA’s board are appointed by the Mayor and confirmed by City Council. SEPTA is not a department or agency of the City. For more information on SEPTA, see “EXPENDITURES OF THE CITY – City Payments to SEPTA” and APPENDIX C – “TRANSPORTATION – Southeastern Pennsylvania Transportation Authority (SEPTA).”

**Pennsylvania Convention Center Authority.** The Pennsylvania Convention Center Authority (the “Convention Center Authority”) constructed and maintains, manages, and operates the Pennsylvania Convention Center, which opened on June 25, 1993. The Pennsylvania Convention Center is owned by the Commonwealth and leased to the Convention Center Authority. An expansion of the Pennsylvania Convention Center was completed in March 2011. This expansion enlarged the Pennsylvania Convention Center to approximately 2,300,000 square feet with the largest contiguous exhibit space in the Northeast, the largest convention center ballroom on the East Coast, and the ability to host large tradeshow or two major conventions simultaneously.

Of the 15 members of the board of the Convention Center Authority, two are appointed by the Mayor and one by each of the President and Minority Leader of City Council. The Director of Finance is an ex-officio member of the Board with no voting rights. The Commonwealth, the City and the Convention Center Authority have entered into an operating agreement with respect to the operation and financing of the Pennsylvania Convention Center. In January 2014, SMG began managing and operating the Pennsylvania Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service. For more information on the Convention Center Authority, see “EXPENDITURES OF THE CITY – City Payments to Convention Center Authority.”

**The School District.** The School District was established, pursuant to the First Class City Home Rule Education Act, by the Educational Supplement to the City Charter as a separate and independent home rule school district to provide free public education to the City’s residents. Under the City Charter, the School District is governed by the Board of Education of the School District of Philadelphia (the “Board of Education”).

Effective December 2001, the School District was declared distressed by the Secretary of Education of the Commonwealth (the “Secretary of Education”) pursuant to the Public School Code of 1949, as

amended (the “School Code”). During such a period of distress, the powers and duties of the Board of Education are vested in a School Reform Commission (the “School Reform Commission”) created pursuant to the School Code. In December 2017, the Secretary of Education approved a resolution adopted by the School Reform Commission recommending the dissolution of the School Reform Commission and rescission of the declaration of distressed school district status effective June 30, 2018. In April 2018, the Mayor appointed nine members to serve on the Board of Education and such individuals assumed their duties on July 1, 2018. As of such date, the Board of Education governs the School District.

Under the City Charter, the Board of Education is required to levy taxes annually, within the limits and upon the subjects authorized by the General Assembly or City Council, in amounts sufficient to provide for operating expenses, debt service charges, and for the costs of any other services incidental to the operation of public schools. The School District has no independent power to authorize school taxes. Certain financial information regarding the School District is included in the City’s CAFR.

The School District is part of the Commonwealth system of public education. In a number of matters, including the incurrence of short-term and long-term debt, the School District is governed by the separate statutes 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.

In the City’s CAFR for Fiscal Year 2018 (the “Fiscal Year 2018 CAFR”), the City reported that its direct contribution to the School District from the General Fund was \$104.3 million in Fiscal Year 2018, not including funding from taxes levied by the School District and authorized by City Council. In the Fiscal Year 2020 Adopted Budget, the City’s direct contribution to the School District from the General Fund is \$222.5 million in Fiscal Year 2020, an amount \$36.7 million higher than the current estimate for Fiscal Year 2019 (\$185.8 million). Such amounts do not include funding from taxes levied by the School District and authorized by City Council. For more information on the City’s historical contributions to the School District, see “EXPENDITURES OF THE CITY – City Payments to School District” and Table 21.

#### *Non-Mayoral-Appointed or Nominated Agencies*

**PICA.** PICA was created by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the “PICA Act”) in 1991 to provide financial assistance to cities of the first class, and it continues in existence for a period not exceeding one year after all of its liabilities, including the PICA Bonds (as defined herein), have been fully paid and discharged. The City is the only city of the first class in the Commonwealth. The Governor, the President pro tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives, and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member of PICA’s board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA’s board with no voting rights.

In January 1992, the City and PICA entered into an Intergovernmental Cooperation Agreement (the “PICA Agreement”), pursuant to which PICA agreed to issue bonds from time to time, at the request of the City, for the purpose of funding, among other things, deficits in the General Fund and a debt service reserve. See “DEBT OF THE CITY – PICA Bonds.”

Under the PICA Act and for so long as any PICA Bonds are outstanding, the City is required to submit to PICA: (i) a five-year financial plan on an annual basis; and (ii) quarterly financial reports, each as further described below under “DISCUSSION OF FINANCIAL OPERATIONS – Five-Year Plans of the City” and “– Quarterly Reporting to PICA.” Under the PICA Act, at such time when no PICA Bonds are outstanding, the City will no longer be required to prepare such annual financial plans or quarterly

reports. See “DEBT OF THE CITY – PICA Bonds” for the current final stated maturities of outstanding PICA Bonds. As of June 30, 2019, the principal amount of PICA Bonds outstanding was \$129,745,000; the final maturity date for such PICA Bonds is June 15, 2023.

The PICA Act and the PICA Agreement provide PICA with certain financial and oversight functions. PICA has the power to exercise certain advisory and review procedures with respect to the City’s financial affairs, including the power to review and approve the five-year financial plans prepared by the City, and to certify non-compliance by the City with the then-existing five-year plan. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place or if the City has failed to file mandatory revisions to an approved five-year plan. Under the PICA Act, any such certification of non-compliance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements, and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under “DEBT OF THE CITY – PICA Bonds” below, otherwise payable to the City). Such withheld funds are held in escrow by the Commonwealth or in the applicable city account until such non-compliance is cured. A majority vote of PICA will determine when the conditions that caused the City to be certified as non-compliant have ceased to exist. Following such vote, PICA notifies the Secretary of the Budget and the withheld funds are released (together with all interest and income earned thereon during the period held in escrow).

**Philadelphia Parking Authority.** The Philadelphia Parking Authority (the “PPA”) is responsible for: (i) the construction and operation of parking facilities in the City and at Philadelphia International Airport (“PHL”); and (ii) enforcement of on-street parking regulations. The members of the PPA’s board are appointed by the Governor, with certain nominations from the General Assembly. PPA is not a department or agency of the City. For more information on the PPA, see “REVENUES OF THE CITY – Philadelphia Parking Authority Revenues.”

## **Cybersecurity**

The City relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private, and sensitive information, the City and its departments and offices face multiple cyber threats including, but not limited to, hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems.

The City’s Office of Innovation and Technology works to protect the City from cyber threats by adopting new technology and ensuring City systems and citizen data are protected. The Office of Innovation and Technology follows industry best practices, develops City-wide security policies, provides regular security training to all users, and uses security tools to mitigate, prevent, deter, and respond to incidents if and when they occur. Additionally, to identify potential vulnerabilities and proactively mitigate them, the City organizes periodic (i) vulnerability scanning of critical systems, (ii) penetration tests of the information security environment, and (iii) regular internal testing of systems and users. These tests are performed by both the Office of Innovation and Technology and third parties.

The Office of Innovation and Technology is working to establish relationships with federal and state government, commercial, academic, and law enforcement security experts. It is the City’s expectation that such relationships will enable the City to stay informed of threats and continuing improvements to security systems.

No assurances can be given that the City’s security and operational control measures will be successful in guarding against future cyber threats and attacks. The results of any attack on the City’s

computer and information technology systems could impact its operations and damage the City's digital networks and systems, and the costs of remedying any such damage could be substantial.

## **Climate Change**

The City's Office of Sustainability ("OOS") works with partners around the City, both public and private, to educate and prepare the City for climate change, among other things. OOS is responsible for implementing Greenworks Philadelphia, the City's comprehensive sustainability plan, which consists of a variety of initiatives to prepare the City for future climate-related challenges.

Planning for the potential impact of climate change in the City is challenging. The City's climate is variable and projections of future conditions range significantly. Potential climate change impacts include rising temperatures (heat waves); air quality issues; increased heavy precipitation events (rain or snow); rising sea levels (two feet by 2050 and four feet by 2100); and storm surges from more intense hurricanes and tropical storms.

Under the mid-century (2050) and end-of-century (2100) analyses, the City projects that it will experience a greater frequency of heavy and extremely heavy precipitation events, with the largest increase occurring in precipitation that falls during winter months. Heavy precipitation and flooding can be caused by a variety of weather systems, including tropical storms and hurricanes, thunderstorms, and frontal activity. When these heavy precipitation events fall as rain, they often exceed the capacity of the City's storm sewer infrastructure; when they fall as snow, they require many City resources to manage. Some of these projections are already becoming a reality, as the City has experienced an increase in the intensity and frequency of storm events over the last decade, which has on occasion resulted in significant flooding.

The sea level rising is a particularly important risk for the City, as rising seas affect water levels in the Delaware and Schuylkill Rivers bordering the City. Higher sea levels will increase the depth and extent of flooding in and around the City from storm surges. Low-lying areas already experience localized flooding during heavy storm events, and both municipal infrastructure and private development exist along the two rivers. Because of the City's topography and its location next to tidal rivers, many facilities and other properties are vulnerable to sea level rise, even under conservative sea level rise scenarios. For example, PHL and at least a dozen other City facilities would be exposed to flooding with two feet of sea level rise, a scenario that is likely to occur by mid-century. Under the mid-century sea level rise scenario (indicating two feet of sea level rise), only one facility is highly vulnerable to flooding, but under the end-of-century sea level rise scenario (four feet of sea level rise), 19 facilities are highly vulnerable and another 12 facilities are moderately vulnerable. Hundreds of additional facilities are highly vulnerable to both riverine flooding and the combination of sea level rise and storm surge.

**Financial Impact.** While the financial effects of climate change are difficult to quantify, the City has developed some cost estimates related to its future fiscal impact. Climate change will increase both the risk of expensive extreme events and the regular, recurring costs of doing business, along with equally important but less quantifiable costs to quality of life in the City. Proactive planning for climate change can help to reduce many of these costs, both public and private.

Climate change is increasing the intensity of extreme storms, and just one severe hurricane could cause more than \$2 billion in damages across the City. The City expects to see more frequent extreme storms with higher winds and more flooding, due in part to sea level rise combined with heavy rains. Depending on severity, each of these storms could cause between \$20 million and \$900 million in damages in the City.



In addition to increasing disaster costs, higher heat and more precipitation will increase the everyday cost of doing business for the City's government, businesses, and residents. Increased operating costs from climate change across all sectors would result in a significant economic impact in the City. Much of these costs will be borne by city departments in combination with Commonwealth and federal government; others will fall directly on the private sector.

Annual costs of climate change to the City will include a variety of increases ranging from energy and maintenance costs to the increasing costs of continuing to provide services. For example, the City expects climate change to (i) increase annual electricity costs by up to \$1 million due to increased demand for air conditioning; (ii) create an additional \$2 to \$4 million in roadway maintenance costs from precipitation, freeze-thaw cycles, and high temperatures; and (iii) increase the annual cost of running heat emergency helplines to advise callers about how to avoid heat stress and refer those in need of help to emergency services.

The City also expects to face a variety of other increased costs due to climate change, such as (i) costs associated with a variety of respiratory diseases caused by higher levels of ozone (with costs for medical treatment and lost productivity associated with these diseases will approach \$20 million by 2050), and (ii) increased regional transportation expenses (increased operational costs and damages from climate change could rise by almost \$2 million per year).

In 2016, OOS, along with a cross-departmental Climate Adaptation Working Group, issued *Growing Stronger: Toward a Climate-Ready Philadelphia* to (i) assess vulnerabilities and preparation opportunities for municipal government; (ii) identify low-barrier and high-impact internal actions that can be taken to reduce risks and decrease stressors on City infrastructure services; and (iii) guide proactive projects with benefits beyond municipal operations. City-wide climate adaptation planning efforts are now also underway.

## **CITY FINANCES AND FINANCIAL PROCEDURES**

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the Fiscal Year 2018 CAFR and notes therein. The Fiscal Year 2018 CAFR was prepared by the Office of the Director of Finance 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.

### **General**

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, BIRT, 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: (i) charges to customers or applicants for goods received, services rendered or privileges provided; (ii) operating grants and contributions; and (iii) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program specific revenues; therefore, all taxes are considered general revenues.

The City's financial statements reflect the following three funds as major Governmental Funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.
- The Health Choices Behavioral Health Fund accounts for resources received from the Commonwealth. These resources are restricted to providing managed behavioral health care to residents of the City.
- The Grants Revenue Fund accounts for the resources received from various federal, Commonwealth, and private grantor agencies, including those received by the City's Department of Human Services ("DHS"). 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 permanent 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 PGW Retirement Reserve Fund accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its pension plan. For more information on the PGW Pension Plan (as defined herein), see "PGW PENSION PLAN."
- The Escrow Fund accounts for funds held in escrow for various purposes.
- The Employees Health & Welfare Fund accounts for funds deducted from employees' salaries for payment to various organizations.
- The Departmental Custodial Accounts account for funds held in custody by various departments of the City.

The City reports on the following major proprietary funds:

- The Water Fund accounts for the activities related to the operation of the Water and Wastewater Systems.
- The Aviation Fund accounts for the activities of the Airport System.

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 revenues of the Aviation Fund are charges for the use of the City's airports, PHL and Northeast Philadelphia Airport. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **Current City Disclosure Practices**

It is the City's practice to file its CAFR, which contains the audited combined financial statements of the City, in addition to certain other information, such as the City's bond ratings and information about upcoming debt issuances, with the MSRB as soon as practicable after delivery of such information. For bonds issued in calendar year 2015 and thereafter, the annual filing deadline is February 28; for bonds issued prior to calendar year 2015, the annual filing deadline is 240 days after the end of the respective Fiscal Year, being February 25. The Fiscal Year 2018 CAFR was filed with the MSRB on February 25, 2019, through the MSRB's EMMA system. The Fiscal Year 2018 CAFR is available on the website of the Director of Finance of the City of Philadelphia at <https://www.phila.gov/finance/reports-Comprehensive.html>.

A wide variety of information concerning the City is available from publications and websites of the City and others, including the City's investor information website at <http://www.phila.gov/investor> (the "City's Investor Website"). Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement.

### **Independent Audit and Opinion of the City Controller**

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2018 CAFR. 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 basic financial statements of the City in the Fiscal Year 2018 CAFR.

### **Budgetary Accounting Practices**

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles ("GAAP"). In accordance with the City 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, eleven (11) Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, Health Choices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Housing Trust, Acute Care Hospital Assessment, Budget Stabilization, and Water Residual Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: (i) personal services; (ii) purchase of services; (iii) materials and supplies; (iv) equipment; (v) contributions, indemnities, and taxes; (vi) debt service; (vii) payments to other funds; and (viii) 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 City Council approval. Appropriations that are not expended or encumbered at year-end are lapsed.

The City's capital budget is adopted annually by City Council. The capital budget is appropriated by project for each department. Requests to transfer appropriations between projects must be approved by City Council. Any appropriations that are not obligated at year-end are either lapsed or carried forward to the next Fiscal Year.

Schedules prepared on the legally enacted basis differ from the GAAP basis in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. The primary difference between the GAAP and legal (budgetary) fund balance is due to the timing of recognizing the BIRT. The legal basis recognizes BIRT revenues in the Fiscal Year they are collected. The GAAP basis requires the City to recognize the BIRT revenues (which are primarily paid in April) for the calendar year in which the BIRT taxes are due, requiring the City to defer a portion of the April payment into the next Fiscal Year. For more information on BIRT, see "REVENUES OF THE CITY – Business Income and Receipts Tax."

## **DISCUSSION OF FINANCIAL OPERATIONS**

### **Principal Operations**

The major financial operations of the City are conducted through the General Fund. In addition to the General Fund, operations of the City are conducted through two other major governmental funds and 19 non-major governmental funds. The City operates on a July 1 to June 30 fiscal year ("Fiscal Year") and reports on all the funds of the City, as well as its component units, in the City's CAFR. PMA's and PICA's financial statements are blended with the City's statements. The financial statements for PGW, PRA, the PPA, the School District, the Community College of Philadelphia, the Community Behavioral Health, Inc., the Delaware River Waterfront Corporation, and PAID are presented discretely.

### **Fund Accounting**

Funds are groupings of activities that enable the City to maintain control over resources that have been segregated for particular purposes or objectives. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. The governmental funds are used to account for the financial activity of the City's basic services, such as: general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; and streets, highways and sanitation. The funds' financial activities focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the Fiscal Year. The financial information presented for the governmental funds is useful in evaluating the City's short-term financing requirements.

The City maintains 22 individual governmental funds. The City's CAFRs, including the Fiscal Year 2018 CAFR, present 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 19 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 fund – 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 CAFRs, including the Fiscal Year 2018 CAFR, as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

See "CITY FINANCES AND FINANCIAL PROCEDURES" for a further description of these governmental, proprietary, and fiduciary funds.

### **Budget Procedure**

At least 90 days before the end of the Fiscal Year, the operating budget for the next Fiscal Year is prepared by the Mayor and 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 30 days before the end of the 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 Fiscal Years. If the Mayor disapproves the bills, he must return them to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives such bills. If the Mayor does not return the bills within the time required, they become law without his approval. If City Council passes the bills by a vote of two-thirds of all of its members within seven days after the bills have been returned with the Mayor's disapproval, they become law without his approval. While the City Charter requires that City Council adopt the ordinances for the operating and capital budgets at least 30 days before the end of the Fiscal Year, in practice, such ordinances are often adopted after such deadline, but before the end of such Fiscal Year. For example, the City's Fiscal Year 2020 operating budget ordinance was presented to City Council on March 7, 2019, approved by City Council on June 13, 2019, and signed by the Mayor on June 18, 2019. There is no practical consequence to adopting the budget ordinances after the deadline in the City Charter, but before the end of the Fiscal Year.

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. The Capital Program ordinance for Fiscal Years 2020-2025 (the "Fiscal Year 2020-2025 Adopted Capital Program") was approved by City Council on June 13, 2019, and signed by the Mayor on June 18, 2019.

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing Fiscal Year from City Council appropriated funds, 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.

For information on the City's Fiscal Year 2020 Adopted Budget (as defined below), see “– Current Financial Information – Fiscal Year 2020 Adopted Budget and Twenty-Eighth Five-Year Plan” herein. For information on the City's capital program, see “CITY CAPITAL PROGRAM” herein.

### **Budget Stabilization Reserve**

In April 2011, the City adopted an amendment to the City Charter that established the “Budget Stabilization Reserve.” The City Charter provides that the annual operating budget ordinance is required to provide for appropriations to a Budget Stabilization Reserve, to be created and maintained by the Director of Finance as a separate fund, which may not be commingled with any other funds of the City. Appropriations to the Budget Stabilization Reserve are required to be made each Fiscal Year if the projected General Fund balance for the upcoming Fiscal Year equals or exceeds three percent of General Fund appropriations for such Fiscal Year. City Council can appropriate additional amounts to the Budget Stabilization Reserve by ordinance, no later than at the time of passage of the annual operating budget ordinance and only upon recommendation of the Mayor. Total appropriations to the Budget Stabilization Reserve are subject to a limit of five percent of General Fund appropriations. Amounts in the Budget Stabilization Reserve from the prior Fiscal Years, including any investment earnings certified by the Director of Finance, are to remain on deposit therein. The City has made a deposit of \$34.3 million to the Budget Stabilization Reserve, pursuant to the Fiscal Year 2020 Adopted Budget.

Withdrawals from the Budget Stabilization Reserve are permitted only upon (i) approval by ordinance of a transfer of appropriations from the Budget Stabilization Reserve and only for the purposes set forth in such transfer ordinance and (ii) either (1) a certification by the Director of Finance that General Fund revenues actually received by the City during the prior Fiscal Year were at least one percent less than the General Fund revenues set forth in the Mayor's estimate of receipts, or (2) a certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents, and that it would be fiscally imprudent to seek emergency appropriations pursuant to the City Charter. Any such certification must be approved either by a resolution adopted by two-thirds of all of the members of City Council or an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City.

### **Annual Financial Reports**

The City is required by the City Charter to issue, within 120 days after the close of each Fiscal Year, a statement as of the end of the Fiscal Year showing the balances in all funds of the City, the amounts of the City's known liabilities, and such other information as is necessary to furnish a true picture of the City's financial condition (the “Annual Financial Reports”). The Annual Financial Reports, which are released on or about October 28 of each year, are intended to meet these requirements and are unaudited. As described above, the audited financial statements of the City are contained in its CAFR, which is published at a later date. The Annual Financial Reports contain financial statements for all City governmental funds and blended component units presented on the modified accrual basis. The proprietary and fiduciary funds are presented on the full accrual basis. They also contain budgetary comparison schedules for those funds that are subject to an annual budget. The financial statements of the City's discretely presented component units that are available as of the date of the Annual Financial Reports are also presented. Historically, the results for General Fund balance have not materially changed between the Annual Financial Reports and the CAFRs.

The Annual Financial Report for Fiscal Year 2018 was released on October 26, 2018. The Fiscal Year 2018 CAFR was filed with the Municipal Securities Rulemaking Board (“MSRB”) on February 25, 2019, through the MSRB's Electronic Municipal Market Access (“EMMA”) system. See “CITY FINANCES AND FINANCIAL PROCEDURES – Current City Disclosure Practices.”

## **Five-Year Plans of the City**

The PICA Act requires the City to annually prepare a financial plan that includes projected revenues and expenditures of the principal operating funds of the City for five Fiscal Years consisting of the current Fiscal Year and the subsequent four Fiscal Years. Each five-year plan, which must be approved by PICA, is required to, among other things, eliminate any projected deficits, balance the Fiscal Year budgets and provide procedures to avoid fiscal emergencies. For information on the Twenty-Seventh Five-Year Plan and the Twenty-Eighth Five-Year Plan, see “– Current Financial Information – Fiscal Year 2019 Adopted Budget and Twenty-Seventh Five-Year Plan” and “– Fiscal Year 2020 Adopted Budget and Twenty-Eighth Five-Year Plan.”

## **Quarterly Reporting to PICA**

The PICA Act requires the City to prepare and submit quarterly reports to PICA so that PICA may determine whether the City is in compliance with the then-current five-year plan. Each quarterly report is required to describe actual or current estimates of revenues, expenditures, and cash flows compared to budgeted revenues, expenditures, and cash flows by covered funds for each month in the previous quarter and for the year-to-date period from the beginning of the then-current Fiscal Year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

Under the PICA Agreement, 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 (i.e., a principal operating 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.

PICA may not take any action with respect to the City for variances if the City: (i) provides a written explanation of the variance that PICA deems reasonable; (ii) proposes remedial action that PICA believes will restore overall compliance with the then-current five-year plan; (iii) provides information in the immediately succeeding quarterly financial report demonstrating to the reasonable satisfaction of PICA that the City is taking remedial action and otherwise complying with the then-current five-year plan; and (iv) submits monthly supplemental reports until it regains compliance with the then-current five-year plan.

PICA last declared a variance in February 2009. Such variance was cured by the City pursuant to a revised five-year plan for Fiscal Years 2010-2014 and the Commonwealth’s authorization of an increase in the City Sales Tax (as defined herein). See “REVENUES OF THE CITY – Sales and Use Tax” herein. A failure by the City to explain or remedy a variance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under “DEBT OF THE CITY – PICA Bonds” below, otherwise payable to the City). The City uses its Quarterly City Manager’s Reports to satisfy the quarterly reporting requirement to PICA. Such reports are released within 45 days following the end of the applicable quarter and the most recent versions of such reports are available on the City’s Investor Website (as defined herein). The most recent Quarterly City Manager’s Report is the report for the period ending June 30, 2019, which was released on August 15, 2019.

## **Summary of Operations**

The following table presents the summary of operations for the General Fund for Fiscal Years 2016-2018, budgeted amounts and current estimates for Fiscal Year 2019, and budgeted amounts for Fiscal Year 2020. For a description of the legally enacted basis on which the City's budgetary process accounts for certain transactions, see "CITY FINANCES AND FINANCIAL PROCEDURES – Budgetary Accounting Practices." "Current Estimate," as used in the tables and text below, refers (except as otherwise indicated) to the most recently revised estimates for Fiscal Year 2019, which were released by the City on June 18, 2019 as part of the Fiscal Year 2020 Adopted Budget and the Twenty-Eighth Five-Year Plan, as applicable.

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**Table 1**  
**General Fund**  
**Summary of Operations (Legal Basis)**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD)<sup>(1), (2)</sup>**

	<b>Actual 2016</b>	<b>Actual 2017</b>	<b>Actual 2018</b>	<b>Adopted Budget 2019 (June 21, 2018)</b>	<b>Current Estimate 2019 (June 18, 2019)</b>	<b>Adopted Budget 2020 (June 18, 2019)</b>
<b>Revenues</b>						
Real Property Taxes	\$571.6	\$587.1	\$650.4	\$669.1	\$689.4	\$690.9
Wage and Earnings Tax	1,373.0	1,448.9	1,542.3	1,588.6	1,566.3	1,633.7
Net Profits Tax	25.4	22.3	32.3	31.2	36.6	38.2
Business Income and Receipts Tax	474.2	417.5	446.1	425.2	503.3	497.3
Sales Tax <sup>(3)</sup>	169.4	188.4	198.4	216.5	215.2	227.9
Other Taxes <sup>(4)</sup>	353.0	367.7	454.9	437.1	464.9	472.6
Philadelphia Beverage Tax <sup>(5)</sup>	0.0	39.5	77.4	78.0	76.6	75.9
Total Taxes	<u>2,966.6</u>	<u>3,071.4</u>	<u>3,401.8</u>	<u>3,445.7</u>	<u>3,552.3</u>	<u>3,636.5</u>
Locally Generated Non-Tax Revenue	291.0	309.5	320.6	291.7	325.6	353.3
Revenue from Other Governments						
Net PICA Taxes Remitted to the City <sup>(6)</sup>	383.4	409.5	454.2	469.0	474.7	499.3
Other Revenue from Other Governments <sup>(7)</sup>	<u>305.6</u>	<u>307.7</u>	<u>323.9</u>	<u>337.5</u>	<u>316.7</u>	<u>347.9</u>
Total Revenue from Other Governments	<u>689.1</u>	<u>717.2</u>	<u>778.2</u>	<u>806.4</u>	<u>791.4</u>	<u>847.2</u>
Receipts from Other City Funds	<u>42.3</u>	<u>60.1</u>	<u>55.4</u>	<u>73.1</u>	<u>72.9</u>	<u>81.0</u>
Total Revenue	<u>3,989.0</u>	<u>4,158.2</u>	<u>4,556.1</u>	<u>4,616.9</u>	<u>4,742.1</u>	<u>4,918.0</u>
<b>Obligations/Appropriations</b>						
Personal Services	1,562.6	1,589.0	1,690.1	1,738.4	1,771.5	1,820.1
Purchase of Services <sup>(8)</sup>	822.2	851.4	891.1	951.7	955.8	1,001.3
Materials, Supplies and Equipment	92.1	94.4	102.2	114.4	123.2	123.7
Employee Benefits	1,181.3 <sup>(11)</sup>	1,241.0 <sup>(11)</sup>	1,314.0 <sup>(11)</sup>	1,360.2 <sup>(11)</sup>	1,378.0 <sup>(11)</sup>	1,412.0 <sup>(11)</sup>
Indemnities, Contributions, and Refunds <sup>(9)</sup>	192.7	186.6	195.2	282.2	287.0	322.4
City Debt Service <sup>(10)</sup>	132.1	140.9	148.8	169.5	169.5	187.5
Payments to Other City Funds	32.8	36.5	61.5	38.1	94.2	68.9
Advances & Miscellaneous Payments / Labor Reserve	0.0	0.0	0.0	16.4 <sup>(12)</sup>	0.0 <sup>(12)</sup>	0.0 <sup>(12)</sup>
Advances & Miscellaneous Payments / Federal and State Funding Reserve	0.0	0.0	0.0	54.6 <sup>(12)</sup>	53.6 <sup>(12)</sup>	55.1 <sup>(12)</sup>
Payment to Budget Stabilization Reserve	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>34.3</u>
Total Obligations/Appropriations	<u>4,015.8</u>	<u>4,139.8</u>	<u>4,402.9</u>	<u>4,725.5</u>	<u>4,832.7</u>	<u>5,025.3</u>
Operating Surplus (Deficit) for the Year	(26.8)	18.4	153.2	(108.6)	(90.6)	(107.3)
Net Adjustments – Prior Year	23.6	22.5	26.3	19.5	19.5	19.5
Cumulative Fund Balance Prior Year	<u>151.5</u>	<u>148.3</u>	<u>189.2</u>	<u>228.5<sup>(13)</sup></u>	<u>368.8<sup>(13)</sup></u>	<u>297.7</u>
Cumulative Adjusted Year End Fund Balance (Deficit)	<u>\$148.3</u>	<u>\$189.2</u>	<u>\$368.8<sup>(13)</sup></u>	<u>\$139.5</u>	<u>\$297.7</u>	<u>\$209.9</u>

<sup>(1)</sup> Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019 (Adopted Budget), the Fiscal Year 2019 Adopted Budget. For Fiscal Year 2019 (Current Estimate), the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020 (Adopted Budget), the Fiscal Year 2020 Adopted Budget.

<sup>(2)</sup> Figures may not sum due to rounding.

<sup>(3)</sup> For more information on the City Sales Tax, see "REVENUES OF THE CITY – Sales and Use Tax."

<sup>(4)</sup> Includes Amusement Tax, Real Property Transfer Tax, Parking Lot Tax, Smokeless Tobacco Tax and miscellaneous taxes.

<sup>(5)</sup> The Philadelphia Beverage Tax (as defined herein) taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

<sup>(6)</sup> For a detailed breakdown of "Net PICA Taxes Remitted to the City," see Table 43. Such figures reflect revenues received by the City from the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. See "DEBT OF THE CITY – PICA Bonds."

<sup>(7)</sup> For a detailed breakdown of "Other Revenue from Other Governments," see Table 12. "Other Revenue from Other Governments" includes state gaming revenues.

<sup>(8)</sup> Includes debt service on lease and service agreement financings.

<sup>(9)</sup> Includes contributions to the School District. See also Table 21 and the accompanying text herein.

<sup>(10)</sup> Includes debt service on General Obligation Debt (as defined herein) and tax and revenue anticipation notes; excludes debt service on PICA bonds and lease and service agreement financings.

<sup>(11)</sup> For Fiscal Year 2016, includes \$9.7 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2017, includes \$19.2 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2018, includes \$24.2 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2019 (Adopted Budget), assumes \$48.3 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2019 (Current Estimate), assumes \$47.6 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2020 (Adopted Budget), assumes \$53.9 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

<sup>(12)</sup> The Labor Reserve is set aside for labor-related costs, including costs related to labor agreements with certain of the City's municipal unions, among other things. See "EXPENDITURES OF THE CITY – Overview of City Employees." The Federal and State Funding Reserve is set aside to address certain funding that may become unavailable as a result of cuts in the federal or state budget or the implementation of other federal or state policies that may affect such funding for the City. Any portion of such reserves that is not used to offset labor-related costs or costs related to cuts in federal or state funding, as applicable, will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

<sup>(13)</sup> In its Fiscal Year 2019 Adopted Budget, the City projected that Fiscal Year 2018 would end with a General Fund balance of \$228.5 million. In the Fiscal Year 2018 CAFR, the City reported that Fiscal Year 2018 ended with a General Fund balance of \$368.8 million. Such number has been included as the "Cumulative Fund Balance Prior Year" in the Twenty-Eighth Five-Year Plan.

## Current Financial Information

Table 2 below shows General Fund balances for Fiscal Year 2018, budgeted amounts and current estimates for Fiscal Year 2019, and budgeted amounts for Fiscal Year 2020.

**Table 2**  
**General Fund – Fund Balance Summary**  
**(Amounts in Thousands of USD)<sup>(1)</sup>**

	Fiscal Year 2018 Actual <sup>(2)</sup> (June 30, 2018)	Fiscal Year 2019 Adopted Budget <sup>(2)</sup> (June 21, 2018)	Fiscal Year 2019 Current Estimate <sup>(2)</sup> (June 18, 2019)	Fiscal Year 2020 Adopted Budget <sup>(2)</sup> (June 18, 2019)
<b><u>REVENUES</u></b>				
Taxes	\$3,401,829 <sup>(3)</sup>	\$3,445,678 <sup>(3)</sup>	\$3,552,256 <sup>(3)</sup>	\$3,636,492 <sup>(3)</sup>
Locally Generated Non – Tax Revenues	320,644	291,684	325,585	353,328
Revenue from Other Governments	778,153	806,439	791,352	847,172
Revenues from Other Funds of City	55,436	73,108	72,916	81,011
<b>Total Revenue</b>	<b><u>\$4,556,062</u></b>	<b><u>\$4,616,909</u></b>	<b><u>\$4,742,109</u></b>	<b><u>\$4,918,003</u></b>
<b><u>OBLIGATIONS / APPROPRIATIONS</u></b>				
Personal Services	\$1,690,081	\$1,738,441	\$1,771,525	\$1,820,084
Personal Services – Employee Benefits	1,314,021 <sup>(4)</sup>	1,360,238 <sup>(4)</sup>	1,377,965 <sup>(4)</sup>	1,411,963 <sup>(4)</sup>
Purchase of Services <sup>(5)</sup>	891,074	951,665	955,793	1,001,325
Materials, Supplies, and Equipment	102,191	114,356	123,211	123,682
Contributions, Indemnities, and Taxes	195,197	282,185	286,985	322,432
Debt Service <sup>(6)</sup>	148,795	169,496	169,496	187,483
Payments to Other Funds	61,495	38,096	94,178	68,913
Advances & Miscellaneous Payments	0	71,020 <sup>(7)</sup>	53,573 <sup>(7)</sup>	55,108 <sup>(7)</sup>
Payment to Budget Stabilization Reserve	0	0	0	34,276
<b>Total Obligations / Appropriations</b>	<b><u>\$4,402,854</u></b>	<b><u>\$4,725,497</u></b>	<b><u>\$4,832,726</u></b>	<b><u>\$5,025,266</u></b>
<b>Operating Surplus (Deficit)</b>	<b>153,208</b>	<b>(108,588)</b>	<b>(90,617)</b>	<b>(107,263)</b>
<b><u>OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS</u></b>				
Net Adjustments – Prior Years	26,331	19,500	19,500	19,500
Operating Surplus/(Deficit) & Prior Year Adj.	179,539	(89,088)	(71,117)	(87,763)
Prior Year Fund Balance	189,243	228,545 <sup>(8)</sup>	368,783 <sup>(8)</sup>	297,666
<b>Year End Fund Balance</b>	<b><u>\$368,783<sup>(9)</sup></u></b>	<b><u>\$139,457</u></b>	<b><u>\$297,666</u></b>	<b><u>\$209,903</u></b>

(1) Figures may not sum due to rounding.

(2) Sources: For Fiscal Year 2018, the Fiscal Year 2018 CAFR. For Fiscal Year 2019 Adopted Budget, the Fiscal Year 2019 Adopted Budget. For Fiscal Year 2019 Current Estimate, the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020 Adopted Budget, the Fiscal Year 2020 Adopted Budget.

(3) For Fiscal Year 2018, includes \$77.4 million in revenue from the Philadelphia Beverage Tax. For Fiscal Year 2019 Adopted Budget, assumes \$78.0 million in revenue from such tax. For Fiscal Year 2019 Current Estimate, assumes \$76.6 million in revenue from such tax. For Fiscal Year 2020 Adopted Budget, assumes \$75.9 million in revenue from such tax. The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

(4) For Fiscal Year 2018, includes \$24.2 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2019 Adopted Budget, assumes \$48.3 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2019 (Current Estimate), assumes \$47.6 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2020 Adopted Budget, assumes \$53.9 million from such tax revenues for the Municipal Pension Fund. See “REVENUES OF THE CITY – Sales and Use Tax.”

(5) Includes debt service on lease and service agreement financings.

(6) Includes debt service on General Obligation Debt (as defined herein) and tax and revenue anticipation notes; excludes debt service on PICA bonds and lease and service agreement financings.

(7) Advances & Miscellaneous Payments includes funds set aside in the Labor Reserve and the Federal and State Funding Reserve, as applicable. The Labor Reserve is set aside for labor-related costs, including costs related to labor agreements with certain of the City’s municipal unions, among other things. See “EXPENDITURES OF THE CITY – Overview of City Employees.” The Federal and State Funding Reserve is set aside to address certain funding that may become unavailable as a result of cuts in the federal or state budget or the implementation of other federal or state policies that may affect such funding for the City. The Fiscal Year 2019 Adopted Budget includes (i) \$16.4 million for the Labor Reserve, and (ii) \$54.6 million for the Federal and State Funding Reserve, while the Twenty-Eighth Five-Year Plan estimates \$0.0 million and \$53.6 million for such reserves for Fiscal Year 2019, respectively. The Fiscal Year 2020 Adopted Budget includes (i) \$0.0 million for the Labor Reserve, and (ii) \$55.1 million for the Federal and State Funding Reserve, respectively. Any portion of such reserves that is not used to offset labor-related costs or costs related to cuts in federal or state funding, as applicable, will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

(8) In its Fiscal Year 2019 Adopted Budget, the City projected that Fiscal Year 2018 would end with a General Fund balance of \$228,545 million. In the Fiscal Year 2018 CAFR, the City reported that Fiscal Year 2018 ended with a General Fund balance of \$368,783 million. Such number has been included as the “Prior Year Fund Balance” in the Twenty-Eighth Five-Year Plan.

***The following discussion of the Fiscal Year 2019 Adopted Budget, the Twenty-Seventh Five-Year Plan, the Fiscal Year 2020 Adopted Budget, and the Twenty-Eighth Five-Year Plan, as applicable, is based, in part, on projections and forward-looking statements related to Fiscal Years 2019 and 2020. No assurance can be given that the applicable budget estimates and forward-looking statements will be realized. The accuracy of such budget estimates and forward-looking statements cannot be verified until after the close of the applicable Fiscal Year and the completion of the related audit.***

Fiscal Year 2019 Adopted Budget and Twenty-Seventh Five-Year Plan. On March 1, 2018, the Mayor submitted his proposed Fiscal Year 2019 budget to City Council, along with the proposed five-year plan for Fiscal Years 2019-2023. On June 21, 2018, City Council approved the Fiscal Year 2019 operating budget ordinance, which was signed by the Mayor on June 21, 2018 (the “Fiscal Year 2019 Adopted Budget”). On June 26, 2018, the City submitted to PICA its FY 2019-2023 Five Year Financial Plan Per Council Approved Budget (the “Twenty-Seventh Five-Year Plan”). PICA approved the Twenty-Seventh Five-Year Plan on July 25, 2018. On November 23, 2018, the City submitted a letter to PICA, which revised the Twenty-Seventh Five-Year Plan. Such letter indicated that a collective bargaining reopener was concluded with AFSCME DC 33 (as defined herein), which resulted in an agreement by the City to contribute \$28 million to AFSCME DC 33’s health plan in Fiscal Years 2019 and 2020.

Fiscal Year 2019 Current Estimate. The current estimate for Fiscal Year 2019 is derived from information included in the Twenty-Eighth Five-Year Plan. In the Twenty-Eighth Five-Year Plan, the City estimates that it will end Fiscal Year 2019 with a General Fund balance (on the legally enacted basis) of approximately \$297.7 million.

Fiscal Year 2020 Adopted Budget and Twenty-Eighth Five-Year Plan. The City’s proposed Fiscal Year 2020 operating budget was submitted by the Mayor to City Council on March 7, 2019, along with the City’s proposed five-year plan for Fiscal Years 2020-2024. On June 13, 2019, City Council approved the Fiscal Year 2020 operating budget ordinance, which was signed by the Mayor on June 18, 2019 (the “Fiscal Year 2020 Adopted Budget”).

On June 18, 2019, the City submitted to PICA its FY 2020-2024 Five Year Financial Plan Per Council Approved Budget (the “Twenty-Eighth Five-Year Plan”). PICA approved such plan on July 16, 2019. PICA staff, in recommending that PICA approve the Twenty-Eighth Five-Year Plan, noted that the revenue and expenditure projections presented in the Twenty-Eighth Five-Year Plan were [quoting from the PICA Act] “based on reasonable and appropriate assumptions and methods of estimation . . . consistently applied.” The PICA staff report concluded that “[a]lthough PICA is confident that the [Twenty-Eighth Five-Year Plan] is based on reasonable and appropriate assumptions, and year end fund balances are positive throughout the life of the [Twenty-Eighth Five-Year Plan], certain factors were identified that might present risks to the [Twenty-Eighth Five-Year Plan].” The PICA report identified such factors as: (i) the possibility of an economic recession over the period covered by the plan; (ii) the projected growth of the BIRT and the Real Property Transfer Tax; (iii) funding of the now locally controlled School District; and (iv) costs of funding increasing pension liabilities. The PICA staff report also highlighted certain other financial concerns that could impact the City’s financial condition, including, among others (a) future labor, overtime, and employee health benefit costs; (b) speculative revenues from sources such as locally generated non-tax revenue, revenue from other governments, and revenue from other funds; (c) real estate tax appeals; and (d) low projected General Fund balances, relative to the GFOA’s recommended levels.

For Fiscal Years 2020-2024, the Twenty-Eighth Five-Year Plan projects that the City will end such Fiscal Years with General Fund balances (on the legally enacted basis) of approximately (i) \$209.9 million (Fiscal Year 2020), (ii) \$156.0 million (Fiscal Year 2021), (iii) \$128.9 million (Fiscal Year 2022), (iv) \$147.6 million (Fiscal Year 2023), and (v) \$194.8 million (Fiscal Year 2024).

For more information on the City’s annual budget process under the City Charter and the five-year financial plans and quarterly reporting required under the PICA Act, see “– Budget Procedure,” “– Five-Year Plans of the City,” and “– Quarterly Reporting to PICA,” above.

## **REVENUES OF THE CITY**

### **General**

Prior to 1939, the City relied heavily on the real estate tax as the mainstay of its revenue system. In 1932, the General Assembly adopted an act (commonly referred to as the Sterling Act) under which the City is permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Acting under the Sterling Act and other Pennsylvania legislation, the City has taken various steps over the years to broaden its sources of income, including: (i) enacting the wage, earnings, and net profits tax in 1939; (ii) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (iii) requiring under the City Charter that the water, sewer, and other utility systems be fully self-sustaining; (iv) enacting the Mercantile License Tax (a gross receipts tax on business done within the City) in 1952, which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax (renamed the Business Income and Receipts Tax in May 2012), and (v) enacting the City Sales Tax (as defined herein) for City general revenue purposes effective beginning in Fiscal Year 1992.

### **Major Revenue Sources**

The City currently derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 for General Fund tax revenues for Fiscal Years 2016-2018, budgeted amounts and current estimates for Fiscal Year 2019, and budgeted amounts for Fiscal Year 2020. The following discussion of the City’s revenues does not take into account revenues in the non-debt related funds. The tax rates for Fiscal Years 2016 through 2018 are contained in the Fiscal Year 2018 CAFR.

Table 3 provides a detailed breakdown of the “Total Taxes” line from Table 1 above. Table 3 does not include “Revenues from Other Governments,” which consists of “Net PICA Taxes Remitted to the City” and “Other Revenue from Other Governments.” “Net PICA Taxes Remitted to the City” is set forth in Table 1 and a detailed breakdown of such revenues is shown in Table 43. “Other Revenue from Other Governments” is set forth in Table 1 and a detailed breakdown of such revenues is shown in Table 12.

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**Table 3**  
**General Fund Tax Revenues**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD) <sup>(1), (2), (3)</sup>**

	Actual 2016	Actual 2017	Actual 2018	Adopted Budget 2019 (June 21, 2018)	Current Estimate 2019 (June 18, 2019)	Adopted Budget 2020 (June 18, 2019)
<u>Real Property Taxes</u>						
Current	\$521.2	\$542.9	\$611.3	\$630.7	\$651.1	\$653.4
Prior	<u>50.4</u>	<u>44.2</u>	<u>39.1</u>	<u>38.3</u>	<u>38.3</u>	<u>37.6</u>
Total	<u>\$571.6</u>	<u>\$587.1</u>	<u>\$650.4</u>	<u>\$669.1</u>	<u>\$689.4</u>	<u>\$690.9</u>
<u>Wage and Earnings Tax<sup>(4)</sup></u>						
Current	\$1,364.6	\$1,440.6	\$1,536.9	\$1,580.3	\$1,566.3	\$1,628.3
Prior	<u>8.4</u>	<u>8.3</u>	<u>5.4</u>	<u>8.3</u>	<u>0.0</u>	<u>5.4</u>
Total	<u>\$1,373.0</u>	<u>\$1,448.9</u>	<u>\$1,542.3</u>	<u>\$1,588.6</u>	<u>\$1,566.3</u>	<u>\$1,633.7</u>
<u>Business Taxes</u>						
Business Income and Receipts Tax						
Current & Prior	<u>\$474.2</u>	<u>\$417.5</u>	<u>\$446.1</u>	<u>\$425.2</u>	<u>\$503.3</u>	<u>\$497.3</u>
<u>Net Profits Tax</u>						
Current	\$23.3	\$25.3	\$27.6	\$28.7	\$31.9	\$33.5
Prior	<u>2.1</u>	<u>(3.0)</u>	<u>4.7</u>	<u>2.5</u>	<u>4.7</u>	<u>4.7</u>
Subtotal Net Profits Tax	<u>\$25.4</u>	<u>\$22.3</u>	<u>\$32.3</u>	<u>\$31.2</u>	<u>\$36.6</u>	<u>\$38.2</u>
Total Business and Net Profits Taxes	<u>\$499.6</u>	<u>\$439.8</u>	<u>\$478.4</u>	<u>\$456.4</u>	<u>\$539.9</u>	<u>\$535.6</u>
<u>Other Taxes</u>						
Sales and Use Tax <sup>(5)</sup>	\$169.4	\$188.4	\$198.4	\$216.5	\$215.2	\$227.9
Amusement Tax	19.4	20.6	23.0	22.2	27.9	28.9
Real Property Transfer Tax	237.3	247.3	331.5	310.5	334.7	339.3
Parking Taxes	92.7	96.1	96.5	100.7	98.1	100.2
Other Taxes	<u>3.6</u>	<u>3.8</u>	<u>4.0</u>	<u>3.7</u>	<u>4.2</u>	<u>4.2</u>
Subtotal Other Taxes	<u>\$522.4</u>	<u>\$556.1</u>	<u>\$653.3</u>	<u>\$653.6</u>	<u>\$680.0</u>	<u>\$700.5</u>
Philadelphia Beverage Tax <sup>(6)</sup>	0.0	39.5	77.4	78.0	76.6	75.9
<b>TOTAL TAXES</b>	<b><u>\$2,966.6</u></b>	<b><u>\$3,071.4</u></b>	<b><u>\$3,401.8</u></b>	<b><u>\$3,445.7</u></b>	<b><u>\$3,552.3</u></b>	<b><u>\$3,636.5</u></b>

<sup>(1)</sup> Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019 (Adopted Budget), the Fiscal Year 2019 Adopted Budget. For Fiscal Year 2019 (Current Estimate), the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020 (Adopted Budget), the Fiscal Year 2020 Adopted Budget.

<sup>(2)</sup> See Table 7 in the Fiscal Year 2018 CAFR for tax rates.

<sup>(3)</sup> Figures may not sum due to rounding.

<sup>(4)</sup> Does not include the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA Bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.

<sup>(5)</sup> For more information on the City Sales Tax, see "– Sales and Use Tax" and Table 11.

<sup>(6)</sup> The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

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## Wage, Earnings, and Net Profits Taxes

The largest tax revenue source (comprising more than 46% of all tax revenues in Fiscal Year 2018) is the wage, earnings and net profits tax. The wage and earnings tax is collected from all employees working within City limits, and all City residents regardless of work location. The net profits tax is collected on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts within the City limits. The following table sets forth the resident and non-resident wage, earnings and net profits tax rates for Fiscal Years 2016-2020, the annual wage, earnings and net profits tax receipts in Fiscal Years 2016-2018, the budgeted amount and current estimate of such receipts for Fiscal Year 2019, and the budgeted amount of such receipts for Fiscal Year 2020.

**Table 4**  
**Summary of Wage, Earnings and Net Profits Tax Rates and Receipts**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)<sup>(1)</sup>**

Fiscal Year	Resident Wage, Earnings and Net Profits Tax Rates <sup>(2)</sup>	Non-Resident Wage, Earnings and Net Profits Tax Rates	Annual Wage, Earnings and Net Profits Tax Receipts (including PICA Tax) (Amounts in Millions of USD) <sup>(3)</sup>
2016	3.9102%	3.4828%	\$1,842.9 (Actual)
2017	3.9004%	3.4741%	\$1,940.4 (Actual)
2018	3.8907%	3.4654%	\$2,071.5 (Actual)
2019	3.8809%	3.4567%	\$2,135.8 (Adopted Budget)
			\$2,124.5 (Current Estimate)
2020	3.8712%	3.4481%	\$2,218.0 (Adopted Budget)

<sup>(1)</sup> See Table 7 in the Fiscal Year 2018 CAFR for tax rates for Fiscal Years 2016-2018. See the Twenty-Eighth Five-Year Plan for tax rates for Fiscal Years 2019-2020.

<sup>(2)</sup> Includes PICA Tax. See “DEBT OF THE CITY – PICA Bonds” for a description of the PICA Tax.

<sup>(3)</sup> Sources: For Fiscal Years 2016-2018, the City’s CAFRs for the City’s annual wage, earnings, and net profits tax receipts and the City’s Quarterly City Manager’s Reports for gross PICA Tax (see first column in Table 43). For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget and the Twenty-Eighth Five-Year Plan.

Commonwealth funding from gaming revenues is mandated by statute to be used to reduce the resident and nonresident wage tax rate. Gaming revenues have averaged approximately \$86.3 million in Fiscal Years 2016-2018. For Fiscal Year 2019, the budgeted amount and current estimate of gaming revenues is \$86.3 million. For Fiscal Year 2020, the budgeted amount of gaming revenues is \$86.3 million. The wage tax rates in such Fiscal Years reflect a rate reduction due to these revenues.

See “– Other Tax Rate Changes” herein, for information regarding wage and earnings tax rate reductions under the Twenty-Eighth Five-Year Plan.

In a 2015 decision by the Supreme Court of the United States (*Comptroller of the Treasury of Maryland v. Wynne*, 135 S. Ct. 1787 (2015)), a state’s failure to provide certain credits against its personal income tax was held to have violated the dormant Commerce Clause of the United States Constitution. Such personal income tax was applied to income earned outside of the state of residency, and residents were not given a credit for income taxes paid to the state where such income was earned, resulting, in the circumstances presented, in taxing income earned interstate at a rate higher than income earned intrastate. The City provides a credit to resident taxpayers against their respective wage, earnings, and net profits tax liabilities for similar taxes paid to another locality, but does not provide a credit for similar taxes paid to another state. Taxpayers have challenged the City’s refusal to grant a credit for taxes paid to other states and have appealed to the Commonwealth Court on such matters. To date, the City’s position has been

upheld by both the Tax Review Board and the Court of Common Pleas. The City estimates the cost of current appeals to be under \$3 million.

### **Business Income and Receipts Tax**

Pursuant to The First Class City Business Tax Reform Act of 1984, City Council imposed a business tax measured by gross receipts, net income or the combination of the two. The same year, City Council by ordinance repealed the Mercantile License Tax and the General Business Tax and imposed the Business Privilege Tax. As of May 1, 2012, the Business Privilege Tax was renamed the Business Income and Receipts Tax (or BIRT). The BIRT allows for particular allocations and tax computations for regulated industries, public utilities, manufacturers, wholesalers and retailers. Rental activities are usually considered to be business activities. Every estate or trust (whether the fiduciary is an individual or a corporation) must file a BIRT return if the estate or trust is engaged in any business or activity for profit within the City. There are also credit programs where meeting the requirement of the program allows for a credit against the BIRT. All persons subject to both the BIRT and the net profits tax are entitled to apply a credit of 60% of the net income portion of their BIRT liability against what is due on the net profits tax to the maximum of the net profits tax liability for that tax year.

In November 2011, legislation was enacted to halt a previously enacted program of reducing the gross receipts portion of the BIRT and to commence reductions in the net income portion of the BIRT to take effect in tax year 2014 with changes phasing in through tax year 2023. The following table provides a summary of BIRT rates for tax years 2012-2023. Future BIRT rates remain subject to amendment by action of City Council and the Mayor.

**Table 5**  
**Summary of Business Income and Receipts Tax Rates**

<u>Tax Year</u>	<u>Gross Receipts</u>	<u>Net Income</u>
2012	1.415 mills	6.45%
2013	1.415 mills	6.45%
2014	1.415 mills	6.43%
2015	1.415 mills	6.41%
2016	1.415 mills	6.39%
2017	1.415 mills	6.35%
2018	1.415 mills	6.30%
2019	1.415 mills	6.25%
2020	1.415 mills	6.20%
2021	1.415 mills	6.15%
2022	1.415 mills	6.10%
2023	1.415 mills	6.00%

The 2011 legislation incorporated several changes intended to help small and medium sized businesses and lower costs associated with starting a new business in order to stimulate new business formation and increase employment in the City, including the following: (i) the Commercial Activity License fee for all businesses was eliminated in 2014; (ii) business taxes for the first two years of operations for all new businesses with at least three employees in their first year and six employees in their second year were eliminated beginning in 2012; and (iii) across the board exclusions on the gross receipts portion of the BIRT were provided for all businesses phased in over a three-year period beginning in 2014 and eventually excluding the first \$100,000 of gross receipts, along with proportional reductions in the net income portion of the BIRT. The legislation also provided for implementation of single sales factor apportionment in 2015, which enables businesses to pay BIRT based solely on sales in the City, rather than on property or payroll.

By Fiscal Year 2023, the net income (profits) portion of the business tax is projected to reach 6.00%. In addition, legislation was enacted, effective for tax year 2019, to (i) eliminate the requirement for new businesses to make an estimated business tax payment when filing a return for their first tax year of business operations and (ii) allow such estimated payments in the second year to be made in quarterly installments.

## **Real Property Taxes**

Assessment and Collection. Taxes are levied on the assessed value of all taxable residential and commercial real property located within the City's boundaries for the City and for the School District (each, a "Real Estate Tax") as assessed by the Office of Property Assessment ("OPA") and collected by the Department of Revenue for both the City and the School District. Real Estate Taxes are authorized by Commonwealth law to be authorized by the City and the School District, with the millage split between the two taxes changing over the years. Currently, the City Real Estate Tax is equal to 45% of the total authorized millage and the School District Real Estate Tax is equal to 55% of the total authorized millage. Real Estate Taxes are levied on a calendar year basis. By separate ordinances, City Council authorizes and levies the rate of the City Real Estate Tax and authorizes the rate of the School District Real Estate Tax. The Board of Education levies all School District taxes, including the School District Real Estate Tax. Bills are sent in December for the following year and payments are due March 31. A discount of 1% is available for taxpayers who pay their Real Estate Taxes on or before the last day of February.

For tax year 2014, all properties in Philadelphia were reassessed at their actual market value by OPA under the Actual Value Initiative ("AVI") in order to replace outdated values and inequities within the system. Under AVI, the total assessed value of all properties more accurately reflected the market in the City and the total assessment grew substantially. As a result, the Mayor and City Council significantly reduced the Real Estate Tax rate to ensure that, in its first year, the reassessment resulted in the collection of approximately the same amount of Real Estate Taxes as the prior year (tax year 2013).

In order to mitigate any hardship that could be created by those large increases, the ordinance imposing the new Real Estate Tax rates included a homestead exemption of \$30,000 for all primary residential owner-occupants. In the Fiscal Year 2019 Adopted Budget, the homestead exemption was increased from \$30,000 to \$40,000 of assessed value. In the Fiscal Year 2020 Adopted Budget, the homestead exemption was increased from \$40,000 to \$45,000 of assessed value. In addition to the homestead exemption, the City has also instituted several other property tax relief programs for taxpayers.

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The Real Estate Tax rates for tax years 2014-2018 are set forth in Table 6 below:

**Table 6**  
**Real Estate Tax Rates and Allocations**

<u>Tax Year</u>	<u>City</u>	<u>School District</u>	<u>Total</u>
2014	0.6018%	0.7382%	1.3400%
2015	0.6018%	0.7382%	1.3400%
2016	0.6317%	0.7681%	1.3998%
2017	0.6317%	0.7681%	1.3998%
2018	0.6317%	0.7681%	1.3998%

For Fiscal Year 2018, the actual amount of Real Estate Tax revenue for the City was \$611.3 million (excluding delinquent collections). For Fiscal Year 2019, the budgeted amount and current estimate of Real Estate Tax revenue for the City was \$630.7 million (excluding delinquent collections) and \$651.1 million (excluding delinquent collections), respectively. For Fiscal Year 2020, the budgeted amount of Real Estate Tax revenue for the City is \$653.4 million (excluding delinquent collections). See Table 3 above. For information on the process for appealing a property tax assessment, see the text before and after Table 7 below.

Table 7 shows the assessed values of properties used for tax year 2019 and 2020 Real Estate Taxes.

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**Table 7**  
**Certified Property Values for Tax Years 2019 and 2020**

<b>Tax Year 2019</b>					
<b>Category</b>	<b>Market Value<sup>(1)</sup></b>	<b>Taxable Assessed Value</b>	<b>Exempt Assessed Value</b>	<b>Homestead</b>	<b># of Properties</b>
Single Family Residential	\$76,337,497,802	\$63,693,042,672	\$6,543,259,457	\$6,101,195,673	456,912
Multi-Family Residential (Apartments) <sup>(2)</sup>	28,194,802,390	21,211,968,649	6,767,586,691	215,247,050	41,682
Non-Residential <sup>(3)</sup>	55,366,091,000	28,318,047,365	27,017,571,335	30,472,300	37,096
Vacant Land	4,773,597,500	2,332,496,021	2,438,934,779	2,166,700	44,960
<b>Total</b>	<b>\$164,671,988,692</b>	<b>\$115,555,554,707</b>	<b>\$42,767,352,262</b>	<b>\$6,349,081,723</b>	<b>580,650</b>

<sup>1</sup> Assessment data current as of March 31, 2018.

<sup>2</sup> Apartments were split from the previous hotels and apartments category and are now reflected as multi-family residential.

<sup>3</sup> Includes commercial, industrial, store with dwelling, hotels, and motels.

<b>Tax Year 2020</b>					
<b>Category</b>	<b>Market Value<sup>(1)</sup></b>	<b>Taxable Assessed Value</b>	<b>Exempt Assessed Value</b>	<b>Homestead</b>	<b># of Properties</b>
Single Family Residential	\$79,112,006,350	\$63,891,731,827	\$6,964,128,995	\$8,256,145,528	457,631
Multi-Family Residential (Apartments) <sup>(2)</sup>	29,341,610,800	21,276,976,823	7,771,704,222	292,929,755	42,064
Non-Residential <sup>(3)</sup>	55,275,284,866	28,285,867,793	26,948,588,073	40,829,000	36,908
Vacant Land	4,534,177,300	2,121,913,727	2,409,942,273	2,321,300	44,722
<b>Total</b>	<b>\$168,263,079,316</b>	<b>\$115,576,490,170</b>	<b>\$44,094,363,563</b>	<b>\$8,592,225,583</b>	<b>581,325</b>

<sup>1</sup> Assessment data current as of March 31, 2019.

<sup>2</sup> Includes commercial, industrial, store with dwelling, hotels, and motels.

<sup>3</sup> Apartments were split from the previous hotels and apartments category and are now reflected as multi-family residential.

Assessment and Appeals. OPA is responsible for property assessments, while the Board of Revision of Taxes (“BRT”), an independent, seven-member board appointed by the Board of Judges of the Philadelphia Common Pleas Court, is the property assessment appeals board.

OPA certifies the market values by March 31 of the prior year (i.e., for tax year 2020, OPA certified the market values on March 31, 2019). Taxpayers base their appeals on the certified market values, and therefore, the assessed values are adjusted as the appeals are finalized. In some circumstances and for certain tax years, taxpayers are permitted, during the appeals process, to pay their property tax bills based on the certified market value of their properties from the prior assessment. For budgetary purposes, OPA provides updated assessment data to the Office of the Director of Finance in February of each year, from which Real Estate Tax projections are made. Certified values can vary substantially from the amounts included in such data and, as such, Real Estate Tax collections can also vary from the amounts included in the City’s annual operating budget.

Under AVI, OPA set up a new process called a first level review (“FLR”), where a taxpayer could request an administrative review of its assessment notice prior to launching a formal appeal with the BRT. The BRT has the authority, following a formal appeal, to either increase, decrease, or leave unchanged the property assessment. Some appeals are not resolved before bills are sent to taxpayers. As such, some property assessments are modified after taxpayers receive bills.

For tax year 2018, OPA revised the assessed values of over 60,000 parcels (which included properties of all categories, including commercial and residential parcels) throughout the City as part of its reassessment. In September 2017, the owners of multiple commercial properties in the City filed a lawsuit against the City in the Court of Common Pleas. The plaintiffs in such matter alleged, based on a July 2017 Pennsylvania Supreme Court decision, that OPA violated the uniformity clause of the Pennsylvania Constitution in reassessing commercial properties and not residential properties for tax year 2018. The plaintiffs sought declaratory relief, a permanent injunction, and an order directing OPA to recertify their properties at tax year 2017 values. Subsequently, ten additional cases were filed, asserting virtually the same claims. All of the cases, which encompass approximately 600 plaintiffs and approximately 700 properties, were consolidated for management purposes. In a ruling handed down on July 18, 2019, the Common Pleas Court found that plaintiffs were owed refunds for overpayments equal to the difference between the plaintiffs’ Real Estate Taxes for tax year 2017 and tax year 2018. The Court calculated the total amount of these refunds at \$48 million, with \$14 million allocated to the City and \$34 million allocated to the School District (such amounts may also be subject to post-judgment interest). The Common Pleas Court ruling has not been reduced to judgment and the City intends to challenge the ruling on post-verdict motions. The City will argue, inter alia, that the OPA assessments were consistent with prior law when they were made, and that the subsequent Pennsylvania Supreme Court decision on which plaintiffs relied could not be applied to retroactively invalidate the OPA assessments. As noted below, City-wide reassessments were conducted for tax years 2019 and 2020. As such, the City does not expect the Real Estate Taxes for such tax years to be impacted by the final judgment on this matter. For more general information on judgments and settlements on claims against the City, see “LITIGATION.”

For tax year 2019, OPA revised the assessed values of over 515,000 parcels throughout the City as part of its reassessment. As of June 25, 2019, OPA has received 20,753 FLRs, with approximately 400 that have yet to be decided. As of such date, BRT has received approximately 9,700 formal appeals, with approximately 4,500 that have yet to be decided.

For tax year 2020, OPA revised the assessed values of over 503,000 parcels throughout the City as part of its reassessment. As of June 25, 2019, OPA has received 9,521 FLRs.

Review of Assessment Methodology. In January 2019, City Council, the Mayor’s office, and the City Controller each released reports describing their respective reviews of OPA’s assessment methodology and process. Each of the reports indicated that OPA’s assessment methodology and processes could be more transparent and accurate.

The consultant engaged by the Mayor’s office made a number of recommendations to improve OPA’s assessment activities and the quality of assessments. Such recommendations include (i) reviewing all classifications of residential and non-residential properties, (ii) reviewing the assignment of construction grades and conditions codes for all residential properties, (iii) examining the reliability and consistency of commercial building grade and condition codes, (iv) maintaining flexibility provided by current valuation methods in the transition to the computer-assisted mass appraisal system program (“CAMA”), (v) hiring additional data analysis and property appraisal experts, (vi) improving and refining data collection and maintaining such data in the CAMA system, (vii) making valuation and assessment reports available on OPA’s website, (viii) documenting and explaining the assessment and valuation process to the public, (ix) developing a plan and guidelines to implement the recommendations and reporting on progress to the Chief Assessment Officer, and (x) temporarily changing the assessment calendar while the recommendations and CAMA system are implemented. While the City is reviewing the foregoing recommendations and working with OPA to implement such recommendations as appropriate, the City will not implement item (x) as the assessment calendar is based on Commonwealth law.

The City Controller’s report found that OPA met industry standards in a citywide ratio study for tax year 2019 and also recommended (a) addressing OPA assessments that are done on a geographical zone basis, which tend to overburden lower income neighborhoods in the City, (b) resolving land valuation non-uniformity, and (c) conducting annual reassessments on all properties to ensure that homeowners see smaller, incremental changes in their property assessment year-over-year, rather than the single-year increase seen in tax year 2019.

The City and OPA continue to review the recommendations contained in the foregoing reports and have begun implementing many of the recommendations. The City expects to continue working with OPA to implement additional recommendations, as appropriate.

Collection Initiatives. Since 2010, the City has pursued a number of initiatives to improve the collection of Real Estate Taxes, including (i) prompt correspondence with taxpayers with overdue Real Estate Taxes, (ii) using outside collection firms to collect overdue Real Estate Taxes, (iii) sequestration of delinquent properties occupied by commercial tenants, and (iv) tax lien sales.

Real Estate Tax Tables. See Table 8 below for data with respect to Real Estate Taxes levied from 2014 to 2018 and collected by the City from January 1, 2014 to June 30, 2018. See Table 9 for the assessed property values of the City’s principal taxable assessed parcels in 2019. See Table 10 for the 2019 market and assessed values of the ten highest valued taxable real properties in the City, as well as the amounts and duration of Real Estate Tax abatements with respect to such properties.

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**Table 8**  
**City of Philadelphia**  
**Real Property Taxes Levied and Collected**  
**For the Calendar Years 2014-2018**  
**(Amounts in Millions of USD)<sup>(1), (2)</sup>**

Calendar Year	Taxes Levied Based on Original Assessment <sup>(3)</sup>	Taxes Levied Based on Adjusted Assessment <sup>(4)</sup>	Collections in the Calendar Year of Levy <sup>(6)</sup>	Percentage Collected in the Calendar Year of Levy	Collections in Subsequent Years <sup>(5), (6)</sup>	Total Collections to Date: All Years <sup>(6)</sup>	Percentage Collected to Date: All Years <sup>(6)</sup>
2014	\$553.2	\$514.3	\$482.1	93.7%	\$27.4	\$509.5	99.1%
2015	\$547.4	\$517.1	\$489.1	94.6%	\$23.8	\$512.9	99.2%
2016	\$569.9	\$549.3	\$525.2	95.6%	\$16.2	\$541.4	98.6%
2017	\$580.5	\$565.0	\$542.9	96.1%	\$9.8	\$552.7	97.8%
2018	\$658.1	\$638.6	\$589.5	N/A	N/A	\$589.5	N/A

(1) Source: Fiscal Year 2018 CAFR.

(2) Real Estate Taxes are levied by the City and the School District. While this table reflects City General Fund Real Estate Tax revenues exclusively, the School District Real Estate Tax collection rates are the same.

(3) Taxes are levied on a calendar year basis. They are due on March 31.

(4) Adjustments include assessment appeals, a 1% discount for payment in full by February 28, the senior citizen tax discount, and the tax increment financing return of tax paid. For more information on the reassessment appeal process, see “– Real Property Taxes – Assessment and Appeals.”

(5) Includes payments from capitalization charges. This capitalization occurs one time, after the end of the first year of the levy, on any unpaid balances.

(6) For calendar year 2018, the data shown reflects collections through June 30, 2018. For earlier calendar years, the data shown reflects collections through December 31 of the respective year.

**Table 9**  
**Principal Taxable Assessed Parcels – 2019**  
**(Amounts in Millions of USD)<sup>(1)</sup>**

Taxpayer	2019	
	Assessment <sup>(2)</sup>	Percentage of Total Assessments
Liberty Property Phila	\$347.7	0.30%
EQC Nine Penn Center Prop	341.1	0.30
NG 1500 Market St LLC	339.7	0.30
Phila Liberty Place LP	305.1	0.30
Park Towne Place Assoc	302.6	0.20
Commerce Square Partners	258.0	0.20
Maguire / Thomas Partners	244.7	0.20
Philadelphia Market Street	244.2	0.20
Brandywine Operating	229.0	0.20
401 North Broad Fee Inter	<u>223.1</u>	<u>0.20</u>
Total	<u>\$2,835.20</u>	2.40%
Total Taxable Assessments <sup>(3)</sup>	<u>\$121,904.60</u>	

Source: City of Philadelphia, Office of Property Assessment.

- (1) Figures may not sum due to rounding.  
 (2) Assessment Values rounded to the nearest \$100,000 and only include the largest assessed property for each taxpayer, additional properties owned by the same taxpayer are not included.  
 (3) Total 2019 Taxable Assessment as of March 31, 2018.

**Table 10**  
**Ten Largest Certified Market and Assessment Values of Tax-Abated Properties**  
**Certified Values for 2019**  
**(Amounts in Millions of USD)<sup>(1), (2)</sup>**

<b>Location</b>	<b>2019 Certified Market Value</b>	<b>Total Assessment</b>	<b>Total Taxable Assessment</b>	<b>Total Exempt Assessment</b>	<b>Exempt Through Tax Year</b>
1001-99 Delaware Ave	\$307.4	\$307.4	\$49.7	\$257.70	2026
1800 Arch St	\$270.0	\$270.0	\$27.0	\$243.00	2027
401 N Broad St	\$245.8	\$245.8	\$223.1	\$22.70	2026
1801 John F Kennedy Blvd	\$197.3	\$197.3	\$132.0	\$65.40	2024
1500-30 Spring Garden St	\$185.8	\$185.8	\$169.8	\$15.90	2020
450 N 18th St	\$144.2	\$144.2	\$14.4	\$129.70	2027
2116 Chestnut St	\$141.8	\$141.8	\$14.2	\$127.60	2023
500 N 21st St	\$132.1	\$132.1	\$13.2	\$118.90	2026
1213-19 Walnut St	\$128.9	\$128.9	\$12.9	\$116.00	2027
1919-43 Market St	\$125.0	\$125.0	\$12.5	\$112.50	2026

Source: City of Philadelphia, Office of Property Assessment.

<sup>(1)</sup> Figures may not sum due to rounding.

<sup>(2)</sup> Certified Values as of 3/31/2018.

## Sales and Use Tax

Pursuant to the authorization granted by the Commonwealth under the PICA Act, the City adopted a 1% sales and use tax (the “City Sales Tax”) for City general revenue purposes effective beginning in Fiscal Year 1992. It is imposed in addition to, and on the same basis as, the Commonwealth’s sales and use tax. Vendors are required to pay City Sales Taxes to the Commonwealth Department of Revenue together with the Commonwealth sales and use tax. The State Treasurer deposits the collections of City Sales Taxes 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’s budgets for Fiscal Years 2010-2014 provided for an increase in the City Sales Tax rate to 2%, as authorized by the Commonwealth effective October 8, 2009, through June 30, 2014. In July 2013, the Commonwealth authorized the implementation of a new, permanent 1% increase in the City Sales Tax rate effective July 1, 2014, which was adopted by the City on June 12, 2014 and became effective on July 1, 2014. Under the reauthorized City Sales Tax, the first \$120 million collected from such additional 1% is distributed to the School District. For Fiscal Years 2015-2018, the General Assembly authorized the City to use the next \$15 million of City Sales Tax revenues from such additional 1% collected in such Fiscal Years for the payment of debt service on obligations issued by the City for the benefit of the School District. Following such debt service payments, that remaining portion of the City Sales Tax revenues from such

additional 1% distributed to the City is required to be used exclusively in accordance with Act 205 (as defined herein) and deposited to the Municipal Pension Fund.

The following table sets forth the City Sales Taxes collected in Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

**Table 11**  
**Summary of City Sales Tax Collections**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD)<sup>(1)</sup>**

<u>Fiscal Year</u>	<u>City Sales Tax Collections</u>
2016 (Actual)	\$169.4 <sup>(2)</sup>
2017 (Actual)	\$188.4 <sup>(2)</sup>
2018 (Actual)	\$198.4 <sup>(2)</sup>
2019 (Adopted Budget)	\$216.5 <sup>(3)</sup>
2019 (Current Estimate)	\$215.2 <sup>(3)</sup>
2020 (Adopted Budget)	\$227.9 <sup>(3)</sup>

<sup>(1)</sup> Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.

<sup>(2)</sup> Net collections estimated to be distributed to the City (i) from the first 1% City Sales Tax, (ii) following the distribution of \$120 million of revenues from the second 1% City Sales Tax to the School District, and (iii) following the payment of debt service on obligations issued by the City for the benefit of the School District, as described above.

<sup>(3)</sup> Net collections estimated to be distributed to the City from the first 1% City Sales Tax and following the distribution of \$120 million of revenues from the second 1% City Sales Tax to the School District, as described above.

### **Real Property Transfer Tax**

Real Property Transfer Taxes are collected in connection with the sale of real property in the City. The Real Property Transfer Tax rate in the City is 4.278%, 3.278% of which is imposed by the City and 1% of which is charged by the Commonwealth. Revenues from this tax fell during the 2008 recession but have grown since such recession ended.

In the Twenty-Eighth Five-Year Plan, the City projects for Fiscal Years 2019-2024 that it will collect approximately (i) \$334.7 million (Fiscal Year 2019), (ii) \$339.3 million (Fiscal Year 2020), (iii) \$343.1 million (Fiscal Year 2021), (iv) \$357.4 million (Fiscal Year 2022), (v) \$370.6 million (Fiscal Year 2023), and (vi) \$353.6 million (Fiscal Year 2024) in revenues from the Real Property Transfer Tax in such Fiscal Years.

After significant growth through Fiscal Year 2018, changes in the property market in the City are projected to return to a more moderate level, with a reduction in revenue projected in Fiscal Year 2019, and relatively slow growth annually thereafter, mostly due to a "normalized" level for the commercial property market.

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## **Other Taxes**

The City also collects parking taxes, an amusement tax, a valet parking tax, an outdoor advertising tax, a smokeless tobacco tax, the Philadelphia Beverage Tax (see below), and other miscellaneous taxes.

In June 2016, City Council passed the Philadelphia Beverage Tax (Chapter 19-4100 of the Philadelphia Code) (the “Philadelphia Beverage Tax”). On October 31, 2016, the Department of Revenue adopted regulations for the Philadelphia Beverage Tax. The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

The Philadelphia Beverage Tax is deposited into the General Fund, and with the additional revenue, the City has budgeted for pre-Kindergarten, community schools, and debt service for improvements to parks, playgrounds, recreation centers, and libraries, as contemplated by the City’s Rebuild program. In the Fiscal Year 2018 CAFR, the City reported that it collected approximately \$77.4 million in revenues from the Philadelphia Beverage Tax for Fiscal Year 2018.

In the Twenty-Eighth Five-Year Plan, the City projects for Fiscal Years 2019-2024 that it will collect approximately (i) \$76.6 million (Fiscal Year 2019), (ii) \$75.9 million (Fiscal Year 2020), (iii) \$75.1 million (Fiscal Year 2021), (iv) \$74.4 million (Fiscal Year 2022), (v) \$73.6 million (Fiscal Year 2023), and (vi) \$72.9 million (Fiscal Year 2024) in revenues from the Philadelphia Beverage Tax in such Fiscal Years.

## **Improved Collection Initiative**

The City is pursuing a multifaceted strategy designed to improve collections of various taxes while decreasing delinquencies. Key compliance strategies continue to include revocation of commercial licenses and sequestration, among others.

In addition to compliance efforts, the City has been working on two projects – one to implement technology solutions for its cashiering and payments processing systems (completed) and another to develop an integrated data warehouse and case management system (ongoing). These initiatives are designed to improve operational efficiencies and drive compliance efforts by providing tools currently unavailable to the City.

## **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 following table presents revenues received from other governmental jurisdictions for Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, the budgeted amount for Fiscal Year 2020, and the percentage such revenues represent in the General Fund. The table does not reflect 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.

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**Table 12**  
**Revenue from Other Governmental Jurisdictions**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Dollar Amounts in Millions of USD)<sup>(1), (2), (3)</sup>**

<b>Fiscal Year</b>	<b>Commonwealth<sup>(4)</sup></b>	<b>Federal Government</b>	<b>Other Governments<sup>(5)</sup></b>	<b>Total</b>	<b>Percentage of General Fund Revenues</b>
2016 (Actual)	\$223.7	\$29.7	\$52.3	\$305.6	7.7%
2017 (Actual)	\$214.7	\$37.6	\$55.4	\$307.7	7.4%
2018 (Actual)	\$224.5	\$31.3	\$68.2	\$323.9	7.1%
2019 (Adopted Budget)	\$231.1	\$43.1	\$63.3	\$337.5	7.3%
2019 (Current Estimate) <sup>(1)</sup>	\$221.5	\$32.8	\$62.4	\$316.7	6.7%
2020 (Adopted Budget)	\$235.7	\$45.8	\$66.4	\$347.9	7.1%

<sup>(1)</sup> Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.

<sup>(2)</sup> Figures may not sum due to rounding.

<sup>(3)</sup> Does not include the PICA Tax.

<sup>(4)</sup> Such revenues are for health, welfare, court, and various other specified purposes.

<sup>(5)</sup> Such revenues primarily consist of payments from PGW, parking fines and fees from PPA, and other authorized adjustments.

### **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 only in a limited amount and upon satisfaction of certain other conditions.

Water Fund. The revenues of the Philadelphia Water Department (the "Water Department") are 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 (i) all Net Reserve Earnings and (ii) \$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, each as defined in the Water Ordinance.

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The following table shows the amounts transferred from the Water Fund to the General Fund for Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

**Table 13**  
**Transfers from Water Fund to General Fund (Excess Interest on Sinking Fund Reserve)**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)<sup>(1), (2)</sup>**

Fiscal Year	Amount Transferred
2016 (Actual)	\$1,555,702
2017 (Actual)	\$1,866,455
2018 (Actual)	\$1,627,838
2019 (Adopted Budget and Current Estimate)	\$1,500,000
2020 (Adopted Budget)	\$1,500,000

<sup>(1)</sup> Sources: For Fiscal Years 2015-2018, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.

<sup>(2)</sup> The Water Department's budgeted amount for such transfers is typically greater than the figure included in the City's operating budget.

The City also budgets for certain transfers from the Water Fund to the General Fund related to services performed and costs borne by the General Fund. For Fiscal Year 2018, the amount of such transfers was approximately \$7.3 million. For Fiscal Year 2019, the City budgeted approximately \$9.6 million for such transfers, while the current estimate for such transfers is approximately \$7.5 million. Fiscal Year 2020, the City budgeted approximately \$12.7 million for such transfers.

**PGW.** The revenues of PGW are required to be segregated from other funds of the City. Payments for debt service on PGW bonds are made directly by PGW. PGW is required to make an annual payment of \$18 million to the General Fund. The Fiscal Year 2020 Adopted Budget includes such \$18 million annual payment to the General Fund from PGW for such Fiscal Year. For more information on PGW, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services."

### **Philadelphia Parking Authority Revenues**

The 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 authorize the 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 PHL, and to administer the City's on-street parking program.

The PPA owns and operates five parking garages and a number of surface parking lots at PHL. The land on which these garages and surface lots are located is leased from the City, acting through the 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 expenses, debt service on the PPA's bonds issued to finance improvements at PHL, and reimbursement to the PPA for capital expenditures and prior year operating deficits relating to its operations at PHL, if any.

The PPA's administrative costs are a component of its operating expenses. In 1999, at the request of the FAA, the PPA and the City entered into a letter agreement (the "FAA Letter Agreement"), which

contained a formula for calculating the PPA's administrative costs and capped such costs at 28% of the PPA's total administrative costs for all of its cost centers. The PPA owns and/or operates parking facilities at a number of locations in the City in addition to those at PHL. The PPA parking facilities at PHL are cost centers for purposes of the FAA Letter Agreement.

On-street parking revenues are administered and collected, on behalf of the City, by the PPA. Pursuant to Pennsylvania law, the PPA transmits these revenues to the City, net of any actual expenses incurred in the administration of the on-street parking system in accordance with the PPA's approved budget. If such net revenues exceed a designated threshold, then any excess above that threshold is to be transmitted to the School District. The current threshold is \$35 million and includes a mandatory escalator to take into account increases in revenues.

The following table presents payments received by the City from PPA for on-street parking for Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

**Table 14**  
**PPA On-Street Parking Payments to the City**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget )<sup>(1), (2)</sup>**  
**(Amounts in Millions of USD)**

Fiscal Year	Payments to the City
2016 (Actual)	\$33.7
2017 (Actual)	\$39.9
2018 (Actual)	\$41.3
2019 (Adopted Budget)	\$42.8
2019 (Current Estimate)	\$41.8
2020 (Adopted Budget)	\$45.8

<sup>(1)</sup> Sources: For Fiscal Years 2015-2018, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2019 Adopted Budget.

<sup>(2)</sup> Table 14 shows City revenues; none of such payments is transferred to the School District.

### Other Tax Rate Changes

The Twenty-Eighth Five-Year Plan includes reductions in both the resident and non-resident wage and earnings tax. The following table details rates under the Twenty-Eighth Five-Year Plan.

**Table 15**  
**Changes in Wage and Earnings Tax Rates<sup>(1)</sup>**

Fiscal Year	Twenty-Eighth Five-Year Plan	
	Resident Wage and Earnings Tax Rates <sup>(2)</sup>	Non-Resident Wage and Earnings Tax Rates
2019	3.8809%	3.4567%
2020	3.8712%	3.4481%

2021	3.8616%	3.4395%
2022	3.8519%	3.4309%
2023	3.8423%	3.4223%
2024	3.8327%	3.4137%

<sup>(1)</sup> Source: The Twenty-Eighth Five-Year Plan.

<sup>(2)</sup> Includes PICA Tax. See “DEBT OF THE CITY – PICA Bonds” for a description of the PICA Tax.

Under the Twenty-Eighth Five-Year Plan, receipts from the Wage and Earnings Tax are estimated to grow at a rate of 3.03% in Fiscal Year 2019, 4.30% in Fiscal Year 2020, 3.97% in Fiscal Year 2021, 3.84% in Fiscal Year 2022, 3.83% in Fiscal Year 2023, and 3.63% in Fiscal Year 2024.

## EXPENDITURES OF THE CITY

Three of the principal City expenditures are for personal services (personnel) (including pensions and other employee benefits), purchase of services (including payments to SEPTA), and debt service. The expenditures for personal services (personnel) and purchase of services are addressed below under this caption; debt service is addressed below under “DEBT OF THE CITY.”

### Personal Services (Personnel)

As of June 30, 2018, the City employed 27,867 full-time employees, representing approximately 4.2% of employees in Philadelphia (approximately 663,917 employees, according to preliminary, non-seasonally adjusted data from the Bureau of Labor Statistics). Of the 27,867 full-time employees, the salaries of 22,226 were paid from the General Fund. Additional sources of funding for full-time City employees include the Grants Revenue Fund, the Water Fund, and the Aviation Fund, as well as grants and contributions from other governments. Activities funded through such grants and contributions 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 16**  
**Filled, Full-Time Positions<sup>(1), (2)</sup>**

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
<u>General Fund</u>					
Police	7,095	7,061	6,942	6,986	7,172
Fire	2,053	2,150	2,316	2,281	2,511
Courts	1,866	1,842	1,839	1,856	1,867
Prisons	2,268	2,286	2,289	2,277	2,177
Streets	1,684	1,664	1,676	1,702	1,738
Public Health	659	653	653	687	711
Human Services	382	395	449	385	517
All Other	4,984	5,115	5,263	5,436	5,533
<u>Total – General Fund</u>	<u>20,991</u>	<u>21,166</u>	<u>21,427</u>	<u>21,610</u>	<u>22,226</u>
<u>Other Funds</u>	<u>5,657</u>	<u>5,626</u>	<u>5,615</u>	<u>5,849</u>	<u>5,641</u>
<u>Total – All Funds</u>	<u>26,648</u>	<u>26,792</u>	<u>27,042</u>	<u>27,459</u>	<u>27,867</u>

<sup>(1)</sup> Source: Table P-1 in the City’s Quarterly City Manager’s Reports.

<sup>(2)</sup> Table 16 does not include seasonal or temporary employees.



## Overview of City Employees

The wages and benefits of City employees vary not only by position, but also by whether the employees are represented by a union and, if so, which union. Employee wages and benefits may also be impacted by whether the employee is subject to the civil service system or exempt from those rules. Thus, City employees may be broken down into three major categories for purposes of understanding how their wages and benefits are determined: (i) employees who are not subject to the civil service system (“exempt employees”); (ii) employees who fall under the civil service system but are not represented by a union (“non-represented employees”); and (iii) employees who are subject to the civil service system and are represented by a union (“union employees”).

As of June 25, 2019, the City had over 24,000 unionized employees, representing approximately 80% of the City’s employees. Such employees were represented by the City’s four municipal unions: (i) Fraternal Order of Police (“FOP”) Lodge No. 5; (ii) International Association of Fire Fighters (“IAFF”) Local 22; (iii) American Federation of State, County and Municipal Employees District Council 33 (“AFSCME DC 33”); and (iv) American Federation of State, County and Municipal Employees District Council 47 (“AFSCME DC 47”). The foregoing unions are covered by bargaining agreements through June 30, 2020. Each such agreement contains pension reform terms, as described in more detail in Table 18 below.

In July 2016, a collective bargaining agreement was reached with AFSCME DC 33, which provides for salary increases, lump sum payments for health care, and a one-time bonus, among other things. This collective bargaining agreement was ratified on August 19, 2016. In November 2018, a collective bargaining reopener was concluded with AFSCME DC 33, which resulted in an agreement by the City to contribute \$28 million to AFSCME DC 33’s health plan in Fiscal Years 2019 and 2020.

On June 30, 2017, the labor agreements for FOP Lodge No. 5, IAFF Local 22, and AFSCME DC 47 expired. On August 15, 2017, a labor arbitration panel awarded the FOP Lodge No. 5 Labor Contract, a new three-year contract, reflecting annual raises ranging from 3.25% to 3.75% and resulting in a projected aggregate cost to the City of approximately \$247.22 million during Fiscal Years 2018-2022.

On March 13, 2018, an arbitration panel awarded a new three-year contract for the employees of the Philadelphia Sheriff’s Office and Register of Wills, reflecting annual raises ranging from 2.5% to 3.0% for Register of Wills employees and 3.0% to 3.25% for Sheriff’s Office employees and resulting in a projected aggregate cost to the City of approximately \$13.46 million during Fiscal Years 2018-2023.

On March 19, 2018, an arbitration panel awarded a new three-year contract for the public safety employees represented by DC 33 Local 159 and DC 33 Local 1637, reflecting annual raises ranging from 3.0% to 3.25% and resulting in a projected aggregate cost to the City of approximately \$50.28 million during Fiscal Years 2018-2023.

In May 2018, an arbitration panel awarded a new three-year contract for IAFF Local 22 (firefighters), reflecting annual raises ranging from 3.25% to 3.75% and resulting in a projected aggregate cost to the City of approximately \$144.58 million during Fiscal Years 2018-2023.

In June 2018, a new three-year collective bargaining agreement was reached with AFSCME DC 47, reflecting annual raises ranging from 2.5% to 3.0% and resulting in a projected aggregate cost to the City of approximately \$46.17 million during Fiscal Years 2018-2023.

The costs of the agreements discussed above have been included in the City’s five-year plans, as applicable. See “DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information” herein.

For more information on the current status of the interest arbitration awards that have been issued for, and contract settlements reached with, the City's major labor organizations, as well as changes that have been made for non-represented employees, see Table 18.

Collective bargaining with respect to the wages, hours and other terms and conditions of employment of union employees, other than uniformed employees of the Police Department and the Fire Department, is governed by the Public Employee Relations Act (Pa. P.L. 563, No. 195 (1970)) ("PERA"). PERA requires the City and the unions to negotiate in good faith to attempt to reach agreement on new contract terms and, if an impasse exists after such negotiations, to mediate through the Commonwealth Bureau of Mediation. Once the mediation procedures have been satisfied, and if no collective bargaining agreement has been reached, most employees covered by PERA are permitted to strike. Certain employees, however, including employees of the Sheriff's Office and the Register of Wills represented by the FOP, corrections officers represented by AFSCME DC 33, and employees of the First Judicial District represented by AFSCME DC 47, are not permitted to strike under PERA. These employees must submit any impasse to binding interest arbitration once the mediation procedures have been satisfied. PERA permits parties at an impasse, which are not required to submit to binding interest arbitration, to do so voluntarily. Provisions of an interest arbitration award issued under PERA that require legislative action are considered advisory only and the legislative body is permitted to meet, consider, and reject those provisions.

Uniformed employees of the Police Department and the Fire Department bargain under the Policemen and Firemen Collective Bargaining Act (Pa. P.L. 237, No. 111 (1968)) ("Act 111"), which provides for final and binding interest arbitration to resolve collective bargaining impasses and prohibits these employees from striking. Interest arbitration under Act 111 operates similarly to interest arbitration under PERA, but City Council is not permitted to reject the portions of an interest arbitration award that require legislative action. To the contrary, City Council is required to pass any legislation necessary to implement the award unless doing so would violate state or federal law. Thus, the arbitration panel has significant, although not limitless, power to issue an award on mandatory subjects of bargaining. As with interest arbitration under PERA, the arbitration panel cannot issue an award on a matter that is one of inherent managerial policy. In addition to the grounds available to challenge a PERA interest arbitration award on appeal, the PICA Act requires an Act 111 interest arbitration panel to, among other things, give substantial weight to the City's five-year plan and ability to pay for the cost of the award without negatively impacting services, and gives the City the right to appeal the award to the Court of Common Pleas if it believes the panel has failed to meet these responsibilities. If the arbitration panel fails to do so or, among other things, if it awards wages or benefits that exceed what is assumed in the most-recent five-year plan without substantial evidence in the record demonstrating that the City can afford these increases without adversely impacting service levels, the Court of Common Pleas is required to vacate the arbitration award and remand it to the arbitration panel.

### **Overview of Employee Benefits**

The City provides various pension, life insurance, and health benefits for its employees. The benefits offered depend on the employee's union status and bargaining unit, if applicable. General Fund employee benefit expenditures for Fiscal Years 2016 through 2020 are shown in the following table.

**Table 17**  
**General Fund Employee Benefit Expenditures**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD)<sup>(1)</sup>**

	<b>Actual 2016</b>	<b>Actual 2017</b>	<b>Actual 2018</b>	<b>Adopted Budget 2019</b>	<b>Current Estimate 2019</b>	<b>Adopted Budget 2020</b>
Pension Costs <sup>(2)</sup>	\$622.1 <sup>(6)</sup>	\$665.2 <sup>(7)</sup>	\$742.2 <sup>(8)</sup>	\$719.8 <sup>(9)</sup>	\$719.1 <sup>(10)</sup>	\$749.1 <sup>(11)</sup>
Health <sup>(3)</sup>						
Payments under City-administered plan	72.5	83.8	81.6	98.3	102.0	90.0
Payments under union-administered plans	<u>339.0</u>	<u>345.3</u>	<u>336.6</u>	<u>383.5</u>	<u>398.2</u>	<u>400.0</u>
Total Health	411.5	429.1	418.2	481.8	500.2	490.0
Federal Insurance Contributions Act (FICA) Taxes <sup>(4)</sup>	71.7	75.1	80.4	78.6	78.6	84.5
Other <sup>(5)</sup>	<u>76.0</u>	<u>71.5</u>	<u>72.9</u>	<u>80.1</u>	<u>80.1</u>	<u>88.4</u>
<b>Total</b>	<b><u>\$1,181.3</u></b>	<b><u>\$1,241.0</u></b>	<b><u>\$1,314.0</u></b>	<b><u>\$1,360.2</u></b>	<b><u>\$1,378.0</u></b>	<b><u>\$1,412.0</u></b>

- <sup>(1)</sup> Source: From the City's five-year financial plans, except for "Payments under City-administered plan" and "Payments under union-administered plans," which were provided by the City, Department of Human Resources and the Office of Budget and Program Evaluation. Figures may not sum due to rounding.
- <sup>(2)</sup> Includes debt service on Pension Bonds (as defined herein) and the Commonwealth contributions to the Municipal Pension Fund. See Tables 29 and 30.
- <sup>(3)</sup> This breakdown of "Health" between "Payments under City-administered plan" and "Payments under union-administered plans" is an estimate of actual expenses. The City records the actual health expenses in one line item, which corresponds to the figures in "Total Health."
- <sup>(4)</sup> Includes payments of social security and Medicare taxes.
- <sup>(5)</sup> Includes payments for unemployment compensation, employee disability, group life, group legal, tool allowance, and flex cash payments.
- <sup>(6)</sup> Includes \$9.7 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
- <sup>(7)</sup> Includes \$19.2 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
- <sup>(8)</sup> Includes \$24.2 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
- <sup>(9)</sup> Assumes \$48.3 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
- <sup>(10)</sup> Assumes \$47.6 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
- <sup>(11)</sup> Assumes \$53.9 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

Each of the City's four municipal unions sponsors its own health plan that provides medical, prescription, dental and optical benefits to participating employees and eligible retirees through trusts on which the City has varying degrees of minority representation. Exempt and non-represented employees, along with represented employees of the Register of Wills and employees represented by AFSCME DC 33 who have chosen not to become members of the union's healthcare plan, receive health benefits through a plan sponsored and administered by the City. Each of the plans provides different benefits determined by the plan sponsor or through collective bargaining. To provide health care coverage, the City pays a negotiated monthly premium for employees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible employees. Aside from AFSCME DC 33, the City is responsible for the actual health care cost that is invoiced to the City's unions by their respective vendors. The actual cost can be a combination of self-insured claim expenses, premiums, ancillary services, and administrative expenses. In addition, employees who satisfy certain eligibility criteria receive five years of health benefits after their retirement. See "OTHER POST-EMPLOYMENT BENEFITS" below. Such benefits are determined and administered by the plan in which the employee participated at the time of his or her retirement. Other employee benefits, including life insurance and paid leave, are similarly determined by the respective collective bargaining agreements, as well as City policies and Civil Service Regulations. Employees also participate in the Municipal Pension Plan. See "PENSION SYSTEM" below.

## Overview of Current Labor Situation

Table 18 summarizes the current status of the interest arbitration awards that have been issued for, and contract settlements reached with, the City's major labor organizations, as well as changes that have been made for non-represented employees. It also provides a brief summary of pension reforms that have occurred since 2016.

**Table 18**  
**Status of Arbitration Awards and Labor Contract Settlements**

Authorized Number of Full-Time Citywide Employees Represented <sup>(1)</sup>	Organization	Status of Arbitration Award	Wage Increases	Pension Reforms <sup>(2)</sup>
6,646	FOP Lodge No. 5 (Police Department)	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on August 15, 2017	<ul style="list-style-type: none"><li>3.25% pay increase for Fiscal Year 2018</li><li>3.50% pay increase for Fiscal Year 2019</li><li>3.75% pay increase for Fiscal Year 2020</li></ul>	<ul style="list-style-type: none"><li>Current employees in Plan 87 or Plan 10 will pay an additional .92% of salary effective 7/1/17, increasing by an additional .92% of salary effective 7/1/18 (total increase of 1.84%). These contributions are on top of the current 5% or 6% contribution rates in effect, varies by plan membership</li><li>Employees hired on or after 7/1/17 will be required to pay an additional 2.5% of salary</li></ul>
370	FOP Lodge No. 5 (Sheriff's Office and Register of Wills)	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on March 13, 2018	<p>Sheriff's Office employees:</p> <ul style="list-style-type: none"><li>3.0% increase for Fiscal Year 2018</li><li>3.25% increase for Fiscal Year 2019</li><li>3.25% increase for Fiscal Year 2020</li></ul> <p>Register of Wills employees:</p> <ul style="list-style-type: none"><li>3.0% increase for Fiscal Year 2018</li><li>2.5% increase for Fiscal Year 2019</li><li>3.0% increase for Fiscal Year 2020</li></ul>	<ul style="list-style-type: none"><li>Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund</li><li>Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$50,000 of earnings and a defined contribution pension for earnings above \$50,000</li><li>Plan 10 closed to new enrollment for members of Lodge 5 but remains unchanged for other employee groups</li><li>Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan</li><li>DROP (as defined below) interest rate decreases from 4.5% to the rate on the one-year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll</li></ul>
2,609	IAFF Local 22	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on May 17, 2018;	<ul style="list-style-type: none"><li>3.25% pay increase for Fiscal Year 2018</li><li>3.5% pay increase for Fiscal Year 2019</li><li>3.75 % pay increase for Fiscal Year 2020</li></ul>	<ul style="list-style-type: none"><li>Current employees in Plan 87 or Plan 10 will pay an additional .92% of salary effective 7/1/17, increasing by an additional .92% of salary effective 7/1/18 (total increase of 1.84%). These contributions are on top of the current 5% or 6% contribution rates in effect, varies by plan membership</li><li>Employees hired on or after 7/1/17 will be required to pay an additional 2.5% of salary</li></ul>
8,237	AFSCME DC 33	Four-year contract term effective July 1, 2016 through June 30, 2020 (ratified on August 19, 2016)	<ul style="list-style-type: none"><li>3.0% pay increase for Fiscal Year 2017</li><li>3.0% pay increase for Fiscal Year 2018</li><li>2.5% pay increase for Fiscal Year 2019</li><li>3.0% pay increase for Fiscal Year 2020.</li></ul>	<ul style="list-style-type: none"><li>Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund</li><li>Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000</li><li>Plan 10 closed to new enrollment for members of DC33 but remains unchanged for other employee groups</li><li>Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan</li><li>DROP interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll</li></ul>

<sup>(1)</sup> From data provided by the Mayor's Office of Labor Relations on June 25, 2019.

<sup>(2)</sup> "Plan 87," "Plan 10," and "Plan 16" referenced in this column are described in Table 19.



<u>Organization</u>	<u>Author of Full-Time Citywide Employees Represented<sup>(1)</sup></u>	<u>Status of Arbitration Award or Contract Settlement</u>	<u>Wage Increases</u>	<u>Pension Reforms<sup>(2)</sup></u>
AFSCME DC 33, Local 159 Correctional Officers	2,124	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on March 19, 2018	<ul style="list-style-type: none"> <li>3.0% pay increase for Fiscal Year 2018</li> <li>3.25% pay increase for Fiscal Year 2019</li> <li>3.25% pay increase for Fiscal Year 2020</li> </ul>	<ul style="list-style-type: none"> <li>Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund</li> <li>Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000</li> <li>Plan 10 closed to new enrollment for members of DC33 but remains unchanged for other employee groups</li> <li>Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan</li> <li>DROP interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll</li> </ul>
AFSCME DC 47	3,707	Contract term from July 1, 2017 through June 30, 2020 (ratified on June 20, 2018)	<ul style="list-style-type: none"> <li>3.0% pay increase for Fiscal Year 2018</li> <li>2.5% pay increase for Fiscal Year 2019</li> <li>3.0% pay increase for Fiscal Year 2020</li> </ul>	<ul style="list-style-type: none"> <li>Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund (effective January 1, 2019)</li> <li>Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019)</li> <li>Plan 10 closed to new enrollment for members of DC47 (effective January 1, 2019)</li> <li>Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan</li> </ul>
AFSCME DC 47 Local 810 Court Employees	477	Agreement ratified July 27, 2018 on economic terms for July 1, 2017 through June 30, 2020	<ul style="list-style-type: none"> <li>3.0% pay increase for Fiscal Year 2018</li> <li>2.5% pay increase for Fiscal Year 2019</li> <li>3.0% pay increase for Fiscal Year 2020</li> </ul>	<ul style="list-style-type: none"> <li>Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contribution to the pension fund (effective January 1, 2019)</li> <li>Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019)</li> <li>Plan 10 closed to new enrollment for members of DC47 (effective January 1, 2019)</li> <li>Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan</li> </ul>
Non-Represented Employees	1,157	Changes for non-represented employees	<ul style="list-style-type: none"> <li>3.0% pay increase for Fiscal Year 2018</li> <li>2.5% pay increase for Fiscal Year 2019</li> </ul>	<ul style="list-style-type: none"> <li>Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contribution to the pension fund (effective January 1, 2019)</li> <li>Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019)</li> <li>Previous 2011 reforms to DROP program remain in place; interest rate was decreased from 4.5% to the rate on the one year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll and eligibility age remains increased by two years</li> </ul>

<sup>(1)</sup> From data provided by the Mayor's Office of Labor Relations on June 25, 2019.

<sup>(2)</sup> "Plan 87," "Plan 10," and "Plan 16" referenced in this column are described in Table 19.

Certain features of the 1987 Plan (“Plan 87”), the 2010 Plan (“Plan 10”), and the 2016 Plan (“Plan 16”) are summarized below. Plan 87 is solely a defined benefit plan. Plan 10 and Plan 16 are “hybrid” plans that include both defined benefit and defined contribution components. A more comprehensive summary of each plan is included as Appendix D of the July 1, 2018 Valuation (as defined herein). *See* “PENSION SYSTEM” below.

**Table 19**  
**Summary of Key Aspects of Plan 87, Plan 10, and Plan 16**

<b>Plan 87</b>	<b>Normal Retirement Eligibility</b>	<b>Average Final Compensation (“AFC”)</b>	<b>Defined Benefit – Retirement Benefits Multiplier</b>
Municipal (Plan Y)	Age 60 and 10 years of credited service <sup>(1)</sup>	Average of three highest calendar or anniversary years	<ul style="list-style-type: none"> <li>• (2.2% x AFC x years of service up to 10 years) plus (2.0% x AFC x numbers of years in excess of 10 years), subject to a maximum of 100% of AFC</li> </ul>
Police and Fire	Age 50 and 10 years of credited service <sup>(1)</sup>	Average of two highest calendar or anniversary years	<ul style="list-style-type: none"> <li>• (2.2% x AFC x years of service up to 20 years) plus (2.0% x AFC x numbers of years in excess of 20 years), subject to a maximum of 100% of AFC</li> </ul>
Elected Official (Plan L)	Age 55 and 10 years of credited service <sup>(2)</sup>	Average of three highest calendar or anniversary years	<ul style="list-style-type: none"> <li>• 3.5% x AFC x years of service, subject to a maximum of 100% of AFC</li> </ul>
<b>Plan 10</b>	<b>Normal Retirement Eligibility</b>	<b>Average Final Compensation (“AFC”)</b>	<b>Defined Benefit – Retirement Benefits Multiplier</b>
Municipal <sup>(3)</sup>	Age 60 and 10 years of credited service	Average of five highest calendar or anniversary years	<ul style="list-style-type: none"> <li>• 1.25% x AFC x years of service up to 20 years</li> </ul>
Police and Fire	Age 50 and 10 years of credited service	Average of five highest calendar or anniversary years	<ul style="list-style-type: none"> <li>• 1.75% x AFC x years of service up to 20 years</li> </ul>
-----			
			<p style="text-align: center;"><b>Defined Contribution</b></p> <ul style="list-style-type: none"> <li>• The City matches employee contributions at a 50% rate, with the total City match not to exceed 1.5% of compensation for each year.</li> <li>• After five years of credited service, the full amount in the account is distributed to the employee when he or she separates from City service.</li> <li>• The right to the portion of the account attributable to City contributions does not vest until the completion of five years of credited service.</li> </ul>
<b>Plan 16</b>	<b>Normal Retirement Eligibility</b>	<b>Average Final Compensation (“AFC”)</b>	<b>Defined Benefit – Retirement Benefits Multiplier</b>
Municipal	Age 60 and 10 years of credited service	Lesser of (i) AFC under Plan Y (of Plan 87) (which is the average of three highest calendar or anniversary years) or (ii) \$50,000 (cap increases to \$65,000 on 1/1/2019)	<ul style="list-style-type: none"> <li>• (2.2% x AFC x years of service up to 10 years) plus (2.0% x AFC x numbers of years in excess of 10 years), subject to a maximum of 100% of AFC</li> </ul>
-----			
			<p style="text-align: center;"><b>Defined Contribution</b></p> <ul style="list-style-type: none"> <li>• Employees may voluntarily participate in the defined contribution portion; employee contributions vest immediately.</li> <li>• For employees with annual salaries above the cap, the City matches employee contributions at a 50% rate, with the total City match not to exceed 1.5% of compensation for each year (only if employee is contributing); the City’s matching contributions vest after five years of credited service.</li> <li>• The maximum annual employee contribution is \$18,000, excluding the City’s matching contributions.</li> </ul>

<sup>(1)</sup> Five years of credited service for those who make additional contributions. *See* “PENSION SYSTEM – Pension System; Pension Board – Membership.”

<sup>(2)</sup> The lesser of two full terms or eight years of credited service for those elected officials who make additional contributions. *See* “PENSION SYSTEM – Pension System; Pension Board – Membership.”

<sup>(3)</sup> Under Plan 10 (Municipal), pension contributions freeze after 20 years. At such time and for each subsequent year, the employee’s pension payments remain fixed and the employee may no longer make pension contributions.

## Purchase of Services

The following table shows the City's major purchase of services, which represents one of the major classes of expenditures from the General Fund. Table 20 shows contracted costs of the City for Fiscal Years 2016-2018, the budgeted amounts and current estimates for Fiscal Year 2019, and the budgeted amounts for Fiscal Year 2020.

**Table 20**  
**Purchase of Services in the General Fund**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD)<sup>(1), (7)</sup>**

	Actual 2016	Actual 2017	Actual 2018	Adopted Budget 2019	Current Estimate 2019	Adopted Budget 2020
Human Services <sup>(2)</sup>	\$75.3	\$75.7	\$76.3	\$82.8	\$82.8	\$89.2
Public Health	64.9	70.7	72.7	92.9	74.9	90.2
Public Property <sup>(3)</sup>	155.0	158.5	157.4	162.2	162.7	172.5
Streets <sup>(4)</sup>	51.9	46.2	49.2	49.2	53.9	58.8
First Judicial District	17.7	12.1	13.5	8.5	8.5	8.5
Licenses & Inspections	10.4	12.0	11.6	13.6	13.9	14.4
Homeless Services <sup>(5)</sup>	37.1	38.0	39.2	43.6	47.3	50.0
Prisons	104.9	105.3	102.2	98.4	98.4	92.8
All Other <sup>(6)</sup>	305.0	332.9	369.0	400.7	412.1	424.7
<b>Total</b>	<b><u>\$822.2</u></b>	<b><u>\$851.4</u></b>	<b><u>\$891.1</u></b>	<b><u>\$951.7</u></b>	<b><u>\$954.5</u></b>	<b><u>\$1,001.3</u></b>

<sup>(1)</sup> For Fiscal Years 2016-2018, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.

<sup>(2)</sup> Includes payments for care of dependent and delinquent children.

<sup>(3)</sup> Includes payments for SEPTA, space rentals, and utilities.

<sup>(4)</sup> Includes solid waste disposal costs.

<sup>(5)</sup> Includes homeless shelter and boarding home payments.

<sup>(6)</sup> Includes the Convention Center subsidy, payments for vehicle leasing, and debt service on lease and service agreement financings, among other things.

<sup>(7)</sup> Figures may not sum due to rounding.

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## City Payments to School District

The following table presents the City's payments to the School District from the General Fund for Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

**Table 21**  
**City Payments to School District**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD)<sup>(1)</sup>**

	<b>Actual 2016</b>	<b>Actual 2017</b>	<b>Actual 2018</b>	<b>Adopted Budget 2019</b>	<b>Current Estimate 2019</b>	<b>Adopted Budget 2020</b>
City Payments to School District	\$104.2	\$104.3	\$104.3	\$180.9	\$185.8	\$222.5

<sup>(1)</sup> Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.

Beginning with the City's adopted budget for Fiscal Year 2016, the City implemented a \$25 million property tax increase and a \$10 million parking tax increase to benefit the School District. The figures above for Fiscal Years 2016-2020 reflect such increases.

For more discussion of the School District, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Mayoral-Appointed or Nominated Agencies* – The School District," above. For a discussion of changes in the funding provided by the City to the School District, see "REVENUES OF THE CITY – Sales and Use Tax." For a discussion of the transition to AVI and how such transition affects funding for the School District, see "REVENUES OF THE CITY – Real Property Taxes."

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## City Payments to SEPTA

SEPTA operates a public transportation system within the City and Bucks, Chester, Delaware, and Montgomery counties. SEPTA's operating budget is supported by federal, Commonwealth, and local subsidies, including payments from the City. The following table presents the City's payments to SEPTA from the General Fund for Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

**Table 22**  
**City Payments to SEPTA**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD)<sup>(1)</sup>**

	<b>Actual 2016</b>	<b>Actual 2017</b>	<b>Actual 2018</b>	<b>Adopted Budget and Current Estimate 2019</b>	<b>Adopted Budget 2020</b>
City Payment to SEPTA	\$74.2	\$79.7	\$81.9	\$84.6	\$87.6

<sup>(1)</sup> Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.

The City budgets operating subsidies each Fiscal Year to match the estimated operating subsidies of the Commonwealth under Act 89. The state operating subsidy is funded through the Pennsylvania Public Transportation Trust Fund as created by Act 44 of 2007, amended by Act 89 of 2013. The local match requirement is calculated to match state operating subsidies. In addition, local matching funds must be appropriated each Fiscal Year in which state funds are received in order for SEPTA to receive the full allocation of state funds. The Twenty-Eighth Five-Year Plan projects annual operating subsidy payments to SEPTA from the City will increase to \$101.9 million by Fiscal Year 2024. For more information on SEPTA, see APPENDIX C – "TRANSPORTATION – Southeastern Pennsylvania Transportation Authority (SEPTA)."

## City Payments to Convention Center Authority

In connection with the financing of the expansion to the Pennsylvania Convention Center and the refinancing of debt for the original Pennsylvania Convention Center construction, the Commonwealth, the City, and the Convention Center Authority entered into an operating agreement in 2010 (the "Convention Center Operating Agreement"). The Convention Center Operating Agreement provides for the operation of the Convention Center by the Convention Center Authority and includes an annual service fee of \$15,000,000 from the City to the Convention Center Authority in each Fiscal Year through Fiscal Year 2040.

As authorized by ordinance, the City has agreed to pay to the Convention Center Authority on a monthly basis a certain percentage of hotel room taxes and hospitality promotion taxes collected during the term of the Convention Center Operating Agreement. The remaining percentages of such taxes are paid to the City's tourism and marketing agencies. The General Fund does not retain any portion of the proceeds of the hotel room rental tax or the hospitality promotion tax.

## PENSION SYSTEM

*The amounts and percentages set forth under this heading relating to the City's pension system, including, for example, actuarial liabilities and funded ratios, are based upon numerous demographic and economic assumptions, including the investment return rates, inflation rates, salary increase rates, post-retirement mortality, active member mortality, rates of retirement, etc. The reader is cautioned to review and carefully consider the assumptions set forth in the documents that are cited as the sources for the information in this section. In addition, the reader is cautioned that such sources and the underlying assumptions speak as of their respective dates, and are subject to changes, any of which could cause a significant change in the unfunded actuarial liability.*

### Overview

The City faces significant ongoing financial challenges in meeting its pension obligations, including an unfunded actuarial liability ("UAL") of approximately \$6.1 billion as of July 1, 2018. In Fiscal Year 2018, the City's contribution to the Municipal Pension Fund was approximately \$782.0 million, of which the General Fund's share (including the Commonwealth contribution) was \$632.1 million. *See* Table 29. The City's aggregate pension costs (consisting of payments to the Municipal Pension Fund and debt service on the Pension Bonds (as defined herein)) have increased from approximately 10.20% of the City's General Fund budget to approximately 15.21% of the General Fund budget from Fiscal Years 2009 to 2018. *See* Table 31. As reflected in the Funded Ratio chart following Table 28, the funded ratio of the Municipal Pension Plan was 76.7% on July 1, 1999 (at which time the UAL was approximately \$1.4 billion), and was 46.8% on July 1, 2018.

The decline in the Municipal Pension System's funded status and the net growth of the unfunded liability is the product of a number of factors, including the following:

- The declines in the equity markets in 2000-2001 and in 2008-2009. *See* Table 24 and the Funded Ratio chart below Table 28.
- A reduction in the assumed rate of return, from 8.75% in 2009 to 7.55% effective July 1, 2019 (i.e., Fiscal Year 2020). Although the gradual reductions in the assumed rates of return reflected in Table 24 are considered a prudent response to experience studies, by reducing the assumed return in the measurement of the actuarial liabilities, it serves to increase the UAL from what it otherwise would have been.
- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary.
- The Municipal Pension Plan is a mature system, which means the number of members making contributions to the Municipal Pension Plan is less than the number of retirees and other beneficiaries receiving payments from the Municipal Pension Plan, by approximately 8,900. As a result, the aggregate of member contributions and the City's contributions are less than the amount of benefits and refunds payable in most years, with the result that in such years investment income must be relied upon to meet such difference before such income can contribute to an increase in the Municipal Pension

System's assets growth. *See* Table 26 (which reflects that in Fiscal Year 2018); however, the aggregate of member contributions and the City's contribution exceeded the amount of benefits and refunds payable in such Fiscal Year.

- The determination by the City, commencing in Fiscal Year 2005, to fund in accordance with the "minimum municipal obligation" ("MMO"), as permitted and as defined by Pennsylvania law, in lieu of the City Funding Policy (as defined herein), resulted in the City contributing less than otherwise would have been contributed. *See* "– Funding Requirements; Funding Standards" below.
- Revising, in Fiscal Year 2009, in accordance with Pennsylvania law, the period over which the UAL was being amortized, such that the UAL as of July 1, 2009 was "fresh started" to be amortized over a 30 year period ending June 30, 2039. In addition, changes were made to the periods over which actuarial gains and losses and assumption changes were amortized under Pennsylvania law. *See* "UAL and its Calculation – Actuarial Valuations."

The City has taken a number of steps to address the funding of the Municipal Pension Plan, including the following:

- Reducing the assumed rate of return on a gradual and consistent basis, which results in the City making larger annual contributions. *See* Table 24 below.
- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary.
- In conjunction with the revisions to the amortization periods that occurred in Fiscal Year 2009, changing from a level percent of pay amortization schedule to a level dollar amount schedule. This results in producing payments that ensure that a portion of principal on the UAL is paid each year.
- Funding consistently an amount greater than the MMO (subject to the authorized deferrals for Fiscal Years 2010 and 2011 described below). *See* Table 29.
- Negotiating collective bargaining agreements by which additional contributions are being made (and will be made) by certain current (and future) members and by which benefits will be capped for certain future members of the Municipal Pension Plan. *See* Table 18.
- Securing additional funding, including funds required to be deposited by the City to the Municipal Pension Fund from its share of sales tax revenue.
- Adopting a Revenue Recognition Policy (defined and described below), by which sources of anticipated additional revenue that will be received by the System are specifically dedicated toward paying down the unfunded pension liability and not to reducing future costs of the City. The additional revenue is tracked and accumulated in a notional account, which is then deducted from the Actuarial Asset Value to

determine the contribution under the Revenue Recognition Policy. As a result, such contribution is higher than the MMO.

- Changing the investment strategy to increase the use of passive investment vehicles, which has resulted in increased returns and decreased fees.

This “Overview” is intended to highlight certain of the principal factors that led to the pension system’s current funded status, and significant steps the City and the Pension Board (as defined herein) have taken to address the underfunding. The reader is cautioned to review with care the more detailed information presented below under this caption, “PENSION SYSTEM.”

### **Pension System; Pension Board**

The City maintains two defined-benefit pension programs: (i) the Municipal Pension Plan, a single employer plan, which provides benefits to police officers, firefighters, non-uniformed employees, and non-represented appointed and elected officials, and (ii) the PGW Pension Plan, a single employer plan, which provides benefits to PGW employees. The Municipal Pension Plan is administered through 20 separate benefit structures, the funding for which is accounted for on a consolidated basis by the Municipal Pension Fund. Such benefit structures establish for their respective members different contribution levels, retirement ages, etc., but all assets are available to pay benefits to all members of the Municipal Pension Plan. The Municipal Pension Plan is a mature plan, initially established in 1915, with net investment assets that totaled approximately \$5.3 billion as of June 30, 2018. The Municipal Pension Plan has approximately 28,800 members who make contributions to the plan, and provides benefits to approximately 37,700 retirees and other beneficiaries.

PGW is principally a gas distribution facility owned by the City. For accounting presentation purposes, PGW is a component unit of the City and follows accounting rules as they apply to proprietary fund-type activities. The PGW Pension Plan is funded with contributions by PGW to such plan, which are treated as an operating expense of PGW, and such plan is not otherwise addressed under the caption “PENSION SYSTEM.” *See* “PGW PENSION PLAN” below.

Contributions are made by the City to the Municipal Pension Fund from: (i) the City’s General Fund; (ii) funds that are received by the City from the Commonwealth for deposit into the Municipal Pension Fund; and (iii) various City inter-fund transfers, representing amounts contributed, or reimbursed, to the City’s General Fund for pensions from the City’s Water Fund, Aviation Fund, and certain other City funds or agencies. *See* Table 29. In addition to such City (employer) contribution, the other principal additions to the Municipal Pension Fund are: (i) member (employee) contributions; (ii) interest and dividend income; (iii) net appreciation in asset values; and (iv) net realized gains on the sale of investments. *See* Table 26 below. An additional source of funding is that portion of the 1% Sales Tax rate increase that is required under Pennsylvania law to be deposited to the Municipal Pension Fund. *See* “REVENUES OF THE CITY – Sales and Use Tax.”

The City of Philadelphia Board of Pensions and Retirement (the “Pension Board”) was established by the City Charter to administer “a comprehensive, fair and actuarially sound pension



and retirement system covering all officers and employees of the City.” The City Charter provides that the Pension Board “shall consist of the Director of Finance, who shall be its chairman, the Managing Director, the City Controller, the City Solicitor, the Personnel Director and four other persons who shall be elected to serve on the Board by the employees in the civil service in such manner as shall be determined by the Board.” In addition, there is one non-voting member on the Pension Board, who is appointed by the President of City Council. An Executive Director, together with a budgeted staff of 73 personnel, administers the day-to-day activities of the retirement system, providing services to approximately 66,600 members.

The Municipal Pension Plan, the Municipal Pension Fund, and the Pension Board are for convenience sometimes collectively referred to under this caption as the “Municipal Retirement System.”

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Membership. The following table shows the membership totals for the Municipal Pension Plan, as of July 1, 2018 and as compared to July 1, 2017.

**Table 23**  
**Municipal Pension Plan – Membership Totals**

	<u>July 1, 2018</u>	<u>July 1, 2017</u>	<u>% Change</u>
Actives	28,845	28,615	0.8%
Terminated Vesteds	1,074	1,157	-7.2%
Disabled	3,890	3,942	-1.3%
Retirees	22,275	22,288	-0.1%
Beneficiaries	8,547	8,552	-0.1%
Deferred Retirement Option Plan ("DROP")	<u>1,944</u>	<u>1,767</u>	10.0%
Total City Members	66,575	66,321	0.4%
Annual Salaries	\$1,805,400,096	\$1,744,728,288	3.5%
Average Salary per Active Member	\$62,590	\$60,973	2.7%
Annual Retirement Allowances	\$761,946,574	\$750,204,529	1.6%
Average Retirement Allowance	\$21,951	\$21,569	1.8%

Source: July 1, 2018 Valuation.

As shown in Table 23, total membership in the Municipal Pension Plan increased by 0.4%, or from 66,321 to 66,575 members, from July 1, 2017 to July 1, 2018, including an increase of 0.8% in active members from 28,615 to 28,845 (who were contributing to the Municipal Pension Fund). Of the 66,575 members, 37,730 were retirees, beneficiaries, disabled, and other members (who were withdrawing from, or not contributing to, the Municipal Pension Fund).

Subject to the exceptions otherwise described in this paragraph, employees and officials become vested in the Municipal Pension Plan upon the completion of ten years of service. Employees and appointed officials who hold positions that are exempt from civil service and who are not entitled to be represented by a union, and who were hired before January 13, 1999, may elect accelerated vesting after five years of service in return for payment of a higher employee contribution than if the vesting period were ten years. Such employees and officials become vested after five years of service if hired after January 13, 1999 or seven years of service if hired after January 1, 2019, and pay a higher employee contribution than if the vesting period were ten years. Elected officials become vested in the Municipal Pension Plan once they complete service equal to the lesser of two full terms in their elected office or eight years and pay a higher contribution than if the vesting period were ten years. Elected officials pay an additional employee contribution for the full cost of the additional benefits they may receive over those of general municipal employees. Upon retirement, employees and officials may receive up to 100% of their average final compensation depending upon their years of credited service and the plan in which they participate.

All City employees participate in the U.S. Social Security retirement system except for uniformed Police and uniformed Fire employees.

Certain membership information relating to the City's municipal retirement system provided by the Pension Board is set forth in Appendix A to the July 1, 2018 Actuarial Valuation Report (the "July 1, 2018 Valuation") and includes as of July 1, 2018, among other information, active and non-active member data by plan, age/service distribution for active participants and average salary for all plans, and age and benefit distributions for non-active member data.

### **Funding Requirements; Funding Standards**

City Charter. The City Charter establishes the "actuarially sound" standard quoted above. Case law has interpreted "actuarially sound" as used in the City Charter to require the funding of two components: (i) "normal cost" (as defined below) and (ii) interest on the UAL. (*Dombrowski v. City of Philadelphia*, 431 Pa. 199, 245 A.2d 238 (1968)).

Pennsylvania Law. The Municipal Pension Plan Funding Standard and Recovery Act (Pa. P.L. 1005, No. 205 (1984)) ("Act 205"), applies to all municipal pension plans in Pennsylvania, "[n]otwithstanding any provision of law, municipal ordinance, municipal resolution, municipal charter, pension plan agreement or pension plan contract to the contrary . . . ." Act 205 provides that the annual financial requirements of the Municipal Pension Plan are: (i) the normal cost; (ii) administrative expense requirements; and (iii) an amortization contribution requirement. In addition, Act 205 requires that the MMO be payable to the Municipal Pension Fund from City revenues, and that the City shall provide for the full amount of the MMO in its annual budget. The MMO is defined as "the financial requirements of the pension plan reduced by . . . the amount of any member contributions anticipated as receivable for the following year." Act 205 further provides that the City has a "duty to fund its municipal pension plan," and the failure to provide for the MMO in its budget, or to pay the full amount of the MMO, may be remedied by the institution of legal proceedings for mandamus.

In accordance with Pennsylvania law and Act 205, the City uses the entry age normal actuarial funding method, whereby "normal cost" (associated with active employees only) is the present value of the benefits that the City expects to become payable in the future distributed evenly as a percent of expected payroll from the age of first entry into the plan to the expected age at retirement. The City's share of such normal cost (to which the City adds the Plan's administrative expenses) is reduced by member contributions. The term "level" means that the contribution rate for the normal cost, expressed as a percentage of active member payroll, is expected to remain relatively level over time.

The City has budgeted and paid at least the full MMO amount since such requirement was established, and more specifically, prior to Fiscal Year 2005 the City had been contributing to the Municipal Pension Plan the greater amount as calculated pursuant to the City Funding Policy which was implemented before Act 205 was effective, as described below. Beginning in Fiscal Year 2018, the City is contributing under the Revenue Recognition Policy (defined below), which requires higher contribution amounts than under the MMO. Payment of the MMO is a condition for receipt of the Commonwealth contribution to the Municipal Pension Fund. *See* Table 29.

Act 205 was amended in 2009 by Pa. P.L. 396, No. 44 ("Act 44") to authorize the City to: (i) "fresh start" the amortization of the UAL as of July 1, 2009 by a level annual dollar amount over 30 years ending June 30, 2039; and (ii) revise the amortization periods for actuarial gains and

losses and assumption changes in accordance with Act 44, as described below under “UAL and its Calculation – Actuarial Valuations.” In addition, Act 44 authorized the City to defer, and the City did defer, \$150 million of the MMO otherwise payable in Fiscal Year 2020, and \$80 million of the MMO otherwise payable in Fiscal Year 2011, subject to repayment of the deferred amounts by June 30, 2014. The City repaid the aggregate deferred amount of \$230 million, together with interest at the then-assumed interest rate of 8.25%, in Fiscal Year 2013. *See* Table 29. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year’s difference would be established and amortized over their own 20-year schedule.

GASB; City Funding Policy. Governmental Accounting Standards Board (“GASB”) Statement No. 27, “Accounting for Pensions by State and Local Governmental Employers” (“GASB 27”), applied to the City for Fiscal Years beginning prior to July 1, 2014. For the Fiscal Year beginning July 1, 2014, GASB Statement No. 68 (“GASB 68”), which amends GASB 27 in several significant respects, applies. GASB 27 defined an “annual required contribution” (“ARC”) as that amount sufficient to pay (i) the normal cost and (ii) the amortization of UAL, and provides that the maximum acceptable amortization period is 30 years (for the initial 10 years of implementation, 1996-2006, a 40-year amortization period was permitted). GASB 27 did not establish funding requirements for the City but rather was an accounting and financial reporting standard. GASB 68 does not require the calculation of an ARC but does require the City to include as a liability on its balance sheet the City’s “net pension liability,” as defined by GASB 68. The City has been funding the Municipal Pension Fund since Fiscal Year 2003 based on the MMO (at a minimum), including the deferral permitted by Act 44. *See* Table 29 below.

The City, prior to Fiscal Year 2005, had been funding the Municipal Pension Fund in accordance with what the City referred to as the “City Funding Policy.” That reference was used and continues to be used in the Actuarial Reports. Under the City Funding Policy, the UAL as of July 1, 1985 was to be amortized over 34 years ending June 30, 2019, with payments increasing at 3.3% per year, the assumed payroll growth. Other changes in the actuarial liability were amortized in level-dollar payments over various periods as prescribed in Act 205. In 1999, the City issued pension funding bonds, the proceeds of which were deposited directly into the Municipal Pension Fund to pay down its UAL. *See* “– Annual Contributions – *Annual Debt Service Payments on the Pension Bonds*” below.

Revenue Recognition Policy. The City follows a policy (the “Revenue Recognition Policy”) to contribute each year to the Municipal Pension Fund an amount in excess of the MMO. The determination for such additional funding is based on not including (i) the portion of the amounts generated by the increase in the Sales Tax rate that became effective on July 1, 2014 and are required by Act 205 to be deposited to the Municipal Pension Fund (*see* “REVENUES OF THE CITY – Sales and Use Tax”), (ii) contributions to be made by City employees that are under Plan 16 (described above in the text that immediately follows Table 19), and (iii) additional member contributions for current and future members in Plan 87 Police, in the actuarial asset value when determining the annual contribution obligation.



The amounts projected by the City in the Twenty-Eighth Five-Year Plan to be deposited from Sales Tax revenue into the Municipal Pension Fund, for the six Fiscal Years 2019-2024, respectively, are as follows: \$47.6 million; \$53.9 million; \$59.4 million; \$64.8 million; \$70.3 million; and \$75.0 million.

### **UAL and its Calculation**

According to the July 1, 2018 Valuation, the funded ratio (the valuation of assets available for benefits to total actuarial liability) of the Municipal Pension Fund as of July 1, 2018 was 46.8% and the Municipal Pension Fund had an unfunded actuarial liability (“UAL”) of \$6.124 billion. The UAL is the difference between total actuarial liability (\$11.521 billion as of July 1, 2018) and the actuarial value of assets (\$5.397 billion as of July 1, 2018).

Key Actuarial Assumptions. In accordance with Act 205, the actuarial assumptions must be, in the judgment of both Cheiron (the independent consulting actuary for the Municipal Pension Fund) and the City, “the best available estimate of future occurrences in the case of each assumption.” The assumed investment return rate used in the July 1, 2018 Valuation was 7.60% a year (which includes an inflation assumption of 2.75%), net of administrative expenses, compounded annually. For the prior actuarial valuation, the assumed investment return rate was 7.65%. See Table 24 for the assumed rates of return for Fiscal Years 2009 to 2018. The 7.65% was used to establish the MMO payment for Fiscal Year 2018; 7.60% will be used to establish the MMO payment for Fiscal Year 2019; 7.55% will be used to establish the MMO payment for Fiscal Year 2020.

Other key actuarial assumptions in the July 1, 2018 Valuation include the following: (i) total annual payroll growth of 3.30%, (ii) annual administrative expenses assumed to increase 3.30% per year, (iii) to recognize the expense of the benefits payable under the Pension Adjustment Fund (as described below), actuarial liabilities were increased by 0.54%, based on the statistical average expected value of the benefits, (iv) a vested employee who terminates will elect a pension deferred to service retirement age so long as their age plus years of service at termination are greater than or equal to 55 (45 for police and fire employees in the 1967 Plan), (v) for municipal and elected members, 65% of all disabilities are ordinary and 35% are service-connected, and (vi) for police and fire members, 25% of all disabilities are ordinary and 75% are service-connected.

“Smoothing Methodology”. The Municipal Retirement System uses an actuarial value of assets to calculate its annual pension contribution, using an asset “smoothing method” to dampen the volatility in asset values that could occur because of fluctuations in market conditions. The Municipal Retirement System used a five-year smoothing prior to Fiscal Year 2009, and beginning with Fiscal Year 2009 began employing a ten-year smoothing. Using the ten-year smoothing methodology, investment returns in excess of or below the assumed rate are prospectively distributed in equal amounts over a ten-year period, subject to the requirement that the actuarial value of assets will be adjusted, if necessary, to ensure that the actuarial value of assets will never be less than 80% of the market value of the assets, nor greater than 120% of the market value of the assets. The actuarial value of assets as of July 1, 2018, was approximately 101.1% of the market value of the assets, as compared to 104.8% as of July 1, 2017.

Actuarial Valuations. The Pension Board engages an independent consulting actuary (currently Cheiron) to prepare annually an actuarial valuation report. Act 205, as amended by Act 44, establishes certain parameters for the actuarial valuation report, including: (i) use of the entry age normal actuarial cost method; (ii) that the report shall contain: (a) actuarial exhibits, financial exhibits, and demographic exhibits; (b) an exhibit of normal costs expressed as a percentage of the future covered payroll of the active membership in the Municipal Pension Plan; and (c) an exhibit of the actuarial liability of the Municipal Pension Plan; and (iii) that changes in the actuarial liability be amortized in level-dollar payments as follows: (a) actuarial gains and losses be amortized over 20 years beginning July 1, 2009 (prior to July 1, 2009, gains and losses were amortized over 15 years); (b) assumption changes be amortized over 15 years beginning July 1, 2010 (prior to July 1, 2010, assumption changes were amortized over 20 years); (c) plan changes for active members be amortized over 10 years; (d) plan changes for inactive members be amortized over one year; and (e) plan changes mandated by the Commonwealth be amortized over 20 years.

Act 205 further requires that an experience study be conducted at least every four years, and cover the five-year period ending as of the end of the plan year preceding the plan year for which the actuarial valuation report is filed. The most recent Experience Study was prepared by Cheiron in March 2018 for the period July 1, 2012 – June 30, 2017. The changes to the actuarial and demographic assumptions that were adopted by the Pension Board in response to such Experience Study were employed for the July 1, 2018 Valuation (which is used to determine the June 30, 2020 fiscal year end MMO, City Fund Policy, and Revenue Recognition Policy contributions). The principal revisions included increases in salary growth rates for municipal employees; decreases in retirement and termination rates; marginal changes in the expected disability rates; and changes in mortality assumptions to fully reflect the most recent experience. Details of these assumption changes and the experience of the Municipal Pension Plan can be found in the *City of Philadelphia Municipal Retirement System Experience Study Results for the period covering July 1, 2012 – June 30, 2017*, available at the Investor Information section of the City's Investor Website.

### **Pension Adjustment Fund**

Pursuant to § 22-311 of the Philadelphia Code, the City directed the Pension Board to establish a Pension Adjustment Fund (“PAF”) on July 1, 1999, and further directed the Pension Board to determine, effective June 30, 2000 and each Fiscal Year thereafter, whether there are “excess earnings” as defined available to be credited to the PAF. The Pension Board’s determination is to be based upon the actuary’s certification using the “adjusted market value of assets valuation method” as defined in § 22-311. Although the portion of the assets attributed to the PAF is not segregated from the assets of the Municipal Pension Fund, the Philadelphia Code provides that the “purpose of the Pension Adjustment Fund is for the distribution of benefits as determined by the Board for retirees, beneficiaries or survivors [and] [t]he Board shall make timely, regular and sufficient distributions from the Pension Adjustment Fund in order to maximize the benefits of retirees, beneficiaries or survivors.” Distributions are to be made “without delay” no later than six months after the end of each Fiscal Year. The PAF was established, in part, because the Municipal Retirement System does not provide annual cost-of-living increases to retirees or beneficiaries. At the time the PAF was established, distributions from the PAF were

subject to the restriction that the actuarial funded ratio using the “adjusted market value of assets” be not less than such ratio as of July 1, 1999 (76.7%). That restriction was deleted in 2007.

The amount to be credited to the PAF is 50% of the “excess earnings” that are between one percent (1%) and six percent (6%) above the actuarial assumed investment rate. Earnings in excess of six percent (6%) of the actuarial assumed investment rate remain in the Municipal Pension Fund. Although the Pension Board utilizes a ten-year smoothing methodology, as explained above, for the actuarial valuation of assets for funding and determination of the MMO, § 22-311 provides for a five-year smoothing to determine the amount to be credited to the PAF. The actuary determined that for the Fiscal Year ended June 30, 2018, there were no “excess earnings” as defined to be credited to the PAF. The Pension Board transfers to the PAF the full amount calculated by the actuary as being available in any year for transfer within six months of the Pension Board designating the amount to be transferred.

Transfers to the PAF and the resultant additional distributions to retirees result in removing assets from the Municipal Pension Plan. To account for the possibility of such transfers, and as an alternative to adjusting the assumed investment return rate to reflect such possibility, the actuary applies a load of 0.54% to the calculated actuarial liability as part of the funding requirement and MMO. Such calculation was utilized for the first time in the July 1, 2013 actuarial valuation.

The market value of assets as used under this caption, “PENSION SYSTEM,” represents the value of the assets if they were liquidated on the valuation date and this value includes the PAF (except as otherwise indicated in certain tables), although the PAF is not available for funding purposes. The actuarial value of assets does not include the PAF.

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## **Rates of Return; Asset Values; Changes in Plan Net Position**

Rates of Return. The following table sets forth for the Fiscal Years 2009-2018 the market value of assets internal rate of return and actuarial value of assets internal rate of return experienced by the Municipal Pension Fund, and the assumed rate of return. The 5-year and 10-year annual average returns as of June 30, 2018, were 6.73% and 5.30%, respectively, on a market value basis.

**Table 24**  
**Municipal Pension Fund**  
**Annual Rates of Return**

<u>Year Ending June</u> <u>30,</u>	<u>Market Value</u>	<u>Actuarial Value</u> <sup>(1)</sup>	<u>Assumed Rate of</u> <u>Return</u>
2009	-19.9%	-9.3%	8.75%
2010	13.8%	12.9%	8.25%
2011	19.4%	9.9%	8.15%
2012	0.2%	2.4%	8.10%
2013	10.9%	5.1%	7.95%
2014	15.7%	4.8%	7.85%
2015	0.3%	5.8%	7.80%
2016	-3.2%	4.5%	7.75%
2017	13.1%	4.4%	7.70%
2018	9.0%	5.1%	7.65%

Source: July 1, 2018 Valuation.

<sup>(1)</sup> Net of PAF. See "Pension Adjustment Fund" above. The actuarial values reflect a ten-year smoothing.

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Asset Values. The following table sets forth, as of the July 1 actuarial valuation date for the years 2009-2018, the actuarial and market values of assets in the Municipal Pension Fund and the actuarial value as a percentage of market value.

**Table 25**  
**Actuarial Value of Assets vs. Market Value of Net Assets**  
**(Dollar Amounts in Millions of USD)**

Actuarial Valuation Date (July 1)	Actuarial Value of Assets <sup>(1)</sup>	Market Value of Net Assets <sup>(1)</sup>	Actuarial Value as a Percentage of Market Value
2009	\$4,042.1	\$3,368.4	120.0%
2010 <sup>(2)</sup>	\$4,380.9	\$3,650.7	120.0%
2011 <sup>(2)</sup>	\$4,719.1	\$4,259.2	110.8%
2012 <sup>(2)</sup>	\$4,716.8	\$4,151.8	113.6%
2013	\$4,799.3	\$4,444.1	108.0%
2014	\$4,814.9	\$4,854.3	99.2%
2015	\$4,863.4	\$4,636.1	104.9%
2016	\$4,936.0	\$4,350.8	113.5%
2017	\$5,108.6	\$4,873.0	104.8%
2018	\$5,397.4	\$5,340.1	101.1%

Source: July 1, 2018 Valuation for Actuarial Value of Assets; 2009-2018 Actuarial Reports for Market Value of Net Assets.

<sup>(1)</sup> For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2018 equaled \$1.160 million. The Actuarial Value of Assets excludes that portion of the Municipal Pension Fund that is allocated to the PAF. The actuarial values reflect a ten-year smoothing.

<sup>(2)</sup> The July 1, 2010 actuarial and market values of assets include the \$150 million deferred contribution from Fiscal Year 2020, and the July 1, 2011 and July 1, 2012 actuarial and market values of assets include the total deferred contribution of \$230 million. See Table 29 below.

Changes in Plan Net Position. The following table sets forth, for the Fiscal Years 2014-2018, the additions, including employee (member) contributions, City contributions (including contributions from the Commonwealth), investment income and miscellaneous income, and deductions, including benefit payments and administration expenses, for the Municipal Pension Fund. Debt service payments on pension funding bonds (as described below at “Annual Contributions – *Annual Debt Service Payments on the Pension Bonds*”) are made from the City’s General Fund, Water Operating Fund, and Aviation Operating Fund, but are not made from the Municipal Pension Fund, and therefore are not included in Table 26. In those years in which the investment income is less than anticipated, the Municipal Pension Fund may experience negative changes (total deductions greater than total additions), which, as the table reflects, did occur in Fiscal Years 2015 and 2016. Furthermore, if unrealized gains are excluded from Table 26, resulting in a comparison of cash actually received against actual cash outlays, it results in a negative cash flow in Fiscal Years 2014-2017, which is typical of a mature retirement system. In Fiscal Year 2018, there was a positive cash flow.

Contributions from the Commonwealth are provided pursuant to the provisions of Act 205. Any such contributions are required to be used to defray the cost of the City’s pension system.

The amounts contributed by the Commonwealth for each of the last ten Fiscal Years are set forth in Table 29 below. The contributions from the Commonwealth are capped pursuant to Act 205, which provides that “[n]o municipality shall be entitled to receive an allocation of general municipal pension system State aid in an amount greater than 25% of the total amount of the general municipal pension system State aid available.”

Employee (member) contribution amounts reflect contribution rates as a percent of pay, which for the plan year beginning July 1, 2019, vary from 6.00% to 8.50% for police and fire employees, and from 2.33% to 7.00% for municipal employees excluding elected officials. These rates include the increases for police employees effective July 1, 2017 resulting from the FOP Lodge No. 5 and IAFF Local No. 22 Labor Contracts. Such contracts increased member contributions for current police officers in Plan 87 and Plan 10 by 0.92% effective July 1, 2017 and an additional 0.92% effective July 1, 2018. For new police officers and fire fighters hired or rehired on or after July 1, 2017, the member contribution rate is increased by 2.5% over the rate which would otherwise be in effect as of July 1, 2017. The rates also include the increases in contributions for certain municipal employees and elected officials currently in Plans 67, 87 and 87 Prime and elected officials as required by legislation. This legislation called for employees in these groups to pay an additional 0.5% of compensation from January 1, 2015 to December 31, 2015 and an additional 1.0% from January 1, 2016 onwards. New employees in these groups entering Plan 87 Municipal Prime will pay an additional 1.0% of compensation which is included in the table below. Finally, these rates do not include the additional tiered contributions paid by current and future municipal employees based on their level of compensation.

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**Table 26**  
**Changes in Net Position of the Municipal Pension Fund**  
**Fiscal Years 2014-2018**  
**(Amounts in Thousands of USD)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Beginning Net Assets (Market Value) <sup>(1)</sup>	\$4,445,224	\$4,916,705	\$4,674,252	\$4,357,975	\$4,874,075
Additions					
- Member Contributions	53,722	58,658	67,055	73,607	83,289
- City Contributions <sup>(2)</sup>	553,179	577,195	660,247	706,237	781,984
- Investment Income <sup>(3)</sup>	677,380	11,790	(147,424)	563,372	438,515
- Miscellaneous Income <sup>(4)</sup>	<u>4,089</u>	<u>2,049</u>	<u>1,742</u>	<u>3,253</u>	<u>1,812</u>
Total	\$1,288,370	\$649,692	\$581,620	\$1,346,469	\$1,305,600
Deductions					
- Benefits and Refunds	(808,597)	(881,666)	(889,343)	(821,495)	(828,266)
	<u>(8,292)</u>			<u>(8,874)</u>	<u>(10,123)</u>
- Administration		<u>(10,479)</u>	<u>(8,554)</u>		
Total	\$(816,889)	\$(892,145)	\$(897,897)	\$(830,369)	\$(838,389)
Ending Net Assets (Market Value)	\$4,916,705	\$4,674,252	\$4,357,975	\$4,874,075	\$5,341,286

Source: Municipal Pension Fund's audited financial statements.

<sup>(1)</sup> Includes the PAF, which is not available for funding purposes.

<sup>(2)</sup> City Contributions include pension contributions from the Commonwealth. See Table 29.

<sup>(3)</sup> Investment income is shown net of fees and expenses, and includes interest and dividend income, net appreciation (depreciation) in fair value of investments, and net gains realized upon the sale of investments.

<sup>(4)</sup> Miscellaneous income includes securities lending and other miscellaneous revenues.

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## Funded Status of the Municipal Pension Fund

The following two tables set forth, as of the July 1 actuarial valuation date for the years 2009-2018, the asset value, the actuarial liability, the UAL, the funded ratio, covered payroll and UAL, as a percentage of covered payroll for the Municipal Pension Fund on actuarial and market value bases, respectively.

**Table 27**  
**Schedule of Funding Progress (Actuarial Value)**  
**(Dollar Amounts in Millions of USD)**

Actuarial Valuation Date (July 1)	Actuarial Value of Assets <sup>(1)</sup> (a)	Actuarial Liability (b)	UAL (Actuarial Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2009	\$4,042.1	\$8,975.0	\$4,932.9	45.0%	\$1,463.3	337.1%
2010	\$4,380.9	\$9,317.0	\$4,936.1	47.0%	\$1,421.2	347.3%
2011	\$4,719.1 <sup>(2)</sup>	\$9,487.5	\$4,768.4	49.7%	\$1,371.3	347.7%
2012	\$4,716.8 <sup>(2)</sup>	\$9,799.9	\$5,083.1	48.1%	\$1,372.2	370.4%
2013	\$4,799.3	\$10,126.2	\$5,326.9	47.4%	\$1,429.7	372.6%
2014	\$4,814.9	\$10,521.8	\$5,706.9	45.8%	\$1,495.4	381.6%
2015	\$4,863.4	\$10,800.4	\$5,937.0	45.0%	\$1,597.8	371.6%
2016	\$4,936.0	\$11,024.8	\$6,088.8	44.8%	\$1,676.5	363.2%
2017	\$5,108.6	\$11,275.7	\$6,167.1	45.3%	\$1,744.7	353.5%
2018	\$5,397.4	\$11,521.0	\$6,123.5	46.8%	\$1,805.4	339.2%

Source: July 1, 2018 Valuation.

<sup>(1)</sup> The July 1, 2010 Actuarial Value of Assets includes the \$150 million deferred contribution from Fiscal Year 2020 and each of the July 1, 2011 and July 1, 2012 Actuarial Value of Assets includes the total deferred contribution of \$230 million.

<sup>(2)</sup> Reflects the assumed rate of return on deferred contributions at the time of the deferral.

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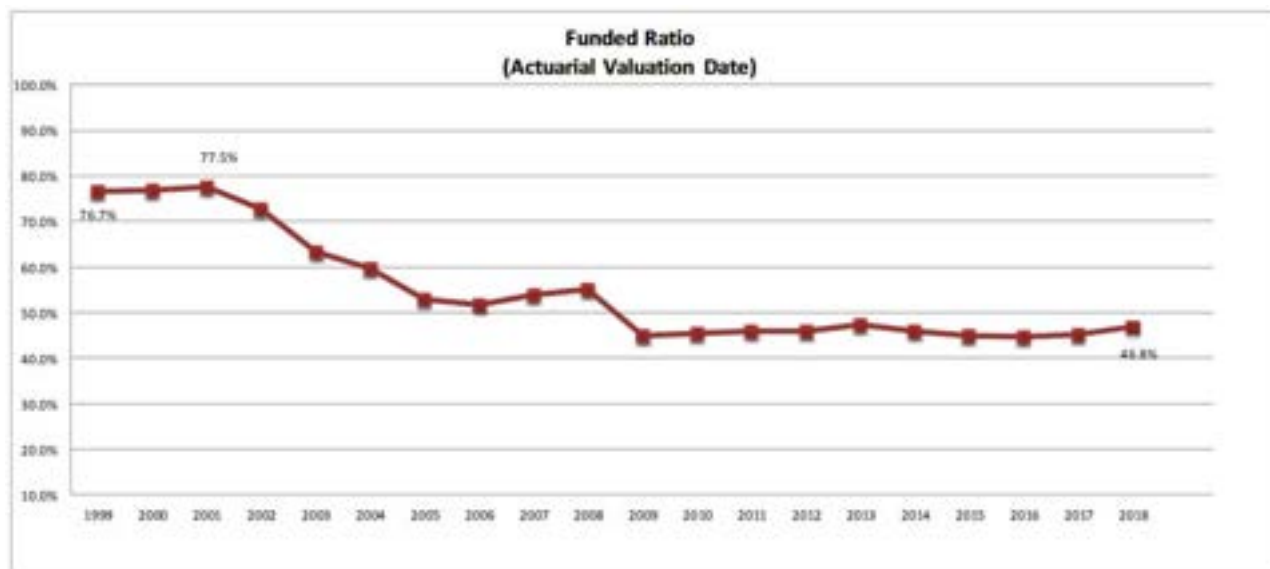
**Table 28**  
**Schedule of Funding Progress (Market Value)**  
**(Dollar Amounts in Millions of USD)**

<b>Actuarial Valuation Date (July 1)</b>	<b>Market Value of Net Assets<sup>(1)</sup> (a)</b>	<b>Actuarial Liability (b)</b>	<b>UAL (Market Value) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAL as a % of Covered Payroll [(b-a)/c]</b>
2009	\$3,368.4	\$8,975.0	\$5,606.6	37.5%	\$1,463.3	383.2%
2010	\$3,650.7	\$9,317.0	\$5,666.3	39.2%	\$1,421.2	398.7%
2011	\$4,259.2	\$9,487.5	\$5,228.3	44.9%	\$1,371.3	381.3%
2012	\$4,151.8	\$9,799.9	\$5,648.1	42.4%	\$1,372.2	411.6%
2013	\$4,444.1	\$10,126.2	\$5,682.1	43.9%	\$1,429.7	397.4%
2014	\$4,854.3	\$10,521.8	\$5,667.6	46.1%	\$1,495.4	379.0%
2015	\$4,636.1 <sup>(2)</sup>	\$10,800.4	\$6,164.3	42.9%	\$1,597.8	385.8%
2016	\$4,350.8 <sup>(2)</sup>	\$11,024.8	\$6,674.0	39.5%	\$1,676.5	398.1%
2017	\$4,873.0 <sup>(2)</sup>	\$11,275.7	\$6,402.7	43.2%	\$1,744.7	367.0%
2018	\$5,340.1 <sup>(2)</sup>	\$11,521.0	\$6,180.9	46.4%	\$1,805.4	342.4%

Source: 2009-2018 Actuarial Valuation Reports.

- (1) The July 1, 2010 Market Value of Net Assets includes the \$150 million deferred contribution from Fiscal Year 2020 and each of the July 1, 2011 and July 1, 2012 Market Value of Net Assets includes the total deferred contribution of \$230 million.
- (2) For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2015 equaled \$38,198,762; as of June 30, 2016 equaled \$7,223,000; as of June 30, 2017 equaled \$1,097,499; and as of June 30, 2018 equaled \$1,160,247.

The following chart reflects the funded ratios, using the actuarial value of assets, for the 20-year period 1999 – 2018.



## Annual Contributions

### *Annual Municipal Pension Contributions*

Table 29 shows the components of the City's annual pension contributions to the Municipal Pension Fund for the Fiscal Years 2009-2018.

**Table 29**  
**Total Contribution to Municipal Pension Fund**  
**(Dollar Amounts in Millions of USD)**

Fiscal Year	General Fund Contribution (A)	Commonwealth Contribution (B)	Aggregate General Fund Contribution (A+B)	Aviation Fund Contribution	Grants Funding and Other Funds Contribution <sup>(1)</sup>	Contributions from Quasi-governmental Agencies	Pension Bond Proceeds	Total Contribution (C)	MMO (D)	MMO (Deferred) Makeup Payments	% of MMO Contributed (C/D)
2009	\$315.0	\$59.6	\$374.6	\$17.5	\$11.5	\$15.4	\$0.0	\$455.4	\$438.5	-	103.9%
2010	\$190.8 <sup>(2)</sup>	\$59.2	\$250.0	\$11.6	\$10.8	\$15.1	\$0.0	\$312.6 <sup>(2)</sup>	\$447.4	\$(150.0) <sup>(3)</sup>	100.0% <sup>(4)</sup>
2011	\$325.8 <sup>(2)</sup>	\$61.8	\$387.6	\$17.1	\$13.6	\$14.2	\$0.0	\$470.2 <sup>(2)</sup>	\$511.0	\$(80.0) <sup>(3)</sup>	100.0% <sup>(4)</sup>
2012	\$352.7	\$95.0	\$447.7	\$20.6	\$27.4	\$16.2	\$0.0	\$555.7	\$507.0	-	109.7%
2013	\$356.5	\$65.7	\$422.2	\$20.3	\$27.2	\$18.1	\$252.6 <sup>(3)</sup>	\$781.8	\$492.0	\$230.0 <sup>(3)</sup>	100.0% <sup>(4)</sup>
2014	\$365.8	\$69.6	\$435.4	\$22.5	\$30.0	\$19.8	\$0.0	\$553.2	\$523.4	-	105.7%
2015	\$388.5	\$62.0	\$450.5	\$23.9	\$33.4	\$21.1	\$0.0	\$577.2	\$556.0	-	103.8%
2016	\$449.6	\$62.6	\$512.2	\$27.1	\$34.8	\$31.0	\$0.0	\$660.2	\$595.0	-	110.0%
2017	\$487.0	\$68.7	\$555.7	\$28.8	\$33.3	\$27.4	\$0.0	\$706.2	\$629.6	-	112.2%
2018	\$559.7	\$72.4	\$632.1	\$28.8	\$32.5	\$25.9	\$0.0	\$782.0	\$661.3	-	118.3%

<sup>(1)</sup> Other Funds Contributions represents contributions to the Municipal Pension Fund from the City's Special Gasoline Tax Fund, Community Development Block Grant Fund, and Municipal Pension Fund.

<sup>(2)</sup> Reflects the actual cash outlays for Fiscal Year 2020 and Fiscal Year 2011, which do not include the deferred contributions authorized pursuant to Act 44. See "– Funding Requirements; Funding Standards – Pennsylvania Law" above for a discussion of pension contribution deferrals authorized pursuant to Act 44.

<sup>(3)</sup> As authorized pursuant to Act 44, the City deferred payments to the Municipal Pension Fund of \$150 million in Fiscal Year 2020 and \$80 million in fiscal year 2011. Those amounts were repaid in fiscal year 2013, in which year the City made a contribution of \$252.6 million to the Municipal Pension Fund, consisting of \$230 million of proceeds of Pension Bonds that were issued in October 2012 and \$22.6 million in refunding savings from a refunding Pension Bond financing in December 2012. See "– Annual Debt Service Payments on the Pension Bonds" below.

<sup>(4)</sup> Act 205 directs the Actuary, in performing the actuarial valuations, to disregard deferrals, and therefore for ease of presentation 100.0% is reflected in this column for both the years in which the deferrals occurred and the year in which the makeup payment was made.

### *Annual Debt Service Payments on the Pension Bonds*

Pension funding bonds (“Pension Bonds”) were initially issued in Fiscal Year 1999 (the “1999 Pension Bonds”), at the request of the City, by PAID. Debt service on the Pension Bonds is payable pursuant to a Service Agreement between the City and PAID. The Service Agreement provides that the City is obligated to pay a service fee from its current revenues and the City covenanted in the agreement to include the annual amount in its operating budget and to make appropriations in such amounts as are required. If the City’s revenues are insufficient to pay the full service fee in any Fiscal Year as the same becomes due and payable, the City has covenanted to include amounts not so paid in its operating budget for the ensuing Fiscal Year.

The 1999 Pension Bonds were issued in the principal amount of \$1.3 billion, and the net proceeds were used, together with other funds of the City, to make a contribution in Fiscal Year 1999 to the Municipal Pension Fund in the amount of approximately \$1.5 billion.

In October 2012, PAID, at the request of the City, issued Pension Bonds in the principal amount of \$231.2 million, the proceeds of which were used principally to make the \$230 million repayment of deferred contributions to the Municipal Pension Fund reflected in Table 29 above. These bonds had maturities of April 1, 2013 and 2014, and have been repaid.

In December 2012, PAID, at the request of the City, issued Pension Bonds in the approximate principal amount of \$300 million, the proceeds of which were used to current refund a portion of the 1999 Pension Bonds. The refunding generated savings of approximately \$22.6 million, which the City deposited into the Municipal Pension Fund.

Table 30 shows the components of the City’s annual debt service payments on the Pension Bonds for the Fiscal Years 2009-2018.

**Table 30**  
**Total Debt Service Payments on Pension Bonds**  
**(Amounts in Millions of USD)**

Fiscal Year	General Fund Payment	Water Fund Payment	Aviation Fund Payment	Other Funds Payment <sup>(1)</sup>	Grants Funding	Total Payment
2009	\$84.4	\$7.2	\$3.3	\$0.6	\$1.3	\$96.8
2010	\$96.7	\$7.6	\$3.4	\$0.6	\$1.5	\$109.8
2011	\$97.7	\$10.3	\$4.6	\$0.8	\$1.5	\$114.9
2012	\$100.1	\$10.7	\$4.8	\$0.7	\$3.4	\$119.7
2013 <sup>(2)</sup>	\$196.6	\$21.5	\$10.1	\$1.3	\$3.8	\$233.3
2014 <sup>(2)</sup>	\$211.0	\$23.6	\$11.2	\$1.4	\$3.7	\$250.9
2015	\$107.7	\$12.6	\$5.9	\$0.8	\$4.0	\$131.0
2016	\$109.9	\$13.7	\$6.4	\$0.9	\$3.8	\$134.7
2017	\$109.5	\$14.5	\$6.6	\$0.9	\$3.3	\$134.8
2018	\$110.1	\$14.3	\$6.3	\$0.9	\$3.1	\$134.7

- (1) Other Funds Payments represents the allocable portion of debt service payments on the City's Pension Bonds from the City's Community Development Block Grant Fund and Municipal Pension Fund.
- (2) The increase in debt service payments in fiscal years 2013 and 2014 over the fiscal year 2012 amounts reflect the debt service payments on the Pension Bonds that were issued in October 2012.

*Annual Pension Costs of the General Fund*

Table 31 shows the annual pension costs of the General Fund for the Fiscal Years 2009-2018, being the sum of the General Fund Contribution to the Municipal Pension Fund (column (A) in Table 29 above) and the General Fund debt service payments on Pension Bonds (Table 30 above).

**Table 31**  
**Annual Pension Costs of the General Fund**  
**(Amounts in Millions of USD)**

Fiscal Year	General Fund Pension Fund Contribution (A) <sup>(1)</sup>	General Fund Pension Bond Debt Service Payment (B)	Annual Pension Costs (A+B)	Total General Fund Expenditures (C)	General Fund portion of Annual Pension Costs as % of Total General Fund Expenditures $\frac{(A+B)}{C}$
2009	\$315.0	\$84.4	\$399.4	\$3,915.29	10.20%
2010	\$190.8	\$96.7	\$287.5	\$3,653.73	7.87%
2011	\$325.8	\$97.7	\$423.5	\$3,785.29	11.19%
2012	\$352.7	\$100.1	\$452.8	\$3,484.88	12.99%
2013	\$356.5	\$196.6	\$553.1	\$3,613.27	15.31%
2014	\$365.8	\$211.0	\$576.8	\$3,886.56	14.84%
2015	\$388.5	\$107.7	\$496.2	\$3,831.51	12.95%
2016	\$449.6	\$109.9	\$559.5	\$4,015.80	13.93%
2017	\$487.0	\$109.5	\$596.5	\$4,139.80	14.41%
2018	\$559.7	\$110.1	\$669.8	\$4,402.85	15.21%

<sup>(1)</sup> Does not include Commonwealth contribution. See Table 29.

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The following table shows the annual City contribution to the Municipal Pension Fund as a percentage of the covered employee payroll.

**Table 32**  
**Annual City Contribution as % of Covered Employee Payroll**  
**(Dollar Amounts in Thousands of USD)**

Fiscal Year	Annual City Contribution	Fiscal Year Covered Employee Payroll <sup>(1)</sup>	ACC as % of Payroll
2009	\$455,389	\$1,463,260	31.12%
2010	\$312,556	\$1,421,151	21.99%
2011	\$470,155	\$1,371,274	34.29%
2012	\$555,690	\$1,372,174	40.50%
2013	\$781,823	\$1,429,723	54.68%
2014	\$553,179	\$1,495,421	36.99%
2015	\$577,195	\$1,597,849	36.12%
2016	\$660,247	\$1,676,549	39.38%
2017	\$706,237	\$1,744,728	40.48%
2018	\$781,984	\$1,805,400	43.31%

Source: Municipal Pension Fund Financial Statements, June 30, 2018.

(1) The definition of “covered-employee payroll” in GASB 68 differs slightly from the “covered payroll” definition in GASB 27.  
*See “PENSION SYSTEM – Funding Requirements; Funding Standards – GASB; City Funding Policy.”*

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## Actuarial Projections of Funded Status

Cautionary Note. The information under this subheading, “Actuarial Projections of Funded Status,” was prepared by Cheiron. The table below shows a five-year projection of Revenue Recognition Policy (“RRP”) payments, Actuarial Value of Assets, Actuarial Liability, UAL, and Funded Ratio. The charts below show projections of funded ratios and City contributions based on the RRP through Fiscal Year 2038. All projections, whether for five years or for twenty years, are subject to actual experience deviating from the underlying assumptions and methods, and that is particularly the case for the charts below for the periods beyond the projections in the five-year table. **Projections and actuarial assessments are “forward looking” statements and are based on assumptions which may not be fully realized in the future and are subject to change, including changes based on the future experience of the City’s Municipal Pension Fund and Municipal Pension Plan.**

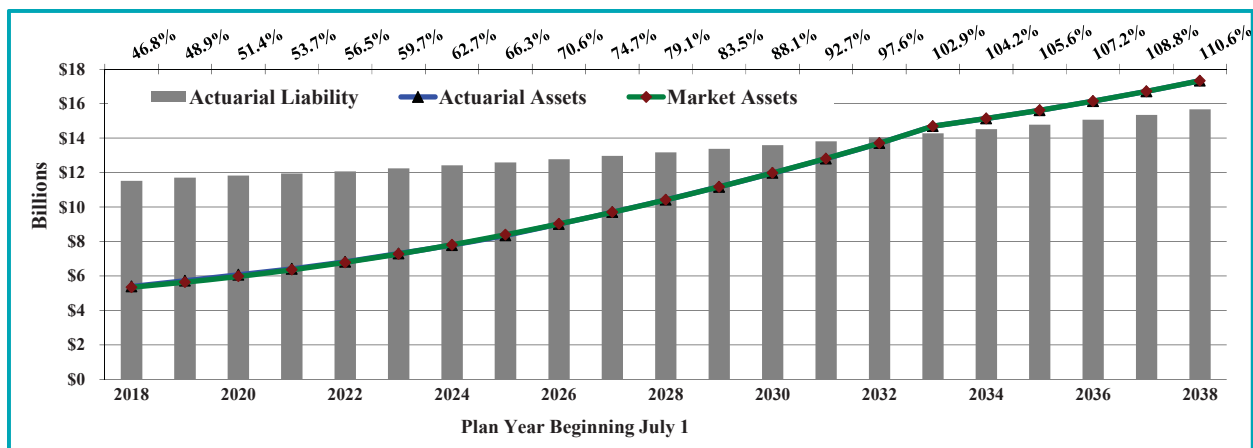
The projections are on the basis that all assumptions as reflected in the July 1, 2018 Valuation are exactly realized and the City makes all future RRP payments on schedule as required by the funding policy adopted by the Pension Board, and must be understood in the context of the assumptions, methods and benefits in effect as described in the July 1, 2018 Valuation. Included among such assumptions are: (i) the rates of return for the Municipal Pension Fund over the projection period will equal 7.60% in Fiscal Year 2019 and 7.55% annually thereafter, (ii) RRP contributions will be made each year, and (iii) the provisions of Act 205 as amended by Act 44 will remain in force during the projection period. The July 1, 2018 Valuation includes charts reflecting the contributions based on MMO (Baseline projection set 1), and charts reflecting the additional contributions in accordance with the RRP (Baseline projection set 2). The charts below reflect the RRP contributions, which are higher than the MMO required under Pennsylvania law. Using the RRP, the System is projected to be 80% funded by 2029 and 100% funded by 2033, four years earlier than under the MMO projections. By the end of the projection period, the System is expected to be funded at 110.6% compared to 103.8% when MMO contributions are made. See the July 1, 2018 Valuation for a further discussion of the assumptions and methodologies used by the Actuary in preparing the July 1, 2018 Valuation and the following projections, all of which should be carefully considered in reviewing the projections. The July 1, 2018 Valuation is available for review on the website of the City’s Board of Pensions. The table and charts below separately set forth estimates of sales tax revenues that will be deposited by the City into the Municipal Pension Fund, which were provided by the City to Cheiron at the time of the valuation. Cheiron has not analyzed and makes no representation regarding the validity of the sales tax revenue assumptions and estimates provided by the City. *See* “REVENUES OF THE CITY – Sales and Use Tax.” Each of the tables and graphs that follow are part of the July 1, 2018 Valuation and such Valuation report should be referenced regarding the underlying benefits, methods, and assumptions utilized in the production of these values.

Five-Year Projection. The following chart provides dollar amounts in millions of USD.

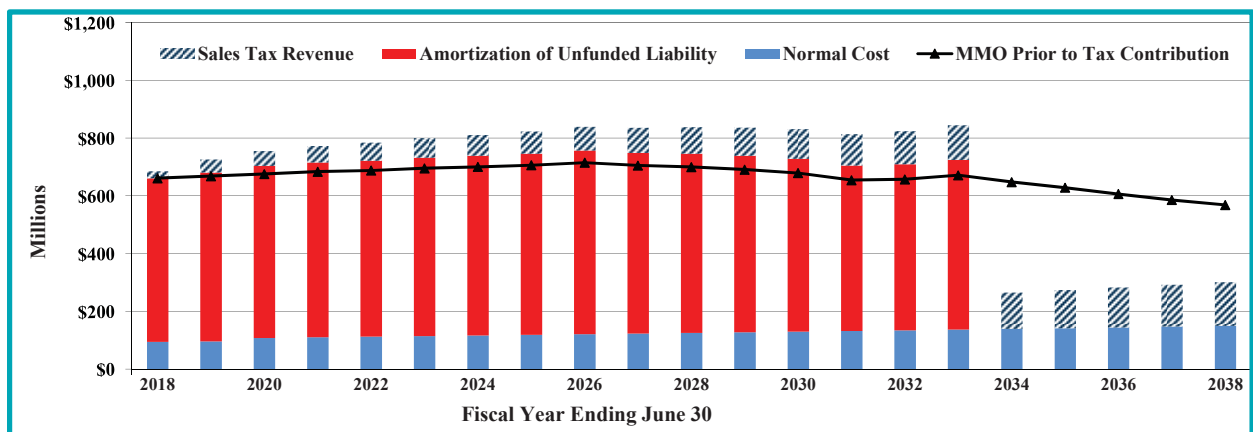
Fiscal Year End	RRP	Sales Tax Contribution	Actuarial Value of Assets	Actuarial Liability	UAL	Funded Ratio
2019	\$ 680.8	\$ 45.2	\$ 5,397.4	\$ 11,521.0	\$ 6,123.5	46.8%
2020	704.6	51.5	5,722.9	11,699.2	5,976.4	48.9%
2021	715.9	56.8	6,071.4	11,820.5	5,749.2	51.4%
2022	722.1	62.2	6,412.9	11,944.4	5,531.5	53.7%
2023	732.0	67.6	6,823.1	12,070.4	5,247.2	56.5%
2024	738.8	72.2	7,300.9	12,239.4	4,938.5	59.7%

### Twenty-Year Projections.

Funded Ratio Chart based on the RRP:



Expected City Contribution Chart based on the RRP:



## OTHER POST-EMPLOYMENT BENEFITS

The City self-administers a single employer, defined benefit plan for post-employment benefits other than pension benefits (“OPEB”), and funds such plan on a pay-as-you-go basis. The City’s OPEB plan provides for those persons who retire from the City and are participants in the Municipal Pension Plan: (i) post-employment healthcare benefits for a period of five years following the date of retirement and (ii) lifetime life insurance coverage (\$7,500 for firefighters who retired before July 1, 1990; \$6,000 for all other retirees). In general, retirees eligible for OPEB are those who terminate their employment after ten years of continuous service to immediately become pensioned under the Municipal Pension Plan.

To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible pre-Medicare retirees. Aside from AFSCME DC 33, the City is responsible for the actual health care cost that is invoiced to the City’s unions by their respective vendors. The actual cost can be a combination of self-insured claim expenses, premiums, ancillary services, and administrative expenses. Eligible union represented employees receive five years of coverage through their union’s health fund. The City’s funding obligation for pre-Medicare retiree benefits is the same as for active employees. Union represented and non-union employees may defer their retiree health coverage until a later date. For some groups, the amount that the City pays for their deferred health care is based on the value of the health benefits at the time the retiree claims the benefits, but for police and fire retirees who retired after an established date, the City pays the cost of five years of coverage when the retiree claims the benefits.

The annual payments made by the City for OPEB for Fiscal Years 2014-2018 are shown in Table 33 below.

**Table 33**  
**Annual OPEB Payment**  
**(Amounts in Thousands of USD)**

<u>Fiscal Year ended June 30,</u>	<u>Annual OPEB Payment</u>
2014	\$67,100
2015	\$95,300
2016	\$107,200
2017	\$114,800
2018	\$96,400

Source: See Note IV.3 to the City’s audited Financial Statements for such Fiscal Years (as included in the City’s CAFRs).

For financial reporting purposes, although the City funds OPEB on a pay-as-you-go basis, it is required to include in its financial statements (in accordance with GASB Statement No. 75) a calculation similar to that performed to calculate its pension liability. Pursuant to GASB 75, an annual required contribution is calculated which, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability over a period not to exceed 30 years. As of June 30, 2017, the date of the most recent actuarial valuation, the UAL for the City’s OPEB was \$1.862 billion, the covered annual payroll was \$1.865 billion, and the ratio of UAL to the covered payroll was 99.83%. See Note IV.3 to the City’s audited Financial Statements for the Fiscal Year ended June 30, 2018.



## **PGW PENSION PLAN**

### **General**

PGW consists of all the real and personal property owned by the City and used for the acquisition, manufacture, storage, processing, and distribution of gas within the City, and all property, books, and records employed and maintained in connection with the operation, maintenance, and administration of PGW. The City Charter provides for a Gas Commission (the “Gas Commission”) to be constituted and appointed in accordance with the provisions of contracts between the City and the operator of PGW as may from time to time be in effect, or, in the absence of a contract, as may be provided by ordinance. The Gas Commission consists of the City Controller, two members appointed by City Council and two members appointed by the Mayor.

PGW is operated by PFMC, pursuant to an agreement between the City and PFMC dated December 29, 1972, as amended, authorized by ordinances of City Council (the “Management Agreement”). Under the Management Agreement, various aspects of PFMC’s management of PGW are subject to review and approval by the Gas Commission. The PUC has the regulatory responsibility for PGW with regard to rates, safety, and customer service.

The City sponsors the Philadelphia Gas Works Pension Plan (the “PGW Pension Plan”), a single employer defined benefit plan, to provide pension benefits for certain current and former PGW employees and other eligible class employees of PFMC and the Gas Commission. As plan sponsor, the City, through its General Fund, could be responsible for plan liabilities if the PGW Pension Plan does not satisfy its payment obligations to PGW retirees. At June 30, 2018, the PGW Pension Plan membership total was 3,729, comprised of: (i) 2,516 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them; and (ii) 1,213 participants, of which 961 were vested and 252 were nonvested.

### **PGW Pension Plan**

The PGW Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after five years of credited service. Retirement payments for vested employees commence: (i) at age 65 and five years of credited service; (ii) age 55 and 15 years of credited service; or (iii) without regard to age, after 30 years of credited service. For covered employees hired prior to May 21, 2011 (union employees) or prior to December 21, 2011 (non-union employees), PGW pays the entire cost of the PGW Pension Plan. Union employees hired on or after May 21, 2011 and non-union employees hired on or after December 21, 2011 have the option to participate in the PGW Pension Plan and contribute 6% of applicable wages, or participate in a plan established in compliance with Section 401(a) of the Internal Revenue Code (deferred compensation plan) and have PGW contribute 5.5% of applicable wages.

PGW is required by statute to contribute the amounts necessary to fund the PGW Pension Plan. The PGW Pension Plan is being funded with contributions by PGW to the Sinking Fund Commission of the City, together with investment earnings and employee contributions required for new hires after December 2011 who elect to participate in the PGW Pension Plan. Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. The pension payments are treated as an operating expense of PGW and are included as a component of PGW’s base rate. The PUC approves all items that are to be included in PGW’s base rates.

Effective October 2015, payments to beneficiaries of the PGW Pension Plan are made by the PGW Retirement Reserve Fund. Prior to October 2015, payments to beneficiaries of the PGW Pension Plan were

made by PGW through its payroll system. The financial statements for the PGW Pension Plan for the fiscal year ended June 30, 2018, show an amount due to PGW of approximately \$0.1 million, which represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of PGW's required annual contribution and reimbursements received from the PGW Pension Plan.

### **Pension Costs and Funding**

PGW pays an annual amount that is projected to be sufficient to cover its normal cost and an amortization of the PGW Pension Plan's UAL. The following table shows the normal cost, the amortization payment, and the resulting annual required contribution as of the last five actuarial valuation dates for the PGW Pension Plan. PGW has been using a 20-year open amortization period (and the payments in Table 34 are on the basis of a 20-year open amortization). Commencing in PGW's fiscal year 2016, PGW calculates an annual required contribution on the basis of both a 20-year open amortization period and a 30-year closed amortization period, and will contribute the higher of the two amounts. *See* "– Projections of Funded Status" below. An open amortization period is one that begins again or is recalculated at each actuarial valuation date. With a closed amortization period, the unfunded liability is amortized over a specific number of years to produce a level annual payment. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year's difference would be established and amortized over their own 30-year schedule.

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**Table 34**  
**PGW Pension – Annual Required Contributions**  
**(Dollar Amounts in Thousands of USD)**

<b>Calculation of ARC for the 12-month period ended:</b>	<b>Normal Cost<sup>(1)</sup> (A)</b>	<b>Amortization Payment<sup>(1)</sup> (B)</b>	<b>ARC<sup>(1), (2)</sup> (A + B)</b>	<b>Payments to Beneficiaries<sup>(3)</sup></b>
9/1/2014	\$8,852	\$12,130	\$20,982	\$42,913
7/1/2015	\$7,859	\$18,063	\$25,922	\$46,917
7/1/2016	\$7,992	\$20,238	\$28,230	\$50,447
7/1/2017	\$7,717	\$19,678	\$27,395	\$51,376
7/1/2018	\$7,760	\$20,022	\$27,782	\$52,627

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018 – June 30, 2019 for the PGW Pension Plan.

(2) As described above, until October 2015, PGW did not make a net cash contribution to the PGW Pension Plan, but rather paid beneficiaries through its payroll system, and then was reimbursed by the Plan. Effective October 2015, payments to beneficiaries of the PGW Pension Plan are made by the PGW Retirement Reserve Fund. Each ARC is the sum reflected in this table, but the “Calculated Mid-Year Contribution” in Tables 36 and 37 more closely approximates the actual pension contributions made by PGW.

(3) Source: For 2014-2015, PGW’s CAFR for the fiscal year ended August 31, 2015. For 2016, the audited financial statements for PGW for the fiscal years ended August 31, 2016 and 2015. For 2017, the audited financial statements for PGW for the fiscal years ended August 31, 2017 and 2016. For 2018, PGW records.

Although PGW has paid its annual required contribution each year, the market value of assets for the PGW Pension Plan is less than the actuarial accrued liability, as shown in the next table.

**Table 35**  
**Schedule of Pension Funding Progress**  
**(Dollar Amounts in Thousands of USD)<sup>(1)</sup>**

<b>Actuarial Valuation Date</b>	<b>Market Value of Assets</b>	<b>Actuarial Liability</b>	<b>UAL (Market Value)</b>	<b>Funded Ratio</b>
9/1/2014	\$514,944	\$643,988	\$129,044	79.96%
7/1/2015	\$510,719	\$706,704	\$195,985	72.27%
7/1/2016	\$483,259	\$736,078	\$252,819	65.65%
7/1/2017	\$521,526	\$739,872	\$218,346	70.49%
7/1/2018	\$543,246	\$758,069	\$214,823	71.66%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018 – June 30, 2019 for the PGW Pension Plan.

The current significant actuarial assumptions for the PGW Pension Plan are: (i) investment return rate of 7.30% compounded annually; (ii) salary increases assumed to reach 4.5% per year; and (iii) retirements that are assumed to occur, for those with 30 or more years of service, at a rate of 15% at ages 55 to 60, 30% at age 61, 50% at ages 62-69, and 100% at age 70 and older.

PGW uses a September 1 – August 31 fiscal year, while the PGW Pension Plan uses a July 1 – June 30 fiscal year (the same as the City’s fiscal year). The last four actuarial valuation reports for the PGW Pension Plan utilized a plan year of July 1 to June 30. This is reflected in Table 35 above.

The PGW Pension Plan actuary prepared a separate actuarial valuation report (“GASB 67 Report”) for the fiscal year ending June 30, 2018, for purposes of plan reporting information under Governmental Accounting Standards Board Statement No. 67, “Financial Reporting for Pension Plans.” The GASB 67 Report shows for the fiscal year ending June 30, 2018, an unfunded liability of approximately \$261.3 million (rather than the approximately \$214.8 million reflected in Table 35), which results in a funded ratio of 67.53%. In addition, that report provides an interest rate sensitivity, which shows that were the investment rate to be 6.30% (1% lower than the assumed investment rate of 7.30%), the unfunded liability would be approximately \$354.0 million.

### **Projections of Funded Status**

The information under this subheading, “Projections of Funded Status,” is extracted from tables prepared by Aon Hewitt, as actuary to the PGW Pension Plan, which were included in their “Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018 – June 30, 2019,” dated September 5, 2018. The charts show 10-year projections, using both the current amortization method (20-year, open) and the alternative amortization method (30-year, fixed). *See* “– Pension Costs and Funding” above. Projections are subject to actual experience deviating from the underlying assumptions and methods. **Projections and actuarial assessments are “forward looking” statements and are based upon assumptions that may not be fully realized in the future and are subject to change, including changes based upon the future experience of the PGW Pension Plan.**

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**Table 36**  
**Schedule of Prospective Funded Status (20-Year Open Amortization)**  
**(Dollar Amounts in Thousands of USD)**

<b>Actuarial Valuation Date (July 1)</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>UAL (Actuarial Value)</b>	<b>Calculated Mid-Year Contribution<sup>(1)</sup>, (2)</b>	<b>Funded Ratio</b>
2018	\$535,678	\$758,069	\$222,391	\$28,797	70.66%
2019	548,634	766,287	217,653	28,255	71.60%
2020	560,747	773,927	213,180	27,769	72.45%
2021	579,113	780,787	201,673	26,513	74.17%
2022	590,700	786,516	195,815	25,815	75.10%
2023	599,967	791,214	191,246	25,167	75.83%
2024	608,301	795,046	186,745	24,350	76.51%
2025	615,573	798,069	182,496	23,902	77.13%
2026	622,118	800,541	178,423	24,470	77.71%
2027	628,043	802,210	174,167	22,740	78.29%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018 – June 30, 2019 for the PGW Pension Plan.

(2) PGW makes monthly contributions to the PGW Retirement Reserve Fund. The actuary's report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

**Table 37**  
**Schedule of Prospective Funded Status (30-Year Closed Amortization)**  
**(Dollar Amounts in Thousands of USD)**

<b>Actuarial Valuation Date (July 1)</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>UAL (Actuarial Value)</b>	<b>Calculated Mid-Year Contribution<sup>(1)</sup>, (2)</b>	<b>Funded Ratio</b>
2018	\$535,678	\$758,069	\$222,391	\$26,437	70.66%
2019	546,188	766,287	220,099	26,379	71.28%
2020	556,178	773,927	217,749	26,363	71.86%
2021	572,753	780,787	208,033	25,662	73.36%
2022	582,994	786,516	203,522	25,423	74.12%
2023	591,292	791,214	199,922	25,206	74.73%
2024	599,033	795,046	196,013	24,809	75.35%
2025	606,104	798,069	191,965	24,770	75.95%
2026	612,858	800,541	187,683	24,737	76.56%
2027	619,420	802,210	182,790	24,401	77.21%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018– June 30, 2019 for the PGW Pension Plan.

(2) PGW makes monthly contributions to the PGW Retirement Reserve Fund. The actuary's report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

## **Additional Information**

The City issues a publicly available financial report that includes financial statements and required supplementary information for the PGW Pension Plan. The report is not incorporated into this Official Statement by reference. The report may be obtained by writing to the Office of the Director of Finance of the City.

Further information on the PGW Pension Plan, including with respect to its membership, plan description, funding policy, actuarial assumptions and funded status is contained in the Fiscal Year 2018 CAFR.

### **PGW OTHER POST-EMPLOYMENT BENEFITS**

PGW provides post-employment healthcare and life insurance benefits to its participating retirees and their beneficiaries and dependents. The City, through its General Fund, could be responsible for costs associated with post-employment healthcare and life insurance benefits if PGW fails to satisfy its post-employment benefit obligations.

PGW pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided a choice of three plans at PGW's expense and can elect to pay toward a more expensive plan. Union employees hired prior to May 21, 2011 and non-union employees hired prior to December 21, 2011 who retire from active service to immediately begin receiving pension benefits are entitled to receive lifetime post-retirement medical, prescription, and dental benefits for themselves and, depending on their retirement plan elections, their dependents. Employees hired on or after those dates are entitled to receive only five years of post-retirement benefits. Currently, PGW provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go-basis.

As part of a July 29, 2010 rate case settlement (the "Rate Settlement"), which provided for the establishment of an irrevocable trust for the deposit of funds derived through a rider from all customer classes to fund OPEB liabilities (the "OPEB Surcharge"), PGW established the trust in July 2010, and began funding the trust in accordance with the Rate Settlement in September 2010. The Rate Settlement provides that PGW shall deposit \$15.0 million annually for an initial five-year period towards the ARC, and an additional \$3.5 million annually, which represents a 30-year amortization of the OPEB liability at August 31, 2010. These deposits will be funded primarily through increased rates of \$16.0 million granted in the Rate Settlement. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period of 30 years. In PGW's 2015-2016 Gas Cost Rate ("GCR") proceeding, PGW proposed to continue its OPEB Surcharge. The parties to the GCR proceeding submitted a settlement agreement continuing the OPEB Surcharge at the same level of revenue (\$16.0 million annually) and funding (\$18.5 million annually). Such settlement agreement was approved by the PUC.

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Table 38 provides detail of actual PGW OPEB payments for the last five PGW Fiscal Years and projected PGW OPEB payments for PGW Fiscal Years 2019-2023. Table 39 is the schedule of PGW OPEB funding progress.

**Table 38**  
**PGW OPEB Payments**  
**(Amounts in Thousands of USD)**

<b>Calculation of OPEB Payment for the 12-month period ended:</b>	<b>Healthcare</b>	<b>Life Insurance</b>	<b>OPEB Trust</b>	<b>Total</b>
<u>Actual<sup>(1)</sup></u>				
8/31/2014	\$24,247	\$1,615	\$18,500	\$44,362
8/31/2015	\$28,598	\$1,749	\$18,500	\$48,847
8/31/2016	\$29,251	\$1,800	\$18,500	\$49,551
8/31/2017	\$27,788	\$1,777	\$18,500	\$48,065
8/31/2018	\$26,953	\$1,661	\$18,500	\$47,114
<u>Projections<sup>(2)</sup></u>				
12/31/2019	\$27,108	\$1,700	\$18,500	\$47,308
12/31/2020	\$28,713	\$1,700	\$18,500	\$48,913
12/31/2021	\$30,480	\$1,700	\$18,500	\$50,680
12/31/2022	\$32,005	\$1,700	\$18,500	\$52,205
12/31/2023	\$33,292	\$1,700	\$18,500	\$53,492

<sup>(1)</sup> Source: PGW records.

<sup>(2)</sup> The Actuarial Valuation Report for the PGW Health and Life Insurance Plan for Retired Employees GASB 75 Financial Disclosure Report for the Fiscal Year Ended August 31, 2018.

**Table 39**  
**Schedule of OPEB Funding Progress**  
**(Dollar Amounts in Thousands of USD)<sup>(1)</sup>**

<b>Actuarial valuation date (August 31)</b>	<b>Actuarial value of assets</b>	<b>Actuarial liability</b>	<b>Unfunded actuarial liability</b>	<b>Funded ratio</b>
8/31/2013	\$61,796	\$436,527	\$374,731	14.2%
8/31/2014	\$90,838	\$450,289	\$359,451	20.2%
12/31/2015	\$110,443	\$512,527	\$402,083	21.6%
12/31/2016	\$139,624	\$489,979	\$350,356	28.5%
12/31/2017	\$180,743	\$559,631	\$378,888	32.3%

<sup>(1)</sup> The Actuarial Valuation Report for the PGW Health and Life Insurance Plan for Retired Employees GASB 75 Financial Disclosure Report for the Fiscal Year Ended August 31, 2018.

Further information on PGW's annual OPEB expense, net OPEB obligation and the funded status of the OPEB benefits related to PGW is contained in the Fiscal Year 2018 CAFR.

## **CITY CASH MANAGEMENT AND INVESTMENT POLICIES**

### **General Fund Cash Flow**

Because the receipt of revenues into the General Fund generally lags behind expenditures from the General Fund during each Fiscal Year, the City issues notes in anticipation of General Fund revenues and makes payments from the Consolidated Cash Account (described below) to finance its on-going operations.

The timing imbalance referred to above results from a number of factors, principally the following:

- (i) Real Estate Taxes, BIRT, and net profits taxes are not due until the latter part of the Fiscal Year; and
- (ii) 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.

From time to time, the City issues, or PICA has issued on behalf of the City, tax and revenue anticipation notes. Each issue was repaid when due, prior to the end of the particular Fiscal Year. The City did not issue tax and revenue anticipation notes in Fiscal Year 2019, nor does it expect to do so in Fiscal Year 2020.

The repayment of the tax and revenue anticipation notes is funded through cash available in the General Fund.

### **Consolidated Cash**

The Act of the General Assembly of June 25, 1919 (Pa. P.L. 581, No. 274, Art. XVII, § 6) authorizes the City to make temporary inter-fund loans between certain operating and capital funds. The City maintains a Consolidated Cash Account for the purpose of pooling the cash and investments of all City funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of PGW, the Aviation Fund, the Water Fund, and certain other restricted purpose funds). A separate accounting is maintained to record the equity of each member fund that participates in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to the procedures described below.

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, an advance is made from the Consolidated Cash Account, in an amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a member fund that has negative equity 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. With the movement of the reimbursable component of DHS activities from the General Fund to the Grants Revenue Fund, a similar system of advances has resulted in the use of tax revenues or other operating revenues in the General Fund to make expenditures from the Grants Revenue Fund, which advances may be outstanding for multiple Fiscal Years, but which are expected to be reimbursed by the Commonwealth.

The City, in addition to maintaining an ongoing cash reconciliation process, is reviewing and reconciling certain unidentified variances in the Consolidated Cash Account. The reconciliation process, in short, reconciles the account balance and activity shown on the records of the bank at which the cash balance of the Consolidated Cash Account is maintained to that shown on the City's records. The City's records were not consistently reconciled for the period of July 1, 2014 – June 30, 2017, as noted in the



Fiscal Year 2018 CAFR. The balance in the Consolidated Cash Account on the City's records was higher than the account balance on the bank's records by approximately \$40 million, which is attributable principally to unidentified historic variances. The City engaged the services of an auditing firm to undertake a complete reconciliation and resolve the unidentified variances. In January 2019, a final audit report was delivered. The current variance is \$528,000 and the City will continue its effort to reconcile such remaining amount.

Procedures governing the City's cash management operations require the General Fund-related operating fund to borrow initially from the General Fund-related capital fund, and only to the extent there is a deficiency in such fund may the General Fund-related operating fund borrow money from any other funds in the Consolidated Cash Account.

## **Investment Practices**

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and to make investments that preserve principal while striving to obtain the maximum rate of return. Pursuant to the City Charter, the City Treasurer is the City official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional investment managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to revenue bonds for water and sewer and the airport are directly deposited and held separately in trust. A fiscal agent manages these cash balances in accordance with the applicable bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy (as described below). In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with federal or Commonwealth reporting.

Investment guidelines for the City are embodied in section 19-202 of the Philadelphia Code. In furtherance of these guidelines, as well as Commonwealth and federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that went into effect in August 1994 and was most recently revised in September 2014. The Policy supplements other legal requirements and establishes guiding principles for the overall administration and effective management of all of the City's monetary funds (except the Municipal Pension Fund, the PGW Retirement Reserve Fund, the PGW OPEB Trust and the PGW Workers' Compensation Reserve Fund).

The Policy delineates the authorized investments as authorized by the Philadelphia Code and the funds to which the Policy applies. The authorized investments include U.S. government securities, U.S. treasuries, U.S. agencies, repurchase agreements, commercial paper, corporate bonds, money market mutual funds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality, all of investment grade rating or better and with maturity limitations.

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio. Repurchase agreements, money market mutual funds, commercial paper, and corporate bonds are limited to investment of no more than 25% of the total portfolio. Obligations of the Commonwealth and collateralized banker's acceptances and certificates of deposit are limited to no more than 15% of the total portfolio. Collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality are limited to no more than 5% of the total portfolio.

U.S. government securities carry no limitation as to the percent of the total portfolio per issuer. U.S. agency securities are limited to no more than 33% of the total portfolio per issuer. Repurchase agreements and money market mutual funds are limited to no more than 10% of the total portfolio per issuer. Commercial paper, corporate bonds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality are limited to no more than 3% of the total portfolio per issuer.

The Policy provides for an ad hoc Investment Committee consisting of the Director of Finance, the City Treasurer and one representative each from the Water Department, the Division of Aviation, and PGW. The Investment Committee meets quarterly with each of the investment managers to review each manager's performance to date and to plan for the next quarter. Investment managers are given any changes in investment instructions at these meetings. The Investment Committee approves all modifications to the Policy. The Investment Committee may from time to time review and revise the Policy and does from time to time approve temporary waivers of the restrictions on assets based on cash management needs and recommendations of investment managers.

The Policy expressly forbids the use of any derivative investment product as well as investments in any security whose yield or market value does not follow the normal swings in interest rates. Examples of these types of securities include, but are not limited to: structured notes, floating rate (excluding U.S. Treasury and U.S. agency floating rate securities) or inverse floating rate instruments, securities that could result in zero interest accrual if held to maturity, and mortgage derived interest and principal only strips. The City currently makes no investments in derivatives.

## **DEBT OF THE CITY**

### **General**

Section 12 of Article IX of the Constitution of the Commonwealth provides that the authorized debt of the City "may be increased in such amount that the total debt of [the] 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 [the] 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." The Supreme Court of Pennsylvania has held that bond authorizations once approved by the voters need not be reduced as a result of a subsequent decline in the average assessed value of City property. The general obligation debt subject to the limitation described in this paragraph is referred to herein as "Tax-Supported Debt."

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.

For purposes of this Official Statement, Tax-Supported Debt and Self-Supporting Debt are referred to collectively as “General Obligation Debt.” The term “General Fund-Supported Debt” is comprised of: (i) General Obligation Debt; and (ii) PAID, PMA, PPA, and PRA bonds, which are secured by agreements with the City to appropriate and pay amounts sufficient to pay principal, interest, or redemption price when due on the bonds.

Using the methodology described above, as of September 30, 2019, the Constitutional debt limitation for Tax-Supported Debt was approximately \$9,534,040,000. The total amount of authorized debt applicable to the debt limit was \$2,399,372,000 including \$682,427,000 of authorized but unissued debt, leaving a legal debt margin of \$7,507,076,000. Based on the foregoing figures, the calculation of the legal debt margin is as follows:

**Table 40**  
**General Obligation Debt**  
**September 30, 2019**  
**(Amounts in Thousands of USD)**

Authorized, issued and outstanding	\$1,716,945
Authorized and unissued	682,427
Total	<u>\$2,399,372</u>
Less: Self-Supporting Debt	(\$352,838)
Less: Serial bonds maturing within a year	(19,570)
Total amount of authorized debt applicable to debt limit	<u>2,026,964</u>
Legal debt limit	<u>9,534,040</u>
Legal debt margin	<u>\$7,507,076</u>

As a result of the implementation of the City’s AVI, the assessed value of taxable real estate within the City has increased substantially. See “REVENUES OF THE CITY – Real Property Taxes.” The \$9.534 billion Constitutional debt limit calculation includes six years of property values certified under the City’s AVI program, and four years of property values under the City’s former property valuation process. Assuming no increase or decrease in property values used to calculate the Constitutional debt limit in Table 40, the Constitutional debt limit is estimated to be \$17.127 billion by 2027.

The City is also empowered by statute to issue revenue bonds and, as of June September 30, 2019, had outstanding \$2,228,379,217 aggregate principal amount of Water and Wastewater Revenue Bonds (“Water and Wastewater Bonds”), \$964,480,000 aggregate principal amount of Gas Works Revenue Bonds, and \$1,521,240,000 aggregate principal amount of Airport Revenue Bonds. As of September 30, 2019, the principal amount of PICA Bonds outstanding was \$129,745,000. The City has also enacted ordinances authorizing the issuance of (i) up to \$350 million aggregate principal amount in Airport Revenue Commercial Paper Notes for the Division of Aviation, (ii) up to \$400 million of Airport Revenue Bonds to finance capital projects for the Division of Aviation, (iii) up to \$270 million of Gas Works Revenue Notes to finance working capital and capital projects for PGW, (iv) up to \$200 million of Gas Works Revenue Bonds to finance capital projects for PGW, and (v) up to \$800 million of Water and Wastewater Revenue Bonds for the Philadelphia Water Department, of which approximately \$250.7 million has been issued. For information on recent and upcoming financings, see “OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings.”

### **Short-Term Debt**

As provided in the PICA Act, the City's tax and revenue anticipation notes are general obligations of the City, but do not constitute debt of the City subject to the limitations of the Constitutional debt limit. The City does not have any tax and revenue anticipation notes outstanding. The City did not issue any tax and revenue anticipation notes in Fiscal Year 2019 nor does it expect to do so in Fiscal Year 2020. *See* "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – General Fund Cash Flow."

### **Long-Term Debt**

The following table presents a synopsis of the bonded debt of the City and its component units as of the date indicated. Of the total balance of the City's general obligation bonds issued and outstanding as of September 30, 2019, approximately 28% is scheduled to mature within five Fiscal Years and approximately 59% is scheduled to mature within ten Fiscal Years. When PICA's outstanding bonds are included with the City's general obligation bonds, approximately 61% is scheduled to mature within ten Fiscal Years.

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**Table 41**

**Bonded Debt – City of Philadelphia and Component Units  
(as of September 30, 2019)  
(Amounts in Thousands of USD)<sup>(1), (2)</sup>**

**General Obligation Debt and PICA Bonds**

General Obligation Bonds	\$1,716,945	
PICA Bonds	<u>129,745</u>	
<b>Subtotal: General Obligation Debt and PICA Bonds</b>		<b>\$1,846,690</b>

**Other General Fund-Supported Debt<sup>(3)</sup>**

Philadelphia Municipal Authority		
Juvenile Justice Center	\$82,075	
Public Safety Campus	62,480	
Energy Conservation	<u>8,410</u>	
	\$152,965	
Philadelphia Authority for Industrial Development		
Pension capital appreciation bonds	\$315,595	
Pension fixed rate bonds	761,655	
Stadiums	220,015	
Library	4,320	
Cultural and Commercial Corridor	80,655	
One Parkway	24,825	
Affordable Housing	51,150	
400 N. Broad <sup>(4)</sup>	243,983	
Art Museum	9,905	
Rebuild	<u>79,460</u>	
	\$1,791,563	
Philadelphia Parking Authority	10,160	
Philadelphia Redevelopment Authority	<u>196,755</u>	
<b>Subtotal: Other General Fund-Supported Debt</b>		<b>\$2,151,443</b>
<b>Revenue Bonds</b>		
Water Fund	\$2,228,379	
Aviation Fund <sup>(5)</sup>	1,521,240	
Gas Works <sup>(5)</sup>	<u>964,480</u>	
<b>Subtotal: Revenue Bonds</b>		<b>\$4,714,099</b>
<b>Grand Total</b>		<b><u>\$8,712,232</u></b>

<sup>(1)</sup> Unaudited; figures may not sum due to rounding.

<sup>(2)</sup> For tables setting forth a ten-year historical summary of Tax-Supported Debt of the City and the School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2018, see the Fiscal Year 2018 CAFR.

<sup>(3)</sup> The principal amount outstanding relating to the PAID 1999 Pension Obligation Bonds, Series B (capital appreciation bonds) is reflected as the accreted value thereon as of June 30, 2019.

<sup>(4)</sup> Includes (i) sublease payments of approximately \$15.2 million annually for the police headquarters renovation; and (ii) an assumption that the City issues approximately \$200 million in bonds in year nine (2026) to acquire the project at an assumed interest rate of 5% over the next 20 years.

<sup>(5)</sup> Does not include any outstanding commercial paper or short-term note issuances for the Division of Aviation or PGW, as applicable.

**Table 42**  
**City of Philadelphia**  
**Annual Debt Service on General Fund-Supported Debt**  
**(as of September 30, 2019)**  
**(Amounts in Millions of USD)<sup>(1)</sup>**

<b>Fiscal Year</b>	<b><u>General Obligation Debt<sup>(2)</sup></u></b>			<b><u>Other General Fund-Supported Debt<sup>(4), (5)</sup></u></b>			<b><u>Aggregate General Fund-Supported Debt</u></b>		
	<b><u>Principal</u></b>	<b><u>Interest<sup>(3)</sup></u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest<sup>(5)</sup></u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2020	77.12	67.79	144.91	92.60	141.52	234.12	169.72	209.31	379.04
2021	\$0.00	\$41.89	\$41.89	\$64.96	\$145.76	\$210.72	\$64.96	\$187.65	\$252.61
2022	86.73	82.46	169.19	91.74	142.54	234.28	178.46	225.00	403.47
2023	90.76	78.07	168.83	90.36	144.18	234.54	181.11	222.26	403.37
2024	96.30	73.41	169.71	128.39	106.13	234.51	224.69	179.53	404.22
2025	101.04	68.49	169.52	127.77	105.48	233.25	228.81	173.97	402.78
2026	105.94	63.35	169.28	132.95	100.31	233.25	238.88	163.66	402.54
2027	103.65	58.16	161.81	149.28	83.15	232.42	252.93	141.31	394.24
2028	108.63	52.89	161.52	170.42	58.04	228.47	279.05	110.94	389.98
2029	114.41	47.50	161.91	180.05	51.32	231.37	294.46	98.82	393.28
2030	90.36	42.64	133.00	281.74	33.55	315.28	372.10	76.19	448.29
2031	107.35	37.86	145.21	69.60	23.34	92.94	176.95	61.20	238.15
2032	113.47	32.52	145.98	73.00	19.92	92.92	186.47	52.44	238.90
2033	119.18	26.88	146.05	33.21	16.93	50.14	152.38	43.81	196.19
2034	87.72	21.83	109.54	26.22	15.50	41.72	113.94	37.32	151.26
2035	77.50	17.71	95.21	27.51	14.20	41.71	105.01	31.91	136.92
2036	64.91	14.20	79.10	28.87	12.84	41.71	93.77	27.04	120.81
2037	68.07	11.03	79.09	30.30	11.42	41.71	98.36	22.44	120.80
2038	56.21	8.02	64.23	31.80	9.92	41.71	88.01	17.94	105.94
2039	59.15	5.16	64.31	33.37	8.34	41.71	92.52	13.50	106.02
2040	41.79	2.70	44.49	23.00	6.80	29.79	64.78	9.50	74.28
2041	7.58	0.96	8.54	14.24	5.74	19.98	21.82	6.70	28.51
2042	7.93	0.61	8.54	14.94	5.03	19.97	22.87	5.65	28.51
2043	8.34	0.21	8.54	15.68	4.30	19.97	24.01	4.51	28.52
2044	0.00	0.00	0.00	16.45	3.53	19.98	16.45	3.53	19.98
2045	0.00	0.00	0.00	17.26	2.72	19.98	17.26	2.72	19.98
2046	0.00	0.00	0.00	14.04	1.86	15.90	14.04	1.86	15.90
2047	0.00	0.00	0.00	14.76	1.14	15.90	14.76	1.14	15.90
<b>Totals</b>	<b><u>\$1,716.95</u></b>	<b><u>\$788.56</u></b>	<b><u>\$2,505.50</u></b>	<b><u>\$1,917.37</u></b>	<b><u>\$1,134.37</u></b>	<b><u>\$3,051.74</u></b>	<b><u>\$3,634.31</u></b>	<b><u>\$1,922.93</u></b>	<b><u>\$5,557.24</u></b>

<sup>(1)</sup> Does not include letter of credit fees. Figures may not sum due to rounding.

<sup>(2)</sup> Includes both Tax-Supported Debt and Self-Supporting Debt. See “— General.” Does not include PICA Bonds.

<sup>(3)</sup> Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate.

<sup>(4)</sup> Includes PAID, PMA, PPA, and PRA bonds, which are supported by City contracts to pay or guarantee payment from General Fund appropriations, with capital appreciation bonds including only actual amounts payable. The original issuance amount of such capital appreciation bonds is included under the “Principal” column in the Fiscal Year such bonds mature and the full accretion amount at maturity less the original issuance amount is included in the “Interest” column in the Fiscal Year such bonds mature.

<sup>(5)</sup> Includes (i) sublease payments of approximately \$15.2 million annually for the police headquarters renovation; and (ii) an assumption that the City issues approximately \$200 million in bonds in year nine (2026) to acquire the project at an assumed interest rate of 5% over the next 20 years.

<sup>(6)</sup> Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate, plus any fixed spread. Net of capitalized interest on PAID City Service Agreement Revenue Refunding Bonds, Series 2012 (Federally Taxable).

## **Other Long-Term Debt Related Obligations**

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations, as shown in Table 41. The City budgets all other long-term debt-related obligations as a single budget item with the exception of PPA.

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia (“CCP”). Under the Community College Act (Pa. P.L. 103, No. 31 (1985)), each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of CCP, which includes debt service. The remaining 50% is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP’s operating costs (less tuition and less the Commonwealth’s payment). The amount paid by the City in Fiscal Year 2018 was \$30.4 million. The budgeted amount and current estimate for Fiscal Year 2019 is \$32.4 million. The budgeted amount for Fiscal Year 2020 is \$33.8 million.

## **PICA Bonds**

PICA has issued 11 series of bonds at the request of the City (the “PICA Bonds”). PICA no longer has authority under the PICA Act to issue bonds for new money purposes, but may refund bonds previously issued. As of September 30, 2019, the principal amount of PICA Bonds outstanding was \$129,745,000. The final maturity date for such PICA Bonds is June 15, 2023. The proceeds of the PICA Bonds were used to: (i) make grants to the City to fund its General Fund deficits, to fund all or a portion of the costs of certain City capital projects, to provide other financial assistance to the City to enhance operational productivity, and to defease certain of the City’s general obligation bonds; (ii) refund other PICA Bonds; and (iii) pay costs of issuance.

The PICA Act authorizes 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 execution of the PICA Agreement, as so authorized by the PICA Act, the City reduced the wage, earnings, and net profits taxes on City residents by 1.5% and enacted a new tax of 1.5% on wages, earnings, and net profits of City residents (the “PICA Tax”), which continues in effect. The PICA Tax secures the PICA Bonds. Pursuant to the PICA Act, at such time when no PICA Bonds are outstanding, the PICA Tax will expire. At any time, the City is authorized to increase for its own use its various taxes, including its wage, earnings, and net profits taxes on City residents and could do so upon the expiration of the PICA Tax. Certain taxes, such as sales, liquor, and hotel taxes, among others, cannot be increased by the City without Commonwealth approval.

The PICA Tax is collected by the City’s Department of Revenue, as agent of the State Treasurer, and 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. *See “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – Non-Mayoral-Appointed or Nominated Agencies – PICA.”*

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 its rate while any PICA Bonds are outstanding. PICA Bonds are payable from PICA revenues, including the PICA Tax, pledged to secure PICA's bonds, the Bond Payment Account (as described below) and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

The PICA Act 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. The State Treasurer is required to pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account. The 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, are required to be deposited in a trust fund established exclusively to benefit 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, unless PICA certifies the City's non-compliance with the then-current five-year financial plan.

The total amount of PICA Tax remitted by the State Treasurer to PICA (which is net of the costs of the State Treasurer in collecting the PICA Tax), PICA annual debt service and expenses, and net PICA tax revenue remitted to the City for Fiscal Years 2016-2018, the budgeted amounts and current estimates for Fiscal Year 2019, and the budgeted amounts for Fiscal year 2020 are set forth below.

**Table 43**  
**Summary of PICA Tax Remitted by the State Treasurer to PICA**  
**and Net Taxes Remitted by PICA to the City**  
**(Amounts in Millions of USD)<sup>(1),(2)</sup>**

<b>Fiscal Year</b>	<b>PICA Tax<sup>(3)</sup></b>	<b>PICA Annual Debt Service and Expenses<sup>(3)</sup></b>	<b>Net taxes remitted to the City<sup>(4)</sup></b>
2016 (Actual)	\$444.5	\$61.1	\$383.4
2017 (Actual)	\$469.2	\$59.7	\$409.5
2018 (Actual)	\$497.0	\$42.8	\$454.2
2019 (Adopted Budget)	\$516.0	\$47.1	\$469.0
2019 (Current Estimate)	\$521.7	\$47.1	\$474.6
2020 (Adopted Budget)	\$546.1	\$46.8	\$499.3

<sup>(1)</sup> Figures may not sum due to rounding.

<sup>(2)</sup> A variance exists between the City's calculation and reporting of both the PICA Tax and the Authority's annual debt service and expenses (as set forth in the body of this Official Statement, in this table and elsewhere in this APPENDIX B), as opposed to the Authority's calculation and reporting of similar items (as set forth in the body of this Official Statement, in APPENDIX A and in the Authority's audited financial statements for prior fiscal years). This variance is due to the City's utilization of a cash-basis accounting method in contrast to the Authority's utilization of a modified accrual accounting method based on month-to-month and year-to-year payments and receipts, which the Authority then reconciles with the Office of the City Treasurer of the City at the end of each fiscal year.

<sup>(3)</sup> Source: The City's Quarterly City Manager's Reports or the budget for the applicable Fiscal Year.

<sup>(4)</sup> Source: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Years 2019-2020, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Financial Plan, as applicable.



## OTHER FINANCING RELATED MATTERS

### Swap Information

The City has entered into various swaps related to its outstanding General Fund-Supported Debt as detailed in the following table:

**Table 44**  
**Summary of Swap Information**  
**for General Fund-Supported Debt**  
**as of September 30, 2019**

City Entity	City GO	City Lease PAID	City Lease PAID
Related Bond Series	2009B <sup>(1)</sup>	2007B-2 (Stadium) <sup>(3)</sup>	2007B-2 (Stadium) <sup>(4)</sup>
Initial Notional Amount	\$313,505,000	\$217,275,000	\$72,400,000
Current Notional Amount	\$100,000,000	\$54,303,091	\$18,096,909
Termination Date	8/1/2031	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	SIFMA	SIFMA
Rate Paid by City Entity	3.83%	3.97%	3.97%
Dealer	Royal Bank of Canada	JPMorgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc
Fair Value <sup>(2)</sup>	(\$24,166,204)	(\$9,714,411)	(\$3,235,966)
Additional Termination Events	<p><u>For Dealer:</u> Rating change below BBB- or Baa3</p> <p><u>For City:</u> Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)</p>	<p><u>For Dealer:</u> Rating change below BBB- or Baa3</p> <p><u>For PAID:</u> Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)</p>	<p><u>For Dealer:</u> Rating change below BBB- or Baa3</p> <p><u>For PAID:</u> Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)</p>

<sup>(1)</sup> On July 28, 2009, the City terminated a portion of the swap in the amount of \$213,505,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2009A fixed rate bonds and the Series 2009B variable rate bonds. The City made a termination payment of \$15,450,000.

<sup>(2)</sup> Fair values are as of September 30, 2019, and are shown from the City's perspective and include accrued interest.

<sup>(3)</sup> On July 15, 2014, PAID terminated a portion of the swap in the amount of \$41,555,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of \$4,171,000 to JPMorgan. On September 11, 2019, PAID terminated a portion of the swap in the amount of \$33,455,654 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 bonds. PAID made a termination payment of \$6,051,000 to JPMorgan.

<sup>(4)</sup> On July 15, 2014, PAID terminated a portion of the swap in the amount of \$13,840,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of \$1,391,800 to Merrill Lynch. On September 11, 2019, PAID terminated a portion of the swap in the amount of \$11,149,346 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 bonds. PAID made a termination payment of \$1,998,000 to Merrill Lynch.

While the City is party to several interest rate swap agreements, for which there is General Fund exposure and on which the swaps currently have a negative mark against the City, the City has no obligation to post collateral on these swaps while the City's underlying ratings are investment grade.

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, the Water Department, and the Division of Aviation, see the Fiscal Year 2018 CAFR. In addition, PICA has entered into swaps, which are detailed in the Fiscal Year 2018 CAFR.

### **Swap Policy**

The City has adopted a swap policy for the use of swaps, caps, floors, collars and other derivative financial products (collectively, “swaps”) in conjunction with the City’s debt management. The swap program managed by the City includes swaps related to the City’s general obligation bonds, tax-supported service contract debt issued by related authorities, debt of the Water Department, Division of Aviation, and debt of PGW. Swaps related to debt of the PICA, the School District, and the PPA are managed by those governmental entities, respectively.

The Director of Finance has overall responsibility for entering into swaps. Day-to-day management of swaps is the responsibility of the City Treasurer, and the Executive Director of the Sinking Fund Commission is responsible for making swap payments. The Office of the City Treasurer and the City Solicitor’s Office coordinate their activities to ensure that all swaps that are entered into are in compliance with applicable federal, state, and local laws.

The swap policy addresses the circumstances when swaps can be used, the risks that need to be evaluated prior to entering into swaps and on an ongoing basis after swaps have been executed, the guidelines to be employed when swaps are used, and how swap counterparties will be chosen. The swap policy is used in conjunction with the City’s Debt Management Policy, reviewed annually, and updated as needed.

Under the swap policy, permitted uses of swaps include: (i) managing the City’s exposure to floating interest rates through interest rate swaps, caps, floors and collars; (ii) locking in fixed rates in current markets for use at a later date through the use of forward starting swaps and rate locks; (iii) reducing the cost of fixed or floating rate debt through swaps and related products to create “synthetic” fixed or floating rate debt; and (iv) managing the City’s credit exposure to financial institutions and other entities through the use of offsetting swaps.

Since swaps can create exposure to the creditworthiness of financial institutions that serve as the City’s counterparties on swap transactions, the City has established standards for swap counterparties. As a general rule, the City enters into transactions with counterparties whose obligations are rated in the A rated category or better from two nationally recognized rating agencies. If counterparty’s credit rating is below the double-A rating category, the swap policy requires that the City’s exposure be collateralized. If a counterparty’s credit is downgraded below the A category, even with collateralization, the swap policy requires a provision in the swap permitting the City to exercise a right to terminate the transaction prior to its scheduled termination date.

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## Letter of Credit Agreements

The City has entered into various letter of credit agreements related to its General Fund-Supported Debt as detailed in the table below. Under the terms of such letter of credit agreements, following a purchase of the applicable bonds, the City may be required to amortize such bonds more quickly than as originally scheduled at issuance.

**Table 45**  
**Summary of Letter of Credit Agreements**  
**for General Fund-Supported Debt**  
**as of September 30, 2019**

<b>Variable Rate Bond Series</b>	<b>Amount Outstanding</b>	<b>Bond Maturity Date</b>	<b>Provider</b>	<b>Expiration Date</b>	<b>Rating Thresholds <sup>(1)</sup></b>
General Obligation Multi-Modal Refunding Bonds, Series 2009B	\$100,000,000	August 1, 2031	Barclays Bank PLC	May 24, 2023	The long-term rating assigned by any one of the rating agencies to any unenhanced long-term parity debt of the City is (i) withdrawn or suspended for credit-related reasons or (ii) reduced below investment grade.
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-2	\$72,400,000	October 1, 2030	TD Bank	May 29, 2024	The long-term ratings assigned by at least two of the rating agencies to any unenhanced general obligation bonds of the City is (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below investment grade.

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<sup>(1)</sup> The occurrence of a Rating Threshold event would result in an event of default under the reimbursement agreement with the related bank.

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## Recent and Upcoming Financings

*Recent Financings.* The following is a list of financings that the City has entered into since January 1, 2019.

- In September 2019, PAID issued \$147,615,000 in Lease Revenue Refunding Bonds for the benefit of the City.
- In August 2019, the City issued \$293,360,000 in General Obligation Bonds.
- In August 2019, the City issued \$250,660,000 in Water and Wastewater Revenue Bonds.
- In May 2019, the City issued \$188,660,000 in General Obligation Refunding Bonds.
- In February 2019, the City issued \$68,335,000 in Water and Wastewater Revenue Refunding Bonds.

*Upcoming Financings.*

- In November 2019, the City expects to issue approximately \$111 million in General Obligation Refunding Bonds.
- In October 2020, the City expects to issue approximately \$128 million in Water and Wastewater Revenue Refunding Bonds pursuant to a Forward Delivery Bond Purchase Agreement signed in February 2019.

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## CITY CAPITAL PROGRAM

As part of the annual budget process, the Mayor submits for approval a six-year capital program to City Council, together with the proposed operating budget. For more information on the City's budget process, see "DISCUSSION OF FINANCIAL OPERATIONS – Budget Procedure."

### Certain Historical Capital Expenditures

Table 46 shows the City's historical expenditures for Fiscal Years 2014-2018 for certain capital purposes, including expenditures for projects related to transit, streets and sanitation, municipal buildings, recreation, parks, museums, and stadia, and economic and community development. The source of funds used for such expenditures are primarily general obligation bond proceeds, but also include federal, state, private, and other government funds and operating revenue. Figures in the table below are generated after the Fiscal Year closes and may not sum due to rounding.

**Table 46**  
**Historical Expenditures for Certain Capital Purposes**  
**Fiscal Years 2014-2018**

<b>Purpose Category</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Transit	\$ 2,168,224	\$ 1,283,307	\$ 3,223,431	\$ 378,229	\$ 7,284,978
Streets & Sanitation	46,806,225	63,612,248	76,350,266	43,772,678	27,626,173
Municipal Buildings	35,579,152	53,419,449	50,653,561	45,002,188	75,096,668
Recreation, Parks, Museums & Stadia	17,787,234	29,875,633	35,963,360	37,323,288	61,839,958
Economic & Community Development	<u>11,839,066</u>	<u>12,714,468</u>	<u>16,176,644</u>	<u>4,570,196</u>	<u>18,288,380</u>
<b><u>TOTAL</u></b>	<b><u>\$114,179,901</u></b>	<b><u>\$160,905,105</u></b>	<b><u>\$182,367,262</u></b>	<b><u>\$131,046,579</u></b>	<b><u>\$190,136,157</u></b>

Table 47 shows the City's historical expenditures for Fiscal Years 2014-2018 for certain capital purposes from general obligation bond proceeds only and the percentage of the total costs covered by such proceeds in such Fiscal Years. Figures in the table below are generated after the Fiscal Year closes and may not sum due to rounding.

**Table 47**  
**Historical Expenditures for Certain Capital Purposes**  
**(General Obligation Bond Proceeds Only)**  
**Fiscal Years 2014-2018**

<b>Purpose Category</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Transit	\$ 2,168,224	\$ 1,274,467	\$ 3,223,431	\$ 414,434	\$ 7,227,880
Streets & Sanitation	18,642,621	24,887,488	23,963,058	21,952,654	19,601,019
Municipal Buildings	27,936,597	47,163,418	40,036,844	43,400,701	70,850,458
Recreation, Parks, Museums & Stadia	15,838,047	25,494,778	25,364,901	29,135,962	54,534,870
Economic & Community Development	<u>11,816,222</u>	<u>12,714,468</u>	<u>12,474,164</u>	<u>4,570,196</u>	<u>18,288,380</u>
<b><u>TOTAL</u></b>	<b><u>\$76,401,711</u></b>	<b><u>\$111,534,619</u></b>	<b><u>\$105,062,398</u></b>	<b><u>\$99,473,947</u></b>	<b><u>\$170,502,607</u></b>
<b>Percentage of Total Costs</b>	<b>67%</b>	<b>69%</b>	<b>58%</b>	<b>76%</b>	<b>90%</b>

## Fiscal Year 2020-2025 Adopted Capital Program

The Fiscal Year 2020-2025 Adopted Capital Program contemplates a total budget of \$10.85 billion. In the Fiscal Year 2020-2025 Adopted Capital Program, approximately \$3.35 billion is expected to be provided from federal, Commonwealth, and other sources and approximately \$7.50 billion through City funding. The following table shows the amounts budgeted each year from various sources of funds for capital projects in the Fiscal Year 2020-2025 Adopted Capital Program.

**Table 48**  
**Fiscal Year 2020-2025 Adopted Capital Program**  
**(Amounts in Thousands of USD)**

Funding Source	2020	2021	2022	2023	2024	2025	2020-2025
<b>City Funds--Tax Supported</b>							
Carried-Forward Loans	\$374,386	-	-	-	-	-	\$374,386
Operating Revenue	121,088	\$12,200	\$12,200	\$12,200	\$12,200	\$1,700	171,588
New Loans	177,171	198,425	198,955	198,610	177,086	178,236	1,128,483
Prefinanced Loans	24,226	-	-	-	-	-	24,226
PICA Prefinanced Loans	4,279	-	-	-	-	-	4,279
<b>Tax Supported Subtotal</b>	<b>\$701,150</b>	<b>\$210,625</b>	<b>\$211,155</b>	<b>\$210,810</b>	<b>\$189,286</b>	<b>\$179,936</b>	<b>\$1,702,962</b>
<b>City Funds--Self Sustaining</b>							
Self-Sustaining Carried Forward Loans	\$374,292	-	-	-	-	-	\$374,292
Self-Sustaining Operating Revenue	150,654	\$73,163	\$72,611	\$77,816	\$84,594	\$82,630	541,468
Self-Sustaining New Loans	616,820	699,344	1,029,537	952,450	749,103	746,741	4,793,995
<b>Self-Sustaining Subtotal</b>	<b>\$1,141,766</b>	<b>\$772,507</b>	<b>\$1,102,148</b>	<b>\$1,030,266</b>	<b>\$833,697</b>	<b>\$829,371</b>	<b>\$5,709,755</b>
<b>Other City Funds</b>							
Revolving Funds	\$17,000	\$17,000	\$15,000	\$13,000	\$13,000	\$13,000	\$88,000
<b>Other Than City Funds</b>							
Carried-Forward Other Government	\$8,384	-	-	-	-	-	\$8,384
Other Government Off Budget	1,206	\$1,285	\$1,526	\$1,466	\$1,494	\$1,586	8,563
Other Governments/Agencies	20,665	2,100	2,100	100	100	100	25,165
Carried-Forward State	124,313	-	-	-	-	-	124,313
State Off Budget	172,976	197,827	195,919	198,362	195,513	190,688	1,151,285
State	118,148	40,697	39,907	35,430	35,441	43,458	313,081
Carried-Forward Private	112,506	-	-	-	-	-	112,506
Private	73,002	65,953	65,168	62,558	61,902	45,705	374,288
Carried-Forward Federal	212,758	-	-	-	-	-	212,758
Federal Off-Budget	103,494	5,524	80,161	20,633	16,000	8,800	234,612
Federal	212,670	120,777	94,069	110,243	111,992	135,935	785,686
<b>Other Than City Funds Subtotal</b>	<b>\$1,160,122</b>	<b>\$434,163</b>	<b>\$478,850</b>	<b>\$428,792</b>	<b>\$422,442</b>	<b>\$426,272</b>	<b>\$3,350,641</b>
<b>TOTAL</b>	<b>\$3,020,038</b>	<b>\$1,434,295</b>	<b>\$1,807,153</b>	<b>\$1,682,868</b>	<b>\$1,458,425</b>	<b>\$1,448,579</b>	<b>\$10,851,358</b>

## LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Division of Aviation, and PGW, which are paid out of their respective funds or revenues and only secondarily out of 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 on damages has been upheld by the Pennsylvania appellate courts, including in the recent decision of the Supreme Court of Pennsylvania in *Zauflik v. Pennsbury School District*, 104 A.3d 1096 (2014). Under Pennsylvania Rule of Civil Procedure 238, delay damages are not subject to the \$500,000 limitation. The limit on damages is inapplicable to any suit against the City that does not arise under state tort law, such as claims made against the City under federal civil rights laws.

### General Fund

The following table presents the City’s aggregate losses from settlements and judgments paid out of the General Fund for Fiscal Years 2016-2018, and the budgeted amounts for Fiscal Years 2019 and 2020.

**Table 49**  
**Aggregate Losses – General and Special Litigation Claims (General Fund)**  
**Fiscal Years 2016-2018 (Actual) and 2019-2020 (Budget)**  
**(Amounts in Millions of USD)**

	Actual 2016	Actual 2017	Actual 2018	Budget 2019	Budget 2020
Aggregate Losses	\$41.2	\$38.3	\$44.6	\$48.8	\$49.2

Sources: The City, Office of Budget and Program Evaluation – Budget Bureau, Indemnity Account, Status Reports.

The current estimate of settlements and judgments from the General Fund for Fiscal Year 2019 is \$48.8 million. Such estimate is based on internal calculations using (i) the “Possible Costs” listed in its Quarterly Litigation Reports, (ii) the 3-year average cost for closed cases, and (iii) current year-to-date spending reports.

Based on the Twenty-Eighth Five-Year Plan, the City expects settlements and judgments from the General Fund for Fiscal Years 2020-2024 to range from \$49.2 million in Fiscal Year 2020 to \$48.8 million in Fiscal Year 2024.

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.

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 General Fund. These proceedings involve: (i) 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; (ii) contract disputes and other commercial litigation; (iii) union arbitrations and other employment-related litigation; (iv) potential and certified class action suits; and (v) civil rights litigation. The ultimate outcome and fiscal impact,

if any, on the General Fund of the claims and proceedings described in this paragraph are not currently predictable. See Note IV.8. to the Fiscal Year 2018 CAFR, “Contingencies – Primary Government – Claims and Litigation”.

In addition, see “REVENUES OF THE CITY – Real Property Taxes,” for a discussion of litigation relating to the reassessment of commercial property in tax year 2018.

**Water Fund**

Various claims 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 following table presents the Water Department’s aggregate losses from settlements and judgments paid out of the Water Fund for Fiscal Years 2016-2018, and the budgeted amounts for Fiscal Years 2019 and 2020. The current estimate for Fiscal Year 2019 is \$3.5 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

**Table 50**  
**Aggregate Losses – General and Special Litigation Claims (Water Fund)**  
**Fiscal Years 2016-2018 (Actual) and 2019-2020 (Budget)**  
**(Amounts in Millions of USD)**

	Actual 2016	Actual 2017	Actual 2018	Budget 2019	Budget 2020
Aggregate Losses	\$5.4	\$7.0	\$6.3	\$8.5	\$7.5

Sources: The City, Office of Budget and Program Evaluation – Budget Bureau, Indemnity Account, Status Reports.

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## Aviation Fund

Various claims have been asserted against the Division of Aviation and in some cases lawsuits have been instituted. Many of these Division of Aviation claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Division of Aviation. The following table presents the Division of Aviation's aggregate losses from settlements and judgments paid out of the Aviation Fund for Fiscal Years 2016-2018, and the budgeted amounts for Fiscal Years 2019 and 2020. The current estimate for Fiscal Year 2019 is \$1.9 million. The Aviation Fund is the first source of payment for any of the claims against the Division of Aviation.

**Table 51**  
**Aggregate Losses – General and Special Litigation Claims (Aviation Fund)**  
**Fiscal Years 2016-2018 (Actual) and 2019-2020 (Budget)**

	Actual 2016	Actual 2017	Actual 2018	Budget 2019	Budget 2020
Aggregate Losses	\$1.3 million	\$1.6 million	\$1.1 million	\$2.5 million	\$2.5 million

Sources: The City, Office of Budget and Program Evaluation – Budget Bureau, Indemnity Account, Status Reports.

## PGW

Various claims have been asserted against PGW and in some cases lawsuits have been instituted. Many of these PGW claims have been reduced to judgment or otherwise settled in a manner requiring payment by PGW. The following table presents PGW's settlements and judgments paid out of PGW revenues, with accompanying reserve information, in PGW Fiscal Years 2014 through 2018. PGW revenues are the first source of payment for any of the claims against PGW. PGW currently estimates approximately \$6.0 million and \$3.1 million in settlements and judgments for PGW Fiscal Years 2019 and 2020, respectively.

**Table 52**  
**Claims and Settlement Activity (PGW)**  
**PGW Fiscal Years 2014-2018**  
**(Amounts in Thousands of USD)**

Fiscal Year (ending August 31)	Beginning of Year Reserve	Current Year Claims and Adjustments	Claims Settled	End of Year Reserve	Current Liability Amount
2014	\$10,411	\$2,498	(\$2,965)	\$9,944	\$4,728
2015	\$9,944	\$3,610	(\$2,042)	\$11,512	\$5,011
2016	\$11,512	\$2,022	(\$3,041)	\$10,493	\$5,307
2017	\$10,493	\$6,681	(\$2,797)	\$14,377	\$4,627
2018	\$14,377	\$2,910	(\$3,223)	\$14,064	\$6,100

Source: PGW's audited financial statements.

## APPENDIX C

### City of Philadelphia Socioeconomic Information<sup>1</sup>

#### INTRODUCTION

The City of Philadelphia (the “City” or “Philadelphia”) is the sixth largest city in the nation by population, and is at the center of the United States’ eighth largest metropolitan statistical area, according to 2018 estimates. The Philadelphia MSA (further described below) includes a substantial retail sales market, as well as a diverse network of business suppliers and complementary industries. Some of the City’s top priorities include attracting and retaining knowledge workers, increasing educational attainment and employment skills among Philadelphians, attracting real estate development, and promoting Philadelphia as a desirable location for business.

According to the 2010 U.S. Census, the City increased its population by 0.7% to 1.53 million residents in the ten years from 2000 to 2010, ending six decades of population decline. Although the increase was modest, it was an indicator of more recent growth and development in Philadelphia. From 2010 to 2018, the City increased its population by 3.6% to 1.584 million residents. As described below, the 20 to 34 year-old age group is the largest age group in Philadelphia and the fastest growing.

Philadelphia’s recent population and job growth, the latter of which outpaced the national average for the past three years, is expected to provide additional resources to tackle the City’s largest challenges. These challenges include underfunded pension liabilities, low estimated General Fund balances in Fiscal Years 2020-2024, high rates of poverty, and the School District of Philadelphia’s (the “School District”) ongoing fiscal challenges. Given the population shifts and economic development taking place nationwide, coupled with the City’s strategic geographical location, relative affordability, diversified economy, cultural and recreational amenities, and its growing strength in key industries, Philadelphia is well-positioned to attract new businesses and investment over the coming years.

#### Geography

The City has an area of approximately 134 square miles, and is located along the southeastern border of the Commonwealth of Pennsylvania (the “Commonwealth”), at the confluence of the Delaware and Schuylkill Rivers. The City, highlighted in orange in Figure 1, lies at the geographical and economic center of the MSA and PMSA (described below). Philadelphia is both the largest city and the only city of the first class in the Commonwealth, and is coterminous with the County of Philadelphia.

*Philadelphia Metropolitan Statistical Area (the “MSA”)*, highlighted in blue in Figure 1, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing an area of approximately 5,118 square miles with approximately 6,096,372 residents according to 2018 estimates by the U.S. Census Bureau.<sup>2</sup>

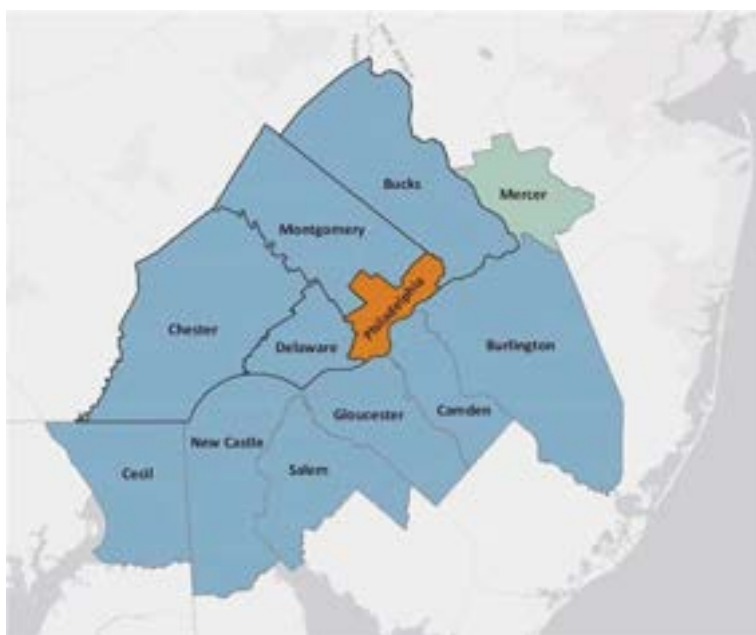
*Philadelphia Primary Metropolitan Statistical Area (the “PMSA”)*, highlighted with bold black outlines, in Figure 1, is a five-county area within the MSA that lies in the Commonwealth and is sometimes called the Philadelphia Metropolitan Division. The counties of Bucks, Chester, Delaware, and Montgomery are referred to as the Suburban PMSA herein.

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<sup>1</sup> Unless otherwise noted, all information contained in this Appendix C is current as of December 31, 2018.

<sup>2</sup> Due to its close proximity and impact on the region’s economy, Mercer County, New Jersey, highlighted in green in Figure 1, is included in the MSA by many regional agencies, although it is not included in the area defined by the U.S. Office of Management and Budget.

**Figure 1**  
**Map of Philadelphia Region including the MSA, PMSA, and Mercer County, NJ**



Source: 2009 TIGER County Shapefiles

### **Strategic Location**

Philadelphia is at the center of the fourth largest MSA on the East Coast, and is served by a robust transportation infrastructure, including: the Philadelphia International Airport, Amtrak's Northeast Corridor rail service, major interstate highway access, regional train service provided by Southeastern Pennsylvania Transportation Authority ("SEPTA") and New Jersey's PATCO (as defined herein), and the Port of Philadelphia. Due to the transportation infrastructure centered in the City, Philadelphia is accessible to regional and international markets, and is within a day's drive of 50% of the nation's population. Philadelphia's central location along the East Coast, an hour from New York City and less than two hours from Washington, D.C. by high-speed rail, also allows for convenient access to these significant economic centers.

### **Population and Demographics**

Philadelphia is the nation's sixth most populous city, with 1.584 million residents, based on 2018 estimates. The 2000 and 2010 U.S. Census reflect the City's first population gain in 60 years. The City's population reached its nadir in 2006 with 1.45 million residents. Philadelphia's population has increased by 135,744 residents from 2006 – 2018, or by 8.57%.

From 2006 to 2018, the share of the population represented by citizens age 20 to 34 ("millennials") grew from 20% to 26.2%, becoming the largest share of Philadelphia's population. This demographic group tends to be better educated than the City's and the nation's adult population as a whole. In 2017, 42.8% of 25- to 34-year-olds in Philadelphia held a bachelor's degree or higher, while only 34.4% of 25 to 34-year-olds in the United States were college graduates. The City's many universities and diverse employment opportunities are likely draws for residents in the 20 to 34 age group. In addition to an increase in the millennial population, the City's immigrant population also grew significantly, with the City's Asian population increasing from 4.9% to 7.1% and the Hispanic or Latino population increasing from 8.5% to 14.1% between 2000 to 2017, according to the US Census Bureau.

**Table 1**  
**Population: City, MSA, Pennsylvania & Nation**

	1990	2000	2010	2018	Percent Change 2000 - 2010	Percent Change 2010 - 2018
<b>Philadelphia</b>	1,585,577	1,517,550	1,528,427	1,584,138	0.7%	3.6%
<b>Philadelphia-Camden- Wilmington MSA</b>	5,435,468	5,687,147	5,972,049	6,096,372	5.0%	2.1%
<b>Pennsylvania</b>	11,881,643	12,281,054	12,712,343	12,807,060	3.5%	0.7%
<b>United States</b>	248,709,873	281,421,906	309,348,193	327,167,434	9.9%	5.8%

Source: U.S. Census Bureau, Population Estimates 2018, Census 2010, Census 2000, Census 1990.

Nearly 18% of Philadelphia's population is school-aged (aged 5-19), and in 2017, Philadelphia exceeded many selected peer cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Selected peer cities (as shown in Table 2) reflect characteristics consistent with Philadelphia, such as geography, socio-economic statistics, industrial legacies, or port facilities. Among these cities, while Boston had the highest percentage of its population enrolled in higher education, Philadelphia had 34,634 more students enrolled in higher education than Boston. Philadelphia had the fifth highest percentage of its population enrolled in higher education and the fifth largest university student population.

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**Table 2**  
**2017 Total Number of Students, as a Percent of Total Population of Selected Cities,**  
**Ranked by Total Number of Students Enrolled in Higher Education**

<b>City</b>	<b>Total Number of Students Enrolled in School (all years)</b>	<b>Total Number of Students Enrolled in Higher Education</b>	<b>Percent of All Students Enrolled in Higher Education</b>	<b>Percent of Total Population Enrolled in Higher Education</b>
Los Angeles, CA	2,704,769	876,163	32.4%	8.7%
Chicago, IL	690,284	225,179	32.6%	8.3%
Houston, TX	594,916	160,307	26.9%	6.9%
San Diego	377,644	153,541	40.7%	10.8%
<b>Philadelphia, PA</b>	<b>403,818</b>	<b>139,910</b>	<b>34.6%</b>	<b>8.8%</b>
San Antonio, TX	407,331	115,941	28.5%	7.6%
Boston, MA	191,254	105,276	55.0%	15.2%
Phoenix, AZ	418,062	94,858	22.7%	5.8%
Washington, DC	166,054	74,577	44.9%	10.7%
Milwaukee, WI	257,495	74,548	29.0%	7.9%
Baltimore, MD	156,859	55,879	35.6%	9.0%
Detroit, MI	179,090	45,743	25.5%	6.8%
Memphis, TN	168,364	45,284	26.9%	6.9%
Cleveland, OH	98,425	27,645	28.1%	7.2%
United States	81,751,797	22,848,124	27.9%	7.0%

Source: 2017 American Community Survey, 1-Year Estimates.

## ECONOMIC BASE AND EMPLOYMENT

### The Philadelphia Economy

The City's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major regional business and personal services center with strengths in insurance, law, finance, health, education, utilities, and the arts. The City also provides a destination for entertainment, arts, dining and sports for residents of the suburban counties, as well as for those residents of the counties comprising the MSA plus Mercer County, New Jersey.

As shown in Table 10, the cost of living in the City is relatively moderate and affordable compared to other major metropolitan areas along the East Coast. For example, Philadelphia's cost of living is 20% less than the Washington D.C. metropolitan area and 61% less than Manhattan. The City, as the commercial center of an MSA of 6.1 million people, offers its business community access to a large, diverse, and industrious labor pool. As one of country's education centers, these businesses also enjoy access to a large pool of recent graduates from the institutions of higher education in the MSA.

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## Key Industries

Table 3 provides location quotients for Philadelphia's most concentrated industry sectors. Location quotients quantify how concentrated a particular industry is in a region as compared to a base reference area, usually the nation. A location quotient greater than 1.00 indicates an industry with a greater share of the local area employment than is the case in the reference area.

As shown in Table 3, compared to the nation, Philadelphia County has higher concentrations in seven sectors: 1. educational services; 2. health care and social assistance; 3. management of companies and enterprises; 4. arts, entertainment, and recreation; 5. professional and technical services; 6. other services, except public administration; and 7. finance and insurance.<sup>3</sup> Of these seven sectors, the City has a higher concentration of employment than the Commonwealth in five sectors: educational services; health care and social assistance; arts, entertainment and recreation; professional and technical services; and other services, except public administration.

**Table 3**  
**Ratio of Philadelphia County and Pennsylvania Industry Concentrations**  
**Compared to the United States**

Industry	Philadelphia County to the US	Pennsylvania to the US
Educational Services	4.31	1.57
Health Care and Social Assistance	1.76	1.3
Management of Companies and Enterprises	1.14	1.45
Arts, Entertainment, and Recreation	1.16	1.03
Professional and Technical Services	1.19	0.95
Other Services, Except Public Administration	1.13	1.11
Finance and Insurance	1.07	1.09

Source: Bureau of Labor Statistics: 2018 Annual Average Employment Location Quotient, Quarterly Census of Employment and Wages

The concentration of educational services not only provides stable support to the local economy, but also generates a steady and educated workforce, fueling the City's professional services and healthcare industries. As of 2018, there were 118,580 Philadelphia residents between the ages of 25 and 34 with college degrees, and a 2019 Campus Philly report found that 54% of recent graduates in the Greater Philadelphia area have remained in the area, outpacing the retention rate of Boston (42%).

The City is also capitalizing on the region's assets to become a leader in research generated by life sciences and educational institutions. Several sites now foster life science incubator facilities, including University City Science Center, University of Pennsylvania ("Penn"), and Drexel University. University Place Associates (UPA) and the Wistar Institute have recently announced a strategic collaboration to curate a 240,000 square foot building to be dedicated to supporting the life sciences industry with state-of-the-art laboratory/office space in the heart of Philadelphia's University City District. It is expected to be completed early 2021. Johnson & Johnson utilizes Pennovation Works as the site for JPOD, an interactive, high-tech conference space. Announced in June 2019, Pennovation Works is to enter its next phase with a \$35 million project to renovate the existing building into lab-related space. The four-story, 73,400-square-foot structure will have 35,000 square feet of wet lab, office and flex space. It is expected to be completed August 2020. Penn's Penn Center for Innovation and Temple University's Office of Technology Development and Commercialization are two of several organizations driving tech transfer and commercialization of innovations developed at Philadelphia's major research institutions. The Cambridge Innovation Center occupies part of City

<sup>3</sup> The Bureau of Labor Statistics ("BLS") defines the "Other Services" (except Public Administration) sector as establishments engaged in providing services not specifically provided for elsewhere in the BLS classification system, such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, providing dry cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

Square, which includes state-of-the-art wet lab and shared working space. The project expanded the one million square feet in facilities offered by the University City Science Center to 6 million square feet, with a projected investment of over \$1 billion. It is expected to be completed in 2027.

## Employment

Table 4 shows non-farm payroll employment in the City over the last decade by industry sectors. In the past 10 years, growth has occurred in Mining, Logging, and Construction; Trade, Transportation, and Utilities; Professional and Business Services; Education and Health Services; Leisure and Hospitality and Other Services. These sectors provide stability to the City's overall economy.

**Table 4**  
**Philadelphia Non-Farm Payroll Employment<sup>(1)</sup> (Amounts in Thousands)**

<b>Sector</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>% Change 2009- 2018</b>
Education and health services	199.5	202.4	206.6	208.4	209.7	213.2	217.3	223.8	230.2	238.2	19.4%
Professional and business services	80.4	81.9	83.3	84.4	86.7	88.6	91.2	95.2	97.4	99.6	23.9%
Trade, transportation, and utilities	85.8	86.5	87.3	88.8	89.4	90.9	92.1	92.5	92.3	92.8	8.2%
Leisure and hospitality	56.9	58.4	60.6	63.2	64.8	66.9	68.5	70.8	73.1	74.3	30.6%
Financial activities	44.9	42.6	41.6	41.0	41.1	41.7	42.3	42.4	41.6	42.5	-5.3%
Other services	26.6	26.5	26.4	26.8	26.9	26.8	27.1	27.8	27.8	28.3	6.4%
Manufacturing	25.7	24.7	23.7	22.9	21.8	21.5	21.0	20.5	20.2	19.9	-22.6%
Mining, logging, and construction	10.1	10.0	10.0	10.2	10.4	11.0	11.5	12.0	12.1	12.6	24.8%
Information	12.6	12.2	12.0	12.0	11.5	11.5	11.8	11.6	11.6	12.1	-4.0%
<i>Private Sector Total</i>	<i>542.5</i>	<i>545.2</i>	<i>551.5</i>	<i>557.7</i>	<i>562.3</i>	<i>572.1</i>	<i>582.8</i>	<i>596.6</i>	<i>606.3</i>	<i>620.3</i>	<i>14.3%</i>
Government	110.4	112.1	109.0	105.3	103.5	102.2	101.6	101.3	102.2	103.7	-6.1%
<b>Total</b>	<b>652.9</b>	<b>657.4</b>	<b>660.4</b>	<b>662.9</b>	<b>665.9</b>	<b>674.3</b>	<b>684.4</b>	<b>698.0</b>	<b>708.6</b>	<b>724.0</b>	<b>10.9%</b>

Source: Bureau of Labor Statistics, 2018.

<sup>1</sup>Includes person employed within the City, without regard to residency.

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**Table 5**  
**Philadelphia Change in Share of Employment Sectors, Ranked by Percent Change of Share**

Sector	Share of Total Employment 2009	Share of Total Employment 2018	Change 2009-2018
Education and health services	30.6%	32.9%	2.3%
Leisure and hospitality	8.7%	10.3%	1.5%
Professional and business services	12.3%	13.8%	1.4%
Mining, logging, and construction	1.5%	1.7%	0.2%
Other services	4.1%	3.9%	-0.2%
Information	1.9%	1.7%	-0.3%
Trade, transportation, and utilities	13.1%	12.8%	-0.3%
Financial activities	6.9%	5.9%	-1.0%
Manufacturing	3.9%	2.7%	-1.2%
Government	16.9%	14.3%	-2.6%

Source: Bureau of Labor Statistics, 2018.

<sup>1</sup> Includes persons employed within the City, without regard to residency.

Bureau of Labor Statistics data show that in 2018, the Education and Health Services, Professional and Business Services, Financial Activities, and Leisure and Hospitality sectors collectively represented 62.9% of total employment in the City for the year. From 2009 to 2018, Philadelphia gained 77,800 private sector jobs. Job growth in Philadelphia has outpaced the rest of the nation for the past three years, and the employment rate is the highest in decades.

## Unemployment

Although Philadelphia has recently narrowed the gap between its unemployment levels and the national unemployment levels, the effects of the recession on unemployment endured longer in Philadelphia than in many other parts of the country.

As shown in Table 6, employment gains in the latter part of 2013 through 2018 have resulted in a decline in Philadelphia's unemployment rate from a high of 10.9% in 2012 to 5.5% in 2018.

Table 6 below shows unemployment information for Philadelphia, the MSA, the Commonwealth and the United States.

**Table 6**  
**Unemployment Rate in Selected Geographical Areas**  
**(Annual Average 2009-2018)**

Geographical Area	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Change in rate from 2009-2018
United States	9.3	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.4	3.9	-5.4
Pennsylvania	8.0	8.5	7.9	7.8	7.4	5.9	5.3	5.4	4.9	4.3	-3.7
Philadelphia-Camden-Wilmington MSA	8.3	8.8	8.5	8.4	7.8	6.2	5.4	5.1	4.7	4.2	-4.1
Philadelphia	9.7	10.6	10.7	10.9	10.3	8.1	7.1	6.8	6.2	5.5	-4.2

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics, 2018.



## Principal Private Sector Employers in the City

Table 7 lists the 20 largest private employers that are based in Philadelphia. Penn and Thomas Jefferson University and Jefferson Health top this list. Other sectors represented include food services, bio-tech, and broadcasting/cable.

Fortune 500 companies headquartered or maintaining a major presence in Philadelphia include the Comcast Corporation and the Aramark Corporation. As of early 2018, Crown Holdings Inc. was located in Philadelphia, but has recently relocated its headquarters to Bucks County. Two Fortune 1000 companies are also headquartered within the City: FMC Corporation and Urban Outfitters Inc.

**Table 7**  
**Largest Private Employers Based in Philadelphia**  
**Ranked by Number of Local Employees, 2019**

<b>Employer</b>	<b>Local Employees</b>
University of Pennsylvania	40,697
Thomas Jefferson University and Jefferson Health	30,000
Comcast Corporation	12,349
Drexel University	12,124
Temple University Health System	9,808
Einstein Healthcare Network	8,645
Wells Fargo Bank	6,328
Independence Health Group	6,116
Accenture	2,730
PwC	1,900
Deloitte LLP	1,750
Community College of Philadelphia	1,700
SugarHouse Casino	1,520
Cardone Industries	1,400
Ernst & Young LLP	1,378
Saint Joseph's University	1,374
Day & Zimmerman	1,243
KPMG	1,181
CareersUSA	1,175
Jacobs	1,094
<b>Total</b>	<b>144,512</b>

Source: Philadelphia Business Journal, 2019

Certain Other Employers in the City. On June 30, 2019, Philadelphia Academic Health System, LLC ("PAHS"), the parent company of Hahnemann University Hospital and St. Christopher's Hospital for Children, and certain of its subsidiaries and related physician practices, filed for bankruptcy. Through the bankruptcy process, it is expected that Hahnemann University Hospital will close and St. Christopher's Hospital for Children will be sold or have its debt restructured. On July 1, 2019, Hahnemann University Hospital began a wind down of its operations; final closing is expected on or before September 6. Hahnemann University Hospital has approximately 496 beds and 2,500 employees, while St. Christopher's Hospital for Children has approximately 88 pediatric beds and 1,900 employees.

In late June 2019, Philadelphia Energy Solutions announced that it will be shutting down its South Philadelphia refinery following an explosion and fire on June 21, 2019, which resulted in significant damage to the refinery complex. The closure is expected to impact more than 1,000 employees. The City does not expect to incur any costs related to cleaning up the refinery complex or any associated environmental remediation. Preliminary investigations by the City have not revealed any threats to the City's water supply as a result of the explosion and fire at the refinery complex.

## Hospitals and Medical Centers

The City is a center for health, education, research and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. There are presently more than 30 hospitals, five medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry and veterinary medicine located in the City. 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.

Major research facilities are also located in the City, including those located at its universities and medical schools: Children's Hospital of Philadelphia, the Hospital of the University of Pennsylvania, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. Philadelphia is home to two of the nation's 41 National Cancer Institute ("NCI")-designated Comprehensive Cancer Centers (the Abramson Cancer Center at the University of Pennsylvania and Fox Chase Cancer Center, which is part of the Temple University Health System). Additionally, Philadelphia is also home to two NCI-designated Cancer Centers (Kimmel Cancer Center and The Wistar Institute Cancer Center).

### *Penn Medicine University of Pennsylvania Health System*

Penn Medicine includes Pennsylvania Hospital, the nation's first hospital, founded in 1751 and the nation's first medical school, the University of Pennsylvania School of Medicine, opened in 1765. In addition, the Hospital of the University of Pennsylvania was established in 1874 as the nation's first teaching hospital. Penn Medicine's hospitals have been named among the top ten hospitals in the country with the combined University of Pennsylvania and Penn Presbyterian Medical Center ranked #1 in the region by *U.S. News and World Report*. Penn Medicine, which has invested more than \$200 million in major capital investments between 2014 and 2015, began construction in 2016 on a new 1.5 million square foot Patient Pavilion, a clinical facility that is projected to be occupied by spring of 2021.

### *Children's Hospital of Philadelphia Expansion*

Children's Hospital of Philadelphia ("CHOP") is the oldest children's hospital in the nation and one of the largest in the world. CHOP was ranked #2 in the nation in 2017-2018 according to the *U.S. News and World Report*. Since 2002, CHOP has invested over \$5.3 billion in its expansion in Philadelphia. In 2017, CHOP opened two facilities as a part of this expansion: the \$500 million, 700,000 square foot Buerger Center for Advanced Pediatric Care, and the \$275 million, 466,000 square foot Roberts Center for Pediatric Research.

### *Temple University Hospital, Inc.*

Temple University Hospital, Inc. ("TUH") is one of the region's most respected academic medical centers. The 732-bed Philadelphia hospital is also the chief clinical training site for the Lewis Katz School of Medicine at Temple University. TUH was ranked among the "Best Regional Hospitals" in six different specialties in *U.S. News & World Report* 2015-2016 regional rankings.

### *Thomas Jefferson University and Jefferson Health*

Thomas Jefferson University Hospitals ("TJUH") has been at the top of the list of hospitals in Pennsylvania (3rd) and the Philadelphia metro area (2nd) in *U.S. News & World Report's* annual listing of the best hospitals and specialties. TJUH also ranked 16<sup>th</sup> overall in the U.S. News and World Report listing. Jefferson Health has recently participated in several significant mergers, integrating Magee Hospital, Kennedy Health System, the Aria Health system and Abington Hospital into its system. In 2017, Thomas Jefferson University acquired Philadelphia University to become the fifth largest educational institution in Philadelphia.

### *Einstein Healthcare Network*

Einstein Healthcare Network is a private, not-for-profit organization with several major facilities and many outpatient centers that has been in existence for nearly 150 years. The Einstein Health and Medical Center in Philadelphia has been listed as a top hospital in *U.S. News & World Report*.

In September 2018, Einstein Healthcare Network and Thomas Jefferson University announced a merger agreement and such entities are seeking necessary state and federal regulatory approvals to close the transaction.

### **Educational Institutions**

The MSA plus Mercer County, New Jersey, has the second largest concentration of undergraduate and graduate students on the East Coast, with approximately 100 degree granting institutions of higher education and a total enrollment of over 434,000 full and part-time students. Approximately 137,807 students lived within the geographic boundaries of the City in 2016. Included among these institutions are Penn, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Princeton University, Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University.

#### *University of Pennsylvania*

Penn, the first university in the U.S., founded in 1740, and a prominent Ivy League institution, is located in West Philadelphia across the Schuylkill River from downtown Philadelphia. In the fall of 2018, more than 21,000 full-time undergraduate, graduate and professional full-time students attended Penn, 5,333 of whom are international students. Approximately 3,900 part-time students were enrolled. As of the fall 2018, Penn had a total workforce of over 18,000 faculty and staff, and the University of Pennsylvania Health System had a workforce of 23,275 employees. In September 2016, Penn opened Pennovation Works, a 55,000 square foot business incubator and laboratory that houses researchers, innovators, and entrepreneurs for the commercialization of research discoveries.

Penn has undergone significant expansion in the last decade and has a growing endowment currently valued at \$13.8 billion. In 2015, Penn, and related third-party developers, spent \$932 million dollars on new buildings and renovations. A recent independent report conducted by Econsult Solutions, Inc. found that Penn and the University of Pennsylvania Health System had a combined economic impact on the City and the Commonwealth of more than \$14 billion in Fiscal Year 2015, including \$10.8 billion to the City. According to the same study, such Penn entities generate \$1 out of every \$20 of Philadelphia's general fund and one out of every nine jobs in the Philadelphia economy.

In Fiscal Year 2018, Penn was the fifth largest recipient of funding from the National Institutes of Health ("NIH"), receiving approximately \$405.6 million. Penn is consistently one of the largest annual recipients of NIH funding.

#### *Drexel University*

Founded in 1891 as the Drexel Institute of Science, Art and Industry, Drexel University ("Drexel") is one of Philadelphia's top 10 private employers, and a major engine for economic development in the region. Drexel is known for its innovation and civic engagement, ranked a "top 15 most innovative school" by *U.S. News and World Report*. Drexel's student body consists of approximately 26,000, making it one of the 15 largest private universities in the country. Drexel is unique in that it provides its students with a co-op work experience every six months throughout the four year college experience. Over the last decade, Drexel has undergone significant expansion and has major plans for future development. In 2011, Drexel opened the doors to the \$69 million Constantine N. Papadakis Integrated Sciences Building, a \$92 million facility for its LeBow School of Business, and a new mixed use residential and retail project, Chestnut Square.

### *Temple University*

Temple University (“Temple”), founded in 1884, has undergone a significant transformation over the past three decades from a university with a mostly commuter-based enrollment to one in which on and near-campus housing is now in high demand. Temple features 17 schools and colleges, eight campuses, hundreds of degree programs and more than 38,000 students. Currently, an estimated 12,000 students live on or around the Temple campus.

“Visualize Temple,” approved in 2014, is Temple’s campus master plan to guide the continued growth and evolution of the City’s leading public research university. It is the culmination of an 18-month long process driven by the input of over 3,000 Temple students, alumni, faculty, and staff. Such plan identifies challenges and opportunities at each campus and defines a collective vision for further campus transformation. Temple continues to implement key elements of this master plan.

### *Thomas Jefferson University*

In 2017, Thomas Jefferson University and Philadelphia University merged to create the fifth largest university in the City. The new Thomas Jefferson University (“Jefferson”) creates a national comprehensive university designed to deliver high-impact education and value for students in medicine, science, architecture, design, fashion, textiles, health, business, engineering, and other disciplines.

In addition to nine colleges and three schools from both universities, the formation of the Philadelphia University Honors Institute and the Philadelphia University Design Institute are key components of the combined university’s educational ecosystem. Jefferson includes (i) campuses in Center City, Philadelphia (“Center City”), East Falls, Montgomery County, Bucks County, and Atlantic County (NJ); (ii) a growing online presence; (iii) numerous clinical sites; and (iv) an extensive global footprint with locations in Italy and Japan, study abroad sites and curricular and co-curricular partnerships and networks. Jefferson is home to more than 7,800 students, 4,000 faculty members and 63,000 alumni.

### *Community College of Philadelphia*

The Community College of Philadelphia (the “College”) serves over 19,000 students in associate’s degree and certificate programs. The College operates four campuses: its main Campus in Center City Philadelphia and three regional campuses in West Philadelphia, Northeast Philadelphia, and Northwest Philadelphia. The College offers more than 70 associate’s degree, academic and proficiency certificate, and workforce programs. Graduates continue to strengthen Philadelphia’s local economy and workforce, both in Philadelphia and the Greater Philadelphia region.

The College enables students to embark on a smart path to a bachelor’s degree program, with transfer agreements and partnerships to assist in the transition. In the 2015-16 academic year, approximately 30,194 students took credit and noncredit courses. The College is embarking on an expansion of its West Philadelphia Campus, to expand its Automotive Center and to establish a Workforce Campus with a new \$20 million facility in the heart of Philadelphia’s Promise Zone.

The College is one of 30 community colleges in the nation to undertake a new Career Pathways model under which it has expanded its dual enrollment programs, including establishing the first Middle College in the Commonwealth, with the School District of Philadelphia. Upon completion of high school, enrolled students will receive both a high school degree and an associate’s degree.

The College has vastly expanded its role in workforce development and economic innovation, establishing a division that is responsible for working directly with Philadelphia employers to meet their workforce hiring and professional development needs. The College has established new post-secondary programs matched with Philadelphia’s high priority occupations enabling Philadelphians to earn family sustaining wages without a degree.



## Family and Household Income

Table 8 shows median family income, which includes related people living together, and Table 9 shows median household income, which includes unrelated individuals living together, for Philadelphia, the MSA, the Commonwealth and the United States. Over the period 2008-2017, median family income for Philadelphia increased by 9% (see Table 8), while median household income increased by 10.8% over the period 2008-2017 as a result of an influx of higher income households (see Table 9).

**Table 8**  
**Median Family Income\* for Selected Geographical Areas, 2008-2017**  
**(Dollar Amounts in Thousands)**

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2008	\$46.40	\$77.60	\$63.30	\$63.40	73.19%
2009	\$45.70	\$76.90	\$62.20	\$61.10	74.96%
2010	\$43.10	\$74.50	\$61.90	\$60.60	71.12%
2011	\$42.70	\$75.70	\$63.30	\$61.50	69.43%
2012	\$44.30	\$77.00	\$65.10	\$62.50	70.88%
2013	\$44.60	\$78.20	\$66.50	\$64.00	69.69%
2014	\$47.00	\$80.60	\$67.90	\$65.90	71.32%
2015	\$49.30	\$83.00	\$70.20	\$68.30	72.18%
2016	\$50.30	\$84.80	\$72.30	\$71.10	70.76%
2017	\$50.40	\$86.20	\$72.70	\$70.90	71.09%
Change 2008-2017	\$4.00	\$8.60	\$9.40	\$7.50	

\* Includes related people living together.

Source: 2017 American Community Survey 1-Year Estimates

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**Table 9**

**Median Household Income\* for Selected Geographical Areas, 2008-2017**  
**(Dollar Amounts in Thousands)**

<b>Year</b>	<b>Philadelphia</b>	<b>Philadelphia-Camden- Wilmington MSA</b>	<b>Pennsylvania</b>	<b>United States</b>	<b>Philadelphia as a percentage of the US</b>
2008	\$37.00	\$60.90	\$50.70	\$52.00	71.15%
2009	\$37.00	\$60.10	\$49.50	\$50.20	73.71%
2010	\$34.40	\$58.10	\$49.30	\$50.00	68.80%
2011	\$34.20	\$58.30	\$50.20	\$50.50	67.72%
2012	\$35.40	\$60.10	\$51.20	\$51.40	68.87%
2013	\$36.80	\$60.50	\$52.00	\$52.30	70.36%
2014	\$39.00	\$62.20	\$53.20	\$53.70	72.63%
2015	\$41.20	\$65.10	\$55.70	\$55.80	73.84%
2016	\$41.40	\$66.00	\$56.90	\$57.60	71.88%
2017	\$41.00	\$66.30	\$57.00	\$57.70	71.06%
Change 2008-2017	\$4.00	\$5.40	\$6.30	\$5.70	

\* Includes unrelated people living together.

Source: 2017 American Community Survey 1-Year Estimates

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## Cost of Living Index

Philadelphia has the second lowest cost of living index among major cities in the Northeast, as shown in Table 10 below. Additionally, the City's Wage, Earnings, and Net Profits Tax Rates have decreased in each of Fiscal Years 2013-2019. See "REVENUES OF THE CITY – Wages, Earnings, and Net Profits Taxes" in APPENDIX B for this Official Statement.

**Table 10**  
**2017 Cost of Living Index**  
**Philadelphia Indexed to 100**

City	Cost of Living Index
New York	192
San Francisco	150
D.C.	126
Boston	125
Seattle	122
Los Angeles	120
<b>Philadelphia</b>	<b>100</b>
Chicago	100
Baltimore	97
Denver	93
Dallas	85
Atlanta	83
Austin	82
Detroit	80
Pittsburgh	79

Source: Council for Community and Economic Research (C2ER), Cost of Living Index (COLI)

## Housing

Growing rapidly from its founding in 1682, Philadelphia's historic housing stock reflects its past roles as the largest city in the British Empire and as "the workshop of the world" during the peak of the industrial revolution. However, its condition and age (among the oldest of any city in the country) is also a reflection of the decades of depopulation and abandonment that marked the second half of the 20<sup>th</sup> Century. Nevertheless, Philadelphia has undergone a significant revitalization in the most recent decades, particularly in the neighborhoods within and around its downtown core. The period between the 2000 and 2010 Censuses was the first wherein Philadelphia experienced a net population increase since 1940 to 1950, due both to rapid growth in the number of higher income households in these core neighborhoods and to a significant influx in the foreign-born population in more peripheral neighborhoods of the City.

The City's population growth has driven significant new construction and investment in many of its neighborhoods resulting in increases in the value of the City's housing stock. Most housing indicators for Philadelphia indicate an upward outlook, in terms of prices, construction, and sales, for the near future. Nevertheless, the City continues to face significant challenges caused by the persistent problems of poverty, crime, underperforming schools, and lack of employment opportunities.

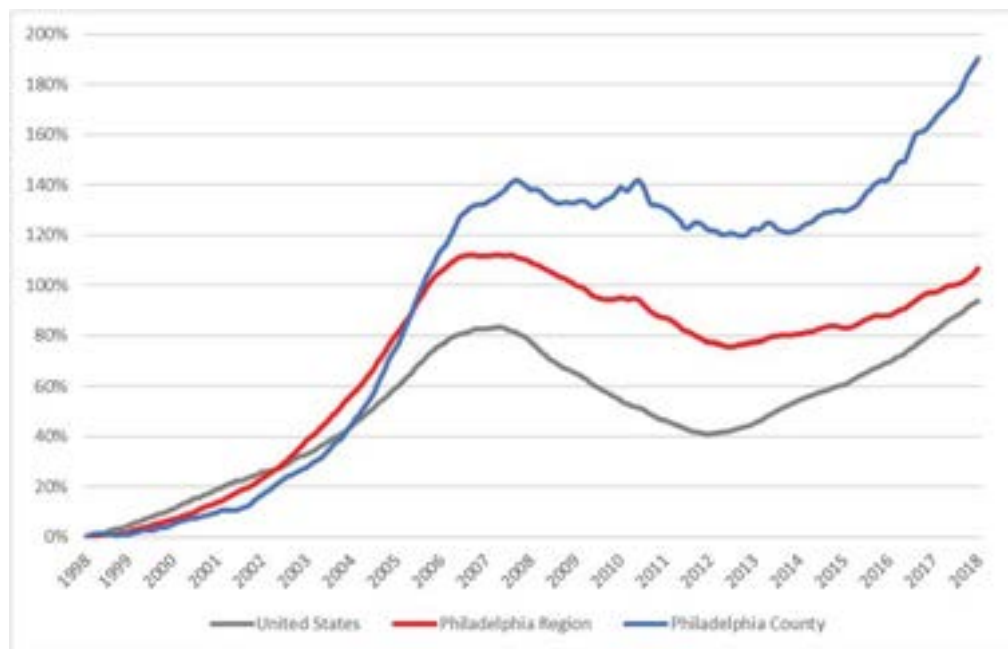
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The total housing stock, measured by the number of units, increased by 0.7% from 2010-2016, for a total of 674,500 in 2016.<sup>9</sup> This increase of 4,500 units is the result of a net increase of 6,000 multifamily units and 500 “other” units (such as mobile homes and boats), off-set by a net loss of 2,000 single-family homes (due to multifamily conversions and demolitions).<sup>3</sup> The homeownership rate in the City in 2016 was 52.1%, which represents a decline from 54.1% in 2000.<sup>3</sup> Accordingly, properties in the City have continued to command higher rents, with the median monthly rent in June 2018 equal to \$1,214, representing a 10.9% increase over the prior five-year period.<sup>10</sup>

### *Home Prices*

As shown in the chart below, after eight years of moderate house price deflation following the peak of the 2007 recession, Philadelphia’s housing market began posting rapid increases in prices, citywide, starting in 2013. In 2015, home values in Philadelphia recovered to their pre-recession peak and have continued to climb to 20% above that peak as of January 2018. The following chart uses the Home Value Index to chart changes in home values in Philadelphia, the Philadelphia region, and the U.S. as a whole over the 20-year period from February 1998 through January 2018.<sup>11</sup>

**Percent Change in Median Nominal Home Value (Zillow Home Value Index), 1998-2018**



Source: Zillow Research, ZHVI Time Series

In the first years shown in this chart, housing values in Philadelphia were not only lower than the region and country as a whole, in nominal terms, but they also grew at a lower rate. From 2002 to 2007, however, the rate of growth in the City’s home values significantly outpaced these comparison regions. Although home values in the City stagnated and declined for eight years, after hitting a peak in 2007, the housing market in Philadelphia retained a much greater share of its pre-recession gains during this period than did either the region or country as a whole. Since then, Philadelphia’s housing market has surged, such that, in nominal terms, housing values within the City have nearly tripled since 1998, a rate of growth that is more than 50% greater than the rest of the country.

<sup>9</sup> US Census Bureau, American Communities Survey, 1-Year Survey

<sup>10</sup> Zillow Research, ZRI Time Series

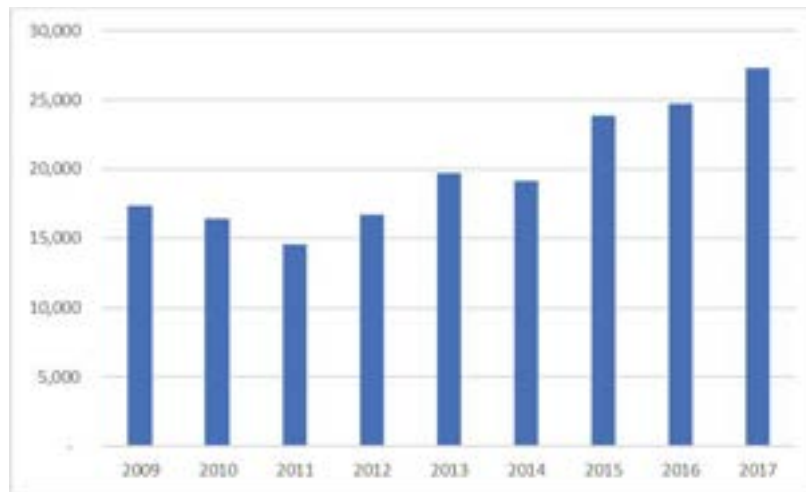
<sup>11</sup> Zillow Research, ZHVI Time Series



### *Home Sales*

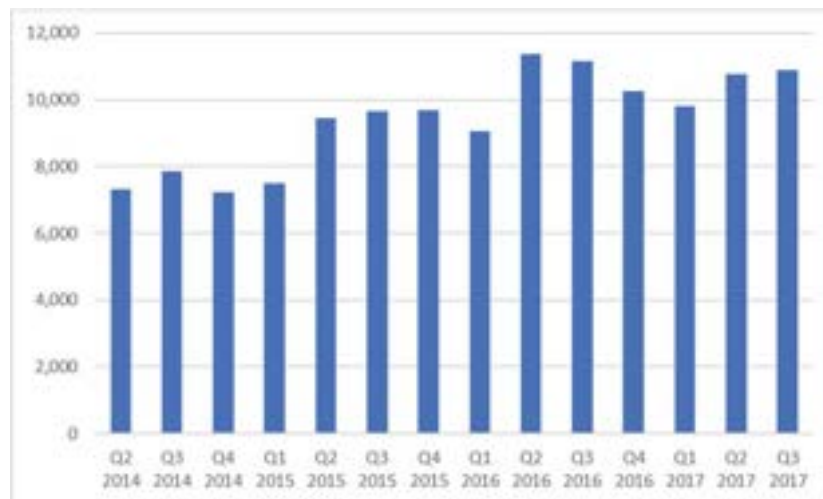
Another indicator of the housing market's recovery is home sales. The following chart shows the annual number of home sales in Philadelphia since 2009. Like prices, home sales dropped significantly following the 2007 recession, but have, seasonal variations notwithstanding, steadily increased since 2011. In 2017, there were 27,327 home sales, nearly double their post-recession nadir of 2011 of 14,542. This trend reflects a recovery of the City's housing market and is likely to continue as the significant increment of new housing construction (described below) is absorbed.

**Home Sales in Philadelphia, 2009-2017**



Source: Zillow Research, Home Sales Time Series

**Home Sales in Philadelphia, April 2014 through September 2017**

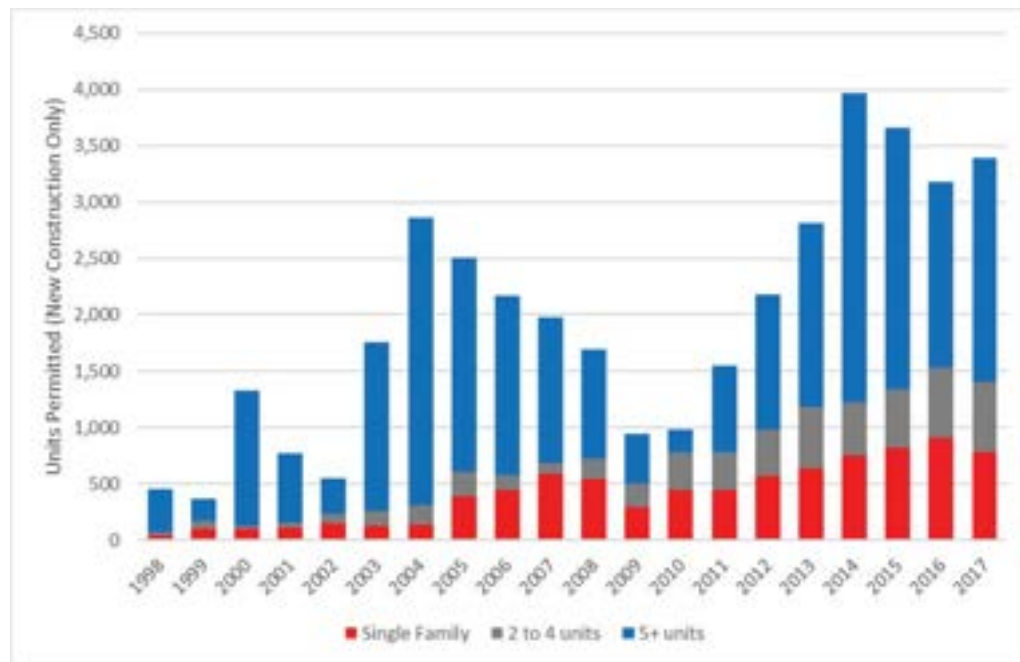


Source: Philadelphia Department of Revenue

### *Home Construction*

Home building activity in Philadelphia has also made significant progress since hitting its recessionary low in 2009. The following chart shows the number of newly constructed units being added to Philadelphia's housing stock, as represented by the number of building permits issued for such units, from 1998 through 2017.

**Building Permits Issued in Philadelphia, New Construction Only  
(Number of Units by Building Type), 1998-2017**



Source: US Census, Building Permits Survey

Prior to 2000, construction of new housing units in Philadelphia was low by both absolute and relative measures, averaging only 507 units per year in the decade from 1990 through 1999. However, since 2003, permits for new construction have not been for less than 947 units in any single year, including during the nadir of the 2007 recession. In 2014, permits were issued to approve the construction of nearly 4,000 new housing units in Philadelphia—an all-time high. Notably, these data do not include additions or substantial alteration to existing buildings, which together account for nearly a third of all new housing units in Philadelphia from 2013 to 2017, based on permit issuance data from the Department of Licenses and Inspections. Although total permitting activity declined in 2015 and 2016, recovering somewhat in 2017, total residential development activity remains quite high, and it appears there is continued population growth in the City’s metropolitan core.

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## Office Market

The City currently has approximately 48.0 million square feet of office space in the Central Business District (“CBD”), with an additional 149,828 square feet under construction according to Jones Lang LaSalle’s (“JLL”) statistics for the first quarter of 2019.

The average direct asking rental rates in the City’s CBD rose slightly to \$32.21 per square foot in the first quarter of 2019. Markedly, the City’s CBD enjoys rising rents with low overall total vacancy, while its suburban counterparts have higher overall total vacancy and lower rents during the same period, at 15.0% and \$27.42 per square foot.

Table 11 shows comparative overall first quarter 2019 office vacancy rates for selected office markets.

**Table 11**  
**Total Office Vacancy Rates of Selected Office**  
**Markets**  
**First Quarter 2019**

<b>Market</b>	<b>Vacancy Rate</b>
San Francisco	6.0%
New York	7.5%
Seattle	9.4%
San Diego	11.6%
Austin	11.9%
Charlotte	12.3%
Boston	13.1%
<b>Philadelphia</b>	<b>13.8%</b>
Baltimore	14.1%
Los Angeles	14.4%
United States CBD, All Markets	14.7%
San Antonio	15.9%
Chicago	16.1%
Washington, DC	16.6%
Atlanta	18.4%
Phoenix	18.9%
Detroit	19.4%
Cleveland	20.4%
Dallas	20.5%
Houston	23.1%

Source: Jones Lang LaSalle, National CBD Data, First Quarter 2019

## ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION

### City of Philadelphia Economic Development Mission and Goals

The City's economic development strategy is to (1) spur job-creation by fostering an improved business environment; (2) increase the City's population and visitation; and (3) enhance quality of life within the City. The City partners with numerous quasi-city and private agencies to accomplish these objectives.

The City utilizes several place-based economic development strategies to spur development in Philadelphia. These strategies include: (i) a 10-year real estate tax abatement on all new construction, as well as on improvements to existing properties; (ii) Commonwealth-designated Keystone Opportunity Zones in which eligible businesses may be exempt from all Commonwealth and local business taxes until a specified date; (iii) Commonwealth-designated Keystone Innovation Zones in which energy, defense, technology, and life-sciences companies may be eligible for saleable tax credits worth \$100,000 annually for the first eight years of operations; (iv) tax increment financing; and (v) commercial corridor revitalization through support of Business Improvement Districts and reimbursement for certain storefront and interior retail improvements.

The City has also actively worked to raise its profile in the international business community. In 2015, Philadelphia received the designation of the first World Heritage City in the United States by the Organization of World Heritage Cities. In 2015, the City entered into a "sister city" agreement with Frankfurt, Germany, considered the largest financial center in continental Europe. This agreement is Philadelphia's first sister city since 1992. In recent years, the City has hosted delegations of business leaders and officials on trade missions to the United States and participated in trade missions to Germany, France, Portugal, China, South Korea, and Canada. In 2018, a website was launched, [philadelphiadelivers.com](http://philadelphiadelivers.com), which showcases all that the City has to offer businesses including location, talent, affordability, and amenities. Also in 2018, Philadelphia was one of four cities selected by the Brookings Institute to join the Global Identity Cohort. As such, more than 80 local stakeholders have been engaged to begin crafting a shared brand and narrative around Philadelphia in order to attract residents, businesses and events.

### City and Quasi-City Economic Development Agencies and Related Programs

#### *City of Philadelphia Department of Commerce*

The mission of the Department of Commerce is to (i) ensure that Philadelphia is a globally-competitive city where employers hire, entrepreneurs thrive, and innovation abounds; (ii) recruit and retain a diverse set of businesses; (iii) foster economic opportunities for all Philadelphians in all neighborhoods; and (iv) partner with workforce development programs and local businesses on talent development with the goal of ensuring that all Philadelphians can find and retain living-wage jobs. The Department of Commerce has three major divisions: Neighborhood & Business Services; Office of Business Development and Office of Economic Opportunity.

#### *City of Philadelphia Department of Planning and Development*

The Department of Planning and Development ("Planning and Development") oversees all planning, real estate development support, and commissions such as the Historical Commission, Planning Commission, Art Commission and Civic Design Review. Planning and Development also oversees all housing initiatives and plays a key role in community development.

#### *Philadelphia Industrial Development Corporation ("PIDC")*

PIDC is a non-profit organization founded by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce in 1958. PIDC offers flexible financing tools, a targeted portfolio of industrial and commercial real estate, and expertise to help clients invest, develop, and grow in Philadelphia. PIDC also structures and invests in public-private partnerships for key City policy areas and development priorities. Over the past 60 years, PIDC and its affiliates have settled over 7,300 transactions, including more than \$16.6 billion in financing that has leveraged over



\$29 billion in total investment and assisted in creating and retaining hundreds of thousands of jobs in Philadelphia. Its direct loan and managed third-party portfolio at year-end 2018 was more than \$668 million, representing 495 loans.

*Philadelphia Authority for Industrial Development (“PAID”)*

PAID is a non-profit organization founded by the City of Philadelphia and

*Philadelphia Redevelopment Authority (“PRA”)*

In 1945, the Commonwealth enacted the Urban Renewal Law and created the PRA as the City’s urban renewal agency. Today, the PRA continues its role as a key financier, project manager, leader, and expert of developing and maintaining land in the City. The PRA is one of five municipal land holding agencies. Its Real Estate Division facilitates the redevelopment of PRA assets and it provides project management and analysis for real estate sales, acquisitions, redeveloper agreements, developer submissions, and required approvals. Its Housing Department leads the underwriting and loan closing process for all affordable housing projects within the City and works primarily with non-profit and for-profit developers as a lender.

*Philadelphia Land Bank (“PLB”)*

Established in 2013, the PLB is a new institutional partner in land use. The aim of the PLB is to consolidate many of the land acquisition and disposition processes of the City under one umbrella, making it easier for private individuals and organizations to acquire properties that otherwise contribute to neighborhood disinvestment and turn them into assets for the community in which they are located. The PLB can: (i) consolidate properties owned by multiple public agencies into single ownership to speed property transfers to new, private owners; (ii) acquire tax-delinquent properties through purchase or by bidding the City’s lien interests at a tax foreclosure; (iii) with consent of the City, clear the title to those properties so new owners are not burdened by old liens; and (iv) assist in the assemblage and disposition of land for community, non-profit, and for-profit uses.

*The Division of Housing and Community Development (“DHCD”)*

DHCD, formerly known as the Office of Housing and Community Development and now part of Planning and Development, manages planning, policy, and investment in low-income housing through several assistance programs. Most significantly, the DHCD creates and manages implementation of the Consolidated Plan, a federally-mandated plan and budget that must be updated yearly in order to receive federal Community Development Block Grant funding.

*The Philadelphia Housing Authority (“PHA”)*

PHA is funded primarily by the federal government and is the largest landlord in Pennsylvania. PHA develops, acquires, leases and operates affordable housing for City residents with limited incomes. PHA works in partnership with the City and Commonwealth governments, as well as private investors. Over 93% of PHA’s annual budget is funded directly or indirectly by the U.S. Department of Housing and Urban Development, and most of the balance of PHA’s budget is derived from resident rent payments. Neither PHA’s funds nor its assets are available to pay City expenses, debts, or other obligations, and the City has no power to tax PHA or its property. Neither the City’s funds nor its assets are subject to claims for the expenses, debts, or other obligations of PHA.

*Rebuilding Community Infrastructure Program (“Rebuild”)*

The Rebuild program, using funds from the Philadelphia Beverage Tax, will invest hundreds of millions of dollars in Philadelphia’s parks, recreation centers, and libraries over a seven-year period. Rebuild prioritizes sites in high-need neighborhoods, as well as sites that are in extremely poor condition. This program is intended to catalyze economic development in some of Philadelphia’s most impoverished communities and neighborhoods. Rebuild is not only committed to making transformative capital improvements in neighborhood public and shared spaces, but will also strive to build capacity and opportunities for minority and women-owned businesses and job opportunities for

local residents. In November 2018, PAID issued \$79,460,000 in City Service Agreement Revenue Bonds to finance certain costs of the Rebuild program.

## **Key Commercial Districts and Development**

Over the last two decades the efforts of Philadelphia's economic development agencies and others have spurred significant economic revitalization throughout the City. In particular, a number of geographic areas have experienced concentrated developments: Philadelphia's Historic District, Avenue of the Arts, North Broad Street, and the Benjamin Franklin Parkway. Many of these developments, such as a significant increase to Philadelphia's hotel room inventory in Center City and expansion of the Pennsylvania Convention Center, are key to the growth of Philadelphia's leisure and hospitality sector. Several key areas within the City have been instrumental in the economic and commercial development of Philadelphia over the past twenty-five years and the population growth since 2000. Recent and current developments in the key commercial districts described below are listed in Table 12.

### *Center City*

A district that has seen a resurgence over the last two and a half decades, Center City is Philadelphia's central business and office region within the City. Center City is the strongest employment center in the City. In addition, the area contains a sizeable residential population and provides ample access to retail, dining, arts and culture, entertainment, and mass transportation services, to both residents and daily commuters. Center City is flanked by neighborhoods that are considered "Greater Center City." Approximately 309,000 riders take public transit into Greater Center City every weekday. Over the last two decades, as there has been an influx of new businesses and residents in these neighborhoods, the boundaries of Greater Center City have moved significantly further North and South, with the Delaware and Schuylkill rivers remaining boundaries on the East and West.

### *Old City*

Old City is home to some of the country's oldest historical assets and is considered America's "most historic square mile." Independence National Historical Park is an international destination, attracting 3.6 million visitors annually. Important culturally and economically, Old City is also home to world-class museums, theaters and art galleries. The neighborhood offers excellent hotels, a wide range of dining and nightlife establishments, independent retailers and a diverse mix of technology, media, professional, and service organizations. Some 8,000 residents live in historic townhouses, industrial loft apartments, and new condominium properties. Old City is located within a Keystone Innovation Zone, meaning that technology, energy, and life sciences businesses may be eligible for up to \$100,000 in tax credits.

Old City District ("OCD") is a business improvement district that promotes the area and fosters economic development locally. OCD helps companies find suitable real estate and actively promotes the sector to attract businesses. Over the last few years, technology and creative businesses have established an increasingly important presence in the area.

### *University City*

Located west of Center City, University City is a hub for the health care, life sciences, and higher education sectors and accounted for approximately 11% of the City's employment in 2017. It includes the campuses of Penn, Drexel University, University of the Sciences, the University of Pennsylvania Health System, the Children's Hospital of Philadelphia, and The Wistar Institute, as well as the University City Science Center, a biomedical incubator. University City has experienced significant real estate development, driven mostly through the investment of its universities and research institutional anchors.

Penn built the \$88 million Singh Center for Nanotechnology in 2013 and is investing \$127 million in a new residence hall called New College House at Hill Field. Drexel University invested nearly \$300 million in University City in 2013, and is planning for an additional \$3.5 billion over 20 years in the development of Schuylkill Yards in partnership with Brandywine Realty Trust. Such project will develop 14 acres of underutilized land near Philadelphia's

30th Street Station into an innovation neighborhood, which will feature a mix of entrepreneurial spaces, educational facilities and research laboratories, corporate offices, residential and retail spaces, hospitality and cultural venues and public open spaces.

### *The Navy Yard*

The Navy Yard is a 1,200 acre mixed-use office, research and industrial park with over 13,000 people working on site across 150 companies. The Navy Yard has diverse tenants such as Philly Shipyard, one of the world's most advanced commercial shipbuilding facilities; the global headquarters for retailer Urban Outfitters, Inc.; a 208,000 square foot, double LEED Platinum corporate office for pharmaceutical company GlaxoSmithKline; and a LEED Silver bakery facility for the Tasty Baking Company. More than 7.5 million square feet of space is currently occupied or in development with significant additional capacity available for office, industrial, retail and residential development.

PIDC and its partners released an updated Navy Yard master plan in 2013, detailing a comprehensive vision for the Navy Yard. The plan calls for a total of over 13.5 million square feet of new construction and historic renovation supporting office, research and development, industrial and residential development, complemented with commercial retail amenities, open spaces and expanded mass transit. Under such plan, the fully built out Navy Yard would support more than 30,000 employees and over \$3 billion in private investment. PIDC continues to work on this long-term plan for the Navy Yard.

The Navy Yard continues to grow bringing it closer to its strategic targets. Since 2000, the Navy Yard has leveraged more than \$150 million in publicly funded infrastructure improvements to spur more than \$750 million in new private investment.

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**Table 12**  
**Recently Completed Projects or Projects Under Construction in the Key Commercial Districts**

Project Name, by Neighborhood	Project Type	Cost in Millions	Est. Completion Date
<b>CENTER CITY</b>			
The Sterling – Redevelopment	Residential	\$75	Completed 2017
One Riverside	Residential	\$130	Completed 2017
View 32 - 3201 Race Street	Residential	\$56	Completed 2017
1213 Walnut	Residential	\$125	Completed 2017
East Market (formerly Girard Square)	Mixed Use	\$400	Completed 2018
Comcast Innovation and Technology Center	Commercial/Hotel	\$1,200	Q3 2019
Park Towne Place – Redevelopment	Residential	\$200	Completed 2018
2400 Market	Commercial	\$230	Completed 2019
National Building	Residential	\$23	Completed 2018
W Hotel/Element	Hotel	\$359	Q4 2019
The Hamilton	Residential	\$156	Completed 2018
Fashion District Philadelphia	Commercial	400	Q3 2019
1911 Walnut	Mixed Use	\$300	2021
Hanover North Broad	Mixed Use	\$50	Completed 2018
SLS Residences	Residential and Hotel	\$253	2021
Police Headquarters in Inquirer Building	Public	\$300	Q4 2020
<b>NAVY YARD</b>			
Adaptimmune	Commercial	\$25	Completed 2017
Axalta R & D Facility	Commercial	\$70	Completed 2017
<b>OLD CITY</b>			
American Revolution Center	Arts & Culture	\$101	Completed 2017
205 Race Street	Residential	\$65	Completed 2017
500 Walnut	Residential	\$174	Completed 2017
218 Arch	Mixed Use	\$58	Completed 2017
<b>OTHER NEIGHBORHOODS</b>			
Divine Lorraine	Residential	\$43	Completed 2017
Lincoln Square	Mixed Use	\$155	Completed 2018
Philadelphia Metropolitan Opera House	Arts & Culture	\$56	Completed 2018
<b>UNIVERSITY CITY</b>			
FMC Tower at Cira Centre South	Mixed Use	\$385	Completed 2017
CHOP Schuylkill Ave Expansion (Phase 1)	Health Care	\$275	Completed 2017
4601 Market	Mixed Use	\$250	Q1 2020
Penn Health Tower	Health Care	\$1,500	2021
<b>TOTAL</b>		<b>\$7,414</b>	

Source: Philadelphia Department of Commerce.

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## Waterfront Developments

Taking advantage of the City's geographic assets, the Schuylkill River and the Delaware River, the City is redeveloping its waterfront to accommodate a variety of developments, including mixed-use projects and housing, parks and recreational trails, and hotels. These projects improve quality of life for residents and improve the visitor experience, but also are an impetus for environmental remediation and private development of former industrial property within the City.

### *Delaware River Waterfront Corporation (the "DRWC")*

The Delaware River has historically been a center of activity, industry, and commerce, bounded at its north and south ends by active port facilities. The City adopted a Master Plan for the central Delaware River in 2011. DRWC, in partnership with the City, is a nonprofit corporation that works to transform the central Delaware River waterfront into a vibrant destination for recreational, cultural, and commercial activities. Over the last ten years, DRWC has successfully opened four adaptive reuse park projects built on former pier structures, including the newly-renovated Cherry Street Pier in 2018.

DRWC, the City, and the Commonwealth have partnered to redevelop Penn's Landing, a major public space along the Delaware River waterfront. The resulting civic space will leverage investment from private sources for the redevelopment of the adjoining parcels.

### *Schuylkill River Development Corporation (the "SRDC")*

Redevelopment along the Schuylkill River is managed by a partnership among SRDC, the Department of Parks & Recreation, and the Department of Commerce. SRDC works with federal, Commonwealth, City, and private agencies to coordinate, plan and implement economic, recreational, environmental and cultural improvements, and tourism initiatives on the Schuylkill River. From 1992 to 2017, \$70 million was invested by SRDC, the City, and their partners along the tidal Schuylkill to create 3.65 miles of riverfront trails within 30 acres of premiere park space in the heart of the City, and has added amenities to the Schuylkill River Park such as floating docks, fishing piers, a composting toilet, and architectural bridge lighting. SRDC continues to work towards meeting its goal of creating and maintaining trails and green space along the tidal Schuylkill River in Philadelphia.

Since 2005, Philadelphia has benefitted from more than \$1 billion in development along the Schuylkill River, with more planned by private developers, universities, and healthcare institutions.

### *SugarHouse Casino*

Philadelphia's first casino, SugarHouse, opened in September 2010. SugarHouse Casino sits on the Delaware River waterfront offering an array of slot machines, table games and dining options. Its operations also include a multi-purpose event space with waterfront views, restaurants, and a parking garage. As of August 2018, SugarHouse had approximately 1,500 employees. As reported to the Pennsylvania Gaming Control Board, SugarHouse's gaming revenue was approximately \$299.1 million in Fiscal Year 2018.

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## TOURISM AND HOSPITALITY

Philadelphia has experienced a significant increase in tourism over the last decade, fueled by several high profile, global events that the City hosted, notably the 2015 World Meeting of Families, culminating in a papal visit from Pope Francis, and the Democratic National Convention in 2016. In April 2017, Philadelphia hosted the NFL Draft, which is estimated to have brought approximately 250,000 people to Center City. Both business and convention tourism, as well as leisure tourism were at a record high in 2016. In 2016, Lonely Planet named Philadelphia on its top-10 best list of “unexpectedly exciting places to see,” and in 2017, Travel and Leisure named Philadelphia as one of the best places to visit in the world.

The Philadelphia Convention and Visitors Bureau (“PHLCVB”) books meetings, conventions and sporting events and supports international marketing of Philadelphia overseas. PHLCVB also books domestic group tours. Tourism Economics, an Oxford Economics Company, reported that international visitors from overseas to Philadelphia in 2017 numbered more than 648,000, spending \$651 million generating \$1.1 billion in total economic impact to the Philadelphia region. According to the same source, Philadelphia ranks as the 16<sup>th</sup> most visited city in the U.S. by overseas travelers. Philadelphia’s international visitation has seen significant growth over the past decade, a 18% growth in overseas travelers since 2007 (up from 549,000 in 2007).

The PHLCVB currently has 892 meetings, conventions, and sporting events booked for future years. These groups will bring a total of 3.1 million attendees to Philadelphia consuming 3.7 million room nights.

Visit Philadelphia markets Philadelphia domestically, as well as in Canada and Mexico, to promote leisure travel. Philadelphia has attracted more overnight leisure travelers than ever before and Center City hotels reached a landmark 1 million leisure room nights in 2016. Further, several big and new-to-the-city brands are entering the market, along with smaller boutique hotels. Leisure hotel room stays have increased 334% since 1997 and in 2017 the estimated economic impact of leisure travel to the region was \$11.5 billion according to the Visit Philly 2018 Annual Report.

**Table 13**  
**Greater Philadelphia Visitor Growth, 1997-2017**  
**(In Millions)**

	1997	2017	Net Change	% Change
Total Visitation	26.7	43.3	16.6	62%
Leisure- Overnight	7.3	15.1	7.8	107%
Leisure- Day	15.5	23.1	7.6	49%
Business- Overnight	1.4	2.3	0.9	64%
Business- Day	2.5	2.8	0.3	12%

Source: Visit Philadelphia Annual Report, 2018

Philadelphia has seen an influx in new hotel development, with numerous new developments underway or confirmed. Since 2015, there has been notable hotel development in the City, representing over \$1 billion in investment. The number of hotel rooms available in the City in 1993 was 5,613, with occupancy at 65%. In 2017, the City’s hotel room inventory was 16,334 rooms, with occupancy at 76.6%%. Several hotel projects are currently under development, which will increase hotel room inventory by close to 2,000 rooms.

### Museum and Cultural Centers

Crucial to tourism is the City’s robust arts and culture sector. One in three tourists who come to Center City cite museums and cultural events as the primary reason for their visit. Top attractions in Philadelphia include Independence National Park, the Philadelphia Museum of Art, the Philadelphia Zoo, and Reading Terminal Market.

Organizations like the Philadelphia Museum of Art, the Kimmel Center, FringeArts, and more than 400 smaller cultural organizations throughout the City help improve the quality of life for residents and visitors. The Greater Philadelphia Cultural Alliance reported in 2017 that arts and culture produced \$3.4 billion in economic impact and contributed \$930 million in household income in the City.

### **Avenue of the Arts (South Broad Street) Investments**

The Avenue of the Arts is located along a mile-long section of South Broad Street between City Hall and Washington Avenue, in the heart of Center City. Reinventing South Broad Street as the Avenue of the Arts, a world class cultural destination, has been a civic goal in Philadelphia for more than two decades. Cultural institutions, the William Penn Foundation, local property owners and civic leaders advanced the idea of a performing arts district on South Broad Street anchored by the Academy of Music and modeled after successful performing arts districts around the country. The Avenue of the Arts became a key element of the City's strategy to strengthen Center City as the region's premier cultural destination and an important element in the City's bid to expand its convention and tourism industries.

### **The Benjamin Franklin Parkway**

Complementing the Avenue of the Arts theater district developments, the Benjamin Franklin Parkway (the "Parkway") is considered the spine of Philadelphia's museum district. Designed by French architect Jacques Gréber, to emulate the Champs Elysées of Paris, the Parkway opened in 1929. It runs from the area of City Hall to the Philadelphia Museum of Art and is a central public space and tourist attraction. Key Parkway features include Love Park (which has undergone major renovations and was reopened in the spring of 2018), the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, The Barnes Foundation, the Free Library of Philadelphia, the Academy of Natural Sciences, the Swann Memorial Fountain, Sister Cities Park, Cathedral Basilica of Saints Peter and Paul on Logan Square, and numerous pieces of public art.

The Barnes Foundation, which opened in 2012, is a welcome addition to the City's impressive roster of arts facilities, and has had a significant impact on the City's leisure and hospitality industry. In 2015, the Barnes Foundation welcomed its one millionth visitor since opening on the Parkway. With membership over 85,000, it is ranked among the top institutions of its kind in the country.

### **Historic District**

Key to the City's leisure and hospitality growth is the maintenance and investment in the City's extraordinary historic assets. As the birthplace of the country, Philadelphia remains a major tourist destination year-round, particularly the City's Historic District, which includes various museums and cultural centers, as well as such national treasures as the Liberty Bell, Independence Hall, Carpenters' Hall, the Betsy Ross House and Elfreth's Alley, the Nation's oldest residential street. The City continues to invest in the maintenance and expansion of the Historic District's tourist experience. Such district is expected to remain competitive in the national and international tourism markets for years to come.

### **North Broad Street and the Philadelphia Convention Center**

In 1993, with support from the Commonwealth, the Pennsylvania Convention Center (the "Convention Center") was completed, providing a total of 624,000 square feet of saleable space across its four exhibit halls, ballroom and banquet spaces. In 2011, a \$786 million expansion, across 20 acres of central Philadelphia real estate, increased the facility to 2.3 million square feet. It is the largest single public works project in Pennsylvania history.

In 2014, SMG began managing and operating the Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service. In 2016, the Convention Center announced that 2015 was its highest booking year ever with 856,663 bookings, a 1.2% increase from 2014, representing an estimated \$1.1 billion in future economic impact.

Following the 2011 expansion of the Convention Center, development efforts in the North Broad Street area increased. Improvements include Lenfest Plaza at the Pennsylvania Academy of Fine Arts and two hotels. Development continues to move north along Broad Street, with significant investment taking place to restore the Berry Building, the Philadelphia Metropolitan Opera House, and the Divine Lorraine Hotel.

### **South Philadelphia Sports Complex**

Another key element of Philadelphia's hospitality industry is professional sports. Philadelphia is the only city to have a professional hockey, basketball, baseball, and football team playing in a single district within the City, the Sports Complex Special Services District, created by the City in 2000.

The South Philadelphia Sports Complex houses three professional sports facilities: The Wells Fargo Center opened in 1996 and is home to the Philadelphia Flyers (National Hockey League) and Philadelphia 76ers (National Basketball Association); Lincoln Financial Field opened in 2003 and is home to the Philadelphia Eagles (National Football League); and Citizens Bank Park opened in 2004 and is home to the Philadelphia Phillies (Major League Baseball). The Phillies and the Eagles are contractually obligated to play in Philadelphia until 2033 and 2034, respectively.

Within the South Philadelphia Sports Complex, there is a sports entertainment and dining complex. There are also plans to expand this area to include retail, hotel, and theater space, a casino, a spa, and a conference center.

### **Retail Market, Food and Dining**

In the last five years, the City's retail market has grown substantially, attracting 77 national retailers. With nearly 193,000 residents, 305,000 workers, 3.5 million occupied hotel room nights and 112,000 college students in and around Center City, the market generates more than \$1 billion in annual retail demand. More than 1.4 million square feet of retail space is currently under construction with significant development surging east of Broad Street, with some of Philadelphia's most ambitious retail and mixed-use projects.

Market East, an important commercial area between City Hall and the City's Historic District is experiencing significant development. New developments in Market East represent a \$910 million investment that is creating a continuous shopping and dining experience from Independence Mall to the major Center City convention hotels, just east of City Hall. The revitalization of this section of the City, containing a major transport hub, is expected to be transformative. Most notably, the planned redevelopment of The Gallery at Market East into Fashion District Philadelphia is one of the biggest developments in the area. In the last several years, there have also been recent improvements along East Market Street, including retail, residential, hotel, and other mixed-use projects.

Complementing the rise of retail in Philadelphia, the City has experienced a revival of restaurant establishments, especially in Center City and Greater Center City, indicating an improved quality of life and vibrancy of those neighborhoods. Increased investment in Center City to beautify the area, as well as the City's support in making the area more welcoming to visitors and diners, has sparked a significant increase in the number of indoor/outdoor dining establishments throughout Center City.

## **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 PHL (as defined herein) and to the surrounding counties. For more information on SEPTA, see "– Southeastern Pennsylvania Transportation Authority" and APPENDIX B – "EXPENDITURES OF THE CITY – City Payments to SEPTA."

A high-speed train line runs from southern New Jersey to Center City and is operated by the Port Authority Transit Corporation ("PATCO"), a subsidiary of the Delaware River Port Authority. On the average weekday, PATCO brings approximately 15,000 individuals to Philadelphia.



New Jersey Transit operates 19 different bus routes and the Atlantic City Train Line, all of which serve to connect Philadelphia and New Jersey. On the average weekday, the New Jersey Transit bus routes bring approximately 2,000 individuals to Philadelphia and the Atlantic City Line brings approximately 700 individuals to Philadelphia.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to other major cities and markets in the United States. According to Amtrak, Philadelphia's 30th Street Station is the third busiest station in the United States. Structural improvements of \$30 million were recently completed to the station, and an additional \$60 million restoration project is awaiting federal approval.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of Interstate 95 ("I-95"); Interstate 676 (the "Vine Street Expressway"), running east-to-west through the CBD between Interstate 76 (the "Schuylkill Expressway") and I-95; and Interstate 476 (the "Blue Route") in suburban Delaware and Montgomery Counties, which connects the Pennsylvania Turnpike and I-95 and connects to the Schuylkill Expressway, which runs to Center City. In addition, more than 100 truck lines serve the Philadelphia area.

The City is served within city limits by numerous private buses and shuttles. These buses and shuttles are operated by apartment complexes, universities, and private companies. These buses and shuttles connect Philadelphians to transit hubs, employment, and residences. A rail line reaches PHL in less than 20 minutes from the City's central business district and connects directly with the commuter rail network and the Pennsylvania Convention Center.

Philadelphia launched the Indego bike share program, sponsored by Independence Blue Cross, in April 2015. The system launched with 600 bicycles and 70 stations throughout the City from Temple University in North Philadelphia to Tasker Street in South Philadelphia and from the Delaware River on the east to 44th Street in West Philadelphia. Indego is the first bike share system in the United States to launch with a cash payment option for members. In 2017, the City expanded Indego to 1,100 bicycles and 121 bike share stations, with stations as far north as Dauphin Street in Kensington, as far south as McKean Street in South Philadelphia, and as far west as 52<sup>nd</sup> Street. In 2017, 780,000 trips were taken.

### **Southeastern Pennsylvania Transportation Authority**

SEPTA operates facilities across the PMSA, encompassing approximately 2,200 square miles and serving approximately 4.1 million inhabitants. SEPTA operates service 24 hours a day, seven days a week, 365 days a year. A significant segment of the region relies on SEPTA for public transportation and annual SEPTA ridership totaled more than 302.7 million in Fiscal Year 2018.

SEPTA's operations are accounted for in three separate divisions, the percentages following each division representing its approximate share of SEPTA's expense budget: City Transit (66%); Regional Rail Division (25%); and Suburban (9%). The City Transit Division serves the City with a network of 89 subway-elevated, light rail, trackless trolley and bus routes, providing approximately 852,000 unlinked passengers trips per weekday. The Regional Rail Division serves the City and the local counties with a network of 13 commuter rail lines providing approximately 120,000 passenger trips per weekday.

SEPTA continues to rehabilitate and replace critical infrastructure and systems, such as substations, bridges and stations. Its long-term capital program includes (i) safety and security enhancements, (ii) modernization of communication, signal equipment, and fare collection systems, (iii) replacement of rail vehicles that have exceeded their useful life, (iv) enhancing accessibility, (v) expanding capacity to address ridership growth, (vi) expanding its fleet of hybrid buses, and (vii) performing vehicle overhauls to optimize vehicle performance.

## Airport System

The Airport System serves residents and visitors from a broad geographic area that includes eleven counties within four states: Pennsylvania, New Jersey, Delaware, and Maryland. The Airport System consists of the Philadelphia International Airport (“PHL” or the “Airport”) and Northeast Philadelphia Airport (“PNE”).

### *Philadelphia International Airport*

PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked the twentieth busiest airport in the United States, serving 29.6 million passengers in calendar year 2017. PHL is located approximately seven miles from Center City on approximately 2,584 acres.

PHL has four runways, consisting of two parallel runways, a crosswind runway, and a commuter runway, as well as interconnecting taxiways. PHL’s terminal facilities consist of seven terminal units, totaling approximately 3.2 million square feet. Such terminal facilities include ticketing areas, passenger and baggage screening areas, passenger hold rooms and other amenities, baggage claim areas, approximately 175 food, retail and service establishments, and other support areas. PHL also has six active cargo facilities, a variety of support buildings, training areas, an air traffic control tower, a fixed-base operator, corporate hangars, a fueling supply facility, two American Airlines aircraft maintenance hangars, and a first-class office complex.

Outside of the PHL terminal area, there are a 14-story, 419-room hotel, seven rental car facilities, a 150-vehicle cell-phone lot, and two employee parking lots with more than 4,000 spaces. Such area also includes five parking garages and surface lots consisting of more than 18,900 vehicle spaces, operated by the Philadelphia Parking Authority.

The current Airport-Airline Use and Lease Agreement (the “Airline Agreement”) between PHL and the airlines began July 1, 2015 and has a five-year term with options for two one-year extensions. The Airline Agreement was approved by City Council in June 2015.

Capital Development. The Airport System’s long-term capital program includes (i) terminal and landside improvements, (ii) airfield improvements, (iii) security and information technology improvements, and (iv) land acquisition and ground transportation improvements, among other things.

PHL Passenger and Other Traffic Activity. The table below shows PHL passenger and cargo activity. In Fiscal Year 2018, PHL enplaned passenger traffic increased by 3.0%, domestic enplanements increased by 3.6%, international enplanements decreased by 1.2%, and total cargo traffic increased by 13.8%.

	Fiscal Year 2018	Fiscal Year 2017
Domestic Enplanements	13,238,844	12,775,958
International Enplanements	2,006,609	2,030,924
Total Enplanements	15,245,453	14,806,882
Freight (US tons)	487,086	424,009
Mail (US tons)	23,344	24,659
Total (US tons)	510,430	448,668

### *Northeast Philadelphia Airport*

PNE is located approximately ten miles northeast of Center City on approximately 1,126 acres. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. PNE currently has no scheduled commercial service. There are a variety of hangars (corporate and general aviation) at PNE. There are approximately 175 general aviation aircraft based at PNE. The Airport System's long-term capital program includes PNE improvement projects.

### **Port of Philadelphia**

The Port of Philadelphia (the "Port") is located on the Delaware River within the City limits. The Port's facilities are serviced by two Class I railroads (CSX and Norfolk Southern) and provide service to major eastern Canadian points, as well as Midwestern, southern and southeastern U.S. destinations. Terminal facilities, encompassing four million square feet of warehousing, are located in close proximity to Interstate 95 and Interstate 76. Over 1,600 local general freight trucking companies operate in the MSA, according to Hoover's Inc.

The Philadelphia Regional Port Authority (the "PRPA") reported approximately 6.3 million metric tons of cargo moved through the Port in 2016, the second year of more than 6 million tons of cargo in a single calendar year, representing a 2.7% increase over 2015. The Port is the top-ranked port for meat importing in the United States, and is among the nation's leaders for fruit, cocoa, forest products and steel imports. In December 2015, the PRPA secured a new shipping service that will link directly with burgeoning port operations on the Gulf of Mexico at Veracruz and Altamira. This service will target commodities including goods such as avocados, lemons, tomatoes and commercial cargo.

As part of an ongoing project, the PRPA is working to increase the Port's competitiveness by increasing capacity by deepening the main channel of the Delaware River from 40 to 45 feet. In November 2016, the Governor announced \$300 million in Commonwealth funding to significantly expand the Port's facilities and double its capacity by 2020. Improvements will double container and auto capacity at the Port and increase the Port's ability to handle wood pulp, a food grade commodity.

## **KEY CITY-RELATED SERVICES AND BUSINESSES**

### **Water and Wastewater**

The water and wastewater systems of the City are owned by the City and operated by the City's Water Department (the "Water Department"). The water and wastewater systems are referred to herein individually as the "Water System" and "Wastewater System", respectively.

The Water System's service area includes the City and has one wholesale water service contract. Based on the 2017 U.S. Census Bureau estimate, the Water System served 1,580,863 individuals.

As of June 30, 2018, the Water System served approximately 480,000 active customer accounts using approximately 3,100 miles of mains and approximately 25,000 fire hydrants.

The City obtains approximately 58% of its water from the Delaware River and the balance from the Schuylkill River. The City is authorized by the Pennsylvania Department of Environmental Protection (the "PaDEP") to withdraw up to 423 million gallons per day ("MGD") from the Delaware River and up to 258 MGD from the Schuylkill River. On September 27, 2016, the PaDEP issued the Water Department a new water allocation permit, which expires on September 27, 2041. Under the new permit, the amount the City is authorized to withdraw from each river has not changed.

Water treatment is provided by the Samuel S. Baxter Water Treatment Plant on the Delaware River and by the Belmont and Queen Lane Water Treatment Plants on the Schuylkill River. The combined rated treatment capacity of these plants under the Water Department's Partnership for Safe Water procedures is 546 MGD. The combined maximum source water withdrawal capacity from the two rivers that supply these plants is 680 MGD. The excess source water capacity enables higher than normal withdrawal from either river should conditions limit withdrawals from one.

The Wastewater System's service area includes the City and ten wholesale wastewater service contracts. Based on the 2017 U.S. Census Bureau estimate, the Wastewater System served 1,580,863 individuals that live in the City and ten wholesale contracts.

As of June 30, 2018, the Wastewater System served approximately 545,000 accounts, including approximately 50,000 stormwater-only accounts and ten wholesale contracts with neighboring municipalities and authorities.

The Wastewater System consists of three water pollution control plants, the Northeast, Southwest and Southeast water pollution control plants (the "WPCPs"), 19 pumping stations, approximately 3,700 miles of sewers, and a privately managed centralized biosolids handling facility. It includes approximately 1,850 miles of combined sewers, 760 miles of sanitary sewers, 740 miles of stormwater sewers, 13 miles of force mains (sanitary and storm) and 349 miles of appurtenant piping. The three WPCPs processed a combined average of 413 MGD of wastewater in Fiscal Year 2018, have a 522 MGD combined average daily design capacity and a peak capacity of 1,059 MGD.

### **Solid Waste Disposal**

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2,300 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of through a combination of recycling processing facilities, private and City transfer stations within the City limits, and at various landfills operated outside the City limits.

### **Parks**

The City was originally designed by William Penn and Thomas Holme around five urban parks, each of which remains in Center City to this day. The City's parklands total over 10,300 acres, and include Fairmount Park, the world's largest landscaped urban park at 9,200 acres, Pennypack Park, and the Philadelphia Zoo, the country's first zoo. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell. Under the Rebuild initiative, an estimated \$500 million will be invested in Philadelphia parks, recreation centers, playgrounds and libraries in the next several years.

### **Libraries**

The Free Library of Philadelphia, the City's public library system, comprises 54 branches and an extensive online resource system.

### **Streets and Sanitation**

The Philadelphia Streets Department (the "Streets Department") and the divisions within it are responsible for the City's large network of streets and roadways. The City's pavement condition is considered to be a "Fair" pavement condition. In order for the City to maintain its pavement in a state of good repair, local streets should be repaved once every 20 years and arterials should be repaved once every 10 years. This requires approximately 131 miles of paving every year. The pavement program has accumulated a backlog of approximately 1,100 miles since 1996. As a result of the new funding under Act 89, the Streets Department has funds to address long standing state of good repair needs without an additional allocation from the General Fund. During Fiscal Years 2014-2017, the Streets Department



invested in critical equipment replacements and began to implement a strategy to address recurring state of good repair needs. This includes critical equipment replacement, street paving and pothole repair, and replacement of traffic control equipment.

The Streets Department is also responsible for the ongoing collection and disposal of residential trash and recyclables, as well as the construction, cleanliness and maintenance of the street system. The streets system in Philadelphia totals 2,575 miles - 2,180 miles of City streets, 35 miles of Fairmount Park roads and 360 miles of state highways. The Highway Unit and Sanitation Division annually collects and disposes of approximately 600,000 tons of rubbish and 125,000 tons of recycling, completes over 48,000 miles of mechanical street cleaning, clears 1,800 major illegal dump sites, and removes over 155,000 abandoned tires.

### **Sustainability and Green Initiatives**

Mayor Kenney continues the City's commitment to make Philadelphia the greenest and most sustainable city in America. To aid in achieving this goal, the Philadelphia Energy Authority has been tasked with improving energy sustainability and affordability in the City and with educating consumers on their energy choices. The City is investing in and evaluating additional options and investing in green infrastructure to better manage storm water reclamation and reduce pollution of the City's public waters. There has been extensive investment in creating more and better public green spaces, such as Love Park in Center City, as well as green spaces along both the Delaware and Schuylkill Rivers. Finally, the City has been taking steps to further reduce automobile traffic, congestion and pollution by making Philadelphia's streets increasingly friendly to bicyclists. The City introduced its new bicycle sharing system, Indego, in 2015, as further described in "TRANSPORTATION." Bicycle share programs have been successfully implemented in other cities worldwide.

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## **APPENDIX D**

### **Definitions of Certain Terms and Summary of Certain Provisions of the Indenture**

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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 2019/2020 Bonds are summarized in the Official Statement under the section captioned “THE 2019/2020 BONDS.” Reference should be made to the Indenture for a complete statement of all of these provisions and other provisions which are not summarized in the Official Statement. Copies of the Indenture may be obtained from the Trustee.

## **DEFINITIONS OF CERTAIN TERMS**

**“2019 Closing Date”** means the date of the delivery of the 2019 Bonds, as applicable to the Underwriters against payment therefore.

**“Additional Bonds”** means bonds or notes: (i) as of the 2019 Closing Date, other than the 2010 Bonds and the 2019 Bonds, and (ii) as of the Delayed Delivery Closing Date of the 2020 Bonds, other than the 2010 Bonds maturing on June 15, 2020, the 2019 Bonds and the 2020 Bonds, authorized to be issued under the Indenture.

**“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 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 authorizing resolutions previously adopted by the Authority and executed and delivered under and pursuant to such authorizing resolutions and the 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 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 a day other than a Saturday, Sunday or holiday on which the Trustee or any applicable Credit Facility Issuer are authorized to be closed under applicable state or federal law.

**“Capital Projects Fund”** means the separate fund of such name established under the Indenture.

**“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.

**“Credit Facility”** means the Municipal Bond Debt Service Reserve Fund Policy issued by the Credit Facility Issuer, and any other letter of credit, 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 (policy novated to National Public Finance Guarantee Corporation) 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.

**“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 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 established under the Indenture.

**“Debt Service Reserve Requirement”** means 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.

**“Delayed Delivery Closing Date”** means the date of the delivery of the 2020 Bonds, as applicable to the Underwriters against payment therefore.

**“Department”** means the Department of Revenue of the Commonwealth.



**“Depository”** means U.S. Bank National Association, successor to First Union National Bank, a national banking association organized and existing under the laws of the United States, as Depository 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 Depository and acknowledged and agreed to by the City as the same may be amended, modified or supplemented and in effect from time to time.

**“Event of Default”** means any event specified as such in Section 8.01 of the Indenture.

**“Fitch”** means Fitch Ratings, 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.

**“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) 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 FIBRE 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.

**“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 depository of any fund established under the Indenture, and any net profits or losses resulting from the sale of securities.

**“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 whether or not such obligations are 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.

(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 paragraphs (1) or (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) That certain “Debt Service Reserve Forward Delivery Agreement” dated as of June 6, 2000 by and between the Trustee, the Authority and Wachovia Bank, National Association (successor to First Union Securities, Inc.) and any securities which are “Eligible Securities” as defined therein;

(9) That certain “Debt Service Reserve Forward Delivery Agreement” dated as of June 6, 2000 by and between the Trustee, the Authority and JPMorgan Chase Bank, National Association, and any securities which are “Eligible Securities” as defined therein;

(10) Government Obligations; and

(11) Investment Securities, as defined in the Amended and Restated Indenture.

Notwithstanding the foregoing, no moneys of the Authority may be invested in obligations issued by or obligations guaranteed by the City, without the approval of a qualified majority of the board of the Authority, and, in any case, no moneys held in a debt service reserve fund may be invested in obligations issued by or obligations guaranteed by the City.

**“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, Inc., 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.

**“Municipal Obligations”** means any obligations issued or guaranteed by any state or political subdivision of a state or by any public instrumentality of any of the foregoing.

**“Outstanding,” “Bonds Outstanding” or “outstanding Bonds”** mean all Bonds which have been authenticated and delivered under the Indenture, except:

(a) Bonds cancelled after purchase in the open market or because of payment or redemption prior to their maturity;

(b) 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 Bonds) in accordance with Article VII of the Amended and Restated Indenture; provided that if such Bonds are to be redeemed prior to their stated maturity date, 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

(c) Bonds in lieu of which others have been authenticated under Section 2.07 or Section 2.08 of the Amended and Restated Indenture.

**“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.

**“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 2010 Bonds maturing on June 15, 2020, the 2019 Bonds, the 2020 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.

**“Rating Agency”** means each nationally recognized securities rating agency then maintaining a rating on the 2019 Bonds and 2020 Bonds at the request of the Authority, which at the time of issuance of the 2019 Bonds and at the time of issuance of the 2020 Bonds includes S&P, Moody's and Fitch.

**“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.

**“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.

**“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) fixed to determine the names and addresses of holders of any series of Bonds for purposes of paying principal or interest on a Special Payment Date.

**“State Treasurer”** means the State Treasurer of the Commonwealth.

**“Supplemental Indenture”** means any indenture of the Authority amending or supplementing the Indenture for any purpose, in accordance with the terms of the Indenture.

**“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.

**“Trustee”** means U.S. Bank National Association, as successor trustee, 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.

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”): (i) all of the Authority's right, title and interest in and to the Pledged Revenues; (ii) 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 (iii) 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.

### **Creation of Funds**

The Trustee has established under the Indenture the following funds: Revenue Fund, Debt Service Fund, Debt Service Reserve Fund, Bond Redemption Fund, Capital Projects Fund, Deficit Fund, Rebate Fund and Settlement 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 the receipt of a requisition signed by the Authority accompanied by a notice (in the form prescribed in the Indenture) from 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 affect 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 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 Depository 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 of Bonds 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 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 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 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.

## **Debt Service Reserve Fund**

There shall be maintained in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement for all Outstanding 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, either 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 2010 Bonds maturing on June 15, 2020, the 2019 Bonds and the 2020 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. 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 2019 Bonds and the 2020 Bonds. Upon the payment of the costs of issuance, moneys in the Settlement Fund with respect to the 2019 Bonds and the 2020 Bonds, respectively, are to be transferred to the Debt Service Fund.

## **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**

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 terms 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 written 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 only 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;

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; 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 2019 Bonds or the 2020 Bonds if not cured sooner than the period specified in the notice.

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 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 term 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 proceed 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.

## **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 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 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 Not Requiring Consent of Bondholders**

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
- (l) 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 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.

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.

#### **Modifications of Indenture Requiring Consent of Bondholders**

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.

#### **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 non-callable and 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.

#### **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.



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## **APPENDIX E-1**

### **Proposed Form of Approving Opinion of Bond Counsel for 2019 Bonds**

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[FORM OF APPROVING OPINION OF BOND COUNSEL FOR THE 2019 BONDS]

\_\_\_\_\_, 2019

RE: \$\_\_\_\_\_ PENNSYLVANIA INTERGOVERNMENTAL COOPERATION  
AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA  
FUNDING PROGRAM), SERIES OF 2019

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$\_\_\_\_\_ aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 Bonds"). The 2019 Bonds are issued under and pursuant to and authorized by 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"), pursuant to the Resolution adopted by the Authority on September 17, 2019 and pursuant to the Amended and Restated Trust Indenture (the "Amended and Restated Indenture"), dated as of December 1, 1994 between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented pursuant to the 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"), a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplement"), a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 (the "Fifth Supplement"), a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 (the "Sixth Supplement"), a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 (the "Seventh Supplement"), and an Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019 (the "Eighth Supplement," and together with the Amended and Restated Indenture, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, the "Indenture").

The 2019 Bonds are being issued for the purpose of providing funds which, together with other available moneys of the Authority, will be used to: (i) currently refund all of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2009; and (ii) pay the costs of issuing the 2019 Bonds (collectively, the "Refunding Project").

In the course of the performance of our duties as Bond Counsel, we have examined such documents, opinions, records, orders, notices, certificates, statutes, resolutions, decisions, and rulings as we have deemed necessary to enable us to furnish this opinion, including, *inter alia*,

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DELAWARE FLORIDA ILLINOIS MARYLAND MASSACHUSETTS MINNESOTA NEW JERSEY NEW YORK PENNSYLVANIA WASHINGTON, DC

A DELAWARE LIMITED LIABILITY PARTNERSHIP

the following: (i) an executed counterpart of the Eighth Supplement, (ii) the form of the 2019 Bonds, (iii) a copy, certified or otherwise identified to our satisfaction, of the Indenture, (iv) an executed counterpart of the Tax Certificate, (v) the opinion of Counsel to the Authority, on which we have relied, (vi) an executed counterpart of the Bond Purchase Agreement dated as of October \_\_, 2019 (the “Purchase Agreement”) between the Authority and RBC Capital Markets, LLC, and (vii) such constitutional and statutory provisions and such other resolutions, certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to the matters set forth herein. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to such opinions, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents and the representations and warranties made therein without undertaking to verify the same by independent investigation. We have also assumed that the documents referred to herein have been duly authorized by all parties thereto other than the Authority and are, where appropriate, legally binding obligations of, and enforceable in accordance with their terms against all parties, except the Authority, and that the actions required to be taken and consent required to be obtained by such parties, have been taken or obtained. We do not render any opinion with respect to the adequacy of security for the 2019 Bonds or the sources of payment in respect of the 2019 Bonds.

Based upon the foregoing, it is our opinion, under existing law and as of the date hereof, and subject to the qualifications and limitations set forth herein, that:

1. The Authority is a body corporate and politic, organized and validly existing under the laws of the Commonwealth of Pennsylvania with full power and authority to undertake the Refunding Project, to execute, deliver and perform its obligations under the Eighth Supplement and to issue and sell the 2019 Bonds.

2. The Eighth Supplement has been duly authorized, executed and delivered by the Authority and constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

3. The Authority has duly assigned, transferred and pledged to the Trustee, for the benefit of the holders of the 2019 Bonds, to the extent provided in the Indenture, all of its right, title and interest in and to the Pledged Revenues.

4. The issuance and sale of the 2019 Bonds have been duly authorized by the Authority and, on the assumption of execution and authentication stated above, such 2019 Bonds have been duly executed and delivered by the Authority and authenticated by the Trustee, are valid and binding limited obligations of the Authority enforceable in accordance with their terms and are entitled to the benefit and security of the Indenture, except as the rights created



thereunder and the enforcement thereof may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

5. Interest on the 2019 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence assumes that the Authority complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2019 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the 2019 Bonds to be so includable in gross income retroactive to the date of issuance of the 2019 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2019 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the federal alternative minimum taxes. We express no opinion regarding other federal tax consequences relating to the 2019 Bonds or the receipt of interest thereon.

6. Under the laws of the Commonwealth, as enacted and construed on the date hereof, the 2019 Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2019 Bonds or the interest thereon.

The opinions set forth above are rendered on the basis of, and limited to, federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. We express no opinion herein as to any matter not set forth in the numbered paragraphs above. In particular, we call to your attention that the 2019 Bonds are not in any way a debt or liability of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof other than the Authority, nor do the 2019 Bonds or the Indenture pledge the general credit or taxing power of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof. The Authority has no taxing power.

The opinions set forth above are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur including, but not limited to, those that may affect the tax status of interest on the 2019 Bonds.

Very truly yours,

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## **APPENDIX E-2**

### **Proposed Form of Approving Opinion of Bond Counsel for 2020 Bonds**

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**[ASSUMING THAT NO CHANGE IN LAW HAS OCCURRED, SET FORTH BELOW IS  
THE FORM OF APPROVING OPINION TO BE DELIVERED BY BOND COUNSEL  
ON THE DELAYED DELIVERY CLOSING DATE FOR THE 2020 BONDS ]**

[DATE: DELAYED DELIVERY CLOSING DATE]

RE: \$\_\_\_\_\_ PENNSYLVANIA INTERGOVERNMENTAL COOPERATION  
AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA  
FUNDING PROGRAM), SERIES OF 2020 (FORWARD DELIVERY)

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$\_\_\_\_\_ aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 Bonds"). The 2020 Bonds are issued under and pursuant to and authorized by 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"), pursuant to the Resolution adopted by the Authority on September 17, 2019 and pursuant to the Amended and Restated Trust Indenture (the "Amended and Restated Indenture"), dated as of December 1, 1994 between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented pursuant to the 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"), a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplement"), a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 (the "Fifth Supplement"), a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 (the "Sixth Supplement"), a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 (the "Seventh Supplement"), and an Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019 (the "Eighth Supplement," and together with the Amended and Restated Indenture, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, the "Indenture").

The 2020 Bonds are being issued for the purpose of providing funds which, together with other available moneys of the Authority, will be used to: (i) currently refund the maturities of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2010 maturing after June 15, 2020; and (ii) pay the costs of issuing the 2020 Bonds (collectively, the "Refunding Project").



In the course of the performance of our duties as Bond Counsel, we have examined such documents, opinions, records, orders, notices, certificates, statutes, resolutions, decisions, and rulings as we have deemed necessary to enable us to furnish this opinion, including, *inter alia*, the following: (i) an executed counterpart of the Eighth Supplement, (ii) the form of the 2020 Bonds, (iii) a copy, certified or otherwise identified to our satisfaction, of the Indenture, (iv) an executed counterpart of the Tax Certificate, (v) the opinion of Counsel to the Authority, on which we have relied, (vi) an executed counterpart of the Forward Delivery Bond Purchase Agreement dated as of October \_\_, 2019 (the “Forward Delivery Purchase Agreement”) between the Authority and RBC Capital Markets, LLC and (vii) such constitutional and statutory provisions and such other resolutions, certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to the matters set forth herein. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Forward Delivery Purchase Agreement.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to such opinions, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents and the representations and warranties made therein without undertaking to verify the same by independent investigation. We have also assumed that the documents referred to herein have been duly authorized by all parties thereto other than the Authority and are, where appropriate, legally binding obligations of, and enforceable in accordance with their terms against all parties, except the Authority, and that the actions required to be taken and consent required to be obtained by such parties, have been taken or obtained. We do not render any opinion with respect to the adequacy of security for the 2020 Bonds or the sources of payment in respect of the 2020 Bonds.

Based upon the foregoing, it is our opinion, under existing law and as of the date hereof, and subject to the qualifications and limitations set forth herein, that:

1. The Authority is a body corporate and politic, organized and validly existing under the laws of the Commonwealth of Pennsylvania with full power and authority to undertake the Refunding Project, to execute, deliver and perform its obligations under the Eighth Supplement and to issue and sell the 2020 Bonds.

2. The Eighth Supplement has been duly authorized, executed and delivered by the Authority and constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

3. The Authority has duly assigned, transferred and pledged to the Trustee, for the benefit of the holders of the 2020 Bonds, to the extent provided in the Indenture, all of its right, title and interest in and to the Pledged Revenues.

4. The issuance and sale of the 2020 Bonds have been duly authorized by the Authority and, on the assumption of execution and authentication stated above, such 2020 Bonds have been duly executed and delivered by the Authority and authenticated by the Trustee, are valid and binding limited obligations of the Authority enforceable in accordance with their terms and are entitled to the benefit and security of the Indenture, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

5. Interest on the 2020 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence assumes that the Authority complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2020 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the 2020 Bonds to be so includable in gross income retroactive to the date of issuance of the 2020 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2020 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the federal alternative minimum taxes. We express no opinion regarding other federal tax consequences relating to the 2020 Bonds or the receipt of interest thereon.

6. Under the laws of the Commonwealth, as enacted and construed on the date hereof, the 2020 Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2020 Bonds or the interest thereon.

The opinions set forth above are rendered on the basis of, and limited to, federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. We express no opinion herein as to any matter not set forth in the numbered paragraphs above. In particular, we call to your attention that the 2020 Bonds are not in any way a debt or liability of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof other than the Authority, nor do the 2020 Bonds or the Indenture pledge the general credit or taxing power of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof. The Authority has no taxing power.

The opinions set forth above are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur including, but not limited to, those that may affect the tax status of interest on the 2020 Bonds.

Very truly yours,

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## APPENDIX F

### Proposed Form of Continuing Disclosure Agreement

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by the Pennsylvania Intergovernmental Cooperation Authority (“Authority”) in connection with the issuance and sale by the Authority of its \$ \_\_\_\_\_\* Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of \_\_\_\_\_ (the “Bonds”). Capitalized terms used in this Disclosure Agreement which are not otherwise defined herein shall have the meanings given to such terms in the Official Statement (as defined herein) or the Indenture (as defined in the Official Statement), as applicable.

The Authority hereby agrees as follows:

#### ARTICLE I

##### The Undertaking

Section 1.1. Purpose. This Disclosure Agreement is being executed and delivered by the Authority solely for the benefit of the holders and the beneficial owners of the Bonds and in order to assist the Underwriters in complying with subsection (b)(5) of the Rule by undertaking to provide certain Annual Financial Information (as defined herein) and material events notices required by the Rule, and shall create no rights in any other person or entity.

Section 1.2. Annual Financial Information. (a) So long as any Bonds are outstanding, the Authority shall file annually its Annual Financial Information with the MSRB via EMMA (as both terms are defined herein) with respect to each Fiscal Year of the Authority, in accordance with the provisions of the subsection (b)(5) of the Rule, within 180 days after the end of the Authority’s Fiscal Year, commencing with the Fiscal Year ending June 30, 2020.

(b) If the Annual Financial Information to be filed by the Authority is not available by the date of the required filing, the Authority shall file unaudited Annual Financial Information by such date and file audited Annual Financial Information when available.

(c) The Authority shall provide, in a timely manner, written notice to the MSRB via EMMA specifying any failure of the Authority to provide the Annual Financial Information by the date specified in subsection (a) hereof.

Section 1.3. Notice Events. (a) So long as any Bonds are outstanding, if one of the following Notice Events occurs, the Authority shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, written notice of such Notice Event to the MSRB via EMMA:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

(b) Any notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Bonds shall include the CUSIP numbers, if any, of the Bonds to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the Authority including the Bonds, such Notice Event notice need only include the CUSIP number of the Authority.

Section 1.4. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to do so, the Authority shall have no obligation under this Disclosure Agreement to continue to provide or to update such additional information or data.

Section 1.5. Additional Disclosure Obligations. The Authority acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the Authority and that,



under some circumstances, compliance with this Disclosure Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Authority under such laws.

## ARTICLE II

### Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Authority provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, [www.emma.msrb.org](http://www.emma.msrb.org)) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.3 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. General Provisions Regarding Filings. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access ("EMMA") system, the current Internet Web address of which is [www.emma.msrb.org](http://www.emma.msrb.org).

(b) All notices, documents and information provided on EMMA shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.4. Fiscal Year. (a) The Authority's current Fiscal Year begins July 1 and ends June 30, and the Authority shall promptly file a notification on EMMA of each change in its Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months.

## ARTICLE III

### Effective Date, Termination, Amendment, Enforcement, Governing Law

Section 3.1. Effective Date; Termination. (a) This Disclosure Agreement shall be effective upon the issuance of the Bonds.

(b) The Authority's obligations under this Disclosure Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 3.2. Amendment. (a) This Disclosure Agreement may be amended without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied:

(1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby,

(2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances,

(2) above, (3) the Authority shall obtain an opinion of Counsel to the same effect as set forth in clause

(4) either (i) the Authority shall obtain an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Authority (such as bond counsel), addressed to the Authority, to the effect that the amendment does not materially impair the interests of the holders of the Bonds, or

(ii) the holders of the Bonds consent to the amendment to this Disclosure Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Bonds pursuant to the Indenture as in effect at the time of the amendment, and

(5) the Authority shall ensure that copies of such opinion(s) and amendment are promptly filed on EMMA and sent to each Registered Owner.

(b) This Disclosure Agreement may be amended without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Agreement which is applicable to this Disclosure Agreement, (2) the Authority shall obtain an opinion of Counsel to the effect that performance by the Authority under this Disclosure Agreement as so amended will not result in a violation of the Rule and (3) the Authority shall have copies of such opinion and amendment promptly filed on EMMA and sent to each Registered Owner.

(c) This Disclosure Agreement may be amended without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Authority shall have obtain an opinion of Counsel to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Authority shall ensure that such opinion and amendment shall be promptly filed on EMMA and sent to each Registered Owner.

(d) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Authority in preparing its financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Disclosure Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Disclosure Agreement. The provisions of this Disclosure Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Authority to comply with the provisions of this Disclosure Agreement shall be enforceable by any holder of outstanding Bonds. The holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under this Disclosure Agreement. In consideration of the

third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Authority to perform in accordance with this Disclosure Agreement shall not constitute a default or an Event of Default under the Indenture or the Bonds and the rights and remedies provided by the Indenture or the Act upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Disclosure Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Disclosure Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

## ARTICLE IV

### Definitions

Section 4.1. Definitions. The following terms used in this Disclosure Agreement shall have the following respective meanings:

(1) “Annual Financial Information” means the Authority’s Audited Financial Statements with Independent Auditor’s Report. The Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

(2) “Audited Financial Statements” means the annual financial statements of the Authority, audited by such auditor as shall then be required or permitted by Commonwealth law. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Authority may from time to time, if required by federal or Commonwealth legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or Commonwealth law or regulation describing such accounting principles, or other description thereof.

(3) “Counsel” means any nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “Financial Obligation” means “financial obligation” as such term is defined in the Rule.

(5) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(6) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement.

(7) “Official Statement” means the Official Statement dated October \_\_, 2019 of the Authority relating to the Bonds, as it may be amended or supplemented.

(8) “Registered Owner” or “Registered Owners” means the person or persons in whose name a Bond is registered on the books of the Authority maintained by the Trustee in accordance with the Indenture. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term

“Registered Owner” or “Registered Owners” also means and includes, for the purposes of this Disclosure Agreement, the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Authority shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds except those who have filed their names and addresses with the Authority for the purposes of receiving notices or giving direction under this Disclosure Agreement.

(9) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Disclosure Agreement, including any official interpretations thereof issued either before or after the effective date of this Disclosure Agreement which are applicable to this Disclosure Agreement.

(10) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

**IN WITNESS WHEREOF**, PENNSYLVANIA INTERGOVERNMENTAL COOPERATION  
AUTHORITY has executed this Disclosure Agreement as of the day and year first above written.

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION  
AUTHORITY**

By: \_\_\_\_\_  
Authorized Officer



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## APPENDIX G

### Book-Entry Only System

#### General

*The information set forth herein concerning The Depository Trust Company, New York, New York (“DTC”) and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority, the City, the Trustee, or the Underwriters. The website referenced below is included for reference only and the information contained therein is not incorporated by reference in this Official Statement.*

DTC will act as securities depository for the Bonds under a book-entry system with no physical distribution of the Bonds made to the public. The 2019/2020 Bonds will initially 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 Bonds, each 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2019 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, and interest on, the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participants and not of DTC (or its nominee), the Authority, the City or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, and interest on, the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

**THE AUTHORITY, THE CITY, THE TRUSTEE, AND THE UNDERWRITERS 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 2019/2020 BONDS (A) PAYMENTS OF PRINCIPAL OF, OR INTEREST ON, THE 2019/2020 BONDS, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2019/2020 BONDS, OR (C) 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 SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.**

**NONE OF THE AUTHORITY, THE CITY, THE TRUSTEE, OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION**

**STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF, OR INTEREST ON, THE 2019/2020 BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE OR OTHER COMMUNICATION WHICH IS REQUIRED TO BE GIVEN TO HOLDERS OR OWNERS OF THE 2019/2020 BONDS; OR (E) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2019/2020 BONDS.**

#### **Discontinuation of Book-Entry Only System**

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2019 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2019 Bond certificates will be printed and delivered.

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## **APPENDIX H**

### **Schedule of Refunded 2009 Bonds**

[To be included in the final Official Statement]

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## **APPENDIX I**

### **Schedule of Refunded 2010 Bonds**

[To be included in the final Official Statement]

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## APPENDIX J

### Form of Delayed Delivery Contract for 2020 Bonds

#### DELAYED DELIVERY CONTRACT

\_\_\_\_\_, 2019

RBC Capital Markets, LLC  
as Representative of the Underwriters

Re: \$\_\_\_\_\_ Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 Bonds")

To RBC Capital Markets, LLC:

The undersigned (the "Purchaser") hereby agrees to purchase from RBC Capital Markets, LLC, as "Representative", on behalf of itself and the underwriters named in the list attached as Appendix I to the 2020 Forward Delivery Purchase Agreement (defined below) (collectively, the "Underwriters") when, as, and if issued and delivered to the Underwriters by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), and the Underwriters agree to sell to the Purchaser:

<u>Par Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP Number</u>	<u>Yield</u>	<u>Price</u>
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of the above-referenced 2020 Bonds (the "Purchased Obligations") offered by the Authority under the Preliminary Official Statement dated October 18, 2019, and the Official Statement relating to the Purchased Obligations dated October \_\_, 2019 (the "Official Statement"), at the purchase price and with the interest rates, principal amounts, and maturity dates shown above, and on the further terms and conditions set forth in this Delayed Delivery Contract. The Purchased Obligations are being purchased by the Underwriters pursuant to a Forward Delivery Bond Purchase Agreement dated \_\_\_\_\_, 2019 among the Authority and the Representative (the "2020 Forward Delivery Purchase Agreement"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the 2020 Forward Delivery Purchase Agreement, the Preliminary Official Statement or the Official Statement.

The Purchaser hereby confirms that it has reviewed the Preliminary Official Statement and the Official Statement (including without limitation the section entitled "INTRODUCTION – Forward Delivery of the 2020 Bonds", "PLAN OF FINANCE – Forward Delivery Bond Purchase Contract for Series 2020 Bonds" and "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS" therein), has considered the risks associated with purchasing the Purchased Obligations and is duly authorized to purchase the Purchased Obligations. The Purchaser further acknowledges and agrees that the Purchased Obligations are being sold on a "forward" basis, and the Purchaser hereby purchases and agrees to accept delivery of such Purchased Obligations from the Underwriters on or about \_\_\_\_\_, 2020] (the "Delayed Delivery Closing Date") as they may be issued and delivered in accordance with the 2020 Forward Delivery Purchase Agreement.



Payment for the Purchased Obligations shall be made to the Underwriters or upon its order on the Delayed Delivery Closing Date upon delivery to the Purchaser of the Purchased Obligations through the book-entry system of The Depository Trust Company. The Purchaser agrees that in no event shall the Underwriters be responsible or liable for any claim or loss, whether direct or consequential, which the Purchaser may suffer in the event the Authority does not for any reason issue and deliver the Purchased Obligations.

The obligation of the Purchaser to take delivery of the Purchased Obligations hereunder shall be unconditional. The Purchaser may terminate its obligation to purchase the Purchased Obligations in the event that between the Initial Closing Date and the Delayed Delivery Closing Date (the "Forward Delivery Period"), one of the following events shall have occurred after the Initial Closing Date and the Purchaser has notified the Underwriters in writing as provided herein:

1. there shall have occurred (1) a new outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war; or (2) any other calamity or crisis or any change in the financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (1) or (2), in the reasonable judgment of the Representative, makes it impracticable or inadvisable to proceed with the offering or the delivery of the 2020 Bonds on the terms and in the manner contemplated in the Preliminary Official Statement or the Official Statement;
2. there shall 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 determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction that, in the Representative's reasonable judgment, makes it impracticable for the Underwriters to market the 2020 Bonds or enforce contracts for the sale of the 2020 Bonds; or
3. a general banking moratorium shall have been declared by federal or state authorities having jurisdiction and be in force or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred that, in the Representative's reasonable judgment makes it impracticable for the Underwriters to market the 2020 Bonds or enforce contracts for the sale of the 2020 Bonds;
4. legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation, or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the 2020 Bonds, or any comparable securities of the Authority, or any obligations of the general character of the 2020 Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect (the "Securities Act") or the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended and as then in effect, or otherwise, or would be in violation of any provision of the federal securities laws;
5. a decision by a court of the United States shall have been rendered or a stop order, release, regulation, or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering, or sale of the 2020 Bonds, including all the underlying obligations as contemplated hereby or as described in the Official Statement, or any document relating to the issuance, offering or sale of the 2020 Bonds is or would be in violation of any provision of the federal securities laws at the Initial Closing Date, including the Securities Act, the Exchange Act, and the Trust Indenture Act of 1939, as amended;
6. Any Change in Law shall have occurred;
7. there shall exist any event or circumstance that in the Representative's sole and reasonable judgment (1) makes the Official Statement contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made,

not misleading, and in either such event, the Authority refuses to permit the Official Statement to be supplemented to correct or supply such statement or information;

8. Any rating of the Series 2020 Bonds by a national rating agency rating the Series 2020 Bonds has been withdrawn or suspended; or
9. Bond Counsel determines that for any reason, including a Change of Law, Bond Counsel will not be able to render its approving opinion substantially in the form attached as Appendix E-2 to the Official Statement and Bond Counsel provides written notice thereof to the Authority and the Underwriters (the “Bond Counsel Notice”), and the Authority does not notify the Underwriters within five business days of receipt of the Bond Counsel Notice that it has retained a new firm or firms to deliver such opinion.

A “Change in Law” means (i) any change in or addition to applicable federal or State law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or State agencies, (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date that is on or before the date of the Delayed Delivery Closing), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date that is on or before the date of the Delayed Delivery Closing) or (iv) any judgment, ruling or order issued by any court or administrative body, which in the case of any of (i), (ii), (iii) or (iv) would, (A) as to the Underwriter, prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from purchasing the Series 2020 Bonds as provided in the Forward Delivery Bond Purchase Agreement or selling the Series 2020 Bonds or beneficial ownership interests therein to the public; or (B) as to the Authority, would make the issuance, sale or delivery of the Series 2020 Bonds illegal (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized); or (C) eliminate the exclusion from gross income for federal income tax purposes of interest on the Series 2020 Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed or finalized); or (D) require the 2020 Bonds to be registered under the Securities Act of 1933, as amended or under the Securities Exchange Act of 1934, as amended or require the Resolution to be qualified under the Trust Indenture Act of 1939, as amended (if enacted, passed, finalized or adopted), and as to the foregoing, in the sole and reasonable judgment of Bond Counsel causes Bond Counsel to not issue its opinion as to the tax-exempt status of the interest on the 2020 Bonds for federal tax purposes; provided, however, that such change in or addition to law, legislation, rule or regulation or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, been proposed or enacted or been issued as the case may be, after the date of the Forward Delivery Bond Purchase Agreement.

If the Change of Law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes of interest payable on “state or local bonds,” the Authority may, nonetheless, be able to satisfy the requirements for the delivery of the Purchased Obligations. In such event, the Underwriters would be obligated to purchase the Purchased Obligations from the Authority and the Purchaser would be required to accept delivery of the Purchased Obligations from the Underwriter.

The Purchaser acknowledges and agrees that the Purchased Obligations are being sold on a “forward” or “delayed delivery” basis for delivery on the Delayed Delivery Closing Date and that the Purchaser is obligated to take up and pay for the Purchased Obligations on the Delayed Delivery Closing Date unless the Representative terminates the 2020 Forward Delivery Purchase Agreement or the Purchaser terminates its obligation to purchase the Purchased Obligations as described herein. To effect a termination by the Purchaser, the Purchaser acknowledges and agrees that it must give written notice of termination of this Delayed Delivery Contract to the Underwriters before the Delayed Delivery Closing Date. The Purchaser understands and agrees that no termination of the obligation of the Purchaser may occur after the Delayed Delivery Closing Date. The Purchaser is not a third party beneficiary under the 2020 Forward Delivery Purchase Agreement and has no rights to enforce, or cause the Underwriters to enforce, any of the terms thereof. The Purchaser acknowledges that it will not be able to withdraw its order except as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Obligations on the Delayed Delivery Closing Date because of market or credit changes, including specifically, but not limited to (a) changes in the ratings assigned to

the Purchased Obligations or changes in the credit associated with the Purchased Obligations generally, and (b) changes in the financial condition and operations of the Authority. The Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Obligations in accordance with the terms hereof, even if the Purchaser decides to sell such Purchased Obligations following the date hereof, unless the Purchaser sells Purchased Obligations to another entity with the prior written consent of the Underwriters and such entity provides a written acknowledgment of confirmation of purchase order and a delayed delivery contract in the same respective forms as that executed by the Purchaser.

The Purchaser represents and warrants that, as of the date of this Delayed Delivery Contract, the Purchaser is not prohibited from purchasing the Purchased Obligations hereby agreed to be purchased by it under the laws of the jurisdiction to which the Purchaser is subject.

This Delayed Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party without the prior written consent of the other.

The Purchaser acknowledges that the Representative is entering into the 2020 Forward Delivery Purchase Agreement with the Authority to purchase the Purchased Obligations in reliance in part on the performance by the Purchaser of its obligations hereunder.

This Delayed Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument under the laws of the State of New York.

It is understood that the acceptance by the Underwriters of any Delayed Delivery Contract (including this one) is in the Underwriter's sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a "first-come, first-served" basis. If this Delayed Delivery Contract is acceptable to the Underwriter, it is requested that the Representative sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Underwriters and the Purchaser when such counterpart is so mailed or delivered by the Representative. This Delayed Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

This Delayed Delivery Contract shall be construed and administered under the laws of the State of Pennsylvania.

\_\_\_\_\_  
Purchaser

\_\_\_\_\_  
Address

\_\_\_\_\_  
Telephone

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Accepted: RBC Capital Markets, LLC,  
as Representative to the Underwriters,

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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*In the opinion of Bond Counsel, interest on the 2019 Bonds (as defined herein) is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "TAX MATTERS" herein and interest on the 2019 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the federal alternative minimum tax. Under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), the 2019 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2019 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS" herein.*

*On the Delayed Delivery Closing Date (as defined herein) of the 2020 Bonds (as defined herein) assuming that no Change In Law (as defined herein) has occurred, Bond Counsel will deliver its opinion on the Delayed Delivery Closing Date that interest on the 2020 Bonds (as defined herein) is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "TAX MATTERS" herein and interest on the 2020 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax. Assuming that no Change in Law has occurred, on the Delayed Delivery Closing Date, Bond Counsel will deliver its opinion that under the laws of the Commonwealth, as enacted and construed on the Delayed Delivery Closing Date, the 2020 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2020 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS" herein.*



**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020  
(Forward Delivery)**

**Dated: For 2019 Bonds: Date of Delivery  
For 2020 Bonds: Delayed Delivery Closing Date**

**Due: As shown on inside front cover**

The Pennsylvania Intergovernmental Cooperation Authority's \$31,085,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 Bonds") and \$24,990,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 Bonds", together with the 2019 Bonds, the "2019/2020 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 U.S. Bank National Association, Philadelphia, Pennsylvania, as successor trustee (the "Trustee"), as amended and supplemented, including by the Eighth Supplement (as defined herein) (as so amended and supplemented, the "Indenture"), between the Authority and the Trustee.

The 2019/2020 Bonds will be issued as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Interest on the 2019/2020 Bonds is payable semiannually on each June 15 and December 15 (each an "Interest Payment Date"), commencing June 15, 2020, by check or draft mailed or under certain conditions by wire transfer, to the persons in whose names the 2019/2020 Bonds are registered at the close of business on the Record Date, which is the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date. The 2019/2020 Bonds will be payable as to principal at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

**The 2019/2020 Bonds are not subject to redemption prior to maturity. The 2019/2020 Bonds are not subject to acceleration upon the occurrence of an Event of Default (as defined in the Indenture).**

The proceeds from the sale of the 2019 Bonds, together with other available funds of the Authority, will be used to (i) currently refund all of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2009, currently outstanding in the aggregate principal amount of \$81,920,000 (the "2009 Bonds"); and (ii) pay the costs of issuing the 2019 Bonds. The proceeds from the sale of the 2020 Bonds, together with 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 2010 maturing after June 15, 2020, which are currently outstanding in the aggregate principal amount of \$26,355,000 (the "Refunded 2010 Bonds"); and (ii) pay the costs of issuing the 2020 Bonds. See "PLAN OF FINANCE" herein.

The 2019/2020 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 2019/2020 Bonds. Purchases of beneficial ownership interests in the 2019/2020 Bonds will be made in book-entry only form. So long as DTC or its nominee, Cede & Co., is the registered owner, principal of and interest on the 2019/2020 Bonds is payable directly to Cede & Co., for redistribution to DTC Participants and in turn to the beneficial owners as described herein. Purchasers of Bonds will not receive physical delivery of certificates representing their ownership interests in the 2019/2020 Bonds. See APPENDIX G herein.

**THE 2019/2020 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, PENNSYLVANIA (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 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 2019/2020 BONDS" HEREIN.**

**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 OR INTEREST ON THE 2019/2020 BONDS. THE 2019/2020 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 OR INTEREST ON THE 2019/2020 BONDS. THE AUTHORITY HAS NO TAXING POWER.**

*Each of the 2019 Bonds and the 2020 Bonds is 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 Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Reed Smith LLP, Philadelphia, Pennsylvania; for the Underwriters by their counsel, Ahmad Zaffarese LLC, Philadelphia, Pennsylvania; and for the City by the Office of the City Solicitor. It is anticipated that the 2019 Bonds in definitive form will be available for delivery to DTC in New York, on or about December 3, 2019. It is anticipated that the 2020 Bonds in definitive form will be available for delivery to DTC in New York, on or about March 17, 2020. See "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS" for certain conditions regarding the obligations of the Underwriters to purchase the 2020 Bonds and certain risks to the purchasers of the 2020 Bonds resulting from the forward delivery thereof.*

**RBC CAPITAL MARKETS  
SIEBERT CISNEROS SHANK & CO., LLC  
PNC CAPITAL MARKETS LLC**

**\$31,085,000**  
**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**  
**SPECIAL TAX REVENUE REFUNDING BONDS**  
**(CITY OF PHILADELPHIA FUNDING PROGRAM),**  
**SERIES OF 2019**

**MATURITY SCHEDULE**

<b>DUE JUNE 15</b>	<b>AMOUNT</b>	<b>INTEREST RATE</b>	<b>PRICE</b>	<b>YIELD</b>	<b>CUSIP<sup>†</sup> (708840)</b>
2021	\$ 9,860,000	5.000%	105.708	1.230%	JU8
2022	\$10,355,000	5.000%	109.374	1.230%	JV6
2023	\$10,870,000	5.000%	112.884	1.260%	JW4

**\$24,990,000**  
**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**  
**SPECIAL TAX REVENUE REFUNDING BONDS**  
**(CITY OF PHILADELPHIA FUNDING PROGRAM),**  
**SERIES OF 2020 (FORWARD DELIVERY)**

**MATURITY SCHEDULE**

<b>DUE JUNE 15</b>	<b>AMOUNT</b>	<b>INTEREST RATE</b>	<b>PRICE</b>	<b>YIELD</b>	<b>CUSIP<sup>†</sup> (708840)</b>
2021	\$12,260,000	5.000%	104.461	1.370%	JS3
2022	\$12,730,000	5.000%	107.971	1.380%	JT1

<sup>†</sup> The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Authority nor the Underwriters have agreed, and there is no duty or obligation, to update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
1500 WALNUT STREET, SUITE 1600  
PHILADELPHIA, PENNSYLVANIA 19102  
TEL.: (215) 561-9160**

**BOARD MEMBERS**

Kevin Vaughan	Chairperson
Alan C. Kessler, Esquire	Vice Chairperson
Michael A. Karp	Treasurer/ Secretary
James F. Cawley	Assistant Treasurer/ Secretary
Tina Byles Williams	Member
Jen Swails	Secretary of the Budget and Ex- Officio Representative of the Commonwealth of Pennsylvania
Rob Dubow	Director of Finance and Ex-Officio Representative of the City of Philadelphia

**AUTHORITY STAFF**

**Executive Director**

Harvey M. Rice

**Deputy Executive Director**

Konstantinos G. Tsakos

**Senior Associates**

Dora Ward

Daniel Esposito

**AUTHORITY GENERAL COUNSEL**

Reed Smith LLP

Philadelphia, Pennsylvania

**BOND COUNSEL**

Saul Ewing Arnstein & Lehr, LLP

Philadelphia, Pennsylvania

**No Offering May Be Made Except by this** Official Statement is not to be construed as a contract or agreement among the Authority, the City, the Underwriters and the purchasers or owners of any offered 2019/2020 Bonds. This Official Statement is being provided to prospective purchasers either in bound printed form (“Original Bound Format”) or in electronic format on the following websites: [www.mcelweequinn.com](http://www.mcelweequinn.com) and <https://emma.msrb.org>. This Official Statement may be relied upon only if it is in its Original Bound Format or if it is printed in full directly from such website.

**Preparation of this Official Statement.** The information set forth herein has been furnished by the Authority and the City and includes information obtained from other sources, all of which are believed to be reliable. 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 any implication that there has been no change in the affairs of the Authority or the City since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**Order and Placement of Materials.** The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the cover page, the inside cover page and the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement.

**Estimates and Forecasts.** The statements contained in this Official Statement and the Appendices hereto that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “illustrate,” “example,” and “continue,” or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. 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. All forward-looking statements included in this Official Statement are based on information available to such parties on the date of this Official Statement, and neither the Authority nor the City assumes any obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the ability to fulfill some or all of the obligations under the 2019/2020 Bonds.

**Public Offering Prices.** In connection with the offering of the 2019/2020 Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the 2019/2020 Bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

**No Recommendation or Registration.** The 2019/2020 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The 2019/2020 Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption contained in Section 3(a)(2) of such act; and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such act.

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## **Summary of the Offering**

*This summary is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the 2019/2020 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page, the inside cover page, and the Appendices. Capitalized terms used in this summary and not otherwise defined in the front portion of this Official Statement have the meanings given to such terms in APPENDIX D.*

<b>Issuer:</b>	The Pennsylvania Intergovernmental Cooperation Authority (the “Authority”).
<b>Bonds Offered:</b>	<p>\$31,085,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the “2019 Bonds”).</p> <p>\$24,990,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the “2020 Bonds”, and together with the 2019 Bonds, the “2019/2020 Bonds”).</p>
<b>Interest Payment Dates:</b>	Interest on the 2019/2020 Bonds is payable semiannually on each June 15 and December 15, commencing June 15, 2020.
<b>Security and Sources of Payment:</b>	<p>The following is qualified in all respects by the information in this Official Statement under the caption “SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS” and the documents referenced under such caption.</p> <p>The 2019/2020 Bonds are payable by the Authority 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 of Philadelphia (the “City”), pursuant to the Act and an ordinance adopted by the City Council of the City and approved by the Mayor on June 12, 1991 (Bill No. 1437, effective July 1, 1991) (the “Authority Tax Ordinance”); (ii) certain moneys and securities and investment earnings thereon, together with a Debt Service Reserve Fund Policy (described herein) originally issued by Financial Guaranty Insurance Company, all held by the Trustee in certain funds established under the Indenture; (iii) and certain other funds and moneys held by the Trustee under the Indenture. Pursuant to the Indenture and except as otherwise provided therein, the Authority has assigned to the Trustee all of its right, title and interest to Authority Tax receipts as security for the 2019/2020 Bonds and any other Bonds previously or hereafter issued under the Indenture.</p> <p><b><u>Special Limited Obligations</u></b></p> <p><b>The 2019/2020 Bonds are special limited obligations of the Authority payable solely from the Trust Estate established under the Indenture and are not obligations of the City, the Commonwealth of Pennsylvania (the “Commonwealth”) or any other political subdivision or agency thereof. The 2019/2020 Bonds are not secured by the General Fund of the City, and neither the general credit of the Authority nor the credit or taxing power of the City, the Commonwealth or any other political subdivision or agency thereof is pledged to the payment of the principal of the 2019/2020 Bonds, or the interest thereon or any premium or other costs incidental thereto. The Authority has no taxing power.</b></p>
<b>Additional Obligations:</b>	The Authority has reserved the right to issue additional obligations secured on a parity basis with the 2019/2020 Bonds under the circumstances and upon satisfaction of certain conditions described in the Ordinances and the Indenture, all as described herein. See “THE 2019/2020 BONDS – Additional Debt” herein.
<b>Use of Proceeds:</b>	The 2019 Bonds are being issued to (i) refund the 2009 Bonds, as defined and further described herein, and (ii) pay the costs of issuing the 2019 Bonds. The 2020 Bonds are being issued to (i) refund the Refunded 2010 Bonds, as defined and further described herein, and (ii) pay the costs of issuing the 2020 Bonds. See “PLAN OF FINANCE” herein.
<b>Redemption:</b>	The 2019/2020 Bonds are <b><u>not</u></b> subject to redemption prior to maturity, as described herein.

**Authorized  
Denominations:**

The 2019/2020 Bonds will be issued as registered bonds in denominations of \$5,000 and integral multiples thereof.

**Form and  
Depository:**

The 2019/2020 Bonds will be delivered solely in registered form under a global book-entry system through the facilities of DTC. *See* APPENDIX G.

**Tax Status:**

For information on the tax status of the 2019/2020 Bonds, see the italicized language at the top of the cover page of this Official Statement and “TAX MATTERS” herein.

**Ratings:**

S&P: “AAA” (stable outlook)

Fitch: “AAA” (stable outlook)

*See* “RATINGS” herein.

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#### APPENDIX A:

Audited Financial Statements of the Authority as of June 30, 2019

#### APPENDIX B:

City of Philadelphia Government and Financial Information

#### APPENDIX C:

City of Philadelphia Socioeconomic Information

#### APPENDIX D:

Definitions of Certain Terms and Summary of Certain Provisions of the Indenture

#### APPENDIX E-1:

Proposed Form of Approving Opinion of Bond Counsel for 2019 Bonds

#### APPENDIX E-2:

Proposed Form of Approving Opinion of Bond Counsel for 2020 Bonds

#### APPENDIX F:

Proposed Form of Continuing Disclosure Agreement

#### APPENDIX G:

Book-Entry Only System

#### APPENDIX H:

Schedule of Refunded 2009 Bonds

#### APPENDIX I:

Schedule of Refunded 2010 Bonds

#### APPENDIX J:

Form of Delayed Delivery Contract for 2020 Bonds

## OFFICIAL STATEMENT

Relating to

### **PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM)**

**\$31,085,000**  
**Series of 2019**

**\$24,990,000**  
**Series of 2020**  
**(Forward Delivery)**

## INTRODUCTION

### **General**

This Official Statement (“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” or “PICA”) of the \$31,085,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the “2019 Bonds”) and \$24,990,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the “2020 Bonds”, and together with the 2019 Bonds, the “2019/2020 Bonds” when referred to collectively herein). The 2019/2020 Bonds will be dated, mature and bear interest, all as described herein. The 2020 Bonds are forward delivery bonds and are not expected to be issued and delivered until March 17, 2020.

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 2019/2020 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 D attached hereto or in the Indenture (as defined herein).

Certain factors that may affect an investment decision concerning the 2019/2020 Bonds are described throughout this Official Statement. Prospective purchasers considering a purchase of the 2019/2020 Bonds should read this Official Statement, including the cover page, the inside cover pages and the Appendices, which are an integral part hereof, in its entirety. If and when included in this Official Statement, including the appendices hereto, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the Authority include, among others, changes in economic conditions, mandates from other governmental bodies or authorities, and various other events, conditions and circumstances, many of which are beyond the control of the Authority. Such forward-looking statements speak only as of the date of this Official Statement.

All estimates and assumptions of financial and other information are based on information currently available, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting forward-looking statements may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from the adopted and proposed budgets of The City of Philadelphia (the “City”), as well as from the City’s five-year financial plans (each, a “Financial Plan”). See APPENDIX B – “CITY OF PHILADELPHIA GOVERNMENTAL



AND FINANCIAL INFORMATION” attached hereto. Accordingly, no assurance is given that any projected future results will be achieved. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

### **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” or the “PICA Act”). Pursuant to the Act, the Authority was established to provide financial assistance to and financial oversight over cities of the first class in the Commonwealth of Pennsylvania (the “Commonwealth”). 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 shall also 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 Financial Plans prepared at least annually by the City, to certify 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), to evaluate the City’s financial reporting, to analyze the City’s financial and budgetary practices and programs, and to oversee 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 its bonds. See “THE AUTHORITY - Operating History” herein.

### **Authorization to Issue the 2019/2020 Bonds**

The Authority is authorized to issue and sell the 2019/2020 Bonds pursuant to the provisions of the Act and pursuant to a resolution of the Authority adopted September 17, 2019. The 2019/2020 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 U.S. Bank National Association (successor in interest to Wachovia Bank, National Association), 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 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”), a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the “Fourth Supplement”), a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1 2008, (the “Fifth Supplement”), a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 (the “Sixth Supplement”), a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 (the “Seventh Supplement”), and an Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019 (the “Eighth Supplement”, and, together with the Amended and Restated Indenture, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement, and the Seventh Supplement (the “Indenture”). The Amended and Restated Indenture amended and restated the 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 D attached hereto.

The Indenture provides that the Bonds and any Additional Bonds (as both such terms are defined in the Indenture and in the summary thereof attached to this Official Statement as APPENDIX D) issued pursuant thereto 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 other bonds, including Additional Bonds issued under the Indenture,

and the limitations on such issuance, see “SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS - Additional Bonds” herein.

### **The Authority’s Outstanding Indebtedness**

The Authority has issued eleven Series of Bonds under the Indenture at the request of the City. Two Series of Bonds remain Outstanding: (i) the 2009 Bonds; and (ii) the Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2010 (the “2010 Bonds”).

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. *See* APPENDIX B attached hereto. As of June 30, 2019, the principal amount of Outstanding Bonds was \$129,745,000. The final maturity date for such Outstanding Bonds is June 15, 2023.

The proceeds of the Bonds were used to: (i) make grants to the City to fund its General Fund deficits, to fund all or a portion of the costs of certain City capital projects, to provide other financial assistance to the City to enhance operational productivity, and to defease certain of the City’s general obligation bonds; (ii) refund other Bonds issued under the Indenture, including termination payments for related interest rate swaps; and (iii) pay costs of issuance.

### **Purpose of the 2019/2020 Bonds**

The proceeds of the 2019 Bonds, together with other available moneys of the Authority, will be applied to currently refund the outstanding 2009 Bonds and to pay the costs of issuance. The proceeds of the 2020 Bonds, together with other available moneys of the Authority, will be applied to currently refund, on a forward delivery basis, the 2010 Bonds maturing after June 15, 2020 (the “Refunded 2010 Bonds”) and to pay the costs of issuance. *See* “PLAN OF FINANCE” herein.

### **Sources of Payment and Security for the 2019/2020 Bonds**

The 2019/2020 Bonds are limited obligations of the Authority and the principal of and interest on the 2019/2020 Bonds are payable, together with the 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 the City Council of the City (the “City Council”) and approved by the Mayor of the City (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) issued by Financial Guaranty Insurance Company (“FGIC”), all held by the Trustee in certain funds established under the Indenture. **Investors should assume that FGIC may not be able to meet its obligations under the Debt Service Reserve Fund Policy and therefore should not rely on the Debt Service Reserve Fund Policy in making their investment decision. *See* “SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS - Debt Service Reserve Fund Policy” herein.** 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 2019/2020 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 the 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. The Authority will direct 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 Bonds remain 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 OR INTEREST ON THE 2019/2020 BONDS. THE 2019/2020 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 OR INTEREST ON THE 2019/2020 BONDS. THE AUTHORITY HAS NO TAXING POWER.**

### **The City of Philadelphia**

Although the 2019/2020 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 2019/2020 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.

### *City of Philadelphia Governmental, Financial and Socioeconomic Information*

APPENDIX B - "CITY OF PHILADELPHIA GOVERNMENTAL AND FINANCIAL INFORMATION" provides information regarding the City, including relevant statutory provisions, financial information, litigation information, the relationship with the Authority and the City's Financial Plans.<sup>1</sup> APPENDIX C - "CITY OF

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<sup>1</sup> APPENDIX A contains the Audited Financial Statements of the Authority for the Fiscal Year ended June 30, 2019. Certain information contained in APPENDIX B regarding the Authority is for periods prior to or subsequent to June 30, 2019. As a result, certain of the information in APPENDIX B is, at times, at variance with corresponding information concerning the Authority in APPENDIX A.

PHILADELPHIA SOCIOECONOMIC INFORMATION” contains socioeconomic and demographic information about the City.

The City’s Comprehensive Annual Financial Report and other information about the City can be found on the City’s website at [www.phila.gov/investor](http://www.phila.gov/investor) (the “City’s Investor Website”). The “Terms of Use” statement of the City’s Investor Website, which applies to all users of the City’s Investor Website, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City’s Investor Website does not constitute an offer to buy or sell securities, nor is it a solicitation therefor. The information contained on the City’s Investor Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2019/2020 Bonds should rely only on information contained in this Official Statement or incorporated by reference herein.

The Authority makes no representation as to the accuracy of any information contained in or referenced in this Official Statement relating to the City.

#### *General Financial Condition of the City*

As of August 15, 2019, results for Fiscal Year 2019 reflect revenues of \$4,742 million and obligations of \$4,832 million on a legally enacted basis and an estimated fund balance of \$297.7 million. Tax revenues were \$106.6 million above adopted budget levels. Total general fund revenue was \$125.2 million above budget. *See* APPENDIX B – “CITY OF PHILADELPHIA GOVERNMENTAL AND FINANCIAL INFORMATION” attached hereto.

#### *Fiscal Year 2020 Adopted Budget of the City*

The City’s Fiscal Year 2020 budget was presented to the City Council on March 7, 2019, was approved by City Council on June 13, 2019, and signed by the Mayor on June 18, 2019. The budget projects estimated revenues of \$4,918 million, obligations of \$5,025 million and an ending fund balance of \$209.9 million after discharging the Fiscal Year 2019 fund balance deficit on the legally enacted basis.

#### *Fiscal Year 2020-2024 Five-Year Financial Plan*

On June 18, 2019, the City submitted to the Authority its FY 2020-2024 Financial Plan in accordance with the City Council’s approved budget. The Authority approved the Financial Plan on July 16, 2019.

### **Description of the 2019/2020 Bonds**

The 2019/2020 Bonds will be issued as fully registered bonds, without coupons, will be dated the respective dates of their initial authentication and delivery, will be issued in the denominations of \$5,000 or any integral multiple thereof, and will mature and bear interest as described on the inside front cover of this Official Statement. The 2019/2020 Bonds are not subject to redemption prior to scheduled maturity. THE BONDS OF THE AUTHORITY WHICH ARE OUTSTANDING UNDER THE INDENTURE, INCLUDING THE 2019/2020 BONDS, ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT.

The 2019/2020 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 2019/2020 Bonds. *See* “THE 2019/2020 BONDS - Book-Entry Only System” herein.

Interest on the 2019/2020 Bonds will be paid semiannually on each June 15 and December 15 (each an “Interest Payment Date”), commencing June 15, 2020 by check or draft of the Trustee. The Trustee will mail such interest to the person in whose name the 2019/2020 Bonds are registered on the registration books of the Authority maintained by the Trustee, as bond registrar, at the address appearing thereon at the close of business on the last day of the calendar month (whether or not a Business Day) next preceding any Interest Payment Date (the “Record Date”); provided, however, at



the request of any registered owner of 2019 Bonds in an aggregate principal amount of \$1,000,000 or more, or an owner of 2020 Bonds in an aggregate principal amount of \$1,000,000 or more, interest shall be paid by bank wire transfer of funds to a bank account in a bank located in the United States designated in writing by such registered owner not less than ten (10) days prior to the applicable Interest Payment Date.

The 2019/2020 Bonds are payable as to principal upon presentation and surrender thereof at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

### **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 no longer issue any bonds for the purpose of financing a capital project or deficit of the City. 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 2019/2020 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 2019/2020 BONDS - Additional Bonds” herein.

### **Continuing Disclosure Undertaking**

In order to enable the Underwriters to comply with the requirements of Rule 15c2-12, as amended (“Rule 15c2-12”), promulgated under the Securities Exchange Act of 1934, as amended, the Authority will enter into a Continuing Disclosure Agreement for the 2019 Bonds and a Continuing Disclosure Agreement for the 2020 Bonds, each dated the respective dates of delivery and payment for the 2019 Bonds and the 2020 Bonds, as the case may be, each of which Continuing Disclosure Agreements will constitute a written undertaking for the benefit of the registered owners from time to time of the 2019 Bonds or the 2020 Bonds, as applicable, including owners of book-entry credits evidencing interests in the 2019 Bonds or the 2020 Bonds. The proposed form of the Continuing Disclosure Agreements is attached to this Official Statement as APPENDIX F. *See* “MISCELLANEOUS - Continuing Disclosure Undertaking.”

### **Forward Delivery of the 2020 Bonds**

The 2020 Bonds are expected to be delivered on or about March 17, 2020. *See* “PLAN OF FINANCE – Forward Delivery Bond Purchase Agreement for the 2020 Bonds.” *See also* “CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS.”

### **Certain References**

Brief descriptions of the Act, the Authority, the 2019/2020 Bonds, the Indenture, the Cooperation Agreement, the Tax Collection Agreement, the Authority Tax Ordinance, and the Disclosure Agreements (as hereinafter defined) are included in this Official Statement. All summaries of the provisions of the 2019/2020 Bonds and the security therefor, the Act, the Indenture and of other documents 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 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 2019/2020 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, the Disclosure Agreements and the Tax Collection Agreement may be obtained from the Authority after the date of delivery of the 2019 Bonds and the Initial Closing Date (as defined herein) of the 2020 Bonds 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.



Certain information concerning the City has been furnished by the City and is included as APPENDIX B and APPENDIX C attached hereto. THE AUTHORITY MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION INCLUDED AS APPENDIX B AND APPENDIX C 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, 2019; APPENDIX B, which speaks as of June 30, 2019 unless otherwise noted therein; and APPENDIX C, which speaks as of December 31, 2018 unless otherwise noted therein), 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**

The proceeds from the sale of the 2019 Bonds shall be used, together with other available moneys of the Authority, to (i) currently refund the 2009 Bonds, and (ii) pay the costs of issuing the 2019 Bonds (the “2019 Refunding Project”). The 2009 Bonds will be called for redemption on or about December 3, 2019 (the “2009 Bonds Redemption Date”), at a redemption price of 100% of the principal amount thereof plus accrued interest to the 2009 Bonds Redemption Date.

The proceeds from the sale of the 2020 Bonds shall be used, together with other available moneys of the Authority, to (i) currently refund the Refunded 2010 Bonds, and (ii) pay the costs of issuing the 2020 Bonds (the “2020 Refunding Project”). The 2010 Bonds will be called for redemption on June 15, 2020 (the “2010 Bonds Redemption Date”), at a redemption price of 100% of the principal amount thereof plus accrued interest to the 2010 Bonds Redemption Date. *See* “VERIFICATION” herein.

Pursuant to the Escrow Deposit Agreement (the “Escrow Agreement”) between the Authority and U.S. Bank National Association, as escrow agent (the “Escrow Agent”), to be dated the date of issuance of the 2020 Bonds (which is expected to be March 17, 2020), the Authority will cause to be deposited with the Escrow Agent 2020 Bond proceeds and other available amounts in an amount that will be sufficient to pay the redemption price of, and accrued interest on, the Refunded 2010 Bonds at their 2010 Bonds Redemption Date.

The funds deposited with the Escrow Agent pursuant to the Escrow Agreement are anticipated to be invested in United States Treasury Securities – State and Local Government Series or non-callable direct obligations of the United States of America (the “Government Obligations”) pending application to the redemption of the Refunded 2010 Bonds.

### **Forward Delivery Bond Purchase Agreement for the 2020 Bonds**

The 2020 Bonds are being sold pursuant to a Forward Delivery Bond Purchase Agreement dated October 29, 2019 (the “Forward Delivery Bond Purchase Agreement”) between the Authority and RBC Capital Markets, LLC, acting on its own behalf, and as representative (the “Representative”) of the underwriters named therein (collectively, the “Underwriters”). The 2020 Bonds will be delivered on or about March 17, 2020, subject to delivery by Bond Counsel of its approving opinion and the satisfaction of certain other conditions set forth in the Forward Delivery Bond Purchase Agreement. *See* “CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS” herein.

An investment in the 2020 Bonds involves certain additional risks due to the forward delivery of the 2020 Bonds. The issuance and delivery of the 2020 Bonds is subject to satisfaction of certain conditions precedent. For a discussion of certain factors that should be considered by prospective investors in evaluating an investment in the 2020 Bonds, see “CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS” herein. Such factors

are not intended to be exhaustive of all of the potential factors which might apply to the issuance and delivery of the 2020 Bonds. Each prospective purchaser of the 2020 Bonds should make an independent evaluation of all of the information presented in this Official Statement, including the information under the caption “CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS.”

## Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2019 Refunding Project are as follows:

### Sources of Funds:

Principal Amount of 2019 Bonds	\$31,085,000.00
Original Issue Premium	2,933,977.30
Transfer from Debt Service Fund for the 2009 Bonds	11,541,425.00
Amount held in Debt Service Reserve Fund	<u>46,867,585.79</u>
Total	\$92,427,988.09

### Uses of Funds:

Current Refunding of 2009 Bonds	\$83,815,996.67
Debt Service Reserve Requirement	8,184,397.73
Costs of Issuance*	<u>427,593.69</u>
Total	\$92,427,988.09

\* Includes legal, accounting, financial advisory fees and expenses, printing, rating fees, underwriters' discount, contingency and miscellaneous fees and expenses.

The estimated sources and uses of funds relating to the 2020 Refunding Project are as follows:

### Sources of Funds:

Principal Amount of 2020 Bonds	\$24,990,000.00
Original Issue Premium	1,561,626.90
Transfer from Debt Service Fund for the Refunded 2010 Bonds	439,250.00
Amount held in Debt Service Reserve Fund	<u>8,184,397.73</u>
Total	\$35,175,274.63

### Uses of Funds:

Deposit under Escrow Agreement for Refunded 2010 Bonds	\$27,013,875.00
Debt Service Reserve Requirement	7,910,662.69
Costs of Issuance**	<u>250,736.94</u>
Total	\$35,175,274.63

\*\* Includes legal, accounting, financial advisory fees and expenses, printing, rating fees, underwriters' discount, verification agent fees, contingency and miscellaneous fees and expenses.

## THE 2019/2020 BONDS

### General

The 2019/2020 Bonds will be dated on their respective dates of original issuance and delivery thereof, will be payable as to interest at the rates and on the dates, and will mature in the amounts on the dates set forth on the inside front cover hereof. Purchases of beneficial ownership interests in the 2019/2020 Bonds may be made in denominations

of \$5,000 or integral multiples thereof. Descriptions of the provisions regarding redemption, transfer and payment of the 2019/2020 Bonds are set forth below.

**THE 2019/2020 BONDS ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF AN EVENT OF DEFAULT.**

DTC will serve as securities depository under a book-entry only system for the 2019/2020 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 2019/2020 Bonds) will be applicable to the 2019/2020 Bonds. If such system is discontinued, the provisions described under “Discontinuation 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 2019 Bonds, payments of the principal of and interest on the 2019 Bonds 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 2019 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined) thereof. Likewise, so long as DTC, or its partnership nominee, Cede & Co., is the registered owner of the 2020 Bonds, payments of the principal of and interest on the 2020 Bonds 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 2020 Bonds is the responsibility of the DTC Participants and the Indirect Participants thereof. *See* APPENDIX H - “BOOK-ENTRY ONLY SYSTEM”.

**Redemption Provisions**

The 2019/2020 Bonds are not subject to optional redemption, mandatory redemption or any other form of redemption prior to maturity.

**Transfers and Exchanges of Bonds**

Upon presentation for transfer and exchange of any 2019/2020 Bond entitled to registration of exchange or registration of transfer at the corporate trust office of U.S. Bank National Association, Philadelphia, Pennsylvania (the “Registrar”), the Registrar will register the exchange or register the transfer of such 2019/2020 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 2019/2020 Bonds at its corporate trust office in Philadelphia, Pennsylvania. Until the discontinuance of the book-entry only system, as described above, one fully registered 2019 Bond for each maturity of the 2019 Bonds and one fully registered 2020 Bond for each maturity of the 2020 Bonds, each in the aggregate principal amount of such maturity will be registered in the name of Cede & Co., as nominee for DTC.

The transfer of any 2019/2020 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 each 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 2019/2020 Bond or 2019/2020 Bonds, the Authority shall issue in the name of the transferee, in authorized denominations permitted by the Indenture, a new fully registered 2019/2020 Bond or new fully registered 2019/2020 Bonds of the same series in the same aggregate principal amount and of like tenor as the surrendered 2019/2020 Bond or 2019/2020 Bonds.

Any 2019/2020 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 2019/2020 Bonds of the same series and maturity, and having the same interest rate and other provisions, as the surrendered 2019/2020 Bond.

In all cases in which the privilege of exchanging 2019/2020 Bonds or registering the transfer of 2019/2020 Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver 2019/2020 Bonds in accordance with the provisions of the Indenture.

For every such exchange or registration of transfer of the 2019/2020 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 2019/2020 Bond during the period from a Record Date through the next Interest Payment Date, inclusive, nor to transfer or exchange any 2019/2020 Bond selected for redemption in whole or in part.

### **Payments of Principal of, and Interest on, the 2019/2020 Bonds**

The principal of the 2019/2020 Bonds shall be payable upon presentation and surrender thereof at the corporate trust office of the Trustee in Philadelphia, Pennsylvania. Interest shall be payable by check or draft mailed to the registered owners of the 2019/2020 Bonds as shown on the registration books kept by the Registrar as of the close of business on the applicable record dates described below. Interest payable to any registered owner of 2019 Bonds in the aggregate principal amount of \$1,000,000 or more, or to any registered owner of 2020 Bonds in the aggregate principal amount of \$1,000,000 or more, may, upon request by such registered owner, be paid by bank wire transfer of funds to a bank account in a bank located in the United States designated in writing by such registered owner not less than ten (10) days prior to the applicable Interest Payment Date.

The Authority, the Trustee and the Registrar may deem and treat the registered owner of any 2019/2020 Bond as the absolute owner of such 2019/2020 Bond, whether such 2019/2020 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such 2019/2020 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 2019/2020 Bond to the extent of the sum or sums to be so paid.

### **Record Dates**

Except in the case of overdue interest, the record date (the “Record Date”) for interest due on the 2019/2020 Bonds on any June 15 shall be the immediately preceding May 31 (whether or not a Business Day) and the record date for interest due on any December 15 shall be the immediately preceding November 30 (whether or not a Business Day).

Interest which is due and payable on any June 15 or December 15 but cannot be paid on such date from available funds under the Indenture, shall thereupon cease to be payable to the registered owners otherwise entitled thereto as of such date. At such time as sufficient funds are available for the payment of such overdue interest, the Trustee shall establish a special payment date (which shall be a Business Day) and a special record date in respect thereof. With respect to the 2019 Bonds, the Trustee shall mail a notice specifying the special payment date so established to each registered owner of the 2019 Bonds as of the special record date, such notice to be mailed at least ten (10) days prior to the special payment date. With respect to the 2020 Bonds, the Trustee shall mail a notice specifying the special payment date so established to each registered owner of the 2020 Bonds as of the special record date, such notice to be mailed at least ten (10) days prior to the special payment date.

## **SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS**

### **General**

The 2019/2020 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 2019/2020 Bonds are payable from and are equally and ratably secured under the Indenture, together with the Bonds and any 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 that are Outstanding under the Indenture 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 any Outstanding 2010 Bonds, 2019 Bonds, and 2020 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, and interest on, all Bonds issued under the Indenture, including any Outstanding 2010 Bonds, 2019 Bonds, and 2020 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 and APPENDIX C attached hereto), the City and the Pennsylvania Revenue Department currently attribute 61.50% of wage tax remittances, 89.88% of earnings tax remittances, and 47.06% 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. In connection with the issuance of the 2019 Bonds and the issuance of the 2020 Bonds, the Authority will direct 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 there are any Bonds 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 under the Indenture paying interest semiannually of  $1/6$  (such fraction to be increased or decreased, as appropriate, for a Series of Bonds Outstanding under the Indenture 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 Outstanding under the Indenture 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 Outstanding during such month (assuming that interest due on such Bonds Outstanding will be payable at the maximum interest rate applicable to such Bonds Outstanding, 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, 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 Outstanding under the Indenture for such prior months), (iii) the aggregate for all Series of Bonds Outstanding under the Indenture 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 Outstanding under the Indenture, including the 2019/2020 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 Outstanding under the Indenture;
- (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, 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, if any, 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) above have been made shall be transferred by the Trustee to U.S. 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 U.S. Bank National Association), Philadelphia, Pennsylvania, as depository. The City Account Deposit and Disbursement Agreement has been acknowledged and agreed to by the City.

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The total amount of PICA Tax remitted by the State Treasurer to the Authority (which is net of the costs of the Pennsylvania Revenue Department in collecting the Authority Tax), PICA annual debt service and expenses, and net PICA tax revenue remitted to the City for Fiscal Years 2016-2018, the budgeted amounts and current estimates for Fiscal Year 2019, and the budgeted amounts for Fiscal year 2020 are set forth below, as of June 30, 2019.

**Summary of PICA Tax Remitted by the State Treasurer to the Authority  
and Net Taxes Remitted by the Authority to the City  
(Amounts in Millions of USD)<sup>(1),(2)</sup>  
(As of June 30, 2019)**

<b>Fiscal Year</b>	<b>PICA Tax<sup>(3)</sup></b>	<b>PICA Annual Debt Service and Expenses<sup>(3)</sup></b>	<b>Net Taxes Remitted to the City<sup>(4)</sup></b>
2016 (Actual)	\$444.5	\$61.1	\$383.4
2017 (Actual)	\$469.2	\$59.7	\$409.5
2018 (Actual)	\$497.0	\$42.8	\$454.2
2019 (Adopted Budget)	\$516.0	\$47.1	\$469.0
2019 (Current Estimate)	\$521.7	\$47.1	\$474.6
2020 (Adopted Budget)	\$546.1	\$46.8	\$499.3

(1) Figures may not sum due to rounding.

(2) All information contained in this table has been provided by the City. A variance exists between the City's calculation and reporting of both the PICA Tax and the Authority's annual debt service and expenses (as set forth in this table, elsewhere in the body of this Official Statement, and in APPENDIX B), as opposed to the Authority's calculation and reporting of similar items (as set forth in the body of this Official Statement, in APPENDIX A and in the Authority's audited financial statements for prior fiscal years). This variance is due to the City's utilization of a cash-basis accounting method in contrast to the Authority's utilization of a modified accrual accounting method based on month-to-month and year-to-year payments and receipts, which the Authority then reconciles with the Office of the City Treasurer of the City at the end of each fiscal year.

(3) Source: The City's Quarterly City Manager's Reports or the budget for the applicable Fiscal Year.

(4) Source: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Years 2019-2020, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Financial Plan, as applicable.

The Authority's bonds (including the 2019/2020 Bonds, upon their respective issuances) are not secured by, and the owners of such bonds (including the owners of the 2019/2020 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 bonds of the Authority (including the Bonds and the 2019/2020 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 the bonds of the Authority. 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 bonds of the Authority 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 2019/2020 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 the bonds of the Authority, including the 2019/2020 Bonds, and (iii) such revenues are not subject to appropriation by City Council.

### **Defined Benefit Pension Plan for Authority Employees**

The Authority covers all full-time employees in the Pennsylvania State Employees' Retirement System (SERS). SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. SERS issues a publicly available financial report that includes financial statements and required supplementary information. For more information, see "Defined Benefit Pension Plan" in APPENDIX A.

### **Debt Service Reserve Fund**

The Debt Service Reserve Fund will, upon the respective issuance dates of the 2019 Bonds and of the 2020 Bonds, be maintained in an amount not less than the Debt Service Reserve Requirement, as of such issuance dates, and will secure, equally and ratably, all Bonds Outstanding under the Indenture, including any Outstanding 2010 Bonds, 2019 Bonds, and 2020 Bonds.

Under the Indenture the term "Debt Service Reserve Requirement" means, with respect to all Bonds Outstanding under the Indenture, 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 Series of Additional Bonds will be specified in the Supplemental Indenture executed in connection with the issuance of each Series of Additional Bonds, and will be that amount sufficient to satisfy the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture as of the respective issue dates of the 2019 Bonds and the 2020 Bonds. The Indenture provides that in lieu of a deposit at the time of issuance of a Series of Bonds Outstanding under the Indenture, the Authority may cause a Credit Facility to be provided to the Trustee. *See* APPENDIX D - "Debt Service Reserve Fund."

As of the date hereof, the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture is currently satisfied, without regard to the Reserve Policy described hereafter. Upon the issuance of the 2019 Bonds, the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture as of such date will be \$8,184,397.73, which the Authority will fund with the same amount in cash and investments. Upon the issuance of the 2020 Bonds, the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture as the Delayed Delivery Closing Date will be \$7,910,662.69, which the Authority will fund with the same amount in cash and investments.

The Authority is not required to maintain amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement. If there are insufficient moneys to pay the debt service requirements on any Series of Bonds Outstanding under the Indenture on any Interest Payment Date, mandatory sinking fund redemption date or maturity date of such Series of Bonds Outstanding under the Indenture, 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 Outstanding under the Indenture before making any draws on the Reserve Policy (hereinafter defined). Repayment of any draws, expenses and interest thereon with respect to the Reserve Policy shall be made prior to replenishment of the Debt Service Reserve Fund. Draws on the Reserve 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 the 2019/2020 Bonds will have equal and ratable rights or claims to all assets and funds, including the Reserve Policy, held by the Trustee in the Debt Service Reserve Fund. **Investors should assume that the obligor under the Reserve Policy may not be able to meet its obligations thereunder and therefore should not rely on the Reserve Policy in making their investment decision. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS -Debt Service Reserve Fund Policy" herein.**

## **Debt Service Reserve Fund Policy**

The Authority currently satisfies, and will satisfy on the respective dates of issuance of the 2019 Bonds and the 2020 Bonds, the Debt Service Reserve Requirement. In addition, the Trustee is the holder of a Debt Service Reserve Fund Policy in the maximum amount of \$30,458,126.54 (the “Reserve Policy”) originally issued by FGIC and originally delivered to the Trustee in 1999. The Reserve Policy has been novated to National Public Finance Guarantee Corporation (“National”). The Reserve Policy met the rating requirement of the Indenture at the time the Reserve Policy was obtained. The Authority has no intention at this time of terminating or replacing the Reserve Policy.

**Investors should not rely on the Reserve Policy or on the credit of FGIC or National in making their investment decisions. Information regarding FGIC, National or the Reserve Policy has not been provided for inclusion in this Official Statement. The Authority and the Underwriters make no representations regarding the Reserve Policy, FGIC or National.**

The specific rights, if any, originally granted to FGIC in connection with its issuance of the Reserve Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement.

## **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 shall be equally and ratably secured with the 2019/2020 Bonds, except for moneys otherwise specifically pledged under the Indenture. Pursuant to the Act, additional bonds, including Additional Bonds issued under the Indenture, may not be issued by the Authority for the purpose of financing a capital project or deficit of the City.

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 three hundred percent (300%) of the Maximum Annual Debt Service Requirement (including the Authority’s obligations with respect to the payment 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 Outstanding under the Indenture and any amounts due to the provider of a credit or liquidity facility issued with respect to a Series of Bonds Outstanding under the Indenture) on Bonds to be Outstanding under the Indenture 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 to at least three hundred percent (300%) of the Debt Service Requirement during such twelve (12) month period on Bonds to be Outstanding under the Indenture after the issuance of the Additional Bonds. 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. The certificate referenced in this paragraph shall not be required in the case of Additional Bonds issued to refund Bonds under the Indenture 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 2019/2020 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 2019 Bonds and the 2020 Bonds both satisfy this requirement.



## **Certain Remedies of Bondholders**

Upon the occurrence of any Event of Default (as defined in the Indenture) 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 then Outstanding under the Indenture 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 Outstanding under the Indenture. *See APPENDIX D attached hereto.*

## **Limitation of Remedies**

THE 2019/2020 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE PLEDGED REVENUES. THE 2019/2020 BONDS DO NOT OTHERWISE CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OF THE AUTHORITY. FURTHER, THE 2019/2020 BONDS DO NOT CONSTITUTE A PLEDGE OF THE CREDIT OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE CITY), NOR DO THE 2019/2020 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 OR INTEREST ON THE 2019/2020 BONDS.

THE 2019/2020 BONDS SHALL NOT BE SECURED BY, AND ARE NOT PAYABLE FROM, AND THE OWNERS OF THE 2019/2020 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 2019/2020 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 JPMorgan Chase Bank (the “Swap Counterparty”) previously entered into interest rate “swaption” transactions and “basis cap” transactions with respect to certain series of bonds previously issued by the Authority. These transactions were 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”); and various transaction confirmations. The only such transactions that remain outstanding are two basis cap transactions between the Authority and the Swap Counterparty. Under one such basis cap (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 SIFMA 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 of the 1993A Bonds Basis Cap is currently \$36,790,000, and such notional amount reduces by certain scheduled amounts on each June 15 until the end of the term of the 1993A Bonds Basis Cap on June 15, 2022.

Under the second outstanding basis cap transaction (the “1999 Bonds Basis Cap”) the Swap Counterparty pays to the Authority an amount each month 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 an amount equal to the greater of (a) the average of the SIFMA 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 of the 1999 Bonds Basis Cap is currently \$72,960,000, and such notional amount reduces by certain scheduled amounts on each June 15 until the end of the term of the 1999 Bonds Basis Cap on June 15, 2023.

Under each of these transactions, the Authority has the right at its option to terminate the related basis cap, 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 basis cap 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 S&P Global Ratings (“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 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 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 other revenues or assets to secure payment or performance of any of the Authority’s obligations under the basis caps.

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## DEBT SERVICE REQUIREMENTS

The following table shows total debt service requirements on all Outstanding Bonds prior to the issuance of the 2019 Bonds and after the issuance of the 2019 Bonds and the redemption of the 2009 Bonds.

Period Ending (June 30)	Total Debt Service on All Outstanding Bonds Prior to Issuance of 2019 Bonds	(Minus) Total Debt Service on 2009 Bonds	Principal on 2019 Bonds	Interest on 2019 Bonds	(Plus) Total Debt Service Requirements on 2019 Bonds	Total Debt Service Requirements After Issuance of 2019 Bonds and Redemption of 2009 Bonds
2020	\$ 46,944,100	\$23,082,850	\$0	\$828,933	\$828,933	\$24,690,183
2021	37,319,600	23,076,850	9,860,000	1,554,250	11,414,250	25,657,000
2022	37,179,750	23,078,250	10,355,000	1,061,250	11,416,250	25,517,750
2023	23,076,000	23,076,000	10,870,000	543,500	11,413,500	11,413,500
Totals:	\$ 144,519,450	\$92,313,950	\$31,085,000	\$3,987,933	\$35,072,933	\$87,278,433

The following table shows total debt service requirements on all Outstanding Bonds immediately prior to the issuance of the 2020 Bonds and after the issuance of the 2020 Bonds and the defeasance of the Refunded 2010 Bonds.

Period Ending (June 30)	Total Debt Service on All Outstanding Bonds Prior to Issuance of 2020 Bonds	(Minus) Total Debt Service on Refunded 2010 Bonds	Principal on 2020 Bonds	Interest on 2020 Bonds	(Plus) Total Debt Service Requirements on 2020 Bonds	Total Debt Service Requirements After Issuance of 2020 Bonds and Defeasance of the Refunded 2010 Bonds
2020	\$24,690,183	\$ 658,875	\$0	\$305,433	\$ 305,433	\$24,336,742
2021	25,657,000	14,242,750	12,260,000	1,249,500	13,509,500	24,923,750
2022	25,517,750	14,101,500	12,730,000	636,500	13,366,500	24,782,750
2023	11,413,500	\$0	\$0	\$0	\$0	11,413,500
Totals:	\$87,278,433	\$29,003,125	\$24,990,000	\$2,191,433	\$27,181,433	\$85,456,742

## 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 2019. The current rate is 2.3712% which, when added to the Authority Tax, results in a tax rate of 3.8712%. These reduced rates include rate reductions funded through tax reduction funding provided by the Commonwealth from gaming proceeds. Additional Commonwealth-funded rate reductions may occur depending on the level of gaming proceeds received by the Commonwealth.

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. 43), 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 (as of May 1, 2012, the Business Privilege Tax was renamed the Business Income and Receipts Tax (or BIRT) 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%). Beginning with tax year 2016, the City allowed an exemption of the first \$100,000 in gross receipts and a proportionate share of net income from the business income and receipts tax.

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 following table sets forth 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 2010 to 2019.

**Authority Tax Collected By Commonwealth by Fiscal Year<sup>2</sup>**

<u>Fiscal Year</u>	<u>Amount (in millions)</u>
2010	\$342.6
2011	358.9
2012	357.7
2013	376.3
2014	380.5
2015	409.2
2016	446.6
2017	465.1
2018	498.7
2019	528.7

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<sup>2</sup> All information contained in this table, the following table and the following subsection entitled “Historical Revenues and Debt Service Coverage Ratios” has been provided by the Authority. A variance exists between the Authority’s calculation and reporting of both the PICA Tax and the Authority’s annual debt service and expenses (as set forth in the aforementioned tables and sections, elsewhere in the body of this Official Statement, and in APPENDIX A), as opposed to the City’s calculation and reporting of similar items (as set forth in the body of this Official Statement, in APPENDIX A and in the City’s audited financial statements and Quarterly City Manager Reports for prior fiscal years). This variance is due to the City’s utilization of a cash-basis accounting method in contrast to the Authority’s utilization of a modified accrual accounting method based on month-to-month and year-to-year payments and receipts, which the Authority then reconciles with the Office of the City Treasurer of the City at the end of each fiscal year.

The following table sets forth Authority Tax receipts from the Commonwealth for the 12-month period indicated below.

**Authority Tax Collected By Commonwealth October 2018 to September 2019<sup>3</sup>**

<u>Month</u>	<u>Amount (in millions)</u>
October 2018	\$37.1
November 2018	43.4
December 2018	37.2
January 2019	42.1
February 2019	40.9
March 2019	51.4
April 2019	60.4
May 2019	54.9
June 2019	36.5
July 2019	44.3
August 2019	40.4
September 2019	35.1
Total	\$532.2

**Historical Revenues and Debt Service Coverage Ratios<sup>4</sup>**

The revenues of the Authority available for debt service from the Authority Tax for Fiscal Years 2016 through 2019 and the debt service coverage ratios for Fiscal Years 2016 through 2019 are shown in the following table:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues Available for Debt Service (in millions)	\$446,600,000	\$465,100,000	\$498,700,000	\$528,700,000
Actual Debt Service	65,615,600	65,457,235	56,095,100	47,152,100
Debt Service Coverage Ratio	6.81	7.11	8.89	11.21

In its current proposed Financial Plan, the City estimates that the amount of the Authority Tax to be collected in Fiscal Years 2020 and 2021 will be approximately \$546.1 million and \$566.5 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 three (3) months of Fiscal Year 2020 totaled \$104.3 million. *See* APPENDIX B attached herein.

<sup>3</sup> See Footnote 2 above.

<sup>4</sup> See Footnote 2 above.



## **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 has the power to issue its bonds to grant or lend the proceeds thereof to the City. Such power to issue debt for the purposes of financing a deficit or a capital project of the City has expired. 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.

### **Operating History**

Since the issuance of its first series of bonds in 1992, 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 bonds in 1992, 1993 and 1994.

### **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, 2020.

Members of the Board shall not be liable personally on the 2019/2020 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:

**KEVIN VAUGHAN, Chair.** Mr. Vaughan's extensive career in government service began as Legislative Director for Philadelphia City Councilman Angel Ortiz before being appointed by then-Mayor Rendell as Executive Director of the Philadelphia Commission on Human Relations. Mr. Vaughan was then appointed by President Clinton as a Regional Director of the US Department of Health and Human Services. He returned to service in Philadelphia as the Associate Director of the Free Library, Chief of Staff of the Managing Director's Office, Deputy Commissioner of the Department of Public Health, and finally as the Director of the Deputy Mayor's Office for Health and Opportunity/Deputy Health Commissioner. Mr. Vaughan is a graduate of the University of Pennsylvania (C'77), attended the Fels School of Government, and holds executive education certificates from Columbia University and Harvard University. He was initially appointed to the PICA Board in 2016 by Governor Wolf.

**ALAN C. KESSLER, ESQUIRE, Vice-Chair.** Mr. Kessler is an attorney in the area of commercial litigation with a focus on class actions and other complex litigation, government relations, and general counseling as a partner at Duane Morris LLP. Mr. Kessler's public service includes serving as a presidential appointee by President Clinton as the Vice Chair of the Presidential/Congressional Commission on Risk Assessment and Risk Management; and as a presidential appointee by President Clinton to the Board of Governors of the United States Postal Service. He was elected Chair of the USPS Board of Governors in 2008. Mr. Kessler was initially appointed to serve as a member of the Board by the Democratic Leader of the Senate in 2015.

**MICHAEL A. KARP, Secretary/Treasurer.** Mr. Karp's 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. He was first 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.

**JAMES F. CAWLEY, Assistant Secretary/Treasurer.** Mr. Cawley is Temple University's Vice President of Institutional Advancement. Previously, he served as president and CEO of United Way of Greater Philadelphia and Southern New Jersey and as Lieutenant Governor of the Commonwealth of Pennsylvania, from 2011 to 2015. Prior to being elected to statewide office, Mr. Cawley served on the Bucks County Board of Commissioners, as Chief of Staff to State Senator Tommy Tomlinson, and as a member of the board of the Bristol Township School District. Mr. Cawley earned a bachelor's degree in political science and a law degree from Temple University. He was appointed to serve as a member of the PICA board by the Pro Tempore of the Pennsylvania Senate in 2017.

**TINA BYLES WILLIAMS, Member.** Ms. Byles Williams founded FIS Group 21 years ago and has over 33 years of investment experience. She is the chief investment strategist and portfolio manager for the firm's global equities product. As Chief Investment Officer, she chairs the firm's Investment Committee, overseeing all investment strategy, manager search and disposition decisions. Prior to founding FIS Group, Ms. Byles Williams was a principal and senior consultant with the investment consulting firm WHP, Inc. Before joining WHP, Ms. Byles Williams served as Chief Investment Officer to the City of Philadelphia's Board of Pensions and Retirement. Ms. Byles Williams completed her undergraduate work at New York University where she graduated Magna Cum Laude and earned her Master's degree in Public Policy with an emphasis in Finance from Harvard University. She was initially appointed to the PICA Board in 2017 by the Democratic Leader of the Pennsylvania House of Representatives.

**JEN SWAILS, Ex Officio.** Ms. Swails is the Secretary of the Budget of the Commonwealth.

**ROB DUBOW, Ex Officio.** Mr. Dubow is the Director of Finance of the City. Mr. Dubow previously served as the Executive Director of the Authority.

#### **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, a deputy executive director, two (2) financial

analysis specialists and two (2) administrative 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:

**HARVEY M. RICE**, Executive Director. Mr. Rice joined the Authority as Executive Director in January 2014. Prior to this role, he served as the City of Philadelphia's First Deputy City Controller and Chief of Staff. He was responsible for the management and oversight of 125 employees in the nine divisions within the Controller's Office. Under Mr. Rice's leadership, the City Controller's Office uncovered more than \$500 million in revenues and savings for the City of Philadelphia through audits, reports and investigations. The Controller's Office also has received numerous national awards for its performance audits under his direction. Prior to his appointment as City Controller, Mr. Rice served as the Pennsylvania Department of Education's Safe Schools Advocate for the School District of Philadelphia. He was appointed by then Governor Tom Ridge. As the Safe School Advocate, Mr. Rice was responsible for monitoring the School District's compliance with the Safe Schools Act, as well as assisting and advocating on behalf of victims of school violence and ensuring the quick removal of violent and disruptive students from city schools. Mr. Rice is an attorney with a law degree from the Beasley School of Law at Temple University. He served as Co-Chair for the Philadelphia Coalition for Victim Advocacy, and as a member of the Collaborative Response to Crime Victims.

### **Financing Program**

The Authority was established and organized by the Commonwealth in June 1991 pursuant to the Act. The Authority has previously issued eleven Series of Bonds under the Indenture, only two of which are currently Outstanding: the 2009 Bonds and the 2010 Bonds. Upon the issuance of the 2019 Bonds, only the 2019 Bonds and the 2010 Bonds will remain Outstanding. The Authority may from time to time, subject to the limitations prescribed in the Act, enter into financing or refinancing transactions. Each additional financing or 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 2010 Bonds and the 2019 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 of the Board, and (ii) the development and revision at least annually by the City of, and in 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 first series of bonds by the Authority in 1992. 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) 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* "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.

### **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 2019/2020 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 2019/2020 Bonds or the existence or powers of the Authority.

### **LEGAL INVESTMENT**

The Act provides that the 2019/2020 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 2019/2020 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.

### **CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS**

The Authority will enter into the Forward Delivery Bond Purchase Agreement for the 2020 Bonds with the Representative acting on behalf of itself and on behalf of the Underwriters. Subject to the terms of the Forward Delivery Bond Purchase Agreement, the Authority expects to issue and deliver the 2020 Bonds on March 17, 2020, or such later date as may be mutually agreed by the Authority and the Underwriters (the “Delayed Delivery Closing Date”).

The obligation of the Underwriters to purchase the 2020 Bonds from the Authority is subject to the satisfaction of certain conditions, as outlined in the Forward Delivery Bond Purchase Agreement on the Initial Closing Date (the “Initial Closing Date”, which is expected to be December 3, 2019), the date of issuance of the 2019 Bonds) and on the Delayed Delivery Closing Date. The conditions to be satisfied during the period from and including the date of the Forward Delivery Bond Purchase Agreement to the Initial Closing Date are, in general, comparable to those required in connection with bond closings that use a customary period of up to six weeks between sale dates and final closing dates. Because of the longer period between the sale and settlement of the 2020 Bonds, there are certain certificate, legal opinion and other document delivery requirements and settlement conditions that must be met as of the Delayed Delivery Closing Date, and certain of those requirements and conditions are summarized below. All the conditions with respect to the sale and settlement of the 2020 Bonds are set forth in the Forward Delivery Bond Purchase Agreement. The following is a description of certain provisions of the Forward Delivery Bond Purchase Agreement. The following description is not to be considered a full statement of the terms of the Forward Delivery Bond Purchase Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof, a copy of which is available from the Authority and the Underwriters.

BY PLACING AN ORDER WITH THE UNDERWRITERS FOR THE PURCHASE OF THE 2020 BONDS, EACH PURCHASER ACKNOWLEDGES AND AGREES THAT THE 2020 BONDS ARE BEING SOLD ON A “FORWARD DELIVERY” BASIS, THAT THE PURCHASER IS OBLIGATED TO ACCEPT DELIVERY OF AND PAY FOR THE 2020 BONDS ON THE DELAYED DELIVERY CLOSING DATE SUBJECT TO THE CONDITIONS IN THE FORWARD DELIVERY BOND PURCHASE AGREEMENT, AND THAT EACH PURCHASER WILL BE REQUIRED TO SIGN, AND DELIVER TO THE UNDERWRITERS, A DELAYED DELIVERY CONTRACT SUBSTANTIALLY IN THE FORM ATTACHED AS APPENDIX J (A “DELAYED DELIVERY CONTRACT”) AS A CONDITION TO ANY 2020 BONDS BEING ALLOCATED TO SUCH PURCHASER. ADDITIONALLY, EACH PURCHASER ACKNOWLEDGES AND AGREES THAT IT WILL REMAIN OBLIGATED TO PURCHASE SUCH 2020 BONDS EVEN IF THE PURCHASER DECIDES TO SELL SUCH 2020 BONDS FOLLOWING THE DATE OF PURCHASE, UNLESS THE PURCHASER SELLS SUCH 2020 BONDS TO ANOTHER INSTITUTION WITH THE PRIOR WRITTEN CONSENT OF THE REPRESENTATIVE OF THE UNDERWRITERS AND SUCH INSTITUTION PROVIDES A WRITTEN ACKNOWLEDGEMENT OF CONFIRMATION OF PURCHASE ORDER AND A DELAYED DELIVERY CONTRACT IN THE SAME RESPECTIVE FORM AS THAT EXECUTED BY THE PURCHASER.

### **Delayed Delivery Closing Date for 2020 Bonds**

The issuance of the 2020 Bonds and the Underwriters’ obligations under the Forward Delivery Bond Purchase Agreement to purchase, accept delivery of and pay for the 2020 Bonds on the Delayed Delivery Closing Date are conditioned upon the performance by the Authority of its obligations thereunder, the delivery of certain certificates, legal opinions and other documents, including, without limitation, the delivery of an approving opinion of Bond Counsel dated the Delayed Delivery Closing Date, substantially in the form and to the effect as set forth in APPENDIX E-2 to this Official Statement (the “2020 Bond Counsel Opinion”), and the satisfaction of other conditions as of the Delayed Delivery Closing Date, certain of which are described below.



### *No Change in Law*

The Forward Delivery Bond Purchase Agreement provides as a condition to the Underwriters' obligation to purchase, accept delivery of and pay for the 2020 Bonds, that as of the Delayed Delivery Closing Date, no Change in Law shall have occurred. For purposes of this condition, "Change in Law" shall mean any of the following events that occur at any time after the Initial Closing Date and on or prior to the Delayed Delivery Closing Date: (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies, (ii) any legislation enacted by the Congress of the United States or introduced into Congress and recommended for passage by the President of the United States (whether or not such enacted or recommended legislation has a proposed effective date which is on or before the Delayed Delivery Closing Date), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (whether or not such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Delayed Delivery Closing Date), or (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case cited in (i) through (iv) above would on the Delayed Delivery Closing Date: (A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) their purchase of the 2020 Bonds, as provided in the Forward Delivery Bond Purchase Agreement or their sale of the 2020 Bonds or beneficial ownership interests therein to the public; or (B) as to the Authority, make illegal the issuance, sale or delivery of the 2020 Bonds (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized); or (C) eliminate the exclusion from gross income for federal income tax purposes of interest on the 2020 Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed or finalized); or (D) require the 2020 Bonds to be registered under the Securities Act of 1933, as amended or under the Securities Exchange Act of 1934, as amended or require the Indenture to be qualified under the Trust Indenture Act of 1939, as amended (if enacted, passed, finalized or adopted), and as to the foregoing, in the sole and reasonable judgment of Bond Counsel causes Bond Counsel to not issue its opinion as to the tax-exempt status of the interest on the 2020 Bonds for federal tax purposes; provided, however, that such change in or addition to law, legislation, rule or regulation or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, been proposed or enacted or been issued as the case may be, after the date of the Forward Delivery Bond Purchase Agreement. The Underwriters' right to cancel their obligation to purchase the 2020 Bonds pursuant to the provisions of the Forward Delivery Bond Purchase Agreement described in this paragraph shall only arise on the Delayed Delivery Closing Date and only if a Change in Law exists on the Delayed Delivery Closing Date, irrespective of when such Change in Law arose.

### *Existence of Ratings*

It shall also be a condition to the Underwriters' obligation to purchase, accept delivery of, and pay for the 2020 Bonds that the Authority deliver evidence to the Underwriters that as of the Delayed Delivery Closing Date, that the ratings which are required to be obtained by the Initial Closing Date have not been withdrawn or suspended as of the Delayed Delivery Closing Date. *See* "RATINGS" herein for information about the ratings for the 2020 Bonds to be obtained by the Initial Closing Date.

### *Confirmation of Representations*

It shall also be a condition to the Underwriters' obligation to purchase, accept delivery of and pay for the 2020 Bonds that the Authority deliver a certificate to the Underwriters, dated the Delayed Delivery Closing Date, signed by the Chairperson or Vice Chairperson and Secretary or Assistant Secretary of the Authority to the effect that, to the best of their knowledge, the Authority's representations and warranties in the Forward Delivery Bond Purchase Agreement are true and correct in all material respects on and as of the Delayed Delivery Closing Date.

### *Delivery of Supplement to the Official Statement*

During the period of time subsequent to the Initial Closing Date and up to and including the Delayed Delivery Closing Date (the "Forward Delivery Period"), certain information contained in this Official Statement may change in a material respect. The Authority has agreed in the Forward Delivery Bond Purchase Agreement to deliver a supplement



to the Official Statement (the “Supplement to the Official Statement”) not more than twenty-five (25) days nor less than ten (10) days prior to the Delayed Delivery Closing Date. The Supplement to the Official Statement is expected to provide, among other things, a discussion of, and any updates with respect to, matters of the type addressed under “TAX MATTERS” which are applicable to the 2020 Bonds as of the date of the Supplement to the Official Statement.

If, on the Delayed Delivery Closing Date, the conditions to the obligations of the Underwriters to purchase, accept delivery of and pay for the 2020 Bonds as set forth in the Forward Delivery Bond Purchase Agreement have not been met or waived, the Forward Delivery Bond Purchase Agreement will terminate and neither the Underwriters nor the Authority will be under any further obligation under the Forward Delivery Bond Purchase Agreement.

If the Change in Law involves the enactment of legislation (such as, for example, a change in tax rates) which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes of, interest payable on “state or local bonds,” the Authority may, nonetheless, be able to satisfy the requirements for the delivery of the 2020 Bonds. In such event, the Underwriters would be obligated to purchase the 2020 Bonds from the Authority and the purchasers would be required to accept delivery of the purchased 2020 Bonds from the Underwriters.

The Underwriters have advised the Authority that the 2020 Bonds will be sold only to purchasers who execute a Delayed Delivery Contract, a form of which is set forth in APPENDIX J. The Authority will not be a party to the Delayed Delivery Contracts, and the Authority is not in any way responsible for the performance thereof or for any representations or warranties contained therein. The rights and obligations under the Forward Delivery Bond Purchase Agreement are not conditioned or dependent upon the performance of any Delayed Delivery Contract. The Underwriters may not refuse to purchase the 2020 Bonds from the Authority except as expressly provided in the Forward Delivery Bond Purchase Agreement.

THE UNDERWRITERS (AND, IN TURN, THE PURCHASERS OF THE 2020 BONDS FROM THE UNDERWRITERS) MAY NOT REFUSE TO PURCHASE THE 2020 BONDS BY REASON OF GENERAL MARKET OR CREDIT CHANGES INCLUDING, BUT NOT LIMITED TO, CHANGES IN THE RATINGS ANTICIPATED TO BE ASSIGNED TO THE 2020 BONDS, CHANGES IN THE FINANCIAL CONDITION, OPERATIONS, PERFORMANCE, PROPERTIES OR PROSPECTS OF THE AUTHORITY AFTER THE INITIAL CLOSING DATE AND PRIOR TO THE DELAYED DELIVERY CLOSING DATE, CHANGES IN THE GENERAL LEVEL OF INTEREST RATES OR CHANGES IN VALUE OF THE 2020 BONDS OR FOR ANY OTHER REASON EXCEPT A FULL ELIMINATION OF TAX EXEMPTION, ANY OTHER ‘CHANGE IN LAW’ DESCRIBED ABOVE, OR THE FAILURE OF THE DELIVERY OF THE CERTIFICATES, LEGAL OPINIONS AND DOCUMENTS REQUIRED TO BE DELIVERED ON OR BEFORE THE DELAYED DELIVERY CLOSING DATE PURSUANT TO THE FORWARD DELIVERY BOND PURCHASE AGREEMENT.

### **Additional Risks Related to the Forward Delivery Period**

The discussion of risks set forth below has been provided by the Underwriters and may not be exhaustive of all of the risks that may arise during the Forward Delivery Period. The Authority disclaims any responsibility therefor.

During the Forward Delivery Period, certain information contained in this Official Statement could change in a material respect. Changes in such information will not permit the Underwriters to terminate the Forward Delivery Bond Purchase Agreement unless the change results in the Authority’s inability to satisfy the conditions set forth in the Forward Delivery Bond Purchase Agreement or release the purchasers of their obligation to purchase the 2020 Bonds as described in the Delayed Delivery Contracts.

In addition to the risks set forth above, purchasers of the 2020 Bonds are subject to certain additional risks, some of which are described below, and which will not constitute grounds for purchasers to refuse to accept delivery of and pay for the 2020 Bonds.

Prospective purchasers should consult their investment advisors before making any decision as to the purchase of the 2020 Bonds. The following discussion, while not setting forth all of the factors that should be considered, contains some of the factors which should be considered, in addition to the other information in this Official Statement, prior to purchasing the 2020 Bonds. This section is not meant to be comprehensive or definitive, and there may be other risk factors which will become material in the future.

#### *2020 Bond Counsel Opinion: Tax Law Risk*

Subject to the additional conditions of settlement described under “Delayed Delivery Closing Date” above, the Forward Delivery Bond Purchase Agreement obligates the Authority to deliver and the Underwriters to acquire the 2020 Bonds if the Authority delivers the 2020 Bond Counsel Opinion. During the Forward Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, promulgated or interpreted that might prevent Bond Counsel from rendering its approving opinion or otherwise affect the substance of such opinion. Notwithstanding that the enactment of new legislation, new court decisions or the promulgation of new regulations or rulings might diminish the value of, or otherwise affect, the exclusion of interest on the 2020 Bonds for purposes of federal income taxation payable on “state or local bonds,” the Authority might be able to satisfy the requirements for the delivery of the 2020 Bonds. In such event, the Underwriters would be required to accept delivery of the 2020 Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood of any changes in tax law and the consequences of such changes to such purchasers. Any Change in Law occurring during the Forward Delivery Period does not relieve the Underwriters of their obligation under the Forward Delivery Bond Purchase Agreement at any time prior to the Delayed Delivery Closing Date. The facts and circumstances giving rise to any Change in Law occurring during the Forward Delivery Period may change due to legislative or regulatory action or other facts and circumstances at any time prior to the Delayed Delivery Closing Date with the resulting effect that a Change in Law may then no longer exist as of the Delayed Delivery Closing Date. *See* “TAX MATTERS – 2020 Bonds - Opinion of Bond Counsel.”

#### *Ratings Risk*

Ratings have been assigned to the 2020 Bonds as described under “RATINGS.” No assurances can be given that the ratings assigned to the 2020 Bonds on the Delayed Delivery Closing Date will not be different from those currently assigned to the 2020 Bonds. Issuance of the 2020 Bonds and the Underwriters’ obligations under the Forward Delivery Bond Purchase Agreement are not conditioned upon the assignment of any particular ratings for the 2020 Bonds as of the Delayed Delivery Closing Date or the maintenance of ratings of the 2020 Bonds during the Forward Delivery Period at the levels assigned at the Initial Closing Date. Any suspension or withdrawal of any such rating during the Forward Delivery Period may be cured up to the Delayed Delivery Closing Date and does not relieve the Underwriters of their obligation under the Forward Delivery Bond Purchase Agreement at any time prior to the Delayed Delivery Closing Date.

#### *Market Value Risk*

The market value of the 2020 Bonds as of the Delayed Delivery Closing Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the 2020 Bonds, the financial condition and operations of the Authority, and federal and state income tax rates and/or law and other laws. The market value of the 2020 Bonds as of the Delayed Delivery Closing Date could therefore be higher or lower than the price to be paid by the initial purchasers of the 2020 Bonds and that difference could be substantial. The Underwriters will nevertheless be obligated to take delivery of and pay for the 2020 Bonds if the conditions in the Forward Delivery Bond Purchase Agreement are satisfied on the Delayed Delivery Closing Date. **NEITHER THE AUTHORITY NOR THE UNDERWRITERS MAKE ANY REPRESENTATION AS TO THE EXPECTED MARKET PRICE OF THE 2020 BONDS AS OF THE DELAYED DELIVERY CLOSING DATE.** Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the 2020 Bonds as of the Delayed Delivery Closing Date or thereafter or not have a materially adverse impact on any secondary market for the 2020 Bonds.

*Circumstances That May Result in Failure of Conditions of Forward Delivery Bond Purchase Agreement to be Satisfied*

The Underwriters' obligation to purchase, accept delivery of, and pay for the 2020 Bonds is subject to certain conditions of the Forward Delivery Bond Purchase Agreement being satisfied as of the Delayed Delivery Closing Date. Although the Authority is not aware, as of the date of this Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations under the Forward Delivery Bond Purchase Agreement on the Delayed Delivery Closing Date, no assurances can be made that, as of the Delayed Delivery Closing Date: (i) there will have been no Change in Law; (ii) the facts and circumstances that are material to one or more of the required legal opinions will not differ from the facts and circumstances as of the Initial Closing Date; or (iii) that all necessary certifications and representations can or will be delivered and made in connection with the proposed issuance and delivery of the 2020 Bonds. As a consequence of any of the foregoing, one or more of the foregoing legal opinions may not be rendered or one or more of the Delayed Delivery Closing Date conditions in the Forward Delivery Bond Purchase Agreement may not be met, with the possible result that the delivery of the 2020 Bonds will not occur.

*Secondary Market Risk*

The Underwriters are not obligated to make a secondary market in the 2020 Bonds, and no assurances can be given that a secondary market will exist for the 2020 Bonds during the Forward Delivery Period. Purchasers of the 2020 Bonds should assume that the 2020 Bonds will be illiquid throughout the Forward Delivery Period.

## TAX MATTERS

### 2019 Bonds - Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2019 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2019 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority subsequent to the issuance and delivery of the 2019 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority has made covenants to comply with such requirements.

In the opinion of Bond Counsel, interest on the 2019 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the Authority comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2019 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2019 Bonds to be so includable in gross income retroactive to the date of issuance of the 2019 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2019 Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax.

In addition to the matters addressed below, prospective purchasers of the 2019 Bonds should be aware that ownership of the 2019 Bonds may result in collateral tax consequences to certain taxpayers, including but not limited to, foreign corporations, certain S corporations, financial institutions, recipients of social security and railroad retirement benefits and property or casualty insurance companies. Bond Counsel expresses no opinion regarding any other federal tax consequences relating to the 2019 Bonds or the receipt of interest thereon. **Prospective purchasers of the 2019 Bonds should consult their own tax advisors as to the impact of these other tax consequences.**

In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, the 2019 Bonds, and the interest thereon are free from taxation for state and local purposes

within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2019 Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange, or other disposition of the 2019 Bonds are subject to state and local taxation within the Commonwealth of Pennsylvania. Specifically, the 2019 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2019 Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Bond Counsel's opinion will be based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date of delivery of the 2019 Bonds. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective.

### **Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations**

The Code, subject to limited exceptions not applicable to the 2019 Bonds, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the 2019 Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the 2019 Bonds and any other tax-exempt obligations acquired after August 7, 1986.

### **Property or Casualty Insurance Company**

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

### **Reportable Payments and Backup Withholding**

The payments of interest on the 2019 Bonds will be reported to the Internal Revenue Service by the payor on Form 1099 unless the holder is an "exempt person" under Section 6049 of the Code. A holder who is not an exempt person may be subject to "backup withholding" at a specified rate prescribed in the Code if the holder does not file Form W-9 with the payor advising the payor of the holder's taxpayer identification number. Holders should consult with their brokers regarding this matter.

The payor will report to the holders and to the Internal Revenue Service for each calendar year the amount of any "reportable payments" during such year and the amount of tax, if any, with respect to payments made on the 2019 Bonds.

### **Accounting Treatment of Amortizable Bond Premium**

The 2019 Bonds are hereinafter referred to as the "Premium Bonds." An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the inside of the cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Bonds.

## 2020 Bonds - Opinion of Bond Counsel

The Code contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2020 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2020 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority subsequent to the issuance and delivery of the 2020 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority has made covenants to comply with such requirements.

Assuming that no Change In Law has occurred, Bond Counsel, on the Delayed Delivery Closing Date for the 2020 Bonds, will deliver its opinion on the Delayed Delivery Closing Date that interest on the 2020 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel assumes that the Authority complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2020 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2020 Bonds to be so includable in gross income retroactive to the date of issuance of the 2020 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2020 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax.

Assuming no Change in Law has occurred on the Delayed Delivery Closing Date for the 2020 Bonds, Bond Counsel will deliver its opinion that under the laws of the Commonwealth of Pennsylvania as enacted and construed on the Delayed Delivery Closing Date, the 2020 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2020 Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange, or other disposition of the 2020 Bonds are subject to state and local taxation within the Commonwealth. Specifically, the 2020 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2020 Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Prospective purchasers of the 2020 Bonds should be aware that ownership of the 2020 Bonds may result in collateral tax consequences to certain taxpayers, including but not limited to, foreign corporations, certain S corporations, financial institutions, recipients of social security and railroad retirement benefits, and property or casualty insurance companies. Bond Counsel expresses no opinion regarding any other federal tax consequences relating to the 2020 Bonds or the receipt of interest thereon. **Prospective purchasers of the 2020 Bonds should consult their own tax advisors as to the impact of these other tax consequences.**

## CHANGES IN FEDERAL TAX LAW

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the treatment of interest on the 2019/2020 Bonds for federal or state income tax purposes, and thus on the value or marketability of the 2019/2020 Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or otherwise. It cannot be predicted whether or in what form any such proposals may be enacted or whether if enacted such proposals would apply to bonds issued prior to enactment. In addition, regulatory or other actions are from time to time announced or proposed which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the 2019/2020 Bonds. It cannot be predicted whether any such regulatory or other actions will be implemented or whether the 2019/2020 Bonds would be impacted thereby.

Purchasers of the 2019/2020 Bonds should consult their own tax advisors regarding any pending or proposed legislation, regulations or other potential changes in law. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities on the date of delivery



on the 2019 Bonds, and on the Delayed Delivery Closing Date, with respect to the 2020 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulations or other potential changes in law.

**Prospective purchasers of the 2019/2020 Bonds should be aware that the ownership of tax-exempt obligations, such as the 2019/2020 Bonds, may result in collateral federal income tax consequences. Such prospective purchasers should consult their own tax advisors as to the consequences of investing in the 2019/2020 Bonds.**

## **RATINGS**

S&P and Fitch Ratings have both assigned the 2019 Bonds ratings of “AAA”. S&P and Fitch Ratings have both assigned the 2020 Bonds ratings of “AAA”. 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: S&P Global Ratings, 55 Water Street, New York, New York 10041; and 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. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. 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.

None of the Authority, the City, or the Underwriters has undertaken any responsibility to assure the maintenance of any rating. The Authority has agreed, in the Disclosure Agreements, to report actual rating changes on the 2019/2020 Bonds. See “MISCELLANEOUS - Continuing Disclosure Undertaking” herein and APPENDIX F hereto. Any downgrade, revision or withdrawal of a rating may have an adverse effect on the market price of or the market for the 2019/2020 Bonds.

## **CERTAIN LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance, sale and delivery of both the 2019 Bonds and the 2020 Bonds are subject to the approving opinions of Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania, Bond Counsel. The proposed form of the opinions of Bond Counsel is appended hereto as APPENDIX E. Certain legal matters will be passed upon for the Authority by its counsel, Reed Smith LLP, Philadelphia, Pennsylvania; for the Underwriters by their counsel, Ahmad Zaffarese, LLC, Philadelphia, Pennsylvania; and for the City by the Office of the City Solicitor.

The various legal opinions to be delivered concurrently with the delivery of the 2019 Bonds and the delayed delivery of the 2020 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.

## **VERIFICATION**

It is anticipated that Robert Thomas CPA, LLC will serve as verification agent (the “Verification Agent”) in connection with the refunding of the Refunded 2010 Bonds with the proceeds of the 2020 Bonds and will deliver to the Authority on the Initial Closing Date for the 2020 Bonds and on the Delayed Delivery Closing Date for the 2020 Bonds its report (the “Verification Report”) indicating that it has verified the mathematical accuracy of the information provided by the Authority and its representatives with respect to the refunding requirements of the Refunded 2010

Bonds. Included within the scope of its engagement will be a verification of the mathematical accuracy of the computations of the adequacy of the cash and maturing principal of the securities to be placed in an escrow account, pursuant to the term and provisions in the Escrow Agreement, to meet the payment of the redemption price of the Refunded 2010 Bonds, together with accrued interest thereon, on the 2010 Bonds Redemption Date, as further described in “PLAN OF FINANCE” above.

The verification performed by the Verification Agent will be based solely upon data, information and documents provided to the Verification Agent. The Verification Report will state that the Verification Agent has no obligation to update the Verification Report for events occurring, or data or information coming to their attention, subsequent to the date of the Verification Report.

## **UNDERWRITING**

The 2019 Bonds are being purchased by the Underwriters named on the cover page of this Official Statement (the “Underwriters”), for whom RBC Capital Markets, LLC is acting as the representative (the “Representative”), subject to certain terms and conditions set forth in a Bond Purchase Agreement between the Authority and the Representative, on behalf of the Underwriters. The 2019 Bonds are being purchased for reoffering by the Underwriters at an aggregate purchase price of \$33,898,011.57, which price reflects an underwriter’s discount in the amount of \$120,965.73 and original issue premium of \$2,933,977.30. The initial public offering prices of the 2019 Bonds may be changed from time to time by the Underwriters without notice. The Bond Purchase Agreement for the 2019 Bonds provides that the Underwriters’ obligation to purchase the 2019 Bonds is subject to certain conditions and that the Underwriters are obligated to purchase all of the 2019 Bonds, if any 2019 Bonds are purchased.

The 2020 Bonds are being purchased by the Underwriters, with RBC Capital Markets, LLC acting as Representative, subject to certain terms and conditions set forth in the Forward Delivery Bond Purchase Agreement. The 2020 Bonds are being purchased for reoffering by the Underwriters at an aggregate purchase price of \$26,469,379.47, which price reflects an underwriter’s discount in the amount of \$82,247.43 and original issue premium of \$1,561,626.90. The initial public offering prices of the 2020 Bonds may be changed from time to time by the Underwriters without notice. The Forward Delivery Bond Purchase Agreement for the 2020 Bonds provides that the Underwriters’ obligation to purchase the 2020 Bonds is subject to certain conditions and that the Underwriters are obligated to purchase all of the 2020 Bonds, if any 2020 Bonds are purchased.

The 2019/2020 Bonds are offered for sale to the public at prices set forth on the inside front cover page of this Official Statement. The 2019/2020 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2019/2020 Bonds into investment trusts) at prices lower than such offering prices, and such public offering prices may be changed from time to time by the Underwriters without prior notice.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

## **FINANCIAL STATEMENTS**

The financial statements of the Authority as of June 30, 2019 included in APPENDIX A to this Official Statement have been audited by Maher Duessel, independent auditors, as stated in their report appearing in APPENDIX A.

## **FINANCIAL ADVISORS**

Phoenix Capital Partners, LLP, Philadelphia, Pennsylvania, and PFM Financial Advisors LLC, Philadelphia, Pennsylvania, are acting as co-financial advisors (together, the “Financial Advisors”) to the Authority in connection with the issuance of the 2019/2020 Bonds. The Financial Advisors have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2019/2020 Bonds. They have received and reviewed but have not independently verified information in this Official Statement for accuracy or completeness (except, as to each Financial Advisor, the information in this section). Investors should not draw any conclusions as to the suitability of the 2019/2020 Bonds from, or base any investment decisions upon, the fact that the Financial Advisors have advised the Authority with respect to the 2019/2020 Bonds. The Financial Advisors’ fees for this issue are contingent upon the sale and issuance of the 2019/2020 Bonds.

The Financial Advisors are financial advisory and consulting organizations and not organizations engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

## **CERTAIN RELATIONSHIPS**

Reed Smith LLP from time to time provides legal services to the Trustee and certain of the Underwriters with respect to unrelated matters.

Ahmad Zaffarese LLC, Counsel to the Underwriters, provides certain legal services to the City.

## **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.

### **Continuing Disclosure Undertaking**

In order to enable the Underwriters to comply with the requirements of Rule 15c2-12, the Authority will enter into a Disclosure Agreement for the benefit of the registered owners from time to time of the 2019 Bonds, to be dated the date of original delivery and payment for the 2019 Bonds, and the Authority will enter into a Disclosure Agreement for the benefit of the registered owners from time to time of the 2020 Bonds, to be dated the date of original delivery and payment for the 2020 Bonds (collectively, the “Disclosure Agreements”). The Disclosure Agreement for each of the 2019 Bonds and the 2020 Bonds shall constitute a written undertaking for the benefit of the owners and beneficial owners of the 2019 Bonds and the 2020 Bonds, as applicable. The proposed form of the Disclosure Agreement that will be delivered for the 2019 Bonds and also will be delivered for the 2020 Bonds is attached to this Official Statement as APPENDIX F. During the past five years, the Authority has complied in all material respects with its obligations under all continuing disclosure agreements to which it is or was a party. The Authority has reviewed and updated its disclosure policies and procedures to assist in complying with its continuing disclosure undertakings in the future.

**Official Statement Not a Contract**

This Official Statement has been duly authorized, executed and delivered by the Authority. Neither this Official Statement nor any advertisement for the 2019/2020 Bonds is to be deemed or construed as constituting a contract between the Authority and the purchasers of the 2019/2020 Bonds.

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PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By: /s/ Kevin E. Vaughan  
Kevin Vaughan, Chairperson



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## **APPENDIX A**

**Audited Financial Statements of the Authority as of June 30, 2019**

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# **Pennsylvania Intergovernmental Cooperation Authority**

A Blended Component Unit of the  
City of Philadelphia

Financial Statements with Required  
Supplementary Information and  
Supplementary Information

Year Ended June 30, 2019  
with Independent Auditor's Report

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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# **PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**

(A Blended Component Unit of the City of Philadelphia)

YEAR ENDED JUNE 30, 2019

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# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

YEAR ENDED JUNE 30, 2019

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## **Independent Auditor's Report**

### **Board of Directors Pennsylvania Intergovernmental Cooperation Authority**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pennsylvania Intergovernmental Cooperation Authority (Authority), a blended component unit of the City of Philadelphia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension and other post-employment benefit information on pages i through x and pages 34 through 38, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining nonmajor fund financial statements, schedule of cash activity – General Fund, and schedule of cash activity – PICA Tax Revenue Fund (collectively, supplementary information) on pages 39 through 42 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Maher Duessel*

Harrisburg, Pennsylvania  
September 23, 2019



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## **Management's 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, 2019 ("FY2019"). Please read it in conjunction with the Authority's financial statements, which begin on page 1.

### **Using this Annual Report**

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 four components:

- (1) Government-wide financial statements – which provide both long-term and short-term information about the Authority's overall financial condition.
- (2) Fund financial statements – which provide a more detailed look at major individual funds.
- (3) Notes to the financial statements – which explain some information contained in the financial statements and provide more detailed data.
- (4) Supplementary information – which further explain and support the information in the financial statements.

### **Brief Description and Financial Highlights**

PICA is a blended component unit of the City of Philadelphia ("City"). PICA is a body corporate and politic, a public authority and instrumentality of the Commonwealth of Pennsylvania ("Commonwealth"). It was created in 1991 to assist the City in overcoming a severe fiscal crisis by issuing bonds to finance the accumulated operating deficit of the City, and by overseeing the creation of a long-term financial planning process. Since 1991, the City has submitted, and PICA has approved, twenty-eight five-year financial plans. PICA approved the Five-Year Financial Plan for fiscal years 2020 through 2024, on July 16, 2019.

PICA is governed by a Board consisting of five voting members appointed by the following state officials: 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. The Board also includes two non-voting, *ex officio* members: The Secretary of the Budget of the Commonwealth and the Director of Finance of the City. The Authority currently employs six full-time staff.

The financial activity and statements presented in this report reflect only the financial activity of PICA. However, as a blended component unit of the City, the Authority's financial activity is included in the City's *Comprehensive Annual Financial Report*, as part of governmental activities. The following is a summary of some of the highlights of the Authority's financial activity in FY2019:

- The Authority's total net position at the close of FY2019 was (\$67,024,048), representing a positive change in net position of \$32,619,074 from the prior year. The largest contributor to the negative net position was \$143,305,094 in bonds payable.
- The positive change in net position was primarily due to a reduction of \$38,760,000 in bonds payable from the prior year. This reduction reflected scheduled payments of bond principal during the year.
- The Authority's most significant expenses in FY2019 were \$493,976,605 for grants to the City and \$8,392,100 for interest on long-term debt. The most significant revenue source was \$528,763,262 in PICA taxes.
- At the close of FY2019, the combined fund balance in all governmental funds was \$78,322,983. This amount included \$19,077,827 in the General Fund, \$48,011,448 in Debt Service Reserve Fund, and \$11,233,708 in the nonmajor governmental funds (consisting of \$3,959,787 in the 2009 and 2010 Debt Service Funds, \$2,070,932 in the Rebate Fund, and \$5,202,989 in the Special Revenue Funds).

## **Overview of Financial Statements**

*Government-Wide Financial Statements.* The government-wide financial statements provide information about the activities of the Authority as a whole. They are reported using the economic resource measurement focus and the accrual basis of accounting. In these statements, all current year revenues and expenses are taken into account, regardless of when cash is received or paid.

There are two government-wide financial statements: The Statement of Net Position and the Statement of Activities (pages 1 and 2). The Statement of Net Position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position should indicate whether the financial position of the Authority is improving or deteriorating. The Statement of Activities presents information showing how the Authority's net position changed during FY2019. All changes in net position 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).

*Fund Financial Statements.* The two governmental fund financial statements are the Statement of Revenue, Expenditures, and Changes in Fund Balance; and the Balance Sheet (pages 3 and 4). 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. The Authority maintains nine governmental funds, and information for each major fund is presented separately in the fund 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. Both fund financial statements provide a reconciliation to facilitate this comparison between the fund statements and government-wide statements.

*Notes to the Financial Statements.* The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 5 through 33.

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

**Required Supplementary Information:** Certain information regarding the General Fund operating budget, the proportionate share of the collective net pension and other post-employment benefit (OPEB) liability, and the contributions to the Commonwealth's pension and OPEB system is presented in this section. This required supplementary information can be found immediately following the notes to the financial statements.

**Supplementary Information:** The combining nonmajor governmental fund financial statements and the schedules of cash activity for both the General Fund and the PICA Tax Revenue Fund are presented in this section. The supplementary information can be found immediately following the Required Supplementary Information.

## **Government-Wide Financial Statements**

### **Statement of Net Position**

PICA's total assets as of June 30, 2019 were \$84,931,178, a decrease of 7.7 percent from the previous year. The most significant changes were an increase of \$2,208,403 in PICA taxes receivable, offset by decreases of (\$8,049,657) in other cash and cash equivalents held by trustee, (\$647,953) in investments, (\$333,883) in fair value of derivative instruments, and (\$245,556) in other cash and cash equivalents

Total deferred outflows of resources as of June 30, 2019 totaled \$655,467, an increase of 26.5 percent from the prior year, with a majority of the increase attributable to other post-employment benefits, and the remaining increase representing the difference between projected and actual earnings on investments related to the valuation of the net pension liability.

<b>Table 1: Net Position</b>			
	<b>FY2019</b>	<b>FY2018</b>	<b>Percent Change</b>
<b>Assets</b>			
Cash and cash equivalents			
Held by trustee	\$13,223,736	\$21,273,393	-37.8%
Other	19,237,856	19,483,412	-1.3%
Investments	45,956,994	46,604,947	-1.4%
PICA taxes receivable	5,211,408	3,003,005	73.5%
Fair value of derivative instruments	1,211,304	1,545,187	-21.6%
Accrued interest receivable	67,198	59,256	13.4%
Prepaid expenses	21,242	39,450	-46.2%
Equipment, net	1,440	3,579	-59.8%
<b>Total Assets</b>	<b>\$84,931,178</b>	<b>\$92,012,229</b>	<b>-7.7%</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pension	\$484,581	\$404,302	19.9%
Deferred outflows related to OPEB	57,166	0	100.0%
Contributions subsequent to measurement date:			
OPEB	32,654	32,829	-0.5%
Pension	81,066	80,868	0.2%
<b>Total Deferred Outflows of Resources</b>	<b>\$655,467</b>	<b>\$517,999</b>	<b>26.5%</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$184,043	\$126,284	45.7%
Due to the City of Philadelphia	5,211,408	3,003,005	73.5%
Current portion of bonds payable	40,490,000	38,760,000	4.5%
Current portion of net OPEB liability	32,654	32,829	-0.5%
Net pension liability	1,553,260	1,383,379	12.3%
Noncurrent portion of net OPEB liability	1,119,155	1,044,664	7.1%
Noncurrent portion of bonds payable	102,815,094	147,217,805	-30.2%
<b>Total Liabilities</b>	<b>\$151,405,614</b>	<b>\$191,567,966</b>	<b>-21.0%</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pension	\$699,216	\$508,745	37.4%
Deferred inflows related to OPEB	505,863	96,639	423.5%
<b>Total Deferred Inflows of Resources</b>	<b>\$1,205,079</b>	<b>\$605,384</b>	<b>99.1%</b>
<b>Net Position</b>			
Net investment in capital assets	\$1,440	\$3,579	-59.8%
Restricted for:			
Debt service	53,442,167	61,823,513	-13.6%
Benefit of the City of Philadelphia	5,202,989	5,514,017	-5.6%
Unrestricted	(125,670,644)	(166,984,231)	-24.7%
<b>Total Net Position</b>	<b>(\$67,024,048)</b>	<b>(\$99,643,122)</b>	<b>-32.7%</b>

Total liabilities as of June 30, 2019 were \$151,405,614, a decrease of 21.0 percent from the previous year. The most significant change in liabilities included a decrease of (\$44,402,711) in the noncurrent portion of bonds payable, offset by an increase of \$2,208,403 in due to the City of Philadelphia, and an increase of \$1,730,000 in the current portion of bonds payable. The increase in the noncurrent portion of bonds payable reflected payments of principal for maturing bonds.

Total deferred inflows of resources as of June 30, 2019, were \$1,205,079, an increase of 99.1 percent over the prior year, representing the changes in proportion and difference between the Authority's contributions and proportionate share of contributions related to its pension plan, and the difference between expected and actual experience in its other post-employment benefits plan.

The Authority's total net position as of June 30, 2019, is (\$67,024,048). Of this amount, \$53,442,167 is restricted for debt service. The amount restricted for debt service includes the following elements:

<b>Restricted for Debt Service</b>	
<b>Debt Service Reserve Fund</b>	
Current assets held for debt service reserve purposes as required by Trust Indenture	\$48,011,448
<b>2009 and 2010 Debt Service Funds</b>	
Current assets held for debt service payments due in FY2020	3,959,787
<b>Rebate Fund</b>	
Current assets held for future potential rebate/debt service purposes	2,070,932
Sub-Total	\$54,042,167
<b>Less: Debt Service Reserve Fund</b>	
Current assets held for subsequent PICA administration purposes in FY2020 per the adopted budget	(600,000)
<b>Net Position restricted for debt service at June 30, 2019</b>	<b>\$53,442,167</b>

Of the total net position, \$5,202,989 is restricted for the benefit of the City, to be used for capital projects. Unrestricted net position/(deficit) of (\$125,670,644) includes \$600,000 committed by the PICA Board for Authority operations. The deficit in unrestricted net position was due primarily to long-term debt outstanding in excess of total assets. In the future, as the Authority continues to retire outstanding debt, its net position should improve.

## Statement of Activities

As shown in Table 2, total expenses for FY2019 were \$504,323,310, an increase of 8.1 percent from the previous year. The most significant changes in expenses included a \$39,762,998 increase in grants to the City, offset by a \$2,263,000 decline in interest on long-term debt. Total revenues for FY2019 were \$536,942,384, an increase of 6.2 percent from the prior year. The most significant changes in revenues included a \$30,050,109 (or 6.0 percent) increase in PICA taxes, and an increase of \$1,422,674 (or 62.2 percent) in investment income.

Revenues exceed expenses by \$32,619,074 in FY2019, resulting in an increase in net position of that amount. Net position/(deficit) at the beginning of the year was (\$99,643,122). Consequently, the yearend net position/(deficit) for FY2019 is (\$67,024,048).



Table 2: Activities

	FY2019	FY2018	Percent Change
<b>Expenses</b>			
Grants to City of Philadelphia	\$493,976,605	\$454,213,607	8.8%
General management and support	1,938,903	1,584,845	22.3%
Interest on long-term debt	8,392,100	10,655,100	-21.2%
Investment expenses	15,702	139,293	-88.7%
<b>Total Expenses</b>	<b>\$504,323,310</b>	<b>\$466,592,845</b>	<b>8.1%</b>
<b>Revenues</b>			
PICA taxes	\$528,763,262	\$498,713,153	6.0%
Amortization of bond premium	3,912,711	3,912,712	0.0%
Investment income	3,709,331	2,286,657	62.2%
Other income	557,080	593,181	-6.1%
<b>Total Revenues</b>	<b>\$536,942,384</b>	<b>\$505,505,703</b>	<b>6.2%</b>
<b>Change in Net Position</b>	<b>\$32,619,074</b>	<b>\$38,912,858</b>	<b>-16.2%</b>
<b>Net Position</b>			
Beginning of fiscal year	(\$99,643,122)	(\$137,427,785)	-27.5%
Adjustment due to GASB implementation	0	(1,128,195)	-100.0%
<b>End of fiscal year</b>	<b>(\$67,024,048)</b>	<b>(\$99,643,122)</b>	<b>-32.7%</b>

### **Governmental Fund Financial Statements**

The Authority's governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Both governmental fund financial statements are reconciled to the government-wide financial statements.

PICA maintains nine governmental funds. They include: the general fund; the PICA tax revenue fund; the debt service reserve fund; the 2009 and 2010 debt service funds; the rebate fund; and the 1992, 1993, and 1994 special revenue funds. A description of each fund is provided below.

*General Fund.* The General Fund accounts for all resources utilized for PICA operations. All FY2019 administration expenses were funded from earnings on the General Fund, a transfer of a portion of earnings on the Debt Service Reserve Fund to the General Fund, and the portion of the prior year's unassigned General Fund fund balance.

*PICA Tax Revenue Fund.* The PICA Tax Revenue Fund accounts for the receipts of PICA tax revenue and its allocation to other PICA funds and to the City in accordance with the PICA bond indenture. The fund receives PICA taxes, interest earnings on such collections, and net interest earnings on bond issue funds other than Special Revenue Funds (the earnings on Special Revenue Funds are restricted to providing grants to the City for PICA-approved capital projects). These funds are utilized to provide monthly, from the first available funds in that month, one-sixth of the next semi-annual interest requirement, 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 annual principal payments at the close of the month prior to each required payment. After provision of monthly debt service requirements, the residual balances in the PICA Tax Revenue Fund are paid to the City as grants to the City General Fund.

*Debt Service Reserve Fund.* The Debt Service Reserve Fund contains assets sufficient to meet the debt service reserve requirement for PICA bonds, as required under the trust indenture. Current year investment earnings are transferred to other funds to pay current year debt service requirements and to finance a portion of each year's administrative expenses in the General Fund.

The General, PICA Tax Revenue, and Debt Service Reserve Funds are considered major funds, while the funds below are considered to be nonmajor.

*Debt Service Funds.* The 2009 and 2010 debt service funds account for the accumulation of resources for, and payment of, debt service on outstanding 2009 and 2010 series PICA bonds.

*Rebate Fund.* The Rebate Fund accounts for resources that may be necessary to meet federal arbitrage requirements and/or debt service requirements.

*Special Revenue Funds.* The Special Revenue Funds account for resources that have been allocated to fund City capital projects. They include amounts held separately by bond issue from which such funds were provided, for purposes of grants to the City for specific PICA-approved capital projects. The PICA Act restricts the City's use of PICA capital funding to specific "emergency" and "productivity" projects approved by the PICA Board and, where necessary, by certain Commonwealth elected officials.

The Authority, in connection with its four 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, 2019, sufficient PICA-controlled special revenue funds (nonmajor funds) were available to complete all the initially approved PICA projects and additional projects subsequently approved by the PICA Board. Additional funds remain to be reprogrammed. Special revenue funds (nonmajor funds) held for PICA capital project grants to the City totaled \$5,202,989 at June 30, 2019.

## Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds

The Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds, presents revenues, expenditures, other financing sources and uses, and change in fund balance for the Authority's nine governmental funds for the year ended June 30, 2019. In addition, the statement presents fund balances at the beginning and at the end of FY2019. Table 3 presents a summary of the information in this statement.

	Revenues	Expenditures	Other Financing Sources/(Uses)	Fund Balance (June 30, 2019)
<b>Governmental Fund</b>				
General	\$931,549	\$1,230,340	(\$20,026)	\$19,077,827
PICA Tax Revenue	529,112,416	493,556,605	(35,555,811)	0
Debt Service Reserve	2,618,636	15,702	(11,021,936)	48,011,448
<b>Total Major</b>	<b>\$532,662,601</b>	<b>\$494,802,647</b>	<b>(\$46,597,773)</b>	<b>\$67,089,275</b>
Nonmajor:				
2010 Debt Service	278,243	24,073,750	23,786,204	2,012,876
2009 Debt Service	270,464	23,078,350	22,811,569	1,946,911
Rebate	43,276	0	0	2,070,932
1992 Special Revenue	62	0	0	2,944
1993 Special Revenue	3,998	0	0	191,318
1994 Special Revenue	104,912	420,000	0	5,008,727
<b>Total Nonmajor</b>	<b>700,955</b>	<b>\$47,572,100</b>	<b>46,597,773</b>	<b>11,233,708</b>
<b>Total Governmental Funds</b>	<b>\$533,363,556</b>	<b>\$542,374,747</b>	<b>\$0</b>	<b>\$78,322,983</b>

The Authority's governmental funds received \$533,363,556 in revenue in FY2019. This amount included \$528,763,262 in PICA taxes received in the PICA Tax Revenue Fund. Other major sources of revenue included \$2,618,636 in investment income in the Debt Service Reserve Fund and \$700,955 in investment income in the nonmajor funds. Expenditures in all governmental funds totaled \$542,374,747 in FY2019. This amount included: \$493,556,605 in grants to the City from the PICA Tax Revenue Fund, and \$420,000 in grants from the Special Revenue Funds; \$38,760,000 in debt service payments from the 2009 and 2010 Debt Service Funds (nonmajor funds), along with \$8,392,100 in debt service interest expenses; \$15,702 in investment expenses; and \$1,230,340 in expenditures for PICA operations, all of which were paid from the General Fund.

Other financing sources and uses included various operating transfers among funds. Funds were transferred from the General Fund, PICA Tax Revenue Fund, and the Debt Service Reserve Fund to the 2010 and 2009 Debt Service Funds (nonmajor funds) to pay for principal and interest payments due on outstanding PICA bonds during FY2019.

The sum of revenues, expenditures and other financing sources and uses for all governmental funds equals the change in fund balance for FY2019, which was (\$9,011,191). Accordingly, the total fund balance in all governmental funds decreased from \$87,334,174 as of July 1, 2018, to \$78,322,983 as of June 30, 2019, or approximately a 10.3 percent decline.

### Balance Sheet – Governmental Funds

The Balance Sheet – Governmental Funds, presents assets, liabilities, and fund balance for the Authority's nine governmental funds as of June 30, 2019. Total assets for all governmental funds are \$83,718,434. This amount includes \$19,261,870 in the General Fund, primarily consisting of cash and cash equivalents. Total assets in the Debt Service Reserve Fund are \$48,011,448, which includes cash and cash equivalents and investments. The remaining governmental fund assets – in the debt service funds and special revenue funds (nonmajor funds) and PICA Tax Revenue Fund – are primarily classified as cash and cash equivalents, PICA taxes receivable, or accrued interest receivable. Table 4 presents a summary of the information in this Statement.

Table 4: Balance Sheet			
	Assets	Liabilities	Fund Balance (June 30, 2019)
<b>Governmental Fund</b>			
General	\$19,261,870	\$184,043	\$19,077,827
PICA Tax Revenue	5,211,408	5,211,408	0
Debt Service Reserve	48,011,448	0	48,011,448
<b>Total Major</b>	<b>\$72,484,726</b>	<b>\$5,395,451</b>	<b>\$67,089,275</b>
<b>Nonmajor</b>			
2010 Debt Service	2,012,876	0	2,012,876
2009 Debt Service	1,946,911	0	1,946,911
Rebate	2,070,932	0	2,070,932
1992 Special Revenue	2,944	0	2,944
1993 Special Revenue	191,318	0	191,318
1994 Special Revenue	5,008,727	0	5,008,727
<b>Total Nonmajor</b>	<b>11,233,708</b>	<b>0</b>	<b>11,233,708</b>
<b>Total Governmental</b>	<b>\$83,718,434</b>	<b>\$5,395,451</b>	<b>\$78,322,983</b>

Total fund balances for all governmental funds are \$78,322,983. Within the General Fund, the total fund balance is \$19,077,827, of which \$14,483,145 is committed for future swaption activity and \$4,594,682 is unassigned. This unassigned fund balance is available for Authority administration expenditures. Within the Debt Service Reserve Fund, total fund balance is \$48,011,448, of which \$47,411,448 is restricted for

debt service, and \$600,000 is committed to subsequent PICA administration. In recent years, the Authority has annually transferred \$600,000 from the Debt Service Reserve Fund to the General Fund to finance a portion of PICA's operating expenditures. The fund balances in the 2009 and 2010 Debt Service Funds and Rebate Fund (nonmajor funds) are restricted for debt service. The fund balances in the special revenue funds (nonmajor funds) are restricted for the benefit of the City. These funds can only be used to finance City capital projects that meet specific criteria contained in the PICA Act.

### **General Fund Budget**

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 its format and additional information to be provided to the Governor and General Assembly of the Commonwealth.

The philosophy underlying the Authority's General Fund budget is that the Authority should maintain a personnel and expenditure level sufficient to permit it to respond to the demands placed upon it. The FY2020 General Fund operating budget totals \$1,586,000, the same as it was in FY2019. Table 5 presents a summary of the FY2019 and FY2020 General Fund budgets, as well as actual figures for FY2019.

The Authority's General Fund administrative expenditures are financed through a transfer of \$600,000 in interest earnings from the Debt Service Reserve Fund, appropriation of a portion of the existing General Fund surplus, and interest earnings. Total expenditures in FY2020 are budgeted at \$1,586,000. Expenditures for salaries and benefits comprise \$980,000. The next largest category is additional oversight duties, at \$250,000. This line item is reserved for special projects, commissioned research, or other needs that may arise during the fiscal year related to financial oversight of the City. Professional services are budgeted at \$190,000. Other expenses and capital outlay is budgeted at \$166,000 representing a slight decrease from the FY2019 budget.

<b>Table 5: General Fund Budget</b>				
	<b>FY2020 Budget</b>	<b>FY2019 Budget</b>	<b>FY2019 Actual</b>	<b>Percent Change FY2019 vs. FY2020 Budget</b>
<b>Revenues and Other Financing Sources</b>				
Interest Earnings – General Fund	\$18,000	\$18,000	\$73,353	0.0%
Use of Existing General Fund Surplus	968,000	968,000	556,987	0.0%
Other Financing Sources:				
Transfer of Interest Earnings from Debt Service Reserve Fund	600,000	600,000	600,000	0.0%
<b>Total Revenues and Other Financing Sources</b>	<b>\$1,586,000</b>	<b>\$1,586,000</b>	<b>\$1,230,340</b>	<b>0.0%</b>
<b>Expenditures</b>				
Salaries and benefits	\$980,000	\$955,000	\$840,014	2.6%
Professional services	190,000	190,000	167,354	0.0%
Other expenses	163,500	188,500	147,080	-13.3%
Capital outlay	2,500	2,500	0	0.0%
Additional oversight duties	250,000	250,000	75,892	0.0%
<b>Total Expenditures</b>	<b>\$1,586,000</b>	<b>\$1,586,000</b>	<b>\$1,230,340</b>	<b>0.0%</b>

In FY2019, actual PICA expenditures for operations were \$1,230,340, well below the budgeted amount. This reflected actual expenditures that were below budget in all major categories. Professional services, including legal, audit, and consulting, were below budgeted amounts, because PICA maintains a consistent level, year-to-year, for services pertaining to arbitrage and legal advice, which are only used to the extent they are needed in any given year. Actual costs for capital outlays and additional oversight duties were also below budgeted amounts.

## **Debt**

The Authority issued four series of bonds from 1992 to 1994 to finance the City's operating deficit, provide funding for City capital projects, establish a revolving loan fund to finance productivity-enhancing projects for the City, and for other purposes. PICA's statutory authorization to issue new-money bonds for capital or deficit financing expired on December 31, 1994. Since that time, the Authority has issued seven series of refunding bonds with the objective of lowering debt service costs. The most recent series of refunding bonds was issued in 2010.

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 debt service requirements. The Authority's bonds payable activity for the year ended June 30, 2019 is summarized as follows:

<b>Bond Payable Activity</b>	
Outstanding Debt at July 1, 2018	\$168,505,000
Debt Retired	38,760,000
<b>Outstanding Debt at June 30, 2019</b>	<b>\$129,745,000</b>

## **Economic Factors and Next Year's Budget**

PICA Tax revenues reflect the underlying strength of the Philadelphia employment base, which has exhibited modest to strong growth in recent years. It is expected that this trend will continue in FY2020.

In FY2020, the Authority will continue to receive PICA Tax revenues in accordance with existing agreements between the City, Commonwealth, and PICA. These revenues will be allocated to the Debt Service Funds to meet debt service requirements on the outstanding series of 2009 and 2010 bonds. If necessary, PICA Tax revenues will be allocated to the Debt Service Reserve Fund to ensure that the debt service reserve requirement required under the Trust Indenture is maintained. The process for spending PICA funds on PICA-approved capital projects will also continue in FY2020, resulting in a continued reduction in the fund balance in the special revenue funds (nonmajor funds).

At this time, there are no major factors that are expected to significantly impact the Authority's operating expenditures in FY2020. The budget for FY2020 anticipates the use of \$968,000 of the existing General Fund surplus as a revenue source. This should result in a reduction in the unassigned General Fund balance in FY2020.

## **Additional Information**

In accordance with IRS regulations, certain funds already granted to the City by PICA continue to be classified as PICA Arbitrage Reportable Funds until the City expends such funds for the purpose for which they were provided. Accordingly, and also for oversight purposes, PICA tracks the uses/balances of such funds and interest earnings thereon until they are spent by the City. When the City encumbers funds for PICA-funded capital projects, the funds are transferred from the special revenue funds (nonmajor funds) to encumbered funds accounts also maintained by PICA's Trustee. Subsequent to incurring the capital expenditure, the City requests reimbursement from the encumbered funds accounts. As of June 30, 2019, the balance in the three encumbered funds accounts was as follows:



Capital Projects Encumbered Funds	
1992 Capital Projects Encumbered Funds	\$599,156
1993 Capital Projects Encumbered Funds	1,598,573
1993 Criminal Justice Encumbered Funds	746,784
1994 Capital Projects Encumbered Funds	4,259,375
<b>Total</b>	<b>\$7,203,888</b>

### **Contacting PICA's Financial Management**

This financial report is designed to present an accurate overview of the financial activities of the Authority during FY2019. If you have questions about this report or require additional information about the Authority's finances, please contact PICA staff at Pennsylvania Intergovernmental Cooperation Authority, 1500 Walnut Street, Suite 1600, Philadelphia, PA 19102.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

JUNE 30, 2019

<b>Assets</b>	
Cash and cash equivalents:	
Held by Trustee	\$ 13,223,736
Other	19,237,856
Investments	45,956,994
PICA taxes receivable	5,211,408
Fair value of derivative instruments	1,211,304
Accrued interest receivable	67,198
Prepaid expenses	21,242
Equipment, net	1,440
<b>Total Assets</b>	<b>84,931,178</b>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pension	484,581
Deferred outflows related to other post-employment benefits	57,166
Contributions subsequent to measurement date:	
Other post-employment benefits	32,654
Pension	81,066
<b>Total Deferred Outflows of Resources</b>	<b>655,467</b>
<b>Liabilities</b>	
Accounts payable and accrued expenses	184,043
Due to City of Philadelphia	5,211,408
Current portion of bonds payable	40,490,000
Current portion of net other post-employment benefit liability	32,654
Net pension liability	1,553,260
Noncurrent portion of net other post-employment benefit liability	1,119,155
Noncurrent portion of bonds payable	102,815,094
<b>Total Liabilities</b>	<b>151,405,614</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pension	699,216
Deferred inflows related to other post-employment benefits	505,863
<b>Total Deferred Inflows of Resources</b>	<b>1,205,079</b>
<b>Net Position</b>	
Net investment in capital assets	1,440
Restricted for:	
Debt service	53,442,167
Benefit of the City of Philadelphia	5,202,989
Unrestricted	(125,670,644)
<b>Total Net Position</b>	<b>\$ (67,024,048)</b>

The accompanying notes are an integral part of these financial statements.

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

(A Blended Component Unit of the City of Philadelphia)  
**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**

YEAR ENDED JUNE 30, 2019

**Expenses:**

Grants to City of Philadelphia	\$ 493,976,605
General management and support - general operations	1,938,903
Interest on long-term debt	8,392,100
Investment expenses	15,702
Total Expenses	<u>504,323,310</u>

**Revenues:**

PICA taxes	528,763,262
Amortization of bond premium	3,912,711
Investment income	3,709,331
Other income	557,080
Total Revenues	<u>536,942,384</u>

<b>Change in Net Position</b>	32,619,074
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**Net Position:**

Beginning of year	<u>(99,643,122)</u>
End of year	<u><u>\$ (67,024,048)</u></u>

The accompanying notes are an integral part of these financial statements.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	General	PICA Tax Revenue	Debt Service Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Assets:					
Cash and cash equivalents	\$ 19,237,856	\$ -	\$ 2,051,253	\$ 11,172,483	\$ 32,461,592
Investments	-	-	45,956,994	-	45,956,994
PICA taxes receivable	-	5,211,408	-	-	5,211,408
Accrued interest receivable	2,772	-	3,201	61,225	67,198
Prepaid expenses	21,242	-	-	-	21,242
<b>Total Assets</b>	<b>\$ 19,261,870</b>	<b>\$ 5,211,408</b>	<b>\$ 48,011,448</b>	<b>\$ 11,233,708</b>	<b>\$ 83,718,434</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts payable	\$ 64,314	\$ -	\$ -	\$ -	\$ 64,314
Due to the City of Philadelphia	-	5,211,408	-	-	5,211,408
Accrued payroll and taxes	119,729	-	-	-	119,729
<b>Total liabilities</b>	<b>184,043</b>	<b>5,211,408</b>	<b>-</b>	<b>-</b>	<b>5,395,451</b>
Fund Balance:					
Restricted:					
For debt service	-	-	47,411,448	6,030,719	53,442,167
For benefit of City of Philadelphia	-	-	-	5,202,989	5,202,989
Committed:					
For subsequent PICA administration	-	-	600,000	-	600,000
For future swaption activity	14,483,145	-	-	-	14,483,145
Unassigned	4,594,682	-	-	-	4,594,682
<b>Total fund balance</b>	<b>19,077,827</b>	<b>-</b>	<b>48,011,448</b>	<b>11,233,708</b>	<b>78,322,983</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 19,261,870</b>	<b>\$ 5,211,408</b>	<b>\$ 48,011,448</b>	<b>\$ 11,233,708</b>	<b>\$ 83,718,434</b>

Amounts reported for governmental activities in the statement of net position are different due to:

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	\$ (129,745,000)
Fair value of derivative instruments is not reported in the governmental funds	1,211,304
Capital assets are not financial resources and, therefore, are not reported in the governmental funds	1,440
Net pension liability and related deferred inflows and outflows of resources are not reported in the governmental funds	(1,686,829)
Net OPEB liability and related deferred inflows and outflows of resources are not reported in the governmental funds	(1,567,852)
Premium on bonds is reported in the government-wide statements	(13,560,094)
Net position - governmental activities	<u>\$ (67,024,048)</u>

The accompanying notes are an integral part of these financial statements.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	General	PICA Tax Revenue	Debt Service Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
PICA taxes	\$ -	\$ 528,763,262	\$ -	\$ -	\$ 528,763,262
Investment income	374,469	349,154	2,618,636	700,955	4,043,214
Other	557,080	-	-	-	557,080
Total revenues	931,549	529,112,416	2,618,636	700,955	533,363,556
<b>Expenditures:</b>					
Grants to the City of Philadelphia	-	493,556,605	-	420,000	493,976,605
Debt service:					
Principal	-	-	-	38,760,000	38,760,000
Interest	-	-	-	8,392,100	8,392,100
Administration:					
Investment expenses	-	-	15,702	-	15,702
Operations	1,230,340	-	-	-	1,230,340
Total expenditures	1,230,340	493,556,605	15,702	47,572,100	542,374,747
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(298,791)	35,555,811	2,602,934	(46,871,145)	(9,011,191)
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	(20,026)	(35,555,811)	(11,021,936)	46,597,773	-
<b>Net Change in Fund Balance</b>	(318,817)	-	(8,419,002)	(273,372)	(9,011,191)
<b>Fund Balance:</b>					
Beginning of year	19,396,644	-	56,430,450	11,507,080	87,334,174
End of year	\$ 19,077,827	\$ -	\$ 48,011,448	\$ 11,233,708	\$ 78,322,983

Reconciliation of change in fund balance to change in net position:

Change in fund balance	\$ (9,011,191)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the government-wide statements	38,760,000
Bond premium is amortized over the life of the bonds in the government-wide statements	3,912,711
Cost of capital outlays is allocated over their estimated useful lives as depreciation in the government-wide statements	(2,139)
Pension expense difference between governmental funds and government-wide statements	(279,875)
Other post-employment benefit expense difference between governmental funds and government-wide statements	(426,549)
Derivative valuation adjustment is recognized as an asset and revenue/expense in the government-wide statements	(333,883)
Change in net position	<u>\$ 32,619,074</u>

The accompanying notes are an integral part of these financial statements.



**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**  
(A BLENDED COMPONENT UNIT OF THE CITY OF PHILADELPHIA)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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**1. Summary of Significant Accounting Policies and Organization**

Organization

The Pennsylvania Intergovernmental Cooperation Authority (Authority) was created on June 5, 1991 by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (Act) for the purpose of providing financial assistance to the City of Philadelphia (City) in overcoming a severe financial crisis. Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex-officio nonvoting members. The ex-officio members are presently the Director of Finance of the City and the Budget Secretary of the Commonwealth of Pennsylvania (Commonwealth). 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. Future operations of the Authority may be subject to legislative action.

The Act provides that the Authority shall have certain financial and oversight functions. The Authority had the power to issue 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 issue refunding bonds and grant or lend the proceeds to the City.

Under the Act, the Authority also has 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.

The Authority is considered a blended component unit of the City.

The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) as applicable to municipalities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the authoritative standard-setting body for establishing governmental accounting and financial reporting principles.

**PENNSYLVANIA INTERGOVERNMENTAL  
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on the activities of the primary government. All material interfund accounts and transactions have been eliminated in the government-wide financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Authority reports the following major governmental funds:

The **General Fund** is used to account for the administrative operations of the Authority, for which a budget is adopted annually.

The **PICA Tax Revenue (Special Revenue) Fund** accounts for the proceeds of the PICA Tax 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 Trustees by the Trust Indentures (see Note 5).

The **Debt Service Reserve Fund** holds assets for debt service reserve purposes as required by the Trust Indentures.

The Authority reports the following nonmajor governmental funds:

The **2010 and 2009 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 **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 aggregate fund balances of the Debt Service Funds are included in net position on the Balance Sheet and the Statement of Net Position as restricted for debt service.

The **1992, 1993, and 1994 Special Revenue Funds** account for assets held by the Authority for expenditures for the benefit of the City. The principal and income of these funds must be expended for their designated purpose. The Authority provided \$420,000

**PENNSYLVANIA INTERGOVERNMENTAL  
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**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

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to the City during the year ended June 30, 2019. The 1992, 1993, and 1994 Special Revenue Funds also include the Deficit and Settlement funds, which completed their designated purpose in prior years and are presently inactive. The aggregate fund balances of the 1992, 1993, and 1994 Special Revenue Funds are included in net position on the Balance Sheet and the Statement of Net Position as restricted for the benefit of the City.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues from the PICA Tax (a tax levied by the City on the wages and net profits of Philadelphia residents and businesses) are recorded when the Authority is advised by the Commonwealth of the amounts to be remitted and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority cannot and does not account for any PICA Tax due to, but not yet collected, by the City.

Governmental fund financial statements use a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both “measurable” and “available to finance expenditures of the current period.” The Authority considers amounts collected within 60 days after year-end on all governmental funds to be available and recognizes them as revenues of the current year. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt services funds for payments to be made early the following year.

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Authority did not have any fund balance classified as nonspendable at year-end.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources which are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Management has

**PENNSYLVANIA INTERGOVERNMENTAL  
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**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

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classified all fund balance in the special revenue funds and debt service funds as restricted (except as noted below).

- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors (Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same course of action that was employed when the funds were initially committed. Management has classified any fund balance that is related to the budget or that has been designated for future swaption activity as committed.
- **Assigned:** This classification includes amounts that are constrained by management's intent to be used for a specific purpose, but are neither restricted nor committed. This intent should be expressed by the Board or an official, such as the Executive Director. The Authority did not have any fund balance classified as assigned at year-end.
- **Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed, restricted, or nonspendable. Management has classified the remaining portion of the General Fund fund balance as unassigned.

When fund balance resources are available for a specific purpose from multiple classifications, the Authority will generally use the most restrictive funds in the following order: restricted, committed, and assigned as they are needed.

**PICA Tax**

The "PICA Tax" was enacted by an ordinance adopted by the City Council and approved by the Mayor of the City 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 and businesses. 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. The Authority does not administer the collection of the PICA Tax from taxpayers.

**PENNSYLVANIA INTERGOVERNMENTAL  
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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Cash and Cash Equivalents

The Authority considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Investments

All investments are stated at fair value. Investment income is recorded on the Statement of Activities and includes any unrealized gains or losses earned during the period.

Bond Premium

The premium on bonds payable is being amortized on a straight-line basis over the term of the bonds.

Capital Assets

Capital assets, which include equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The Authority does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Capital assets of the Authority are depreciated using the straight-line method over the useful lives of the assets. The estimated useful life of the equipment is five years.

Compensated Absences

Accrued expenses include an accrual for vacation pay earned but not taken as of June 30, 2019 of \$69,132.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the State Employees' Retirement System (SERS) and additions to/deductions from SERS' fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of



**PENNSYLVANIA INTERGOVERNMENTAL  
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined under a separate payment arrangement based of the Retired Employees Health Program (REHP). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## **2. Deposits and Investments**

Deposits

Authority funds may be deposited in any bank that is insured by the Federal Deposit Insurance Corporation. 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, or any political subdivision of the Commonwealth to eliminate the risk of uninsured funds. Under Act 72 of 1971 Session of the Pennsylvania General Assembly (Act 72), as amended, the depositories may meet this requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

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At June 30, 2019, the Authority's deposits consist of the following:

Cash	\$ 1,079,712
Certificates of deposit	<u>3,675,000</u>
Total deposits	<u><u>\$ 4,754,712</u></u>

The Authority's deposits include bank certificates of deposit that have a remaining maturity, at the time of purchase, of one year or less. U.S. Treasury and Agency obligations with a remaining maturity of one year or less are classified as short-term investments.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has no policy, other than as noted above, that further limits its custodial credit risk. As of June 30, 2019, the Authority's book balance was \$4,754,712 and the bank balance was \$4,774,614. Of the bank balance, \$3,925,000 was covered by federal depository insurance and \$849,614 was collateralized under Act 72.

Investments

As of June 30, 2019, the Authority had the following investments:

	<u>Fair Value</u>	<u>Cost</u>	<u>Maturity Date</u>
Money market funds	\$ 27,706,880	\$ 27,706,880	N/A
U.S. Treasury and Agency obligations	15,606,406	15,656,369	09/19-06/24
Municipal bonds/short-term notes	6,315,061	5,870,710	09/21-04/22
Commercial paper	<u>24,035,527</u>	<u>23,864,167</u>	08/19-10/19
	<u><u>\$ 73,663,874</u></u>	<u><u>\$ 73,098,126</u></u>	

The Authority complies with Pennsylvania statutes (72 P.S. Section 301.1 and Section 3603) which enumerate the permissible investments for funds of the Commonwealth. These statutes are applicable to the Authority as a result of Section 311(b) of the Act. Specifically, all funds of the Authority, including the proceeds of bonds, which are not required for immediate use may be invested in other obligations of an assisted city, or in obligations of

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the Federal Government or of the Commonwealth, or obligations which are legal investments of Commonwealth funds, including certain types of commercial paper.

Investments in the PICA Tax Revenue Fund, the Debt Service Funds, and the 1992, 1993, and 1994 Special Revenue Funds must be invested in accordance with the various Trust Indentures.

The Trust Indentures restrict investments to the following types of securities:

- (a) Obligations to the City;
- (b) Other government obligations;
- (c) Federal funds, unsecured certificates of deposit, 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 of 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

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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; 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 issues 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;

- (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 type specified in clauses (b) or (f) above and is rated "AAAm" or "AAAm-g" by S&P.

Investments in the Debt Service Reserve Fund may be only invested in the investments included in (b) through (h) above with a maturity of five years or less or guaranteed investment contracts that can be withdrawn without penalty.

*Custodial Credit Risk* - Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in the possession of an outside party. The Authority has no policy, other than as noted above, that further limits its custodial credit risk.

All of the Authority's investments are insured and registered securities held by the entity or its agent (bank trust department) in the entity's name, with the exception of money market funds which are not exposed to custodial credit risk because those investments are not evidenced by securities in book entry or paper form.

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*Concentration of Credit Risk* - The Authority places no limit on the amount the Authority may invest in any one issuer. More than 5% of the Authority's investments were invested in the following:

Investment	Fair Value	% of Total Investments
Cty Hstn Tx Combnd Utl C P	\$ 14,603,058	20%
Curators of Univ Of Mo C P	9,432,469	13%
New Jersey ST Transit Corp Gans	4,415,400	6%

*Credit Risk* - The Authority investments had the following level of exposure to credit risk at June 30, 2019:

Investment	Fair Value	Rating
Money market funds	\$ 27,706,880	AAA
U.S. Treasury and Agency obligations	15,606,406	AA
Municipal bonds/short-term notes	6,315,061	A
Commercial paper	24,035,527	A-1

*Interest Rate Risk* – The Authority does not have a formal investment policy, other than as noted above, that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Fair Value of Investments* – With the exception of commercial paper, investments and derivatives are recorded at fair value as of June 30, 2019. Commercial paper is valued at amortized cost, which approximates fair value. GASB Statement No. 72, "Fair Value Measurement and Application," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a hierarchy of value inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest, and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market



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participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.
- Level 2 - Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset (or liability), either directly or indirectly.
- Level 3 - Investments with unobservable inputs for an asset (or liability) and may require a degree of professional judgement.

The following table summarizes the Authority's investments within the fair value hierarchy as of June 30, 2019:

Investment Type	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 27,706,880	\$ -	\$ -	\$ 27,706,880
U.S. Treasury and Agency obligations	15,606,406	-	-	15,606,406
Municipal bonds/short-term notes	-	6,315,061	-	6,315,061
Commercial paper	-	24,035,527	-	24,035,527
Total	<u>\$ 43,313,286</u>	<u>\$ 30,350,588</u>	<u>\$ -</u>	<u>\$ 73,663,874</u>

The Authority's Level 1 investments are based on active market quotes. The Authority's Level 2 investments are based on secondary market quotes.

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**3. Interfund Transfers**

The composition of interfund transfers for the year ended June 30, 2019 is as follows:

	Transfers In	Transfers Out	Net Transfers In (Out)
General Fund	\$ 15,082,365	\$ 15,102,391	\$ (20,026)
PICA Tax Revenue Fund	2,913,309	38,469,120	(35,555,811)
Debt Service Reserve Fund	600,000	11,621,936	(11,021,936)
Nonmajor governmental funds:			
Debt Service Fund - 2010	24,056,042	269,838	23,786,204
Debt Service Fund - 2009	23,819,906	1,008,337	22,811,569
Total	<u>\$ 66,471,622</u>	<u>\$ 66,471,622</u>	<u>\$ -</u>

Interfund transfers are made on a regular basis to record the transfer of the portion of the PICA tax revenue withheld for debt service, operating transfers from the debt service reserve funds as permitted under the Trust Indenture, and transfers of the basis cap payments used for debt service.

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Deletions	Additions	Balance June 30, 2019
Equipment	\$ 10,699	\$ -	\$ -	\$ 10,699
Less: Accumulated depreciation	(7,120)	-	(2,139)	(9,259)
Equipment, net	<u>\$ 3,579</u>	<u>\$ -</u>	<u>\$ (2,139)</u>	<u>\$ 1,440</u>

Depreciation for the year ended June 30, 2019 was \$2,139 and is reflected in the Statement of Activities.

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**5. Special Tax Revenue Bonds**

The following summary shows the changes in bonds payable for the year ended June 30, 2019:

Series of:	Outstanding July 1, 2018	Additions	Principal Repayments	Outstanding June 30, 2019	Amounts Due Within One Year
2009	\$ 100,030,000	\$ -	\$ 18,110,000	\$ 81,920,000	\$ 19,020,000
2010	68,475,000	-	20,650,000	47,825,000	21,470,000
Total	<u>\$ 168,505,000</u>	<u>\$ -</u>	<u>\$ 38,760,000</u>	129,745,000	<u>\$ 40,490,000</u>
			Add bond premiums	13,560,094	
				<u>\$ 143,305,094</u>	

In conjunction with the 1992 bond issue, the Authority entered into an Indenture of Trust dated as of June 1, 1992 which was supplemented by a First Supplemental Indenture of Trust dated as of June 22, 1992 (1992 Indenture). Two 1993 bond issues were issued pursuant to the 1992 Indenture as amended and supplemented, respectively, by 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.

In conjunction with the 1994 bond issue, the Authority entered into an Amended and Restated Indenture of Trust dated as of December 1, 1994 (1994 Indenture). The 1994 Indenture replaced the 1992 Indenture as amended and supplemented by the Second Supplemental Indenture of Trust and Third Supplemental Indenture of Trust. Subsequent bond issues in 1996, 1999, 2003, 2006, 2008, 2009, and 2010 were issued pursuant to the 1994 Indenture as amended and supplemented, respectively, by supplements dated May 15, 1996, April 1, 1999, June 1, 2003, June 1, 2006, May 1, 2008, June 1, 2009, and May 1, 2010.

Only the Series 2009 and 2010 bonds are currently outstanding. These bonds were issued, respectively, pursuant to the Sixth and Seventh Supplemental Indentures to the 1994 Indenture. These supplemental indentures are between the Authority and the U.S. Bank National Association (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 1994 Indenture, as amended.

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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 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 for the 2009 Trust Indenture and 300% of the same for the 2010 Trust Indenture. The PICA Taxes collected during the year ended June 30, 2019 (\$528,763,262) equaled approximately 1126% of the maximum annual debt service (\$46,944,100) of the bonds outstanding at June 30, 2019 (the 2009 - \$23,082,850 and 2010 - \$23,861,250 bonds).

Total annual debt service requirements (annual principal or sinking fund requirements and interest payments) on the outstanding bonds at June 30, 2019 are as follows:

Fiscal Year Ending	Total Debt Service Requirements
2020	\$ 46,944,100
2021	37,319,600
2022	37,179,750
2023	23,076,000

Details as to the purpose of each of the respective series of bonds issued by the Authority through June 30, 2019, and as to bonds outstanding at that date follow.

A. Series of 1992, 1993, 1993A, and 1994

The proceeds from the sale of the Series of 1992, 1993, 1993A, and 1994 Bonds were used to (1) make grants to the City to 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 cost 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)

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fund a portion of the Authority's first fiscal year operating budget, (7) make a grant to the City for refunding of certain of the City's General Fund Obligation Bonds, (8) provide for the advance refunding of a portion of the Authority's Special Tax Revenue Bonds, Series of 1992, and (9) pay the costs of issuing each series of bonds.

The Refunded 1992, 1993, 1993A, and 1994 Bonds are no longer deemed to be outstanding under the Trust Indenture.

**B. Series of 1996, 1999, 2003, 2006, and 2008 A and B**

The proceeds from the sale of the Series of 1996, 1999, 2003, 2006, and 2008 A and B Bonds, together with other available funds, were used to (1) provide for the advance refunding of outstanding Authority Special Tax Revenue Bonds, (2) pay the premium for a Debt Service Reserve Fund insurance policy to satisfy Debt Service Reserve Fund Requirements, and (3) pay the costs of issuing each series bonds.

The Refunded 1996, 1999, 2003, 2006, and 2008 A and B Bonds are no longer deemed to be outstanding under the Trust Indentures.

**C. Series of 2009 (2009 Bonds)**

The net proceeds from the sale of the 2009 Bonds were used to (1) provide for the current refunding of all of the Authority's Special Tax Revenue Bonds, Series of 1999, outstanding as of May 15, 2009, (2) pay all the costs of terminating an interest rate Swaption related to the 1999 Bonds, and (3) pay the cost of issuing the 2009 Bonds. The proceeds of these bonds were used to refund the remaining portion of the 1999 Series maturing through 2023 in the total amount of \$326,865,000.



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The following table shows the annual principal or sinking fund requirements, interest payments, and the total debt service requirements for the 2009 Bonds outstanding at June 30, 2019:

Fiscal Year Ending	Interest Rate	Principal or Sinking Fund Requirements	Interest	Total Debt Service
2020	5%	\$ 19,020,000	\$ 4,062,850	\$ 23,082,850
2021	4% and 5%	19,965,000	3,111,850	23,076,850
2022	5%	20,945,000	2,133,250	23,078,250
2023	4.25% and 5%	21,990,000	1,086,000	23,076,000
		<u>\$ 81,920,000</u>	<u>\$ 10,393,950</u>	<u>\$ 92,313,950</u>

D. Series of 2010 (2010 Bonds)

The net proceeds from the sale of the 2010 Bonds were used to (1) provide for the current refunding of all of the Authority's Special Tax Revenue Bonds, Series of 2008 A and B, outstanding as of May 17, 2010, (2) to pay the costs of terminating an interest swap transaction related to the 2008 A and B Bonds, and (3) pay the cost of issuing the 2010 Bonds.

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the 2010 Bonds outstanding at June 30, 2019:

Fiscal Year Ending	Interest Rate	Principal or Sinking Fund Requirements	Interest	Total Debt Service
2020	5%	\$ 21,470,000	\$ 2,391,250	\$ 23,861,250
2021	5%	12,925,000	1,317,750	14,242,750
2022	5%	13,430,000	671,500	14,101,500
		<u>\$ 47,825,000</u>	<u>\$ 4,380,500</u>	<u>\$ 52,205,500</u>

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In June 2003 and 2004, the Authority entered into basis cap transactions with the counterparty as follows:

Investment Derivative Instruments

As of June 30, 2019, the Authority's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

Governmental Activities	Classification	Fair Value at June 30, 2019:			Notional Amount
		Amount	Classification	Amount	
Investment Derivatives:					
2003 Basis Cap	Investment Income:	\$ 2,845	Investment:	\$ 322,889	\$ 36,790,000
1999 Basis Cap	Investment Income:	6,980	Investment:	888,415	72,960,000

The Authority entered into two basis cap transactions with JPMorgan Chase Bank, one in June 2003 related to the 2003 swap and one in April 2004 related to the 1999 swaption. For the 2003 basis cap transaction, beginning in June 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year times the notional amount times the day count fraction and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of Securities Industry and Financial Markets Association (SIFMA) for the month divided by one-month London Interbank Offered Rate (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 the agreement equals the notional amount and term of the 2003 interest rate swap noted above.

For the 1999 basis cap transaction, beginning June 15, 2009, the counterparty pays the Authority a fixed rate each month of .46% per year times the notional amount times the day count fraction and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by 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 the agreement equals the notional amount and term of the 1999 interest rate swap noted above.

If the ratio of SIFMA/LIBOR rises sharply, the anticipated benefit may not be realized.

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*Fair Value* – As of June 30, 2019, the 2003 basis cap had a positive fair value of \$322,889. This means that the Authority would receive this amount to terminate the 2003 basis cap. As of June 30, 2019, the 1999 basis cap had a positive fair value of \$888,415. This means that the Authority would receive this amount to terminate the 1999 basis cap. The fair values of these swaps were measured using the zero-coupon discount method and are categorized within Level 2 of the fair value hierarchy.

*Termination Risk* – The basis caps include an additional termination event based on credit ratings. The basis caps may be terminated by the Authority if the counterparty's ratings fall below A- or A3 and collateral is not posted within 15 days.

## **6. Defined Benefit Pension Plan**

### Plan Description

The Authority covers all full-time employees in the Pennsylvania State Employees' Retirement System (SERS) which was established as of June 27, 1923, under the provisions of Public Law 858, No 331. SERS 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.

SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. SERS also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Commonwealth of Pennsylvania, State Employees' Retirement Board, 30 North Third Street, P.O. Box 1147, Harrisburg, Pennsylvania, 17108.

### Benefits Provided

SERS 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. For employees hired prior to January 1, 2011, the general annual benefit provided by statute is 2.5% of the member's highest three-year average salary times years of service. Effective

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January 1, 2011, the general annual benefit required by statute was reduced to 2.0% of the member's highest three-year annual average salary times years of service times class of service multiplier. The Authority's total and annual covered payroll for the year ended June 30, 2019 was \$479,052.

Contributions Required

Covered employees are required by statute to contribute to SERS at a rate of 6.25% (Class A3 and AA employees) and 9.30% (Class A4) 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.

The employer contribution rate for each fiscal year is certified by the SERS Board based on the annual actuarial valuation conducted by the SERS actuary. The Authority actuarially determined contribution rate was 23.94% and 23.80% (Class A3/A4) and 34.63% (Class AA) of the gross pay of its employees during the year ended June 30, 2019. The Authority contributed \$153,785 and \$161,514 to SERS during the fiscal years 2019 and 2018, respectively.

According to the retirement code, all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2019, the Authority reported a liability of \$1,553,260 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At December 31, 2018, the Authority's proportion was .0075%, which represents a .0005% decrease on its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Authority recognized pension expense of \$279,875.

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At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,062	\$ 28,255
Changes of assumptions	71,127	-
Net difference between projected and actual earnings on pension plan investments	259,743	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	113,649	670,961
Authority contributions subsequent to the measurement date	81,066	-
Total	<u>\$ 565,647</u>	<u>\$ 699,216</u>

Deferred outflows of resources totaling \$81,066 related to pensions, resulting from Authority contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	Amount
2020	\$ (38,764)
2021	(55,289)
2022	(96,397)
2023	(26,026)
2024	1,841
	<u>\$ (214,635)</u>



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*Actuarial Methods and Assumptions*

The following methods and assumptions were used in the December 31, 2018 actuarial valuations. These methods and assumptions were applied to all periods included in the measurement period.

Actuarial cost method	Entry age
Amortization method	Straight-line amortization of difference between projected and actual earnings on pension plan investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	7.25% net of expenses, including inflation
Projected salary increases	Average of 5.60% with range of 3.70% - 8.90%, including inflation
Asset valuation method	Fair (market) value
Inflation	2.60%
Mortality	Projected RP-2000 mortality tables adjusted for actual plan experience and future improvement
Cost-of-living adjustments	Ad hoc

Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The *18th Investigation of Actuarial Experience*, which was published in March of 2016, analyzed experience from 2011 through 2015. The SERS Board accepted the actuarial assumptions set forth in the *18th Investigation of Actuarial Experience* at its March 2016 meeting.

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The long-term expected real rate of return on pension plan investments is determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included on the pension plan's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16%	7.25%
Global Public Equity	48%	5.15%
Real Estate	12%	5.26%
Multi-Strategy	10%	4.44%
Fixed Income	11%	1.26%
Cash	3%	-
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flow used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary. Based on those assumptions, SERS' fiduciary net position was projected to be available to make all projected future benefit payments of current and non-active SERS members. Therefore, the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Authority's proportionate share of the net pension liability	\$ 1,907,277	\$ 1,553,260	\$ 1,249,888

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued SERS financial report.

Payables to the Pension Plan

There were no amounts payable to the pension plan as June 30, 2019.

## 7. Other Post-Employment Benefits (OPEB)

Plan Description

The Authority covers all full-time employees in the Retired Employees Health Program (REHP). The REHP is a single-employer, defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement. The REHP is administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator under an administrative agreement with the Commonwealth. The REHP is provided as part of collective bargaining agreements with most Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board, Secretary of Administration. The REHP does not have a governing board.

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The Authority does not participate in the REHP trust and, as such, does not contribute to the trust, but instead contributes under a separate payment arrangement.

Benefits Provided

The Commonwealth sponsors the REHP for eligible retirees and their dependents to receive subsidized health coverage for the retiree's lifetime.

Eligible employees who retire from the state and meet one of the following eligibility criteria are eligible to receive REHP benefits:

- 25 or more years of service
- 20 or more years of service and superannuation age – 60 for general employees (age 55 or 65 for employees subject to Act 120 of 2010)
- Disability retirement – requires five years of service

Spouses and dependents are eligible for subsidized post-employment medical coverage while the retiree is alive. The Patient Protection and Affordable Care Act (PPACA), signed into law on March 23, 2010, increased the dependent child age limit to age 26 and applied to the Commonwealth effective January 1, 2011.

Contributions

The Authority's contribution rate to the REHP is determined by annual agreement with the Commonwealth of Pennsylvania and the Philadelphia Regional Port Authority (PRPA).

The Authority does not participate in the trust and, as such, contributes the actual fiscal year benefit payments attributable to its retirees. The Authority contributed \$224 per biweekly pay period for each current REHP eligible active employee during fiscal year ended June 30, 2019 to the REHP Trust. The Authority's contributions to the REHP for the years ended June 30, 2019 and 2018 were \$32,654 and \$32,829, respectively.

Health Care Reform

PPACA was signed into law in 2010 with the purpose of increasing the number of Americans with health insurance coverage. There are several provisions within PPACA with potentially significant short- and long-term cost implications for employers. In future years, there may

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continue to be increased cost impact to the extent the health and welfare program experiences increased utilization due to these changes, all of which are assumed to be in place indefinitely.

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2019, the Authority reported a liability of \$1,151,809 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's portion of the net OPEB liability was allocated based on a projections of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the Authority's proportion of the net OPEB liability was approximately 0.0078%, which is an increase of .0024% from its proportion measured at June 30, 2017.

For the year ended June 30, 2019, the Authority recognized OPEB expense of \$426,549.



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At June 30, 2019, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority contributions subsequent to the measurement date	\$ 32,654	\$ -
Changes in proportion and differences between Authority contributions and proportionate share of contributions	57,166	-
Difference between expected and actual experience	-	352,710
Net difference between projected and actual earnings on OPEB plan investments	-	1,743
Changes of assumptions	-	151,410
Total	<u>\$ 89,820</u>	<u>\$ 505,863</u>

Deferred outflows of resources totaling \$32,654 related to OPEB, resulting from Authority contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	\$ (113,177)
2021	(98,886)
2022	(98,886)
2023	(89,953)
2024	(47,143)
2025	(652)
	<u>\$ (448,697)</u>

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Actuarial Methods and Assumptions

The following methods and assumptions were used in the June 30, 2018 actuarial valuation. These methods and assumptions were applied to all periods included in the measurement period:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, 30-year open amortization (fresh start each year)
Investment rate of return	5.00%
Projected salary increases	Average of 2.65% with range of 0.80% - 6.00%, including inflation
Inflation	2.60%
Mortality rate	Projected RP-2000 Mortality Tables (using projection scale AA) adjusted for actual plan experiences and future improvement
Healthcare trend increases:	
Initial rate for medical benefits	6.20% for Medicare and 5.90% for Medicare
Ultimate rate for medical benefits	4.10% for both Medicare and non-Medicare
Year ultimate trend rate reached	2075

The Commonwealth's SERS performs experience studies periodically to determine reasonable and appropriate economic and demographic assumptions for valuing the defined benefit pension plan. The inflation assumption selected by the SERS Board during an April 2017 meeting are also used for the retiree health benefit valuation.

One significant assumption where the recommendation of the experience study is not applicable to this retiree health benefit valuation is the discount rate. Since REHP has insufficient assets to meet future years' projected benefit payments, as prescribed by GASB Statements No. 74 and 75, the discount rate was based on the 20-year Bond Buyer General Obligation Index municipal bond rate as of the measurement date. The discount rate was 3.87% as of June 30, 2018 and 3.58% as of June 30, 2017.

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Medicare Part D subsidy payments are not reflected under GASB Statement No. 45 (predecessor statement to GASB No. 75) which is consistent with GASB Technical Bulletin 2006-1.

Discount Rate

The discount rate used to measure the total pension liability was 3.87% as of June 30, 2018 and 3.58% as of June 30, 2017. Since REHP has insufficient assets to meet next year's projected benefit payments, as prescribed by GASB Statements No. 74 and 75, the discount rate will be based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date. The Commonwealth elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. Since REHP has insufficient assets to meet projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each measurement period assumed that employer contributions will be made based on the current funding policy for future years.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following represents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 3.87%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Authority's proportionate share of the net OPEB liability	\$ 1,319,559	\$ 1,151,809	\$ 1,013,579

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Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the Authority's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate of 6.20%, grading down to 4.10%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.20% grading down to 3.10%) or 1-percentage-point higher (7.20% grading down to 5.10%) than the current rate.

	1% Decrease (5.20% grading down to 3.1%)	Current Trend Rate (6.20% grading down to 4.10%)	1% Increase (7.20% grading down to 5.1%)
Authority's proportionate share of the net OPEB liability	\$ 988,743	\$ 1,151,809	\$ 1,354,416

**8. Lease Commitment**

The Authority is obligated under an operating lease for office space, expiring August 31, 2024. The following is a schedule of future minimum lease payments:

Fiscal Year Ending June 30	Amount
2020	\$ 106,170
2021	108,500
2022	120,368
2023	122,912
2024	125,456
2025	20,980
	\$ 604,386

Rent expense, including utilities, for the year ended June 30, 2019 was \$115,210.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - OPERATIONS

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
<b>Revenues - administration:</b>				
Interest and short-term investment earnings	\$ 18,000	\$ 18,000	\$ 73,353	\$ 55,353
<b>Expenditures - administration:</b>				
Personnel - salaries and benefits	955,000	955,000	840,014	114,986
Professional services:				
Legal	30,000	30,000	65,353	(35,353)
Audit	65,000	65,000	61,075	3,925
Consulting/research	75,000	75,000	23,651	51,349
Trustee	20,000	20,000	17,275	2,725
Rent	145,000	145,000	115,210	29,790
Computer software and minor hardware	10,000	10,000	7,934	2,066
Office supplies	1,500	1,500	2,081	(581)
Telephone	6,000	6,000	4,149	1,851
Subscription and reference services	1,000	1,000	662	338
Postage and express	1,000	1,000	337	663
Dues and professional education	2,000	2,000	125	1,875
Travel	1,000	1,000	2,733	(1,733)
General and administrative	10,000	10,000	11,957	(1,957)
Printing	10,000	10,000	1,425	8,575
Miscellaneous	1,000	1,000	467	533
	1,333,500	1,333,500	1,154,448	179,052
Capital outlays - furniture/fixtures and equipment	2,500	2,500	-	2,500
Addition oversight duties - studies/implementation	250,000	250,000	75,892	174,108
Total expenditures - administration	1,586,000	1,586,000	1,230,340	355,660
<b>Excess of Expenditures over Revenues</b>	(1,568,000)	(1,568,000)	(1,156,987)	411,013
<b>Other Financing Sources:</b>				
Transfers in for PICA draw for operations	600,000	600,000	600,000	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures</b>	(968,000)	(968,000)	(556,987)	411,013
<b>Fund Balance, June 30, 2018</b>	968,000	968,000	5,112,466	4,144,466
<b>Fund Balance, June 30, 2019</b>	\$ -	\$ -	\$4,555,479	\$4,555,479

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY

### COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

YEAR ENDED JUNE 30, 2019

	2018*	2017	2016	2015	2014
Authority's proportion of the collective net pension liability	0.0075%	0.0080%	0.0072%	0.0068%	0.0078%
Authority's proportionate share of the collective net pension liability	\$ 1,553,260	\$ 1,383,379	\$ 1,386,907	\$ 1,235,584	\$ 1,074,154
Authority's covered payroll	\$ 479,052	\$ 496,274	\$ 433,971	\$ 409,647	\$ 428,514
Authority's proportionate share of the collective net pension liability as a percentage of its covered payroll	324.24%	278.75%	319.59%	301.62%	250.67%
Plan fiduciary net position as a percentage of the total pension liability	56.40%	63.00%	57.80%	58.90%	64.80%

\* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## SCHEDULE OF THE AUTHORITY'S PENSION CONTRIBUTIONS COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

YEAR ENDED JUNE 30, 2019

	2018*	2017	2016	2015	2014
Contractually required contribution	\$ 157,074	\$ 153,554	\$ 110,642	\$ 94,374	\$ 73,598
Contributions in relation to the contractually required contribution	159,720	151,901	112,913	102,102	72,530
Contribution deficiency (excess)	<u>\$ (2,646)</u>	<u>\$ 1,653</u>	<u>\$ (2,271)</u>	<u>\$ (7,728)</u>	<u>\$ 1,068</u>
Authority's covered payroll	\$ 479,052	\$ 496,274	\$ 433,971	\$ 409,647	\$ 428,514
Contributions as a percentage of covered payroll	33.34%	30.61%	26.02%	24.92%	16.93%

\* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY

### COMMONWEALTH OF PENNSYLVANIA RETIRED EMPLOYEES HEALTH PROGRAM

YEAR ENDED JUNE 30, 2019

	2018*	2017
Authority's proportion of the collective net OPEB liability	0.0078%	0.0054%
Authority's proportionate share of the collective net OPEB liability	\$ 1,151,809	\$ 1,077,493
Authority's covered payroll	\$ 413,710	\$ 315,915
Authority's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	278.41%	341.07%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

\* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.



# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## SCHEDULE OF THE AUTHORITY'S OPEB CONTRIBUTIONS

### COMMONWEALTH OF PENNSYLVANIA RETIRED EMPLOYEES HEALTH PROGRAM

YEAR ENDED JUNE 30, 2019

	2018*	2017
Contractually required contribution	\$ 32,787	\$ 10,193
Contributions in relation to the contractually required contribution	<u>32,829</u>	<u>14,330</u>
Contribution deficiency (excess)	<u>\$ (42)</u>	<u>\$ (4,137)</u>
Authority's covered payroll	\$ 413,710	\$ 315,915
Contributions as a percentage of covered payroll	7.94%	4.54%

\* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.

## **SUPPLEMENTARY INFORMATION**

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2019

	Debt Service Funds		Rebate Fund	Special Revenue Funds			Total Nonmajor Governmental Funds
	2010	2009		1992	1993	1994	
<b>ASSETS</b>							
Assets:							
Cash and cash equivalents	\$ 1,988,438	\$ 1,923,571	\$ 2,067,104	\$ 2,938	\$ 190,965	\$ 4,999,467	\$ 11,172,483
Accrued interest receivable	24,438	23,340	3,828	6	353	9,260	61,225
<b>Total Assets</b>	<u>\$ 2,012,876</u>	<u>\$ 1,946,911</u>	<u>\$ 2,070,932</u>	<u>\$ 2,944</u>	<u>\$ 191,318</u>	<u>\$ 5,008,727</u>	<u>\$ 11,233,708</u>
<b>FUND BALANCE</b>							
Fund Balance:							
Restricted:							
For debt service	\$ 2,012,876	\$ 1,946,911	\$ 2,070,932	\$ -	\$ -	\$ -	\$ 6,030,719
For benefit of City of Philadelphia	-	-	-	2,944	191,318	5,008,727	5,202,989
Total restricted fund balance	<u>2,012,876</u>	<u>1,946,911</u>	<u>2,070,932</u>	<u>2,944</u>	<u>191,318</u>	<u>5,008,727</u>	<u>11,233,708</u>
<b>Total Fund Balance</b>	<u>\$ 2,012,876</u>	<u>\$ 1,946,911</u>	<u>\$ 2,070,932</u>	<u>\$ 2,944</u>	<u>\$ 191,318</u>	<u>\$ 5,008,727</u>	<u>\$ 11,233,708</u>

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	Debt Service Funds		Special Revenue Funds		Total Nonmajor Governmental Funds
	2010	2009	1992	1993	
<b>Revenues:</b>					
Investment income	\$ 278,243	\$ 270,464	\$ 62	\$ 3,998	\$ 700,955
Total revenues	278,243	270,464	62	3,998	700,955
<b>Expenditures:</b>					
Grants to the City of Philadelphia	-	-	-	-	420,000
Debt service:					
Principal	20,650,000	18,110,000	-	-	38,760,000
Interest	3,423,750	4,968,350	-	-	8,392,100
Total expenditures	24,073,750	23,078,350	-	-	47,572,100
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(23,795,507)	(22,807,886)	62	3,998	(46,871,145)
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	23,786,204	22,811,569	-	-	46,597,773
<b>Net Change in Fund Balance</b>	(9,303)	3,683	62	3,998	(273,372)
<b>Fund Balance:</b>					
Beginning of year	2,022,179	1,943,228	2,882	187,320	11,507,080
End of year	\$ 2,012,876	\$ 1,946,911	\$ 2,944	\$ 191,318	\$ 11,233,708

**PENNSYLVANIA INTERGOVERNMENTAL  
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**SCHEDULE OF CASH ACTIVITY - GENERAL FUND**

YEAR ENDED JUNE 30, 2019

Cash receipts:

Revenues collected - interest and other  
income

\$ 928,843

Transfers in

600,000

Total cash receipts

1,528,843

Cash disbursements:

Administration

1,154,373

Transfers out

620,026

Total cash disbursements

1,774,399

Excess cash disbursements over cash receipts

(245,556)

Cash, cash equivalents, and short-term  
investments - beginning of year

19,483,412

Cash, cash equivalents, and short-term  
investments - end of year

\$ 19,237,856



**PENNSYLVANIA INTERGOVERNMENTAL  
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**SCHEDULE OF CASH ACTIVITY - PICA TAX REVENUE FUND**  
YEAR ENDED JUNE 30, 2019

Cash receipts:	
PICA taxes	\$ 526,554,859
Investment Income	349,154
Total cash receipts	<u>526,904,013</u>
Cash disbursements:	
Expenditures paid - grants to the City of Philadelphia	491,348,202
Other financing uses - transfers out for debt service requirements	35,555,811
Total cash disbursements	<u>526,904,013</u>
Excess cash receipts over cash disbursements	-
Cash, cash equivalents, and short-term investments - beginning of year	<u>-</u>
Cash, cash equivalents, and short-term investments - end of year	<u><u>\$ -</u></u>

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## **APPENDIX B**

### **City of Philadelphia Government and Financial Information<sup>1</sup>**

#### **OVERVIEW**

The City of Philadelphia (the “City” or “Philadelphia”), located along the southeastern border of the Commonwealth of Pennsylvania (the “Commonwealth” or “Pennsylvania”), is the largest city in the Commonwealth and the sixth largest city in the United States with approximately 1.584 million residents (based on 2018 estimates). According to the 2010 U.S. Census, the City increased its population in the ten years from 2000 to 2010, reflecting the City’s first population gain in 60 years. From 2010 to 2018, the City increased its population by 3.6%. The City is also the center of the United States’ eighth largest metropolitan statistical area, which is an 11-county area encompassing the City, Camden, NJ, and Wilmington, DE and represents approximately 6.1 million residents (based on 2018 estimates).

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. The City’s economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major regional business and personal services center with strengths in insurance, law, finance, healthcare, higher education, utilities, and the arts. In addition, the City is a center for health, education, research and science facilities with the nation’s largest concentration of healthcare resources within a 100-mile radius.

The cost of living in the City is relatively moderate and affordable compared to other major metropolitan areas in the northeast United States. The City, as one of the country’s education centers, offers its business community a large and diverse labor pool that draws from major universities including, within the geographical boundaries of the City, the University of Pennsylvania (“Penn”), Temple University, Drexel University, St. Joseph’s University, and LaSalle University, among others.

#### **Fiscal Health of the City**

The City has implemented several strategies to address anticipated fiscal challenges over the course of the Twenty-Eighth Five-Year Plan (Fiscal Years 2020-2024), which are described below.

General Fund Reserves: For Fiscal Year 2020, the City’s projected General Fund balance available for appropriation is \$209.9 million, or approximately 4% of projected expenditures. The Mayor’s current target for the General Fund balance is 6-8% of expenditures. Over the course of the Twenty-Eighth Five-Year Plan (Fiscal Years 2020-2024), the City’s projected General Fund balance averages approximately \$167.4 million per Fiscal Year (as defined herein), with a low of \$128.9 million in Fiscal Year 2022. These projected General Fund balances incorporate budgeted amounts for the federal and state budget reserve and contributions to the Budget Stabilization Fund (each as described below). The City’s General Fund balance still remains below recommended levels. The Government Finance Officers Association (“GFOA”) recommends fund balances of approximately 17% of revenues or expenditures and the City’s General Fund balances over the course of the Twenty-Eighth Five-Year Plan are not projected to reach the City’s 6-8% goal. If the City is successful in funding the Budget Stabilization Fund as planned and does not use amounts included in the federal and state budget reserve, the City’s overall reserve balances, inclusive of its General Fund and the Budget Stabilization Fund, will increase as a percentage of expenditures.

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<sup>1</sup> Unless otherwise noted, all information contained in this Appendix B is current as of June 30, 2019.

For more information on the City's historical financial operations and the City's projected General Fund balances for Fiscal Years 2019-2024, see "DISCUSSION OF FINANCIAL OPERATIONS" and Tables 1 and 2 (and the text following Table 2) herein.

Budget Stabilization Reserve: To provide the City with a financial cushion should unexpected costs arise, the City has made a deposit of \$34.3 million to the Budget Stabilization Reserve (as defined herein), pursuant to the Fiscal Year 2020 Adopted Budget. In addition to the Fiscal Year 2020 deposit, the City projects the following deposits to be made to the Budget Stabilization Reserve over the course of the Twenty-Eighth Five-Year Plan: (i) \$35.1 million (Fiscal Year 2021), (ii) \$36.1 million (Fiscal Year 2022), (iii) \$37.2 million (Fiscal Year 2023), and (iv) \$38.2 million (Fiscal Year 2024).

For more information on the Budget Stabilization Reserve, see "DISCUSSION OF FINANCIAL OPERATIONS – Budget Stabilization Reserve" herein.

Federal and State Budget Reserve: To continue mitigating against potential state and federal cuts in funds provided to the City, the Fiscal Year 2020 Adopted Budget sets aside \$55.1 million in a federal and state budget reserve. The Twenty-Eighth Five-Year Plan continues funding such a reserve through Fiscal Year 2024. Although this reserve would help to offset any such cuts, it represents only a small fraction of what the City projects to receive in grants from the state and federal governments in Fiscal Years 2020-2024. Accordingly, if potential cuts exceed the amount in the reserve, it could require the City to make difficult decisions about what to continue funding. If potential cuts in any Fiscal Year are less than the reserve amount established for such year, the difference would increase the General Fund balance at the end of such year unless the City uses the funds in such reserve for other purposes. Based on the current estimate for Fiscal Year 2019, \$53.6 million has been budgeted for the federal and state funding reserve. The City has not utilized such funds for Fiscal Year 2019, and expects any remaining balance in the reserve to be included in the General Fund balance for such Fiscal Year.

Labor Reserve: While all of the City's unions are covered by bargaining agreements through June 30, 2020, the Twenty-Eighth Five-Year Plan includes a labor reserve for potential future labor cost increases once such agreements expire. As such, the Twenty-Eighth Five-Year Plan includes labor reserves of (i) \$20 million (Fiscal Year 2021), (ii) \$30 million (Fiscal Year 2022), (iii) \$40 million (Fiscal Year 2023), and (iv) \$50 million (Fiscal Year 2024).

Tax Revenues: Approximately three-quarters of the City's revenues come from local taxes and more than 85% of tax revenues come from just four taxes: Wage and Earnings Taxes, Real Estate Taxes, Business Income and Receipts Taxes ("BIRT"), and Real Property Transfer Taxes. The largest portion of these tax revenues, more than 40%, comes from the Wage and Earnings Tax (see Table 3 and "REVENUES OF THE CITY – Wage, Earnings, and Net Profits Taxes" herein). Approximately 40% of the Wage and Earnings Tax is paid by non-resident workers. Additionally, the City remains unique among the nation's largest cities in that it imposes a tax on both corporate profits and revenue through the BIRT, which is projected to generate 13.7% of the City's local tax revenue in Fiscal Year 2020 (based on projections included in the Fiscal Year 2020 Adopted Budget). See "REVENUES OF THE CITY" and Table 3 herein.

High Fixed Costs: The City's high fixed costs consume a significant portion of the City's budget. The largest of such costs is the City's payment to the Municipal Pension Fund. Pension costs are budgeted to consume approximately 15% of the Fiscal Year 2020 Adopted Budget, with a City pension cost of approximately \$749.1 million (from the General Fund). Even with such large payments, the Municipal Pension Fund is under 50% funded. See "PENSION SYSTEM" herein.

Increased Funding for the School District: In the Fiscal Year 2020 Adopted Budget, the City's direct contribution to The School District of Philadelphia (the "School District") from the General Fund is

\$222.5 million in Fiscal Year 2020, an amount \$36.7 million higher than the current estimate for Fiscal Year 2019 (\$185.8 million). The School District is an independent governmental entity.

For more information on the School District, see “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – Mayoral-Appointed or Nominated Agencies – The School District.” For more information on the City’s historical contributions to the School District, see “EXPENDITURES OF THE CITY – City Payments to School District” and Table 21 herein.

In addition to the fiscal challenges and related strategic planning described above, the City faces several near-term fiscal uncertainties, such as (i) continued increases in pension costs, (ii) the possibility of an economic downturn, (iii) uncertainties related to how amendments to the federal tax code may impact the City’s economy (such as the limits placed on the state and local tax deduction, among others), (iv) possible decreases in federal and state spending, (v) potential increases in labor costs under future labor agreements (as noted above, the City’s unions are covered by bargaining agreements through June 30, 2020), and (vi) continued increases in City contributions to the School District.

This “OVERVIEW” is intended to highlight the strategies implemented by the City to address its principal anticipated fiscal challenges. The reader is cautioned to review with care the more detailed information presented in this APPENDIX B.

## **THE GOVERNMENT OF THE CITY OF PHILADELPHIA**

### **Introduction**

As noted above, the City is the largest city in the Commonwealth, the sixth largest city in the United States, and the center of the United States’ eighth largest metropolitan statistical area. The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries.

As one of the country’s education centers, the City offers the business community a large and diverse labor pool. Penn, Temple University, Drexel University, St. Joseph’s University, La Salle University, and Community College of Philadelphia are certain of the well-known institutions of higher education located in the City. There are also a number of other well-known colleges and universities located near the City, notably including Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University, among others.

The City is a center for health, education, research and science facilities. In the City, there are more than 30 hospitals, including the Children’s Hospital of Philadelphia, Hospital of the University of Pennsylvania, Einstein Medical Center-Philadelphia, Temple University Hospital, and Thomas Jefferson University Hospitals and Jefferson Health, among others, and schools of medicine, dentistry, pharmacy, optometry, podiatry, and veterinary medicine.

Tourism is important to the City and is driven by the City’s extraordinary historic and cultural assets. The City’s Historic District includes Independence Hall, the Liberty Bell, Carpenters’ Hall, the Betsy Ross House, and Elfreth’s Alley, the Nation’s oldest residential street. The Benjamin Franklin Parkway District (referred to as the “Parkway” in APPENDIX C to this Official Statement) includes the Philadelphia Museum of Art, the Barnes Foundation, and the Rodin Museum. The Avenue of the Arts, located along a mile-long section of South Broad Street between City Hall and Washington Avenue, includes the Kimmel Center, the Academy of Music, and other performing arts venues. All of the foregoing are key tourist attractions in the City.



For more information on the City's demographic and economic resources and economic development initiatives, see APPENDIX C to this Official Statement.

## **History and Organization**

The City was incorporated in 1789 by an Act of the General Assembly of the Commonwealth (the "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 1682). In 1854, the General Assembly, by an act commonly referred to as the Consolidation Act: (i) made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"); (ii) abolished all governments within these boundaries other than the City and the County; and (iii) 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, provides that the City performs all functions of county government, and states 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 pursuant to the First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17, and adopted by the voters of the City (as amended and supplemented, the "City Charter"). The City Charter provides, among other things, for the election, organization, powers and duties of the legislative branch (the "City Council") and the executive and administrative branch, as well as the basic rules governing the City's fiscal and budgetary matters, contracts, procurement, property, and records. Under Article XII of the City Charter, the School District operates as a separate and independent 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 City Charter, there are two distinct principal governmental entities in the City: (i) the City, which performs municipal and county functions; and (ii) the School District, which has boundaries coterminous with the City and responsibility for all public primary and secondary education.

The court system in the City, consisting of Common Pleas and Municipal Courts, is part of the Commonwealth judicial system. Although judges are paid by the Commonwealth, most other court costs are paid by the City, with partial reimbursement from the Commonwealth.

## **Elected and Appointed Officials**

The Mayor is elected for a term of four years and is eligible to be elected for no more than two successive terms. Each of the seventeen members of 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 City Council. Of the members of City Council, ten are elected from districts and seven are elected at-large. No more than five of the seven at-large candidates for City Council may be nominated by any one party or political body. 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 City Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards, established by the federal Government Accountability Office (formerly known as the General Accounting Office), and Generally Accepted Auditing Standards, promulgated by the American Institute of Certified Public Accountants.

The City Controller audits and reports on the City's and the School District's Comprehensive Annual Financial Reports ("CAFRs"), federal assistance received by the City, and the performance of City departments. The City Controller also conducts a pre-audit program of City expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit by category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the City 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 ("PICA") on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

Under the City Charter, the principal officers of the City's government are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), the City Solicitor (the "City Solicitor"), the Director of Commerce (the "Director of Commerce"), the City Representative (the "City Representative"), and the Director of Planning and Development (the "Director of Planning and Development"). Under the City Charter, the Mayor appoints the Managing Director, the Director of Finance, the Director of Commerce, the City Representative, and the Director of Planning and Development. The Mayor, with the advice and consent of a majority of City Council, also appoints the City Solicitor.

The Managing Director, in coordination with the senior officials of City departments and agencies, is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The Director of Commerce is charged with the responsibility of promoting and developing commerce and industry. The City Representative is the Ceremonial Representative of the City and especially of the Mayor. The City Representative is charged with the responsibility of giving wide publicity to any items of interest reflecting the activities of the City and its inhabitants, and for the marketing and promotion of the image of the City. Under the City Charter, the Director of Planning and Development oversees the Department of Planning and Development, which includes three divisions: (i) the Division of Development Services; (ii) the Division of Planning and Zoning; and (iii) the Division of Housing and Community Development. Such divisions represent five budgetary programs/fiscal divisions, including Executive Administration, Planning & Zoning, Development Services, Community Development, and Housing Development.

The City Solicitor is head of the Law Department and acts as legal advisor to the Mayor, City Council, and all of the agencies of the City government. The City Solicitor is also responsible for: (i) advising on legal matters pertaining to all of the City's contracts and bonds; (ii) assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council; and (iii) conducting litigation involving the City.

The Director of Finance is the chief financial and budget officer of the City and is selected from three names submitted to the Mayor by a Finance Panel, which is established pursuant to the City Charter and is comprised of the President of the Philadelphia Clearing House Association, the Chairman of the Philadelphia Chapter of the Pennsylvania Institute of Certified Public Accountants, and the Dean of the Wharton School of Finance and Commerce of the University of Pennsylvania. Under Mayor Kenney's administration, the Director of Finance is responsible for the financial functions of the City, including: (i) development of the annual operating budget, the capital budget, and capital program; (ii) the City's program for temporary and long-term borrowing; (iii) supervision of the operating budget's execution; (iv) the collection of revenues through the Department of Revenue; (v) the oversight of pension administration as Chairperson of the Board of Pensions and Retirement; and (vi) the supervision of the

Office of Property Assessment. The Director of Finance is also responsible for the appointment and supervision of the City Treasurer, whose office manages the City's debt program and serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury and the management of cash resources.

The following are brief biographies of Mayor Kenney, his Chief of Staff, the Director of Finance, and the City Treasurer.

**James F. Kenney, Mayor.** On November 3, 2015, James F. Kenney was elected as the City's 99th Mayor and was sworn into office on January 4, 2016. Mayor Kenney is a lifelong resident of the City and a graduate of La Salle University. In 1991, Mayor Kenney was elected to serve as a Democratic City Councilman At-Large and was a member of City Council for 23 years.

**James Engler, Chief of Staff.** Mr. Engler was appointed Chief of Staff effective August 10, 2018. Prior to that, Mr. Engler served as Deputy Mayor for Policy and Legislation since January 2016. In that role, Mr. Engler served as a senior liaison between the Mayor's Office and City Council and was responsible for developing administration policy priorities and working with stakeholders inside and outside of government to advance those goals.

**Rob Dubow, Director of Finance.** Mr. Dubow has served as Director of Finance since being appointed on January 7, 2008. Prior to that appointment, Mr. Dubow was the Executive Director of PICA. He has also served as Executive Deputy Budget Secretary of the Commonwealth, from 2004 to 2005, and as Budget Director for the City, from 2000 to 2004.

**Christian Dunbar, City Treasurer.** Mr. Dunbar was appointed City Treasurer in July 2019. Prior to his appointment, Mr. Dunbar served as Deputy City Treasurer. As City Treasurer, Mr. Dunbar oversees the issuance of all notes and bonds on behalf of the City's General Fund and Enterprise Funds used to finance capital projects. Prior to joining the City, Mr. Dunbar was a wealth manager with Wells Fargo Advisors.

## **Government Services**

Municipal services provided by the City include: (i) police and fire protection; (ii) health care; (iii) certain welfare programs; (iv) construction and maintenance of local streets, highways, and bridges; (v) trash collection, disposal and recycling; (vi) provision for recreational programs and facilities; (vii) maintenance and operation of the water and wastewater systems (the "Water and Wastewater Systems"); (viii) acquisition and maintenance of City real and personal property, including vehicles; (ix) maintenance of building codes and regulation of licenses and permits; (x) maintenance of records; (xi) collection of taxes and revenues; (xii) purchase of supplies and equipment; (xiii) construction and maintenance of airport facilities (the "Airport System"); and (xiv) maintenance of a prison system. For information on the Water and Wastewater Systems, see APPENDIX C – "KEY CITY-RELATED SERVICES AND BUSINESSES – Water and Wastewater." For information on the Airport System, see APPENDIX C – "TRANSPORTATION – Airport System."

The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW serves residential, commercial, and industrial customers in the City. PGW is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate PGW for the benefit of the City. For more information on PGW, see "PGW PENSION PLAN," "PGW OTHER POST-EMPLOYMENT BENEFITS," "EXPENDITURES OF THE CITY – PGW Annual Payments," and "LITIGATION – PGW."

## Local Government Agencies

There are a number of governmental authorities and quasi-governmental non-profit corporations that also provide services within the City. Certain of these entities are comprised of governing boards, the members of which are either appointed or nominated, in whole or part, by the Mayor, while others are independent of the Mayor's appointment or recommendation.

### *Mayoral-Appointed or Nominated Agencies*

**Philadelphia Industrial Development Corporation and Philadelphia Authority for Industrial Development.** The Philadelphia Industrial Development Corporation ("PIDC") and the Philadelphia Authority for Industrial Development ("PAID"), along with the City's Commerce Department, coordinate the City's efforts to maintain an attractive business environment, attract new businesses to the City, and retain existing businesses. PIDC manages PAID's activities through a management agreement. Of the 30 members of the board of PIDC, eight are City officers or officials (the Mayor, the Managing Director, the Finance Director, the Commerce Director, the Director of Planning and Development, the City Solicitor, and two members of City Council), nine members are designated by the President of the Chamber of Commerce of Greater Philadelphia (the "Chamber of Commerce"), and the remaining 13 members are jointly designated by the Chamber of Commerce and the Commerce Director. The five-member board of PAID is appointed by the Mayor.

**Philadelphia Municipal Authority.** 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 any project authorized under applicable law that is specifically authorized by ordinance of City Council. PMA is governed by a five-member board appointed by City Council from nominations made by the Mayor.

**Philadelphia Energy Authority.** The Philadelphia Energy Authority ("PEA") was established by the City and incorporated in 2011 for the purpose of facilitating and developing energy generation projects, facilitating and developing energy efficiency projects, the purchase or facilitation of energy supply and consumer energy education. PEA is authorized to participate in projects on behalf of the City, other government agencies, institutions and businesses. PEA is governed by a five-member board appointed by City Council from four nominations made by the Mayor and one nomination from City Council.

**Philadelphia Redevelopment Authority.** The Philadelphia Redevelopment Authority (formerly known as the Redevelopment Authority of the City of Philadelphia) (the "PRA"), 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. PRA is governed by a five-member board appointed by the Mayor.

**Philadelphia Land Bank.** The Philadelphia Land Bank (the "PLB") is an independent agency formed under the authority of City ordinance and Pennsylvania law to return vacant and tax delinquent properties to productive reuse. The PLB has an 11-member board of directors, of which five are appointed by the Mayor and five are appointed by City Council. The final board member is appointed by a majority vote of the other board members. The City provides funds for its operations. For more information on the PLB, see APPENDIX C – "ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – City and Quasi-City Economic Development Agencies and Related Programs – Philadelphia Land Bank."

**Philadelphia Housing Authority.** The Philadelphia Housing Authority (the "PHA") is a public body organized pursuant to the Housing Authorities Law of the Commonwealth and is neither a department nor an agency of the City. PHA is responsible for developing and managing low and moderate income

rental units and limited amounts of for-sale housing in the City. PHA is also responsible for administering rental subsidies to landlords who rent their units to housing tenants qualified by PHA for such housing assistance payments. PHA is governed by a nine-member Board of Commissioners, all of whom are appointed by the Mayor with the approval of a majority of the members of City Council. The terms of the Commissioners are concurrent with the term of the appointing Mayor. Two of the members of the Board are required to be PHA residents. For more information on PHA, see APPENDIX C – “ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – City and Quasi-City Economic Development Agencies and Related Programs – The Philadelphia Housing Authority.”

**Hospitals and Higher Education Facilities Authority of Philadelphia.** The Hospitals and Higher Education Facilities Authority of Philadelphia (the “Hospitals Authority”) assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority also permit the financing of construction of buildings and facilities for certain colleges and universities and other health care facilities and nursing homes. The Hospitals Authority is governed by a five-member board appointed by City Council from nominations made by the Mayor.

**Southeastern Pennsylvania Transportation Authority.** 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. Two of the 15 members of SEPTA’s board are appointed by the Mayor and confirmed by City Council. SEPTA is not a department or agency of the City. For more information on SEPTA, see “EXPENDITURES OF THE CITY – City Payments to SEPTA” and APPENDIX C – “TRANSPORTATION – Southeastern Pennsylvania Transportation Authority (SEPTA).”

**Pennsylvania Convention Center Authority.** The Pennsylvania Convention Center Authority (the “Convention Center Authority”) constructed and maintains, manages, and operates the Pennsylvania Convention Center, which opened on June 25, 1993. The Pennsylvania Convention Center is owned by the Commonwealth and leased to the Convention Center Authority. An expansion of the Pennsylvania Convention Center was completed in March 2011. This expansion enlarged the Pennsylvania Convention Center to approximately 2,300,000 square feet with the largest contiguous exhibit space in the Northeast, the largest convention center ballroom on the East Coast, and the ability to host large tradeshow or two major conventions simultaneously.

Of the 15 members of the board of the Convention Center Authority, two are appointed by the Mayor and one by each of the President and Minority Leader of City Council. The Director of Finance is an ex-officio member of the Board with no voting rights. The Commonwealth, the City and the Convention Center Authority have entered into an operating agreement with respect to the operation and financing of the Pennsylvania Convention Center. In January 2014, SMG began managing and operating the Pennsylvania Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service. For more information on the Convention Center Authority, see “EXPENDITURES OF THE CITY – City Payments to Convention Center Authority.”

**The School District.** The School District was established, pursuant to the First Class City Home Rule Education Act, by the Educational Supplement to the City Charter as a separate and independent home rule school district to provide free public education to the City’s residents. Under the City Charter, the School District is governed by the Board of Education of the School District of Philadelphia (the “Board of Education”).

Effective December 2001, the School District was declared distressed by the Secretary of Education of the Commonwealth (the “Secretary of Education”) pursuant to the Public School Code of 1949, as



amended (the “School Code”). During such a period of distress, the powers and duties of the Board of Education are vested in a School Reform Commission (the “School Reform Commission”) created pursuant to the School Code. In December 2017, the Secretary of Education approved a resolution adopted by the School Reform Commission recommending the dissolution of the School Reform Commission and rescission of the declaration of distressed school district status effective June 30, 2018. In April 2018, the Mayor appointed nine members to serve on the Board of Education and such individuals assumed their duties on July 1, 2018. As of such date, the Board of Education governs the School District.

Under the City Charter, the Board of Education is required to levy taxes annually, within the limits and upon the subjects authorized by the General Assembly or City Council, in amounts sufficient to provide for operating expenses, debt service charges, and for the costs of any other services incidental to the operation of public schools. The School District has no independent power to authorize school taxes. Certain financial information regarding the School District is included in the City’s CAFR.

The School District is part of the Commonwealth system of public education. In a number of matters, including the incurrence of short-term and long-term debt, the School District is governed by the separate statutes 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.

In the City’s CAFR for Fiscal Year 2018 (the “Fiscal Year 2018 CAFR”), the City reported that its direct contribution to the School District from the General Fund was \$104.3 million in Fiscal Year 2018, not including funding from taxes levied by the School District and authorized by City Council. In the Fiscal Year 2020 Adopted Budget, the City’s direct contribution to the School District from the General Fund is \$222.5 million in Fiscal Year 2020, an amount \$36.7 million higher than the current estimate for Fiscal Year 2019 (\$185.8 million). Such amounts do not include funding from taxes levied by the School District and authorized by City Council. For more information on the City’s historical contributions to the School District, see “EXPENDITURES OF THE CITY – City Payments to School District” and Table 21.

#### *Non-Mayoral-Appointed or Nominated Agencies*

**PICA.** PICA was created by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the “PICA Act”) in 1991 to provide financial assistance to cities of the first class, and it continues in existence for a period not exceeding one year after all of its liabilities, including the PICA Bonds (as defined herein), have been fully paid and discharged. The City is the only city of the first class in the Commonwealth. The Governor, the President pro tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives, and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member of PICA’s board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA’s board with no voting rights.

In January 1992, the City and PICA entered into an Intergovernmental Cooperation Agreement (the “PICA Agreement”), pursuant to which PICA agreed to issue bonds from time to time, at the request of the City, for the purpose of funding, among other things, deficits in the General Fund and a debt service reserve. See “DEBT OF THE CITY – PICA Bonds.”

Under the PICA Act and for so long as any PICA Bonds are outstanding, the City is required to submit to PICA: (i) a five-year financial plan on an annual basis; and (ii) quarterly financial reports, each as further described below under “DISCUSSION OF FINANCIAL OPERATIONS – Five-Year Plans of the City” and “– Quarterly Reporting to PICA.” Under the PICA Act, at such time when no PICA Bonds are outstanding, the City will no longer be required to prepare such annual financial plans or quarterly

reports. See “DEBT OF THE CITY – PICA Bonds” for the current final stated maturities of outstanding PICA Bonds. As of June 30, 2019, the principal amount of PICA Bonds outstanding was \$129,745,000; the final maturity date for such PICA Bonds is June 15, 2023.

The PICA Act and the PICA Agreement provide PICA with certain financial and oversight functions. PICA has the power to exercise certain advisory and review procedures with respect to the City’s financial affairs, including the power to review and approve the five-year financial plans prepared by the City, and to certify non-compliance by the City with the then-existing five-year plan. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place or if the City has failed to file mandatory revisions to an approved five-year plan. Under the PICA Act, any such certification of non-compliance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements, and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under “DEBT OF THE CITY – PICA Bonds” below, otherwise payable to the City). Such withheld funds are held in escrow by the Commonwealth or in the applicable city account until such non-compliance is cured. A majority vote of PICA will determine when the conditions that caused the City to be certified as non-compliant have ceased to exist. Following such vote, PICA notifies the Secretary of the Budget and the withheld funds are released (together with all interest and income earned thereon during the period held in escrow).

**Philadelphia Parking Authority.** The Philadelphia Parking Authority (the “PPA”) is responsible for: (i) the construction and operation of parking facilities in the City and at Philadelphia International Airport (“PHL”); and (ii) enforcement of on-street parking regulations. The members of the PPA’s board are appointed by the Governor, with certain nominations from the General Assembly. PPA is not a department or agency of the City. For more information on the PPA, see “REVENUES OF THE CITY – Philadelphia Parking Authority Revenues.”

## **Cybersecurity**

The City relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private, and sensitive information, the City and its departments and offices face multiple cyber threats including, but not limited to, hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems.

The City’s Office of Innovation and Technology works to protect the City from cyber threats by adopting new technology and ensuring City systems and citizen data are protected. The Office of Innovation and Technology follows industry best practices, develops City-wide security policies, provides regular security training to all users, and uses security tools to mitigate, prevent, deter, and respond to incidents if and when they occur. Additionally, to identify potential vulnerabilities and proactively mitigate them, the City organizes periodic (i) vulnerability scanning of critical systems, (ii) penetration tests of the information security environment, and (iii) regular internal testing of systems and users. These tests are performed by both the Office of Innovation and Technology and third parties.

The Office of Innovation and Technology is working to establish relationships with federal and state government, commercial, academic, and law enforcement security experts. It is the City’s expectation that such relationships will enable the City to stay informed of threats and continuing improvements to security systems.

No assurances can be given that the City’s security and operational control measures will be successful in guarding against future cyber threats and attacks. The results of any attack on the City’s

computer and information technology systems could impact its operations and damage the City's digital networks and systems, and the costs of remedying any such damage could be substantial.

## **Climate Change**

The City's Office of Sustainability ("OOS") works with partners around the City, both public and private, to educate and prepare the City for climate change, among other things. OOS is responsible for implementing Greenworks Philadelphia, the City's comprehensive sustainability plan, which consists of a variety of initiatives to prepare the City for future climate-related challenges.

Planning for the potential impact of climate change in the City is challenging. The City's climate is variable and projections of future conditions range significantly. Potential climate change impacts include rising temperatures (heat waves); air quality issues; increased heavy precipitation events (rain or snow); rising sea levels (two feet by 2050 and four feet by 2100); and storm surges from more intense hurricanes and tropical storms.

Under the mid-century (2050) and end-of-century (2100) analyses, the City projects that it will experience a greater frequency of heavy and extremely heavy precipitation events, with the largest increase occurring in precipitation that falls during winter months. Heavy precipitation and flooding can be caused by a variety of weather systems, including tropical storms and hurricanes, thunderstorms, and frontal activity. When these heavy precipitation events fall as rain, they often exceed the capacity of the City's storm sewer infrastructure; when they fall as snow, they require many City resources to manage. Some of these projections are already becoming a reality, as the City has experienced an increase in the intensity and frequency of storm events over the last decade, which has on occasion resulted in significant flooding.

The sea level rising is a particularly important risk for the City, as rising seas affect water levels in the Delaware and Schuylkill Rivers bordering the City. Higher sea levels will increase the depth and extent of flooding in and around the City from storm surges. Low-lying areas already experience localized flooding during heavy storm events, and both municipal infrastructure and private development exist along the two rivers. Because of the City's topography and its location next to tidal rivers, many facilities and other properties are vulnerable to sea level rise, even under conservative sea level rise scenarios. For example, PHL and at least a dozen other City facilities would be exposed to flooding with two feet of sea level rise, a scenario that is likely to occur by mid-century. Under the mid-century sea level rise scenario (indicating two feet of sea level rise), only one facility is highly vulnerable to flooding, but under the end-of-century sea level rise scenario (four feet of sea level rise), 19 facilities are highly vulnerable and another 12 facilities are moderately vulnerable. Hundreds of additional facilities are highly vulnerable to both riverine flooding and the combination of sea level rise and storm surge.

**Financial Impact.** While the financial effects of climate change are difficult to quantify, the City has developed some cost estimates related to its future fiscal impact. Climate change will increase both the risk of expensive extreme events and the regular, recurring costs of doing business, along with equally important but less quantifiable costs to quality of life in the City. Proactive planning for climate change can help to reduce many of these costs, both public and private.

Climate change is increasing the intensity of extreme storms, and just one severe hurricane could cause more than \$2 billion in damages across the City. The City expects to see more frequent extreme storms with higher winds and more flooding, due in part to sea level rise combined with heavy rains. Depending on severity, each of these storms could cause between \$20 million and \$900 million in damages in the City.

In addition to increasing disaster costs, higher heat and more precipitation will increase the everyday cost of doing business for the City's government, businesses, and residents. Increased operating costs from climate change across all sectors would result in a significant economic impact in the City. Much of these costs will be borne by city departments in combination with Commonwealth and federal government; others will fall directly on the private sector.

Annual costs of climate change to the City will include a variety of increases ranging from energy and maintenance costs to the increasing costs of continuing to provide services. For example, the City expects climate change to (i) increase annual electricity costs by up to \$1 million due to increased demand for air conditioning; (ii) create an additional \$2 to \$4 million in roadway maintenance costs from precipitation, freeze-thaw cycles, and high temperatures; and (iii) increase the annual cost of running heat emergency helplines to advise callers about how to avoid heat stress and refer those in need of help to emergency services.

The City also expects to face a variety of other increased costs due to climate change, such as (i) costs associated with a variety of respiratory diseases caused by higher levels of ozone (with costs for medical treatment and lost productivity associated with these diseases will approach \$20 million by 2050), and (ii) increased regional transportation expenses (increased operational costs and damages from climate change could rise by almost \$2 million per year).

In 2016, OOS, along with a cross-departmental Climate Adaptation Working Group, issued *Growing Stronger: Toward a Climate-Ready Philadelphia* to (i) assess vulnerabilities and preparation opportunities for municipal government; (ii) identify low-barrier and high-impact internal actions that can be taken to reduce risks and decrease stressors on City infrastructure services; and (iii) guide proactive projects with benefits beyond municipal operations. City-wide climate adaptation planning efforts are now also underway.

## **CITY FINANCES AND FINANCIAL PROCEDURES**

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the Fiscal Year 2018 CAFR and notes therein. The Fiscal Year 2018 CAFR was prepared by the Office of the Director of Finance 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.

### **General**

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, BIRT, 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: (i) charges to customers or applicants for goods received, services rendered or privileges provided; (ii) operating grants and contributions; and (iii) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program specific revenues; therefore, all taxes are considered general revenues.

The City's financial statements reflect the following three funds as major Governmental Funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.
- The Health Choices Behavioral Health Fund accounts for resources received from the Commonwealth. These resources are restricted to providing managed behavioral health care to residents of the City.
- The Grants Revenue Fund accounts for the resources received from various federal, Commonwealth, and private grantor agencies, including those received by the City's Department of Human Services ("DHS"). 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 permanent 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 PGW Retirement Reserve Fund accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its pension plan. For more information on the PGW Pension Plan (as defined herein), see "PGW PENSION PLAN."
- The Escrow Fund accounts for funds held in escrow for various purposes.
- The Employees Health & Welfare Fund accounts for funds deducted from employees' salaries for payment to various organizations.
- The Departmental Custodial Accounts account for funds held in custody by various departments of the City.

The City reports on the following major proprietary funds:

- The Water Fund accounts for the activities related to the operation of the Water and Wastewater Systems.
- The Aviation Fund accounts for the activities of the Airport System.



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 revenues of the Aviation Fund are charges for the use of the City's airports, PHL and Northeast Philadelphia Airport. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **Current City Disclosure Practices**

It is the City's practice to file its CAFR, which contains the audited combined financial statements of the City, in addition to certain other information, such as the City's bond ratings and information about upcoming debt issuances, with the MSRB as soon as practicable after delivery of such information. For bonds issued in calendar year 2015 and thereafter, the annual filing deadline is February 28; for bonds issued prior to calendar year 2015, the annual filing deadline is 240 days after the end of the respective Fiscal Year, being February 25. The Fiscal Year 2018 CAFR was filed with the MSRB on February 25, 2019, through the MSRB's EMMA system. The Fiscal Year 2018 CAFR is available on the website of the Director of Finance of the City of Philadelphia at <https://www.phila.gov/finance/reports-Comprehensive.html>.

A wide variety of information concerning the City is available from publications and websites of the City and others, including the City's investor information website at <http://www.phila.gov/investor> (the "City's Investor Website"). Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement.

### **Independent Audit and Opinion of the City Controller**

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2018 CAFR. 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 basic financial statements of the City in the Fiscal Year 2018 CAFR.

### **Budgetary Accounting Practices**

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles ("GAAP"). In accordance with the City 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, eleven (11) Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, Health Choices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Housing Trust, Acute Care Hospital Assessment, Budget Stabilization, and Water Residual Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: (i) personal services; (ii) purchase of services; (iii) materials and supplies; (iv) equipment; (v) contributions, indemnities, and taxes; (vi) debt service; (vii) payments to other funds; and (viii) 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 City Council approval. Appropriations that are not expended or encumbered at year-end are lapsed.

The City's capital budget is adopted annually by City Council. The capital budget is appropriated by project for each department. Requests to transfer appropriations between projects must be approved by City Council. Any appropriations that are not obligated at year-end are either lapsed or carried forward to the next Fiscal Year.

Schedules prepared on the legally enacted basis differ from the GAAP basis in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. The primary difference between the GAAP and legal (budgetary) fund balance is due to the timing of recognizing the BIRT. The legal basis recognizes BIRT revenues in the Fiscal Year they are collected. The GAAP basis requires the City to recognize the BIRT revenues (which are primarily paid in April) for the calendar year in which the BIRT taxes are due, requiring the City to defer a portion of the April payment into the next Fiscal Year. For more information on BIRT, see "REVENUES OF THE CITY – Business Income and Receipts Tax."

## **DISCUSSION OF FINANCIAL OPERATIONS**

### **Principal Operations**

The major financial operations of the City are conducted through the General Fund. In addition to the General Fund, operations of the City are conducted through two other major governmental funds and 19 non-major governmental funds. The City operates on a July 1 to June 30 fiscal year ("Fiscal Year") and reports on all the funds of the City, as well as its component units, in the City's CAFR. PMA's and PICA's financial statements are blended with the City's statements. The financial statements for PGW, PRA, the PPA, the School District, the Community College of Philadelphia, the Community Behavioral Health, Inc., the Delaware River Waterfront Corporation, and PAID are presented discretely.

### **Fund Accounting**

Funds are groupings of activities that enable the City to maintain control over resources that have been segregated for particular purposes or objectives. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. The governmental funds are used to account for the financial activity of the City's basic services, such as: general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; and streets, highways and sanitation. The funds' financial activities focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the Fiscal Year. The financial information presented for the governmental funds is useful in evaluating the City's short-term financing requirements.

The City maintains 22 individual governmental funds. The City's CAFRs, including the Fiscal Year 2018 CAFR, present 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 19 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 fund – 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 CAFRs, including the Fiscal Year 2018 CAFR, as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

See "CITY FINANCES AND FINANCIAL PROCEDURES" for a further description of these governmental, proprietary, and fiduciary funds.

### **Budget Procedure**

At least 90 days before the end of the Fiscal Year, the operating budget for the next Fiscal Year is prepared by the Mayor and 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 30 days before the end of the 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 Fiscal Years. If the Mayor disapproves the bills, he must return them to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives such bills. If the Mayor does not return the bills within the time required, they become law without his approval. If City Council passes the bills by a vote of two-thirds of all of its members within seven days after the bills have been returned with the Mayor's disapproval, they become law without his approval. While the City Charter requires that City Council adopt the ordinances for the operating and capital budgets at least 30 days before the end of the Fiscal Year, in practice, such ordinances are often adopted after such deadline, but before the end of such Fiscal Year. For example, the City's Fiscal Year 2020 operating budget ordinance was presented to City Council on March 7, 2019, approved by City Council on June 13, 2019, and signed by the Mayor on June 18, 2019. There is no practical consequence to adopting the budget ordinances after the deadline in the City Charter, but before the end of the Fiscal Year.

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. The Capital Program ordinance for Fiscal Years 2020-2025 (the "Fiscal Year 2020-2025 Adopted Capital Program") was approved by City Council on June 13, 2019, and signed by the Mayor on June 18, 2019.

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing Fiscal Year from City Council appropriated funds, 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.

For information on the City's Fiscal Year 2020 Adopted Budget (as defined below), see “– Current Financial Information – Fiscal Year 2020 Adopted Budget and Twenty-Eighth Five-Year Plan” herein. For information on the City's capital program, see “CITY CAPITAL PROGRAM” herein.

### **Budget Stabilization Reserve**

In April 2011, the City adopted an amendment to the City Charter that established the “Budget Stabilization Reserve.” The City Charter provides that the annual operating budget ordinance is required to provide for appropriations to a Budget Stabilization Reserve, to be created and maintained by the Director of Finance as a separate fund, which may not be commingled with any other funds of the City. Appropriations to the Budget Stabilization Reserve are required to be made each Fiscal Year if the projected General Fund balance for the upcoming Fiscal Year equals or exceeds three percent of General Fund appropriations for such Fiscal Year. City Council can appropriate additional amounts to the Budget Stabilization Reserve by ordinance, no later than at the time of passage of the annual operating budget ordinance and only upon recommendation of the Mayor. Total appropriations to the Budget Stabilization Reserve are subject to a limit of five percent of General Fund appropriations. Amounts in the Budget Stabilization Reserve from the prior Fiscal Years, including any investment earnings certified by the Director of Finance, are to remain on deposit therein. The City has made a deposit of \$34.3 million to the Budget Stabilization Reserve, pursuant to the Fiscal Year 2020 Adopted Budget.

Withdrawals from the Budget Stabilization Reserve are permitted only upon (i) approval by ordinance of a transfer of appropriations from the Budget Stabilization Reserve and only for the purposes set forth in such transfer ordinance and (ii) either (1) a certification by the Director of Finance that General Fund revenues actually received by the City during the prior Fiscal Year were at least one percent less than the General Fund revenues set forth in the Mayor's estimate of receipts, or (2) a certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents, and that it would be fiscally imprudent to seek emergency appropriations pursuant to the City Charter. Any such certification must be approved either by a resolution adopted by two-thirds of all of the members of City Council or an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City.

### **Annual Financial Reports**

The City is required by the City Charter to issue, within 120 days after the close of each Fiscal Year, a statement as of the end of the Fiscal Year showing the balances in all funds of the City, the amounts of the City's known liabilities, and such other information as is necessary to furnish a true picture of the City's financial condition (the “Annual Financial Reports”). The Annual Financial Reports, which are released on or about October 28 of each year, are intended to meet these requirements and are unaudited. As described above, the audited financial statements of the City are contained in its CAFR, which is published at a later date. The Annual Financial Reports contain financial statements for all City governmental funds and blended component units presented on the modified accrual basis. The proprietary and fiduciary funds are presented on the full accrual basis. They also contain budgetary comparison schedules for those funds that are subject to an annual budget. The financial statements of the City's discretely presented component units that are available as of the date of the Annual Financial Reports are also presented. Historically, the results for General Fund balance have not materially changed between the Annual Financial Reports and the CAFRs.

The Annual Financial Report for Fiscal Year 2018 was released on October 26, 2018. The Fiscal Year 2018 CAFR was filed with the Municipal Securities Rulemaking Board (“MSRB”) on February 25, 2019, through the MSRB's Electronic Municipal Market Access (“EMMA”) system. See “CITY FINANCES AND FINANCIAL PROCEDURES – Current City Disclosure Practices.”

## **Five-Year Plans of the City**

The PICA Act requires the City to annually prepare a financial plan that includes projected revenues and expenditures of the principal operating funds of the City for five Fiscal Years consisting of the current Fiscal Year and the subsequent four Fiscal Years. Each five-year plan, which must be approved by PICA, is required to, among other things, eliminate any projected deficits, balance the Fiscal Year budgets and provide procedures to avoid fiscal emergencies. For information on the Twenty-Seventh Five-Year Plan and the Twenty-Eighth Five-Year Plan, see “– Current Financial Information – Fiscal Year 2019 Adopted Budget and Twenty-Seventh Five-Year Plan” and “– Fiscal Year 2020 Adopted Budget and Twenty-Eighth Five-Year Plan.”

## **Quarterly Reporting to PICA**

The PICA Act requires the City to prepare and submit quarterly reports to PICA so that PICA may determine whether the City is in compliance with the then-current five-year plan. Each quarterly report is required to describe actual or current estimates of revenues, expenditures, and cash flows compared to budgeted revenues, expenditures, and cash flows by covered funds for each month in the previous quarter and for the year-to-date period from the beginning of the then-current Fiscal Year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

Under the PICA Agreement, 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 (i.e., a principal operating 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.

PICA may not take any action with respect to the City for variances if the City: (i) provides a written explanation of the variance that PICA deems reasonable; (ii) proposes remedial action that PICA believes will restore overall compliance with the then-current five-year plan; (iii) provides information in the immediately succeeding quarterly financial report demonstrating to the reasonable satisfaction of PICA that the City is taking remedial action and otherwise complying with the then-current five-year plan; and (iv) submits monthly supplemental reports until it regains compliance with the then-current five-year plan.

PICA last declared a variance in February 2009. Such variance was cured by the City pursuant to a revised five-year plan for Fiscal Years 2010-2014 and the Commonwealth’s authorization of an increase in the City Sales Tax (as defined herein). See “REVENUES OF THE CITY – Sales and Use Tax” herein. A failure by the City to explain or remedy a variance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under “DEBT OF THE CITY – PICA Bonds” below, otherwise payable to the City). The City uses its Quarterly City Manager’s Reports to satisfy the quarterly reporting requirement to PICA. Such reports are released within 45 days following the end of the applicable quarter and the most recent versions of such reports are available on the City’s Investor Website (as defined herein). The most recent Quarterly City Manager’s Report is the report for the period ending June 30, 2019, which was released on August 15, 2019.



## **Summary of Operations**

The following table presents the summary of operations for the General Fund for Fiscal Years 2016-2018, budgeted amounts and current estimates for Fiscal Year 2019, and budgeted amounts for Fiscal Year 2020. For a description of the legally enacted basis on which the City's budgetary process accounts for certain transactions, see "CITY FINANCES AND FINANCIAL PROCEDURES – Budgetary Accounting Practices." "Current Estimate," as used in the tables and text below, refers (except as otherwise indicated) to the most recently revised estimates for Fiscal Year 2019, which were released by the City on June 18, 2019 as part of the Fiscal Year 2020 Adopted Budget and the Twenty-Eighth Five-Year Plan, as applicable.

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**Table 1**  
**General Fund**  
**Summary of Operations (Legal Basis)**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD)<sup>(1), (2)</sup>**

	Actual 2016	Actual 2017	Actual 2018	Adopted Budget 2019 (June 21, 2018)	Current Estimate 2019 (June 18, 2019)	Adopted Budget 2020 (June 18, 2019)
<b>Revenues</b>						
Real Property Taxes	\$571.6	\$587.1	\$650.4	\$669.1	\$689.4	\$690.9
Wage and Earnings Tax	1,373.0	1,448.9	1,542.3	1,588.6	1,566.3	1,633.7
Net Profits Tax	25.4	22.3	32.3	31.2	36.6	38.2
Business Income and Receipts Tax	474.2	417.5	446.1	425.2	503.3	497.3
Sales Tax <sup>(3)</sup>	169.4	188.4	198.4	216.5	215.2	227.9
Other Taxes <sup>(4)</sup>	353.0	367.7	454.9	437.1	464.9	472.6
Philadelphia Beverage Tax <sup>(5)</sup>	0.0	39.5	77.4	78.0	76.6	75.9
Total Taxes	<u>2,966.6</u>	<u>3,071.4</u>	<u>3,401.8</u>	<u>3,445.7</u>	<u>3,552.3</u>	<u>3,636.5</u>
Locally Generated Non-Tax Revenue	291.0	309.5	320.6	291.7	325.6	353.3
Revenue from Other Governments						
Net PICA Taxes Remitted to the City <sup>(6)</sup>	383.4	409.5	454.2	469.0	474.7	499.3
Other Revenue from Other Governments <sup>(7)</sup>	<u>305.6</u>	<u>307.7</u>	<u>323.9</u>	<u>337.5</u>	<u>316.7</u>	<u>347.9</u>
Total Revenue from Other Governments	<u>689.1</u>	<u>717.2</u>	<u>778.2</u>	<u>806.4</u>	<u>791.4</u>	<u>847.2</u>
Receipts from Other City Funds	<u>42.3</u>	<u>60.1</u>	<u>55.4</u>	<u>73.1</u>	<u>72.9</u>	<u>81.0</u>
Total Revenue	<u>3,989.0</u>	<u>4,158.2</u>	<u>4,556.1</u>	<u>4,616.9</u>	<u>4,742.1</u>	<u>4,918.0</u>
<b>Obligations/Appropriations</b>						
Personal Services	1,562.6	1,589.0	1,690.1	1,738.4	1,771.5	1,820.1
Purchase of Services <sup>(8)</sup>	822.2	851.4	891.1	951.7	955.8	1,001.3
Materials, Supplies and Equipment	92.1	94.4	102.2	114.4	123.2	123.7
Employee Benefits	1,181.3 <sup>(11)</sup>	1,241.0 <sup>(11)</sup>	1,314.0 <sup>(11)</sup>	1,360.2 <sup>(11)</sup>	1,378.0 <sup>(11)</sup>	1,412.0 <sup>(11)</sup>
Indemnities, Contributions, and Refunds <sup>(9)</sup>	192.7	186.6	195.2	282.2	287.0	322.4
City Debt Service <sup>(10)</sup>	132.1	140.9	148.8	169.5	169.5	187.5
Payments to Other City Funds	32.8	36.5	61.5	38.1	94.2	68.9
Advances & Miscellaneous Payments / Labor Reserve	0.0	0.0	0.0	16.4 <sup>(12)</sup>	0.0 <sup>(12)</sup>	0.0 <sup>(12)</sup>
Advances & Miscellaneous Payments / Federal and State Funding Reserve	0.0	0.0	0.0	54.6 <sup>(12)</sup>	53.6 <sup>(12)</sup>	55.1 <sup>(12)</sup>
Payment to Budget Stabilization Reserve	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>34.3</u>
Total Obligations/Appropriations	<u>4,015.8</u>	<u>4,139.8</u>	<u>4,402.9</u>	<u>4,725.5</u>	<u>4,832.7</u>	<u>5,025.3</u>
Operating Surplus (Deficit) for the Year	(26.8)	18.4	153.2	(108.6)	(90.6)	(107.3)
Net Adjustments – Prior Year	23.6	22.5	26.3	19.5	19.5	19.5
Cumulative Fund Balance Prior Year	<u>151.5</u>	<u>148.3</u>	<u>189.2</u>	<u>228.5<sup>(13)</sup></u>	<u>368.8<sup>(13)</sup></u>	<u>297.7</u>
Cumulative Adjusted Year End Fund Balance (Deficit)	<u>\$148.3</u>	<u>\$189.2</u>	<u>\$368.8<sup>(13)</sup></u>	<u>\$139.5</u>	<u>\$297.7</u>	<u>\$209.9</u>

<sup>(1)</sup> Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019 (Adopted Budget), the Fiscal Year 2019 Adopted Budget. For Fiscal Year 2019 (Current Estimate), the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020 (Adopted Budget), the Fiscal Year 2020 Adopted Budget.

<sup>(2)</sup> Figures may not sum due to rounding.

<sup>(3)</sup> For more information on the City Sales Tax, see "REVENUES OF THE CITY – Sales and Use Tax."

<sup>(4)</sup> Includes Amusement Tax, Real Property Transfer Tax, Parking Lot Tax, Smokeless Tobacco Tax and miscellaneous taxes.

<sup>(5)</sup> The Philadelphia Beverage Tax (as defined herein) taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

<sup>(6)</sup> For a detailed breakdown of "Net PICA Taxes Remitted to the City," see Table 43. Such figures reflect revenues received by the City from the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. See "DEBT OF THE CITY – PICA Bonds."

<sup>(7)</sup> For a detailed breakdown of "Other Revenue from Other Governments," see Table 12. "Other Revenue from Other Governments" includes state gaming revenues.

<sup>(8)</sup> Includes debt service on lease and service agreement financings.

<sup>(9)</sup> Includes contributions to the School District. See also Table 21 and the accompanying text herein.

<sup>(10)</sup> Includes debt service on General Obligation Debt (as defined herein) and tax and revenue anticipation notes; excludes debt service on PICA bonds and lease and service agreement financings.

<sup>(11)</sup> For Fiscal Year 2016, includes \$9.7 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2017, includes \$19.2 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2018, includes \$24.2 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2019 (Adopted Budget), assumes \$48.3 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2019 (Current Estimate), assumes \$47.6 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2020 (Adopted Budget), assumes \$53.9 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

<sup>(12)</sup> The Labor Reserve is set aside for labor-related costs, including costs related to labor agreements with certain of the City's municipal unions, among other things. See "EXPENDITURES OF THE CITY – Overview of City Employees." The Federal and State Funding Reserve is set aside to address certain funding that may become unavailable as a result of cuts in the federal or state budget or the implementation of other federal or state policies that may affect such funding for the City. Any portion of such reserves that is not used to offset labor-related costs or costs related to cuts in federal or state funding, as applicable, will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

<sup>(13)</sup> In its Fiscal Year 2019 Adopted Budget, the City projected that Fiscal Year 2018 would end with a General Fund balance of \$228.5 million. In the Fiscal Year 2018 CAFR, the City reported that Fiscal Year 2018 ended with a General Fund balance of \$368.8 million. Such number has been included as the "Cumulative Fund Balance Prior Year" in the Twenty-Eighth Five-Year Plan.

## Current Financial Information

Table 2 below shows General Fund balances for Fiscal Year 2018, budgeted amounts and current estimates for Fiscal Year 2019, and budgeted amounts for Fiscal Year 2020.

**Table 2**  
**General Fund – Fund Balance Summary**  
**(Amounts in Thousands of USD)<sup>(1)</sup>**

	Fiscal Year 2018 Actual <sup>(2)</sup> (June 30, 2018)	Fiscal Year 2019 Adopted Budget <sup>(2)</sup> (June 21, 2018)	Fiscal Year 2019 Current Estimate <sup>(2)</sup> (June 18, 2019)	Fiscal Year 2020 Adopted Budget <sup>(2)</sup> (June 18, 2019)
<b><u>REVENUES</u></b>				
Taxes	\$3,401,829 <sup>(3)</sup>	\$3,445,678 <sup>(3)</sup>	\$3,552,256 <sup>(3)</sup>	\$3,636,492 <sup>(3)</sup>
Locally Generated Non – Tax Revenues	320,644	291,684	325,585	353,328
Revenue from Other Governments	778,153	806,439	791,352	847,172
Revenues from Other Funds of City	55,436	73,108	72,916	81,011
<b>Total Revenue</b>	<b><u>\$4,556,062</u></b>	<b><u>\$4,616,909</u></b>	<b><u>\$4,742,109</u></b>	<b><u>\$4,918,003</u></b>
<b><u>OBLIGATIONS / APPROPRIATIONS</u></b>				
Personal Services	\$1,690,081	\$1,738,441	\$1,771,525	\$1,820,084
Personal Services – Employee Benefits	1,314,021 <sup>(4)</sup>	1,360,238 <sup>(4)</sup>	1,377,965 <sup>(4)</sup>	1,411,963 <sup>(4)</sup>
Purchase of Services <sup>(5)</sup>	891,074	951,665	955,793	1,001,325
Materials, Supplies, and Equipment	102,191	114,356	123,211	123,682
Contributions, Indemnities, and Taxes	195,197	282,185	286,985	322,432
Debt Service <sup>(6)</sup>	148,795	169,496	169,496	187,483
Payments to Other Funds	61,495	38,096	94,178	68,913
Advances & Miscellaneous Payments	0	71,020 <sup>(7)</sup>	53,573 <sup>(7)</sup>	55,108 <sup>(7)</sup>
Payment to Budget Stabilization Reserve	0	0	0	34,276
<b>Total Obligations / Appropriations</b>	<b><u>\$4,402,854</u></b>	<b><u>\$4,725,497</u></b>	<b><u>\$4,832,726</u></b>	<b><u>\$5,025,266</u></b>
<b>Operating Surplus (Deficit)</b>	<b>153,208</b>	<b>(108,588)</b>	<b>(90,617)</b>	<b>(107,263)</b>
<b><u>OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS</u></b>				
Net Adjustments – Prior Years	26,331	19,500	19,500	19,500
Operating Surplus/(Deficit) & Prior Year Adj.	179,539	(89,088)	(71,117)	(87,763)
Prior Year Fund Balance	189,243	228,545 <sup>(8)</sup>	368,783 <sup>(8)</sup>	297,666
<b>Year End Fund Balance</b>	<b><u>\$368,783<sup>(9)</sup></u></b>	<b><u>\$139,457</u></b>	<b><u>\$297,666</u></b>	<b><u>\$209,903</u></b>

<sup>(1)</sup> Figures may not sum due to rounding.

<sup>(2)</sup> Sources: For Fiscal Year 2018, the Fiscal Year 2018 CAFR. For Fiscal Year 2019 Adopted Budget, the Fiscal Year 2019 Adopted Budget. For Fiscal Year 2019 Current Estimate, the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020 Adopted Budget, the Fiscal Year 2020 Adopted Budget.

<sup>(3)</sup> For Fiscal Year 2018, includes \$77.4 million in revenue from the Philadelphia Beverage Tax. For Fiscal Year 2019 Adopted Budget, assumes \$78.0 million in revenue from such tax. For Fiscal Year 2019 Current Estimate, assumes \$76.6 million in revenue from such tax. For Fiscal Year 2020 Adopted Budget, assumes \$75.9 million in revenue from such tax. The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

<sup>(4)</sup> For Fiscal Year 2018, includes \$24.2 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2019 Adopted Budget, assumes \$48.3 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2019 (Current Estimate), assumes \$47.6 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2020 Adopted Budget, assumes \$53.9 million from such tax revenues for the Municipal Pension Fund. See “REVENUES OF THE CITY – Sales and Use Tax.”

<sup>(5)</sup> Includes debt service on lease and service agreement financings.

<sup>(6)</sup> Includes debt service on General Obligation Debt (as defined herein) and tax and revenue anticipation notes; excludes debt service on PICA bonds and lease and service agreement financings.

<sup>(7)</sup> Advances & Miscellaneous Payments includes funds set aside in the Labor Reserve and the Federal and State Funding Reserve, as applicable. The Labor Reserve is set aside for labor-related costs, including costs related to labor agreements with certain of the City’s municipal unions, among other things. See “EXPENDITURES OF THE CITY – Overview of City Employees.” The Federal and State Funding Reserve is set aside to address certain funding that may become unavailable as a result of cuts in the federal or state budget or the implementation of other federal or state policies that may affect such funding for the City. The Fiscal Year 2019 Adopted Budget includes (i) \$16.4 million for the Labor Reserve, and (ii) \$54.6 million for the Federal and State Funding Reserve, while the Twenty-Eighth Five-Year Plan estimates \$0.0 million and \$53.6 million for such reserves for Fiscal Year 2019, respectively. The Fiscal Year 2020 Adopted Budget includes (i) \$0.0 million for the Labor Reserve, and (ii) \$55.1 million for the Federal and State Funding Reserve, respectively. Any portion of such reserves that is not used to offset labor-related costs or costs related to cuts in federal or state funding, as applicable, will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

<sup>(8)</sup> In its Fiscal Year 2019 Adopted Budget, the City projected that Fiscal Year 2018 would end with a General Fund balance of \$228,545 million. In the Fiscal Year 2018 CAFR, the City reported that Fiscal Year 2018 ended with a General Fund balance of \$368,783 million. Such number has been included as the “Prior Year Fund Balance” in the Twenty-Eighth Five-Year Plan.

***The following discussion of the Fiscal Year 2019 Adopted Budget, the Twenty-Seventh Five-Year Plan, the Fiscal Year 2020 Adopted Budget, and the Twenty-Eighth Five-Year Plan, as applicable, is based, in part, on projections and forward-looking statements related to Fiscal Years 2019 and 2020. No assurance can be given that the applicable budget estimates and forward-looking statements will be realized. The accuracy of such budget estimates and forward-looking statements cannot be verified until after the close of the applicable Fiscal Year and the completion of the related audit.***

Fiscal Year 2019 Adopted Budget and Twenty-Seventh Five-Year Plan. On March 1, 2018, the Mayor submitted his proposed Fiscal Year 2019 budget to City Council, along with the proposed five-year plan for Fiscal Years 2019-2023. On June 21, 2018, City Council approved the Fiscal Year 2019 operating budget ordinance, which was signed by the Mayor on June 21, 2018 (the “Fiscal Year 2019 Adopted Budget”). On June 26, 2018, the City submitted to PICA its FY 2019-2023 Five Year Financial Plan Per Council Approved Budget (the “Twenty-Seventh Five-Year Plan”). PICA approved the Twenty-Seventh Five-Year Plan on July 25, 2018. On November 23, 2018, the City submitted a letter to PICA, which revised the Twenty-Seventh Five-Year Plan. Such letter indicated that a collective bargaining reopener was concluded with AFSCME DC 33 (as defined herein), which resulted in an agreement by the City to contribute \$28 million to AFSCME DC 33’s health plan in Fiscal Years 2019 and 2020.

Fiscal Year 2019 Current Estimate. The current estimate for Fiscal Year 2019 is derived from information included in the Twenty-Eighth Five-Year Plan. In the Twenty-Eighth Five-Year Plan, the City estimates that it will end Fiscal Year 2019 with a General Fund balance (on the legally enacted basis) of approximately \$297.7 million.

Fiscal Year 2020 Adopted Budget and Twenty-Eighth Five-Year Plan. The City’s proposed Fiscal Year 2020 operating budget was submitted by the Mayor to City Council on March 7, 2019, along with the City’s proposed five-year plan for Fiscal Years 2020-2024. On June 13, 2019, City Council approved the Fiscal Year 2020 operating budget ordinance, which was signed by the Mayor on June 18, 2019 (the “Fiscal Year 2020 Adopted Budget”).

On June 18, 2019, the City submitted to PICA its FY 2020-2024 Five Year Financial Plan Per Council Approved Budget (the “Twenty-Eighth Five-Year Plan”). PICA approved such plan on July 16, 2019. PICA staff, in recommending that PICA approve the Twenty-Eighth Five-Year Plan, noted that the revenue and expenditure projections presented in the Twenty-Eighth Five-Year Plan were [quoting from the PICA Act] “based on reasonable and appropriate assumptions and methods of estimation . . . consistently applied.” The PICA staff report concluded that “[a]lthough PICA is confident that the [Twenty-Eighth Five-Year Plan] is based on reasonable and appropriate assumptions, and year end fund balances are positive throughout the life of the [Twenty-Eighth Five-Year Plan], certain factors were identified that might present risks to the [Twenty-Eighth Five-Year Plan].” The PICA report identified such factors as: (i) the possibility of an economic recession over the period covered by the plan; (ii) the projected growth of the BIRT and the Real Property Transfer Tax; (iii) funding of the now locally controlled School District; and (iv) costs of funding increasing pension liabilities. The PICA staff report also highlighted certain other financial concerns that could impact the City’s financial condition, including, among others (a) future labor, overtime, and employee health benefit costs; (b) speculative revenues from sources such as locally generated non-tax revenue, revenue from other governments, and revenue from other funds; (c) real estate tax appeals; and (d) low projected General Fund balances, relative to the GFOA’s recommended levels.

For Fiscal Years 2020-2024, the Twenty-Eighth Five-Year Plan projects that the City will end such Fiscal Years with General Fund balances (on the legally enacted basis) of approximately (i) \$209.9 million (Fiscal Year 2020), (ii) \$156.0 million (Fiscal Year 2021), (iii) \$128.9 million (Fiscal Year 2022), (iv) \$147.6 million (Fiscal Year 2023), and (v) \$194.8 million (Fiscal Year 2024).

For more information on the City’s annual budget process under the City Charter and the five-year financial plans and quarterly reporting required under the PICA Act, see “– Budget Procedure,” “– Five-Year Plans of the City,” and “– Quarterly Reporting to PICA,” above.

## **REVENUES OF THE CITY**

### **General**

Prior to 1939, the City relied heavily on the real estate tax as the mainstay of its revenue system. In 1932, the General Assembly adopted an act (commonly referred to as the Sterling Act) under which the City is permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Acting under the Sterling Act and other Pennsylvania legislation, the City has taken various steps over the years to broaden its sources of income, including: (i) enacting the wage, earnings, and net profits tax in 1939; (ii) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (iii) requiring under the City Charter that the water, sewer, and other utility systems be fully self-sustaining; (iv) enacting the Mercantile License Tax (a gross receipts tax on business done within the City) in 1952, which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax (renamed the Business Income and Receipts Tax in May 2012), and (v) enacting the City Sales Tax (as defined herein) for City general revenue purposes effective beginning in Fiscal Year 1992.

### **Major Revenue Sources**

The City currently derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 for General Fund tax revenues for Fiscal Years 2016-2018, budgeted amounts and current estimates for Fiscal Year 2019, and budgeted amounts for Fiscal Year 2020. The following discussion of the City’s revenues does not take into account revenues in the non-debt related funds. The tax rates for Fiscal Years 2016 through 2018 are contained in the Fiscal Year 2018 CAFR.

Table 3 provides a detailed breakdown of the “Total Taxes” line from Table 1 above. Table 3 does not include “Revenues from Other Governments,” which consists of “Net PICA Taxes Remitted to the City” and “Other Revenue from Other Governments.” “Net PICA Taxes Remitted to the City” is set forth in Table 1 and a detailed breakdown of such revenues is shown in Table 43. “Other Revenue from Other Governments” is set forth in Table 1 and a detailed breakdown of such revenues is shown in Table 12.

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**Table 3**  
**General Fund Tax Revenues**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD) <sup>(1), (2), (3)</sup>**

	Actual 2016	Actual 2017	Actual 2018	Adopted Budget 2019 (June 21, 2018)	Current Estimate 2019 (June 18, 2019)	Adopted Budget 2020 (June 18, 2019)
<u>Real Property Taxes</u>						
Current	\$521.2	\$542.9	\$611.3	\$630.7	\$651.1	\$653.4
Prior	<u>50.4</u>	<u>44.2</u>	<u>39.1</u>	<u>38.3</u>	<u>38.3</u>	<u>37.6</u>
Total	<u>\$571.6</u>	<u>\$587.1</u>	<u>\$650.4</u>	<u>\$669.1</u>	<u>\$689.4</u>	<u>\$690.9</u>
<u>Wage and Earnings Tax<sup>(4)</sup></u>						
Current	\$1,364.6	\$1,440.6	\$1,536.9	\$1,580.3	\$1,566.3	\$1,628.3
Prior	<u>8.4</u>	<u>8.3</u>	<u>5.4</u>	<u>8.3</u>	<u>0.0</u>	<u>5.4</u>
Total	<u>\$1,373.0</u>	<u>\$1,448.9</u>	<u>\$1,542.3</u>	<u>\$1,588.6</u>	<u>\$1,566.3</u>	<u>\$1,633.7</u>
<u>Business Taxes</u>						
Business Income and Receipts Tax						
Current & Prior	<u>\$474.2</u>	<u>\$417.5</u>	<u>\$446.1</u>	<u>\$425.2</u>	<u>\$503.3</u>	<u>\$497.3</u>
<u>Net Profits Tax</u>						
Current	\$23.3	\$25.3	\$27.6	\$28.7	\$31.9	\$33.5
Prior	<u>2.1</u>	<u>(3.0)</u>	<u>4.7</u>	<u>2.5</u>	<u>4.7</u>	<u>4.7</u>
Subtotal Net Profits Tax	<u>\$25.4</u>	<u>\$22.3</u>	<u>\$32.3</u>	<u>\$31.2</u>	<u>\$36.6</u>	<u>\$38.2</u>
Total Business and Net Profits Taxes	<u>\$499.6</u>	<u>\$439.8</u>	<u>\$478.4</u>	<u>\$456.4</u>	<u>\$539.9</u>	<u>\$535.6</u>
<u>Other Taxes</u>						
Sales and Use Tax <sup>(5)</sup>	\$169.4	\$188.4	\$198.4	\$216.5	\$215.2	\$227.9
Amusement Tax	19.4	20.6	23.0	22.2	27.9	28.9
Real Property Transfer Tax	237.3	247.3	331.5	310.5	334.7	339.3
Parking Taxes	92.7	96.1	96.5	100.7	98.1	100.2
Other Taxes	<u>3.6</u>	<u>3.8</u>	<u>4.0</u>	<u>3.7</u>	<u>4.2</u>	<u>4.2</u>
Subtotal Other Taxes	<u>\$522.4</u>	<u>\$556.1</u>	<u>\$653.3</u>	<u>\$653.6</u>	<u>\$680.0</u>	<u>\$700.5</u>
Philadelphia Beverage Tax <sup>(6)</sup>	0.0	39.5	77.4	78.0	76.6	75.9
<b>TOTAL TAXES</b>	<b><u>\$2,966.6</u></b>	<b><u>\$3,071.4</u></b>	<b><u>\$3,401.8</u></b>	<b><u>\$3,445.7</u></b>	<b><u>\$3,552.3</u></b>	<b><u>\$3,636.5</u></b>

<sup>(1)</sup> Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019 (Adopted Budget), the Fiscal Year 2019 Adopted Budget. For Fiscal Year 2019 (Current Estimate), the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020 (Adopted Budget), the Fiscal Year 2020 Adopted Budget.

<sup>(2)</sup> See Table 7 in the Fiscal Year 2018 CAFR for tax rates.

<sup>(3)</sup> Figures may not sum due to rounding.

<sup>(4)</sup> Does not include the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA Bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.

<sup>(5)</sup> For more information on the City Sales Tax, see "– Sales and Use Tax" and Table 11.

<sup>(6)</sup> The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

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## Wage, Earnings, and Net Profits Taxes

The largest tax revenue source (comprising more than 46% of all tax revenues in Fiscal Year 2018) is the wage, earnings and net profits tax. The wage and earnings tax is collected from all employees working within City limits, and all City residents regardless of work location. The net profits tax is collected on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts within the City limits. The following table sets forth the resident and non-resident wage, earnings and net profits tax rates for Fiscal Years 2016-2020, the annual wage, earnings and net profits tax receipts in Fiscal Years 2016-2018, the budgeted amount and current estimate of such receipts for Fiscal Year 2019, and the budgeted amount of such receipts for Fiscal Year 2020.

**Table 4**  
**Summary of Wage, Earnings and Net Profits Tax Rates and Receipts**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)<sup>(1)</sup>**

Fiscal Year	Resident Wage, Earnings and Net Profits Tax Rates <sup>(2)</sup>	Non-Resident Wage, Earnings and Net Profits Tax Rates	Annual Wage, Earnings and Net Profits Tax Receipts (including PICA Tax) (Amounts in Millions of USD) <sup>(3)</sup>
2016	3.9102%	3.4828%	\$1,842.9 (Actual)
2017	3.9004%	3.4741%	\$1,940.4 (Actual)
2018	3.8907%	3.4654%	\$2,071.5 (Actual)
2019	3.8809%	3.4567%	\$2,135.8 (Adopted Budget)
			\$2,124.5 (Current Estimate)
2020	3.8712%	3.4481%	\$2,218.0 (Adopted Budget)

<sup>(1)</sup> See Table 7 in the Fiscal Year 2018 CAFR for tax rates for Fiscal Years 2016-2018. See the Twenty-Eighth Five-Year Plan for tax rates for Fiscal Years 2019-2020.

<sup>(2)</sup> Includes PICA Tax. See “DEBT OF THE CITY – PICA Bonds” for a description of the PICA Tax.

<sup>(3)</sup> Sources: For Fiscal Years 2016-2018, the City’s CAFRs for the City’s annual wage, earnings, and net profits tax receipts and the City’s Quarterly City Manager’s Reports for gross PICA Tax (see first column in Table 43). For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget and the Twenty-Eighth Five-Year Plan.

Commonwealth funding from gaming revenues is mandated by statute to be used to reduce the resident and nonresident wage tax rate. Gaming revenues have averaged approximately \$86.3 million in Fiscal Years 2016-2018. For Fiscal Year 2019, the budgeted amount and current estimate of gaming revenues is \$86.3 million. For Fiscal Year 2020, the budgeted amount of gaming revenues is \$86.3 million. The wage tax rates in such Fiscal Years reflect a rate reduction due to these revenues.

See “– Other Tax Rate Changes” herein, for information regarding wage and earnings tax rate reductions under the Twenty-Eighth Five-Year Plan.

In a 2015 decision by the Supreme Court of the United States (*Comptroller of the Treasury of Maryland v. Wynne*, 135 S. Ct. 1787 (2015)), a state’s failure to provide certain credits against its personal income tax was held to have violated the dormant Commerce Clause of the United States Constitution. Such personal income tax was applied to income earned outside of the state of residency, and residents were not given a credit for income taxes paid to the state where such income was earned, resulting, in the circumstances presented, in taxing income earned interstate at a rate higher than income earned intrastate. The City provides a credit to resident taxpayers against their respective wage, earnings, and net profits tax liabilities for similar taxes paid to another locality, but does not provide a credit for similar taxes paid to another state. Taxpayers have challenged the City’s refusal to grant a credit for taxes paid to other states and have appealed to the Commonwealth Court on such matters. To date, the City’s position has been

upheld by both the Tax Review Board and the Court of Common Pleas. The City estimates the cost of current appeals to be under \$3 million.

### **Business Income and Receipts Tax**

Pursuant to The First Class City Business Tax Reform Act of 1984, City Council imposed a business tax measured by gross receipts, net income or the combination of the two. The same year, City Council by ordinance repealed the Mercantile License Tax and the General Business Tax and imposed the Business Privilege Tax. As of May 1, 2012, the Business Privilege Tax was renamed the Business Income and Receipts Tax (or BIRT). The BIRT allows for particular allocations and tax computations for regulated industries, public utilities, manufacturers, wholesalers and retailers. Rental activities are usually considered to be business activities. Every estate or trust (whether the fiduciary is an individual or a corporation) must file a BIRT return if the estate or trust is engaged in any business or activity for profit within the City. There are also credit programs where meeting the requirement of the program allows for a credit against the BIRT. All persons subject to both the BIRT and the net profits tax are entitled to apply a credit of 60% of the net income portion of their BIRT liability against what is due on the net profits tax to the maximum of the net profits tax liability for that tax year.

In November 2011, legislation was enacted to halt a previously enacted program of reducing the gross receipts portion of the BIRT and to commence reductions in the net income portion of the BIRT to take effect in tax year 2014 with changes phasing in through tax year 2023. The following table provides a summary of BIRT rates for tax years 2012-2023. Future BIRT rates remain subject to amendment by action of City Council and the Mayor.

**Table 5**  
**Summary of Business Income and Receipts Tax Rates**

<u>Tax Year</u>	<u>Gross Receipts</u>	<u>Net Income</u>
2012	1.415 mills	6.45%
2013	1.415 mills	6.45%
2014	1.415 mills	6.43%
2015	1.415 mills	6.41%
2016	1.415 mills	6.39%
2017	1.415 mills	6.35%
2018	1.415 mills	6.30%
2019	1.415 mills	6.25%
2020	1.415 mills	6.20%
2021	1.415 mills	6.15%
2022	1.415 mills	6.10%
2023	1.415 mills	6.00%

The 2011 legislation incorporated several changes intended to help small and medium sized businesses and lower costs associated with starting a new business in order to stimulate new business formation and increase employment in the City, including the following: (i) the Commercial Activity License fee for all businesses was eliminated in 2014; (ii) business taxes for the first two years of operations for all new businesses with at least three employees in their first year and six employees in their second year were eliminated beginning in 2012; and (iii) across the board exclusions on the gross receipts portion of the BIRT were provided for all businesses phased in over a three-year period beginning in 2014 and eventually excluding the first \$100,000 of gross receipts, along with proportional reductions in the net income portion of the BIRT. The legislation also provided for implementation of single sales factor apportionment in 2015, which enables businesses to pay BIRT based solely on sales in the City, rather than on property or payroll.

By Fiscal Year 2023, the net income (profits) portion of the business tax is projected to reach 6.00%. In addition, legislation was enacted, effective for tax year 2019, to (i) eliminate the requirement for new businesses to make an estimated business tax payment when filing a return for their first tax year of business operations and (ii) allow such estimated payments in the second year to be made in quarterly installments.

## **Real Property Taxes**

Assessment and Collection. Taxes are levied on the assessed value of all taxable residential and commercial real property located within the City's boundaries for the City and for the School District (each, a "Real Estate Tax") as assessed by the Office of Property Assessment ("OPA") and collected by the Department of Revenue for both the City and the School District. Real Estate Taxes are authorized by Commonwealth law to be authorized by the City and the School District, with the millage split between the two taxes changing over the years. Currently, the City Real Estate Tax is equal to 45% of the total authorized millage and the School District Real Estate Tax is equal to 55% of the total authorized millage. Real Estate Taxes are levied on a calendar year basis. By separate ordinances, City Council authorizes and levies the rate of the City Real Estate Tax and authorizes the rate of the School District Real Estate Tax. The Board of Education levies all School District taxes, including the School District Real Estate Tax. Bills are sent in December for the following year and payments are due March 31. A discount of 1% is available for taxpayers who pay their Real Estate Taxes on or before the last day of February.

For tax year 2014, all properties in Philadelphia were reassessed at their actual market value by OPA under the Actual Value Initiative ("AVI") in order to replace outdated values and inequities within the system. Under AVI, the total assessed value of all properties more accurately reflected the market in the City and the total assessment grew substantially. As a result, the Mayor and City Council significantly reduced the Real Estate Tax rate to ensure that, in its first year, the reassessment resulted in the collection of approximately the same amount of Real Estate Taxes as the prior year (tax year 2013).

In order to mitigate any hardship that could be created by those large increases, the ordinance imposing the new Real Estate Tax rates included a homestead exemption of \$30,000 for all primary residential owner-occupants. In the Fiscal Year 2019 Adopted Budget, the homestead exemption was increased from \$30,000 to \$40,000 of assessed value. In the Fiscal Year 2020 Adopted Budget, the homestead exemption was increased from \$40,000 to \$45,000 of assessed value. In addition to the homestead exemption, the City has also instituted several other property tax relief programs for taxpayers.

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The Real Estate Tax rates for tax years 2014-2018 are set forth in Table 6 below:

**Table 6**  
**Real Estate Tax Rates and Allocations**

<u>Tax Year</u>	<u>City</u>	<u>School District</u>	<u>Total</u>
2014	0.6018%	0.7382%	1.3400%
2015	0.6018%	0.7382%	1.3400%
2016	0.6317%	0.7681%	1.3998%
2017	0.6317%	0.7681%	1.3998%
2018	0.6317%	0.7681%	1.3998%

For Fiscal Year 2018, the actual amount of Real Estate Tax revenue for the City was \$611.3 million (excluding delinquent collections). For Fiscal Year 2019, the budgeted amount and current estimate of Real Estate Tax revenue for the City was \$630.7 million (excluding delinquent collections) and \$651.1 million (excluding delinquent collections), respectively. For Fiscal Year 2020, the budgeted amount of Real Estate Tax revenue for the City is \$653.4 million (excluding delinquent collections). See Table 3 above. For information on the process for appealing a property tax assessment, see the text before and after Table 7 below.

Table 7 shows the assessed values of properties used for tax year 2019 and 2020 Real Estate Taxes.

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**Table 7**  
**Certified Property Values for Tax Years 2019 and 2020**

<b>Tax Year 2019</b>					
<b>Category</b>	<b>Market Value<sup>(1)</sup></b>	<b>Taxable Assessed Value</b>	<b>Exempt Assessed Value</b>	<b>Homestead</b>	<b># of Properties</b>
Single Family Residential	\$76,337,497,802	\$63,693,042,672	\$6,543,259,457	\$6,101,195,673	456,912
Multi-Family Residential (Apartments) <sup>(2)</sup>	28,194,802,390	21,211,968,649	6,767,586,691	215,247,050	41,682
Non-Residential <sup>(3)</sup>	55,366,091,000	28,318,047,365	27,017,571,335	30,472,300	37,096
Vacant Land	4,773,597,500	2,332,496,021	2,438,934,779	2,166,700	44,960
<b>Total</b>	<b>\$164,671,988,692</b>	<b>\$115,555,554,707</b>	<b>\$42,767,352,262</b>	<b>\$6,349,081,723</b>	<b>580,650</b>

<sup>1</sup> Assessment data current as of March 31, 2018.

<sup>2</sup> Apartments were split from the previous hotels and apartments category and are now reflected as multi-family residential.

<sup>3</sup> Includes commercial, industrial, store with dwelling, hotels, and motels.

<b>Tax Year 2020</b>					
<b>Category</b>	<b>Market Value<sup>(1)</sup></b>	<b>Taxable Assessed Value</b>	<b>Exempt Assessed Value</b>	<b>Homestead</b>	<b># of Properties</b>
Single Family Residential	\$79,112,006,350	\$63,891,731,827	\$6,964,128,995	\$8,256,145,528	457,631
Multi-Family Residential (Apartments) <sup>(2)</sup>	29,341,610,800	21,276,976,823	7,771,704,222	292,929,755	42,064
Non-Residential <sup>(3)</sup>	55,275,284,866	28,285,867,793	26,948,588,073	40,829,000	36,908
Vacant Land	4,534,177,300	2,121,913,727	2,409,942,273	2,321,300	44,722
<b>Total</b>	<b>\$168,263,079,316</b>	<b>\$115,576,490,170</b>	<b>\$44,094,363,563</b>	<b>\$8,592,225,583</b>	<b>581,325</b>

<sup>1</sup> Assessment data current as of March 31, 2019.

<sup>2</sup> Includes commercial, industrial, store with dwelling, hotels, and motels.

<sup>3</sup> Apartments were split from the previous hotels and apartments category and are now reflected as multi-family residential.

Assessment and Appeals. OPA is responsible for property assessments, while the Board of Revision of Taxes (“BRT”), an independent, seven-member board appointed by the Board of Judges of the Philadelphia Common Pleas Court, is the property assessment appeals board.

OPA certifies the market values by March 31 of the prior year (i.e., for tax year 2020, OPA certified the market values on March 31, 2019). Taxpayers base their appeals on the certified market values, and therefore, the assessed values are adjusted as the appeals are finalized. In some circumstances and for certain tax years, taxpayers are permitted, during the appeals process, to pay their property tax bills based on the certified market value of their properties from the prior assessment. For budgetary purposes, OPA provides updated assessment data to the Office of the Director of Finance in February of each year, from which Real Estate Tax projections are made. Certified values can vary substantially from the amounts included in such data and, as such, Real Estate Tax collections can also vary from the amounts included in the City’s annual operating budget.

Under AVI, OPA set up a new process called a first level review (“FLR”), where a taxpayer could request an administrative review of its assessment notice prior to launching a formal appeal with the BRT. The BRT has the authority, following a formal appeal, to either increase, decrease, or leave unchanged the property assessment. Some appeals are not resolved before bills are sent to taxpayers. As such, some property assessments are modified after taxpayers receive bills.

For tax year 2018, OPA revised the assessed values of over 60,000 parcels (which included properties of all categories, including commercial and residential parcels) throughout the City as part of its reassessment. In September 2017, the owners of multiple commercial properties in the City filed a lawsuit against the City in the Court of Common Pleas. The plaintiffs in such matter alleged, based on a July 2017 Pennsylvania Supreme Court decision, that OPA violated the uniformity clause of the Pennsylvania Constitution in reassessing commercial properties and not residential properties for tax year 2018. The plaintiffs sought declaratory relief, a permanent injunction, and an order directing OPA to recertify their properties at tax year 2017 values. Subsequently, ten additional cases were filed, asserting virtually the same claims. All of the cases, which encompass approximately 600 plaintiffs and approximately 700 properties, were consolidated for management purposes. In a ruling handed down on July 18, 2019, the Common Pleas Court found that plaintiffs were owed refunds for overpayments equal to the difference between the plaintiffs’ Real Estate Taxes for tax year 2017 and tax year 2018. The Court calculated the total amount of these refunds at \$48 million, with \$14 million allocated to the City and \$34 million allocated to the School District (such amounts may also be subject to post-judgment interest). The Common Pleas Court ruling has not been reduced to judgment and the City intends to challenge the ruling on post-verdict motions. The City will argue, inter alia, that the OPA assessments were consistent with prior law when they were made, and that the subsequent Pennsylvania Supreme Court decision on which plaintiffs relied could not be applied to retroactively invalidate the OPA assessments. As noted below, City-wide reassessments were conducted for tax years 2019 and 2020. As such, the City does not expect the Real Estate Taxes for such tax years to be impacted by the final judgment on this matter. For more general information on judgments and settlements on claims against the City, see “LITIGATION.”

For tax year 2019, OPA revised the assessed values of over 515,000 parcels throughout the City as part of its reassessment. As of June 25, 2019, OPA has received 20,753 FLRs, with approximately 400 that have yet to be decided. As of such date, BRT has received approximately 9,700 formal appeals, with approximately 4,500 that have yet to be decided.

For tax year 2020, OPA revised the assessed values of over 503,000 parcels throughout the City as part of its reassessment. As of June 25, 2019, OPA has received 9,521 FLRs.

Review of Assessment Methodology. In January 2019, City Council, the Mayor’s office, and the City Controller each released reports describing their respective reviews of OPA’s assessment methodology and process. Each of the reports indicated that OPA’s assessment methodology and processes could be more transparent and accurate.

The consultant engaged by the Mayor’s office made a number of recommendations to improve OPA’s assessment activities and the quality of assessments. Such recommendations include (i) reviewing all classifications of residential and non-residential properties, (ii) reviewing the assignment of construction grades and conditions codes for all residential properties, (iii) examining the reliability and consistency of commercial building grade and condition codes, (iv) maintaining flexibility provided by current valuation methods in the transition to the computer-assisted mass appraisal system program (“CAMA”), (v) hiring additional data analysis and property appraisal experts, (vi) improving and refining data collection and maintaining such data in the CAMA system, (vii) making valuation and assessment reports available on OPA’s website, (viii) documenting and explaining the assessment and valuation process to the public, (ix) developing a plan and guidelines to implement the recommendations and reporting on progress to the Chief Assessment Officer, and (x) temporarily changing the assessment calendar while the recommendations and CAMA system are implemented. While the City is reviewing the foregoing recommendations and working with OPA to implement such recommendations as appropriate, the City will not implement item (x) as the assessment calendar is based on Commonwealth law.

The City Controller’s report found that OPA met industry standards in a citywide ratio study for tax year 2019 and also recommended (a) addressing OPA assessments that are done on a geographical zone basis, which tend to overburden lower income neighborhoods in the City, (b) resolving land valuation non-uniformity, and (c) conducting annual reassessments on all properties to ensure that homeowners see smaller, incremental changes in their property assessment year-over-year, rather than the single-year increase seen in tax year 2019.

The City and OPA continue to review the recommendations contained in the foregoing reports and have begun implementing many of the recommendations. The City expects to continue working with OPA to implement additional recommendations, as appropriate.

Collection Initiatives. Since 2010, the City has pursued a number of initiatives to improve the collection of Real Estate Taxes, including (i) prompt correspondence with taxpayers with overdue Real Estate Taxes, (ii) using outside collection firms to collect overdue Real Estate Taxes, (iii) sequestration of delinquent properties occupied by commercial tenants, and (iv) tax lien sales.

Real Estate Tax Tables. See Table 8 below for data with respect to Real Estate Taxes levied from 2014 to 2018 and collected by the City from January 1, 2014 to June 30, 2018. See Table 9 for the assessed property values of the City’s principal taxable assessed parcels in 2019. See Table 10 for the 2019 market and assessed values of the ten highest valued taxable real properties in the City, as well as the amounts and duration of Real Estate Tax abatements with respect to such properties.

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**Table 8**  
**City of Philadelphia**  
**Real Property Taxes Levied and Collected**  
**For the Calendar Years 2014-2018**  
**(Amounts in Millions of USD)<sup>(1), (2)</sup>**

Calendar Year	Taxes Levied Based on Original Assessment <sup>(3)</sup>	Taxes Levied Based on Adjusted Assessment <sup>(4)</sup>	Collections in the Calendar Year of Levy <sup>(6)</sup>	Percentage Collected in the Calendar Year of Levy	Collections in Subsequent Years <sup>(5), (6)</sup>	Total Collections to Date: All Years <sup>(6)</sup>	Percentage Collected to Date: All Years <sup>(6)</sup>
2014	\$553.2	\$514.3	\$482.1	93.7%	\$27.4	\$509.5	99.1%
2015	\$547.4	\$517.1	\$489.1	94.6%	\$23.8	\$512.9	99.2%
2016	\$569.9	\$549.3	\$525.2	95.6%	\$16.2	\$541.4	98.6%
2017	\$580.5	\$565.0	\$542.9	96.1%	\$9.8	\$552.7	97.8%
2018	\$658.1	\$638.6	\$589.5	N/A	N/A	\$589.5	N/A

<sup>(1)</sup> Source: Fiscal Year 2018 CAFR.

<sup>(2)</sup> Real Estate Taxes are levied by the City and the School District. While this table reflects City General Fund Real Estate Tax revenues exclusively, the School District Real Estate Tax collection rates are the same.

<sup>(3)</sup> Taxes are levied on a calendar year basis. They are due on March 31.

<sup>(4)</sup> Adjustments include assessment appeals, a 1% discount for payment in full by February 28, the senior citizen tax discount, and the tax increment financing return of tax paid. For more information on the reassessment appeal process, see “– Real Property Taxes – Assessment and Appeals.”

<sup>(5)</sup> Includes payments from capitalization charges. This capitalization occurs one time, after the end of the first year of the levy, on any unpaid balances.

<sup>(6)</sup> For calendar year 2018, the data shown reflects collections through June 30, 2018. For earlier calendar years, the data shown reflects collections through December 31 of the respective year.

**Table 9**  
**Principal Taxable Assessed Parcels – 2019**  
**(Amounts in Millions of USD)<sup>(1)</sup>**

Taxpayer	2019	
	Assessment <sup>(2)</sup>	Percentage of Total Assessments
Liberty Property Phila	\$347.7	0.30%
EQC Nine Penn Center Prop	341.1	0.30
NG 1500 Market St LLC	339.7	0.30
Phila Liberty Place LP	305.1	0.30
Park Towne Place Assoc	302.6	0.20
Commerce Square Partners	258.0	0.20
Maguire / Thomas Partners	244.7	0.20
Philadelphia Market Street	244.2	0.20
Brandywine Operating	229.0	0.20
401 North Broad Fee Inter	<u>223.1</u>	<u>0.20</u>
Total	\$2,835.20	2.40%
Total Taxable Assessments <sup>(3)</sup>	<u>\$121,904.60</u>	

Source: City of Philadelphia, Office of Property Assessment.

(1) Figures may not sum due to rounding.

(2) Assessment Values rounded to the nearest \$100,000 and only include the largest assessed property for each taxpayer, additional properties owned by the same taxpayer are not included.

(3) Total 2019 Taxable Assessment as of March 31, 2018.

**Table 10**  
**Ten Largest Certified Market and Assessment Values of Tax-Abated Properties**  
**Certified Values for 2019**  
**(Amounts in Millions of USD)<sup>(1), (2)</sup>**

<b>Location</b>	<b>2019 Certified Market Value</b>	<b>Total Assessment</b>	<b>Total Taxable Assessment</b>	<b>Total Exempt Assessment</b>	<b>Exempt Through Tax Year</b>
1001-99 Delaware Ave	\$307.4	\$307.4	\$49.7	\$257.70	2026
1800 Arch St	\$270.0	\$270.0	\$27.0	\$243.00	2027
401 N Broad St	\$245.8	\$245.8	\$223.1	\$22.70	2026
1801 John F Kennedy Blvd	\$197.3	\$197.3	\$132.0	\$65.40	2024
1500-30 Spring Garden St	\$185.8	\$185.8	\$169.8	\$15.90	2020
450 N 18th St	\$144.2	\$144.2	\$14.4	\$129.70	2027
2116 Chestnut St	\$141.8	\$141.8	\$14.2	\$127.60	2023
500 N 21st St	\$132.1	\$132.1	\$13.2	\$118.90	2026
1213-19 Walnut St	\$128.9	\$128.9	\$12.9	\$116.00	2027
1919-43 Market St	\$125.0	\$125.0	\$12.5	\$112.50	2026

Source: City of Philadelphia, Office of Property Assessment.

<sup>(1)</sup> Figures may not sum due to rounding.

<sup>(2)</sup> Certified Values as of 3/31/2018.

## Sales and Use Tax

Pursuant to the authorization granted by the Commonwealth under the PICA Act, the City adopted a 1% sales and use tax (the “City Sales Tax”) for City general revenue purposes effective beginning in Fiscal Year 1992. It is imposed in addition to, and on the same basis as, the Commonwealth’s sales and use tax. Vendors are required to pay City Sales Taxes to the Commonwealth Department of Revenue together with the Commonwealth sales and use tax. The State Treasurer deposits the collections of City Sales Taxes 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’s budgets for Fiscal Years 2010-2014 provided for an increase in the City Sales Tax rate to 2%, as authorized by the Commonwealth effective October 8, 2009, through June 30, 2014. In July 2013, the Commonwealth authorized the implementation of a new, permanent 1% increase in the City Sales Tax rate effective July 1, 2014, which was adopted by the City on June 12, 2014 and became effective on July 1, 2014. Under the reauthorized City Sales Tax, the first \$120 million collected from such additional 1% is distributed to the School District. For Fiscal Years 2015-2018, the General Assembly authorized the City to use the next \$15 million of City Sales Tax revenues from such additional 1% collected in such Fiscal Years for the payment of debt service on obligations issued by the City for the benefit of the School District. Following such debt service payments, that remaining portion of the City Sales Tax revenues from such additional 1% distributed to the City is required to be used exclusively in accordance with Act 205 (as defined herein) and deposited to the Municipal Pension Fund.

The following table sets forth the City Sales Taxes collected in Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.



**Table 11**  
**Summary of City Sales Tax Collections**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD)<sup>(1)</sup>**

<u>Fiscal Year</u>	<u>City Sales Tax Collections</u>
2016 (Actual)	\$169.4 <sup>(2)</sup>
2017 (Actual)	\$188.4 <sup>(2)</sup>
2018 (Actual)	\$198.4 <sup>(2)</sup>
2019 (Adopted Budget)	\$216.5 <sup>(3)</sup>
2019 (Current Estimate)	\$215.2 <sup>(3)</sup>
2020 (Adopted Budget)	\$227.9 <sup>(3)</sup>

<sup>(1)</sup> Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.

<sup>(2)</sup> Net collections estimated to be distributed to the City (i) from the first 1% City Sales Tax, (ii) following the distribution of \$120 million of revenues from the second 1% City Sales Tax to the School District, and (iii) following the payment of debt service on obligations issued by the City for the benefit of the School District, as described above.

<sup>(3)</sup> Net collections estimated to be distributed to the City from the first 1% City Sales Tax and following the distribution of \$120 million of revenues from the second 1% City Sales Tax to the School District, as described above.

### **Real Property Transfer Tax**

Real Property Transfer Taxes are collected in connection with the sale of real property in the City. The Real Property Transfer Tax rate in the City is 4.278%, 3.278% of which is imposed by the City and 1% of which is charged by the Commonwealth. Revenues from this tax fell during the 2008 recession but have grown since such recession ended.

In the Twenty-Eighth Five-Year Plan, the City projects for Fiscal Years 2019-2024 that it will collect approximately (i) \$334.7 million (Fiscal Year 2019), (ii) \$339.3 million (Fiscal Year 2020), (iii) \$343.1 million (Fiscal Year 2021), (iv) \$357.4 million (Fiscal Year 2022), (v) \$370.6 million (Fiscal Year 2023), and (vi) \$353.6 million (Fiscal Year 2024) in revenues from the Real Property Transfer Tax in such Fiscal Years.

After significant growth through Fiscal Year 2018, changes in the property market in the City are projected to return to a more moderate level, with a reduction in revenue projected in Fiscal Year 2019, and relatively slow growth annually thereafter, mostly due to a "normalized" level for the commercial property market.

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## **Other Taxes**

The City also collects parking taxes, an amusement tax, a valet parking tax, an outdoor advertising tax, a smokeless tobacco tax, the Philadelphia Beverage Tax (see below), and other miscellaneous taxes.

In June 2016, City Council passed the Philadelphia Beverage Tax (Chapter 19-4100 of the Philadelphia Code) (the “Philadelphia Beverage Tax”). On October 31, 2016, the Department of Revenue adopted regulations for the Philadelphia Beverage Tax. The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

The Philadelphia Beverage Tax is deposited into the General Fund, and with the additional revenue, the City has budgeted for pre-Kindergarten, community schools, and debt service for improvements to parks, playgrounds, recreation centers, and libraries, as contemplated by the City’s Rebuild program. In the Fiscal Year 2018 CAFR, the City reported that it collected approximately \$77.4 million in revenues from the Philadelphia Beverage Tax for Fiscal Year 2018.

In the Twenty-Eighth Five-Year Plan, the City projects for Fiscal Years 2019-2024 that it will collect approximately (i) \$76.6 million (Fiscal Year 2019), (ii) \$75.9 million (Fiscal Year 2020), (iii) \$75.1 million (Fiscal Year 2021), (iv) \$74.4 million (Fiscal Year 2022), (v) \$73.6 million (Fiscal Year 2023), and (vi) \$72.9 million (Fiscal Year 2024) in revenues from the Philadelphia Beverage Tax in such Fiscal Years.

## **Improved Collection Initiative**

The City is pursuing a multifaceted strategy designed to improve collections of various taxes while decreasing delinquencies. Key compliance strategies continue to include revocation of commercial licenses and sequestration, among others.

In addition to compliance efforts, the City has been working on two projects – one to implement technology solutions for its cashiering and payments processing systems (completed) and another to develop an integrated data warehouse and case management system (ongoing). These initiatives are designed to improve operational efficiencies and drive compliance efforts by providing tools currently unavailable to the City.

## **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 following table presents revenues received from other governmental jurisdictions for Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, the budgeted amount for Fiscal Year 2020, and the percentage such revenues represent in the General Fund. The table does not reflect 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.

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**Table 12**  
**Revenue from Other Governmental Jurisdictions**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Dollar Amounts in Millions of USD)<sup>(1), (2), (3)</sup>**

<b>Fiscal Year</b>	<b>Commonwealth<sup>(4)</sup></b>	<b>Federal Government</b>	<b>Other Governments<sup>(5)</sup></b>	<b>Total</b>	<b>Percentage of General Fund Revenues</b>
2016 (Actual)	\$223.7	\$29.7	\$52.3	\$305.6	7.7%
2017 (Actual)	\$214.7	\$37.6	\$55.4	\$307.7	7.4%
2018 (Actual)	\$224.5	\$31.3	\$68.2	\$323.9	7.1%
2019 (Adopted Budget)	\$231.1	\$43.1	\$63.3	\$337.5	7.3%
2019 (Current Estimate) <sup>(1)</sup>	\$221.5	\$32.8	\$62.4	\$316.7	6.7%
2020 (Adopted Budget)	\$235.7	\$45.8	\$66.4	\$347.9	7.1%

<sup>(1)</sup> Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.

<sup>(2)</sup> Figures may not sum due to rounding.

<sup>(3)</sup> Does not include the PICA Tax.

<sup>(4)</sup> Such revenues are for health, welfare, court, and various other specified purposes.

<sup>(5)</sup> Such revenues primarily consist of payments from PGW, parking fines and fees from PPA, and other authorized adjustments.

### **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 only in a limited amount and upon satisfaction of certain other conditions.

Water Fund. The revenues of the Philadelphia Water Department (the "Water Department") are 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 (i) all Net Reserve Earnings and (ii) \$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, each as defined in the Water Ordinance.

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The following table shows the amounts transferred from the Water Fund to the General Fund for Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

**Table 13**  
**Transfers from Water Fund to General Fund (Excess Interest on Sinking Fund Reserve)**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)<sup>(1), (2)</sup>**

Fiscal Year	Amount Transferred
2016 (Actual)	\$1,555,702
2017 (Actual)	\$1,866,455
2018 (Actual)	\$1,627,838
2019 (Adopted Budget and Current Estimate)	\$1,500,000
2020 (Adopted Budget)	\$1,500,000

<sup>(1)</sup> Sources: For Fiscal Years 2015-2018, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.

<sup>(2)</sup> The Water Department's budgeted amount for such transfers is typically greater than the figure included in the City's operating budget.

The City also budgets for certain transfers from the Water Fund to the General Fund related to services performed and costs borne by the General Fund. For Fiscal Year 2018, the amount of such transfers was approximately \$7.3 million. For Fiscal Year 2019, the City budgeted approximately \$9.6 million for such transfers, while the current estimate for such transfers is approximately \$7.5 million. Fiscal Year 2020, the City budgeted approximately \$12.7 million for such transfers.

**PGW.** The revenues of PGW are required to be segregated from other funds of the City. Payments for debt service on PGW bonds are made directly by PGW. PGW is required to make an annual payment of \$18 million to the General Fund. The Fiscal Year 2020 Adopted Budget includes such \$18 million annual payment to the General Fund from PGW for such Fiscal Year. For more information on PGW, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services."

### **Philadelphia Parking Authority Revenues**

The 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 authorize the 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 PHL, and to administer the City's on-street parking program.

The PPA owns and operates five parking garages and a number of surface parking lots at PHL. The land on which these garages and surface lots are located is leased from the City, acting through the 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 expenses, debt service on the PPA's bonds issued to finance improvements at PHL, and reimbursement to the PPA for capital expenditures and prior year operating deficits relating to its operations at PHL, if any.

The PPA's administrative costs are a component of its operating expenses. In 1999, at the request of the FAA, the PPA and the City entered into a letter agreement (the "FAA Letter Agreement"), which contained a formula for calculating the PPA's administrative costs and capped such costs at 28% of the PPA's total administrative costs for all of its cost centers. The PPA owns and/or operates parking facilities at a number of locations in the City in addition to those at PHL. The PPA parking facilities at PHL are cost centers for purposes of the FAA Letter Agreement.

On-street parking revenues are administered and collected, on behalf of the City, by the PPA. Pursuant to Pennsylvania law, the PPA transmits these revenues to the City, net of any actual expenses incurred in the administration of the on-street parking system in accordance with the PPA's approved budget. If such net revenues exceed a designated threshold, then any excess above that threshold is to be transmitted to the School District. The current threshold is \$35 million and includes a mandatory escalator to take into account increases in revenues.

The following table presents payments received by the City from PPA for on-street parking for Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

**Table 14**  
**PPA On-Street Parking Payments to the City**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget )<sup>(1), (2)</sup>**  
**(Amounts in Millions of USD)**

Fiscal Year	Payments to the City
2016 (Actual)	\$33.7
2017 (Actual)	\$39.9
2018 (Actual)	\$41.3
2019 (Adopted Budget)	\$42.8
2019 (Current Estimate)	\$41.8
2020 (Adopted Budget)	\$45.8

<sup>(1)</sup> Sources: For Fiscal Years 2015-2018, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2019 Adopted Budget.

<sup>(2)</sup> Table 14 shows City revenues; none of such payments is transferred to the School District.

## Other Tax Rate Changes

The Twenty-Eighth Five-Year Plan includes reductions in both the resident and non-resident wage and earnings tax. The following table details rates under the Twenty-Eighth Five-Year Plan.

**Table 15**  
**Changes in Wage and Earnings Tax Rates<sup>(1)</sup>**

Fiscal Year	Twenty-Eighth Five-Year Plan	
	Resident Wage and Earnings Tax Rates <sup>(2)</sup>	Non-Resident Wage and Earnings Tax Rates
2019	3.8809%	3.4567%
2020	3.8712%	3.4481%
2021	3.8616%	3.4395%
2022	3.8519%	3.4309%
2023	3.8423%	3.4223%
2024	3.8327%	3.4137%

<sup>(1)</sup> Source: The Twenty-Eighth Five-Year Plan.

<sup>(2)</sup> Includes PICA Tax. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.



Under the Twenty-Eighth Five-Year Plan, receipts from the Wage and Earnings Tax are estimated to grow at a rate of 3.03% in Fiscal Year 2019, 4.30% in Fiscal Year 2020, 3.97% in Fiscal Year 2021, 3.84% in Fiscal Year 2022, 3.83% in Fiscal Year 2023, and 3.63% in Fiscal Year 2024.

## EXPENDITURES OF THE CITY

Three of the principal City expenditures are for personal services (personnel) (including pensions and other employee benefits), purchase of services (including payments to SEPTA), and debt service. The expenditures for personal services (personnel) and purchase of services are addressed below under this caption; debt service is addressed below under “DEBT OF THE CITY.”

### Personal Services (Personnel)

As of June 30, 2018, the City employed 27,867 full-time employees, representing approximately 4.2% of employees in Philadelphia (approximately 663,917 employees, according to preliminary, non-seasonally adjusted data from the Bureau of Labor Statistics). Of the 27,867 full-time employees, the salaries of 22,226 were paid from the General Fund. Additional sources of funding for full-time City employees include the Grants Revenue Fund, the Water Fund, and the Aviation Fund, as well as grants and contributions from other governments. Activities funded through such grants and contributions 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 16**  
**Filled, Full-Time Positions<sup>(1), (2)</sup>**

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2018</u>
<u>General Fund</u>					
Police	7,095	7,061	6,942	6,986	7,172
Fire	2,053	2,150	2,316	2,281	2,511
Courts	1,866	1,842	1,839	1,856	1,867
Prisons	2,268	2,286	2,289	2,277	2,177
Streets	1,684	1,664	1,676	1,702	1,738
Public Health	659	653	653	687	711
Human Services	382	395	449	385	517
All Other	<u>4,984</u>	<u>5,115</u>	<u>5,263</u>	<u>5,436</u>	<u>5,533</u>
<u>Total – General Fund</u>	<u>20,991</u>	<u>21,166</u>	<u>21,427</u>	<u>21,610</u>	<u>22,226</u>
<u>Other Funds</u>	<u>5,657</u>	<u>5,626</u>	<u>5,615</u>	<u>5,849</u>	<u>5,641</u>
<u>Total – All Funds</u>	<u>26,648</u>	<u>26,792</u>	<u>27,042</u>	<u>27,459</u>	<u>27,867</u>

<sup>(1)</sup> Source: Table P-1 in the City’s Quarterly City Manager’s Reports.

<sup>(2)</sup> Table 16 does not include seasonal or temporary employees.

### Overview of City Employees

The wages and benefits of City employees vary not only by position, but also by whether the employees are represented by a union and, if so, which union. Employee wages and benefits may also be impacted by whether the employee is subject to the civil service system or exempt from those rules. Thus, City employees may be broken down into three major categories for purposes of understanding how their wages and benefits are determined: (i) employees who are not subject to the civil service system (“exempt employees”); (ii) employees who fall under the civil service system but are not represented by a union

(“non-represented employees”); and (iii) employees who are subject to the civil service system and are represented by a union (“union employees”).

As of June 25, 2019, the City had over 24,000 unionized employees, representing approximately 80% of the City’s employees. Such employees were represented by the City’s four municipal unions: (i) Fraternal Order of Police (“FOP”) Lodge No. 5; (ii) International Association of Fire Fighters (“IAFF”) Local 22; (iii) American Federation of State, County and Municipal Employees District Council 33 (“AFSCME DC 33”); and (iv) American Federation of State, County and Municipal Employees District Council 47 (“AFSCME DC 47”). The foregoing unions are covered by bargaining agreements through June 30, 2020. Each such agreement contains pension reform terms, as described in more detail in Table 18 below.

In July 2016, a collective bargaining agreement was reached with AFSCME DC 33, which provides for salary increases, lump sum payments for health care, and a one-time bonus, among other things. This collective bargaining agreement was ratified on August 19, 2016. In November 2018, a collective bargaining reopener was concluded with AFSCME DC 33, which resulted in an agreement by the City to contribute \$28 million to AFSCME DC 33’s health plan in Fiscal Years 2019 and 2020.

On June 30, 2017, the labor agreements for FOP Lodge No. 5, IAFF Local 22, and AFSCME DC 47 expired. On August 15, 2017, a labor arbitration panel awarded the FOP Lodge No. 5 Labor Contract, a new three-year contract, reflecting annual raises ranging from 3.25% to 3.75% and resulting in a projected aggregate cost to the City of approximately \$247.22 million during Fiscal Years 2018-2022.

On March 13, 2018, an arbitration panel awarded a new three-year contract for the employees of the Philadelphia Sheriff’s Office and Register of Wills, reflecting annual raises ranging from 2.5% to 3.0% for Register of Wills employees and 3.0% to 3.25% for Sheriff’s Office employees and resulting in a projected aggregate cost to the City of approximately \$13.46 million during Fiscal Years 2018-2023.

On March 19, 2018, an arbitration panel awarded a new three-year contract for the public safety employees represented by DC 33 Local 159 and DC 33 Local 1637, reflecting annual raises ranging from 3.0% to 3.25% and resulting in a projected aggregate cost to the City of approximately \$50.28 million during Fiscal Years 2018-2023.

In May 2018, an arbitration panel awarded a new three-year contract for IAFF Local 22 (firefighters), reflecting annual raises ranging from 3.25% to 3.75% and resulting in a projected aggregate cost to the City of approximately \$144.58 million during Fiscal Years 2018-2023.

In June 2018, a new three-year collective bargaining agreement was reached with AFSCME DC 47, reflecting annual raises ranging from 2.5% to 3.0% and resulting in a projected aggregate cost to the City of approximately \$46.17 million during Fiscal Years 2018-2023.

The costs of the agreements discussed above have been included in the City’s five-year plans, as applicable. *See* “DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information” herein.

For more information on the current status of the interest arbitration awards that have been issued for, and contract settlements reached with, the City’s major labor organizations, as well as changes that have been made for non-represented employees, see Table 18.

Collective bargaining with respect to the wages, hours and other terms and conditions of employment of union employees, other than uniformed employees of the Police Department and the Fire Department, is governed by the Public Employee Relations Act (Pa. P.L. 563, No. 195 (1970)) (“PERA”).

PERA requires the City and the unions to negotiate in good faith to attempt to reach agreement on new contract terms and, if an impasse exists after such negotiations, to mediate through the Commonwealth Bureau of Mediation. Once the mediation procedures have been satisfied, and if no collective bargaining agreement has been reached, most employees covered by PERA are permitted to strike. Certain employees, however, including employees of the Sheriff's Office and the Register of Wills represented by the FOP, corrections officers represented by AFSCME DC 33, and employees of the First Judicial District represented by AFSCME DC 47, are not permitted to strike under PERA. These employees must submit any impasse to binding interest arbitration once the mediation procedures have been satisfied. PERA permits parties at an impasse, which are not required to submit to binding interest arbitration, to do so voluntarily. Provisions of an interest arbitration award issued under PERA that require legislative action are considered advisory only and the legislative body is permitted to meet, consider, and reject those provisions.

Uniformed employees of the Police Department and the Fire Department bargain under the Policemen and Firemen Collective Bargaining Act (Pa. P.L. 237, No. 111 (1968)) ("Act 111"), which provides for final and binding interest arbitration to resolve collective bargaining impasses and prohibits these employees from striking. Interest arbitration under Act 111 operates similarly to interest arbitration under PERA, but City Council is not permitted to reject the portions of an interest arbitration award that require legislative action. To the contrary, City Council is required to pass any legislation necessary to implement the award unless doing so would violate state or federal law. Thus, the arbitration panel has significant, although not limitless, power to issue an award on mandatory subjects of bargaining. As with interest arbitration under PERA, the arbitration panel cannot issue an award on a matter that is one of inherent managerial policy. In addition to the grounds available to challenge a PERA interest arbitration award on appeal, the PICA Act requires an Act 111 interest arbitration panel to, among other things, give substantial weight to the City's five-year plan and ability to pay for the cost of the award without negatively impacting services, and gives the City the right to appeal the award to the Court of Common Pleas if it believes the panel has failed to meet these responsibilities. If the arbitration panel fails to do so or, among other things, if it awards wages or benefits that exceed what is assumed in the most-recent five-year plan without substantial evidence in the record demonstrating that the City can afford these increases without adversely impacting service levels, the Court of Common Pleas is required to vacate the arbitration award and remand it to the arbitration panel.

### **Overview of Employee Benefits**

The City provides various pension, life insurance, and health benefits for its employees. The benefits offered depend on the employee's union status and bargaining unit, if applicable. General Fund employee benefit expenditures for Fiscal Years 2016 through 2020 are shown in the following table.

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**Table 17**  
**General Fund Employee Benefit Expenditures**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD)<sup>(1)</sup>**

	<u>Actual 2016</u>	<u>Actual 2017</u>	<u>Actual 2018</u>	<u>Adopted Budget 2019</u>	<u>Current Estimate 2019</u>	<u>Adopted Budget 2020</u>
Pension Costs <sup>(2)</sup>	\$622.1 <sup>(6)</sup>	\$665.2 <sup>(7)</sup>	\$742.2 <sup>(8)</sup>	\$719.8 <sup>(9)</sup>	\$719.1 <sup>(10)</sup>	\$749.1 <sup>(11)</sup>
Health <sup>(3)</sup>						
Payments under City-administered plan	72.5	83.8	81.6	98.3	102.0	90.0
Payments under union-administered plans	<u>339.0</u>	<u>345.3</u>	<u>336.6</u>	<u>383.5</u>	<u>398.2</u>	<u>400.0</u>
Total Health	411.5	429.1	418.2	481.8	500.2	490.0
Federal Insurance Contributions Act (FICA) Taxes <sup>(4)</sup>	71.7	75.1	80.4	78.6	78.6	84.5
Other <sup>(5)</sup>	<u>76.0</u>	<u>71.5</u>	<u>72.9</u>	<u>80.1</u>	<u>80.1</u>	<u>88.4</u>
<b>Total</b>	<b><u>\$1,181.3</u></b>	<b><u>\$1,241.0</u></b>	<b><u>\$1,314.0</u></b>	<b><u>\$1,360.2</u></b>	<b><u>\$1,378.0</u></b>	<b><u>\$1,412.0</u></b>

- <sup>(1)</sup> Source: From the City's five-year financial plans, except for "Payments under City-administered plan" and "Payments under union-administered plans," which were provided by the City, Department of Human Resources and the Office of Budget and Program Evaluation. Figures may not sum due to rounding.
- <sup>(2)</sup> Includes debt service on Pension Bonds (as defined herein) and the Commonwealth contributions to the Municipal Pension Fund. See Tables 29 and 30.
- <sup>(3)</sup> This breakdown of "Health" between "Payments under City-administered plan" and "Payments under union-administered plans" is an estimate of actual expenses. The City records the actual health expenses in one line item, which corresponds to the figures in "Total Health."
- <sup>(4)</sup> Includes payments of social security and Medicare taxes.
- <sup>(5)</sup> Includes payments for unemployment compensation, employee disability, group life, group legal, tool allowance, and flex cash payments.
- <sup>(6)</sup> Includes \$9.7 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
- <sup>(7)</sup> Includes \$19.2 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
- <sup>(8)</sup> Includes \$24.2 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
- <sup>(9)</sup> Assumes \$48.3 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
- <sup>(10)</sup> Assumes \$47.6 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
- <sup>(11)</sup> Assumes \$53.9 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

Each of the City's four municipal unions sponsors its own health plan that provides medical, prescription, dental and optical benefits to participating employees and eligible retirees through trusts on which the City has varying degrees of minority representation. Exempt and non-represented employees, along with represented employees of the Register of Wills and employees represented by AFSCME DC 33 who have chosen not to become members of the union's healthcare plan, receive health benefits through a plan sponsored and administered by the City. Each of the plans provides different benefits determined by the plan sponsor or through collective bargaining. To provide health care coverage, the City pays a negotiated monthly premium for employees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible employees. Aside from AFSCME DC 33, the City is responsible for the actual health care cost that is invoiced to the City's unions by their respective vendors. The actual cost can be a combination of self-insured claim expenses, premiums, ancillary services, and administrative expenses. In addition, employees who satisfy certain eligibility criteria receive five years of health benefits after their retirement. See "OTHER POST-EMPLOYMENT BENEFITS" below. Such benefits are determined and administered by the plan in which the employee participated at the time of his or her retirement. Other employee benefits, including life insurance and paid leave, are similarly determined by the respective collective bargaining agreements, as well as City policies and Civil Service Regulations. Employees also participate in the Municipal Pension Plan. See "PENSION SYSTEM" below.

## Overview of Current Labor Situation

Table 18 summarizes the current status of the interest arbitration awards that have been issued for, and contract settlements reached with, the City's major labor organizations, as well as changes that have been made for non-represented employees. It also provides a brief summary of pension reforms that have occurred since 2016.

**Table 18**  
**Status of Arbitration Awards and Labor Contract Settlements**

Authorized Number of Full- Time Citywide Employees Represented <sup>(1)</sup>	Status of Arbitration Award  <u>or Contract Settlement</u>	Wage Increases	Pension Reforms <sup>(2)</sup>
Organization FOP Lodge No. 5 (Police Department)	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on August 15, 2017	<ul style="list-style-type: none"><li>• 3.25% pay increase for Fiscal Year 2018</li><li>• 3.50% pay increase for Fiscal Year 2019</li><li>• 3.75% pay increase for Fiscal Year 2020</li></ul>	<ul style="list-style-type: none"><li>• Current employees in Plan 87 or Plan 10 will pay an additional .92% of salary effective 7/1/17, increasing by an additional .92% of salary effective 7/1/18 (total increase of 1.84%). These contributions are on top of the current 5% or 6% contribution rates in effect, varies by plan membership</li><li>• Employees hired on or after 7/1/17 will be required to pay an additional 2.5% of salary</li></ul>
FOP Lodge No. 5 (Sheriff's Office and Register of Wills)	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on March 13, 2018	<p>Sheriff's Office employees:</p> <ul style="list-style-type: none"><li>• 3.0% increase for Fiscal Year 2018</li><li>• 3.25% increase for Fiscal Year 2019</li><li>• 3.25% increase for Fiscal Year 2020</li></ul> <p>Register of Wills employees:</p> <ul style="list-style-type: none"><li>• 3.0% increase for Fiscal Year 2018</li><li>• 2.5% increase for Fiscal Year 2019</li><li>• 3.0% increase for Fiscal Year 2020</li></ul>	<ul style="list-style-type: none"><li>• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund</li><li>• Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$50,000 of earnings and a defined contribution pension for earnings above \$50,000</li><li>• Plan 10 closed to new enrollment for members of Lodge 5 but remains unchanged for other employee groups</li><li>• Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan</li><li>• DROP (as defined below) interest rate decreases from 4.5% to the rate on the one-year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll</li></ul>
IAFF Local 22	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on May 17, 2018;	<ul style="list-style-type: none"><li>• 3.25% pay increase for Fiscal Year 2018</li><li>• 3.5% pay increase for Fiscal Year 2019</li><li>• 3.75 % pay increase for Fiscal Year 2020</li></ul>	<ul style="list-style-type: none"><li>• Current employees in Plan 87 or Plan 10 will pay an additional .92% of salary effective 7/1/17, increasing by an additional .92% of salary effective 7/1/18 (total increase of 1.84%). These contributions are on top of the current 5% or 6% contribution rates in effect; varies by plan membership</li><li>• Employees hired on or after 7/1/17 will be required to pay an additional 2.5% of salary</li></ul>
AFSCME DC 33	Four-year contract term effective July 1, 2016 through June 30, 2020 (ratified on August 19, 2016)	<ul style="list-style-type: none"><li>• 3.0% pay increase for Fiscal Year 2017</li><li>• 3.0% pay increase for Fiscal Year 2018</li><li>• 2.5% pay increase for Fiscal Year 2019</li><li>• 3.0% pay increase for Fiscal Year 2020.</li></ul>	<ul style="list-style-type: none"><li>• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund</li><li>• Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000</li><li>• Plan 10 closed to new enrollment for members of DC33 but remains unchanged for other employee groups</li><li>• Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan</li><li>• DROP interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll</li></ul>

<sup>(1)</sup> From data provided by the Mayor's Office of Labor Relations on June 25, 2019.

<sup>(2)</sup> "Plan 87," "Plan 10," and "Plan 16" referenced in this column are described in Table 19.



Organization	Authorized Number of Full-Time Citywide Employees Represented <sup>(1)</sup>	Status of Arbitration Award or Contract Settlement	Wage Increases	Pension Reforms <sup>(2)</sup>
AFSCME DC 33, Local 159 Correctional Officers	2,124	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on March 19, 2018	<ul style="list-style-type: none"> <li>• 3.0% pay increase for Fiscal Year 2018</li> <li>• 3.25% pay increase for Fiscal Year 2019</li> <li>• 3.25% pay increase for Fiscal Year 2020</li> </ul>	<ul style="list-style-type: none"> <li>• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund</li> <li>• Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000</li> <li>• Plan 10 closed to new enrollment for members of DC33 but remains unchanged for other employee groups</li> <li>• Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan</li> <li>• DROP interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll</li> </ul>
AFSCME DC 47	3,707	Contract term from July 1, 2017 through June 30, 2020 (ratified on June 20, 2018)	<ul style="list-style-type: none"> <li>• 3.0% pay increase for Fiscal Year 2018</li> <li>• 2.5% pay increase for Fiscal Year 2019</li> <li>• 3.0% pay increase for Fiscal Year 2020</li> </ul>	<ul style="list-style-type: none"> <li>• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund (effective January 1, 2019)</li> <li>• Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019)</li> <li>• Plan 10 closed to new enrollment for members of DC47 (effective January 1, 2019)</li> <li>• Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan</li> </ul>
AFSCME DC 47 Local 810 Court Employees	477	Agreement ratified July 27, 2018 on economic terms for July 1, 2017 through June 30, 2020	<ul style="list-style-type: none"> <li>• 3.0% pay increase for Fiscal Year 2018</li> <li>• 2.5% pay increase for Fiscal Year 2019</li> <li>• 3.0% pay increase for Fiscal Year 2020</li> </ul>	<ul style="list-style-type: none"> <li>• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contribution to the pension fund (effective January 1, 2019)</li> <li>• Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019)</li> <li>• Plan 10 closed to new enrollment for members of DC47 (effective January 1, 2019)</li> <li>• Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid plan</li> </ul>
Non-Represented Employees	1,157	Changes for non-represented employees	<ul style="list-style-type: none"> <li>• 3.0% pay increase for Fiscal Year 2018</li> <li>• 2.5% pay increase for Fiscal Year 2019</li> </ul>	<ul style="list-style-type: none"> <li>• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contribution to the pension fund (effective January 1, 2019)</li> <li>• Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019)</li> <li>• Previous 2011 reforms to DROP program remain in place; interest rate was decreased from 4.5% to the rate on the one year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll and eligibility age remains increased by two years</li> </ul>

<sup>(1)</sup> From data provided by the Mayor's Office of Labor Relations on June 25, 2019.

<sup>(2)</sup> "Plan 87," "Plan 10," and "Plan 16" referenced in this column are described in Table 19.

Certain features of the 1987 Plan (“Plan 87”), the 2010 Plan (“Plan 10”), and the 2016 Plan (“Plan 16”) are summarized below. Plan 87 is solely a defined benefit plan. Plan 10 and Plan 16 are “hybrid” plans that include both defined benefit and defined contribution components. A more comprehensive summary of each plan is included as Appendix D of the July 1, 2018 Valuation (as defined herein). See “PENSION SYSTEM” below.

**Table 19**  
**Summary of Key Aspects of Plan 87, Plan 10, and Plan 16**

<b>Plan 87</b>	<b>Normal Retirement Eligibility</b>	<b>Average Final Compensation (“AFC”)</b>	<b>Defined Benefit – Retirement Benefits Multiplier</b>
Municipal (Plan Y)	Age 60 and 10 years of credited service <sup>(1)</sup>	Average of three highest calendar or anniversary years	<ul style="list-style-type: none"> <li>• (2.2% x AFC x years of service up to 10 years) plus (2.0% x AFC x numbers of years in excess of 10 years), subject to a maximum of 100% of AFC</li> </ul>
Police and Fire	Age 50 and 10 years of credited service <sup>(1)</sup>	Average of two highest calendar or anniversary years	<ul style="list-style-type: none"> <li>• (2.2% x AFC x years of service up to 20 years) plus (2.0% x AFC x numbers of years in excess of 20 years), subject to a maximum of 100% of AFC</li> </ul>
Elected Official (Plan L)	Age 55 and 10 years of credited service <sup>(2)</sup>	Average of three highest calendar or anniversary years	<ul style="list-style-type: none"> <li>• 3.5% x AFC x years of service, subject to a maximum of 100% of AFC</li> </ul>
<b>Plan 10</b>	<b>Normal Retirement Eligibility</b>	<b>Average Final Compensation (“AFC”)</b>	<b>Defined Benefit – Retirement Benefits Multiplier</b>
Municipal <sup>(3)</sup>	Age 60 and 10 years of credited service	Average of five highest calendar or anniversary years	<ul style="list-style-type: none"> <li>• 1.25% x AFC x years of service up to 20 years</li> </ul>
Police and Fire	Age 50 and 10 years of credited service	Average of five highest calendar or anniversary years	<ul style="list-style-type: none"> <li>• 1.75% x AFC x years of service up to 20 years</li> </ul>
-----			
<b>Defined Contribution</b>			
<ul style="list-style-type: none"> <li>• The City matches employee contributions at a 50% rate, with the total City match not to exceed 1.5% of compensation for each year.</li> <li>• After five years of credited service, the full amount in the account is distributed to the employee when he or she separates from City service.</li> <li>• The right to the portion of the account attributable to City contributions does not vest until the completion of five years of credited service.</li> </ul>			
<b>Plan 16</b>	<b>Normal Retirement Eligibility</b>	<b>Average Final Compensation (“AFC”)</b>	<b>Defined Benefit – Retirement Benefits Multiplier</b>
Municipal	Age 60 and 10 years of credited service	Lesser of (i) AFC under Plan Y (of Plan 87) (which is the average of three highest calendar or anniversary years) or (ii) \$50,000 (cap increases to \$65,000 on 1/1/2019)	<ul style="list-style-type: none"> <li>• (2.2% x AFC x years of service up to 10 years) plus (2.0% x AFC x numbers of years in excess of 10 years), subject to a maximum of 100% of AFC</li> </ul>
-----			
<b>Defined Contribution</b>			
<ul style="list-style-type: none"> <li>• Employees may voluntarily participate in the defined contribution portion; employee contributions vest immediately.</li> <li>• For employees with annual salaries above the cap, the City matches employee contributions at a 50% rate, with the total City match not to exceed 1.5% of compensation for each year (only if employee is contributing); the City’s matching contributions vest after five years of credited service.</li> <li>• The maximum annual employee contribution is \$18,000, excluding the City’s matching contributions.</li> </ul>			

<sup>(1)</sup> Five years of credited service for those who make additional contributions. See “PENSION SYSTEM – Pension System; Pension Board – Membership.”

<sup>(2)</sup> The lesser of two full terms or eight years of credited service for those elected officials who make additional contributions. See “PENSION SYSTEM – Pension System; Pension Board – Membership.”

<sup>(3)</sup> Under Plan 10 (Municipal), pension contributions freeze after 20 years. At such time and for each subsequent year, the employee’s pension payments remain fixed and the employee may no longer make pension contributions.

## Purchase of Services

The following table shows the City's major purchase of services, which represents one of the major classes of expenditures from the General Fund. Table 20 shows contracted costs of the City for Fiscal Years 2016-2018, the budgeted amounts and current estimates for Fiscal Year 2019, and the budgeted amounts for Fiscal Year 2020.

**Table 20**  
**Purchase of Services in the General Fund**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD)<sup>(1), (7)</sup>**

	<b>Actual 2016</b>	<b>Actual 2017</b>	<b>Actual 2018</b>	<b>Adopted Budget 2019</b>	<b>Current Estimate 2019</b>	<b>Adopted Budget 2020</b>
Human Services <sup>(2)</sup>	\$75.3	\$75.7	\$76.3	\$82.8	\$82.8	\$89.2
Public Health	64.9	70.7	72.7	92.9	74.9	90.2
Public Property <sup>(3)</sup>	155.0	158.5	157.4	162.2	162.7	172.5
Streets <sup>(4)</sup>	51.9	46.2	49.2	49.2	53.9	58.8
First Judicial District	17.7	12.1	13.5	8.5	8.5	8.5
Licenses & Inspections	10.4	12.0	11.6	13.6	13.9	14.4
Homeless Services <sup>(5)</sup>	37.1	38.0	39.2	43.6	47.3	50.0
Prisons	104.9	105.3	102.2	98.4	98.4	92.8
All Other <sup>(6)</sup>	305.0	332.9	369.0	400.7	412.1	424.7
<b>Total</b>	<b><u>\$822.2</u></b>	<b><u>\$851.4</u></b>	<b><u>\$891.1</u></b>	<b><u>\$951.7</u></b>	<b><u>\$954.5</u></b>	<b><u>\$1,001.3</u></b>

<sup>(1)</sup> For Fiscal Years 2016-2018, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.

<sup>(2)</sup> Includes payments for care of dependent and delinquent children.

<sup>(3)</sup> Includes payments for SEPTA, space rentals, and utilities.

<sup>(4)</sup> Includes solid waste disposal costs.

<sup>(5)</sup> Includes homeless shelter and boarding home payments.

<sup>(6)</sup> Includes the Convention Center subsidy, payments for vehicle leasing, and debt service on lease and service agreement financings, among other things.

<sup>(7)</sup> Figures may not sum due to rounding.

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## City Payments to School District

The following table presents the City's payments to the School District from the General Fund for Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

**Table 21**  
**City Payments to School District**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD)<sup>(1)</sup>**

	<b>Actual 2016</b>	<b>Actual 2017</b>	<b>Actual 2018</b>	<b>Adopted Budget 2019</b>	<b>Current Estimate 2019</b>	<b>Adopted Budget 2020</b>
City Payments to School District	\$104.2	\$104.3	\$104.3	\$180.9	\$185.8	\$222.5

<sup>(1)</sup> Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.

Beginning with the City's adopted budget for Fiscal Year 2016, the City implemented a \$25 million property tax increase and a \$10 million parking tax increase to benefit the School District. The figures above for Fiscal Years 2016-2020 reflect such increases.

For more discussion of the School District, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Mayoral-Appointed or Nominated Agencies* – The School District," above. For a discussion of changes in the funding provided by the City to the School District, see "REVENUES OF THE CITY – Sales and Use Tax." For a discussion of the transition to AVI and how such transition affects funding for the School District, see "REVENUES OF THE CITY – Real Property Taxes."

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## City Payments to SEPTA

SEPTA operates a public transportation system within the City and Bucks, Chester, Delaware, and Montgomery counties. SEPTA's operating budget is supported by federal, Commonwealth, and local subsidies, including payments from the City. The following table presents the City's payments to SEPTA from the General Fund for Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

**Table 22**  
**City Payments to SEPTA**  
**Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)**  
**(Amounts in Millions of USD)<sup>(1)</sup>**

	<b>Actual 2016</b>	<b>Actual 2017</b>	<b>Actual 2018</b>	<b>Adopted Budget and Current Estimate 2019</b>	<b>Adopted Budget 2020</b>
City Payment to SEPTA	\$74.2	\$79.7	\$81.9	\$84.6	\$87.6

<sup>(1)</sup> Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.

The City budgets operating subsidies each Fiscal Year to match the estimated operating subsidies of the Commonwealth under Act 89. The state operating subsidy is funded through the Pennsylvania Public Transportation Trust Fund as created by Act 44 of 2007, amended by Act 89 of 2013. The local match requirement is calculated to match state operating subsidies. In addition, local matching funds must be appropriated each Fiscal Year in which state funds are received in order for SEPTA to receive the full allocation of state funds. The Twenty-Eighth Five-Year Plan projects annual operating subsidy payments to SEPTA from the City will increase to \$101.9 million by Fiscal Year 2024. For more information on SEPTA, see APPENDIX C – "TRANSPORTATION – Southeastern Pennsylvania Transportation Authority (SEPTA)."

## City Payments to Convention Center Authority

In connection with the financing of the expansion to the Pennsylvania Convention Center and the refinancing of debt for the original Pennsylvania Convention Center construction, the Commonwealth, the City, and the Convention Center Authority entered into an operating agreement in 2010 (the "Convention Center Operating Agreement"). The Convention Center Operating Agreement provides for the operation of the Convention Center by the Convention Center Authority and includes an annual service fee of \$15,000,000 from the City to the Convention Center Authority in each Fiscal Year through Fiscal Year 2040.

As authorized by ordinance, the City has agreed to pay to the Convention Center Authority on a monthly basis a certain percentage of hotel room taxes and hospitality promotion taxes collected during the term of the Convention Center Operating Agreement. The remaining percentages of such taxes are paid to the City's tourism and marketing agencies. The General Fund does not retain any portion of the proceeds of the hotel room rental tax or the hospitality promotion tax.



## PENSION SYSTEM

*The amounts and percentages set forth under this heading relating to the City's pension system, including, for example, actuarial liabilities and funded ratios, are based upon numerous demographic and economic assumptions, including the investment return rates, inflation rates, salary increase rates, post-retirement mortality, active member mortality, rates of retirement, etc. The reader is cautioned to review and carefully consider the assumptions set forth in the documents that are cited as the sources for the information in this section. In addition, the reader is cautioned that such sources and the underlying assumptions speak as of their respective dates, and are subject to changes, any of which could cause a significant change in the unfunded actuarial liability.*

### Overview

The City faces significant ongoing financial challenges in meeting its pension obligations, including an unfunded actuarial liability ("UAL") of approximately \$6.1 billion as of July 1, 2018. In Fiscal Year 2018, the City's contribution to the Municipal Pension Fund was approximately \$782.0 million, of which the General Fund's share (including the Commonwealth contribution) was \$632.1 million. *See Table 29.* The City's aggregate pension costs (consisting of payments to the Municipal Pension Fund and debt service on the Pension Bonds (as defined herein)) have increased from approximately 10.20% of the City's General Fund budget to approximately 15.21% of the General Fund budget from Fiscal Years 2009 to 2018. *See Table 31.* As reflected in the Funded Ratio chart following Table 28, the funded ratio of the Municipal Pension Plan was 76.7% on July 1, 1999 (at which time the UAL was approximately \$1.4 billion), and was 46.8% on July 1, 2018.

The decline in the Municipal Pension System's funded status and the net growth of the unfunded liability is the product of a number of factors, including the following:

- The declines in the equity markets in 2000-2001 and in 2008-2009. *See Table 24 and the Funded Ratio chart below Table 28.*
- A reduction in the assumed rate of return, from 8.75% in 2009 to 7.55% effective July 1, 2019 (i.e., Fiscal Year 2020). Although the gradual reductions in the assumed rates of return reflected in Table 24 are considered a prudent response to experience studies, by reducing the assumed return in the measurement of the actuarial liabilities, it serves to increase the UAL from what it otherwise would have been.
- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary.
- The Municipal Pension Plan is a mature system, which means the number of members making contributions to the Municipal Pension Plan is less than the number of retirees and other beneficiaries receiving payments from the Municipal Pension Plan, by approximately 8,900. As a result, the aggregate of member contributions and the City's contributions are less than the amount of benefits and refunds payable in most years, with the result that in such years investment income must be relied upon to meet such difference before such income can contribute to an increase in the Municipal Pension System's assets growth. *See Table 26* (which reflects that in Fiscal Year 2018); however, the aggregate of member contributions and the City's contribution exceeded the amount of benefits and refunds payable in such Fiscal Year.

- The determination by the City, commencing in Fiscal Year 2005, to fund in accordance with the “minimum municipal obligation” (“MMO”), as permitted and as defined by Pennsylvania law, in lieu of the City Funding Policy (as defined herein), resulted in the City contributing less than otherwise would have been contributed. *See* “– Funding Requirements; Funding Standards” below.
- Revising, in Fiscal Year 2009, in accordance with Pennsylvania law, the period over which the UAL was being amortized, such that the UAL as of July 1, 2009 was “fresh started” to be amortized over a 30 year period ending June 30, 2039. In addition, changes were made to the periods over which actuarial gains and losses and assumption changes were amortized under Pennsylvania law. *See* “UAL and its Calculation – Actuarial Valuations.”

The City has taken a number of steps to address the funding of the Municipal Pension Plan, including the following:

- Reducing the assumed rate of return on a gradual and consistent basis, which results in the City making larger annual contributions. *See* Table 24 below.
- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary.
- In conjunction with the revisions to the amortization periods that occurred in Fiscal Year 2009, changing from a level percent of pay amortization schedule to a level dollar amount schedule. This results in producing payments that ensure that a portion of principal on the UAL is paid each year.
- Funding consistently an amount greater than the MMO (subject to the authorized deferrals for Fiscal Years 2010 and 2011 described below). *See* Table 29.
- Negotiating collective bargaining agreements by which additional contributions are being made (and will be made) by certain current (and future) members and by which benefits will be capped for certain future members of the Municipal Pension Plan. *See* Table 18.
- Securing additional funding, including funds required to be deposited by the City to the Municipal Pension Fund from its share of sales tax revenue.
- Adopting a Revenue Recognition Policy (defined and described below), by which sources of anticipated additional revenue that will be received by the System are specifically dedicated toward paying down the unfunded pension liability and not to reducing future costs of the City. The additional revenue is tracked and accumulated in a notional account, which is then deducted from the Actuarial Asset Value to determine the contribution under the Revenue Recognition Policy. As a result, such contribution is higher than the MMO.
- Changing the investment strategy to increase the use of passive investment vehicles, which has resulted in increased returns and decreased fees.

This “Overview” is intended to highlight certain of the principal factors that led to the pension system’s current funded status, and significant steps the City and the Pension Board (as defined herein) have taken to address the underfunding. The reader is cautioned to review with care the more detailed information presented below under this caption, “PENSION SYSTEM.”

## **Pension System; Pension Board**

The City maintains two defined-benefit pension programs: (i) the Municipal Pension Plan, a single employer plan, which provides benefits to police officers, firefighters, non-uniformed employees, and non-represented appointed and elected officials, and (ii) the PGW Pension Plan, a single employer plan, which provides benefits to PGW employees. The Municipal Pension Plan is administered through 20 separate benefit structures, the funding for which is accounted for on a consolidated basis by the Municipal Pension Fund. Such benefit structures establish for their respective members different contribution levels, retirement ages, etc., but all assets are available to pay benefits to all members of the Municipal Pension Plan. The Municipal Pension Plan is a mature plan, initially established in 1915, with net investment assets that totaled approximately \$5.3 billion as of June 30, 2018. The Municipal Pension Plan has approximately 28,800 members who make contributions to the plan, and provides benefits to approximately 37,700 retirees and other beneficiaries.

PGW is principally a gas distribution facility owned by the City. For accounting presentation purposes, PGW is a component unit of the City and follows accounting rules as they apply to proprietary fund-type activities. The PGW Pension Plan is funded with contributions by PGW to such plan, which are treated as an operating expense of PGW, and such plan is not otherwise addressed under the caption “PENSION SYSTEM.” *See* “PGW PENSION PLAN” below.

Contributions are made by the City to the Municipal Pension Fund from: (i) the City’s General Fund; (ii) funds that are received by the City from the Commonwealth for deposit into the Municipal Pension Fund; and (iii) various City inter-fund transfers, representing amounts contributed, or reimbursed, to the City’s General Fund for pensions from the City’s Water Fund, Aviation Fund, and certain other City funds or agencies. *See* Table 29. In addition to such City (employer) contribution, the other principal additions to the Municipal Pension Fund are: (i) member (employee) contributions; (ii) interest and dividend income; (iii) net appreciation in asset values; and (iv) net realized gains on the sale of investments. *See* Table 26 below. An additional source of funding is that portion of the 1% Sales Tax rate increase that is required under Pennsylvania law to be deposited to the Municipal Pension Fund. *See* “REVENUES OF THE CITY – Sales and Use Tax.”

The City of Philadelphia Board of Pensions and Retirement (the “Pension Board”) was established by the City Charter to administer “a comprehensive, fair and actuarially sound pension and retirement system covering all officers and employees of the City.” The City Charter provides that the Pension Board “shall consist of the Director of Finance, who shall be its chairman, the Managing Director, the City Controller, the City Solicitor, the Personnel Director and four other persons who shall be elected to serve on the Board by the employees in the civil service in such manner as shall be determined by the Board.” In addition, there is one non-voting member on the Pension Board, who is appointed by the President of City Council. An Executive Director, together with a budgeted staff of 73 personnel, administers the day-to-day activities of the retirement system, providing services to approximately 66,600 members.

The Municipal Pension Plan, the Municipal Pension Fund, and the Pension Board are for convenience sometimes collectively referred to under this caption as the “Municipal Retirement System.”

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Membership. The following table shows the membership totals for the Municipal Pension Plan, as of July 1, 2018 and as compared to July 1, 2017.

**Table 23**  
**Municipal Pension Plan – Membership Totals**

	<u>July 1, 2018</u>	<u>July 1, 2017</u>	<u>% Change</u>
Actives	28,845	28,615	0.8%
Terminated Vesteds	1,074	1,157	-7.2%
Disabled	3,890	3,942	-1.3%
Retirees	22,275	22,288	-0.1%
Beneficiaries	8,547	8,552	-0.1%
Deferred Retirement Option Plan (“DROP”)	<u>1,944</u>	<u>1,767</u>	10.0%
Total City Members	66,575	66,321	0.4%
Annual Salaries	\$1,805,400,096	\$1,744,728,288	3.5%
Average Salary per Active Member	\$62,590	\$60,973	2.7%
Annual Retirement Allowances	\$761,946,574	\$750,204,529	1.6%
Average Retirement Allowance	\$21,951	\$21,569	1.8%

Source: July 1, 2018 Valuation.

As shown in Table 23, total membership in the Municipal Pension Plan increased by 0.4%, or from 66,321 to 66,575 members, from July 1, 2017 to July 1, 2018, including an increase of 0.8% in active members from 28,615 to 28,845 (who were contributing to the Municipal Pension Fund). Of the 66,575 members, 37,730 were retirees, beneficiaries, disabled, and other members (who were withdrawing from, or not contributing to, the Municipal Pension Fund).

Subject to the exceptions otherwise described in this paragraph, employees and officials become vested in the Municipal Pension Plan upon the completion of ten years of service. Employees and appointed officials who hold positions that are exempt from civil service and who are not entitled to be represented by a union, and who were hired before January 13, 1999, may elect accelerated vesting after five years of service in return for payment of a higher employee contribution than if the vesting period were ten years. Such employees and officials become vested after five years of service if hired after January 13, 1999 or seven years of service if hired after January 1, 2019, and pay a higher employee contribution than if the vesting period were ten years. Elected officials become vested in the Municipal Pension Plan once they complete service equal to the lesser of two full terms in their elected office or eight years and pay a higher contribution than if the vesting period were ten years. Elected officials pay an additional employee contribution for the full cost of the additional benefits they may receive over those of general municipal employees. Upon retirement, employees and officials may receive up to 100% of their average final compensation depending upon their years of credited service and the plan in which they participate.

All City employees participate in the U.S. Social Security retirement system except for uniformed Police and uniformed Fire employees.

Certain membership information relating to the City’s municipal retirement system provided by the Pension Board is set forth in Appendix A to the July 1, 2018 Actuarial Valuation Report (the “July 1, 2018 Valuation”) and includes as of July 1, 2018, among other information, active and non-active member data by plan, age/service distribution for active participants and average salary for all plans, and age and benefit distributions for non-active member data.

## **Funding Requirements; Funding Standards**

City Charter. The City Charter establishes the “actuarially sound” standard quoted above. Case law has interpreted “actuarially sound” as used in the City Charter to require the funding of two components: (i) “normal cost” (as defined below) and (ii) interest on the UAL. (*Dombrowski v. City of Philadelphia*, 431 Pa. 199, 245 A.2d 238 (1968)).

Pennsylvania Law. The Municipal Pension Plan Funding Standard and Recovery Act (Pa. P.L. 1005, No. 205 (1984)) (“Act 205”), applies to all municipal pension plans in Pennsylvania, “[n]otwithstanding any provision of law, municipal ordinance, municipal resolution, municipal charter, pension plan agreement or pension plan contract to the contrary . . . .” Act 205 provides that the annual financial requirements of the Municipal Pension Plan are: (i) the normal cost; (ii) administrative expense requirements; and (iii) an amortization contribution requirement. In addition, Act 205 requires that the MMO be payable to the Municipal Pension Fund from City revenues, and that the City shall provide for the full amount of the MMO in its annual budget. The MMO is defined as “the financial requirements of the pension plan reduced by . . . the amount of any member contributions anticipated as receivable for the following year.” Act 205 further provides that the City has a “duty to fund its municipal pension plan,” and the failure to provide for the MMO in its budget, or to pay the full amount of the MMO, may be remedied by the institution of legal proceedings for mandamus.

In accordance with Pennsylvania law and Act 205, the City uses the entry age normal actuarial funding method, whereby “normal cost” (associated with active employees only) is the present value of the benefits that the City expects to become payable in the future distributed evenly as a percent of expected payroll from the age of first entry into the plan to the expected age at retirement. The City’s share of such normal cost (to which the City adds the Plan’s administrative expenses) is reduced by member contributions. The term “level” means that the contribution rate for the normal cost, expressed as a percentage of active member payroll, is expected to remain relatively level over time.

The City has budgeted and paid at least the full MMO amount since such requirement was established, and more specifically, prior to Fiscal Year 2005 the City had been contributing to the Municipal Pension Plan the greater amount as calculated pursuant to the City Funding Policy which was implemented before Act 205 was effective, as described below. Beginning in Fiscal Year 2018, the City is contributing under the Revenue Recognition Policy (defined below), which requires higher contribution amounts than under the MMO. Payment of the MMO is a condition for receipt of the Commonwealth contribution to the Municipal Pension Fund. *See* Table 29.

Act 205 was amended in 2009 by Pa. P.L. 396, No. 44 (“Act 44”) to authorize the City to: (i) “fresh start” the amortization of the UAL as of July 1, 2009 by a level annual dollar amount over 30 years ending June 30, 2039; and (ii) revise the amortization periods for actuarial gains and losses and assumption changes in accordance with Act 44, as described below under “UAL and its Calculation – Actuarial Valuations.” In addition, Act 44 authorized the City to defer, and the City did defer, \$150 million of the MMO otherwise payable in Fiscal Year 2020, and \$80 million of the MMO otherwise payable in Fiscal Year 2011, subject to repayment of the deferred amounts by June 30, 2014. The City repaid the aggregate deferred amount of \$230 million, together with interest at the then-assumed interest rate of 8.25%, in Fiscal Year 2013. *See* Table 29. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year’s difference would be established and amortized over their own 20-year schedule.



GASB; City Funding Policy. Governmental Accounting Standards Board (“GASB”) Statement No. 27, “Accounting for Pensions by State and Local Governmental Employers” (“GASB 27”), applied to the City for Fiscal Years beginning prior to July 1, 2014. For the Fiscal Year beginning July 1, 2014, GASB Statement No. 68 (“GASB 68”), which amends GASB 27 in several significant respects, applies. GASB 27 defined an “annual required contribution” (“ARC”) as that amount sufficient to pay (i) the normal cost and (ii) the amortization of UAL, and provides that the maximum acceptable amortization period is 30 years (for the initial 10 years of implementation, 1996-2006, a 40-year amortization period was permitted). GASB 27 did not establish funding requirements for the City but rather was an accounting and financial reporting standard. GASB 68 does not require the calculation of an ARC but does require the City to include as a liability on its balance sheet the City’s “net pension liability,” as defined by GASB 68. The City has been funding the Municipal Pension Fund since Fiscal Year 2003 based on the MMO (at a minimum), including the deferral permitted by Act 44. *See Table 29 below.*

The City, prior to Fiscal Year 2005, had been funding the Municipal Pension Fund in accordance with what the City referred to as the “City Funding Policy.” That reference was used and continues to be used in the Actuarial Reports. Under the City Funding Policy, the UAL as of July 1, 1985 was to be amortized over 34 years ending June 30, 2019, with payments increasing at 3.3% per year, the assumed payroll growth. Other changes in the actuarial liability were amortized in level-dollar payments over various periods as prescribed in Act 205. In 1999, the City issued pension funding bonds, the proceeds of which were deposited directly into the Municipal Pension Fund to pay down its UAL. *See “– Annual Contributions – Annual Debt Service Payments on the Pension Bonds” below.*

Revenue Recognition Policy. The City follows a policy (the “Revenue Recognition Policy”) to contribute each year to the Municipal Pension Fund an amount in excess of the MMO. The determination for such additional funding is based on not including (i) the portion of the amounts generated by the increase in the Sales Tax rate that became effective on July 1, 2014 and are required by Act 205 to be deposited to the Municipal Pension Fund (*see* “REVENUES OF THE CITY – Sales and Use Tax”), (ii) contributions to be made by City employees that are under Plan 16 (described above in the text that immediately follows Table 19), and (iii) additional member contributions for current and future members in Plan 87 Police, in the actuarial asset value when determining the annual contribution obligation.

The amounts projected by the City in the Twenty-Eighth Five-Year Plan to be deposited from Sales Tax revenue into the Municipal Pension Fund, for the six Fiscal Years 2019-2024, respectively, are as follows: \$47.6 million; \$53.9 million; \$59.4 million; \$64.8 million; \$70.3 million; and \$75.0 million.

## **UAL and its Calculation**

According to the July 1, 2018 Valuation, the funded ratio (the valuation of assets available for benefits to total actuarial liability) of the Municipal Pension Fund as of July 1, 2018 was 46.8% and the Municipal Pension Fund had an unfunded actuarial liability (“UAL”) of \$6.124 billion. The UAL is the difference between total actuarial liability (\$11.521 billion as of July 1, 2018) and the actuarial value of assets (\$5.397 billion as of July 1, 2018).

Key Actuarial Assumptions. In accordance with Act 205, the actuarial assumptions must be, in the judgment of both Cheiron (the independent consulting actuary for the Municipal Pension Fund) and the City, “the best available estimate of future occurrences in the case of each assumption.” The assumed investment return rate used in the July 1, 2018 Valuation was 7.60% a year (which includes an inflation assumption of 2.75%), net of administrative expenses, compounded annually. For the prior actuarial valuation, the assumed investment return rate was 7.65%. *See Table 24 for the assumed rates of return for Fiscal Years 2009 to 2018.* The 7.65% was used to establish the MMO payment for Fiscal Year 2018;

7.60% will be used to establish the MMO payment for Fiscal Year 2019; 7.55% will be used to establish the MMO payment for Fiscal Year 2020.

Other key actuarial assumptions in the July 1, 2018 Valuation include the following: (i) total annual payroll growth of 3.30%, (ii) annual administrative expenses assumed to increase 3.30% per year, (iii) to recognize the expense of the benefits payable under the Pension Adjustment Fund (as described below), actuarial liabilities were increased by 0.54%, based on the statistical average expected value of the benefits, (iv) a vested employee who terminates will elect a pension deferred to service retirement age so long as their age plus years of service at termination are greater than or equal to 55 (45 for police and fire employees in the 1967 Plan), (v) for municipal and elected members, 65% of all disabilities are ordinary and 35% are service-connected, and (vi) for police and fire members, 25% of all disabilities are ordinary and 75% are service-connected.

“Smoothing Methodology”. The Municipal Retirement System uses an actuarial value of assets to calculate its annual pension contribution, using an asset “smoothing method” to dampen the volatility in asset values that could occur because of fluctuations in market conditions. The Municipal Retirement System used a five-year smoothing prior to Fiscal Year 2009, and beginning with Fiscal Year 2009 began employing a ten-year smoothing. Using the ten-year smoothing methodology, investment returns in excess of or below the assumed rate are prospectively distributed in equal amounts over a ten-year period, subject to the requirement that the actuarial value of assets will be adjusted, if necessary, to ensure that the actuarial value of assets will never be less than 80% of the market value of the assets, nor greater than 120% of the market value of the assets. The actuarial value of assets as of July 1, 2018, was approximately 101.1% of the market value of the assets, as compared to 104.8% as of July 1, 2017.

Actuarial Valuations. The Pension Board engages an independent consulting actuary (currently Cheiron) to prepare annually an actuarial valuation report. Act 205, as amended by Act 44, establishes certain parameters for the actuarial valuation report, including: (i) use of the entry age normal actuarial cost method; (ii) that the report shall contain: (a) actuarial exhibits, financial exhibits, and demographic exhibits; (b) an exhibit of normal costs expressed as a percentage of the future covered payroll of the active membership in the Municipal Pension Plan; and (c) an exhibit of the actuarial liability of the Municipal Pension Plan; and (iii) that changes in the actuarial liability be amortized in level-dollar payments as follows: (a) actuarial gains and losses be amortized over 20 years beginning July 1, 2009 (prior to July 1, 2009, gains and losses were amortized over 15 years); (b) assumption changes be amortized over 15 years beginning July 1, 2010 (prior to July 1, 2010, assumption changes were amortized over 20 years); (c) plan changes for active members be amortized over 10 years; (d) plan changes for inactive members be amortized over one year; and (e) plan changes mandated by the Commonwealth be amortized over 20 years.

Act 205 further requires that an experience study be conducted at least every four years, and cover the five-year period ending as of the end of the plan year preceding the plan year for which the actuarial valuation report is filed. The most recent Experience Study was prepared by Cheiron in March 2018 for the period July 1, 2012 – June 30, 2017. The changes to the actuarial and demographic assumptions that were adopted by the Pension Board in response to such Experience Study were employed for the July 1, 2018 Valuation (which is used to determine the June 30, 2020 fiscal year end MMO, City Fund Policy, and Revenue Recognition Policy contributions). The principal revisions included increases in salary growth rates for municipal employees; decreases in retirement and termination rates; marginal changes in the expected disability rates; and changes in mortality assumptions to fully reflect the most recent experience. Details of these assumption changes and the experience of the Municipal Pension Plan can be found in the *City of Philadelphia Municipal Retirement System Experience Study Results for the period covering July 1, 2012 – June 30, 2017*, available at the Investor Information section of the City’s Investor Website.

## **Pension Adjustment Fund**

Pursuant to § 22-311 of the Philadelphia Code, the City directed the Pension Board to establish a Pension Adjustment Fund (“PAF”) on July 1, 1999, and further directed the Pension Board to determine, effective June 30, 2000 and each Fiscal Year thereafter, whether there are “excess earnings” as defined available to be credited to the PAF. The Pension Board’s determination is to be based upon the actuary’s certification using the “adjusted market value of assets valuation method” as defined in § 22-311. Although the portion of the assets attributed to the PAF is not segregated from the assets of the Municipal Pension Fund, the Philadelphia Code provides that the “purpose of the Pension Adjustment Fund is for the distribution of benefits as determined by the Board for retirees, beneficiaries or survivors [and] [t]he Board shall make timely, regular and sufficient distributions from the Pension Adjustment Fund in order to maximize the benefits of retirees, beneficiaries or survivors.” Distributions are to be made “without delay” no later than six months after the end of each Fiscal Year. The PAF was established, in part, because the Municipal Retirement System does not provide annual cost-of-living increases to retirees or beneficiaries. At the time the PAF was established, distributions from the PAF were subject to the restriction that the actuarial funded ratio using the “adjusted market value of assets” be not less than such ratio as of July 1, 1999 (76.7%). That restriction was deleted in 2007.

The amount to be credited to the PAF is 50% of the “excess earnings” that are between one percent (1%) and six percent (6%) above the actuarial assumed investment rate. Earnings in excess of six percent (6%) of the actuarial assumed investment rate remain in the Municipal Pension Fund. Although the Pension Board utilizes a ten-year smoothing methodology, as explained above, for the actuarial valuation of assets for funding and determination of the MMO, § 22-311 provides for a five-year smoothing to determine the amount to be credited to the PAF. The actuary determined that for the Fiscal Year ended June 30, 2018, there were no “excess earnings” as defined to be credited to the PAF. The Pension Board transfers to the PAF the full amount calculated by the actuary as being available in any year for transfer within six months of the Pension Board designating the amount to be transferred.

Transfers to the PAF and the resultant additional distributions to retirees result in removing assets from the Municipal Pension Plan. To account for the possibility of such transfers, and as an alternative to adjusting the assumed investment return rate to reflect such possibility, the actuary applies a load of 0.54% to the calculated actuarial liability as part of the funding requirement and MMO. Such calculation was utilized for the first time in the July 1, 2013 actuarial valuation.

The market value of assets as used under this caption, “PENSION SYSTEM,” represents the value of the assets if they were liquidated on the valuation date and this value includes the PAF (except as otherwise indicated in certain tables), although the PAF is not available for funding purposes. The actuarial value of assets does not include the PAF.

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## Rates of Return; Asset Values; Changes in Plan Net Position

Rates of Return. The following table sets forth for the Fiscal Years 2009-2018 the market value of assets internal rate of return and actuarial value of assets internal rate of return experienced by the Municipal Pension Fund, and the assumed rate of return. The 5-year and 10-year annual average returns as of June 30, 2018, were 6.73% and 5.30%, respectively, on a market value basis.

**Table 24**  
**Municipal Pension Fund**  
**Annual Rates of Return**

<u>Year Ending June</u> <u>30,</u>	<u>Market Value</u>	<u>Actuarial Value</u> <sup>(1)</sup>	<u>Assumed Rate of Return</u>
2009	-19.9%	-9.3%	8.75%
2010	13.8%	12.9%	8.25%
2011	19.4%	9.9%	8.15%
2012	0.2%	2.4%	8.10%
2013	10.9%	5.1%	7.95%
2014	15.7%	4.8%	7.85%
2015	0.3%	5.8%	7.80%
2016	-3.2%	4.5%	7.75%
2017	13.1%	4.4%	7.70%
2018	9.0%	5.1%	7.65%

Source: July 1, 2018 Valuation.

<sup>(1)</sup> Net of PAF. See "Pension Adjustment Fund" above. The actuarial values reflect a ten-year smoothing.

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Asset Values. The following table sets forth, as of the July 1 actuarial valuation date for the years 2009-2018, the actuarial and market values of assets in the Municipal Pension Fund and the actuarial value as a percentage of market value.

**Table 25**  
**Actuarial Value of Assets vs. Market Value of Net Assets**  
**(Dollar Amounts in Millions of USD)**

Actuarial Valuation Date (July 1)	Actuarial Value of Assets <sup>(1)</sup>	Market Value of Net Assets <sup>(1)</sup>	Actuarial Value as a Percentage of Market Value
2009	\$4,042.1	\$3,368.4	120.0%
2010 <sup>(2)</sup>	\$4,380.9	\$3,650.7	120.0%
2011 <sup>(2)</sup>	\$4,719.1	\$4,259.2	110.8%
2012 <sup>(2)</sup>	\$4,716.8	\$4,151.8	113.6%
2013	\$4,799.3	\$4,444.1	108.0%
2014	\$4,814.9	\$4,854.3	99.2%
2015	\$4,863.4	\$4,636.1	104.9%
2016	\$4,936.0	\$4,350.8	113.5%
2017	\$5,108.6	\$4,873.0	104.8%
2018	\$5,397.4	\$5,340.1	101.1%

Source: July 1, 2018 Valuation for Actuarial Value of Assets; 2009-2018 Actuarial Reports for Market Value of Net Assets.

<sup>(1)</sup> For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2018 equaled \$1.160 million. The Actuarial Value of Assets excludes that portion of the Municipal Pension Fund that is allocated to the PAF. The actuarial values reflect a ten-year smoothing.

<sup>(2)</sup> The July 1, 2010 actuarial and market values of assets include the \$150 million deferred contribution from Fiscal Year 2020, and the July 1, 2011 and July 1, 2012 actuarial and market values of assets include the total deferred contribution of \$230 million. See Table 29 below.

Changes in Plan Net Position. The following table sets forth, for the Fiscal Years 2014-2018, the additions, including employee (member) contributions, City contributions (including contributions from the Commonwealth), investment income and miscellaneous income, and deductions, including benefit payments and administration expenses, for the Municipal Pension Fund. Debt service payments on pension funding bonds (as described below at “Annual Contributions – *Annual Debt Service Payments on the Pension Bonds*”) are made from the City’s General Fund, Water Operating Fund, and Aviation Operating Fund, but are not made from the Municipal Pension Fund, and therefore are not included in Table 26. In those years in which the investment income is less than anticipated, the Municipal Pension Fund may experience negative changes (total deductions greater than total additions), which, as the table reflects, did occur in Fiscal Years 2015 and 2016. Furthermore, if unrealized gains are excluded from Table 26, resulting in a comparison of cash actually received against actual cash outlays, it results in a negative cash flow in Fiscal Years 2014-2017, which is typical of a mature retirement system. In Fiscal Year 2018, there was a positive cash flow.

Contributions from the Commonwealth are provided pursuant to the provisions of Act 205. Any such contributions are required to be used to defray the cost of the City’s pension system. The amounts contributed by the Commonwealth for each of the last ten Fiscal Years are set forth in Table 29 below. The contributions from the Commonwealth are capped pursuant to Act 205, which provides that “[n]o municipality shall be entitled to receive an allocation of general municipal pension system State aid in an amount greater than 25% of the total amount of the general municipal pension system State aid available.”



Employee (member) contribution amounts reflect contribution rates as a percent of pay, which for the plan year beginning July 1, 2019, vary from 6.00% to 8.50% for police and fire employees, and from 2.33% to 7.00% for municipal employees excluding elected officials. These rates include the increases for police employees effective July 1, 2017 resulting from the FOP Lodge No. 5 and IAFF Local No. 22 Labor Contracts. Such contracts increased member contributions for current police officers in Plan 87 and Plan 10 by 0.92% effective July 1, 2017 and an additional 0.92% effective July 1, 2018. For new police officers and fire fighters hired or rehired on or after July 1, 2017, the member contribution rate is increased by 2.5% over the rate which would otherwise be in effect as of July 1, 2017. The rates also include the increases in contributions for certain municipal employees and elected officials currently in Plans 67, 87 and 87 Prime and elected officials as required by legislation. This legislation called for employees in these groups to pay an additional 0.5% of compensation from January 1, 2015 to December 31, 2015 and an additional 1.0% from January 1, 2016 onwards. New employees in these groups entering Plan 87 Municipal Prime will pay an additional 1.0% of compensation which is included in the table below. Finally, these rates do not include the additional tiered contributions paid by current and future municipal employees based on their level of compensation.

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**Table 26**  
**Changes in Net Position of the Municipal Pension Fund**  
**Fiscal Years 2014-2018**  
**(Amounts in Thousands of USD)**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Beginning Net Assets (Market Value) <sup>(1)</sup>	\$4,445,224	\$4,916,705	\$4,674,252	\$4,357,975	\$4,874,075
Additions					
- Member Contributions	53,722	58,658	67,055	73,607	83,289
- City Contributions <sup>(2)</sup>	553,179	577,195	660,247	706,237	781,984
- Investment Income <sup>(3)</sup>	677,380	11,790	(147,424)	563,372	438,515
- Miscellaneous Income <sup>(4)</sup>	<u>4,089</u>	<u>2,049</u>	<u>1,742</u>	<u>3,253</u>	<u>1,812</u>
Total	\$1,288,370	\$649,692	\$581,620	\$1,346,469	\$1,305,600
Deductions					
- Benefits and Refunds	(808,597)	(881,666)	(889,343)	(821,495)	(828,266)
- Administration	<u>(8,292)</u>	<u>(10,479)</u>	<u>(8,554)</u>	<u>(8,874)</u>	<u>(10,123)</u>
Total	\$(816,889)	\$(892,145)	\$(897,897)	\$(830,369)	\$(838,389)
Ending Net Assets (Market Value)	\$4,916,705	\$4,674,252	\$4,357,975	\$4,874,075	\$5,341,286

Source: Municipal Pension Fund's audited financial statements.

(1) Includes the PAF, which is not available for funding purposes.

(2) City Contributions include pension contributions from the Commonwealth. See Table 29.

(3) Investment income is shown net of fees and expenses, and includes interest and dividend income, net appreciation (depreciation) in fair value of investments, and net gains realized upon the sale of investments.

(4) Miscellaneous income includes securities lending and other miscellaneous revenues.

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## Funded Status of the Municipal Pension Fund

The following two tables set forth, as of the July 1 actuarial valuation date for the years 2009-2018, the asset value, the actuarial liability, the UAL, the funded ratio, covered payroll and UAL, as a percentage of covered payroll for the Municipal Pension Fund on actuarial and market value bases, respectively.

**Table 27**  
**Schedule of Funding Progress (Actuarial Value)**  
**(Dollar Amounts in Millions of USD)**

<b>Actuarial Valuation Date (July 1)</b>	<b>Actuarial Value of Assets<sup>(1)</sup> (a)</b>	<b>Actuarial Liability (b)</b>	<b>UAL (Actuarial Value) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAL as a % of Covered Payroll [(b-a)/c]</b>
2009	\$4,042.1	\$8,975.0	\$4,932.9	45.0%	\$1,463.3	337.1%
2010	\$4,380.9	\$9,317.0	\$4,936.1	47.0%	\$1,421.2	347.3%
2011	\$4,719.1 <sup>(2)</sup>	\$9,487.5	\$4,768.4	49.7%	\$1,371.3	347.7%
2012	\$4,716.8 <sup>(2)</sup>	\$9,799.9	\$5,083.1	48.1%	\$1,372.2	370.4%
2013	\$4,799.3	\$10,126.2	\$5,326.9	47.4%	\$1,429.7	372.6%
2014	\$4,814.9	\$10,521.8	\$5,706.9	45.8%	\$1,495.4	381.6%
2015	\$4,863.4	\$10,800.4	\$5,937.0	45.0%	\$1,597.8	371.6%
2016	\$4,936.0	\$11,024.8	\$6,088.8	44.8%	\$1,676.5	363.2%
2017	\$5,108.6	\$11,275.7	\$6,167.1	45.3%	\$1,744.7	353.5%
2018	\$5,397.4	\$11,521.0	\$6,123.5	46.8%	\$1,805.4	339.2%

Source: July 1, 2018 Valuation.

<sup>(1)</sup> The July 1, 2010 Actuarial Value of Assets includes the \$150 million deferred contribution from Fiscal Year 2020 and each of the July 1, 2011 and July 1, 2012 Actuarial Value of Assets includes the total deferred contribution of \$230 million.

<sup>(2)</sup> Reflects the assumed rate of return on deferred contributions at the time of the deferral.

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**Table 28**  
**Schedule of Funding Progress (Market Value)**  
(Dollar Amounts in Millions of USD)

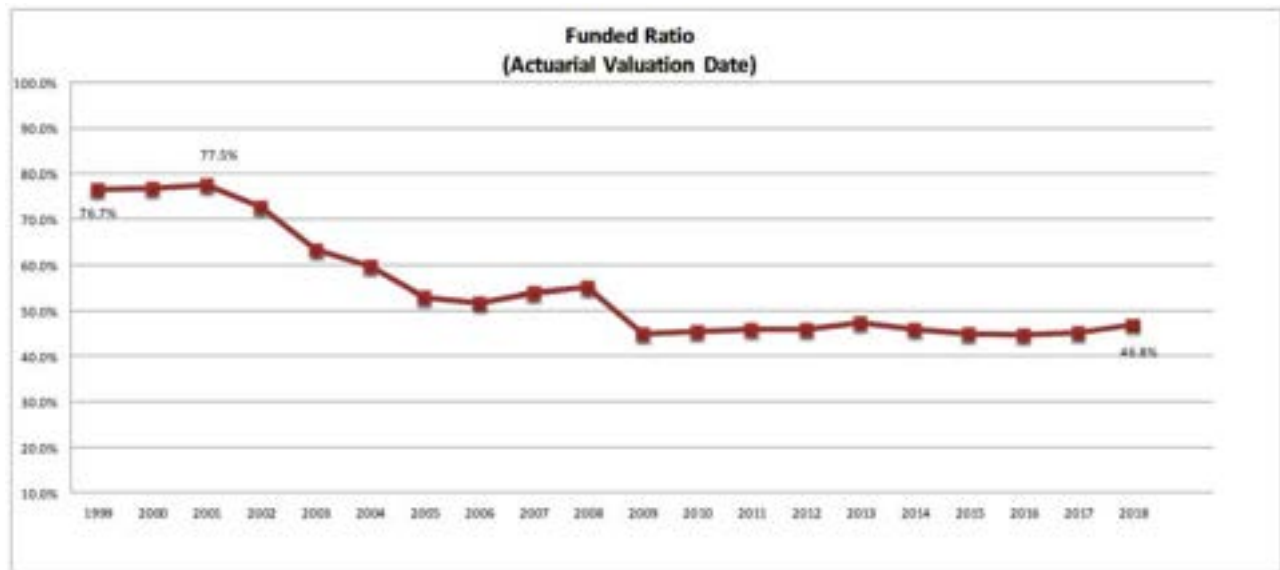
Actuarial Valuation Date (July 1)	Market Value of Net Assets <sup>(1)</sup> (a)	Actuarial Liability (b)	UAL (Market Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2009	\$3,368.4	\$8,975.0	\$5,606.6	37.5%	\$1,463.3	383.2%
2010	\$3,650.7	\$9,317.0	\$5,666.3	39.2%	\$1,421.2	398.7%
2011	\$4,259.2	\$9,487.5	\$5,228.3	44.9%	\$1,371.3	381.3%
2012	\$4,151.8	\$9,799.9	\$5,648.1	42.4%	\$1,372.2	411.6%
2013	\$4,444.1	\$10,126.2	\$5,682.1	43.9%	\$1,429.7	397.4%
2014	\$4,854.3	\$10,521.8	\$5,667.6	46.1%	\$1,495.4	379.0%
2015	\$4,636.1 <sup>(2)</sup>	\$10,800.4	\$6,164.3	42.9%	\$1,597.8	385.8%
2016	\$4,350.8 <sup>(2)</sup>	\$11,024.8	\$6,674.0	39.5%	\$1,676.5	398.1%
2017	\$4,873.0 <sup>(2)</sup>	\$11,275.7	\$6,402.7	43.2%	\$1,744.7	367.0%
2018	\$5,340.1 <sup>(2)</sup>	\$11,521.0	\$6,180.9	46.4%	\$1,805.4	342.4%

Source: 2009-2018 Actuarial Valuation Reports.

(1) The July 1, 2010 Market Value of Net Assets includes the \$150 million deferred contribution from Fiscal Year 2020 and each of the July 1, 2011 and July 1, 2012 Market Value of Net Assets includes the total deferred contribution of \$230 million.

(2) For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2015 equaled \$38,198,762; as of June 30, 2016 equaled \$7,223,000; as of June 30, 2017 equaled \$1,097,499; and as of June 30, 2018 equaled \$1,160,247.

The following chart reflects the funded ratios, using the actuarial value of assets, for the 20-year period 1999 – 2018.



## Annual Contributions

### Annual Municipal Pension Contributions

Table 29 shows the components of the City's annual pension contributions to the Municipal Pension Fund for the Fiscal Years 2009-2018.

**Table 29**  
**Total Contribution to Municipal Pension Fund**  
**(Dollar Amounts in Millions of USD)**

Fiscal Year	General Fund Contribution (A)	Commonwealth Contribution (B)	Aggregate General Fund Contribution (A+B)	Water Fund Contribution	Aviation Fund Contribution	Grants Funding and Other Funds Contribution <sup>(1)</sup>	Contributions from Quasi-governmental Agencies	Pension Bond Proceeds	Total Contribution (C)	MMO (D)	MMO (Deferred) Makeup Payments	% of MMO Contributed (C/D)
2009	\$315.0	\$59.6	\$374.6	\$36.4	\$17.5	\$11.5	\$15.4	\$0.0	\$455.4	\$438.5	-	103.9%
2010	\$190.8 <sup>(2)</sup>	\$59.2	\$250.0	\$25.1	\$11.6	\$10.8	\$15.1	\$0.0	\$312.6 <sup>(2)</sup>	\$447.4	\$(150.0) <sup>(3)</sup>	100.0% <sup>(4)</sup>
2011	\$325.8 <sup>(2)</sup>	\$61.8	\$387.6	\$37.7	\$17.1	\$13.6	\$14.2	\$0.0	\$470.2 <sup>(2)</sup>	\$511.0	\$(80.0) <sup>(3)</sup>	100.0% <sup>(4)</sup>
2012	\$352.7	\$95.0	\$447.7	\$43.8	\$20.6	\$27.4	\$16.2	\$0.0	\$555.7	\$507.0	-	109.7%
2013	\$356.5	\$65.7	\$422.2	\$41.4	\$20.3	\$27.2	\$18.1	\$252.6 <sup>(3)</sup>	\$781.8	\$492.0	\$230.0 <sup>(3)</sup>	100.0% <sup>(4)</sup>
2014	\$365.8	\$69.6	\$435.4	\$45.5	\$22.5	\$30.0	\$19.8	\$0.0	\$553.2	\$523.4	-	105.7%
2015	\$388.5	\$62.0	\$450.5	\$48.3	\$23.9	\$33.4	\$21.1	\$0.0	\$577.2	\$556.0	-	103.8%
2016	\$449.6	\$62.6	\$512.2	\$55.1	\$27.1	\$34.8	\$31.0	\$0.0	\$660.2	\$595.0	-	110.0%
2017	\$487.0	\$68.7	\$555.7	\$61.0	\$28.8	\$33.3	\$27.4	\$0.0	\$706.2	\$629.6	-	112.2%
2018	\$559.7	\$72.4	\$632.1	\$62.7	\$28.8	\$32.5	\$25.9	\$0.0	\$782.0	\$661.3	-	118.3%

- (1) Other Funds Contributions represents contributions to the Municipal Pension Fund from the City's Special Gasoline Tax Fund, Community Development Block Grant Fund, and Municipal Pension Fund.
- (2) Reflects the actual cash outlays for Fiscal Year 2020 and Fiscal Year 2011, which do not include the deferred contributions authorized pursuant to Act 44. See "– Funding Requirements; Funding Standards – Pennsylvania Law" above for a discussion of pension contribution deferrals authorized pursuant to Act 44.
- (3) As authorized pursuant to Act 44, the City deferred payments to the Municipal Pension Fund of \$150 million in Fiscal Year 2020 and \$80 million in fiscal year 2011. Those amounts were repaid in fiscal year 2013, in which year the City made a contribution of \$252.6 million to the Municipal Pension Fund, consisting of \$230 million of proceeds of Pension Bonds that were issued in October 2012 and \$22.6 million in refunding savings from a refunding Pension Bond financing in December 2012. See "– Annual Debt Service Payments on the Pension Bonds" below.
- (4) Act 205 directs the Actuary, in performing the actuarial valuations, to disregard deferrals, and therefore for ease of presentation 100.0% is reflected in this column for both the years in which the deferrals occurred and the year in which the makeup payment was made.



*Annual Debt Service Payments on the Pension Bonds*

Pension funding bonds (“Pension Bonds”) were initially issued in Fiscal Year 1999 (the “1999 Pension Bonds”), at the request of the City, by PAID. Debt service on the Pension Bonds is payable pursuant to a Service Agreement between the City and PAID. The Service Agreement provides that the City is obligated to pay a service fee from its current revenues and the City covenanted in the agreement to include the annual amount in its operating budget and to make appropriations in such amounts as are required. If the City’s revenues are insufficient to pay the full service fee in any Fiscal Year as the same becomes due and payable, the City has covenanted to include amounts not so paid in its operating budget for the ensuing Fiscal Year.

The 1999 Pension Bonds were issued in the principal amount of \$1.3 billion, and the net proceeds were used, together with other funds of the City, to make a contribution in Fiscal Year 1999 to the Municipal Pension Fund in the amount of approximately \$1.5 billion.

In October 2012, PAID, at the request of the City, issued Pension Bonds in the principal amount of \$231.2 million, the proceeds of which were used principally to make the \$230 million repayment of deferred contributions to the Municipal Pension Fund reflected in Table 29 above. These bonds had maturities of April 1, 2013 and 2014, and have been repaid.

In December 2012, PAID, at the request of the City, issued Pension Bonds in the approximate principal amount of \$300 million, the proceeds of which were used to current refund a portion of the 1999 Pension Bonds. The refunding generated savings of approximately \$22.6 million, which the City deposited into the Municipal Pension Fund.

Table 30 shows the components of the City’s annual debt service payments on the Pension Bonds for the Fiscal Years 2009-2018.

**Table 30**  
**Total Debt Service Payments on Pension Bonds**  
**(Amounts in Millions of USD)**

Fiscal Year	General Fund Payment	Water Fund Payment	Aviation Fund Payment	Other Funds Payment <sup>(1)</sup>	Grants Funding	Total Payment
2009	\$84.4	\$7.2	\$3.3	\$0.6	\$1.3	\$96.8
2010	\$96.7	\$7.6	\$3.4	\$0.6	\$1.5	\$109.8
2011	\$97.7	\$10.3	\$4.6	\$0.8	\$1.5	\$114.9
2012	\$100.1	\$10.7	\$4.8	\$0.7	\$3.4	\$119.7
2013 <sup>(2)</sup>	\$196.6	\$21.5	\$10.1	\$1.3	\$3.8	\$233.3
2014 <sup>(2)</sup>	\$211.0	\$23.6	\$11.2	\$1.4	\$3.7	\$250.9
2015	\$107.7	\$12.6	\$5.9	\$0.8	\$4.0	\$131.0
2016	\$109.9	\$13.7	\$6.4	\$0.9	\$3.8	\$134.7
2017	\$109.5	\$14.5	\$6.6	\$0.9	\$3.3	\$134.8
2018	\$110.1	\$14.3	\$6.3	\$0.9	\$3.1	\$134.7

<sup>(1)</sup> Other Funds Payments represents the allocable portion of debt service payments on the City’s Pension Bonds from the City’s Community Development Block Grant Fund and Municipal Pension Fund.

<sup>(2)</sup> The increase in debt service payments in fiscal years 2013 and 2014 over the fiscal year 2012 amounts reflect the debt service payments on the Pension Bonds that were issued in October 2012.

*Annual Pension Costs of the General Fund*

Table 31 shows the annual pension costs of the General Fund for the Fiscal Years 2009-2018, being the sum of the General Fund Contribution to the Municipal Pension Fund (column (A) in Table 29 above) and the General Fund debt service payments on Pension Bonds (Table 30 above).

**Table 31**  
**Annual Pension Costs of the General Fund**  
**(Amounts in Millions of USD)**

Fiscal Year	General Fund Pension Fund Contribution (A) <sup>(1)</sup>	General Fund Pension Bond Debt Service Payment (B)	Annual Pension Costs (A+B)	Total General Fund Expenditures (C)	General Fund portion of Annual Pension Costs as % of Total General Fund Expenditures $\frac{(A+B)}{C}$
2009	\$315.0	\$84.4	\$399.4	\$3,915.29	10.20%
2010	\$190.8	\$96.7	\$287.5	\$3,653.73	7.87%
2011	\$325.8	\$97.7	\$423.5	\$3,785.29	11.19%
2012	\$352.7	\$100.1	\$452.8	\$3,484.88	12.99%
2013	\$356.5	\$196.6	\$553.1	\$3,613.27	15.31%
2014	\$365.8	\$211.0	\$576.8	\$3,886.56	14.84%
2015	\$388.5	\$107.7	\$496.2	\$3,831.51	12.95%
2016	\$449.6	\$109.9	\$559.5	\$4,015.80	13.93%
2017	\$487.0	\$109.5	\$596.5	\$4,139.80	14.41%
2018	\$559.7	\$110.1	\$669.8	\$4,402.85	15.21%

<sup>(1)</sup> Does not include Commonwealth contribution. See Table 29.

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The following table shows the annual City contribution to the Municipal Pension Fund as a percentage of the covered employee payroll.

**Table 32**  
**Annual City Contribution as % of Covered Employee Payroll**  
**(Dollar Amounts in Thousands of USD)**

<u>Fiscal Year</u>	<u>Annual City Contribution</u>	<u>Fiscal Year Covered Employee Payroll<sup>(1)</sup></u>	<u>ACC as % of Payroll</u>
2009	\$455,389	\$1,463,260	31.12%
2010	\$312,556	\$1,421,151	21.99%
2011	\$470,155	\$1,371,274	34.29%
2012	\$555,690	\$1,372,174	40.50%
2013	\$781,823	\$1,429,723	54.68%
2014	\$553,179	\$1,495,421	36.99%
2015	\$577,195	\$1,597,849	36.12%
2016	\$660,247	\$1,676,549	39.38%
2017	\$706,237	\$1,744,728	40.48%
2018	\$781,984	\$1,805,400	43.31%

Source: Municipal Pension Fund Financial Statements, June 30, 2018.

(1) The definition of “covered-employee payroll” in GASB 68 differs slightly from the “covered payroll” definition in GASB 27.  
*See “PENSION SYSTEM – Funding Requirements; Funding Standards – GASB; City Funding Policy.”*

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## Actuarial Projections of Funded Status

Cautionary Note. The information under this subheading, “Actuarial Projections of Funded Status,” was prepared by Cheiron. The table below shows a five-year projection of Revenue Recognition Policy (“RRP”) payments, Actuarial Value of Assets, Actuarial Liability, UAL, and Funded Ratio. The charts below show projections of funded ratios and City contributions based on the RRP through Fiscal Year 2038. All projections, whether for five years or for twenty years, are subject to actual experience deviating from the underlying assumptions and methods, and that is particularly the case for the charts below for the periods beyond the projections in the five-year table. **Projections and actuarial assessments are “forward looking” statements and are based on assumptions which may not be fully realized in the future and are subject to change, including changes based on the future experience of the City’s Municipal Pension Fund and Municipal Pension Plan.**

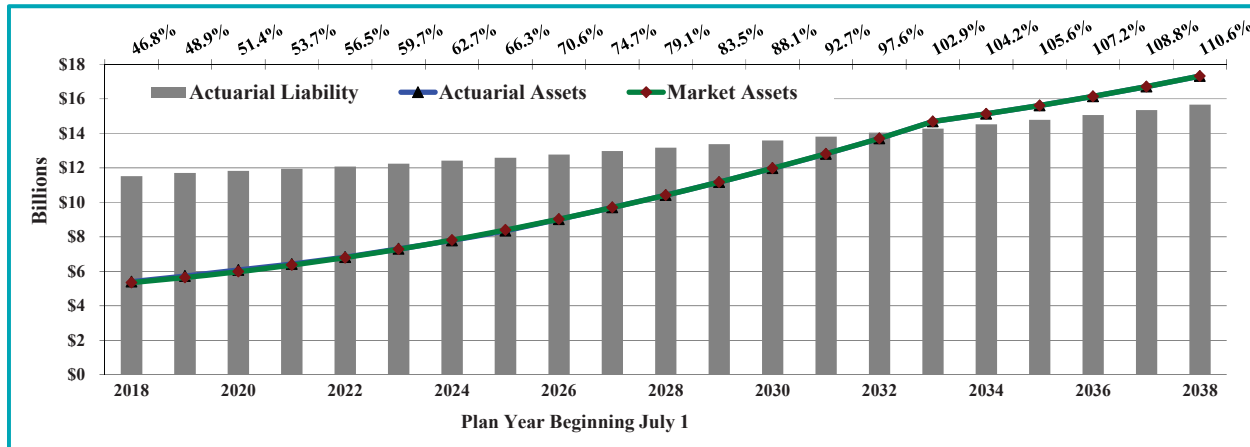
The projections are on the basis that all assumptions as reflected in the July 1, 2018 Valuation are exactly realized and the City makes all future RRP payments on schedule as required by the funding policy adopted by the Pension Board, and must be understood in the context of the assumptions, methods and benefits in effect as described in the July 1, 2018 Valuation. Included among such assumptions are: (i) the rates of return for the Municipal Pension Fund over the projection period will equal 7.60% in Fiscal Year 2019 and 7.55% annually thereafter, (ii) RRP contributions will be made each year, and (iii) the provisions of Act 205 as amended by Act 44 will remain in force during the projection period. The July 1, 2018 Valuation includes charts reflecting the contributions based on MMO (Baseline projection set 1), and charts reflecting the additional contributions in accordance with the RRP (Baseline projection set 2). The charts below reflect the RRP contributions, which are higher than the MMO required under Pennsylvania law. Using the RRP, the System is projected to be 80% funded by 2029 and 100% funded by 2033, four years earlier than under the MMO projections. By the end of the projection period, the System is expected to be funded at 110.6% compared to 103.8% when MMO contributions are made. See the July 1, 2018 Valuation for a further discussion of the assumptions and methodologies used by the Actuary in preparing the July 1, 2018 Valuation and the following projections, all of which should be carefully considered in reviewing the projections. The July 1, 2018 Valuation is available for review on the website of the City’s Board of Pensions. The table and charts below separately set forth estimates of sales tax revenues that will be deposited by the City into the Municipal Pension Fund, which were provided by the City to Cheiron at the time of the valuation. Cheiron has not analyzed and makes no representation regarding the validity of the sales tax revenue assumptions and estimates provided by the City. See “REVENUES OF THE CITY – Sales and Use Tax.” Each of the tables and graphs that follow are part of the July 1, 2018 Valuation and such Valuation report should be referenced regarding the underlying benefits, methods, and assumptions utilized in the production of these values.

Five-Year Projection. The following chart provides dollar amounts in millions of USD.

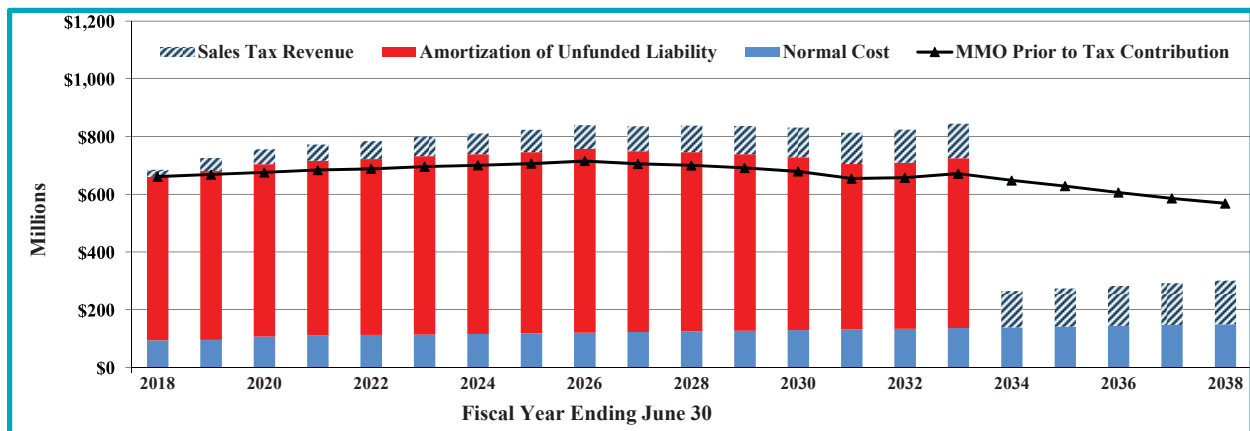
Fiscal Year End	RRP	Sales Tax Contribution	Actuarial Value of Assets	Actuarial Liability	UAL	Funded Ratio
2019	\$ 680.8	\$ 45.2	\$ 5,397.4	\$ 11,521.0	\$ 6,123.5	46.8%
2020	704.6	51.5	5,722.9	11,699.2	5,976.4	48.9%
2021	715.9	56.8	6,071.4	11,820.5	5,749.2	51.4%
2022	722.1	62.2	6,412.9	11,944.4	5,531.5	53.7%
2023	732.0	67.6	6,823.1	12,070.4	5,247.2	56.5%
2024	738.8	72.2	7,300.9	12,239.4	4,938.5	59.7%

### Twenty-Year Projections.

Funded Ratio Chart based on the RRP:



Expected City Contribution Chart based on the RRP:



### **OTHER POST-EMPLOYMENT BENEFITS**

The City self-administers a single employer, defined benefit plan for post-employment benefits other than pension benefits (“OPEB”), and funds such plan on a pay-as-you-go basis. The City’s OPEB plan provides for those persons who retire from the City and are participants in the Municipal Pension Plan: (i) post-employment healthcare benefits for a period of five years following the date of retirement and (ii) lifetime life insurance coverage (\$7,500 for firefighters who retired before July 1, 1990; \$6,000 for all other retirees). In general, retirees eligible for OPEB are those who terminate their employment after ten years of continuous service to immediately become pensioned under the Municipal Pension Plan.

To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible pre-Medicare retirees. Aside from AFSCME DC 33, the City is responsible for the actual health care cost that is invoiced to the City’s unions by their respective vendors. The actual cost can be a combination of self-insured claim



expenses, premiums, ancillary services, and administrative expenses. Eligible union represented employees receive five years of coverage through their union's health fund. The City's funding obligation for pre-Medicare retiree benefits is the same as for active employees. Union represented and non-union employees may defer their retiree health coverage until a later date. For some groups, the amount that the City pays for their deferred health care is based on the value of the health benefits at the time the retiree claims the benefits, but for police and fire retirees who retired after an established date, the City pays the cost of five years of coverage when the retiree claims the benefits.

The annual payments made by the City for OPEB for Fiscal Years 2014-2018 are shown in Table 33 below.

**Table 33**  
**Annual OPEB Payment**  
**(Amounts in Thousands of USD)**

<u>Fiscal Year ended June 30,</u>	<u>Annual OPEB Payment</u>
2014	\$67,100
2015	\$95,300
2016	\$107,200
2017	\$114,800
2018	\$96,400

Source: See Note IV.3 to the City's audited Financial Statements for such Fiscal Years (as included in the City's CAFRs).

For financial reporting purposes, although the City funds OPEB on a pay-as-you-go basis, it is required to include in its financial statements (in accordance with GASB Statement No. 75) a calculation similar to that performed to calculate its pension liability. Pursuant to GASB 75, an annual required contribution is calculated which, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability over a period not to exceed 30 years. As of June 30, 2017, the date of the most recent actuarial valuation, the UAL for the City's OPEB was \$1.862 billion, the covered annual payroll was \$1.865 billion, and the ratio of UAL to the covered payroll was 99.83%. See Note IV.3 to the City's audited Financial Statements for the Fiscal Year ended June 30, 2018.

## PGW PENSION PLAN

### General

PGW consists of all the real and personal property owned by the City and used for the acquisition, manufacture, storage, processing, and distribution of gas within the City, and all property, books, and records employed and maintained in connection with the operation, maintenance, and administration of PGW. The City Charter provides for a Gas Commission (the "Gas Commission") to be constituted and appointed in accordance with the provisions of contracts between the City and the operator of PGW as may from time to time be in effect, or, in the absence of a contract, as may be provided by ordinance. The Gas Commission consists of the City Controller, two members appointed by City Council and two members appointed by the Mayor.

PGW is operated by PFMC, pursuant to an agreement between the City and PFMC dated December 29, 1972, as amended, authorized by ordinances of City Council (the “Management Agreement”). Under the Management Agreement, various aspects of PFMC’s management of PGW are subject to review and approval by the Gas Commission. The PUC has the regulatory responsibility for PGW with regard to rates, safety, and customer service.

The City sponsors the Philadelphia Gas Works Pension Plan (the “PGW Pension Plan”), a single employer defined benefit plan, to provide pension benefits for certain current and former PGW employees and other eligible class employees of PFMC and the Gas Commission. As plan sponsor, the City, through its General Fund, could be responsible for plan liabilities if the PGW Pension Plan does not satisfy its payment obligations to PGW retirees. At June 30, 2018, the PGW Pension Plan membership total was 3,729, comprised of: (i) 2,516 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them; and (ii) 1,213 participants, of which 961 were vested and 252 were nonvested.

### **PGW Pension Plan**

The PGW Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after five years of credited service. Retirement payments for vested employees commence: (i) at age 65 and five years of credited service; (ii) age 55 and 15 years of credited service; or (iii) without regard to age, after 30 years of credited service. For covered employees hired prior to May 21, 2011 (union employees) or prior to December 21, 2011 (non-union employees), PGW pays the entire cost of the PGW Pension Plan. Union employees hired on or after May 21, 2011 and non-union employees hired on or after December 21, 2011 have the option to participate in the PGW Pension Plan and contribute 6% of applicable wages, or participate in a plan established in compliance with Section 401(a) of the Internal Revenue Code (deferred compensation plan) and have PGW contribute 5.5% of applicable wages.

PGW is required by statute to contribute the amounts necessary to fund the PGW Pension Plan. The PGW Pension Plan is being funded with contributions by PGW to the Sinking Fund Commission of the City, together with investment earnings and employee contributions required for new hires after December 2011 who elect to participate in the PGW Pension Plan. Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. The pension payments are treated as an operating expense of PGW and are included as a component of PGW’s base rate. The PUC approves all items that are to be included in PGW’s base rates.

Effective October 2015, payments to beneficiaries of the PGW Pension Plan are made by the PGW Retirement Reserve Fund. Prior to October 2015, payments to beneficiaries of the PGW Pension Plan were made by PGW through its payroll system. The financial statements for the PGW Pension Plan for the fiscal year ended June 30, 2018, show an amount due to PGW of approximately \$0.1 million, which represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of PGW’s required annual contribution and reimbursements received from the PGW Pension Plan.

### **Pension Costs and Funding**

PGW pays an annual amount that is projected to be sufficient to cover its normal cost and an amortization of the PGW Pension Plan’s UAL. The following table shows the normal cost, the amortization payment, and the resulting annual required contribution as of the last five actuarial valuation dates for the PGW Pension Plan. PGW has been using a 20-year open amortization period (and the payments in Table 34 are on the basis of a 20-year open amortization). Commencing in PGW’s fiscal year 2016, PGW calculates an annual required contribution on the basis of both a 20-year open amortization period and a

30-year closed amortization period, and will contribute the higher of the two amounts. *See* “– Projections of Funded Status” below. An open amortization period is one that begins again or is recalculated at each actuarial valuation date. With a closed amortization period, the unfunded liability is amortized over a specific number of years to produce a level annual payment. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year’s difference would be established and amortized over their own 30-year schedule.

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**Table 34**  
**PGW Pension – Annual Required Contributions**  
**(Dollar Amounts in Thousands of USD)**

<b>Calculation of ARC for the 12- month period ended:</b>	<b>Normal Cost<sup>(1)</sup> (A)</b>	<b>Amortization Payment<sup>(1)</sup> (B)</b>	<b>ARC<sup>(1), (2)</sup> (A + B)</b>	<b>Payments to Beneficiaries<sup>(3)</sup></b>
9/1/2014	\$8,852	\$12,130	\$20,982	\$42,913
7/1/2015	\$7,859	\$18,063	\$25,922	\$46,917
7/1/2016	\$7,992	\$20,238	\$28,230	\$50,447
7/1/2017	\$7,717	\$19,678	\$27,395	\$51,376
7/1/2018	\$7,760	\$20,022	\$27,782	\$52,627

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018 – June 30, 2019 for the PGW Pension Plan.

(2) As described above, until October 2015, PGW did not make a net cash contribution to the PGW Pension Plan, but rather paid beneficiaries through its payroll system, and then was reimbursed by the Plan. Effective October 2015, payments to beneficiaries of the PGW Pension Plan are made by the PGW Retirement Reserve Fund. Each ARC is the sum reflected in this table, but the “Calculated Mid-Year Contribution” in Tables 36 and 37 more closely approximates the actual pension contributions made by PGW.

(3) Source: For 2014-2015, PGW’s CAFR for the fiscal year ended August 31, 2015. For 2016, the audited financial statements for PGW for the fiscal years ended August 31, 2016 and 2015. For 2017, the audited financial statements for PGW for the fiscal years ended August 31, 2017 and 2016. For 2018, PGW records.

Although PGW has paid its annual required contribution each year, the market value of assets for the PGW Pension Plan is less than the actuarial accrued liability, as shown in the next table.

**Table 35**  
**Schedule of Pension Funding Progress**  
**(Dollar Amounts in Thousands of USD)<sup>(1)</sup>**

<b>Actuarial Valuation Date</b>	<b>Market Value of Assets</b>	<b>Actuarial Liability</b>	<b>UAL (Market Value)</b>	<b>Funded Ratio</b>
9/1/2014	\$514,944	\$643,988	\$129,044	79.96%
7/1/2015	\$510,719	\$706,704	\$195,985	72.27%
7/1/2016	\$483,259	\$736,078	\$252,819	65.65%
7/1/2017	\$521,526	\$739,872	\$218,346	70.49%
7/1/2018	\$543,246	\$758,069	\$214,823	71.66%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018 – June 30, 2019 for the PGW Pension Plan.

The current significant actuarial assumptions for the PGW Pension Plan are: (i) investment return rate of 7.30% compounded annually; (ii) salary increases assumed to reach 4.5% per year; and (iii) retirements that are assumed to occur, for those with 30 or more years of service, at a rate of 15% at ages 55 to 60, 30% at age 61, 50% at ages 62-69, and 100% at age 70 and older.

PGW uses a September 1 – August 31 fiscal year, while the PGW Pension Plan uses a July 1 – June 30 fiscal year (the same as the City’s fiscal year). The last four actuarial valuation reports for the PGW Pension Plan utilized a plan year of July 1 to June 30. This is reflected in Table 35 above.

The PGW Pension Plan actuary prepared a separate actuarial valuation report (“GASB 67 Report”) for the fiscal year ending June 30, 2018, for purposes of plan reporting information under Governmental Accounting Standards Board Statement No. 67, “Financial Reporting for Pension Plans.” The GASB 67 Report shows for the fiscal year ending June 30, 2018, an unfunded liability of approximately \$261.3 million (rather than the approximately \$214.8 million reflected in Table 35), which results in a funded ratio of 67.53%. In addition, that report provides an interest rate sensitivity, which shows that were the investment rate to be 6.30% (1% lower than the assumed investment rate of 7.30%), the unfunded liability would be approximately \$354.0 million.

### **Projections of Funded Status**

The information under this subheading, “Projections of Funded Status,” is extracted from tables prepared by Aon Hewitt, as actuary to the PGW Pension Plan, which were included in their “Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018 – June 30, 2019,” dated September 5, 2018. The charts show 10-year projections, using both the current amortization method (20-year, open) and the alternative amortization method (30-year, fixed). *See* “– Pension Costs and Funding” above. Projections are subject to actual experience deviating from the underlying assumptions and methods. **Projections and actuarial assessments are “forward looking” statements and are based upon assumptions that may not be fully realized in the future and are subject to change, including changes based upon the future experience of the PGW Pension Plan.**

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**Table 36**  
**Schedule of Prospective Funded Status (20-Year Open Amortization)**  
(Dollar Amounts in Thousands of USD)

<b>Actuarial Valuation Date (July 1)</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>UAL (Actuarial Value)</b>	<b>Calculated Mid-Year Contribution<sup>(1), (2)</sup></b>	<b>Funded Ratio</b>
2018	\$535,678	\$758,069	\$222,391	\$28,797	70.66%
2019	548,634	766,287	217,653	28,255	71.60%
2020	560,747	773,927	213,180	27,769	72.45%
2021	579,113	780,787	201,673	26,513	74.17%
2022	590,700	786,516	195,815	25,815	75.10%
2023	599,967	791,214	191,246	25,167	75.83%
2024	608,301	795,046	186,745	24,350	76.51%
2025	615,573	798,069	182,496	23,902	77.13%
2026	622,118	800,541	178,423	24,470	77.71%
2027	628,043	802,210	174,167	22,740	78.29%

- (1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018 – June 30, 2019 for the PGW Pension Plan.
- (2) PGW makes monthly contributions to the PGW Retirement Reserve Fund. The actuary's report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

**Table 37**  
**Schedule of Prospective Funded Status (30-Year Closed Amortization)**  
(Dollar Amounts in Thousands of USD)

<b>Actuarial Valuation Date (July 1)</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>UAL (Actuarial Value)</b>	<b>Calculated Mid-Year Contribution<sup>(1), (2)</sup></b>	<b>Funded Ratio</b>
2018	\$535,678	\$758,069	\$222,391	\$26,437	70.66%
2019	546,188	766,287	220,099	26,379	71.28%
2020	556,178	773,927	217,749	26,363	71.86%
2021	572,753	780,787	208,033	25,662	73.36%
2022	582,994	786,516	203,522	25,423	74.12%
2023	591,292	791,214	199,922	25,206	74.73%
2024	599,033	795,046	196,013	24,809	75.35%
2025	606,104	798,069	191,965	24,770	75.95%
2026	612,858	800,541	187,683	24,737	76.56%
2027	619,420	802,210	182,790	24,401	77.21%

- (1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018– June 30, 2019 for the PGW Pension Plan.
- (2) PGW makes monthly contributions to the PGW Retirement Reserve Fund. The actuary's report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

## **Additional Information**

The City issues a publicly available financial report that includes financial statements and required supplementary information for the PGW Pension Plan. The report is not incorporated into this Official Statement by reference. The report may be obtained by writing to the Office of the Director of Finance of the City.

Further information on the PGW Pension Plan, including with respect to its membership, plan description, funding policy, actuarial assumptions and funded status is contained in the Fiscal Year 2018 CAFR.

### **PGW OTHER POST-EMPLOYMENT BENEFITS**

PGW provides post-employment healthcare and life insurance benefits to its participating retirees and their beneficiaries and dependents. The City, through its General Fund, could be responsible for costs associated with post-employment healthcare and life insurance benefits if PGW fails to satisfy its post-employment benefit obligations.

PGW pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided a choice of three plans at PGW's expense and can elect to pay toward a more expensive plan. Union employees hired prior to May 21, 2011 and non-union employees hired prior to December 21, 2011 who retire from active service to immediately begin receiving pension benefits are entitled to receive lifetime post-retirement medical, prescription, and dental benefits for themselves and, depending on their retirement plan elections, their dependents. Employees hired on or after those dates are entitled to receive only five years of post-retirement benefits. Currently, PGW provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go-basis.

As part of a July 29, 2010 rate case settlement (the "Rate Settlement"), which provided for the establishment of an irrevocable trust for the deposit of funds derived through a rider from all customer classes to fund OPEB liabilities (the "OPEB Surcharge"), PGW established the trust in July 2010, and began funding the trust in accordance with the Rate Settlement in September 2010. The Rate Settlement provides that PGW shall deposit \$15.0 million annually for an initial five-year period towards the ARC, and an additional \$3.5 million annually, which represents a 30-year amortization of the OPEB liability at August 31, 2010. These deposits will be funded primarily through increased rates of \$16.0 million granted in the Rate Settlement. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period of 30 years. In PGW's 2015-2016 Gas Cost Rate ("GCR") proceeding, PGW proposed to continue its OPEB Surcharge. The parties to the GCR proceeding submitted a settlement agreement continuing the OPEB Surcharge at the same level of revenue (\$16.0 million annually) and funding (\$18.5 million annually). Such settlement agreement was approved by the PUC.

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Table 38 provides detail of actual PGW OPEB payments for the last five PGW Fiscal Years and projected PGW OPEB payments for PGW Fiscal Years 2019-2023. Table 39 is the schedule of PGW OPEB funding progress.

**Table 38**  
**PGW OPEB Payments**  
**(Amounts in Thousands of USD)**

<b>Calculation of OPEB Payment for the 12-month period ended:</b>	<b>Healthcare</b>	<b>Life Insurance</b>	<b>OPEB Trust</b>	<b>Total</b>
<u>Actual<sup>(1)</sup></u>				
8/31/2014	\$24,247	\$1,615	\$18,500	\$44,362
8/31/2015	\$28,598	\$1,749	\$18,500	\$48,847
8/31/2016	\$29,251	\$1,800	\$18,500	\$49,551
8/31/2017	\$27,788	\$1,777	\$18,500	\$48,065
8/31/2018	\$26,953	\$1,661	\$18,500	\$47,114
<u>Projections<sup>(2)</sup></u>				
12/31/2019	\$27,108	\$1,700	\$18,500	\$47,308
12/31/2020	\$28,713	\$1,700	\$18,500	\$48,913
12/31/2021	\$30,480	\$1,700	\$18,500	\$50,680
12/31/2022	\$32,005	\$1,700	\$18,500	\$52,205
12/31/2023	\$33,292	\$1,700	\$18,500	\$53,492

<sup>(1)</sup> Source: PGW records.

<sup>(2)</sup> The Actuarial Valuation Report for the PGW Health and Life Insurance Plan for Retired Employees GASB 75 Financial Disclosure Report for the Fiscal Year Ended August 31, 2018.

**Table 39**  
**Schedule of OPEB Funding Progress**  
**(Dollar Amounts in Thousands of USD)<sup>(1)</sup>**

<b>Actuarial valuation date (August 31)</b>	<b>Actuarial value of assets</b>	<b>Actuarial liability</b>	<b>Unfunded actuarial liability</b>	<b>Funded ratio</b>
8/31/2013	\$61,796	\$436,527	\$374,731	14.2%
8/31/2014	\$90,838	\$450,289	\$359,451	20.2%
12/31/2015	\$110,443	\$512,527	\$402,083	21.6%
12/31/2016	\$139,624	\$489,979	\$350,356	28.5%
12/31/2017	\$180,743	\$559,631	\$378,888	32.3%

<sup>(1)</sup> The Actuarial Valuation Report for the PGW Health and Life Insurance Plan for Retired Employees GASB 75 Financial Disclosure Report for the Fiscal Year Ended August 31, 2018.

Further information on PGW's annual OPEB expense, net OPEB obligation and the funded status of the OPEB benefits related to PGW is contained in the Fiscal Year 2018 CAFR.

## **CITY CASH MANAGEMENT AND INVESTMENT POLICIES**

### **General Fund Cash Flow**

Because the receipt of revenues into the General Fund generally lags behind expenditures from the General Fund during each Fiscal Year, the City issues notes in anticipation of General Fund revenues and makes payments from the Consolidated Cash Account (described below) to finance its on-going operations.

The timing imbalance referred to above results from a number of factors, principally the following:

- (i) Real Estate Taxes, BIRT, and net profits taxes are not due until the latter part of the Fiscal Year; and
- (ii) 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.

From time to time, the City issues, or PICA has issued on behalf of the City, tax and revenue anticipation notes. Each issue was repaid when due, prior to the end of the particular Fiscal Year. The City did not issue tax and revenue anticipation notes in Fiscal Year 2019, nor does it expect to do so in Fiscal Year 2020.

The repayment of the tax and revenue anticipation notes is funded through cash available in the General Fund.

### **Consolidated Cash**

The Act of the General Assembly of June 25, 1919 (Pa. P.L. 581, No. 274, Art. XVII, § 6) authorizes the City to make temporary inter-fund loans between certain operating and capital funds. The City maintains a Consolidated Cash Account for the purpose of pooling the cash and investments of all City funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of PGW, the Aviation Fund, the Water Fund, and certain other restricted purpose funds). A separate accounting is maintained to record the equity of each member fund that participates in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to the procedures described below.

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, an advance is made from the Consolidated Cash Account, in an amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a member fund that has negative equity 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. With the movement of the reimbursable component of DHS activities from the General Fund to the Grants Revenue Fund, a similar system of advances has resulted in the use of tax revenues or other operating revenues in the General Fund to make expenditures from the Grants Revenue Fund, which advances may be outstanding for multiple Fiscal Years, but which are expected to be reimbursed by the Commonwealth.

The City, in addition to maintaining an ongoing cash reconciliation process, is reviewing and reconciling certain unidentified variances in the Consolidated Cash Account. The reconciliation process, in short, reconciles the account balance and activity shown on the records of the bank at which the cash balance of the Consolidated Cash Account is maintained to that shown on the City's records. The City's records were not consistently reconciled for the period of July 1, 2014 – June 30, 2017, as noted in the

Fiscal Year 2018 CAFR. The balance in the Consolidated Cash Account on the City's records was higher than the account balance on the bank's records by approximately \$40 million, which is attributable principally to unidentified historic variances. The City engaged the services of an auditing firm to undertake a complete reconciliation and resolve the unidentified variances. In January 2019, a final audit report was delivered. The current variance is \$528,000 and the City will continue its effort to reconcile such remaining amount.

Procedures governing the City's cash management operations require the General Fund-related operating fund to borrow initially from the General Fund-related capital fund, and only to the extent there is a deficiency in such fund may the General Fund-related operating fund borrow money from any other funds in the Consolidated Cash Account.

## **Investment Practices**

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and to make investments that preserve principal while striving to obtain the maximum rate of return. Pursuant to the City Charter, the City Treasurer is the City official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional investment managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to revenue bonds for water and sewer and the airport are directly deposited and held separately in trust. A fiscal agent manages these cash balances in accordance with the applicable bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy (as described below). In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with federal or Commonwealth reporting.

Investment guidelines for the City are embodied in section 19-202 of the Philadelphia Code. In furtherance of these guidelines, as well as Commonwealth and federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that went into effect in August 1994 and was most recently revised in September 2014. The Policy supplements other legal requirements and establishes guiding principles for the overall administration and effective management of all of the City's monetary funds (except the Municipal Pension Fund, the PGW Retirement Reserve Fund, the PGW OPEB Trust and the PGW Workers' Compensation Reserve Fund).

The Policy delineates the authorized investments as authorized by the Philadelphia Code and the funds to which the Policy applies. The authorized investments include U.S. government securities, U.S. treasuries, U.S. agencies, repurchase agreements, commercial paper, corporate bonds, money market mutual funds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality, all of investment grade rating or better and with maturity limitations.

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio. Repurchase agreements, money market mutual funds, commercial paper, and corporate bonds are limited to investment of no more than 25% of the total portfolio. Obligations of the Commonwealth and collateralized banker's acceptances and certificates of deposit are limited to no more than 15% of the total portfolio. Collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality are limited to no more than 5% of the total portfolio.



U.S. government securities carry no limitation as to the percent of the total portfolio per issuer. U.S. agency securities are limited to no more than 33% of the total portfolio per issuer. Repurchase agreements and money market mutual funds are limited to no more than 10% of the total portfolio per issuer. Commercial paper, corporate bonds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality are limited to no more than 3% of the total portfolio per issuer.

The Policy provides for an ad hoc Investment Committee consisting of the Director of Finance, the City Treasurer and one representative each from the Water Department, the Division of Aviation, and PGW. The Investment Committee meets quarterly with each of the investment managers to review each manager's performance to date and to plan for the next quarter. Investment managers are given any changes in investment instructions at these meetings. The Investment Committee approves all modifications to the Policy. The Investment Committee may from time to time review and revise the Policy and does from time to time approve temporary waivers of the restrictions on assets based on cash management needs and recommendations of investment managers.

The Policy expressly forbids the use of any derivative investment product as well as investments in any security whose yield or market value does not follow the normal swings in interest rates. Examples of these types of securities include, but are not limited to: structured notes, floating rate (excluding U.S. Treasury and U.S. agency floating rate securities) or inverse floating rate instruments, securities that could result in zero interest accrual if held to maturity, and mortgage derived interest and principal only strips. The City currently makes no investments in derivatives.

## **DEBT OF THE CITY**

### **General**

Section 12 of Article IX of the Constitution of the Commonwealth provides that the authorized debt of the City "may be increased in such amount that the total debt of [the] 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 [the] 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." The Supreme Court of Pennsylvania has held that bond authorizations once approved by the voters need not be reduced as a result of a subsequent decline in the average assessed value of City property. The general obligation debt subject to the limitation described in this paragraph is referred to herein as "Tax-Supported Debt."

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.

For purposes of this Official Statement, Tax-Supported Debt and Self-Supporting Debt are referred to collectively as “General Obligation Debt.” The term “General Fund-Supported Debt” is comprised of: (i) General Obligation Debt; and (ii) PAID, PMA, PPA, and PRA bonds, which are secured by agreements with the City to appropriate and pay amounts sufficient to pay principal, interest, or redemption price when due on the bonds.

Using the methodology described above, as of September 30, 2019, the Constitutional debt limitation for Tax-Supported Debt was approximately \$9,534,040,000. The total amount of authorized debt applicable to the debt limit was \$2,399,372,000 including \$682,427,000 of authorized but unissued debt, leaving a legal debt margin of \$7,507,076,000. Based on the foregoing figures, the calculation of the legal debt margin is as follows:

**Table 40**  
**General Obligation Debt**  
**September 30, 2019**  
**(Amounts in Thousands of USD)**

Authorized, issued and outstanding	\$1,716,945
Authorized and unissued	<u>682,427</u>
Total	\$2,399,372
Less: Self-Supporting Debt	(\$352,838)
Less: Serial bonds maturing within a year	<u>(19,570)</u>
Total amount of authorized debt applicable to debt limit	2,026,964
Legal debt limit	<u>9,534,040</u>
Legal debt margin	\$7,507,076

As a result of the implementation of the City’s AVI, the assessed value of taxable real estate within the City has increased substantially. See “REVENUES OF THE CITY – Real Property Taxes.” The \$9.534 billion Constitutional debt limit calculation includes six years of property values certified under the City’s AVI program, and four years of property values under the City’s former property valuation process. Assuming no increase or decrease in property values used to calculate the Constitutional debt limit in Table 40, the Constitutional debt limit is estimated to be \$17.127 billion by 2027.

The City is also empowered by statute to issue revenue bonds and, as of June September 30, 2019, had outstanding \$2,228,379,217 aggregate principal amount of Water and Wastewater Revenue Bonds (“Water and Wastewater Bonds”), \$964,480,000 aggregate principal amount of Gas Works Revenue Bonds, and \$1,521,240,000 aggregate principal amount of Airport Revenue Bonds. As of September 30, 2019, the principal amount of PICA Bonds outstanding was \$129,745,000. The City has also enacted ordinances authorizing the issuance of (i) up to \$350 million aggregate principal amount in Airport Revenue Commercial Paper Notes for the Division of Aviation, (ii) up to \$400 million of Airport Revenue Bonds to finance capital projects for the Division of Aviation, (iii) up to \$270 million of Gas Works Revenue Notes to finance working capital and capital projects for PGW, (iv) up to \$200 million of Gas Works Revenue Bonds to finance capital projects for PGW, and (v) up to \$800 million of Water and Wastewater Revenue Bonds for the Philadelphia Water Department, of which approximately \$250.7 million has been issued. For information on recent and upcoming financings, see “OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings.”

### **Short-Term Debt**

As provided in the PICA Act, the City's tax and revenue anticipation notes are general obligations of the City, but do not constitute debt of the City subject to the limitations of the Constitutional debt limit. The City does not have any tax and revenue anticipation notes outstanding. The City did not issue any tax and revenue anticipation notes in Fiscal Year 2019 nor does it expect to do so in Fiscal Year 2020. *See* "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – General Fund Cash Flow."

### **Long-Term Debt**

The following table presents a synopsis of the bonded debt of the City and its component units as of the date indicated. Of the total balance of the City's general obligation bonds issued and outstanding as of September 30, 2019, approximately 28% is scheduled to mature within five Fiscal Years and approximately 59% is scheduled to mature within ten Fiscal Years. When PICA's outstanding bonds are included with the City's general obligation bonds, approximately 61% is scheduled to mature within ten Fiscal Years.

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**Table 41**

**Bonded Debt – City of Philadelphia and Component Units**  
**(as of September 30, 2019)**  
**(Amounts in Thousands of USD)<sup>(1), (2)</sup>**

**General Obligation Debt and PICA Bonds**

General Obligation Bonds	\$1,716,945	
PICA Bonds	<u>129,745</u>	
<b>Subtotal: General Obligation Debt and PICA Bonds</b>		<b>\$1,846,690</b>

**Other General Fund-Supported Debt<sup>(3)</sup>**

Philadelphia Municipal Authority		
Juvenile Justice Center	\$82,075	
Public Safety Campus	62,480	
Energy Conservation	<u>8,410</u>	
	\$152,965	
Philadelphia Authority for Industrial Development		
Pension capital appreciation bonds	\$315,595	
Pension fixed rate bonds	761,655	
Stadiums	220,015	
Library	4,320	
Cultural and Commercial Corridor	80,655	
One Parkway	24,825	
Affordable Housing	51,150	
400 N. Broad <sup>(4)</sup>	243,983	
Art Museum	9,905	
Rebuild	<u>79,460</u>	
	\$1,791,563	
Philadelphia Parking Authority	10,160	
Philadelphia Redevelopment Authority	<u>196,755</u>	
<b>Subtotal: Other General Fund-Supported Debt</b>		<b>\$2,151,443</b>
<b>Revenue Bonds</b>		
Water Fund	\$2,228,379	
Aviation Fund <sup>(5)</sup>	1,521,240	
Gas Works <sup>(5)</sup>	<u>964,480</u>	
<b>Subtotal: Revenue Bonds</b>		<b><u>\$4,714,099</u></b>

<b>Grand Total</b>		<b><u>\$8,712,232</u></b>
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<sup>(1)</sup> Unaudited; figures may not sum due to rounding.

<sup>(2)</sup> For tables setting forth a ten-year historical summary of Tax-Supported Debt of the City and the School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2018, see the Fiscal Year 2018 CAFR.

<sup>(3)</sup> The principal amount outstanding relating to the PAID 1999 Pension Obligation Bonds, Series B (capital appreciation bonds) is reflected as the accreted value thereon as of June 30, 2019.

<sup>(4)</sup> Includes (i) sublease payments of approximately \$15.2 million annually for the police headquarters renovation; and (ii) an assumption that the City issues approximately \$200 million in bonds in year nine (2026) to acquire the project at an assumed interest rate of 5% over the next 20 years.

<sup>(5)</sup> Does not include any outstanding commercial paper or short-term note issuances for the Division of Aviation or PGW, as applicable.

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**Table 42**  
**City of Philadelphia**  
**Annual Debt Service on General Fund-Supported Debt**  
**(as of September 30, 2019)**  
**(Amounts in Millions of USD)<sup>(1)</sup>**

	<u>General Obligation Debt<sup>(2)</sup></u>			<u>Other General Fund-Supported Debt<sup>(4), (5)</sup></u>			<u>Aggregate General Fund-Supported Debt</u>		
<b>Fiscal Year</b>	<b><u>Principal</u></b>	<b><u>Interest<sup>(3)</sup></u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest<sup>(5)</sup></u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
	77.12	67.79	144.91	92.60	141.52	234.12	169.72	209.31	379.04
2020	\$0.00	\$41.89	\$41.89	\$64.96	\$145.76	\$210.72	\$64.96	\$187.65	\$252.61
2021	86.73	82.46	169.19	91.74	142.54	234.28	178.46	225.00	403.47
2022	90.76	78.07	168.83	90.36	144.18	234.54	181.11	222.26	403.37
2023	96.30	73.41	169.71	128.39	106.13	234.51	224.69	179.53	404.22
2024	101.04	68.49	169.52	127.77	105.48	233.25	228.81	173.97	402.78
2025	105.94	63.35	169.28	132.95	100.31	233.25	238.88	163.66	402.54
2026	103.65	58.16	161.81	149.28	83.15	232.42	252.93	141.31	394.24
2027	108.63	52.89	161.52	170.42	58.04	228.47	279.05	110.94	389.98
2028	114.41	47.50	161.91	180.05	51.32	231.37	294.46	98.82	393.28
2029	90.36	42.64	133.00	281.74	33.55	315.28	372.10	76.19	448.29
2030	107.35	37.86	145.21	69.60	23.34	92.94	176.95	61.20	238.15
2031	113.47	32.52	145.98	73.00	19.92	92.92	186.47	52.44	238.90
2032	119.18	26.88	146.05	33.21	16.93	50.14	152.38	43.81	196.19
2033	87.72	21.83	109.54	26.22	15.50	41.72	113.94	37.32	151.26
2034	77.50	17.71	95.21	27.51	14.20	41.71	105.01	31.91	136.92
2035	64.91	14.20	79.10	28.87	12.84	41.71	93.77	27.04	120.81
2036	68.07	11.03	79.09	30.30	11.42	41.71	98.36	22.44	120.80
2037	56.21	8.02	64.23	31.80	9.92	41.71	88.01	17.94	105.94
2038	59.15	5.16	64.31	33.37	8.34	41.71	92.52	13.50	106.02
2039	41.79	2.70	44.49	23.00	6.80	29.79	64.78	9.50	74.28
2040	7.58	0.96	8.54	14.24	5.74	19.98	21.82	6.70	28.51
2041	7.93	0.61	8.54	14.94	5.03	19.97	22.87	5.65	28.51
2042	8.34	0.21	8.54	15.68	4.30	19.97	24.01	4.51	28.52
2043	0.00	0.00	0.00	16.45	3.53	19.98	16.45	3.53	19.98
2044	0.00	0.00	0.00	17.26	2.72	19.98	17.26	2.72	19.98
2045	0.00	0.00	0.00	14.04	1.86	15.90	14.04	1.86	15.90
2046	0.00	0.00	0.00	14.76	1.14	15.90	14.76	1.14	15.90
2047	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>15.52</u>	<u>0.39</u>	<u>15.90</u>	<u>15.52</u>	<u>0.39</u>	<u>15.90</u>
<b>Totals</b>	<b><u>\$1,716.95</u></b>	<b><u>\$788.56</u></b>	<b><u>\$2,505.50</u></b>	<b><u>\$1,917.37</u></b>	<b><u>\$1,134.37</u></b>	<b><u>\$3,051.74</u></b>	<b><u>\$3,634.31</u></b>	<b><u>\$1,922.93</u></b>	<b><u>\$5,557.24</u></b>

<sup>(1)</sup> Does not include letter of credit fees. Figures may not sum due to rounding.

<sup>(2)</sup> Includes both Tax-Supported Debt and Self-Supporting Debt. See “– General.” Does not include PICA Bonds.

<sup>(3)</sup> Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate.

<sup>(4)</sup> Includes PAID, PMA, PPA, and PRA bonds, which are supported by City contracts to pay or guarantee payment from General Fund appropriations, with capital appreciation bonds including only actual amounts payable. The original issuance amount of such capital appreciation bonds is included under the “Principal” column in the Fiscal Year such bonds mature and the full accretion amount at maturity less the original issuance amount is included in the “Interest” column in the Fiscal Year such bonds mature.

<sup>(5)</sup> Includes (i) sublease payments of approximately \$15.2 million annually for the police headquarters renovation; and (ii) an assumption that the City issues approximately \$200 million in bonds in year nine (2026) to acquire the project at an assumed interest rate of 5% over the next 20 years.

<sup>(6)</sup> Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate, plus any fixed spread. Net of capitalized interest on PAID City Service Agreement Revenue Refunding Bonds, Series 2012 (Federally Taxable).



## **Other Long-Term Debt Related Obligations**

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations, as shown in Table 41. The City budgets all other long-term debt-related obligations as a single budget item with the exception of PPA.

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia (“CCP”). Under the Community College Act (Pa. P.L. 103, No. 31 (1985)), each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of CCP, which includes debt service. The remaining 50% is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP’s operating costs (less tuition and less the Commonwealth’s payment). The amount paid by the City in Fiscal Year 2018 was \$30.4 million. The budgeted amount and current estimate for Fiscal Year 2019 is \$32.4 million. The budgeted amount for Fiscal Year 2020 is \$33.8 million.

## **PICA Bonds**

PICA has issued 11 series of bonds at the request of the City (the “PICA Bonds”). PICA no longer has authority under the PICA Act to issue bonds for new money purposes, but may refund bonds previously issued. As of September 30, 2019, the principal amount of PICA Bonds outstanding was \$129,745,000. The final maturity date for such PICA Bonds is June 15, 2023. The proceeds of the PICA Bonds were used to: (i) make grants to the City to fund its General Fund deficits, to fund all or a portion of the costs of certain City capital projects, to provide other financial assistance to the City to enhance operational productivity, and to defease certain of the City’s general obligation bonds; (ii) refund other PICA Bonds; and (iii) pay costs of issuance.

The PICA Act authorizes 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 execution of the PICA Agreement, as so authorized by the PICA Act, the City reduced the wage, earnings, and net profits taxes on City residents by 1.5% and enacted a new tax of 1.5% on wages, earnings, and net profits of City residents (the “PICA Tax”), which continues in effect. The PICA Tax secures the PICA Bonds. Pursuant to the PICA Act, at such time when no PICA Bonds are outstanding, the PICA Tax will expire. At any time, the City is authorized to increase for its own use its various taxes, including its wage, earnings, and net profits taxes on City residents and could do so upon the expiration of the PICA Tax. Certain taxes, such as sales, liquor, and hotel taxes, among others, cannot be increased by the City without Commonwealth approval.

The PICA Tax is collected by the City’s Department of Revenue, as agent of the State Treasurer, and 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. *See “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – Non-Mayoral-Appointed or Nominated Agencies – PICA.”*

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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 its rate while any PICA Bonds are outstanding. PICA Bonds are payable from PICA revenues, including the PICA Tax, pledged to secure PICA's bonds, the Bond Payment Account (as described below) and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

The PICA Act 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. The State Treasurer is required to pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account. The 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, are required to be deposited in a trust fund established exclusively to benefit 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, unless PICA certifies the City's non-compliance with the then-current five-year financial plan.

The total amount of PICA Tax remitted by the State Treasurer to PICA (which is net of the costs of the State Treasurer in collecting the PICA Tax), PICA annual debt service and expenses, and net PICA tax revenue remitted to the City for Fiscal Years 2016-2018, the budgeted amounts and current estimates for Fiscal Year 2019, and the budgeted amounts for Fiscal year 2020 are set forth below.

**Table 43**  
**Summary of PICA Tax Remitted by the State Treasurer to PICA**  
**and Net Taxes Remitted by PICA to the City**  
**(Amounts in Millions of USD)<sup>(1),(2)</sup>**

<b>Fiscal Year</b>	<b>PICA Tax<sup>(3)</sup></b>	<b>PICA Annual Debt Service and Expenses<sup>(3)</sup></b>	<b>Net taxes remitted to the City<sup>(4)</sup></b>
2016 (Actual)	\$444.5	\$61.1	\$383.4
2017 (Actual)	\$469.2	\$59.7	\$409.5
2018 (Actual)	\$497.0	\$42.8	\$454.2
2019 (Adopted Budget)	\$516.0	\$47.1	\$469.0
2019 (Current Estimate)	\$521.7	\$47.1	\$474.6
2020 (Adopted Budget)	\$546.1	\$46.8	\$499.3

<sup>(1)</sup> Figures may not sum due to rounding.

<sup>(2)</sup> A variance exists between the City's calculation and reporting of both the PICA Tax and the Authority's annual debt service and expenses (as set forth in the body of this Official Statement, in this table and elsewhere in this APPENDIX B), as opposed to the Authority's calculation and reporting of similar items (as set forth in the body of this Official Statement, in APPENDIX A and in the Authority's audited financial statements for prior fiscal years). This variance is due to the City's utilization of a cash-basis accounting method in contrast to the Authority's utilization of a modified accrual accounting method based on month-to-month and year-to-year payments and receipts, which the Authority then reconciles with the Office of the City Treasurer of the City at the end of each fiscal year.

<sup>(3)</sup> Source: The City's Quarterly City Manager's Reports or the budget for the applicable Fiscal Year.

<sup>(4)</sup> Source: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Years 2019-2020, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Financial Plan, as applicable.

## OTHER FINANCING RELATED MATTERS

### Swap Information

The City has entered into various swaps related to its outstanding General Fund-Supported Debt as detailed in the following table:

**Table 44**  
**Summary of Swap Information**  
**for General Fund-Supported Debt**  
**as of September 30, 2019**

City Entity	City GO	City Lease PAID	City Lease PAID
Related Bond Series	2009B <sup>(1)</sup>	2007B-2 (Stadium) <sup>(3)</sup>	2007B-2 (Stadium) <sup>(4)</sup>
Initial Notional Amount	\$313,505,000	\$217,275,000	\$72,400,000
Current Notional Amount	\$100,000,000	\$54,303,091	\$18,096,909
Termination Date	8/1/2031	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	SIFMA	SIFMA
Rate Paid by City Entity	3.83%	3.97%	3.97%
Dealer	Royal Bank of Canada	JPMorgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc
Fair Value <sup>(2)</sup>	(\$24,166,204)	(\$9,714,411)	(\$3,235,966)
Additional Termination Events	<p><u>For Dealer:</u> Rating change below BBB- or Baa3</p> <p><u>For City:</u> Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)</p>	<p><u>For Dealer:</u> Rating change below BBB- or Baa3</p> <p><u>For PAID:</u> Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)</p>	<p><u>For Dealer:</u> Rating change below BBB- or Baa3</p> <p><u>For PAID:</u> Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)</p>

<sup>(1)</sup> On July 28, 2009, the City terminated a portion of the swap in the amount of \$213,505,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2009A fixed rate bonds and the Series 2009B variable rate bonds. The City made a termination payment of \$15,450,000.

<sup>(2)</sup> Fair values are as of September 30, 2019, and are shown from the City's perspective and include accrued interest.

<sup>(3)</sup> On July 15, 2014, PAID terminated a portion of the swap in the amount of \$41,555,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of \$4,171,000 to JPMorgan. On September 11, 2019, PAID terminated a portion of the swap in the amount of \$33,455,654 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 bonds. PAID made a termination payment of \$6,051,000 to JPMorgan.

<sup>(4)</sup> On July 15, 2014, PAID terminated a portion of the swap in the amount of \$13,840,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of \$1,391,800 to Merrill Lynch. On September 11, 2019, PAID terminated a portion of the swap in the amount of \$11,149,346 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 bonds. PAID made a termination payment of \$1,998,000 to Merrill Lynch.

While the City is party to several interest rate swap agreements, for which there is General Fund exposure and on which the swaps currently have a negative mark against the City, the City has no obligation to post collateral on these swaps while the City's underlying ratings are investment grade.

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, the Water Department, and the Division of Aviation, see the Fiscal Year 2018 CAFR. In addition, PICA has entered into swaps, which are detailed in the Fiscal Year 2018 CAFR.

## Swap Policy

The City has adopted a swap policy for the use of swaps, caps, floors, collars and other derivative financial products (collectively, “swaps”) in conjunction with the City’s debt management. The swap program managed by the City includes swaps related to the City’s general obligation bonds, tax-supported service contract debt issued by related authorities, debt of the Water Department, Division of Aviation, and debt of PGW. Swaps related to debt of the PICA, the School District, and the PPA are managed by those governmental entities, respectively.

The Director of Finance has overall responsibility for entering into swaps. Day-to-day management of swaps is the responsibility of the City Treasurer, and the Executive Director of the Sinking Fund Commission is responsible for making swap payments. The Office of the City Treasurer and the City Solicitor’s Office coordinate their activities to ensure that all swaps that are entered into are in compliance with applicable federal, state, and local laws.

The swap policy addresses the circumstances when swaps can be used, the risks that need to be evaluated prior to entering into swaps and on an ongoing basis after swaps have been executed, the guidelines to be employed when swaps are used, and how swap counterparties will be chosen. The swap policy is used in conjunction with the City’s Debt Management Policy, reviewed annually, and updated as needed.

Under the swap policy, permitted uses of swaps include: (i) managing the City’s exposure to floating interest rates through interest rate swaps, caps, floors and collars; (ii) locking in fixed rates in current markets for use at a later date through the use of forward starting swaps and rate locks; (iii) reducing the cost of fixed or floating rate debt through swaps and related products to create “synthetic” fixed or floating rate debt; and (iv) managing the City’s credit exposure to financial institutions and other entities through the use of offsetting swaps.

Since swaps can create exposure to the creditworthiness of financial institutions that serve as the City’s counterparties on swap transactions, the City has established standards for swap counterparties. As a general rule, the City enters into transactions with counterparties whose obligations are rated in the A rated category or better from two nationally recognized rating agencies. If counterparty’s credit rating is below the double-A rating category, the swap policy requires that the City’s exposure be collateralized. If a counterparty’s credit is downgraded below the A category, even with collateralization, the swap policy requires a provision in the swap permitting the City to exercise a right to terminate the transaction prior to its scheduled termination date.

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## Letter of Credit Agreements

The City has entered into various letter of credit agreements related to its General Fund-Supported Debt as detailed in the table below. Under the terms of such letter of credit agreements, following a purchase of the applicable bonds, the City may be required to amortize such bonds more quickly than as originally scheduled at issuance.

**Table 45**  
**Summary of Letter of Credit Agreements**  
**for General Fund-Supported Debt**  
**as of September 30, 2019**

<b>Variable Rate Bond Series</b>	<b>Amount Outstanding</b>	<b>Bond Maturity Date</b>	<b>Provider</b>	<b>Expiration Date</b>	<b>Rating Thresholds <sup>(1)</sup></b>
General Obligation Multi-Modal Refunding Bonds, Series 2009B	\$100,000,000	August 1, 2031	Barclays Bank PLC	May 24, 2023	The long-term rating assigned by any one of the rating agencies to any unenhanced long-term parity debt of the City is (i) withdrawn or suspended for credit-related reasons or (ii) reduced below investment grade.
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-2	\$72,400,000	October 1, 2030	TD Bank	May 29, 2024	The long-term ratings assigned by at least two of the rating agencies to any unenhanced general obligation bonds of the City is (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below investment grade.

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<sup>(1)</sup> The occurrence of a Rating Threshold event would result in an event of default under the reimbursement agreement with the related bank.

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## Recent and Upcoming Financings

*Recent Financings.* The following is a list of financings that the City has entered into since January 1, 2019.

- In September 2019, PAID issued \$147,615,000 in Lease Revenue Refunding Bonds for the benefit of the City.
- In August 2019, the City issued \$293,360,000 in General Obligation Bonds.
- In August 2019, the City issued \$250,660,000 in Water and Wastewater Revenue Bonds.
- In May 2019, the City issued \$188,660,000 in General Obligation Refunding Bonds.
- In February 2019, the City issued \$68,335,000 in Water and Wastewater Revenue Refunding Bonds.

*Upcoming Financings.*

- In November 2019, the City expects to issue approximately \$111 million in General Obligation Refunding Bonds.
- In October 2020, the City expects to issue approximately \$128 million in Water and Wastewater Revenue Refunding Bonds pursuant to a Forward Delivery Bond Purchase Agreement signed in February 2019.

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## CITY CAPITAL PROGRAM

As part of the annual budget process, the Mayor submits for approval a six-year capital program to City Council, together with the proposed operating budget. For more information on the City's budget process, see "DISCUSSION OF FINANCIAL OPERATIONS – Budget Procedure."

### Certain Historical Capital Expenditures

Table 46 shows the City's historical expenditures for Fiscal Years 2014-2018 for certain capital purposes, including expenditures for projects related to transit, streets and sanitation, municipal buildings, recreation, parks, museums, and stadia, and economic and community development. The source of funds used for such expenditures are primarily general obligation bond proceeds, but also include federal, state, private, and other government funds and operating revenue. Figures in the table below are generated after the Fiscal Year closes and may not sum due to rounding.

**Table 46**  
**Historical Expenditures for Certain Capital Purposes**  
**Fiscal Years 2014-2018**

<b>Purpose Category</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Transit	\$ 2,168,224	\$ 1,283,307	\$ 3,223,431	\$ 378,229	\$ 7,284,978
Streets & Sanitation	46,806,225	63,612,248	76,350,266	43,772,678	27,626,173
Municipal Buildings	35,579,152	53,419,449	50,653,561	45,002,188	75,096,668
Recreation, Parks, Museums & Stadia	17,787,234	29,875,633	35,963,360	37,323,288	61,839,958
Economic & Community Development	<u>11,839,066</u>	<u>12,714,468</u>	<u>16,176,644</u>	<u>4,570,196</u>	<u>18,288,380</u>
<b><u>TOTAL</u></b>	<b><u>\$114,179,901</u></b>	<b><u>\$160,905,105</u></b>	<b><u>\$182,367,262</u></b>	<b><u>\$131,046,579</u></b>	<b><u>\$190,136,157</u></b>

Table 47 shows the City's historical expenditures for Fiscal Years 2014-2018 for certain capital purposes from general obligation bond proceeds only and the percentage of the total costs covered by such proceeds in such Fiscal Years. Figures in the table below are generated after the Fiscal Year closes and may not sum due to rounding.

**Table 47**  
**Historical Expenditures for Certain Capital Purposes**  
**(General Obligation Bond Proceeds Only)**  
**Fiscal Years 2014-2018**

<b>Purpose Category</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Transit	\$ 2,168,224	\$ 1,274,467	\$ 3,223,431	\$ 414,434	\$ 7,227,880
Streets & Sanitation	18,642,621	24,887,488	23,963,058	21,952,654	19,601,019
Municipal Buildings	27,936,597	47,163,418	40,036,844	43,400,701	70,850,458
Recreation, Parks, Museums & Stadia	15,838,047	25,494,778	25,364,901	29,135,962	54,534,870
Economic & Community Development	<u>11,816,222</u>	<u>12,714,468</u>	<u>12,474,164</u>	<u>4,570,196</u>	<u>18,288,380</u>
<b><u>TOTAL</u></b>	<b><u>\$76,401,711</u></b>	<b><u>\$111,534,619</u></b>	<b><u>\$105,062,398</u></b>	<b><u>\$99,473,947</u></b>	<b><u>\$170,502,607</u></b>
<b>Percentage of Total Costs</b>	<b>67%</b>	<b>69%</b>	<b>58%</b>	<b>76%</b>	<b>90%</b>

## Fiscal Year 2020-2025 Adopted Capital Program

The Fiscal Year 2020-2025 Adopted Capital Program contemplates a total budget of \$10.85 billion. In the Fiscal Year 2020-2025 Adopted Capital Program, approximately \$3.35 billion is expected to be provided from federal, Commonwealth, and other sources and approximately \$7.50 billion through City funding. The following table shows the amounts budgeted each year from various sources of funds for capital projects in the Fiscal Year 2020-2025 Adopted Capital Program.

**Table 48**  
**Fiscal Year 2020-2025 Adopted Capital Program**  
**(Amounts in Thousands of USD)**

Funding Source	2020	2021	2022	2023	2024	2025	2020-2025
<b>City Funds--Tax Supported</b>							
Carried-Forward Loans	\$374,386	-	-	-	-	-	\$374,386
Operating Revenue	121,088	\$12,200	\$12,200	\$12,200	\$12,200	\$1,700	171,588
New Loans	177,171	198,425	198,955	198,610	177,086	178,236	1,128,483
Prefinanced Loans	24,226	-	-	-	-	-	24,226
PICA Prefinanced Loans	4,279	-	-	-	-	-	4,279
<b>Tax Supported Subtotal</b>	<b>\$701,150</b>	<b>\$210,625</b>	<b>\$211,155</b>	<b>\$210,810</b>	<b>\$189,286</b>	<b>\$179,936</b>	<b>\$1,702,962</b>
<b>City Funds--Self Sustaining</b>							
Self-Sustaining Carried Forward Loans	\$374,292	-	-	-	-	-	\$374,292
Self-Sustaining Operating Revenue	150,654	\$73,163	\$72,611	\$77,816	\$84,594	\$82,630	541,468
Self-Sustaining New Loans	616,820	699,344	1,029,537	952,450	749,103	746,741	4,793,995
<b>Self-Sustaining Subtotal</b>	<b>\$1,141,766</b>	<b>\$772,507</b>	<b>\$1,102,148</b>	<b>\$1,030,266</b>	<b>\$833,697</b>	<b>\$829,371</b>	<b>\$5,709,755</b>
<b>Other City Funds</b>							
Revolving Funds	\$17,000	\$17,000	\$15,000	\$13,000	\$13,000	\$13,000	\$88,000
<b>Other Than City Funds</b>							
Carried-Forward Other Government	\$8,384	-	-	-	-	-	\$8,384
Other Government Off Budget	1,206	\$1,285	\$1,526	\$1,466	\$1,494	\$1,586	8,563
Other Governments/Agencies	20,665	2,100	2,100	100	100	100	25,165
Carried-Forward State	124,313	-	-	-	-	-	124,313
State Off Budget	172,976	197,827	195,919	198,362	195,513	190,688	1,151,285
State	118,148	40,697	39,907	35,430	35,441	43,458	313,081
Carried-Forward Private	112,506	-	-	-	-	-	112,506
Private	73,002	65,953	65,168	62,558	61,902	45,705	374,288
Carried-Forward Federal	212,758	-	-	-	-	-	212,758
Federal Off-Budget	103,494	5,524	80,161	20,633	16,000	8,800	234,612
Federal	212,670	120,777	94,069	110,243	111,992	135,935	785,686
<b>Other Than City Funds Subtotal</b>	<b>\$1,160,122</b>	<b>\$434,163</b>	<b>\$478,850</b>	<b>\$428,792</b>	<b>\$422,442</b>	<b>\$426,272</b>	<b>\$3,350,641</b>
<b>TOTAL</b>	<b>\$3,020,038</b>	<b>\$1,434,295</b>	<b>\$1,807,153</b>	<b>\$1,682,868</b>	<b>\$1,458,425</b>	<b>\$1,448,579</b>	<b>\$10,851,358</b>

## LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Division of Aviation, and PGW, which are paid out of their respective funds or revenues and only secondarily out of 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 on damages has been upheld by the Pennsylvania appellate courts, including in the recent decision of the Supreme Court of Pennsylvania in *Zauflik v. Pennsbury School District*, 104 A.3d 1096 (2014). Under Pennsylvania Rule of Civil Procedure 238, delay damages are not subject to the \$500,000 limitation. The limit on damages is inapplicable to any suit against the City that does not arise under state tort law, such as claims made against the City under federal civil rights laws.

### General Fund

The following table presents the City’s aggregate losses from settlements and judgments paid out of the General Fund for Fiscal Years 2016-2018, and the budgeted amounts for Fiscal Years 2019 and 2020.

**Table 49**  
**Aggregate Losses – General and Special Litigation Claims (General Fund)**  
**Fiscal Years 2016-2018 (Actual) and 2019-2020 (Budget)**  
**(Amounts in Millions of USD)**

	Actual 2016	Actual 2017	Actual 2018	Budget 2019	Budget 2020
Aggregate Losses	\$41.2	\$38.3	\$44.6	\$48.8	\$49.2

Sources: The City, Office of Budget and Program Evaluation – Budget Bureau, Indemnity Account, Status Reports.

The current estimate of settlements and judgments from the General Fund for Fiscal Year 2019 is \$48.8 million. Such estimate is based on internal calculations using (i) the “Possible Costs” listed in its Quarterly Litigation Reports, (ii) the 3-year average cost for closed cases, and (iii) current year-to-date spending reports.

Based on the Twenty-Eighth Five-Year Plan, the City expects settlements and judgments from the General Fund for Fiscal Years 2020-2024 to range from \$49.2 million in Fiscal Year 2020 to \$48.8 million in Fiscal Year 2024.

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.

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 General Fund. These proceedings involve: (i) 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; (ii) contract disputes and other commercial litigation; (iii) union arbitrations and other employment-related litigation; (iv) potential and certified class action suits; and (v) civil rights litigation. The ultimate outcome and fiscal impact,

if any, on the General Fund of the claims and proceedings described in this paragraph are not currently predictable. See Note IV.8. to the Fiscal Year 2018 CAFR, “Contingencies – Primary Government – Claims and Litigation”.

In addition, see “REVENUES OF THE CITY – Real Property Taxes,” for a discussion of litigation relating to the reassessment of commercial property in tax year 2018.

**Water Fund**

Various claims 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 following table presents the Water Department’s aggregate losses from settlements and judgments paid out of the Water Fund for Fiscal Years 2016-2018, and the budgeted amounts for Fiscal Years 2019 and 2020. The current estimate for Fiscal Year 2019 is \$3.5 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

**Table 50**  
**Aggregate Losses – General and Special Litigation Claims (Water Fund)**  
**Fiscal Years 2016-2018 (Actual) and 2019-2020 (Budget)**  
**(Amounts in Millions of USD)**

	Actual 2016	Actual 2017	Actual 2018	Budget 2019	Budget 2020
Aggregate Losses	\$5.4	\$7.0	\$6.3	\$8.5	\$7.5

Sources: The City, Office of Budget and Program Evaluation – Budget Bureau, Indemnity Account, Status Reports.

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## Aviation Fund

Various claims have been asserted against the Division of Aviation and in some cases lawsuits have been instituted. Many of these Division of Aviation claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Division of Aviation. The following table presents the Division of Aviation's aggregate losses from settlements and judgments paid out of the Aviation Fund for Fiscal Years 2016-2018, and the budgeted amounts for Fiscal Years 2019 and 2020. The current estimate for Fiscal Year 2019 is \$1.9 million. The Aviation Fund is the first source of payment for any of the claims against the Division of Aviation.

**Table 51**  
**Aggregate Losses – General and Special Litigation Claims (Aviation Fund)**  
**Fiscal Years 2016-2018 (Actual) and 2019-2020 (Budget)**

	Actual 2016	Actual 2017	Actual 2018	Budget 2019	Budget 2020
Aggregate Losses	\$1.3 million	\$1.6 million	\$1.1 million	\$2.5 million	\$2.5 million

Sources: The City, Office of Budget and Program Evaluation – Budget Bureau, Indemnity Account, Status Reports.

## PGW

Various claims have been asserted against PGW and in some cases lawsuits have been instituted. Many of these PGW claims have been reduced to judgment or otherwise settled in a manner requiring payment by PGW. The following table presents PGW's settlements and judgments paid out of PGW revenues, with accompanying reserve information, in PGW Fiscal Years 2014 through 2018. PGW revenues are the first source of payment for any of the claims against PGW. PGW currently estimates approximately \$6.0 million and \$3.1 million in settlements and judgments for PGW Fiscal Years 2019 and 2020, respectively.

**Table 52**  
**Claims and Settlement Activity (PGW)**  
**PGW Fiscal Years 2014-2018**  
**(Amounts in Thousands of USD)**

Fiscal Year (ending August 31)	Beginning of Year Reserve	Current Year Claims and Adjustments	Claims Settled	End of Year Reserve	Current Liability Amount
2014	\$10,411	\$2,498	(\$2,965)	\$9,944	\$4,728
2015	\$9,944	\$3,610	(\$2,042)	\$11,512	\$5,011
2016	\$11,512	\$2,022	(\$3,041)	\$10,493	\$5,307
2017	\$10,493	\$6,681	(\$2,797)	\$14,377	\$4,627
2018	\$14,377	\$2,910	(\$3,223)	\$14,064	\$6,100

Source: PGW's audited financial statements.

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## APPENDIX C

### City of Philadelphia Socioeconomic Information<sup>1</sup>

#### INTRODUCTION

The City of Philadelphia (the “City” or “Philadelphia”) is the sixth largest city in the nation by population, and is at the center of the United States’ eighth largest metropolitan statistical area, according to 2018 estimates. The Philadelphia MSA (further described below) includes a substantial retail sales market, as well as a diverse network of business suppliers and complementary industries. Some of the City’s top priorities include attracting and retaining knowledge workers, increasing educational attainment and employment skills among Philadelphians, attracting real estate development, and promoting Philadelphia as a desirable location for business.

According to the 2010 U.S. Census, the City increased its population by 0.7% to 1.53 million residents in the ten years from 2000 to 2010, ending six decades of population decline. Although the increase was modest, it was an indicator of more recent growth and development in Philadelphia. From 2010 to 2018, the City increased its population by 3.6% to 1.584 million residents. As described below, the 20 to 34 year-old age group is the largest age group in Philadelphia and the fastest growing.

Philadelphia’s recent population and job growth, the latter of which outpaced the national average for the past three years, is expected to provide additional resources to tackle the City’s largest challenges. These challenges include underfunded pension liabilities, low estimated General Fund balances in Fiscal Years 2020-2024, high rates of poverty, and the School District of Philadelphia’s (the “School District”) ongoing fiscal challenges. Given the population shifts and economic development taking place nationwide, coupled with the City’s strategic geographical location, relative affordability, diversified economy, cultural and recreational amenities, and its growing strength in key industries, Philadelphia is well-positioned to attract new businesses and investment over the coming years.

#### Geography

The City has an area of approximately 134 square miles, and is located along the southeastern border of the Commonwealth of Pennsylvania (the “Commonwealth”), at the confluence of the Delaware and Schuylkill Rivers. The City, highlighted in orange in Figure 1, lies at the geographical and economic center of the MSA and PMSA (described below). Philadelphia is both the largest city and the only city of the first class in the Commonwealth, and is coterminous with the County of Philadelphia.

*Philadelphia Metropolitan Statistical Area (the “MSA”),* highlighted in blue in Figure 1, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing an area of approximately 5,118 square miles with approximately 6,096,372 residents according to 2018 estimates by the U.S. Census Bureau.<sup>2</sup>

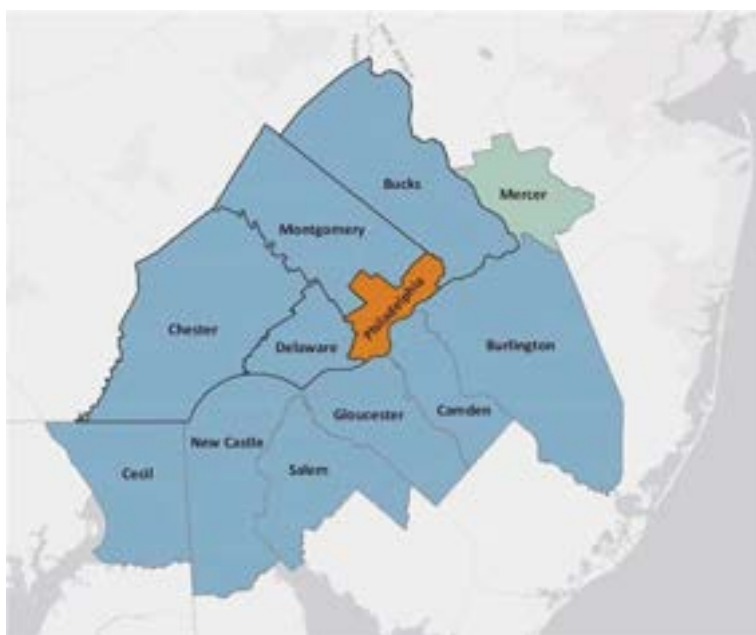
*Philadelphia Primary Metropolitan Statistical Area (the “PMSA”),* highlighted with bold black outlines, in Figure 1, is a five-county area within the MSA that lies in the Commonwealth and is sometimes called the Philadelphia Metropolitan Division. The counties of Bucks, Chester, Delaware, and Montgomery are referred to as the Suburban PMSA herein.

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<sup>1</sup> Unless otherwise noted, all information contained in this Appendix C is current as of December 31, 2018.

<sup>2</sup> Due to its close proximity and impact on the region’s economy, Mercer County, New Jersey, highlighted in green in Figure 1, is included in the MSA by many regional agencies, although it is not included in the area defined by the U.S. Office of Management and Budget.

**Figure 1**  
**Map of Philadelphia Region including the MSA, PMSA, and Mercer County, NJ**



Source: 2009 TIGER County Shapefiles

### **Strategic Location**

Philadelphia is at the center of the fourth largest MSA on the East Coast, and is served by a robust transportation infrastructure, including: the Philadelphia International Airport, Amtrak's Northeast Corridor rail service, major interstate highway access, regional train service provided by Southeastern Pennsylvania Transportation Authority ("SEPTA") and New Jersey's PATCO (as defined herein), and the Port of Philadelphia. Due to the transportation infrastructure centered in the City, Philadelphia is accessible to regional and international markets, and is within a day's drive of 50% of the nation's population. Philadelphia's central location along the East Coast, an hour from New York City and less than two hours from Washington, D.C. by high-speed rail, also allows for convenient access to these significant economic centers.

### **Population and Demographics**

Philadelphia is the nation's sixth most populous city, with 1.584 million residents, based on 2018 estimates. The 2000 and 2010 U.S. Census reflect the City's first population gain in 60 years. The City's population reached its nadir in 2006 with 1.45 million residents. Philadelphia's population has increased by 135,744 residents from 2006 – 2018, or by 8.57%.

From 2006 to 2018, the share of the population represented by citizens age 20 to 34 ("millennials") grew from 20% to 26.2%, becoming the largest share of Philadelphia's population. This demographic group tends to be better educated than the City's and the nation's adult population as a whole. In 2017, 42.8% of 25- to 34-year-olds in Philadelphia held a bachelor's degree or higher, while only 34.4% of 25 to 34-year-olds in the United States were college graduates. The City's many universities and diverse employment opportunities are likely draws for residents in the 20 to 34 age group. In addition to an increase in the millennial population, the City's immigrant population also grew significantly, with the City's Asian population increasing from 4.9% to 7.1% and the Hispanic or Latino population increasing from 8.5% to 14.1% between 2000 to 2017, according to the US Census Bureau.

**Table 1**  
**Population: City, MSA, Pennsylvania & Nation**

	1990	2000	2010	2018	Percent Change 2000 - 2010	Percent Change 2010 - 2018
<b>Philadelphia</b>	1,585,577	1,517,550	1,528,427	1,584,138	0.7%	3.6%
<b>Philadelphia-Camden- Wilmington MSA</b>	5,435,468	5,687,147	5,972,049	6,096,372	5.0%	2.1%
<b>Pennsylvania</b>	11,881,643	12,281,054	12,712,343	12,807,060	3.5%	0.7%
<b>United States</b>	248,709,873	281,421,906	309,348,193	327,167,434	9.9%	5.8%

Source: U.S. Census Bureau, Population Estimates 2018, Census 2010, Census 2000, Census 1990.

Nearly 18% of Philadelphia's population is school-aged (aged 5-19), and in 2017, Philadelphia exceeded many selected peer cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Selected peer cities (as shown in Table 2) reflect characteristics consistent with Philadelphia, such as geography, socio-economic statistics, industrial legacies, or port facilities. Among these cities, while Boston had the highest percentage of its population enrolled in higher education, Philadelphia had 34,634 more students enrolled in higher education than Boston. Philadelphia had the fifth highest percentage of its population enrolled in higher education and the fifth largest university student population.

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**Table 2**  
**2017 Total Number of Students, as a Percent of Total Population of Selected Cities,**  
**Ranked by Total Number of Students Enrolled in Higher Education**

<b>City</b>	<b>Total Number of Students Enrolled in School (all years)</b>	<b>Total Number of Students Enrolled in Higher Education</b>	<b>Percent of All Students Enrolled in Higher Education</b>	<b>Percent of Total Population Enrolled in Higher Education</b>
Los Angeles, CA	2,704,769	876,163	32.4%	8.7%
Chicago, IL	690,284	225,179	32.6%	8.3%
Houston, TX	594,916	160,307	26.9%	6.9%
San Diego	377,644	153,541	40.7%	10.8%
<b>Philadelphia, PA</b>	<b>403,818</b>	<b>139,910</b>	<b>34.6%</b>	<b>8.8%</b>
San Antonio, TX	407,331	115,941	28.5%	7.6%
Boston, MA	191,254	105,276	55.0%	15.2%
Phoenix, AZ	418,062	94,858	22.7%	5.8%
Washington, DC	166,054	74,577	44.9%	10.7%
Milwaukee, WI	257,495	74,548	29.0%	7.9%
Baltimore, MD	156,859	55,879	35.6%	9.0%
Detroit, MI	179,090	45,743	25.5%	6.8%
Memphis, TN	168,364	45,284	26.9%	6.9%
Cleveland, OH	98,425	27,645	28.1%	7.2%
United States	81,751,797	22,848,124	27.9%	7.0%

Source: 2017 American Community Survey, 1-Year Estimates.

## ECONOMIC BASE AND EMPLOYMENT

### The Philadelphia Economy

The City's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major regional business and personal services center with strengths in insurance, law, finance, health, education, utilities, and the arts. The City also provides a destination for entertainment, arts, dining and sports for residents of the suburban counties, as well as for those residents of the counties comprising the MSA plus Mercer County, New Jersey.

As shown in Table 10, the cost of living in the City is relatively moderate and affordable compared to other major metropolitan areas along the East Coast. For example, Philadelphia's cost of living is 20% less than the Washington D.C. metropolitan area and 61% less than Manhattan. The City, as the commercial center of an MSA of 6.1 million people, offers its business community access to a large, diverse, and industrious labor pool. As one of country's education centers, these businesses also enjoy access to a large pool of recent graduates from the institutions of higher education in the MSA.

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## Key Industries

Table 3 provides location quotients for Philadelphia's most concentrated industry sectors. Location quotients quantify how concentrated a particular industry is in a region as compared to a base reference area, usually the nation. A location quotient greater than 1.00 indicates an industry with a greater share of the local area employment than is the case in the reference area.

As shown in Table 3, compared to the nation, Philadelphia County has higher concentrations in seven sectors: 1. educational services; 2. health care and social assistance; 3. management of companies and enterprises; 4. arts, entertainment, and recreation; 5. professional and technical services; 6. other services, except public administration; and 7. finance and insurance.<sup>3</sup> Of these seven sectors, the City has a higher concentration of employment than the Commonwealth in five sectors: educational services; health care and social assistance; arts, entertainment and recreation; professional and technical services; and other services, except public administration.

**Table 3**  
**Ratio of Philadelphia County and Pennsylvania Industry Concentrations**  
**Compared to the United States**

Industry	Philadelphia County to the US	Pennsylvania to the US
Educational Services	4.31	1.57
Health Care and Social Assistance	1.76	1.3
Management of Companies and Enterprises	1.14	1.45
Arts, Entertainment, and Recreation	1.16	1.03
Professional and Technical Services	1.19	0.95
Other Services, Except Public Administration	1.13	1.11
Finance and Insurance	1.07	1.09

Source: Bureau of Labor Statistics: 2018 Annual Average Employment Location Quotient, Quarterly Census of Employment and Wages

The concentration of educational services not only provides stable support to the local economy, but also generates a steady and educated workforce, fueling the City's professional services and healthcare industries. As of 2018, there were 118,580 Philadelphia residents between the ages of 25 and 34 with college degrees, and a 2019 Campus Philly report found that 54% of recent graduates in the Greater Philadelphia area have remained in the area, outpacing the retention rate of Boston (42%).

The City is also capitalizing on the region's assets to become a leader in research generated by life sciences and educational institutions. Several sites now foster life science incubator facilities, including University City Science Center, University of Pennsylvania ("Penn"), and Drexel University. University Place Associates (UPA) and the Wistar Institute have recently announced a strategic collaboration to curate a 240,000 square foot building to be dedicated to supporting the life sciences industry with state-of-the-art laboratory/office space in the heart of Philadelphia's University City District. It is expected to be completed early 2021. Johnson & Johnson utilizes Pennovation Works as the site for JPOD, an interactive, high-tech conference space. Announced in June 2019, Pennovation Works is to enter its next phase with a \$35 million project to renovate the existing building into lab-related space. The four-story, 73,400-square-foot structure will have 35,000 square feet of wet lab, office and flex space. It is expected to be completed August 2020. Penn's Penn Center for Innovation and Temple University's Office of Technology Development and Commercialization are two of several organizations driving tech transfer and commercialization of innovations developed at Philadelphia's major research institutions. The Cambridge Innovation Center occupies part of City

<sup>3</sup> The Bureau of Labor Statistics ("BLS") defines the "Other Services" (except Public Administration) sector as establishments engaged in providing services not specifically provided for elsewhere in the BLS classification system, such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, providing dry cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

Square, which includes state-of-the-art wet lab and shared working space. The project expanded the one million square feet in facilities offered by the University City Science Center to 6 million square feet, with a projected investment of over \$1 billion. It is expected to be completed in 2027.

## Employment

Table 4 shows non-farm payroll employment in the City over the last decade by industry sectors. In the past 10 years, growth has occurred in Mining, Logging, and Construction; Trade, Transportation, and Utilities; Professional and Business Services; Education and Health Services; Leisure and Hospitality and Other Services. These sectors provide stability to the City's overall economy.

**Table 4**  
**Philadelphia Non-Farm Payroll Employment<sup>(1)</sup> (Amounts in Thousands)**

<b>Sector</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>% Change 2009- 2018</b>
Education and health services	199.5	202.4	206.6	208.4	209.7	213.2	217.3	223.8	230.2	238.2	19.4%
Professional and business services	80.4	81.9	83.3	84.4	86.7	88.6	91.2	95.2	97.4	99.6	23.9%
Trade, transportation, and utilities	85.8	86.5	87.3	88.8	89.4	90.9	92.1	92.5	92.3	92.8	8.2%
Leisure and hospitality	56.9	58.4	60.6	63.2	64.8	66.9	68.5	70.8	73.1	74.3	30.6%
Financial activities	44.9	42.6	41.6	41.0	41.1	41.7	42.3	42.4	41.6	42.5	-5.3%
Other services	26.6	26.5	26.4	26.8	26.9	26.8	27.1	27.8	27.8	28.3	6.4%
Manufacturing	25.7	24.7	23.7	22.9	21.8	21.5	21.0	20.5	20.2	19.9	-22.6%
Mining, logging, and construction	10.1	10.0	10.0	10.2	10.4	11.0	11.5	12.0	12.1	12.6	24.8%
Information	12.6	12.2	12.0	12.0	11.5	11.5	11.8	11.6	11.6	12.1	-4.0%
<i>Private Sector Total</i>	<i>542.5</i>	<i>545.2</i>	<i>551.5</i>	<i>557.7</i>	<i>562.3</i>	<i>572.1</i>	<i>582.8</i>	<i>596.6</i>	<i>606.3</i>	<i>620.3</i>	<i>14.3%</i>
Government	110.4	112.1	109.0	105.3	103.5	102.2	101.6	101.3	102.2	103.7	-6.1%
<b>Total</b>	<b>652.9</b>	<b>657.4</b>	<b>660.4</b>	<b>662.9</b>	<b>665.9</b>	<b>674.3</b>	<b>684.4</b>	<b>698.0</b>	<b>708.6</b>	<b>724.0</b>	<b>10.9%</b>

Source: Bureau of Labor Statistics, 2018.

<sup>1</sup>Includes person employed within the City, without regard to residency.

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**Table 5**  
**Philadelphia Change in Share of Employment Sectors, Ranked by Percent Change of Share**

Sector	Share of Total Employment 2009	Share of Total Employment 2018	Change 2009-2018
Education and health services	30.6%	32.9%	2.3%
Leisure and hospitality	8.7%	10.3%	1.5%
Professional and business services	12.3%	13.8%	1.4%
Mining, logging, and construction	1.5%	1.7%	0.2%
Other services	4.1%	3.9%	-0.2%
Information	1.9%	1.7%	-0.3%
Trade, transportation, and utilities	13.1%	12.8%	-0.3%
Financial activities	6.9%	5.9%	-1.0%
Manufacturing	3.9%	2.7%	-1.2%
Government	16.9%	14.3%	-2.6%

Source: Bureau of Labor Statistics, 2018.

<sup>1</sup> Includes persons employed within the City, without regard to residency.

Bureau of Labor Statistics data show that in 2018, the Education and Health Services, Professional and Business Services, Financial Activities, and Leisure and Hospitality sectors collectively represented 62.9% of total employment in the City for the year. From 2009 to 2018, Philadelphia gained 77,800 private sector jobs. Job growth in Philadelphia has outpaced the rest of the nation for the past three years, and the employment rate is the highest in decades.

## Unemployment

Although Philadelphia has recently narrowed the gap between its unemployment levels and the national unemployment levels, the effects of the recession on unemployment endured longer in Philadelphia than in many other parts of the country.

As shown in Table 6, employment gains in the latter part of 2013 through 2018 have resulted in a decline in Philadelphia's unemployment rate from a high of 10.9% in 2012 to 5.5% in 2018.

Table 6 below shows unemployment information for Philadelphia, the MSA, the Commonwealth and the United States.

**Table 6**  
**Unemployment Rate in Selected Geographical Areas**  
**(Annual Average 2009-2018)**

Geographical Area	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Change in rate from 2009-2018
United States	9.3	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.4	3.9	-5.4
Pennsylvania	8.0	8.5	7.9	7.8	7.4	5.9	5.3	5.4	4.9	4.3	-3.7
Philadelphia-Camden-Wilmington MSA	8.3	8.8	8.5	8.4	7.8	6.2	5.4	5.1	4.7	4.2	-4.1
Philadelphia	9.7	10.6	10.7	10.9	10.3	8.1	7.1	6.8	6.2	5.5	-4.2

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics, 2018.

## Principal Private Sector Employers in the City

Table 7 lists the 20 largest private employers that are based in Philadelphia. Penn and Thomas Jefferson University and Jefferson Health top this list. Other sectors represented include food services, bio-tech, and broadcasting/cable.

Fortune 500 companies headquartered or maintaining a major presence in Philadelphia include the Comcast Corporation and the Aramark Corporation. As of early 2018, Crown Holdings Inc. was located in Philadelphia, but has recently relocated its headquarters to Bucks County. Two Fortune 1000 companies are also headquartered within the City: FMC Corporation and Urban Outfitters Inc.

**Table 7**  
**Largest Private Employers Based in Philadelphia**  
**Ranked by Number of Local Employees, 2019**

<b>Employer</b>	<b>Local Employees</b>
University of Pennsylvania	40,697
Thomas Jefferson University and Jefferson Health	30,000
Comcast Corporation	12,349
Drexel University	12,124
Temple University Health System	9,808
Einstein Healthcare Network	8,645
Wells Fargo Bank	6,328
Independence Health Group	6,116
Accenture	2,730
PwC	1,900
Deloitte LLP	1,750
Community College of Philadelphia	1,700
SugarHouse Casino	1,520
Cardone Industries	1,400
Ernst & Young LLP	1,378
Saint Joseph's University	1,374
Day & Zimmerman	1,243
KPMG	1,181
CareersUSA	1,175
Jacobs	1,094
<b>Total</b>	<b>144,512</b>

Source: Philadelphia Business Journal, 2019

Certain Other Employers in the City. On June 30, 2019, Philadelphia Academic Health System, LLC (“PAHS”), the parent company of Hahnemann University Hospital and St. Christopher’s Hospital for Children, and certain of its subsidiaries and related physician practices, filed for bankruptcy. Through the bankruptcy process, it is expected that Hahnemann University Hospital will close and St. Christopher’s Hospital for Children will be sold or have its debt restructured. On July 1, 2019, Hahnemann University Hospital began a wind down of its operations; final closing is expected on or before September 6. Hahnemann University Hospital has approximately 496 beds and 2,500 employees, while St. Christopher’s Hospital for Children has approximately 88 pediatric beds and 1,900 employees.

In late June 2019, Philadelphia Energy Solutions announced that it will be shutting down its South Philadelphia refinery following an explosion and fire on June 21, 2019, which resulted in significant damage to the refinery complex. The closure is expected to impact more than 1,000 employees. The City does not expect to incur any costs related to cleaning up the refinery complex or any associated environmental remediation. Preliminary investigations by the City have not revealed any threats to the City’s water supply as a result of the explosion and fire at the refinery complex.

## Hospitals and Medical Centers

The City is a center for health, education, research and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. There are presently more than 30 hospitals, five medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry and veterinary medicine located in the City. 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.

Major research facilities are also located in the City, including those located at its universities and medical schools: Children's Hospital of Philadelphia, the Hospital of the University of Pennsylvania, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. Philadelphia is home to two of the nation's 41 National Cancer Institute ("NCI")-designated Comprehensive Cancer Centers (the Abramson Cancer Center at the University of Pennsylvania and Fox Chase Cancer Center, which is part of the Temple University Health System). Additionally, Philadelphia is also home to two NCI-designated Cancer Centers (Kimmel Cancer Center and The Wistar Institute Cancer Center).

### *Penn Medicine University of Pennsylvania Health System*

Penn Medicine includes Pennsylvania Hospital, the nation's first hospital, founded in 1751 and the nation's first medical school, the University of Pennsylvania School of Medicine, opened in 1765. In addition, the Hospital of the University of Pennsylvania was established in 1874 as the nation's first teaching hospital. Penn Medicine's hospitals have been named among the top ten hospitals in the country with the combined University of Pennsylvania and Penn Presbyterian Medical Center ranked #1 in the region by *U.S. News and World Report*. Penn Medicine, which has invested more than \$200 million in major capital investments between 2014 and 2015, began construction in 2016 on a new 1.5 million square foot Patient Pavilion, a clinical facility that is projected to be occupied by spring of 2021.

### *Children's Hospital of Philadelphia Expansion*

Children's Hospital of Philadelphia ("CHOP") is the oldest children's hospital in the nation and one of the largest in the world. CHOP was ranked #2 in the nation in 2017-2018 according to the *U.S. News and World Report*. Since 2002, CHOP has invested over \$5.3 billion in its expansion in Philadelphia. In 2017, CHOP opened two facilities as a part of this expansion: the \$500 million, 700,000 square foot Buerger Center for Advanced Pediatric Care, and the \$275 million, 466,000 square foot Roberts Center for Pediatric Research.

### *Temple University Hospital, Inc.*

Temple University Hospital, Inc. ("TUH") is one of the region's most respected academic medical centers. The 732-bed Philadelphia hospital is also the chief clinical training site for the Lewis Katz School of Medicine at Temple University. TUH was ranked among the "Best Regional Hospitals" in six different specialties in *U.S. News & World Report* 2015-2016 regional rankings.

### *Thomas Jefferson University and Jefferson Health*

Thomas Jefferson University Hospitals ("TJUH") has been at the top of the list of hospitals in Pennsylvania (3rd) and the Philadelphia metro area (2nd) in *U.S. News & World Report's* annual listing of the best hospitals and specialties. TJUH also ranked 16<sup>th</sup> overall in the U.S. News and World Report listing. Jefferson Health has recently participated in several significant mergers, integrating Magee Hospital, Kennedy Health System, the Aria Health system and Abington Hospital into its system. In 2017, Thomas Jefferson University acquired Philadelphia University to become the fifth largest educational institution in Philadelphia.



### *Einstein Healthcare Network*

Einstein Healthcare Network is a private, not-for-profit organization with several major facilities and many outpatient centers that has been in existence for nearly 150 years. The Einstein Health and Medical Center in Philadelphia has been listed as a top hospital in *U.S. News & World Report*.

In September 2018, Einstein Healthcare Network and Thomas Jefferson University announced a merger agreement and such entities are seeking necessary state and federal regulatory approvals to close the transaction.

### **Educational Institutions**

The MSA plus Mercer County, New Jersey, has the second largest concentration of undergraduate and graduate students on the East Coast, with approximately 100 degree granting institutions of higher education and a total enrollment of over 434,000 full and part-time students. Approximately 137,807 students lived within the geographic boundaries of the City in 2016. Included among these institutions are Penn, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Princeton University, Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University.

#### *University of Pennsylvania*

Penn, the first university in the U.S., founded in 1740, and a prominent Ivy League institution, is located in West Philadelphia across the Schuylkill River from downtown Philadelphia. In the fall of 2018, more than 21,000 full-time undergraduate, graduate and professional full-time students attended Penn, 5,333 of whom are international students. Approximately 3,900 part-time students were enrolled. As of the fall 2018, Penn had a total workforce of over 18,000 faculty and staff, and the University of Pennsylvania Health System had a workforce of 23,275 employees. In September 2016, Penn opened Pennovation Works, a 55,000 square foot business incubator and laboratory that houses researchers, innovators, and entrepreneurs for the commercialization of research discoveries.

Penn has undergone significant expansion in the last decade and has a growing endowment currently valued at \$13.8 billion. In 2015, Penn, and related third-party developers, spent \$932 million dollars on new buildings and renovations. A recent independent report conducted by Econsult Solutions, Inc. found that Penn and the University of Pennsylvania Health System had a combined economic impact on the City and the Commonwealth of more than \$14 billion in Fiscal Year 2015, including \$10.8 billion to the City. According to the same study, such Penn entities generate \$1 out of every \$20 of Philadelphia's general fund and one out of every nine jobs in the Philadelphia economy.

In Fiscal Year 2018, Penn was the fifth largest recipient of funding from the National Institutes of Health ("NIH"), receiving approximately \$405.6 million. Penn is consistently one of the largest annual recipients of NIH funding.

#### *Drexel University*

Founded in 1891 as the Drexel Institute of Science, Art and Industry, Drexel University ("Drexel") is one of Philadelphia's top 10 private employers, and a major engine for economic development in the region. Drexel is known for its innovation and civic engagement, ranked a "top 15 most innovative school" by *U.S. News and World Report*. Drexel's student body consists of approximately 26,000, making it one of the 15 largest private universities in the country. Drexel is unique in that it provides its students with a co-op work experience every six months throughout the four year college experience. Over the last decade, Drexel has undergone significant expansion and has major plans for future development. In 2011, Drexel opened the doors to the \$69 million Constantine N. Papadakis Integrated Sciences Building, a \$92 million facility for its LeBow School of Business, and a new mixed use residential and retail project, Chestnut Square.

### *Temple University*

Temple University (“Temple”), founded in 1884, has undergone a significant transformation over the past three decades from a university with a mostly commuter-based enrollment to one in which on and near-campus housing is now in high demand. Temple features 17 schools and colleges, eight campuses, hundreds of degree programs and more than 38,000 students. Currently, an estimated 12,000 students live on or around the Temple campus.

“Visualize Temple,” approved in 2014, is Temple’s campus master plan to guide the continued growth and evolution of the City’s leading public research university. It is the culmination of an 18-month long process driven by the input of over 3,000 Temple students, alumni, faculty, and staff. Such plan identifies challenges and opportunities at each campus and defines a collective vision for further campus transformation. Temple continues to implement key elements of this master plan.

### *Thomas Jefferson University*

In 2017, Thomas Jefferson University and Philadelphia University merged to create the fifth largest university in the City. The new Thomas Jefferson University (“Jefferson”) creates a national comprehensive university designed to deliver high-impact education and value for students in medicine, science, architecture, design, fashion, textiles, health, business, engineering, and other disciplines.

In addition to nine colleges and three schools from both universities, the formation of the Philadelphia University Honors Institute and the Philadelphia University Design Institute are key components of the combined university’s educational ecosystem. Jefferson includes (i) campuses in Center City, Philadelphia (“Center City”), East Falls, Montgomery County, Bucks County, and Atlantic County (NJ); (ii) a growing online presence; (iii) numerous clinical sites; and (iv) an extensive global footprint with locations in Italy and Japan, study abroad sites and curricular and co-curricular partnerships and networks. Jefferson is home to more than 7,800 students, 4,000 faculty members and 63,000 alumni.

### *Community College of Philadelphia*

The Community College of Philadelphia (the “College”) serves over 19,000 students in associate’s degree and certificate programs. The College operates four campuses: its main Campus in Center City Philadelphia and three regional campuses in West Philadelphia, Northeast Philadelphia, and Northwest Philadelphia. The College offers more than 70 associate’s degree, academic and proficiency certificate, and workforce programs. Graduates continue to strengthen Philadelphia’s local economy and workforce, both in Philadelphia and the Greater Philadelphia region.

The College enables students to embark on a smart path to a bachelor’s degree program, with transfer agreements and partnerships to assist in the transition. In the 2015-16 academic year, approximately 30,194 students took credit and noncredit courses. The College is embarking on an expansion of its West Philadelphia Campus, to expand its Automotive Center and to establish a Workforce Campus with a new \$20 million facility in the heart of Philadelphia’s Promise Zone.

The College is one of 30 community colleges in the nation to undertake a new Career Pathways model under which it has expanded its dual enrollment programs, including establishing the first Middle College in the Commonwealth, with the School District of Philadelphia. Upon completion of high school, enrolled students will receive both a high school degree and an associate’s degree.

The College has vastly expanded its role in workforce development and economic innovation, establishing a division that is responsible for working directly with Philadelphia employers to meet their workforce hiring and professional development needs. The College has established new post-secondary programs matched with Philadelphia’s high priority occupations enabling Philadelphians to earn family sustaining wages without a degree.

## Family and Household Income

Table 8 shows median family income, which includes related people living together, and Table 9 shows median household income, which includes unrelated individuals living together, for Philadelphia, the MSA, the Commonwealth and the United States. Over the period 2008-2017, median family income for Philadelphia increased by 9% (see Table 8), while median household income increased by 10.8% over the period 2008-2017 as a result of an influx of higher income households (see Table 9).

**Table 8**  
**Median Family Income\* for Selected Geographical Areas, 2008-2017**  
**(Dollar Amounts in Thousands)**

Year	Philadelphia	Philadelphia-Camden- Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2008	\$46.40	\$77.60	\$63.30	\$63.40	73.19%
2009	\$45.70	\$76.90	\$62.20	\$61.10	74.96%
2010	\$43.10	\$74.50	\$61.90	\$60.60	71.12%
2011	\$42.70	\$75.70	\$63.30	\$61.50	69.43%
2012	\$44.30	\$77.00	\$65.10	\$62.50	70.88%
2013	\$44.60	\$78.20	\$66.50	\$64.00	69.69%
2014	\$47.00	\$80.60	\$67.90	\$65.90	71.32%
2015	\$49.30	\$83.00	\$70.20	\$68.30	72.18%
2016	\$50.30	\$84.80	\$72.30	\$71.10	70.76%
2017	\$50.40	\$86.20	\$72.70	\$70.90	71.09%
Change 2008-2017	\$4.00	\$8.60	\$9.40	\$7.50	

\* Includes related people living together.

Source: 2017 American Community Survey 1-Year Estimates

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**Table 9**

**Median Household Income\* for Selected Geographical Areas, 2008-2017**  
**(Dollar Amounts in Thousands)**

<b>Year</b>	<b>Philadelphia</b>	<b>Philadelphia-Camden- Wilmington MSA</b>	<b>Pennsylvania</b>	<b>United States</b>	<b>Philadelphia as a percentage of the US</b>
2008	\$37.00	\$60.90	\$50.70	\$52.00	71.15%
2009	\$37.00	\$60.10	\$49.50	\$50.20	73.71%
2010	\$34.40	\$58.10	\$49.30	\$50.00	68.80%
2011	\$34.20	\$58.30	\$50.20	\$50.50	67.72%
2012	\$35.40	\$60.10	\$51.20	\$51.40	68.87%
2013	\$36.80	\$60.50	\$52.00	\$52.30	70.36%
2014	\$39.00	\$62.20	\$53.20	\$53.70	72.63%
2015	\$41.20	\$65.10	\$55.70	\$55.80	73.84%
2016	\$41.40	\$66.00	\$56.90	\$57.60	71.88%
2017	\$41.00	\$66.30	\$57.00	\$57.70	71.06%
Change 2008-2017	\$4.00	\$5.40	\$6.30	\$5.70	

\* Includes unrelated people living together.

Source: 2017 American Community Survey 1-Year Estimates

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## Cost of Living Index

Philadelphia has the second lowest cost of living index among major cities in the Northeast, as shown in Table 10 below. Additionally, the City's Wage, Earnings, and Net Profits Tax Rates have decreased in each of Fiscal Years 2013-2019. See "REVENUES OF THE CITY – Wages, Earnings, and Net Profits Taxes" in APPENDIX B for this Official Statement.

**Table 10**  
**2017 Cost of Living Index**  
**Philadelphia Indexed to 100**

City	Cost of Living Index
New York	192
San Francisco	150
D.C.	126
Boston	125
Seattle	122
Los Angeles	120
<b>Philadelphia</b>	100
Chicago	100
Baltimore	97
Denver	93
Dallas	85
Atlanta	83
Austin	82
Detroit	80
Pittsburgh	79

Source: Council for Community and Economic Research (C2ER), Cost of Living Index (COLI)

## Housing

Growing rapidly from its founding in 1682, Philadelphia's historic housing stock reflects its past roles as the largest city in the British Empire and as "the workshop of the world" during the peak of the industrial revolution. However, its condition and age (among the oldest of any city in the country) is also a reflection of the decades of depopulation and abandonment that marked the second half of the 20<sup>th</sup> Century. Nevertheless, Philadelphia has undergone a significant revitalization in the most recent decades, particularly in the neighborhoods within and around its downtown core. The period between the 2000 and 2010 Censuses was the first wherein Philadelphia experienced a net population increase since 1940 to 1950, due both to rapid growth in the number of higher income households in these core neighborhoods and to a significant influx in the foreign-born population in more peripheral neighborhoods of the City.

The City's population growth has driven significant new construction and investment in many of its neighborhoods resulting in increases in the value of the City's housing stock. Most housing indicators for Philadelphia indicate an upward outlook, in terms of prices, construction, and sales, for the near future. Nevertheless, the City continues to face significant challenges caused by the persistent problems of poverty, crime, underperforming schools, and lack of employment opportunities.

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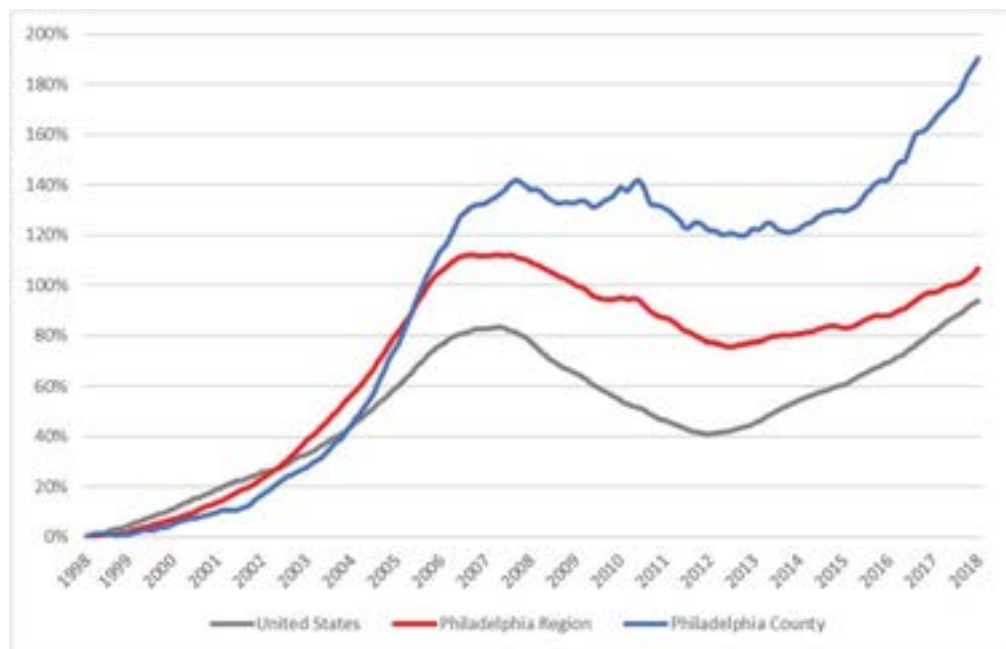


The total housing stock, measured by the number of units, increased by 0.7% from 2010-2016, for a total of 674,500 in 2016.<sup>9</sup> This increase of 4,500 units is the result of a net increase of 6,000 multifamily units and 500 “other” units (such as mobile homes and boats), off-set by a net loss of 2,000 single-family homes (due to multifamily conversions and demolitions).<sup>3</sup> The homeownership rate in the City in 2016 was 52.1%, which represents a decline from 54.1% in 2000.<sup>3</sup> Accordingly, properties in the City have continued to command higher rents, with the median monthly rent in June 2018 equal to \$1,214, representing a 10.9% increase over the prior five-year period.<sup>10</sup>

### *Home Prices*

As shown in the chart below, after eight years of moderate house price deflation following the peak of the 2007 recession, Philadelphia’s housing market began posting rapid increases in prices, citywide, starting in 2013. In 2015, home values in Philadelphia recovered to their pre-recession peak and have continued to climb to 20% above that peak as of January 2018. The following chart uses the Home Value Index to chart changes in home values in Philadelphia, the Philadelphia region, and the U.S. as a whole over the 20-year period from February 1998 through January 2018.<sup>11</sup>

**Percent Change in Median Nominal Home Value (Zillow Home Value Index), 1998-2018**



Source: Zillow Research, ZHVI Time Series

In the first years shown in this chart, housing values in Philadelphia were not only lower than the region and country as a whole, in nominal terms, but they also grew at a lower rate. From 2002 to 2007, however, the rate of growth in the City’s home values significantly outpaced these comparison regions. Although home values in the City stagnated and declined for eight years, after hitting a peak in 2007, the housing market in Philadelphia retained a much greater share of its pre-recession gains during this period than did either the region or country as a whole. Since then, Philadelphia’s housing market has surged, such that, in nominal terms, housing values within the City have nearly tripled since 1998, a rate of growth that is more than 50% greater than the rest of the country.

<sup>9</sup> US Census Bureau, American Communities Survey, 1-Year Survey

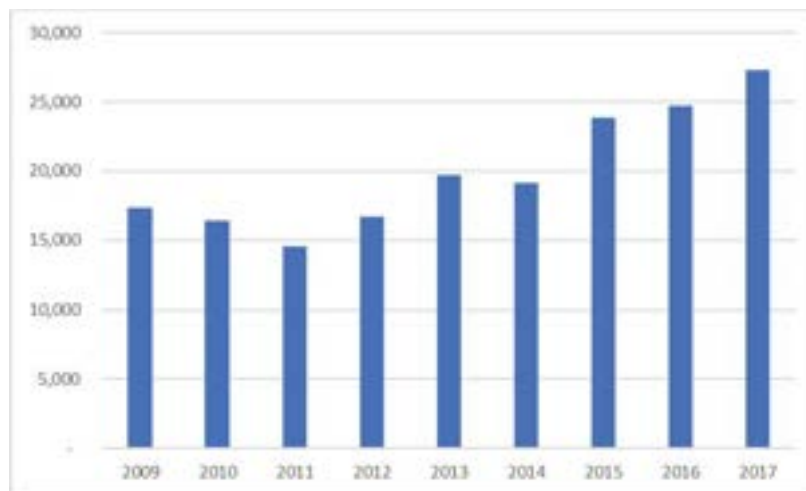
<sup>10</sup> Zillow Research, ZRI Time Series

<sup>11</sup> Zillow Research, ZHVI Time Series

### *Home Sales*

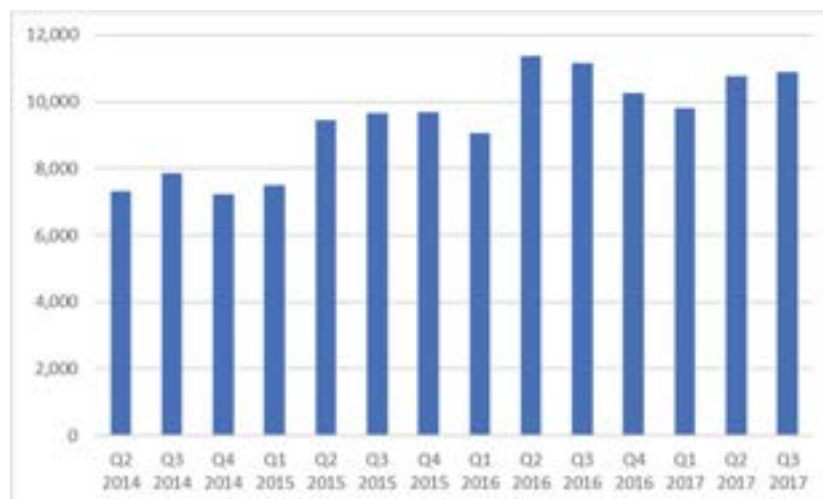
Another indicator of the housing market's recovery is home sales. The following chart shows the annual number of home sales in Philadelphia since 2009. Like prices, home sales dropped significantly following the 2007 recession, but have, seasonal variations notwithstanding, steadily increased since 2011. In 2017, there were 27,327 home sales, nearly double their post-recession nadir of 2011 of 14,542. This trend reflects a recovery of the City's housing market and is likely to continue as the significant increment of new housing construction (described below) is absorbed.

**Home Sales in Philadelphia, 2009-2017**



Source: Zillow Research, Home Sales Time Series

**Home Sales in Philadelphia, April 2014 through September 2017**

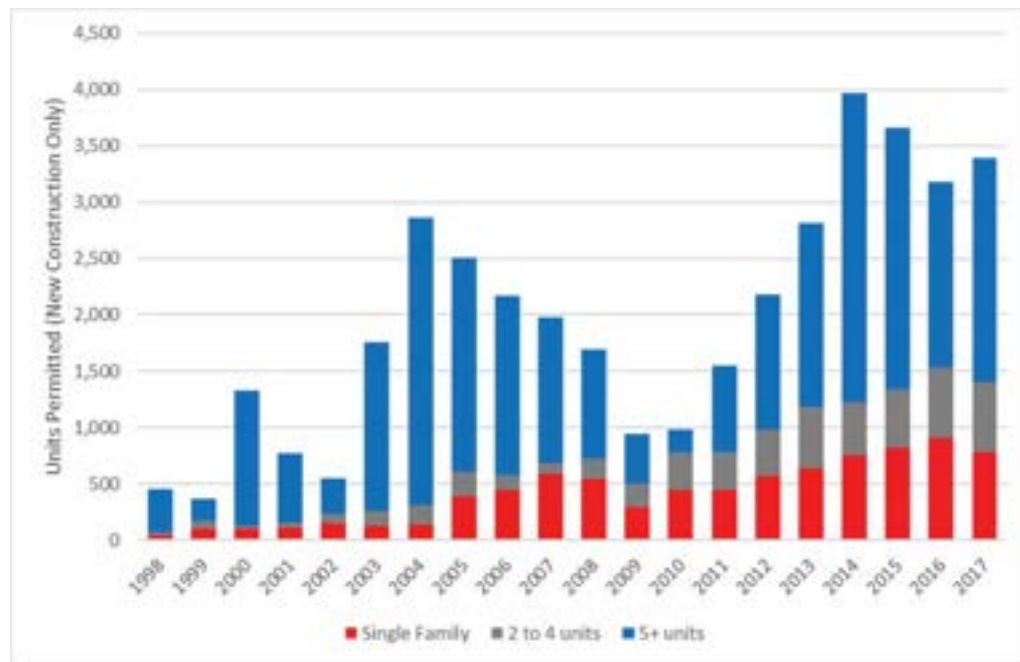


Source: Philadelphia Department of Revenue

### *Home Construction*

Home building activity in Philadelphia has also made significant progress since hitting its recessionary low in 2009. The following chart shows the number of newly constructed units being added to Philadelphia's housing stock, as represented by the number of building permits issued for such units, from 1998 through 2017.

**Building Permits Issued in Philadelphia, New Construction Only  
(Number of Units by Building Type), 1998-2017**



Source: US Census, Building Permits Survey

Prior to 2000, construction of new housing units in Philadelphia was low by both absolute and relative measures, averaging only 507 units per year in the decade from 1990 through 1999. However, since 2003, permits for new construction have not been for less than 947 units in any single year, including during the nadir of the 2007 recession. In 2014, permits were issued to approve the construction of nearly 4,000 new housing units in Philadelphia—an all-time high. Notably, these data do not include additions or substantial alteration to existing buildings, which together account for nearly a third of all new housing units in Philadelphia from 2013 to 2017, based on permit issuance data from the Department of Licenses and Inspections. Although total permitting activity declined in 2015 and 2016, recovering somewhat in 2017, total residential development activity remains quite high, and it appears there is continued population growth in the City’s metropolitan core.

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## Office Market

The City currently has approximately 48.0 million square feet of office space in the Central Business District (“CBD”), with an additional 149,828 square feet under construction according to Jones Lang LaSalle’s (“JLL”) statistics for the first quarter of 2019.

The average direct asking rental rates in the City’s CBD rose slightly to \$32.21 per square foot in the first quarter of 2019. Markedly, the City’s CBD enjoys rising rents with low overall total vacancy, while its suburban counterparts have higher overall total vacancy and lower rents during the same period, at 15.0% and \$27.42 per square foot.

Table 11 shows comparative overall first quarter 2019 office vacancy rates for selected office markets.

**Table 11**  
**Total Office Vacancy Rates of Selected Office**  
**Markets**  
**First Quarter 2019**

<b>Market</b>	<b>Vacancy Rate</b>
San Francisco	6.0%
New York	7.5%
Seattle	9.4%
San Diego	11.6%
Austin	11.9%
Charlotte	12.3%
Boston	13.1%
<b>Philadelphia</b>	<b>13.8%</b>
Baltimore	14.1%
Los Angeles	14.4%
United States CBD, All Markets	14.7%
San Antonio	15.9%
Chicago	16.1%
Washington, DC	16.6%
Atlanta	18.4%
Phoenix	18.9%
Detroit	19.4%
Cleveland	20.4%
Dallas	20.5%
Houston	23.1%

Source: Jones Lang LaSalle, National CBD Data, First Quarter 2019

## ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION

### City of Philadelphia Economic Development Mission and Goals

The City's economic development strategy is to (1) spur job-creation by fostering an improved business environment; (2) increase the City's population and visitation; and (3) enhance quality of life within the City. The City partners with numerous quasi-city and private agencies to accomplish these objectives.

The City utilizes several place-based economic development strategies to spur development in Philadelphia. These strategies include: (i) a 10-year real estate tax abatement on all new construction, as well as on improvements to existing properties; (ii) Commonwealth-designated Keystone Opportunity Zones in which eligible businesses may be exempt from all Commonwealth and local business taxes until a specified date; (iii) Commonwealth-designated Keystone Innovation Zones in which energy, defense, technology, and life-sciences companies may be eligible for saleable tax credits worth \$100,000 annually for the first eight years of operations; (iv) tax increment financing; and (v) commercial corridor revitalization through support of Business Improvement Districts and reimbursement for certain storefront and interior retail improvements.

The City has also actively worked to raise its profile in the international business community. In 2015, Philadelphia received the designation of the first World Heritage City in the United States by the Organization of World Heritage Cities. In 2015, the City entered into a "sister city" agreement with Frankfurt, Germany, considered the largest financial center in continental Europe. This agreement is Philadelphia's first sister city since 1992. In recent years, the City has hosted delegations of business leaders and officials on trade missions to the United States and participated in trade missions to Germany, France, Portugal, China, South Korea, and Canada. In 2018, a website was launched, [philadelphiadelivers.com](http://philadelphiadelivers.com), which showcases all that the City has to offer businesses including location, talent, affordability, and amenities. Also in 2018, Philadelphia was one of four cities selected by the Brookings Institute to join the Global Identity Cohort. As such, more than 80 local stakeholders have been engaged to begin crafting a shared brand and narrative around Philadelphia in order to attract residents, businesses and events.

### City and Quasi-City Economic Development Agencies and Related Programs

#### *City of Philadelphia Department of Commerce*

The mission of the Department of Commerce is to (i) ensure that Philadelphia is a globally-competitive city where employers hire, entrepreneurs thrive, and innovation abounds; (ii) recruit and retain a diverse set of businesses; (iii) foster economic opportunities for all Philadelphians in all neighborhoods; and (iv) partner with workforce development programs and local businesses on talent development with the goal of ensuring that all Philadelphians can find and retain living-wage jobs. The Department of Commerce has three major divisions: Neighborhood & Business Services; Office of Business Development and Office of Economic Opportunity.

#### *City of Philadelphia Department of Planning and Development*

The Department of Planning and Development ("Planning and Development") oversees all planning, real estate development support, and commissions such as the Historical Commission, Planning Commission, Art Commission and Civic Design Review. Planning and Development also oversees all housing initiatives and plays a key role in community development.

#### *Philadelphia Industrial Development Corporation ("PIDC")*

PIDC is a non-profit organization founded by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce in 1958. PIDC offers flexible financing tools, a targeted portfolio of industrial and commercial real estate, and expertise to help clients invest, develop, and grow in Philadelphia. PIDC also structures and invests in public-private partnerships for key City policy areas and development priorities. Over the past 60 years, PIDC and its affiliates have settled over 7,300 transactions, including more than \$16.6 billion in financing that has leveraged over



\$29 billion in total investment and assisted in creating and retaining hundreds of thousands of jobs in Philadelphia. Its direct loan and managed third-party portfolio at year-end 2018 was more than \$668 million, representing 495 loans.

*Philadelphia Authority for Industrial Development (“PAID”)*

PAID is a non-profit organization founded by the City of Philadelphia and

*Philadelphia Redevelopment Authority (“PRA”)*

In 1945, the Commonwealth enacted the Urban Renewal Law and created the PRA as the City’s urban renewal agency. Today, the PRA continues its role as a key financier, project manager, leader, and expert of developing and maintaining land in the City. The PRA is one of five municipal land holding agencies. Its Real Estate Division facilitates the redevelopment of PRA assets and it provides project management and analysis for real estate sales, acquisitions, redeveloper agreements, developer submissions, and required approvals. Its Housing Department leads the underwriting and loan closing process for all affordable housing projects within the City and works primarily with non-profit and for-profit developers as a lender.

*Philadelphia Land Bank (“PLB”)*

Established in 2013, the PLB is a new institutional partner in land use. The aim of the PLB is to consolidate many of the land acquisition and disposition processes of the City under one umbrella, making it easier for private individuals and organizations to acquire properties that otherwise contribute to neighborhood disinvestment and turn them into assets for the community in which they are located. The PLB can: (i) consolidate properties owned by multiple public agencies into single ownership to speed property transfers to new, private owners; (ii) acquire tax-delinquent properties through purchase or by bidding the City’s lien interests at a tax foreclosure; (iii) with consent of the City, clear the title to those properties so new owners are not burdened by old liens; and (iv) assist in the assemblage and disposition of land for community, non-profit, and for-profit uses.

*The Division of Housing and Community Development (“DHCD”)*

DHCD, formerly known as the Office of Housing and Community Development and now part of Planning and Development, manages planning, policy, and investment in low-income housing through several assistance programs. Most significantly, the DHCD creates and manages implementation of the Consolidated Plan, a federally-mandated plan and budget that must be updated yearly in order to receive federal Community Development Block Grant funding.

*The Philadelphia Housing Authority (“PHA”)*

PHA is funded primarily by the federal government and is the largest landlord in Pennsylvania. PHA develops, acquires, leases and operates affordable housing for City residents with limited incomes. PHA works in partnership with the City and Commonwealth governments, as well as private investors. Over 93% of PHA’s annual budget is funded directly or indirectly by the U.S. Department of Housing and Urban Development, and most of the balance of PHA’s budget is derived from resident rent payments. Neither PHA’s funds nor its assets are available to pay City expenses, debts, or other obligations, and the City has no power to tax PHA or its property. Neither the City’s funds nor its assets are subject to claims for the expenses, debts, or other obligations of PHA.

*Rebuilding Community Infrastructure Program (“Rebuild”)*

The Rebuild program, using funds from the Philadelphia Beverage Tax, will invest hundreds of millions of dollars in Philadelphia’s parks, recreation centers, and libraries over a seven-year period. Rebuild prioritizes sites in high-need neighborhoods, as well as sites that are in extremely poor condition. This program is intended to catalyze economic development in some of Philadelphia’s most impoverished communities and neighborhoods. Rebuild is not only committed to making transformative capital improvements in neighborhood public and shared spaces, but will also strive to build capacity and opportunities for minority and women-owned businesses and job opportunities for

local residents. In November 2018, PAID issued \$79,460,000 in City Service Agreement Revenue Bonds to finance certain costs of the Rebuild program.

## **Key Commercial Districts and Development**

Over the last two decades the efforts of Philadelphia's economic development agencies and others have spurred significant economic revitalization throughout the City. In particular, a number of geographic areas have experienced concentrated developments: Philadelphia's Historic District, Avenue of the Arts, North Broad Street, and the Benjamin Franklin Parkway. Many of these developments, such as a significant increase to Philadelphia's hotel room inventory in Center City and expansion of the Pennsylvania Convention Center, are key to the growth of Philadelphia's leisure and hospitality sector. Several key areas within the City have been instrumental in the economic and commercial development of Philadelphia over the past twenty-five years and the population growth since 2000. Recent and current developments in the key commercial districts described below are listed in Table 12.

### *Center City*

A district that has seen a resurgence over the last two and a half decades, Center City is Philadelphia's central business and office region within the City. Center City is the strongest employment center in the City. In addition, the area contains a sizeable residential population and provides ample access to retail, dining, arts and culture, entertainment, and mass transportation services, to both residents and daily commuters. Center City is flanked by neighborhoods that are considered "Greater Center City." Approximately 309,000 riders take public transit into Greater Center City every weekday. Over the last two decades, as there has been an influx of new businesses and residents in these neighborhoods, the boundaries of Greater Center City have moved significantly further North and South, with the Delaware and Schuylkill rivers remaining boundaries on the East and West.

### *Old City*

Old City is home to some of the country's oldest historical assets and is considered America's "most historic square mile." Independence National Historical Park is an international destination, attracting 3.6 million visitors annually. Important culturally and economically, Old City is also home to world-class museums, theaters and art galleries. The neighborhood offers excellent hotels, a wide range of dining and nightlife establishments, independent retailers and a diverse mix of technology, media, professional, and service organizations. Some 8,000 residents live in historic townhouses, industrial loft apartments, and new condominium properties. Old City is located within a Keystone Innovation Zone, meaning that technology, energy, and life sciences businesses may be eligible for up to \$100,000 in tax credits.

Old City District ("OCD") is a business improvement district that promotes the area and fosters economic development locally. OCD helps companies find suitable real estate and actively promotes the sector to attract businesses. Over the last few years, technology and creative businesses have established an increasingly important presence in the area.

### *University City*

Located west of Center City, University City is a hub for the health care, life sciences, and higher education sectors and accounted for approximately 11% of the City's employment in 2017. It includes the campuses of Penn, Drexel University, University of the Sciences, the University of Pennsylvania Health System, the Children's Hospital of Philadelphia, and The Wistar Institute, as well as the University City Science Center, a biomedical incubator. University City has experienced significant real estate development, driven mostly through the investment of its universities and research institutional anchors.

Penn built the \$88 million Singh Center for Nanotechnology in 2013 and is investing \$127 million in a new residence hall called New College House at Hill Field. Drexel University invested nearly \$300 million in University City in 2013, and is planning for an additional \$3.5 billion over 20 years in the development of Schuylkill Yards in partnership with Brandywine Realty Trust. Such project will develop 14 acres of underutilized land near Philadelphia's

30th Street Station into an innovation neighborhood, which will feature a mix of entrepreneurial spaces, educational facilities and research laboratories, corporate offices, residential and retail spaces, hospitality and cultural venues and public open spaces.

### *The Navy Yard*

The Navy Yard is a 1,200 acre mixed-use office, research and industrial park with over 13,000 people working on site across 150 companies. The Navy Yard has diverse tenants such as Philly Shipyard, one of the world's most advanced commercial shipbuilding facilities; the global headquarters for retailer Urban Outfitters, Inc.; a 208,000 square foot, double LEED Platinum corporate office for pharmaceutical company GlaxoSmithKline; and a LEED Silver bakery facility for the Tasty Baking Company. More than 7.5 million square feet of space is currently occupied or in development with significant additional capacity available for office, industrial, retail and residential development.

PIDC and its partners released an updated Navy Yard master plan in 2013, detailing a comprehensive vision for the Navy Yard. The plan calls for a total of over 13.5 million square feet of new construction and historic renovation supporting office, research and development, industrial and residential development, complemented with commercial retail amenities, open spaces and expanded mass transit. Under such plan, the fully built out Navy Yard would support more than 30,000 employees and over \$3 billion in private investment. PIDC continues to work on this long-term plan for the Navy Yard.

The Navy Yard continues to grow bringing it closer to its strategic targets. Since 2000, the Navy Yard has leveraged more than \$150 million in publicly funded infrastructure improvements to spur more than \$750 million in new private investment.

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**Table 12**  
**Recently Completed Projects or Projects Under Construction in the Key Commercial Districts**

Project Name, by Neighborhood	Project Type	Cost in Millions	Est. Completion Date
<b>CENTER CITY</b>			
The Sterling – Redevelopment	Residential	\$75	Completed 2017
One Riverside	Residential	\$130	Completed 2017
View 32 - 3201 Race Street	Residential	\$56	Completed 2017
1213 Walnut	Residential	\$125	Completed 2017
East Market (formerly Girard Square)	Mixed Use	\$400	Completed 2018
Comcast Innovation and Technology Center	Commercial/Hotel	\$1,200	Q3 2019
Park Towne Place – Redevelopment	Residential	\$200	Completed 2018
2400 Market	Commercial	\$230	Completed 2019
National Building	Residential	\$23	Completed 2018
W Hotel/Element	Hotel	\$359	Q4 2019
The Hamilton	Residential	\$156	Completed 2018
Fashion District Philadelphia	Commercial	400	Q3 2019
1911 Walnut	Mixed Use	\$300	2021
Hanover North Broad	Mixed Use	\$50	Completed 2018
SLS Residences	Residential and Hotel	\$253	2021
Police Headquarters in Inquirer Building	Public	\$300	Q4 2020
<b>NAVY YARD</b>			
Adaptimmune	Commercial	\$25	Completed 2017
Axalta R & D Facility	Commercial	\$70	Completed 2017
<b>OLD CITY</b>			
American Revolution Center	Arts & Culture	\$101	Completed 2017
205 Race Street	Residential	\$65	Completed 2017
500 Walnut	Residential	\$174	Completed 2017
218 Arch	Mixed Use	\$58	Completed 2017
<b>OTHER NEIGHBORHOODS</b>			
Divine Lorraine	Residential	\$43	Completed 2017
Lincoln Square	Mixed Use	\$155	Completed 2018
Philadelphia Metropolitan Opera House	Arts & Culture	\$56	Completed 2018
<b>UNIVERSITY CITY</b>			
FMC Tower at Cira Centre South	Mixed Use	\$385	Completed 2017
CHOP Schuylkill Ave Expansion (Phase 1)	Health Care	\$275	Completed 2017
4601 Market	Mixed Use	\$250	Q1 2020
Penn Health Tower	Health Care	\$1,500	2021
<b>TOTAL</b>		<b>\$7,414</b>	

Source: Philadelphia Department of Commerce.

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## Waterfront Developments

Taking advantage of the City's geographic assets, the Schuylkill River and the Delaware River, the City is redeveloping its waterfront to accommodate a variety of developments, including mixed-use projects and housing, parks and recreational trails, and hotels. These projects improve quality of life for residents and improve the visitor experience, but also are an impetus for environmental remediation and private development of former industrial property within the City.

### *Delaware River Waterfront Corporation (the "DRWC")*

The Delaware River has historically been a center of activity, industry, and commerce, bounded at its north and south ends by active port facilities. The City adopted a Master Plan for the central Delaware River in 2011. DRWC, in partnership with the City, is a nonprofit corporation that works to transform the central Delaware River waterfront into a vibrant destination for recreational, cultural, and commercial activities. Over the last ten years, DRWC has successfully opened four adaptive reuse park projects built on former pier structures, including the newly-renovated Cherry Street Pier in 2018.

DRWC, the City, and the Commonwealth have partnered to redevelop Penn's Landing, a major public space along the Delaware River waterfront. The resulting civic space will leverage investment from private sources for the redevelopment of the adjoining parcels.

### *Schuylkill River Development Corporation (the "SRDC")*

Redevelopment along the Schuylkill River is managed by a partnership among SRDC, the Department of Parks & Recreation, and the Department of Commerce. SRDC works with federal, Commonwealth, City, and private agencies to coordinate, plan and implement economic, recreational, environmental and cultural improvements, and tourism initiatives on the Schuylkill River. From 1992 to 2017, \$70 million was invested by SRDC, the City, and their partners along the tidal Schuylkill to create 3.65 miles of riverfront trails within 30 acres of premiere park space in the heart of the City, and has added amenities to the Schuylkill River Park such as floating docks, fishing piers, a composting toilet, and architectural bridge lighting. SRDC continues to work towards meeting its goal of creating and maintaining trails and green space along the tidal Schuylkill River in Philadelphia.

Since 2005, Philadelphia has benefitted from more than \$1 billion in development along the Schuylkill River, with more planned by private developers, universities, and healthcare institutions.

### *SugarHouse Casino*

Philadelphia's first casino, SugarHouse, opened in September 2010. SugarHouse Casino sits on the Delaware River waterfront offering an array of slot machines, table games and dining options. Its operations also include a multi-purpose event space with waterfront views, restaurants, and a parking garage. As of August 2018, SugarHouse had approximately 1,500 employees. As reported to the Pennsylvania Gaming Control Board, SugarHouse's gaming revenue was approximately \$299.1 million in Fiscal Year 2018.

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## TOURISM AND HOSPITALITY

Philadelphia has experienced a significant increase in tourism over the last decade, fueled by several high profile, global events that the City hosted, notably the 2015 World Meeting of Families, culminating in a papal visit from Pope Francis, and the Democratic National Convention in 2016. In April 2017, Philadelphia hosted the NFL Draft, which is estimated to have brought approximately 250,000 people to Center City. Both business and convention tourism, as well as leisure tourism were at a record high in 2016. In 2016, Lonely Planet named Philadelphia on its top-10 best list of “unexpectedly exciting places to see,” and in 2017, Travel and Leisure named Philadelphia as one of the best places to visit in the world.

The Philadelphia Convention and Visitors Bureau (“PHLCVB”) books meetings, conventions and sporting events and supports international marketing of Philadelphia overseas. PHLCVB also books domestic group tours. Tourism Economics, an Oxford Economics Company, reported that international visitors from overseas to Philadelphia in 2017 numbered more than 648,000, spending \$651 million generating \$1.1 billion in total economic impact to the Philadelphia region. According to the same source, Philadelphia ranks as the 16<sup>th</sup> most visited city in the U.S. by overseas travelers. Philadelphia’s international visitation has seen significant growth over the past decade, a 18% growth in overseas travelers since 2007 (up from 549,000 in 2007).

The PHLCVB currently has 892 meetings, conventions, and sporting events booked for future years. These groups will bring a total of 3.1 million attendees to Philadelphia consuming 3.7 million room nights.

Visit Philadelphia markets Philadelphia domestically, as well as in Canada and Mexico, to promote leisure travel. Philadelphia has attracted more overnight leisure travelers than ever before and Center City hotels reached a landmark 1 million leisure room nights in 2016. Further, several big and new-to-the-city brands are entering the market, along with smaller boutique hotels. Leisure hotel room stays have increased 334% since 1997 and in 2017 the estimated economic impact of leisure travel to the region was \$11.5 billion according to the Visit Philly 2018 Annual Report.

**Table 13**  
**Greater Philadelphia Visitor Growth, 1997-2017**  
**(In Millions)**

	1997	2017	Net Change	% Change
Total Visitation	26.7	43.3	16.6	62%
Leisure- Overnight	7.3	15.1	7.8	107%
Leisure- Day	15.5	23.1	7.6	49%
Business- Overnight	1.4	2.3	0.9	64%
Business- Day	2.5	2.8	0.3	12%

Source: Visit Philadelphia Annual Report, 2018

Philadelphia has seen an influx in new hotel development, with numerous new developments underway or confirmed. Since 2015, there has been notable hotel development in the City, representing over \$1 billion in investment. The number of hotel rooms available in the City in 1993 was 5,613, with occupancy at 65%. In 2017, the City’s hotel room inventory was 16,334 rooms, with occupancy at 76.6%%. Several hotel projects are currently under development, which will increase hotel room inventory by close to 2,000 rooms.

### Museum and Cultural Centers

Crucial to tourism is the City’s robust arts and culture sector. One in three tourists who come to Center City cite museums and cultural events as the primary reason for their visit. Top attractions in Philadelphia include Independence National Park, the Philadelphia Museum of Art, the Philadelphia Zoo, and Reading Terminal Market.

Organizations like the Philadelphia Museum of Art, the Kimmel Center, FringeArts, and more than 400 smaller cultural organizations throughout the City help improve the quality of life for residents and visitors. The Greater Philadelphia Cultural Alliance reported in 2017 that arts and culture produced \$3.4 billion in economic impact and contributed \$930 million in household income in the City.

### **Avenue of the Arts (South Broad Street) Investments**

The Avenue of the Arts is located along a mile-long section of South Broad Street between City Hall and Washington Avenue, in the heart of Center City. Reinventing South Broad Street as the Avenue of the Arts, a world class cultural destination, has been a civic goal in Philadelphia for more than two decades. Cultural institutions, the William Penn Foundation, local property owners and civic leaders advanced the idea of a performing arts district on South Broad Street anchored by the Academy of Music and modeled after successful performing arts districts around the country. The Avenue of the Arts became a key element of the City's strategy to strengthen Center City as the region's premier cultural destination and an important element in the City's bid to expand its convention and tourism industries.

### **The Benjamin Franklin Parkway**

Complementing the Avenue of the Arts theater district developments, the Benjamin Franklin Parkway (the "Parkway") is considered the spine of Philadelphia's museum district. Designed by French architect Jacques Gréber, to emulate the Champs Elysées of Paris, the Parkway opened in 1929. It runs from the area of City Hall to the Philadelphia Museum of Art and is a central public space and tourist attraction. Key Parkway features include Love Park (which has undergone major renovations and was reopened in the spring of 2018), the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, The Barnes Foundation, the Free Library of Philadelphia, the Academy of Natural Sciences, the Swann Memorial Fountain, Sister Cities Park, Cathedral Basilica of Saints Peter and Paul on Logan Square, and numerous pieces of public art.

The Barnes Foundation, which opened in 2012, is a welcome addition to the City's impressive roster of arts facilities, and has had a significant impact on the City's leisure and hospitality industry. In 2015, the Barnes Foundation welcomed its one millionth visitor since opening on the Parkway. With membership over 85,000, it is ranked among the top institutions of its kind in the country.

### **Historic District**

Key to the City's leisure and hospitality growth is the maintenance and investment in the City's extraordinary historic assets. As the birthplace of the country, Philadelphia remains a major tourist destination year-round, particularly the City's Historic District, which includes various museums and cultural centers, as well as such national treasures as the Liberty Bell, Independence Hall, Carpenters' Hall, the Betsy Ross House and Elfreth's Alley, the Nation's oldest residential street. The City continues to invest in the maintenance and expansion of the Historic District's tourist experience. Such district is expected to remain competitive in the national and international tourism markets for years to come.

### **North Broad Street and the Philadelphia Convention Center**

In 1993, with support from the Commonwealth, the Pennsylvania Convention Center (the "Convention Center") was completed, providing a total of 624,000 square feet of saleable space across its four exhibit halls, ballroom and banquet spaces. In 2011, a \$786 million expansion, across 20 acres of central Philadelphia real estate, increased the facility to 2.3 million square feet. It is the largest single public works project in Pennsylvania history.

In 2014, SMG began managing and operating the Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service. In 2016, the Convention Center announced that 2015 was its highest booking year ever with 856,663 bookings, a 1.2% increase from 2014, representing an estimated \$1.1 billion in future economic impact.

Following the 2011 expansion of the Convention Center, development efforts in the North Broad Street area increased. Improvements include Lenfest Plaza at the Pennsylvania Academy of Fine Arts and two hotels. Development continues to move north along Broad Street, with significant investment taking place to restore the Berry Building, the Philadelphia Metropolitan Opera House, and the Divine Lorraine Hotel.

### **South Philadelphia Sports Complex**

Another key element of Philadelphia's hospitality industry is professional sports. Philadelphia is the only city to have a professional hockey, basketball, baseball, and football team playing in a single district within the City, the Sports Complex Special Services District, created by the City in 2000.

The South Philadelphia Sports Complex houses three professional sports facilities: The Wells Fargo Center opened in 1996 and is home to the Philadelphia Flyers (National Hockey League) and Philadelphia 76ers (National Basketball Association); Lincoln Financial Field opened in 2003 and is home to the Philadelphia Eagles (National Football League); and Citizens Bank Park opened in 2004 and is home to the Philadelphia Phillies (Major League Baseball). The Phillies and the Eagles are contractually obligated to play in Philadelphia until 2033 and 2034, respectively.

Within the South Philadelphia Sports Complex, there is a sports entertainment and dining complex. There are also plans to expand this area to include retail, hotel, and theater space, a casino, a spa, and a conference center.

### **Retail Market, Food and Dining**

In the last five years, the City's retail market has grown substantially, attracting 77 national retailers. With nearly 193,000 residents, 305,000 workers, 3.5 million occupied hotel room nights and 112,000 college students in and around Center City, the market generates more than \$1 billion in annual retail demand. More than 1.4 million square feet of retail space is currently under construction with significant development surging east of Broad Street, with some of Philadelphia's most ambitious retail and mixed-use projects.

Market East, an important commercial area between City Hall and the City's Historic District is experiencing significant development. New developments in Market East represent a \$910 million investment that is creating a continuous shopping and dining experience from Independence Mall to the major Center City convention hotels, just east of City Hall. The revitalization of this section of the City, containing a major transport hub, is expected to be transformative. Most notably, the planned redevelopment of The Gallery at Market East into Fashion District Philadelphia is one of the biggest developments in the area. In the last several years, there have also been recent improvements along East Market Street, including retail, residential, hotel, and other mixed-use projects.

Complementing the rise of retail in Philadelphia, the City has experienced a revival of restaurant establishments, especially in Center City and Greater Center City, indicating an improved quality of life and vibrancy of those neighborhoods. Increased investment in Center City to beautify the area, as well as the City's support in making the area more welcoming to visitors and diners, has sparked a significant increase in the number of indoor/outdoor dining establishments throughout Center City.

## **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 PHL (as defined herein) and to the surrounding counties. For more information on SEPTA, see "– Southeastern Pennsylvania Transportation Authority" and APPENDIX B – "EXPENDITURES OF THE CITY – City Payments to SEPTA."

A high-speed train line runs from southern New Jersey to Center City and is operated by the Port Authority Transit Corporation ("PATCO"), a subsidiary of the Delaware River Port Authority. On the average weekday, PATCO brings approximately 15,000 individuals to Philadelphia.

New Jersey Transit operates 19 different bus routes and the Atlantic City Train Line, all of which serve to connect Philadelphia and New Jersey. On the average weekday, the New Jersey Transit bus routes bring approximately 2,000 individuals to Philadelphia and the Atlantic City Line brings approximately 700 individuals to Philadelphia.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to other major cities and markets in the United States. According to Amtrak, Philadelphia's 30th Street Station is the third busiest station in the United States. Structural improvements of \$30 million were recently completed to the station, and an additional \$60 million restoration project is awaiting federal approval.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of Interstate 95 ("I-95"); Interstate 676 (the "Vine Street Expressway"), running east-to-west through the CBD between Interstate 76 (the "Schuylkill Expressway") and I-95; and Interstate 476 (the "Blue Route") in suburban Delaware and Montgomery Counties, which connects the Pennsylvania Turnpike and I-95 and connects to the Schuylkill Expressway, which runs to Center City. In addition, more than 100 truck lines serve the Philadelphia area.

The City is served within city limits by numerous private buses and shuttles. These buses and shuttles are operated by apartment complexes, universities, and private companies. These buses and shuttles connect Philadelphians to transit hubs, employment, and residences. A rail line reaches PHL in less than 20 minutes from the City's central business district and connects directly with the commuter rail network and the Pennsylvania Convention Center.

Philadelphia launched the Indego bike share program, sponsored by Independence Blue Cross, in April 2015. The system launched with 600 bicycles and 70 stations throughout the City from Temple University in North Philadelphia to Tasker Street in South Philadelphia and from the Delaware River on the east to 44th Street in West Philadelphia. Indego is the first bike share system in the United States to launch with a cash payment option for members. In 2017, the City expanded Indego to 1,100 bicycles and 121 bike share stations, with stations as far north as Dauphin Street in Kensington, as far south as McKean Street in South Philadelphia, and as far west as 52<sup>nd</sup> Street. In 2017, 780,000 trips were taken.

### **Southeastern Pennsylvania Transportation Authority**

SEPTA operates facilities across the PMSA, encompassing approximately 2,200 square miles and serving approximately 4.1 million inhabitants. SEPTA operates service 24 hours a day, seven days a week, 365 days a year. A significant segment of the region relies on SEPTA for public transportation and annual SEPTA ridership totaled more than 302.7 million in Fiscal Year 2018.

SEPTA's operations are accounted for in three separate divisions, the percentages following each division representing its approximate share of SEPTA's expense budget: City Transit (66%); Regional Rail Division (25%); and Suburban (9%). The City Transit Division serves the City with a network of 89 subway-elevated, light rail, trackless trolley and bus routes, providing approximately 852,000 unlinked passengers trips per weekday. The Regional Rail Division serves the City and the local counties with a network of 13 commuter rail lines providing approximately 120,000 passenger trips per weekday.

SEPTA continues to rehabilitate and replace critical infrastructure and systems, such as substations, bridges and stations. Its long-term capital program includes (i) safety and security enhancements, (ii) modernization of communication, signal equipment, and fare collection systems, (iii) replacement of rail vehicles that have exceeded their useful life, (iv) enhancing accessibility, (v) expanding capacity to address ridership growth, (vi) expanding its fleet of hybrid buses, and (vii) performing vehicle overhauls to optimize vehicle performance.

## Airport System

The Airport System serves residents and visitors from a broad geographic area that includes eleven counties within four states: Pennsylvania, New Jersey, Delaware, and Maryland. The Airport System consists of the Philadelphia International Airport (“PHL” or the “Airport”) and Northeast Philadelphia Airport (“PNE”).

### *Philadelphia International Airport*

PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked the twentieth busiest airport in the United States, serving 29.6 million passengers in calendar year 2017. PHL is located approximately seven miles from Center City on approximately 2,584 acres.

PHL has four runways, consisting of two parallel runways, a crosswind runway, and a commuter runway, as well as interconnecting taxiways. PHL’s terminal facilities consist of seven terminal units, totaling approximately 3.2 million square feet. Such terminal facilities include ticketing areas, passenger and baggage screening areas, passenger hold rooms and other amenities, baggage claim areas, approximately 175 food, retail and service establishments, and other support areas. PHL also has six active cargo facilities, a variety of support buildings, training areas, an air traffic control tower, a fixed-base operator, corporate hangars, a fueling supply facility, two American Airlines aircraft maintenance hangars, and a first-class office complex.

Outside of the PHL terminal area, there are a 14-story, 419-room hotel, seven rental car facilities, a 150-vehicle cell-phone lot, and two employee parking lots with more than 4,000 spaces. Such area also includes five parking garages and surface lots consisting of more than 18,900 vehicle spaces, operated by the Philadelphia Parking Authority.

The current Airport-Airline Use and Lease Agreement (the “Airline Agreement”) between PHL and the airlines began July 1, 2015 and has a five-year term with options for two one-year extensions. The Airline Agreement was approved by City Council in June 2015.

Capital Development. The Airport System’s long-term capital program includes (i) terminal and landside improvements, (ii) airfield improvements, (iii) security and information technology improvements, and (iv) land acquisition and ground transportation improvements, among other things.

PHL Passenger and Other Traffic Activity. The table below shows PHL passenger and cargo activity. In Fiscal Year 2018, PHL enplaned passenger traffic increased by 3.0%, domestic enplanements increased by 3.6%, international enplanements decreased by 1.2%, and total cargo traffic increased by 13.8%.

	Fiscal Year 2018	Fiscal Year 2017
Domestic Enplanements	13,238,844	12,775,958
International Enplanements	2,006,609	2,030,924
Total Enplanements	15,245,453	14,806,882
Freight (US tons)	487,086	424,009
Mail (US tons)	23,344	24,659
Total (US tons)	510,430	448,668



### *Northeast Philadelphia Airport*

PNE is located approximately ten miles northeast of Center City on approximately 1,126 acres. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. PNE currently has no scheduled commercial service. There are a variety of hangars (corporate and general aviation) at PNE. There are approximately 175 general aviation aircraft based at PNE. The Airport System's long-term capital program includes PNE improvement projects.

### **Port of Philadelphia**

The Port of Philadelphia (the "Port") is located on the Delaware River within the City limits. The Port's facilities are serviced by two Class I railroads (CSX and Norfolk Southern) and provide service to major eastern Canadian points, as well as Midwestern, southern and southeastern U.S. destinations. Terminal facilities, encompassing four million square feet of warehousing, are located in close proximity to Interstate 95 and Interstate 76. Over 1,600 local general freight trucking companies operate in the MSA, according to Hoover's Inc.

The Philadelphia Regional Port Authority (the "PRPA") reported approximately 6.3 million metric tons of cargo moved through the Port in 2016, the second year of more than 6 million tons of cargo in a single calendar year, representing a 2.7% increase over 2015. The Port is the top-ranked port for meat importing in the United States, and is among the nation's leaders for fruit, cocoa, forest products and steel imports. In December 2015, the PRPA secured a new shipping service that will link directly with burgeoning port operations on the Gulf of Mexico at Veracruz and Altamira. This service will target commodities including goods such as avocados, lemons, tomatoes and commercial cargo.

As part of an ongoing project, the PRPA is working to increase the Port's competitiveness by increasing capacity by deepening the main channel of the Delaware River from 40 to 45 feet. In November 2016, the Governor announced \$300 million in Commonwealth funding to significantly expand the Port's facilities and double its capacity by 2020. Improvements will double container and auto capacity at the Port and increase the Port's ability to handle wood pulp, a food grade commodity.

## **KEY CITY-RELATED SERVICES AND BUSINESSES**

### **Water and Wastewater**

The water and wastewater systems of the City are owned by the City and operated by the City's Water Department (the "Water Department"). The water and wastewater systems are referred to herein individually as the "Water System" and "Wastewater System", respectively.

The Water System's service area includes the City and has one wholesale water service contract. Based on the 2017 U.S. Census Bureau estimate, the Water System served 1,580,863 individuals.

As of June 30, 2018, the Water System served approximately 480,000 active customer accounts using approximately 3,100 miles of mains and approximately 25,000 fire hydrants.

The City obtains approximately 58% of its water from the Delaware River and the balance from the Schuylkill River. The City is authorized by the Pennsylvania Department of Environmental Protection (the "PaDEP") to withdraw up to 423 million gallons per day ("MGD") from the Delaware River and up to 258 MGD from the Schuylkill River. On September 27, 2016, the PaDEP issued the Water Department a new water allocation permit, which expires on September 27, 2041. Under the new permit, the amount the City is authorized to withdraw from each river has not changed.

Water treatment is provided by the Samuel S. Baxter Water Treatment Plant on the Delaware River and by the Belmont and Queen Lane Water Treatment Plants on the Schuylkill River. The combined rated treatment capacity of these plants under the Water Department's Partnership for Safe Water procedures is 546 MGD. The combined maximum source water withdrawal capacity from the two rivers that supply these plants is 680 MGD. The excess source water capacity enables higher than normal withdrawal from either river should conditions limit withdrawals from one.

The Wastewater System's service area includes the City and ten wholesale wastewater service contracts. Based on the 2017 U.S. Census Bureau estimate, the Wastewater System served 1,580,863 individuals that live in the City and ten wholesale contracts.

As of June 30, 2018, the Wastewater System served approximately 545,000 accounts, including approximately 50,000 stormwater-only accounts and ten wholesale contracts with neighboring municipalities and authorities.

The Wastewater System consists of three water pollution control plants, the Northeast, Southwest and Southeast water pollution control plants (the "WPCPs"), 19 pumping stations, approximately 3,700 miles of sewers, and a privately managed centralized biosolids handling facility. It includes approximately 1,850 miles of combined sewers, 760 miles of sanitary sewers, 740 miles of stormwater sewers, 13 miles of force mains (sanitary and storm) and 349 miles of appurtenant piping. The three WPCPs processed a combined average of 413 MGD of wastewater in Fiscal Year 2018, have a 522 MGD combined average daily design capacity and a peak capacity of 1,059 MGD.

### **Solid Waste Disposal**

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2,300 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of through a combination of recycling processing facilities, private and City transfer stations within the City limits, and at various landfills operated outside the City limits.

### **Parks**

The City was originally designed by William Penn and Thomas Holme around five urban parks, each of which remains in Center City to this day. The City's parklands total over 10,300 acres, and include Fairmount Park, the world's largest landscaped urban park at 9,200 acres, Pennypack Park, and the Philadelphia Zoo, the country's first zoo. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell. Under the Rebuild initiative, an estimated \$500 million will be invested in Philadelphia parks, recreation centers, playgrounds and libraries in the next several years.

### **Libraries**

The Free Library of Philadelphia, the City's public library system, comprises 54 branches and an extensive online resource system.

### **Streets and Sanitation**

The Philadelphia Streets Department (the "Streets Department") and the divisions within it are responsible for the City's large network of streets and roadways. The City's pavement condition is considered to be a "Fair" pavement condition. In order for the City to maintain its pavement in a state of good repair, local streets should be repaved once every 20 years and arterials should be repaved once every 10 years. This requires approximately 131 miles of paving every year. The pavement program has accumulated a backlog of approximately 1,100 miles since 1996. As a result of the new funding under Act 89, the Streets Department has funds to address long standing state of good repair needs without an additional allocation from the General Fund. During Fiscal Years 2014-2017, the Streets Department

invested in critical equipment replacements and began to implement a strategy to address recurring state of good repair needs. This includes critical equipment replacement, street paving and pothole repair, and replacement of traffic control equipment.

The Streets Department is also responsible for the ongoing collection and disposal of residential trash and recyclables, as well as the construction, cleanliness and maintenance of the street system. The streets system in Philadelphia totals 2,575 miles - 2,180 miles of City streets, 35 miles of Fairmount Park roads and 360 miles of state highways. The Highway Unit and Sanitation Division annually collects and disposes of approximately 600,000 tons of rubbish and 125,000 tons of recycling, completes over 48,000 miles of mechanical street cleaning, clears 1,800 major illegal dump sites, and removes over 155,000 abandoned tires.

### **Sustainability and Green Initiatives**

Mayor Kenney continues the City's commitment to make Philadelphia the greenest and most sustainable city in America. To aid in achieving this goal, the Philadelphia Energy Authority has been tasked with improving energy sustainability and affordability in the City and with educating consumers on their energy choices. The City is investing in and evaluating additional options and investing in green infrastructure to better manage storm water reclamation and reduce pollution of the City's public waters. There has been extensive investment in creating more and better public green spaces, such as Love Park in Center City, as well as green spaces along both the Delaware and Schuylkill Rivers. Finally, the City has been taking steps to further reduce automobile traffic, congestion and pollution by making Philadelphia's streets increasingly friendly to bicyclists. The City introduced its new bicycle sharing system, Indego, in 2015, as further described in "TRANSPORTATION." Bicycle share programs have been successfully implemented in other cities worldwide.

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## **APPENDIX D**

### **Definitions of Certain Terms and Summary of Certain Provisions of the Indenture**

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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 2019/2020 Bonds are summarized in the Official Statement under the section captioned “THE 2019/2020 BONDS.” Reference should be made to the Indenture for a complete statement of all of these provisions and other provisions which are not summarized in the Official Statement. Copies of the Indenture may be obtained from the Trustee.

## DEFINITIONS OF CERTAIN TERMS

**“2019 Closing Date”** means the date of the delivery of the 2019 Bonds, as applicable to the Underwriters against payment therefore.

**“Additional Bonds”** means bonds or notes: (i) as of the 2019 Closing Date, other than the 2010 Bonds and the 2019 Bonds, and (ii) as of the Delayed Delivery Closing Date of the 2020 Bonds, other than the 2010 Bonds maturing on June 15, 2020, the 2019 Bonds and the 2020 Bonds, authorized to be issued under the Indenture.

**“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 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 authorizing resolutions previously adopted by the Authority and executed and delivered under and pursuant to such authorizing resolutions and the 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 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 a day other than a Saturday, Sunday or holiday on which the Trustee or any applicable Credit Facility Issuer are authorized to be closed under applicable state or federal law.

**“Capital Projects Fund”** means the separate fund of such name established under the Indenture.

**“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.

**“Credit Facility”** means the Municipal Bond Debt Service Reserve Fund Policy issued by the Credit Facility Issuer, and any other letter of credit, 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 (policy novated to National Public Finance Guarantee Corporation) 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.

**“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 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 established under the Indenture.

**“Debt Service Reserve Requirement”** means 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.

**“Delayed Delivery Closing Date”** means the date of the delivery of the 2020 Bonds, as applicable to the Underwriters against payment therefore.

**“Department”** means the Department of Revenue of the Commonwealth.

**“Depository”** means U.S. Bank National Association, successor to First Union National Bank, a national banking association organized and existing under the laws of the United States, as Depository 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 Depository and acknowledged and agreed to by the City as the same may be amended, modified or supplemented and in effect from time to time.

**“Event of Default”** means any event specified as such in Section 8.01 of the Indenture.

**“Fitch”** means Fitch Ratings, 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.

**“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) 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 FIBRE 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.

**“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 depository of any fund established under the Indenture, and any net profits or losses resulting from the sale of securities.

**“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 whether or not such obligations are 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.

(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 paragraphs (1) or (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) That certain “Debt Service Reserve Forward Delivery Agreement” dated as of June 6, 2000 by and between the Trustee, the Authority and Wachovia Bank, National Association (successor to First Union Securities, Inc.) and any securities which are “Eligible Securities” as defined therein;

(9) That certain “Debt Service Reserve Forward Delivery Agreement” dated as of June 6, 2000 by and between the Trustee, the Authority and JPMorgan Chase Bank, National Association, and any securities which are “Eligible Securities” as defined therein;

(10) Government Obligations; and

(11) Investment Securities, as defined in the Amended and Restated Indenture.

Notwithstanding the foregoing, no moneys of the Authority may be invested in obligations issued by or obligations guaranteed by the City, without the approval of a qualified majority of the board of the Authority, and, in any case, no moneys held in a debt service reserve fund may be invested in obligations issued by or obligations guaranteed by the City.

**“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, Inc., 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.

**“Municipal Obligations”** means any obligations issued or guaranteed by any state or political subdivision of a state or by any public instrumentality of any of the foregoing.

**“Outstanding,” “Bonds Outstanding” or “outstanding Bonds”** mean all Bonds which have been authenticated and delivered under the Indenture, except:

(a) Bonds cancelled after purchase in the open market or because of payment or redemption prior to their maturity;

(b) 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 Bonds) in accordance with Article VII of the Amended and Restated Indenture; provided that if such Bonds are to be redeemed prior to their stated maturity date, 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

(c) Bonds in lieu of which others have been authenticated under Section 2.07 or Section 2.08 of the Amended and Restated Indenture.

**“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.

**“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 2010 Bonds maturing on June 15, 2020, the 2019 Bonds, the 2020 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.

**“Rating Agency”** means each nationally recognized securities rating agency then maintaining a rating on the 2019 Bonds and 2020 Bonds at the request of the Authority, which at the time of issuance of the 2019 Bonds and at the time of issuance of the 2020 Bonds includes S&P, Moody's and Fitch.

**“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.

**“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.

**“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) fixed to determine the names and addresses of holders of any series of Bonds for purposes of paying principal or interest on a Special Payment Date.

**“State Treasurer”** means the State Treasurer of the Commonwealth.

**“Supplemental Indenture”** means any indenture of the Authority amending or supplementing the Indenture for any purpose, in accordance with the terms of the Indenture.

**“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.

**“Trustee”** means U.S. Bank National Association, as successor trustee, 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.

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”): (i) all of the Authority's right, title and interest in and to the Pledged Revenues; (ii) 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 (iii) 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.

### **Creation of Funds**

The Trustee has established under the Indenture the following funds: Revenue Fund, Debt Service Fund, Debt Service Reserve Fund, Bond Redemption Fund, Capital Projects Fund, Deficit Fund, Rebate Fund and Settlement 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 the receipt of a requisition signed by the Authority accompanied by a notice (in the form prescribed in the Indenture) from 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 affect 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 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 Depository 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  $\frac{1}{6}$  (such fraction to be increased or decreased, as appropriate, for a Series of Bonds to account for any initial or final interest period shorter or longer than six months) of the amount of interest that will be due and payable on each such 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 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 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  $\frac{1}{12}$  (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.

## **Debt Service Reserve Fund**

There shall be maintained in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement for all Outstanding 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, either 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 2010 Bonds maturing on June 15, 2020, the 2019 Bonds and the 2020 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. 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 2019 Bonds and the 2020 Bonds. Upon the payment of the costs of issuance, moneys in the Settlement Fund with respect to the 2019 Bonds and the 2020 Bonds, respectively, are to be transferred to the Debt Service Fund.

## **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**

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 terms 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 written 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 only 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;

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; 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 2019 Bonds or the 2020 Bonds if not cured sooner than the period specified in the notice.

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 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 term 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 proceed 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.

## **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 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 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 Not Requiring Consent of Bondholders**

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
- (l) 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 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.

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.

#### **Modifications of Indenture Requiring Consent of Bondholders**

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.

#### **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 non-callable and 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.

#### **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.

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## **APPENDIX E-1**

### **Proposed Form of Approving Opinion of Bond Counsel for 2019 Bonds**

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[FORM OF APPROVING OPINION OF BOND COUNSEL FOR THE 2019 BONDS]

\_\_\_\_\_, 2019

RE: \$31,085,000 PENNSYLVANIA INTERGOVERNMENTAL COOPERATION  
AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA  
FUNDING PROGRAM), SERIES OF 2019

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$31,085,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 Bonds"). The 2019 Bonds are issued under and pursuant to and authorized by 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"), pursuant to the Resolution adopted by the Authority on September 17, 2019 and pursuant to the Amended and Restated Trust Indenture (the "Amended and Restated Indenture"), dated as of December 1, 1994 between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented pursuant to the 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"), a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplement"), a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 (the "Fifth Supplement"), a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 (the "Sixth Supplement"), a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 (the "Seventh Supplement"), and an Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019 (the "Eighth Supplement," and together with the Amended and Restated Indenture, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, the "Indenture").

The 2019 Bonds are being issued for the purpose of providing funds which, together with other available moneys of the Authority, will be used to: (i) currently refund all of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2009; and (ii) pay the costs of issuing the 2019 Bonds (collectively, the "Refunding Project").

In the course of the performance of our duties as Bond Counsel, we have examined such documents, opinions, records, orders, notices, certificates, statutes, resolutions, decisions, and rulings as we have deemed necessary to enable us to furnish this opinion, including, *inter alia*,

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DELAWARE FLORIDA ILLINOIS MARYLAND MASSACHUSETTS MINNESOTA NEW JERSEY NEW YORK PENNSYLVANIA WASHINGTON, DC

A DELAWARE LIMITED LIABILITY PARTNERSHIP

the following: (i) an executed counterpart of the Eighth Supplement, (ii) the form of the 2019 Bonds, (iii) a copy, certified or otherwise identified to our satisfaction, of the Indenture, (iv) an executed counterpart of the Tax Certificate, (v) the opinion of Counsel to the Authority, on which we have relied, (vi) an executed counterpart of the Bond Purchase Agreement dated as of October 29, 2019 (the “Purchase Agreement”) between the Authority and RBC Capital Markets, LLC, and (vii) such constitutional and statutory provisions and such other resolutions, certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to the matters set forth herein. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to such opinions, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents and the representations and warranties made therein without undertaking to verify the same by independent investigation. We have also assumed that the documents referred to herein have been duly authorized by all parties thereto other than the Authority and are, where appropriate, legally binding obligations of, and enforceable in accordance with their terms against all parties, except the Authority, and that the actions required to be taken and consent required to be obtained by such parties, have been taken or obtained. We do not render any opinion with respect to the adequacy of security for the 2019 Bonds or the sources of payment in respect of the 2019 Bonds.

Based upon the foregoing, it is our opinion, under existing law and as of the date hereof, and subject to the qualifications and limitations set forth herein, that:

1. The Authority is a body corporate and politic, organized and validly existing under the laws of the Commonwealth of Pennsylvania with full power and authority to undertake the Refunding Project, to execute, deliver and perform its obligations under the Eighth Supplement and to issue and sell the 2019 Bonds.

2. The Eighth Supplement has been duly authorized, executed and delivered by the Authority and constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

3. The Authority has duly assigned, transferred and pledged to the Trustee, for the benefit of the holders of the 2019 Bonds, to the extent provided in the Indenture, all of its right, title and interest in and to the Pledged Revenues.

4. The issuance and sale of the 2019 Bonds have been duly authorized by the Authority and, on the assumption of execution and authentication stated above, such 2019 Bonds have been duly executed and delivered by the Authority and authenticated by the Trustee, are valid and binding limited obligations of the Authority enforceable in accordance with their terms and are entitled to the benefit and security of the Indenture, except as the rights created

thereunder and the enforcement thereof may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

5. Interest on the 2019 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence assumes that the Authority complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2019 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the 2019 Bonds to be so includable in gross income retroactive to the date of issuance of the 2019 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2019 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the federal alternative minimum taxes. We express no opinion regarding other federal tax consequences relating to the 2019 Bonds or the receipt of interest thereon.

6. Under the laws of the Commonwealth, as enacted and construed on the date hereof, the 2019 Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2019 Bonds or the interest thereon.

The opinions set forth above are rendered on the basis of, and limited to, federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. We express no opinion herein as to any matter not set forth in the numbered paragraphs above. In particular, we call to your attention that the 2019 Bonds are not in any way a debt or liability of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof other than the Authority, nor do the 2019 Bonds or the Indenture pledge the general credit or taxing power of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof. The Authority has no taxing power.

The opinions set forth above are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur including, but not limited to, those that may affect the tax status of interest on the 2019 Bonds.

Very truly yours,

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## **APPENDIX E-2**

### **Proposed Form of Approving Opinion of Bond Counsel for 2020 Bonds**



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**[ASSUMING THAT NO CHANGE IN LAW HAS OCCURRED, SET FORTH BELOW IS  
THE FORM OF APPROVING OPINION TO BE DELIVERED BY BOND COUNSEL  
ON THE DELAYED DELIVERY CLOSING DATE FOR THE 2020 BONDS ]**

[DATE: DELAYED DELIVERY CLOSING DATE]

RE: \$24,990,0000 PENNSYLVANIA INTERGOVERNMENTAL COOPERATION  
AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA  
FUNDING PROGRAM), SERIES OF 2020 (FORWARD DELIVERY)

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$24,990,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 Bonds"). The 2020 Bonds are issued under and pursuant to and authorized by 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"), pursuant to the Resolution adopted by the Authority on September 17, 2019 and pursuant to the Amended and Restated Trust Indenture (the "Amended and Restated Indenture"), dated as of December 1, 1994 between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented pursuant to the 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"), a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplement"), a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 (the "Fifth Supplement"), a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 (the "Sixth Supplement"), a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 (the "Seventh Supplement"), and an Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019 (the "Eighth Supplement," and together with the Amended and Restated Indenture, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, the "Indenture").

The 2020 Bonds are being issued for the purpose of providing funds which, together with other available moneys of the Authority, will be used to: (i) currently refund the maturities of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2010 maturing after June 15, 2020; and (ii) pay the costs of issuing the 2020 Bonds (collectively, the "Refunding Project").

In the course of the performance of our duties as Bond Counsel, we have examined such documents, opinions, records, orders, notices, certificates, statutes, resolutions, decisions, and rulings as we have deemed necessary to enable us to furnish this opinion, including, *inter alia*, the following: (i) an executed counterpart of the Eighth Supplement, (ii) the form of the 2020 Bonds, (iii) a copy, certified or otherwise identified to our satisfaction, of the Indenture, (iv) an executed counterpart of the Tax Certificate, (v) the opinion of Counsel to the Authority, on which we have relied, (vi) an executed counterpart of the Forward Delivery Bond Purchase Agreement dated as of October 29, 2019 (the “Forward Delivery Purchase Agreement”) between the Authority and RBC Capital Markets, LLC and (vii) such constitutional and statutory provisions and such other resolutions, certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to the matters set forth herein. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Forward Delivery Purchase Agreement.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to such opinions, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents and the representations and warranties made therein without undertaking to verify the same by independent investigation. We have also assumed that the documents referred to herein have been duly authorized by all parties thereto other than the Authority and are, where appropriate, legally binding obligations of, and enforceable in accordance with their terms against all parties, except the Authority, and that the actions required to be taken and consent required to be obtained by such parties, have been taken or obtained. We do not render any opinion with respect to the adequacy of security for the 2020 Bonds or the sources of payment in respect of the 2020 Bonds.

Based upon the foregoing, it is our opinion, under existing law and as of the date hereof, and subject to the qualifications and limitations set forth herein, that:

1. The Authority is a body corporate and politic, organized and validly existing under the laws of the Commonwealth of Pennsylvania with full power and authority to undertake the Refunding Project, to execute, deliver and perform its obligations under the Eighth Supplement and to issue and sell the 2020 Bonds.

2. The Eighth Supplement has been duly authorized, executed and delivered by the Authority and constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

3. The Authority has duly assigned, transferred and pledged to the Trustee, for the benefit of the holders of the 2020 Bonds, to the extent provided in the Indenture, all of its right, title and interest in and to the Pledged Revenues.

4. The issuance and sale of the 2020 Bonds have been duly authorized by the Authority and, on the assumption of execution and authentication stated above, such 2020 Bonds have been duly executed and delivered by the Authority and authenticated by the Trustee, are valid and binding limited obligations of the Authority enforceable in accordance with their terms and are entitled to the benefit and security of the Indenture, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

5. Interest on the 2020 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence assumes that the Authority complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2020 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the 2020 Bonds to be so includable in gross income retroactive to the date of issuance of the 2020 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2020 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the federal alternative minimum taxes. We express no opinion regarding other federal tax consequences relating to the 2020 Bonds or the receipt of interest thereon.

6. Under the laws of the Commonwealth, as enacted and construed on the date hereof, the 2020 Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2020 Bonds or the interest thereon.

The opinions set forth above are rendered on the basis of, and limited to, federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. We express no opinion herein as to any matter not set forth in the numbered paragraphs above. In particular, we call to your attention that the 2020 Bonds are not in any way a debt or liability of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof other than the Authority, nor do the 2020 Bonds or the Indenture pledge the general credit or taxing power of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof. The Authority has no taxing power.

The opinions set forth above are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur including, but not limited to, those that may affect the tax status of interest on the 2020 Bonds.

Very truly yours,

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## APPENDIX F

### Proposed Form of Continuing Disclosure Agreements

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by the Pennsylvania Intergovernmental Cooperation Authority (“Authority”) in connection with the issuance and sale by the Authority of its \$\_\_\_\_\_ Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of \_\_\_\_\_ (the “Bonds”). Capitalized terms used in this Disclosure Agreement which are not otherwise defined herein shall have the meanings given to such terms in the Official Statement (as defined herein) or the Indenture (as defined in the Official Statement), as applicable.

The Authority hereby agrees as follows:

#### ARTICLE I

##### The Undertaking

Section 1.1. Purpose. This Disclosure Agreement is being executed and delivered by the Authority solely for the benefit of the holders and the beneficial owners of the Bonds and in order to assist the Underwriters in complying with subsection (b)(5) of the Rule by undertaking to provide certain Annual Financial Information (as defined herein) and material events notices required by the Rule, and shall create no rights in any other person or entity.

Section 1.2. Annual Financial Information. (a) So long as any Bonds are outstanding, the Authority shall file annually its Annual Financial Information with the MSRB via EMMA (as both terms are defined herein) with respect to each Fiscal Year of the Authority, in accordance with the provisions of the subsection (b)(5) of the Rule, within 180 days after the end of the Authority’s Fiscal Year, commencing with the Fiscal Year ending June 30, 2020.

(b) If the Annual Financial Information to be filed by the Authority is not available by the date of the required filing, the Authority shall file unaudited Annual Financial Information by such date and file audited Annual Financial Information when available.

(c) The Authority shall provide, in a timely manner, written notice to the MSRB via EMMA specifying any failure of the Authority to provide the Annual Financial Information by the date specified in subsection (a) hereof.

Section 1.3. Notice Events. (a) So long as any Bonds are outstanding, if one of the following Notice Events occurs, the Authority shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, written notice of such Notice Event to the MSRB via EMMA:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

(b) Any notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Bonds shall include the CUSIP numbers, if any, of the Bonds to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the Authority including the Bonds, such Notice Event notice need only include the CUSIP number of the Authority.

Section 1.4. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to do so, the Authority shall have no obligation under this Disclosure Agreement to continue to provide or to update such additional information or data.

Section 1.5. Additional Disclosure Obligations. The Authority acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the Authority and that,

under some circumstances, compliance with this Disclosure Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Authority under such laws.

## ARTICLE II

### Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Authority provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, [www.emma.msrb.org](http://www.emma.msrb.org)) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.3 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. General Provisions Regarding Filings. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access ("EMMA") system, the current Internet Web address of which is [www.emma.msrb.org](http://www.emma.msrb.org).

(b) All notices, documents and information provided on EMMA shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.4. Fiscal Year. (a) The Authority's current Fiscal Year begins July 1 and ends June 30, and the Authority shall promptly file a notification on EMMA of each change in its Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months.

## ARTICLE III

### Effective Date, Termination, Amendment, Enforcement, Governing Law

Section 3.1. Effective Date; Termination. (a) This Disclosure Agreement shall be effective upon the issuance of the Bonds.

(b) The Authority's obligations under this Disclosure Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 3.2. Amendment. (a) This Disclosure Agreement may be amended without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied:

(1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby,

(2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances,

(2) above, (3) the Authority shall obtain an opinion of Counsel to the same effect as set forth in clause

(4) either (i) the Authority shall obtain an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Authority (such as bond counsel), addressed to the Authority, to the effect that the amendment does not materially impair the interests of the holders of the Bonds, or

(ii) the holders of the Bonds consent to the amendment to this Disclosure Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Bonds pursuant to the Indenture as in effect at the time of the amendment, and

(5) the Authority shall ensure that copies of such opinion(s) and amendment are promptly filed on EMMA and sent to each Registered Owner.

(b) This Disclosure Agreement may be amended without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Agreement which is applicable to this Disclosure Agreement, (2) the Authority shall obtain an opinion of Counsel to the effect that performance by the Authority under this Disclosure Agreement as so amended will not result in a violation of the Rule and (3) the Authority shall have copies of such opinion and amendment promptly filed on EMMA and sent to each Registered Owner.

(c) This Disclosure Agreement may be amended without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Authority shall have obtain an opinion of Counsel to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Authority shall ensure that such opinion and amendment shall be promptly filed on EMMA and sent to each Registered Owner.

(d) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Authority in preparing its financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Disclosure Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Disclosure Agreement. The provisions of this Disclosure Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Authority to comply with the provisions of this Disclosure Agreement shall be enforceable by any holder of outstanding Bonds. The holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under this Disclosure Agreement. In consideration of the

third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Authority to perform in accordance with this Disclosure Agreement shall not constitute a default or an Event of Default under the Indenture or the Bonds and the rights and remedies provided by the Indenture or the Act upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Disclosure Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Disclosure Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

## ARTICLE IV

### Definitions

Section 4.1. Definitions. The following terms used in this Disclosure Agreement shall have the following respective meanings:

(1) “Annual Financial Information” means the Authority’s Audited Financial Statements with Independent Auditor’s Report. The Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

(2) “Audited Financial Statements” means the annual financial statements of the Authority, audited by such auditor as shall then be required or permitted by Commonwealth law. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Authority may from time to time, if required by federal or Commonwealth legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or Commonwealth law or regulation describing such accounting principles, or other description thereof.

(3) “Counsel” means any nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “Financial Obligation” means “financial obligation” as such term is defined in the Rule.

(5) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(6) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement.

(7) “Official Statement” means the Official Statement dated October \_\_, 2019 of the Authority relating to the Bonds, as it may be amended or supplemented.

(8) “Registered Owner” or “Registered Owners” means the person or persons in whose name a Bond is registered on the books of the Authority maintained by the Trustee in accordance with the Indenture. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term



“Registered Owner” or “Registered Owners” also means and includes, for the purposes of this Disclosure Agreement, the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Authority shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds except those who have filed their names and addresses with the Authority for the purposes of receiving notices or giving direction under this Disclosure Agreement.

(9) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Disclosure Agreement, including any official interpretations thereof issued either before or after the effective date of this Disclosure Agreement which are applicable to this Disclosure Agreement.

(10) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

**IN WITNESS WHEREOF**, PENNSYLVANIA INTERGOVERNMENTAL COOPERATION  
AUTHORITY has executed this Disclosure Agreement as of the day and year first above written.

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION  
AUTHORITY**

By: \_\_\_\_\_  
Authorized Officer

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## APPENDIX G

### Book-Entry Only System

#### General

*The information set forth herein concerning The Depository Trust Company, New York, New York (“DTC”) and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority, the City, the Trustee, or the Underwriters. The website referenced below is included for reference only and the information contained therein is not incorporated by reference in this Official Statement.*

DTC will act as securities depository for the Bonds under a book-entry system with no physical distribution of the Bonds made to the public. The 2019/2020 Bonds will initially 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 Bonds, each 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2019 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, and interest on, the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participants and not of DTC (or its nominee), the Authority, the City or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, and interest on, the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

**THE AUTHORITY, THE CITY, THE TRUSTEE, AND THE UNDERWRITERS 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 2019/2020 BONDS (A) PAYMENTS OF PRINCIPAL OF, OR INTEREST ON, THE 2019/2020 BONDS, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2019/2020 BONDS, OR (C) 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 SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.**

**NONE OF THE AUTHORITY, THE CITY, THE TRUSTEE, OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION**



**STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF, OR INTEREST ON, THE 2019/2020 BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE OR OTHER COMMUNICATION WHICH IS REQUIRED TO BE GIVEN TO HOLDERS OR OWNERS OF THE 2019/2020 BONDS; OR (E) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2019/2020 BONDS.**

#### **Discontinuation of Book-Entry Only System**

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2019 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2019 Bond certificates will be printed and delivered.

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## APPENDIX H

### Schedule of Refunded 2009 Bonds

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)  
SERIES OF 2009

#### MATURITY SCHEDULE

<b>DUE JUNE 15</b>	<b>AMOUNT</b>	<b>INTEREST RATE</b>	<b>PRICE</b>	<b>YIELD</b>	<b>CUSIP<sup>†</sup> (708840)</b>
2020	\$ 19,020,000	5.000%	107.153	4.120 %	HY2
2021	1,965,000	4.000	98.129	4.200	HZ9
2021	18,000,000	5.000	106.477	4.200	JA2
2022	20,945,000	5.000	105.891	4.270	JBO
2023	1,800,000	4.250	98.856	4.360	JC8
2023	<u>20,190,000</u>	5.000	105.142	4.360	JD6
	\$81,920,000				

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## APPENDIX I

### Schedule of Refunded 2010 Bonds

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)  
SERIES OF 2010

#### MATURITY SCHEDULE

<b>DUE JUNE 15</b>	<b>AMOUNT</b>	<b>INTEREST RATE</b>	<b>PRICE</b>	<b>YIELD</b>	<b>CUSIP<sup>†</sup> (708840)</b>
2021	\$ 12,925,000	5.000%	112.019	3.57%	JQ7
2022	<u>13,430,000</u>	5.000	111.213	3.66	JR5
	\$26,355,000				



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## APPENDIX J

### Form of Delayed Delivery Contract for 2020 Bonds

#### DELAYED DELIVERY CONTRACT

\_\_\_\_\_, 2019

RBC Capital Markets, LLC  
as Representative of the Underwriters

Re: \$24,990,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery)  
(the “2020 Bonds”)

To RBC Capital Markets, LLC:

The undersigned (the “Purchaser”) hereby agrees to purchase from RBC Capital Markets, LLC, as “Representative”, on behalf of itself and the underwriters named in the list attached as Appendix I to the 2020 Forward Delivery Purchase Agreement (defined below) (collectively, the “Underwriters”) when, as, and if issued and delivered to the Underwriters by the Pennsylvania Intergovernmental Cooperation Authority (the “Authority”), and the Underwriters agree to sell to the Purchaser:

<u>Par Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP Number</u>	<u>Yield</u>	<u>Price</u>
\$12,260,000	6/15/2021	5.000%	JS3	1.370%	104.461
\$12,730,000	6/15/2022	5.000%	JT1	1.380%	107.971

of the above-referenced 2020 Bonds (the “Purchased Obligations”) offered by the Authority under the Preliminary Official Statement dated October 21, 2019, and the Official Statement relating to the Purchased Obligations dated October 29, 2019 (the “Official Statement”), at the purchase price and with the interest rates, principal amounts, and maturity dates shown above, and on the further terms and conditions set forth in this Delayed Delivery Contract. The Purchased Obligations are being purchased by the Underwriters pursuant to a Forward Delivery Bond Purchase Agreement dated October 29, 2019 among the Authority and the Representative (the “2020 Forward Delivery Purchase Agreement”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the 2020 Forward Delivery Purchase Agreement, the Preliminary Official Statement or the Official Statement.

The Purchaser hereby confirms that it has reviewed the Preliminary Official Statement and the Official Statement (including without limitation the section entitled “INTRODUCTION – Forward Delivery of the 2020 Bonds”, “PLAN OF FINANCE – Forward Delivery Bond Purchase Contract for Series 2020 Bonds” and “CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS” therein), has considered the risks associated with purchasing the Purchased Obligations and is duly authorized to purchase the Purchased Obligations. The Purchaser further acknowledges and agrees that the Purchased Obligations are being sold on a “forward” basis, and the Purchaser hereby purchases and agrees to accept delivery of such Purchased Obligations from the Underwriters on or about March 17, 2020 (the “Delayed Delivery Closing Date”) as they may be issued and delivered in accordance with the 2020 Forward Delivery Purchase Agreement.

Payment for the Purchased Obligations shall be made to the Underwriters or upon its order on the Delayed Delivery Closing Date upon delivery to the Purchaser of the Purchased Obligations through the book-entry system of The Depository Trust Company. The Purchaser agrees that in no event shall the Underwriters be responsible or liable for any claim or loss, whether direct or consequential, which the Purchaser may suffer in the event the Authority does not for any reason issue and deliver the Purchased Obligations.

The obligation of the Purchaser to take delivery of the Purchased Obligations hereunder shall be unconditional. The Purchaser may terminate its obligation to purchase the Purchased Obligations in the event that between the Initial Closing Date and the Delayed Delivery Closing Date (the "Forward Delivery Period"), one of the following events shall have occurred after the Initial Closing Date and the Purchaser has notified the Underwriters in writing as provided herein:

1. there shall have occurred (1) a new outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war; or (2) any other calamity or crisis or any change in the financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (1) or (2), in the reasonable judgment of the Representative, makes it impracticable or inadvisable to proceed with the offering or the delivery of the 2020 Bonds on the terms and in the manner contemplated in the Preliminary Official Statement or the Official Statement;
2. there shall 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 determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction that, in the Representative's reasonable judgment, makes it impracticable for the Underwriters to market the 2020 Bonds or enforce contracts for the sale of the 2020 Bonds; or
3. a general banking moratorium shall have been declared by federal or state authorities having jurisdiction and be in force or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred that, in the Representative's reasonable judgment makes it impracticable for the Underwriters to market the 2020 Bonds or enforce contracts for the sale of the 2020 Bonds;
4. legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation, or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the 2020 Bonds, or any comparable securities of the Authority, or any obligations of the general character of the 2020 Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect (the "Securities Act") or the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended and as then in effect, or otherwise, or would be in violation of any provision of the federal securities laws;
5. a decision by a court of the United States shall have been rendered or a stop order, release, regulation, or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering, or sale of the 2020 Bonds, including all the underlying obligations as contemplated hereby or as described in the Official Statement, or any document relating to the issuance, offering or sale of the 2020 Bonds is or would be in violation of any provision of the federal securities laws at the Initial Closing Date, including the Securities Act, the Exchange Act, and the Trust Indenture Act of 1939, as amended;
6. Any Change in Law shall have occurred;
7. there shall exist any event or circumstance that in the Representative's sole and reasonable judgment (1) makes the Official Statement contain any untrue statement of material fact or omit to state a material fact

necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and in either such event, the Authority refuses to permit the Official Statement to be supplemented to correct or supply such statement or information;

8. Any rating of the Series 2020 Bonds by a national rating agency rating the Series 2020 Bonds has been withdrawn or suspended; or
9. Bond Counsel determines that for any reason, including a Change of Law, Bond Counsel will not be able to render its approving opinion substantially in the form attached as Appendix E-2 to the Official Statement and Bond Counsel provides written notice thereof to the Authority and the Underwriters (the “Bond Counsel Notice”), and the Authority does not notify the Underwriters within five business days of receipt of the Bond Counsel Notice that it has retained a new firm or firms to deliver such opinion.

A “Change in Law” means (i) any change in or addition to applicable federal or State law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or State agencies, (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date that is on or before the date of the Delayed Delivery Closing), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date that is on or before the date of the Delayed Delivery Closing) or (iv) any judgment, ruling or order issued by any court or administrative body, which in the case of any of (i), (ii), (iii) or (iv) would, (A) as to the Underwriter, prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from purchasing the Series 2020 Bonds as provided in the Forward Delivery Bond Purchase Agreement or selling the Series 2020 Bonds or beneficial ownership interests therein to the public; or (B) as to the Authority, would make the issuance, sale or delivery of the Series 2020 Bonds illegal (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized); or (C) eliminate the exclusion from gross income for federal income tax purposes of interest on the Series 2020 Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed or finalized); or (D) require the 2020 Bonds to be registered under the Securities Act of 1933, as amended or under the Securities Exchange Act of 1934, as amended or require the Resolution to be qualified under the Trust Indenture Act of 1939, as amended (if enacted, passed, finalized or adopted), and as to the foregoing, in the sole and reasonable judgment of Bond Counsel causes Bond Counsel to not issue its opinion as to the tax-exempt status of the interest on the 2020 Bonds for federal tax purposes; provided, however, that such change in or addition to law, legislation, rule or regulation or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, been proposed or enacted or been issued as the case may be, after the date of the Forward Delivery Bond Purchase Agreement.

If the Change of Law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes of interest payable on “state or local bonds,” the Authority may, nonetheless, be able to satisfy the requirements for the delivery of the Purchased Obligations. In such event, the Underwriters would be obligated to purchase the Purchased Obligations from the Authority and the Purchaser would be required to accept delivery of the Purchased Obligations from the Underwriter.

The Purchaser acknowledges and agrees that the Purchased Obligations are being sold on a “forward” or “delayed delivery” basis for delivery on the Delayed Delivery Closing Date and that the Purchaser is obligated to take up and pay for the Purchased Obligations on the Delayed Delivery Closing Date unless the Representative terminates the 2020 Forward Delivery Purchase Agreement or the Purchaser terminates its obligation to purchase the Purchased Obligations as described herein. To effect a termination by the Purchaser, the Purchaser acknowledges and agrees that it must give written notice of termination of this Delayed Delivery Contract to the Underwriters before the Delayed Delivery Closing Date. The Purchaser understands and agrees that no termination of the obligation of the Purchaser may occur after the Delayed Delivery Closing Date. The Purchaser is not a third party beneficiary under the 2020 Forward Delivery Purchase

Agreement and has no rights to enforce, or cause the Underwriters to enforce, any of the terms thereof. The Purchaser acknowledges that it will not be able to withdraw its order except as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Obligations on the Delayed Delivery Closing Date because of market or credit changes, including specifically, but not limited to (a) changes in the ratings assigned to the Purchased Obligations or changes in the credit associated with the Purchased Obligations generally, and (b) changes in the financial condition and operations of the Authority. The Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Obligations in accordance with the terms hereof, even if the Purchaser decides to sell such Purchased Obligations following the date hereof, unless the Purchaser sells Purchased Obligations to another entity with the prior written consent of the Underwriters and such entity provides a written acknowledgment of confirmation of purchase order and a delayed delivery contract in the same respective forms as that executed by the Purchaser.

The Purchaser represents and warrants that, as of the date of this Delayed Delivery Contract, the Purchaser is not prohibited from purchasing the Purchased Obligations hereby agreed to be purchased by it under the laws of the jurisdiction to which the Purchaser is subject.

This Delayed Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party without the prior written consent of the other.

The Purchaser acknowledges that the Representative is entering into the 2020 Forward Delivery Purchase Agreement with the Authority to purchase the Purchased Obligations in reliance in part on the performance by the Purchaser of its obligations hereunder.

This Delayed Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument under the laws of the Commonwealth of Pennsylvania.

It is understood that the acceptance by the Underwriters of any Delayed Delivery Contract (including this one) is in the Underwriter's sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a "first-come, first-served" basis. If this Delayed Delivery Contract is acceptable to the Underwriter, it is requested that the Representative sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Underwriters and the Purchaser when such counterpart is so mailed or delivered by the Representative. This Delayed Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.



This Delayed Delivery Contract shall be construed and administered under the laws of the Commonwealth of Pennsylvania.

\_\_\_\_\_  
[Purchaser Name], Purchaser

\_\_\_\_\_  
Address

\_\_\_\_\_  
Telephone

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Accepted: RBC Capital Markets, LLC,  
as Representative to the Underwriters

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM),  
SERIES OF 2019**

**Continuing Disclosure Agreement**

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered this 3rd day of December, 2019 by the Pennsylvania Intergovernmental Cooperation Authority ("Authority") in connection with the issuance and sale by the Authority of its \$31,085,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "Bonds"). Capitalized terms used in this Disclosure Agreement which are not otherwise defined herein shall have the meanings given to such terms in the Official Statement dated (as defined herein) or the Indenture (as defined in the Official Statement), as applicable.

The Authority hereby agrees as follows:

**ARTICLE I**

**The Undertaking**

Section 1.1. **Purpose.** This Disclosure Agreement is being executed and delivered by the Authority solely for the benefit of the holders and the beneficial owners of the Bonds and in order to assist the Underwriters in complying with subsection (b)(5) of the Rule by undertaking to provide certain Annual Financial Information (as defined herein) and material events notices required by the Rule, and shall create no rights in any other person or entity.

Section 1.2. **Annual Financial Information.** (a) So long as any Bonds are outstanding, the Authority shall file annually its Annual Financial Information with the MSRB via EMMA (as both terms are defined herein) with respect to each Fiscal Year of the Authority, in accordance with the provisions of the subsection (b)(5) of the Rule, within 180 days after the end of the Authority's Fiscal Year, commencing with the Fiscal Year ending June 30, 2020.

(b) If the Annual Financial Information to be filed by the Authority is not available by the date of the required filing, the Authority shall file unaudited Annual Financial Information by such date and file audited Annual Financial Information when available.

(c) The Authority shall provide, in a timely manner, written notice to the MSRB via EMMA specifying any failure of the Authority to provide the Annual Financial Information by the date specified in subsection (a) hereof.

Section 1.3. Notice Events. (a) So long as any Bonds are outstanding, if one of the following Notice Events occurs, the Authority shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, written notice of such Notice Event to the MSRB via EMMA:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders, if material; and



- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

(b) Any notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Bonds shall include the CUSIP numbers, if any, of the Bonds to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the Authority including the Bonds, such Notice Event notice need only include the CUSIP number of the Authority.

Section 1.4. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to do so, the Authority shall have no obligation under this Disclosure Agreement to continue to provide or to update such additional information or data.

Section 1.5. Additional Disclosure Obligations. The Authority acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the Authority and that, under some circumstances, compliance with this Disclosure Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Authority under such laws.

## ARTICLE II

### Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Authority provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, [www.emma.msrb.org](http://www.emma.msrb.org)) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.3 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. General Provisions Regarding Filings. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access ("EMMA") system, the current Internet Web address of which is [www.emma.msrb.org](http://www.emma.msrb.org).

(b) All notices, documents and information provided on EMMA shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.4. Fiscal Year. (a) The Authority's current Fiscal Year begins July 1 and ends June 30, and the Authority shall promptly file a notification on EMMA of each change in its Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months.

### ARTICLE III

#### Effective Date, Termination, Amendment, Enforcement, Governing Law

Section 3.1. Effective Date; Termination. (a) This Disclosure Agreement shall be effective upon the issuance of the Bonds.

(b) The Authority's obligations under this Disclosure Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 3.2. Amendment. (a) This Disclosure Agreement may be amended without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied:

(1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby,

(2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances,

(3) the Authority shall obtain an opinion of Counsel to the same effect as set forth in clause (2) above,

(4) either (i) the Authority shall obtain an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Authority (such as bond counsel), addressed to the Authority, to the effect that the amendment does not materially impair the interests of the holders of the Bonds, or

(ii) the holders of the Bonds consent to the amendment to this Disclosure Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Bonds pursuant to the Indenture as in effect at the time of the amendment, and

(5) the Authority shall ensure that copies of such opinion(s) and amendment are promptly filed on EMMA and sent to each Registered Owner.



(b) This Disclosure Agreement may be amended without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Agreement which is applicable to this Disclosure Agreement, (2) the Authority shall obtain an opinion of Counsel to the effect that performance by the Authority under this Disclosure Agreement as so amended will not result in a violation of the Rule and (3) the Authority shall have copies of such opinion and amendment promptly filed on EMMA and sent to each Registered Owner.

(c) This Disclosure Agreement may be amended without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Authority shall have obtain an opinion of Counsel to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Authority shall ensure that such opinion and amendment shall be promptly filed on EMMA and sent to each Registered Owner.

(d) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Authority in preparing its financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Disclosure Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Disclosure Agreement. The provisions of this Disclosure Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Authority to comply with the provisions of this Disclosure Agreement shall be enforceable by any holder of outstanding Bonds. The holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under this Disclosure Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Authority to perform in accordance with this Disclosure Agreement shall not constitute a default or an Event of Default under the Indenture or the Bonds and the rights

and remedies provided by the Indenture or the Act upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Disclosure Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Disclosure Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

## ARTICLE IV

### Definitions

Section 4.1. Definitions. The following terms used in this Disclosure Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means the Authority's Audited Financial Statements with Independent Auditor's Report. The Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

(2) "Audited Financial Statements" means the annual financial statements of the Authority, audited by such auditor as shall then be required or permitted by Commonwealth law. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (c) hereof, the Authority may from time to time, if required by federal or Commonwealth legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or Commonwealth law or regulation describing such accounting principles, or other description thereof.

(3) "Counsel" means any nationally recognized bond counsel or counsel expert in federal securities laws.

(4) "Financial Obligation" means "financial obligation" as such term is defined in the Rule.

(5) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(6) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement.

(7) "Official Statement" means the Official Statement dated October 29, 2019 of the Authority relating to the Bonds, as it may be amended or supplemented.

(8) "Registered Owner" or "Registered Owners" means the person or persons in whose name a Bond is registered on the books of the Authority maintained by the Trustee in accordance with the Indenture. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owner" or "Registered Owners" also means and includes, for the purposes of this Disclosure Agreement, the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Authority shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds except those who have filed their names and addresses with the Authority for the purposes of receiving notices or giving direction under this Disclosure Agreement.

(9) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Disclosure Agreement, including any official interpretations thereof issued either before or after the effective date of this Disclosure Agreement which are applicable to this Disclosure Agreement.

(10) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.


[Remainder of page intentionally left blank.]



IN WITNESS WHEREOF, the undersigned authorized officer of the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY has executed this Disclosure Agreement as of the day and year first above written.

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By:



Kevin Vaughan,  
Chairperson of the Board

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020  
(Forward Delivery)**

**FEDERAL TAX CERTIFICATE**

**December 3, 2019**

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## FEDERAL TAX CERTIFICATE

### PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM)

**\$31,085,000**  
**Series of 2019**

**\$24,990,000**  
**Series of 2020**  
**(Forward Delivery)**

In connection with the issuance on December 3, 2019, by the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Issuer") of its \$31,085,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 Bonds") and its issuance on March 17, 2020 of its \$24,990,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (the "2020 Bonds," and together with the 2019 Bonds, the "Bonds"), and in furtherance of the covenants and representations of the Issuer contained in the Amended and Restated Indenture of Trust dated December 1, 1994, between the Issuer and U.S. Bank National Association, as successor trustee (the "Trustee"), as the same has been amended and supplemented from time to time, including by that certain Eighth Supplement to Amended and Restated Indenture of Trust dated as of December 1, 2019 (the "Trust Indenture") and pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations thereunder (the "Regulations"), the Issuer makes and enters into the following tax certificate (this "Tax Certificate").

#### Recitals

The Issuer covenants to comply with the Code and the Regulations throughout the term of the Bonds and to not take any action (or fail to take any action) which would adversely affect the tax-exempt status of interest on the Bonds.

The Issuer has covenanted in the Trust Indenture that it will do and perform all acts and things permitted by law and the Trust Indenture that are necessary or desirable in order to assure that interest on the Bonds will be excluded from gross income for purposes of federal income taxes and shall take no action that would result in such interest not being excluded from gross income for federal income taxes.

The Issuer understands and acknowledges that the opinion of Bond Counsel (as defined below) relating to, among other things, the exclusion of interest on the Bonds from gross income for federal income tax purposes is rendered in reliance upon the representations and statements of fact, estimates and expectations contained herein and assumes the Issuer's continued compliance with the provisions of this Tax Certificate.

The Issuer covenants to comply with the provisions of this Tax Certificate.



## **SECTION 1. DEFINITIONS.**

Capitalized terms used in this Tax Certificate have the meanings set forth herein or in Appendix One attached hereto, or where not so defined have the meanings set forth in the Trust Indenture. All definitions herein are qualified by reference to the Code and Regulations where applicable.

## **SECTION 2. REPRESENTATIONS.**

### **(a) Authorization.**

The 2019 Bonds are being issued and the 2020 Bonds will be 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 of the Issuer adopted September 17, 2019 (the "Resolution") and the Trust Indenture.

### **(b) Purposes of the Bonds.**

The proceeds of the 2019 Bonds, together with other available funds of the Authority, will be used to (i) currently refund all of the Issuer's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009 (the "2009 Bonds") and (ii) pay the costs of issuing the 2019 Bonds. The 2009 Bonds were issued to currently refund the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 (the "1999 Bonds"), to pay the cost of terminating certain derivative financial products (the "Swaption" and a related "Swap") that had been entered into in anticipation of the refunding, and to pay the costs of issuing the 2009 Bonds.

The 1999 Bonds were issued to advance refund the Issuer's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds"). The 1993 Bonds were issued to provide funds for intergovernmental grants (the "Grants") to the City of Philadelphia (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 retirement of certain general obligation bonds of the City.

The Issuer has sold the 2020 Bonds and expects to issue the 2020 Bonds on March 17, 2020 to finance (i) the current refunding of the Issuer's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010 maturing after June 15, 2020 (the "Refunded 2010 Bonds," together with the 2009 Bonds, the "Refunded Bonds") and (ii) the payment of the costs of issuing the 2020 Bonds. The 2010 Bonds were issued to (i) currently refund all of the Issuer's outstanding Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program), Series of 2008A (the "2008A Bonds") and Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program), Series of 2008B (the "2008B Bonds" and together with the 2008A Bonds, the "Refunded 2008 Bonds"), (ii) to pay a termination payment on two swaps related to the Refunded 2008 Bonds (the "Termination Payment"), and (iii) to pay costs of issuance of the 2010 Bonds.

The Refunded 2008 Bonds were issued to finance (i) the current refunding of the Issuer's Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program), Series of 2003 (the "2003 Bonds") (ii) the current refunding of the Issuer's Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program), Series of 2006 (the "2006 Bonds"), and (iii) the payment of the costs of issuing the Refunded 2008 Bonds and of obtaining bond insurance for the Refunded 2008 Bonds. The 2003 Bonds were issued to finance (i) the current refunding of the Issuer's Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program) Series of 1993A (the "1993A Bonds"), and (ii) the payment of the costs of issuing the 2003 Bonds and of obtaining credit enhancement for the 2003 Bonds. The 1993A Bonds were issued to finance (i) the advance refunding of the Issuer's Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program), Series of 1992 (the "1992 Bonds") maturing on June 15 of the years 2006, 2012 and 2022, (ii) make the required deposit to the Debt Service Reserve Fund in respect of the 1993A Bonds, and (iii) the payment of the costs of issuing the 1993A Bonds. The 1992 Bonds were issued to (i) make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit, the projected Fiscal Year 1992 General Fund deficit and the projected Fiscal Year 1993 General Fund deficit of the City; (ii) make grants to the City to pay the costs of certain capital projects to be undertaken by the City; (iii) make a grant to the City to provide other financial assistance to the City to enhance productivity in the operation of City government; (iv) make the required deposit to the Debt Service Reserve Fund; (v) pay capitalize interest on a portion of the 1992 Bonds; (vi) repay \$150,000 previously advanced to the Issuer by the Commonwealth of Pennsylvania to pay initial operating expenses of the Issuer; (vii) fund a portion of the Issuer's first fiscal year operating budget which was used to pay a portion of the expenses of the Issuer related to the issuance of the 1992 Bonds; and (viii) pay the costs of issuing the 1992 Bonds.

The 2006 Bonds were issued to finance (i) the current refunding of the Issuer's Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program), Series of 1996 (the "1996 Bonds"), and (ii) the payment of the costs of issuing the 2006 Bonds and of obtaining bond insurance for the 2006 Bonds. The 1996 Bonds were issued to (i) provide for the advance refunding of the 1992 Bonds maturing on or prior to June 15, 2002, (ii) provide for the refunding of the Issuer's Special Tax Revenue Bonds (City of Philadelphia Refunding Program) Series of 1994 maturing on or prior to June 15, 2005 (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. The 1994 Bonds were issued to (i) make grants to the City 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.

### (c) Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds.

<u>SOURCES</u>	<u>2019 Bonds</u>	<u>2020 Bonds</u>
Par Amount of Bonds	\$31,085,000.00	\$24,990,000.00
Original Issue Premium	2,933,977.30	1,561,626.90
Amount held in Debt Service Reserve Fund	46,867,585.79	8,184,397.73
Transfer from Debt Service Fund for the 2009 Bonds	<u>11,541,425.00</u>	



Transfer from Debt Service Fund for the Refunded 2010 Bonds		439,250.00
<b>TOTAL SOURCES</b>	<b><u>\$92,427,988.09</u></b>	<b><u>\$35,175,274.63</u></b>
<b>USES</b>		
Current Refunding of 2009 Bonds	\$83,815,996.67	
Deposit under Escrow Agreement for Refunded 2010 Bonds		\$27,013,875.00
Debt Service Reserve Requirement	8,184,397.73	7,910,662.69
Costs of Issuance	427,593.69	250,736.94
<b>TOTAL USES</b>	<b><u>\$92,427,988.09</u></b>	<b><u>\$35,175,274.63</u></b>

**(d) Purpose of Tax Certificate.**

This Tax Certificate is made to establish the Issuer's reasonable expectations as to the amount and use of the Proceeds of the Bonds. It is intended to be and may be relied on for the purposes of Section 103 and 141 through 150 of the Code and as a certificate described in Regulations Section 1.148-2(b)(2). This Tax Certificate is being executed and delivered as part of the record of proceedings in connection with the issuance of the 2019 Bonds on the date hereof and expected issuance of the 2020 Bonds on March 17, 2020. The Issuer understands that, despite the representations, and statements of expectations made in this Tax Certificate, the taking of any deliberate, intentional action by the Issuer (or any person acting on the Issuer's behalf) after the applicable Date of Issue in order to earn arbitrage will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code if such action, had it been expected on the Date of Issue, would have caused the Bonds to be arbitrage bonds and that an intent to violate the requirements of Section 148 of the Code is not necessary for an action to be considered intentional within the meaning of the Code.

**(e) Statement as to Facts, Estimates and Circumstances.**

The facts and estimates set forth in this Tax Certificate, on which the Issuer's expectations as to the Bonds are based, are to the best of the knowledge and belief of the undersigned officer of the Issuer true, correct and complete, and the Issuer's expectations are reasonable based on all the objective facts and circumstances. The Issuer understands that, for the purposes of the Code, the statements of facts, estimates, representations and expectations contained herein constitute evidence of the Issuer's expectations but do not establish any conclusions of law or any presumptions regarding the Issuer's actual expectations or the reasonableness of such expectations.

**(f) Responsible Persons.**

The undersigned is the person charged with the responsibility for issuance of the Bonds by the Issuer and has made due inquiry with respect to and is fully informed as to the matters set forth in this Tax Certificate.

**(g) Security.**

The Bonds are limited obligations of the Issuer. Under the Trust Indenture, the Bonds are payable solely from revenues of the Issuer derived from (i) a one and one-half percent (1.5%) tax (the "Authority Tax") on the 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 tax is imposed by the City pursuant to the Act and an ordinance adopted by the City Council of the City and approved by the Mayor on June 12, 1991 (Bill No. 1437, effective July 1, 1991) (the "Authority Tax Ordinance"); (ii) certain moneys and securities, and investment earnings thereon, together with a Debt Service Reserve Fund Policy originally issued by Financial Guaranty Insurance Company, all held by the Trustee in certain funds established under the Trust Indenture; and (iii) certain other funds and moneys held by the Trustee under the Trust Indenture. The Act provides that the revenues from the foregoing tax are the revenues and property of the Issuer and are not the revenues and property of the City

The Bonds are limited obligations of the Issuer. Under the Trust Indenture the Bonds are payable from certain pledged revenues of the Issuer and certain other funds held by the Trustee for such purpose. Neither the general 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 or interest on the Bonds. The 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 or interest on the Bonds. The Issuer has no taxing power.

### **SECTION 3. REASONABLE EXPECTATIONS OF THE ISSUER AS TO FACTS, ESTIMATES AND CIRCUMSTANCES.**

The Issuer makes the following representations and statements of facts, estimates and expectations on the basis of which it is not expected that the proceeds of the Bonds will be used in a manner that will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

**(a) Application of Total Sale Proceeds.**

The Sale Proceeds of the Bonds will be applied as set forth in Section 2(c).

**(b) No Replacement.**

No portion of the amounts received from the sale of the Bonds will be used as a substitute for any other funds that have been or will be used to acquire, directly or indirectly, obligations producing a yield in excess of the Bond Yield.

**(c) No Other Funds.**

Other than the funds and accounts specifically described in this Tax Certificate, no fund or account which secures or otherwise relates to the Bonds has been established, nor are any such funds or accounts expected to be established, pursuant to any instrument.

**(d) Refunding Program**

On the Delivery Date for the 2019 Bonds, the amount of \$83,815,996.67 will be deposited with the Trustee to effect the redemption of the 2009 Bonds. The amounts deposited with the Trustee will be sufficient to pay the interest accrued on the 2009 Bonds to the date of redemption (December 3, 2019, which date is within ninety (90) days of the Delivery Date) and to pay the principal due on December 3, 2019 and the redemption price, at par, of all the 2009 Bonds maturing thereafter.

An amount of Sale Proceeds of the 2020 Bonds expected to be received on the March 17, 2020 Delivery Date of the 2020 Bonds equal to \$26,300,889.96 will be applied to the current refunding of the Refunded 2010 Bonds together with \$273,735.04 from the Debt Service Reserve Fund and \$439,250.00 from the Refunded 2010 Bonds Debt Service Fund. Such amounts total \$27,013,875.00. The current refunding of the Refunded 2010 Bonds will be accomplished by applying such amount on March 17, 2020 to the purchase of certain United States Treasury Obligations to be held in an escrow account (the "2010 Escrow Account") in an amount which at all times shall be sufficient, to pay the redemption price of the Refunded 2010 Bonds on June 15, 2020, together with accrued interest thereon due on such date. Any excess amounts remaining in the 2010 Escrow Account after the redemption of the Refunded 2010 Bonds will be deposited to the account in the Debt Service Fund for the 2020 Bonds. The refunding transactions set forth above are further described in the Verification Report (defined below). The 2020 Delivery Date of the 2020 Bonds is within ninety (90) days of discharge date of the 2010 Bonds.

**(e) The Indenture**

Pursuant to the Indenture the Issuer has established and created the following special funds, each of which will be held by the Trustee:

- Settlement Fund
- Revenue Fund
- Capital Projects Fund
- Debt Service Fund
- Debt Service Reserve Fund
- Deficit Fund
- Bond Redemption Fund
- Rebate Fund

**(f) Costs of Issuance.**

An amount of Sale Proceeds of the 2019 Bonds equal to \$427,593.69 will be used to pay costs of issuance on the date hereof. An amount of Sale Proceeds of the 2020 Bonds equal to \$250,736.94 will be used to pay costs of issuance on the March 17, 2020 Delivery Date of the 2020 Bonds. Upon the payment of the costs of issuance for each respective series of Bonds, moneys in the Settlement Fund with respect to each series of Bonds are to be transferred to the Debt Service Fund.



**(g) Revenue Fund.**

The Issuer's revenues are deposited initially in a Revenue Fund under the Indenture. Amounts are transferred from the Revenue Fund to the Debt Service Fund in monthly installments to provide for payment of principal and interest on the applicable series of Bonds. These amounts are treated as part of the Debt Service Fund pending the monthly transfers. Remaining amounts in the Revenue Fund are transferred in the following order: (i) to the Debt Service Reserve Fund to cure any deficiencies, (ii) to the counterparties of interest rate swaps and other derivative financial products related to the Bonds, (iii) to the trustee of any subordinated debt for payment of debt service, (iv) to the Issuer for operating expenses, (v) to the Rebate Fund, and (vi) to the City. The amounts transferred to the Debt Service Fund are reasonably expected to be sufficient to pay the principal and interest on the Bonds, and the remaining amounts in the Revenue Fund are not reasonably expected to be used or available for this purpose. The amounts in the Revenue Fund therefore are not treated as gross proceeds of the Bonds and accordingly, are not subject to investment yield restriction or arbitrage rebate.

**(h) Debt Service Fund under the Trust Indenture.**

Monies in the Debt Service Fund will be applied to the payment, when due, of principal of, premium, if any, and interest on the applicable series of Bonds. Monies in the Debt Service Fund will be used primarily to achieve a proper matching of revenues and the debt service on the applicable series of Bonds within each Bond Year. Such account will be depleted at least once each year, except for a reasonable carryover amount which will not exceed the greater of (i) the earnings in such account for the immediately preceding Bond Year or (ii) one-twelfth of principal and interest payments on the Bonds for the immediately preceding Bond Year. The timing of the payment of interest on and principal of the Bonds by the Issuer has been established on the basis of, and is intended to achieve, a proper matching of revenues with debt service on the applicable series of Bonds. Both the Revenue Fund (during the period of time that moneys are held in such fund prior to being transferred to the Debt Service Fund) and the Debt Service Fund are intended to constitute part of a "bona fide debt service fund" within the meaning of Regulations §1.148-1(b).

Except for the Debt Service Fund held under the Trust Indenture and the Revenue Fund held under the Trust Indenture, the Issuer has not created or established, and does not expect to create or establish, any fund in connection with the Bonds that is reasonably expected to be used to pay debt service on the Bonds.

**(i) Debt Service Reserve Fund under the Trust Indenture.**

(a) All Bonds issued under the Indenture, including the 2019 Bonds are, and, when issued, the 2020 Bonds, will be secured by a parity Debt Service Reserve Fund that is reasonably required to market the Bonds. The Debt Service Reserve Fund Requirement is equal to the maximum annual debt service on the Bonds but not more than the amount permitted by the Code for a reasonably required reserve fund. Amounts in the Debt Service Reserve Fund at any time in excess of the Debt Service Reserve Fund Requirement can be withdrawn and are not reasonably expected to be available to pay principal or interest on the Bonds. The Debt Service

Reserve Fund is a reasonably required reserve fund and may be invested without yield restriction but is subject to arbitrage rebate.

(b) The Debt Service Reserve Fund includes investments purchased with proceeds of various series of Bonds, including the 1993 Bonds, in compliance with the size limitations for a reasonably required reserve fund at the time of the issuance of the respective Bonds. The Debt Service Reserve Fund also includes a Municipal Bond Debt Service Reserve Fund Policy originally issued by Financial Guaranty Insurance Company and purchased with proceeds of the 1999 Bonds. The Municipal Bond Debt Service Reserve Fund Policy has been novated to National Public Finance Guarantee Corporation ("NPFGC"). On the date of issuance of the 2019 Bonds, the Debt Service Reserve Fund Requirement is \$8,184,397.73. As such, \$38,683,188.06 will be released from such fund and used together with 2019 Bond proceeds to redeem the 2009 Bonds. No proceeds of the 2019 Bonds or the 2020 Bonds will be deposited in the Debt Service Reserve Fund. Upon the issuance of the 2020 Bonds on March 17, 2020, \$273,735.04 will be released from the Debt Service Reserve Fund and deposited into the escrow fund and used together with 2020 Bond proceeds to provide for the payment of the Refunded 2010 Bonds.

**(j) Rebate Fund under the Trust Indenture.**

The Issuer covenants to be responsible for the calculation and payment of the Rebate Requirement and any related penalties under Section 148(f) of the Code to the extent applicable to the Bonds. The Issuer will cause the amounts required to satisfy the Rebate Requirement to be deposited into the Rebate Fund and to be timely paid to the Internal Revenue Service. In that regard, the Issuer has agreed to cause the amounts needed for the Rebate Requirement to be deposited into the Rebate Fund at the times necessary to comply with the Rebate Requirement under Section 148(f) of the Code and the Regulations, Exhibit D hereof and the Trust Indenture, to the extent applicable to the Bonds, and to direct the Trustee to make payments to the Department of the Treasury from the Rebate Fund if, when and as required.

**(k) No Overissuance.**

The amount of the proceeds and the anticipated earnings thereon, together with other amounts available for and expected to be used for such purposes, do not exceed the amount necessary to accomplish the governmental purposes of the Bonds. The Bonds will not remain outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes of the Bonds, based on all facts and circumstances.

**(l) Universal Cap.**

Notwithstanding any restrictions on the investment of proceeds of the Bonds and other amounts set forth in Section 3(a) of this Tax Certificate, proceeds of the Bonds and other amounts treated as proceeds of the Bonds shall be allocated and remain allocated to the Bonds, and thus be subject to the restrictions contained in this Tax Certificate, only to the extent that the value of the Nonpurpose Investments allocated to proceeds does not exceed the value of the outstanding Bonds as determined under Regulations §1.148-6(b)(2) (the "Universal Cap"). This



section shall not apply to amounts on deposit in funds to the extent those funds constitute a "bona fide debt service fund."

In accordance with Treasury Regulation Section 1.148-6(b)(2), the Issuer covenants that with respect to the proceeds of the Refunding Program, the amount of the Universal Cap, if applicable, and the value of the Nonpurpose Investments will be determined as of each date proceeds of the 2009 Bonds or the 2010 Bonds would become transferred proceeds of the Bonds, and need not otherwise be determined in the Bond Year in which that date occurs. All values shall be determined as of the close of business on each determination date, after giving effect to all payments on bonds and payments for and receipts on investments on that date.

**(m) Bond Yield.**

The yield on the Bonds (the "Bond Yield") generally means that discount rate that, when used in computing the present value on the Delivery Date of all unconditionally payable payments of principal, interest and fees for qualified guarantees on the Bonds and amounts reasonably expected to be paid as fees for qualified guarantees on the Bonds, produces an amount equal to the present value, using the same discount rate on the Delivery Date, of the aggregate issue prices of the Bonds (defined as the initial offering prices or yields to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price or yield a substantial amount of such Bonds of each series and maturity were sold). The 2019 Bonds and the 2020 Bonds are treated as a single issue for purposes of determining the yield on the issue and yield on the investments. See Section 3(p) herein.

The Bonds are not subject to redemption prior to maturity.

The aggregate present value on the Delivery Date of the issue prices of the Bonds, as so defined, and based upon certain information provided by RBC Capital Markets LLC, as representative of the underwriters of the Bonds (the "Representative") are shown in the Certificate delivered by the Representative attached hereto as Exhibit A and made a part hereof. Using numbers supplied by the Representative, the Bond Yield, computed in the manner discussed above, as of the date hereof, is 1.291924%. The Bond Yield is computed as of the Delivery Date and will not be affected by subsequent unexpected events unless either (1) the Issuer enters into a hedging transaction, within the meaning of Treasury Regulations Section 1.148-4 or (2) there is a subsequent transfer, waiver, modification or similar transaction affecting any right that is part of the terms of a Bond. Prior to entering into any transaction described in the immediately preceding sentence, the Issuer shall inform Bond Counsel of its intent and shall not enter into such transaction without receiving a prior opinion from Bond Counsel that such transaction will not adversely affect the exclusion from gross income of interest on the Bonds.

If the 2020 Bonds are not issued on March 17, 2017, the Form 8038-G filed on or about the Delivery Date of the 2019 Bonds will be amended to properly reflect the fact that the 2020 Bonds have not been issued as contemplated in the original plan of finance.

**(n) Yield Restrictions.**

Any amounts on deposit in any account established for the Bonds will not be invested at a yield which exceeds the Bond Yield, except as follows:

**(1) Accrued Interest.**

There is no pre-issuance Accrued Interest.

**(2) Costs of Issuance of Bonds.**

Issuance Costs will be paid from funds deposited in the Settlement Fund on or about the applicable Delivery Date.

**(3) Revenue Fund held under the Trust Indenture and Debt Service Fund held under the Trust Indenture.**

Amounts deposited in the Revenue Fund established under the Trust Indenture (prior to the time when such amounts are transferred to the Debt Service Fund) and amounts deposited in the Debt Service Fund, to the extent such amounts constitute a "bona fide debt service fund," may be invested at an unrestricted yield for an aggregate period of 12 months from the date of deposit of such amounts. To the extent that such amounts constitute a "bona fide debt service fund" under Treas. Reg. § 1.148-1(b), investment earnings on such amounts for such Bond Year are not subject to the Rebate Requirement.

**(4) Investment Earnings.**

Investment Proceeds may be invested without regard to yield restriction for a one (1) year period beginning on the date of receipt. Yield restrictions applicable to earnings on amounts in certain Funds are described above. All earnings on Gross Proceeds are subject to the Rebate Requirement.

**(5) Debt Service Reserve Fund held under the Trust Indenture.**

Amounts in the Debt Service Reserve Fund may be invested without regard to yield restrictions and are subject to the Rebate Requirement described in Exhibit D herein.

**(6) Escrow Deposit Agreement.**

Proceeds of the 2020 Bonds to be deposited into the Escrow Deposit Agreement for the 2010 Refunded Bonds will be invested in State and Local Government Series Securities unless they are not available for purchase from the United States Treasury on the day bids are to be submitted.

The calculation of the Bond Yield has been verified by Robert Thomas CPA, LLC as set forth in the Verification Report (the "Verification Report") dated the date hereof. The

yield on the investments in the 2010 Escrow Account will be verified shortly before the closing on the 2020 Bonds.

**(7) Yield Reduction Payments.**

In determining the yield on certain Nonpurpose Investments acquired with Proceeds of the Bonds, “yield reduction payments” to the United States in accordance with Regulations §1.148-5(c) (including a rebate amount) shall be taken into account in the manner described therein. As a result, despite any of the above provisions that require the investment of Proceeds of the Bonds at a yield not in excess of the Bond Yield, the yield on *certain* Nonpurpose Investments acquired with Proceeds of the Bonds will not be considered to be higher than the Bond Yield if sufficient “yield reduction payments” are made to the United States Treasury at the times and in the amounts described in Treas. Reg. § 1.148-5(c) (“Yield Reduction Payments”). The Issuer covenants to retain and consult with Bond Counsel prior to making any such yield reduction payments.

**(o) No Hedge Bond.**

The Refunded Bonds were not “hedge bonds” as defined in § 149(g)(3)(A) of the Code.

**(p) Single Issue.**

The 2019 Bonds and the 2020 Bonds are treated as a single issue pursuant to Treas. Reg. § 1.150-1(c)(1). No other tax-exempt obligations of the Issuer (i) are reasonably expected to be paid from substantially the same source of funds as the Bonds (determined without regard to guarantees from unrelated parties), (ii) are being sold at substantially the same time as the Bonds, (i.e., within fifteen days before or after October 29, 2019) and (iii) are being sold pursuant to the same plan of financing with the Bonds.

**(q) IRS Form 8038-G.**

The Issuer will file with the Internal Revenue Service, Ogden Submission Processing Center, Ogden, Utah 84201 an Information Return for Tax-Exempt Governmental Obligations (Form 8038-G) separately with respect to the issuance of the 2019 Bonds and the 2020 Bonds on December 3, 2019 and March 17, 2020, respectively, as required by Section 149(e) of the Code. The information contained in the Form 8038-G being delivered at the closing with respect to the Bonds is true, complete and correct and has been supplied by the Issuer and Underwriter.

**(r) Arbitrage Bonds.**

Based on the facts, estimates and circumstances as of the date hereof and as set forth in this Tax Certificate, the Issuer reasonably expects that it will not use the Proceeds of the Bonds in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of Code Section 148.



**(s) Circumvention.**

The Issuer represents and warrants that the Bonds are not and will not be a part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and which has the effect of (i) enabling the Issuer to exploit the difference between tax-exempt and taxable interest rates to obtain a material financial advantage and (ii) overburdening the tax-exempt bond market.

**(t) No Other Facts.**

To the best of the Issuer's knowledge and belief, there are no other facts, estimates or circumstances which would materially change the expectations described in this Tax Certificate and the expectations herein with respect to future events are reasonable.

**SECTION 4. REBATE REQUIREMENT CALCULATIONS AND PAYMENT.**

See Exhibit D attached hereto with respect to the Rebate Requirement.

**SECTION 5. NO FEDERAL GUARANTY.**

The Issuer will not invest (or permit to be invested) an aggregate five percent (5%) or more of the Gross Proceeds of the Bonds in federally insured deposits or accounts or otherwise invest such Gross Proceeds in any obligation the payment or interest on which is (in whole or in part) a direct obligation of or guaranteed by the United States (or any agency or instrumentality thereof). Notwithstanding the foregoing, Proceeds of the Bonds may be invested in any of the following without causing the Bonds to be considered "federally guaranteed":

(1) Any investment guaranteed by any of the following agencies of the United States:

- (i) Federal Housing Administration;
- (ii) Veterans Administration;
- (iii) Federal National Mortgage Association;
- (iv) Federal Home Loan Mortgage Corporation;
- (v) Government National Mortgage Association; and
- (vi) Bonneville Power Authority, pursuant to the Northwest Power Act, as in effect on the date of the enactment of the Tax Reform Act of 1984;

(2) Any investment described in the following subparagraphs:

- (i) investments during an initial temporary period until such Proceeds are needed for the purpose for which the Bonds were issued;
- (ii) investments of amounts in bona fide debt service funds;
- (iii) investments in direct obligations issued by the Treasury Department;
- (iv) investments in a reasonably required reserve or replacement fund;

- (v) investments in obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511 of the Federal Institutions Reform, Recovery and Enforcement Act of 1989 or any successor;
- (vi) investments in a refunding escrow;
- (vii) other investment permitted by regulation, such as securities issued by "REFCORP".

## **SECTION 6. SEGREGATION OF PROCEEDS.**

### **(a) Generally.**

In order to perform the calculations required by the Code, it is necessary to separately account for all of the Gross Proceeds and each specific investment acquired therewith. To that end, the Issuer agrees to establish, or cause to be established, separate accounts or funds or to take other accounting measures in order to account fully and with specificity for all Gross Proceeds and each investment acquired therewith.

### **(b) Maintenance of Books and Records.**

The Issuer covenants to maintain books and records sufficient to establish the accounting method (as described in paragraph (c) below) for the Bonds and the allocation of proceeds of the Bonds to expenditures; failure to maintain such books and records results in the application of Treas. Regs. §1.148-6 (relating to arbitrage allocation and accounting methods) using the specific tracing method.

### **(c) Allocation of Proceeds to Expenditures.**

The Issuer covenants to allocate proceeds of the Bonds to expenditures not later than 18 months after the later of the date the expenditure is paid or the date of the project, if any, that is financed by the Bonds is placed in service; the Issuer further covenants that this allocation will be made in any event by the date sixty (60) days after fifth anniversary of the issuance of the Bonds, or the date sixty (60) days after the retirement of the Bonds, if earlier. If funds from different sources are to be allocated to expenditures for the Project, the Issuer covenants to make that allocation by applying consistently one of the following methods: a specific tracing method; a gross proceeds spent first method (subject to the "proceeds spent last" method for working capital expenditures in Treas. Regs. § 1.148-6(d)(3)); a first-in, first-out method; or a ratable allocation method. The method chosen must be applied consistently for both arbitrage purposes and private activity purposes, in compliance with Treasury. Regs §§ 1.141-6(a) and 1.148-6(d).

## **SECTION 7. MISCELLANEOUS.**

### **(a) No Working Capital.**

No portion of the Sale Proceeds of the Bonds or investment earnings thereon will be used to pay expenditures or be allocated to the reimbursement of expenditures other than expenditures which are (i) "capital expenditures" within the meaning of Treasury Regulation § 1.150-1



(i.e., any cost of a type that is properly chargeable to capital account, or which would be so chargeable with proper election, under general federal income tax principles); (ii) costs of issuance, carrying and repaying the Bonds; (iii) fees for a "qualified guarantee" (within the meaning of Treasury Regulation § 1.148-4(f)); (iv) amounts paid to the United States under Treasury Regulation § 1.148-5(c) as yield reduction payments; (v) costs that do not exceed five percent (5%) of the issue price of the Bonds (net of pre-issuance accrued interest) and that are directly related to capital expenditures financed by the Bonds (e.g., initial operating expenses for a capital project); (vi) principal and interest on the Bonds paid from unexpected excess sale or investment proceeds; (vii) interest on the issue for a period commencing on the Delivery Date until three (3) years from the Delivery Date; or (viii) principal and interest on the 2009 Bonds and the Refunded 2010 Bonds. Accordingly, no portion of the Sale Proceeds of the Bonds or investment earnings thereon will be used to pay expenditures which are "restricted working capital expenditures" within the meaning of Treasury Regulation § 1.148-1(b).

**(b) Restrictions on Non-Governmental Use.**

Based on the certifications of the City set forth in Exhibit C hereto, the Issuer does not reasonably expect, as of the date hereof, that the Bonds will meet either the private business tests or the private loan financing test. These tests and related provisions are set forth in Treasury Regulation §1.141-1 through 1.141-16 (see Summary of Private Business and Private Loan Financing Tests attached in Exhibit B). The private business tests consist of the private business use test and the private security or payment test. In addition, the Issuer covenants herein and in the Trust Indenture to not take a deliberate action subsequent to the date hereof that causes the private business tests or private loan financing test to be met without a written opinion of nationally recognized bond counsel to the effect that any such deliberate action will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. PICA represents that it has given proceeds to the City which constitute "grants" under the Treasury Regulations. As such, it neither owns or controls any property acquired with the proceeds from the "grants."

**(c) Management Contract Limitations.**

The Issuer shall not enter into, materially modify or extend a management or service agreement with respect to any portion of the improvements or projects financed or refinanced with Sale Proceeds of the Bonds with any entity other than a state or a local governmental unit unless such agreement complies with Revenue Procedure 2017-13, Revenue Procedure 97-13 (as amended and amplified), as applicable, and Revenue Procedure 2007-47 or any successor revenue procedure or regulation thereto.

**(d) Transferred Proceeds.**

In accordance with Treasury Regulation § 1.148-9, on the Delivery Date of the 2019 Bonds, the outstanding 2009 Bonds will be discharged. As such, proceeds of the 2009 Bonds will become transferred proceeds of the 2019 Bonds and cease to be proceeds of the 2009 Bonds and will transfer based upon the amount in the fund multiplied by the transfer percentage which is determined in accordance with Treasury Regulation Section 1.148-9 (b)(1). Those funds affected by this rule in the case of the 2009 Bonds are: amounts remaining in the Debt Service

Reserve Fund after other transfer out of that fund; amounts in the 1993 Capital Projects Fund; amounts in the 1993 Encumbered Fund; and; amounts in the 1993 Criminal Justice Fund.

With respect to the 2010 Bonds, the transfer percentage will be applied on June 15, 2020 to amounts in the following funds and such amounts will become transferred proceeds of the 2020 Bonds: 1994 Capital Projects Fund and the 1994 Encumbered Funds.

Then transfer percentage for each of the 2009 and 2010 Bonds will be less than 100% because less than 100% of the principal amount of the prior bonds are being discharged with proceeds of the respective refunding bonds.

#### **SECTION 8. SURVIVAL ON DEFEASANCE OR OTHER PAYMENTS.**

Notwithstanding anything in this Tax Certificate to the contrary, the obligation of the Issuer to remit the Rebate Requirement to the United States Department of Treasury and to comply with all other requirements contained in this Tax Certificate shall survive the defeasance or payment in full of the Bonds.

#### **SECTION 9. AMENDMENTS; SUPPLEMENTATION.**

Notwithstanding any other provision herein, the covenants and obligations contained herein may be and shall be deemed modified to the extent the Issuer either (i) amends this Certificate upon the issuance of the 2020 Bonds on March 17, 2020 or amends this Certificate in the event of the failure of the delivery of the 2020 Bonds on March 17, 2020; or (ii) secures a written opinion of Bond Counsel that any action required hereunder is no longer required or that some further action is required in order to maintain the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation.

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## SECTION 10. SUPPLEMENTATION OF THIS CERTIFICATE.

The Issuer understands the need to supplement this Tax Certificate periodically to reflect further developments in the Federal income tax laws governing the exclusion from gross income for Federal income tax purposes of interest on the Bonds. The Issuer agrees to periodically seek the advice of Bond Counsel as to the propriety of seeking the review of and supplements to this Tax Certificate from Bond Counsel.

Bond Counsel may rely on this Tax Certificate in rendering its opinion regarding the tax consequences to a holder of the Bonds.

Date: December 3, 2019

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By: 

Chairperson



## EXHIBIT A

### ISSUE PRICE CERTIFICATE

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)

\$31,085,000  
Series of 2019

\$24,990,000  
Series of 2020  
(Forward Delivery)

The undersigned, on behalf of RBC Capital Markets, LLC and as representative (the "Representative") of the other underwriters (together, the "Underwriting Group") of the above-captioned bonds (the "Bonds"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned Bonds.

1. ***Sale of the Bonds.*** As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."

(a) ***Issuer*** means Pennsylvania Intergovernmental Cooperation Authority.

(b) ***Maturity*** means Bonds with the same credit and payment terms. 2019 Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) ***Sale Date*** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 29, 2019.

(e) ***Underwriter*** means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

3. **Yield.** The yield on the Bonds is 1.291924%. For this purpose, the term "yield" refers to that discount rate that, when used in computing the present value as of the date hereof of all expected payments of principal and interest on the Bonds produces an amount equal to the present value, using the same.

4. **Weighted Average Maturity.** The weighted average maturity ("WAM") of the Bonds has been calculated to be 2.2258 years. The WAM is the sum of the products of the Issue Price of each maturity and the number of years to maturity (determined separately for each maturity and by taking into account mandatory redemptions) as of the date hereof, divided by the aggregate Issue Price of the Bonds.

The WAM of the 2019 Bonds is 2.5876 years. The WAM of the 2020 Bonds is 1.7621 years.

5. **Remaining Weighted Average Maturity.** We have been requested by the Authority to calculate the remaining WAM of the 2009 Bonds being refunded by the 2019 Bonds and the remaining WAM of the Refunded 2010 Bonds (together with the 2009 Bonds, the "Refunded Bonds") being refunded by the 2020 Bonds. For this purpose, the term "remaining WAM" of the Refunded Bonds is the sum of the products of the issue price of each maturity of such bonds and the number of years to maturity (determined separately for each maturity and by taking into account mandatory redemptions or prepayments), divided by the aggregate issue price of the Refunded Bonds, as of the date hereof. We have computed the remaining WAM of the Refunded Bonds to be not less than 2.0739 years.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Authority with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania, bond counsel in connection with rendering their opinions that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice they may give to the Authority from time to time relating to the Bonds. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.

RBC CAPITAL MARKETS, LLC

By: 

Name: Daniel C. O'Brien

Title: Director

Dated: December 3, 2019

[Signature Page – Issue Price Certificate]

**Schedule A**

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020  
(Forward Delivery)**

**SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING  
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

**GENERAL RULE MATURITIES (SERIES 2019 BONDS)**

<b><u>Maturity (June 15)</u></b>	<b><u>Par Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP</u></b>
2021	\$9,860,000	5.000%	1.230%	105.708	708840JU8
2022	10,355,000	5.000	1.230%	109.374	708840JV6
2023	10,870,000	5.000	1.260%	112.884	708840JW4

**HOLD THE OFFERING PRICE MATURITIES (SERIES 2019 BONDS)**

**NONE.**

**GENERAL RULE MATURITIES (SERIES 2020 BONDS)**

<b><u>Maturity (June 15)</u></b>	<b><u>Par Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP</u></b>
2021	\$12,260,000	5.000%	1.370%	104.461	708840JS3
2022	12,730,000	5.000	1.380%	107.971	708840JT1

**HOLD THE OFFERING PRICE MATURITIES (SERIES 2020 BONDS)**

**NONE.**



## EXHIBIT B

### SUMMARY OF PRIVATE BUSINESS AND PRIVATE LOAN FINANCING TESTS

**I. General.** In general, the private business use test is met if private business use exceeds ten percent (10%) of the proceeds over the measurement period (defined in Section (b) below). Use of facilities by natural persons (not using the facilities in a trade or business) and use by state or local governments is not treated as private business use. Likewise, use by private business persons of the financed property on the same basis as the general public is not treated as meeting private business use test. However, use pursuant to special legal entitlements is treated as private business use unless the exceptions discussed in Section (c) below apply. Under the Regulations special legal entitlements to use property can result from ownership, a lease, a management or incentive contract, a take or pay contract, an output contract, a research agreement, or any other arrangement which conveys special legal entitlements comparable to the foregoing, *e.g.*, arrangements conveying priority rights to the use or capacity of a facility. In addition, use by private business users receiving “a special economic benefit” is also treated as private business use if the financed facility is not available for general public use.

**(a) Special Economic Benefit.** If the financed property is not available to the general public, then any “special economic benefit” should be counted as private business use. The Regulations provide that special economic benefit is to be determined based on all the facts and circumstances, including one or more of the following factors:

- (1) the functional relationship and physical proximity of the property financed to other property used by a nongovernmental person;
- (2) a small number of nongovernmental persons receive the special economic benefit; and
- (3) a nongovernmental person depreciates the financed property.

**(b) Measurement of Private Business Use.**

**(1) General Rule.** In general, the private business use test is met if private business use exceeds ten percent (10%) of the proceeds of the issue over the measurement period. As a general rule, the amount of private business use of property is determined according to the average percentage of private business use of the property during the measurement period. Treasury Regulation §1.141-3(g). The measurement period for a new money issue (or for certain refunding bonds) (the “**Measurement Period**”) is the period beginning on the later of the issue date of the issue or the date the property is placed in service and ends on the earlier of the last date of the reasonably expected economic life of the property or the latest maturity of any bond of the issue financing the property. The measurement period for a refunding issue that refunds a prior issue of governmental bonds (defined for this **Exhibit B** as any bond that, when issued, *purported* to be a governmental bond as defined in Treasury Regulations § 1.150-1(b), or a qualified 501(c)(3) bond, as defined in Section 145(a) of the Code) is measured during a “Combined Measurement Period” (“**CMP**”) or at the option of the Issuer, during the period described in Treasury Regulation § 1.141-13(b)(2)(i), but only if the



prior issue does not satisfy the private business use test (as described in Treasury Regulations §§ 1.141-3 and 1.145-2, as applicable) based on actual facts and a measurement period that begins on the first day of the CMP and ends on the issue date of the refunding issue. CMP means: (i) the period beginning on the first day of the measurement period for the prior issue, or in the case of a series of refundings of governmental bonds, the first issue of governmental bonds in the series, and ends on the last day of the measurement period for the refunding issue, or (ii) if the prior issue (or, in the case of a series of refundings of governmental bonds, the first issue in the series) was issued before May 16, 1997, then the Issuer, at its option, may treat the CMP as beginning on the date (the "**Transition Date**") that is the earlier of December 19, 2005 or the first date on which the prior issue (or an earlier issue in the case of a series of refundings of governmental bonds) became subject to the 1997 Regulations (as defined in Treasury Regulation § 1.141-15(b)). If the Issuer treats the CMP as beginning on the Transition Date, then the Transition Date shall be treated as the date of the earliest issue.

In the case of refunding bonds, the amount of private business use of bonds which are not governmental bonds is determined using the Measurement Period.

The average percentage of private business use is the average of the percentages of private business use during the 1-year periods within the measurement period. The percentage of private business use for any 1-year period is the average private business use during that year calculated and expressed as the ratio of private business use during the year to the total private business use and non-private business use ("**governmental use**") during that year. An anti-abuse rule prevents the establishment of an unreasonably long term of an issue for a principal purpose of increasing the permitted amount of private business use. Treasury Regulation § 1.141-3(g)(2)(v).

(2) **Special Rule for Private Ownership.** The amount of private business use resulting from private ownership is calculated differently. In cases of private business ownership, a special rule provides that the amount of private business use is determined according to the greatest percentage of private business use in any 1-year period. Treasury Regulation § 1.141-3(g)(2)(iv).

(3) **Other Rules.** Other significant special measurement rules eliminate the consideration of a facility's down-time in calculating the average percentage of private use, but permit under certain circumstances a discrete portion of a facility to be treated as a separate facility. Treasury Regulation § 1.141-3(g)(4)(1). In addition, if private business use as of the issue date is reasonably expected to have a significantly greater fair market value than governmental use, the average amount of private business use must be determined according to relative reasonably expected fair market values of use rather than by another measure, such as average time of use. Treasury Regulation § 1.141-3(g)(4)(v). Further, if private business use and actual governmental use of a facility is on the same basis and occurs simultaneously, the average amount of private business use may be determined on a reasonable basis that reflects the proportionate benefits to each user. Treasury Regulation § 1.141-3.

(c) **Exceptions.** There are a number of exceptions for certain types of private business use that may have otherwise been counted toward satisfaction of the private business use test. These exceptions include private business use resulting from:

- (1) certain management or service contracts involving expense reimbursement, incidental services or de minimis services;
- (2) use of facilities by nongovernmental persons solely in their capacity as agents of a government person;
- (3) certain incidental private business users;
- (4) contracts not reasonably available to natural persons with rates set by general tariffs and a term not longer than one hundred (100) days;
- (5) negotiated arm's-length contracts with terms not longer than fifty (50) days;
- (6) use under arrangements on the same basis as natural persons not engaged in a trade or business; and
- (7) use of a developer during the development period under certain conditions.

Revenue Procedure 2017-13, Revenue Procedure 97-13 (as amended and amplified), as applicable, and Revenue Procedure 2007-47 or any successor revenue procedure or regulation thereto, provide exceptions for management agreements, service agreements and research agreements meeting certain safe harbor guidelines.

**II. Private Security or Payment Test.** In general, the private security or payment test is satisfied if the present value of the payments to be taken into account exceeds ten percent (10%) of the present value of the debt service to be paid over the term of the issue. The private payment portion of the test generally takes into account payment of debt service derived from payments (whether or not to the Issuer or a related party) in respect of property or borrowed money used or to be used for a private business use. The private security portion of the test generally takes into account payment of debt service directly or indirectly secured by an interest in property used or to be used for a private business use, or payments in respect of such property.

The security for an issue and the payment of debt service on the issue are determined from both the bond documents and on the basis of an underlying arrangement between the parties. An underlying arrangement can result from separate agreements between the parties or may be inferred from all the facts and circumstances in connection with the issuance of the bonds.

**(a) Measurement of Private Security and Payment.**

(1) **General Rule.** In general, the private security or payment test is satisfied if the present value of the payments to be taken into account exceeds ten percent (10%) of the present value of the debt service to be paid over the term of the issue. The private payment portion of the test generally takes into account payment of debt service derived from payments (whether or not to the Issuer or a related party) in respect of property or borrowed money used or to be used for a private business use. The private security portion of the test



generally takes into account payment of debt service directly or indirectly secured by an interest in property used or to be used for a private business use, or payments in respect of such property. Treasury Regulation § 1.141-4(a)(i).

For purposes of the private security or payment test, payments taken into account as private payments and payments taken into account as private security are aggregated. However, the same payments are not taken into account as both private payments and private security. Treasury Regulation § 1.141-4(a)(2).

(2) **Present Value.** Present values are determined by using the yield on the issue as the discount rate for a fixed yield issue. Variable yield issues may assume the then current interest rate to be the discount rate over the term of the issue. A subsequent deliberate action will cause a recalculation of the variable yield. Adjustments to debt service may be made to take into account payments and receipts that adjust the yield on an issue for purposes of Section 148(f). Treasury Regulation § 1.141-4(b)(2).

(b) **Payments Taken Into Account.** Generally, payments made by any private business user that is treated as using proceeds of the issue are taken into account. Payments are taken into account only for the period of time the property is being used for the private business use. Payments for use of the financed property include payments in respect of such property even if not made by a private business user (only to the extent available to be used directly or indirectly for debt service) (e.g., payments made by the public for electricity when the electric facility is operated by a manager with a non-qualifying management contract). Payments are not made in respect of financed property if those payments are directly allocable to other property being directly used by the person making the payment and those payments represent fair market compensation for that other use. Treasury Regulation § 1.141-4(c)(2).

Payments from a private business user are not counted to the extent such payments exceed the present value of debt service allocable to the proceeds used by such private business user. Payments for use of proceeds do not include the portion of any payment properly allocable to the payment of direct operating expenses of the financed property used by the private business user. A special rule generally characterizes payments of debt service on a refinanced issue as private payments in the same proportion as private payments bear to total payments on the refunding issues. Treasury Regulation § 1.141-4(c)(2).

There are special rules for allocating private payments when property is financed from multiple funding sources (e.g., taxable, tax-exempt or equity). As a general rule, payments for the use of property are allocated to the source or different sources of funding of property based on all the facts and circumstances, including whether an allocation is consistent with the purposes of Section 141. In general, a private payment for the use of property is allocated to a source of funding based on the nexus between the payment and both the financed property and the source of funding. Treasury Regulation § 1.141-4(c)(3).

Payments for the use of a discrete facility (or discrete portion of a facility) are allocated to the source or sources of funding of that discrete property. Payments made for the use of property financed with two or more sources of funding are allocated in a manner that reasonably corresponds to the relative amounts expended on the property by each source. If an issuer has

not kept records of expenditures, an issuer may use reasonable estimates of amounts expended on property. Costs of issuance and other neutral costs are allocated ratably among expenditures for this purpose. Allocations may be made according to relative amounts of debt service if such allocation method reasonably reflects the economic substance of the arrangement. Treasury Regulation § 1.141-4(c)(3).

Two other special allocations rules are in the nature of anti-abuse rules. Under the one rule, private payments under an arrangement entered into in connection with the issuance of the bonds are generally allocated to that issue. Whether an arrangement is entered into in connection with the issuance of the issue is determined under the facts and circumstances. An arrangement is ordinarily entered into in connection with the issuance of the issue if (i) the issuer entered into the arrangement during the 3-year period beginning 18 months before the issue date and (ii) the amount of payments reflects all or a portion of the debt service on the issue. Treasury Regulation § 1.141-4(c)(3)(iv). Under the other rule, an issuer may not allocate private payments to reimburse itself for equity contributions unless, not later than sixty (60) days after the date of expenditure of those amounts, the Issuer adopts an official intent resolution comparable to that required by Treasury Regulation § 1.150-2(e) and reimburses itself not later than 18 months after the later of the date the expenditure is made or the date the project is placed in service. Treasury Regulation § 1.141-4(c)(3)(v).

**(c) Security Taken Into Account.** As a general rule, private security consists of financed property used by a private business user as well as payments in respect of that property if any interest in that property or payments secures the payment of debt service on the bonds. Under this rule, the payments in respect of privately used property can be counted even if they are from the general public (only to the extent available to be used directly or indirectly for debt service). Treasury Regulation § 1.141-4(d)(3).

A special rule provides that private security which is not bond financed is taken into account only to the extent it is provided by a use of the proceeds of the issue. Treasury Regulation § 1.141-4(d)(2). Generally, proceeds of a bond issue are not taken into account prior to expenditure or loan to the private user. Treasury Regulation § 1.141-4(d)(3).

Consistent with the rules concerning payments, private security is not taken into account (i) for the period of time the property is not being used for private business use or is not serving as security, and (ii) to the extent it exceeds the amount of allocable private business use. Treasury Regulation § 1.141-4(d)(5). Private security is generally taken into account with respect to refunded issues in the same proportion as private security bears to total payments on the refunding issue. Treasury Regulation § 1.141-4(d)(5).

Finally, a special rule provides for the allocation of private security or payments (from the disposition of such property securing the issue) among multiple issues secured by such property or payments. The rule provides that such security or payments are allocated on a reasonable basis that takes into account bondholders' rights to the payments or property on default. Treasury Regulation § 1.141-4(d)(6).



**(d) Measurement Period for Private Security and Payment for Refunding Bonds.** See Treasury Regulations § 1.141-13 regarding the measurement period for the private payments and private security in the case of refunding bonds.

**(e) Generally Applicable Taxes.** For purposes of the private security or payment test, taxes of general application are not taken into account. The Treasury Regulations say that a "generally applicable tax is an enforced contribution exacted pursuant to legislative authority in the exercise of the taxing power ..." to raise revenue for governmental purposes. The tax must have a uniform rate applicable to all persons of the same class in the jurisdiction and a generally applicable manner of determination and collection. A special rule permits payments in lieu of taxes to constitute generally applicable taxes under certain circumstances.

**III. Private Loan Financing Test.** Note or notes meet the private loan financing test if the lesser of five percent (5%) or \$5 million of the proceeds of the issue is to be used (directly or indirectly) to make or finance loans to persons other than governmental persons (not including 501(c)(3) organizations). The Issuer's reasonable expectations and subsequent deliberate actions are taken into account. The amount actually loaned to a nongovernmental person is not discounted to reflect the present value of loan payments.

For purposes of this test, a private loan is any transaction characterized as a loan for federal tax purposes. In addition, a loan can arise from the direct lending of bond proceeds or from transactions that convey indirect benefits that are the economic equivalent of a loan. Loans that are Nonpurpose Investments do not cause the private loan financing test to be met.

Certain prepayments for property or services are also treated as loans for purpose of the private loan financing test if the principal purpose of such prepayments is to provide a benefit of tax-exempt financing to the seller. A prepayment is not treated as a loan for purposes of this test if either (i) the prepayment is made for a substantial business purpose other than providing tax benefits to the seller and the Issuer has no commercially reasonable alternative to the prepayment or (ii) substantially similar prepayments are made by a substantial percentage of persons similarly situated to the Issuer who do not use tax-exempt financing.

A special rule affirms that a grant is not a loan. Whether a transaction is characterized as a grant or a loan is determined based on all the facts and circumstances. Generally, a grant made from proceeds of an issue secured by generally applicable taxes is not treated as a loan. Certain impermissible agreements entered into with the grantee, however, could cause a grant to be treated as a loan, *e.g.*, an agreement to be personally liable on a tax that does not generally impose personal liability.

**Unrelated or Disproportionate Use Test.** Under this test, an issue satisfies the private business tests if the amount of private business use and private security or payments attributable to unrelated or disproportionate private business use exceeds five percent (5%) of the proceeds of the issue. Application of the test requires a three-step analysis. The first step is to determine whether the private use or uses are related to a governmental use. The second step is to examine the private business use to determine whether it is disproportionate to its related governmental use. Third, all unrelated private business uses and disproportionate related uses are aggregated to determine whether the five percent (5%) threshold has been exceeded.



Unrelated use is determined on a case by case basis emphasizing the operational relationship between the government use and the private business use. In general, a related privately used facility is required to be located within, or adjacent to, the governmentally used facility. Two other special rules provide some additional guidance. The first rule provides that a private business use is related to a governmental use if the uses of the facility are for the same purpose and the government use is not insignificant. The second rule provides that use of a facility in the same manner for both related and unrelated private business uses will not result in unrelated private business use if the related use is not insignificant.

## EXHIBIT C

### **PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020  
(Forward Delivery)**

#### **TAX COMPLIANCE CERTIFICATE**

#### **CERTIFICATIONS OF THE CITY**

This certificate, including the covenants set forth herein, deals with the use of the proceeds of the above-captioned issue of tax-exempt bonds (the "Bonds") and related matters for purposes of the Internal Revenue Code of 1986 (the "Code").

**1. The Grants.**

(a) The grants by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") from the proceeds of its 1992 Bonds, 1993 Bonds and the 1994 Bonds (as defined in the Tax Certificate) (the "Grants") have been fully applied in accordance with the terms of the Grants.

(b) The property attributable to the Grants is owned by the City of Philadelphia, Pennsylvania (the "City") without any security interest or other special legal interest in the Authority.

(c) The City has not and will not provide 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.

(d) 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 acted and is acting in its own behalf and not as agent of the Authority.

(e) The City is not liable, either directly or indirectly, for the payment of debt service on the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 or the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) and is not liable, either directly or indirectly, for payment of debt service on any other obligations of the Authority. 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 retired with certain of the Grants.

(f) The property attributable to the Grants has not and will not be used in any private business use within the meaning of section 141 of the Code, and no portion of the Grants has been used to make a private loan within the meaning of section 141 of the Code.

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 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 Treasury Regulations) of the Bonds in its custody or control (including investment control) which would cause the 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 applicable Treasury Regulations throughout the term of the Bonds.

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, 1993 Bonds, the 1994 Bonds, the 2009 Bonds, the 2010 Bonds, the 2019 Bonds and the 2020 Bonds, if any, held in the City Capital Account or other accounts controlled by the City.

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, 1993 Bonds, the 1994 Bonds, the 2009 Bonds, the 2010 Bonds, the 2019 Bonds or the 2020 Bonds under the custody or control of the City have been or will be used, directly or indirectly, to make or finance a loan to persons other than state or local government units.

[Signature appears on the following page.]

IN WITNESS WHEREOF, and intending to be legally bound, the undersigned duly authorized officer of the City of Philadelphia, Pennsylvania, has caused this Tax Compliance Certificate to be executed this 3rd day of December, 2019.

CITY OF PHILADELPHIA, PENNSYLVANIA

By:   
Director of Finance

## **EXHIBIT D**

### **REBATE REQUIREMENT AND EXCEPTIONS**

The Issuer hereby represents and warrants, after due investigation and to the best of the Issuer's knowledge that:

**(a) General.**

Certain Gross Proceeds of the Bonds will be exempt from the Rebate Requirement described in (e) hereof if the Bonds satisfy the requirements of either paragraph (b), paragraph (c) or paragraph (d) hereof.

**(b) Six Month Exception.**

The Bonds shall be treated as meeting the Rebate Requirement described in paragraph (c) hereof if the Gross Proceeds of the Bonds are expended for the governmental purposes of such issue within the 6-month period beginning on the Delivery Date. For purposes of this paragraph (b), the governmental purpose of the Bonds include payments of interest on but not payments of principal of the Bonds during the construction period. The six-month spending period will be extended for an additional six months if the Gross Proceeds of the Bonds, as specially defined for purposes of this paragraph (b), are expended within the first six-month spending period except for an amount not exceeding 5% of the issue price of the Bonds. Notwithstanding the above, Gross Proceeds of the Bonds shall not be eligible for the exemption from the Rebate Requirement described in this paragraph (b) unless the Rebate Requirement set forth in paragraph (c) is met for Gross Proceeds of such issue not required to be spent within the six-month spending period (other than earnings on amounts in the Debt Service Fund). In the event that the Bonds satisfy the requirements of this paragraph (b), the Issuer may nevertheless subsequently elect to disregard the availability of the exemption from rebate described in this paragraph (b) and to satisfy the Rebate Requirement with respect to the Bonds. For purposes of the Six Month Exception, bonds allocable to a refunding program are treated as a separate issue. See Treas. Reg. § 1.148-7(b)(1) for the treatment of transferred proceeds and the six month exception.

**(c) Rebate Requirement.**

The Rebate Requirement as of any Computation Date, subject to such modifications as may be made by Treasury Regulations or rulings, is an amount equal to the excess (if any) of the future value as of the Computation Date of all Nonpurpose Receipts over the future value as of the Computation Date of all Nonpurpose Payments. All future values are computed as of the Computation Date using an interest rate equal to the Bond Yield

**(d) Future Value.**

The future value of a Nonpurpose Receipt or Payment is calculated using the following formula:

$$FV = PV (1 + i)^n$$



where

FV = The future value of the Nonpurpose Receipt or Payment;

PV = The amount of the Nonpurpose Receipt or Payment;

i = Bond Yield divided by the number of compounding intervals in a Bond Year; and

n = The number of compounding intervals from the date of the Nonpurpose Receipt or Payment through the Computation Date.

**(e) Allocation and Accounting Rules.**

Generally, investments are allocated to the Bonds for the period that (1) begins on the date Gross Proceeds are allocated to the Bonds and to the investment, and (2) ends on the date such Gross Proceeds cease to be allocated to the Bonds or to the investment.

**(f) Relationship to Yield Restriction.**

Subject to paragraph (g) hereof, the requirements of this **Exhibit D** relating to the Rebate Requirement of the Code apply to all Gross Proceeds, regardless of whether such amounts are subject to yield restriction or are unrestricted as to yield. Thus, an amount of Gross Proceeds may be "unrestricted as to yield" but will, notwithstanding that characterization, be subject to the Rebate Requirement of the Code. Similarly, an amount of Gross Proceeds may be "restricted as to yield" but will, notwithstanding that characterization, also be subject to the Rebate Requirement of the Code.

**(g) Bona Fide Debt Service Fund.**

To the extent that amounts set aside to pay debt service constitute a "bona fide debt service fund", such amounts and the earnings thereon are excluded from the calculation of the Rebate Requirement. The Issuer shall comply with the recordkeeping requirements set forth in paragraph (j) hereof with respect to such earnings.

**(h) Computation and Payment Dates.**

The Rebate Requirement will be computed by or on behalf of the Issuer as of each Installment Computation Date and as of the Final Computation Date. The Issuer will consult with Bond Counsel or other nationally recognized bond counsel or a recognized rebate accountant six (6) months prior to each Installment Computation Date as well as the Final Computation Date. Rebate installments of an amount which, when added to the future value of all previous rebate payments made with respect to the Bonds, equals at least 90 percent of the Rebate Requirement, must be paid by the Issuer no later than the date 60 days after each Installment Computation Date. The final rebate payment of an amount which, when added to the future value of all previous rebate payments made with respect to the Bonds, equals 100 percent of the Rebate Requirement as of the Final Computation Date, must be paid by the Issuer no later than 60 days after the Final Computation Date.

**(i) Procedure for Remittance.**

Each rebate payment to be made by the Issuer pursuant to the Rebate Requirement must be filed with the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date payment is due, and must be accompanied by Internal Revenue Service Form 8038-T, which shall be executed by the Issuer.

**(j) Recordkeeping Obligation.**

**(1) In General.**

The Issuer will maintain, or cause to be maintained by the Trustee, records adequate to determine the Rebate Requirement with respect to any Gross Proceeds under its control. Such records will include, but are not necessarily limited to, information regarding the following with respect to each and every investment acquired with Gross Proceeds:

- (i) the purchase price;
- (ii) nominal rate of interest;
- (iii) amount of accrued interest purchased included in purchase price (if any);
- (iv) par or face amount;
- (v) purchase, date;
- (vi) maturity date;
- (vii) amount of original issue discount or premium or market discount (if any);
- (viii) type of Investment Property;
- (ix) frequency of periodic payments;
- (x) period of compounding;
- (xi) date of disposition,
- (xii) amount realized on the disposition (including accrued interest);
- (xiii) 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 Property; and

- (xiv) market price data sufficient to establish the Fair Market Value of any Nonpurpose Investment as of any Computation Date and as of the date such Nonpurpose Investment becomes allocable to, or ceases to be allocable to, Gross Proceeds.

**(2) Retention of Records.**

The Issuer agrees to retain (or cause the Trustee to retain) records of the determinations and the manner in which the Rebate Requirement was calculated until six years after the retirement of the last obligation of the Bonds or for such other period as the Department of the Treasury may, by regulations or rulings, provide.

## **Appendix One Definitions**

(a) **Bond Counsel** shall mean Saul Ewing Arnstein & Lehr LLP or other nationally recognized bond counsel to the Issuer.

(b) **Bond Year** shall mean the one year period (or shorter period) ending on each December 3, or such other date as the Issuer shall elect prior to the first Installment Computation Date.

(c) **Code** shall mean the Internal Revenue Code of 1986, as amended.

(d) **Computation Date** shall mean an Installment Computation Date or the Final Computation Date.

(e) **Computation Date Credit** shall mean, with respect to the Bonds on an eligible Computation Date, a credit of \$1,000 on the last day of each Bond Year during which there are amounts allocated to Gross Proceeds of the Bonds that are subject to the Rebate Requirement, and on the final maturity date of the Bonds.

(f) **Computation Period** shall mean the period between Computation Dates. The first computation period begins on the issue date and ends on the first Computation Date. Each succeeding computation period begins on the date immediately following the Computation Date and ends on the next Computation Date.

(g) **Date of Issue or Delivery Date** shall mean the date on which there is a physical delivery of the 2019 Bonds and the 2020 Bonds in exchange for the amount of issue price, which exchange is occurring this date, December 3, 2019 with respect to the 2019 Bonds and on March 17, 2020 with respect to the 2020 Bonds.

(h) **Department of the Treasury** shall mean the Department of the Treasury of the United States.

(i) **Fair Market Value**, with respect to a Nonpurpose Investment, shall mean, except where otherwise indicated in the Tax Certificate, the following:

(1) **General.** The Fair Market Value of an investment shall be the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction. Fair Market Value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (i.e. the trade date rather than the settlement date). Except as otherwise provided, an investment that is not of a type traded on an established securities market is rebuttably presumed to be acquired or sold at a price that is not its Fair Market Value. The Fair Market Value of an Investment consisting of an obligation of the Treasury Department that is purchased directly from the Treasury Department shall be its purchase price.



(2) **Certificates of Deposit.** The Fair Market Value of a certificate of deposit that has a fixed interest rate, a fixed principal payment schedule, and a substantial penalty for early withdrawal shall be its purchase price if the certificate of deposit has a yield not less than (A) the yield on reasonably comparable direct obligations of the United States, and (B) the highest yield that is published or posted by the provider to be currently available from the provider on comparable certificates of deposit offered to the public.

(3) **Guaranteed Investment Contracts.** Except as provided in the definitions of Nonpurpose Payments and Nonpurpose Receipts, in the case of a guaranteed investment contract, the obligations acquired thereunder shall be considered acquired or disposed of for an amount equal to the fair market value of such obligations if:

- (i) the purchaser makes a bona fide solicitation for a specified guaranteed investment contract and receives at least three bids on the guaranteed investment contract from reasonably competitive providers that have no material financial interest in the Bonds and at least one bid from a reasonably competitive provider. No potential provider was given the opportunity to review other providers' bids before submitting a bid. The bid specifications were in writing and timely forwarded to potential providers and included all material terms of the bid and such terms are commercially reasonable. If the Issuer uses an agent to conduct the bidding process, then the agent did not bid on the guaranteed investment contract;
- (ii) the purchaser purchases the highest yielding guaranteed investment contract for which a bona fide bid is made (determined net of brokers' fees, however denominated);
- (iii) the determination of the terms of the guaranteed investment contract takes into account the Issuer's reasonably expected draw-down schedule for the funds to be invested;
- (iv) the terms of the guaranteed investment contract are commercially reasonable;
- (v) the obligor on the guaranteed investment contract certifies those administrative costs that are paid or expected to be paid to third parties in connection with supplying the guaranteed investment contract;
- (vi) the Issuer retains the following records with the Bond documents until three (3) years after the last outstanding Bond is redeemed: (i) a copy of the guaranteed investment contract; (ii) the receipt or other record of the amount actually paid by the Issuer for the guaranteed investment



contract including a record of any administrative costs paid by the Issuer and the certification under (v) above; (iii) for each bid that this submitted, the name of the person and entity submitting the bid, the time and date of the bid and the bid results; (iv) the bid solicitation form, and, if the terms of the guaranteed investment contract are deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation; and

- (vii) the bid specifications include a statement that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Issuer or any other person (whether or not in connection with the bond issue) and that the bid is not being submitted solely as a courtesy to the Issuer or any other person to satisfy the requisite amount of bidders requirement.

(j) **Final Computation Date** shall mean the date the last Bond that is part of the Bonds is discharged.

(k) **Gross Proceeds** shall have the meaning contained in Treasury Regulations Section 1.148-1(b), and shall generally include amounts which are:

(1) actually or constructively received from the sale of the Bonds, including amounts used to pay underwriters' discount or compensation and accrued interest other than Pre-Issuance Accrued Interest; and shall also include, but are not limited to, amounts derived from the sale of a right that is associated with the Bonds, and that is described in Treasury Regulations Section 1.148-4(b)(4);

(2) investment proceeds (defined in Treasury Regulations Section 1.148-1(b) to include amounts actually or constructively received at any time by the Issuer, such as interest and dividends, from the investment of proceeds of the Bonds);

(3) treated as proceeds under Treasury Regulations Section 1.148-1(c) (which treats amounts in invested sinking funds and pledged funds for an issue as proceeds of an issue), including amounts in the Debt Service Fund; and

(4) treated as Transferred Proceeds of the Bonds (as described in Treasury Regulations Section 1.148-9).

Such term shall not include amounts that are not otherwise Gross Proceeds but that are deposited in the Rebate Fund or allocated to the Rebate Requirement. The determination of whether an amount is included within this definition shall be made without regard to whether the amount is credited to any fund or account established under the Indenture or (except in the case of an amount described in

(3) above) is subject to the pledge of the Indenture. An amount is pledged to pay principal of or interest on the Bonds if there is reasonable assurance that the amount will be available to be used for such purposes in the event that the Issuer encounters financial difficulties.

(k) **Installment Computation Date** shall mean initially any date chosen by the Issuer so long as such date is no later than five years after the issue date of the 2019 Bonds and in subsequent years, any date so long as it is no more than five years after the previous installment computation date.

(l) **Investment Proceeds** shall mean investment earnings on Proceeds of the Bonds.

(m) **Investment Property** shall mean any security (within the meaning of Code Section 165(g)(2)(A) or (B)) or obligation (other than tax-exempt bonds), any annuity contract or any Investment-type Property.

(n) **Investment-type Property** shall mean any property, other than property described in section 148(b)(2)(A), (B), (C), or (E) of the Code, that is held principally as a passive vehicle for the production of income. For this purpose, production of income includes any benefit based on the time value of money, including the benefit from making a prepayment.

Except as otherwise provided herein, a prepayment for property or services gives rise to investment-type property if a principal purpose for prepaying is to receive an investment return from the time the prepayment is made until the time payment otherwise would be made. A prepayment does not give rise to investment-type property if--

(1) The prepayment is made for substantial business purpose other than investment return and the Issuer has no commercially reasonable alternative to the prepayment; or

(2) Prepayments on substantially the same terms are made by a substantial percentage of persons who are similarly situated to the issuer but who are not beneficiaries of tax-exempt financing.

(o) **Net Sale Proceeds** shall mean Sale Proceeds, less the portion of those Sale Proceeds invested in a reasonably required reserve or replacement fund under Code Section 148(d) and as part of a minor portion under Code Section 148(e).

(p) **Nonpurpose Investment** shall mean any Investment Property in which Gross Proceeds are invested or to which Gross Proceeds are allocated other than a Purpose Investment.

(q) **Nonpurpose Payments** are: (i) amounts actually or constructively paid to acquire a Nonpurpose Investment (or treated as paid to acquire a Nonpurpose Investment in a Commingled Fund), (ii) for a Nonpurpose Investment that is first allocated to the Bonds on a date after it is actually acquired (e.g., an investment that becomes allocable to Transferred Proceeds or to Replacement Proceeds) or that become subject to the Rebate Requirement on a date after it is actually acquired (e.g., an Investment allocable to the Debt Service Reserve Fund at the end of the two-year spending period), the Value of that Nonpurpose Investment on that date, (iii) for a Nonpurpose Investment that was allocated to the Bonds at the end of the preceding Computation Period, the Value of that Nonpurpose Investment at the beginning of the Computation Period, (iv) the Computation Date Credit and (v) yield reduction payments on Nonpurpose Investments made pursuant to Regulations §1.148-5(c).

(r) **Nonpurpose Receipts** are: (i) amounts actually or constructively received from a Nonpurpose Investment (including amounts treated as received from Nonpurpose Investments held by a Commingled Fund), such as earnings and return of principal, (ii) for a Nonpurpose Investment that ceases to be allocated to the Bonds before its disposition or redemption date (e.g., an Investment that become allocable to Transferred Proceeds of another issue or that ceases to be allocable to the Bonds pursuant to the Universal Cap) or that ceases to be subject to the Rebate Requirement on a date earlier than its disposition or redemption date (e.g., an Investment allocated to a fund initially subject to the Rebate Requirement but that subsequently qualifies as a bona fide debt service fund), the Value of that Nonpurpose Investment on that date, and (iii) for a Nonpurpose Investment that is held at the end of a Computation Period, the Value of that Nonpurpose Investment at the end of that period. Regulations §1.148-6(e) provides special rules for any fund containing both Gross Proceeds of the Bonds and amounts in excess of \$25,000 that are not Gross Proceeds of the Bonds if the amounts in such fund are invested and accounted for collectively, without regard to the source of funds deposited in the fund (a "Commingled Fund").

(s) **Plain Par Bond** shall mean a bond (1) issued with not more than a de minimis amount of original issue discount or premium, (2) issued for a price that does not include accrued interest other than Pre-Issuance Accrued Interest, (3) that bears interest from the issue date at a single, stated, fixed rate or that is a variable rate debt instrument within the meaning of Code Section 1275, in each case with interest unconditionally payable at least annually, and (4) that has a lowest stated redemption price that is not less than its outstanding principal amount. For this purpose, a "de minimis" amount means, with reference to original issue discount or premium, an amount that does not exceed 2 percent multiplied by the stated redemption price at maturity, plus any original issue premium that is attributable exclusively to reasonable underwriters' compensation.



(t) **Plain Par Investment** shall mean an investment that is an obligation (1) issued with not more than a de minimis amount of original issue discount or premium or, if acquired on a date other than its issue date, acquired with no more than a de minimis amount of market discount or premium, (2) issued for a price that does not include accrued interest other than Pre-Issuance Accrued Interest, (3) bears interest from its issue date at a single, stated, fixed rate or that is a variable rate debt instrument under Code Section 1275, in each case with interest unconditionally payable at least annually, and (4) has a lowest stated redemption price that is not less than its outstanding stated principal amount. For this purpose, "de minimis" shall mean, with reference to original issue discount or premium, an amount that does not exceed 2 percent multiplied by the stated redemption price at maturity plus any original issue premium that is attributable exclusively to reasonable underwriters' compensation and, in reference to market discount or market premium, an amount that does not exceed 2 percent multiplied by the stated redemption price at maturity.

(u) **Pre-Issuance Accrued Interest** shall mean amounts representing interest that accrued on the Bonds for a period not greater than one year before their Date of Issue, but only if these amounts are paid within one year after the Date of Issue.

(v) **Present Value** shall mean, with respect to an investment, an amount equal to the present value of all unconditionally payable receipts to be received from and payments to be paid for the investment after that date using the yield on the investment as the discount rate, computed under the economic accrual method, using the same compounding interval and financial conventions used to compute the Bond Yield.

(w) **Proceeds** shall mean Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds. Such term shall not include amounts actually or constructively received with respect to a Purpose Investment that are properly allocable to an immaterially higher yield under Regulations §1.148-2(d) or Code Section 143(g) or to qualified administrative costs recoverable under Regulations §1.148-5(e).

(x) **Purpose Investment** means an Investment that is acquired to carry out the government purpose of an issue.

(y) **Reasonable Retainage** means an amount not exceeding 5% of Gross Proceeds.

(z) **Rebate Fund** shall mean the account established pursuant to the Trust Indenture to provide for satisfaction of the Rebate Requirement.

(aa) **Rebate Requirement** shall mean the rebate requirement under Code Section 148(f) and the Regulations thereunder and Section 4 of this Tax Certificate.

(bb) **Regulations** shall mean the regulations issued by the Treasury Department pursuant to Code Sections 103 and 141 through 150.

(cc) **Replacement Proceeds** shall mean amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Bonds were not used or to be used for that governmental purpose. For this purpose, governmental purposes include the use of amounts for the payment of debt service on a particular date. The mere availability or preliminary earmarking of amounts for a governmental purpose, however, does not in itself establish a sufficient nexus for this purpose. Replacement Proceeds include, but are not limited to, sinking funds, pledge funds, and certain other amounts to the extent these funds or amounts are held by or derived from a substantial beneficiary of the Bonds (all within the meaning of Regulations §1.148-1(c)). A substantial beneficiary of the Bonds includes the Issuer and any related party to the Issuer.

(dd) **Sale Proceeds** shall mean amounts actually or constructively received from the sale of the Bonds, including amounts used to pay underwriters' discount or compensation and accrued interest other than Pre-Issuance Accrued Interest and shall also include, but are not limited to, amounts derived from the sale of a right that is associated with the Bonds, and that is described in Regulations §1.148-4(b)(4).

(ee) **Tax Certificate** shall mean this Tax Certificate, as such Tax Certificate may be amended from time to time.

(ff) **Transferred Proceeds** shall mean the outstanding principal amount of a prior issue that is discharged by a refunding issue, determined in accordance with Regulations §1.148-9.

(gg) **Value** shall mean, with respect to an investment (including a payment or receipt on an investment) on a date, an amount determined using one of the following methods consistently with respect to such investment for all purposes of Code Section 148: (i) a Plain Par Investment may be valued at its outstanding stated principal amount, plus any accrued interest unpaid on that date, (ii) any fixed rate investment may be valued at its Present Value on that date, and (iii) an investment may be valued at its Fair Market Value on that date. Any yield-restricted investment must be valued at its Present Value. Except with regard to (i) yield-restricted investments, (ii) investments allocated or de-allocated as a result of application of the Universal Cap, (iii) Transferred Proceeds and (iv) amounts in a Commingled Fund, an investment must be valued at its Fair Market Value on the date that it is first allocated to the Bonds or first ceases to be allocated to the Bonds as a consequence of a deemed acquisition or deemed disposition. The Value of Nonpurpose Investments allocated to Transferred Proceeds of the Bonds on a Transfer Date may not exceed the Value of that Nonpurpose Investment on such Transfer Date used for purposes of applying any of the rules under Code Section 148 to the refunded obligation.



**SAUL EWING  
ARNSTEIN  
& LEHR<sup>LLP</sup>**

George T. Magnatta  
Phone: (215) 972-7126  
Fax: (215) 972-1867  
George.Magnatta@saul.com  
www.saul.com

December 9, 2019

Internal Revenue Service  
Ogden Submission Processing Center  
Ogden, UT 84201-0027

Re: Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)  
\$31,085,000 Series of 2019  
\$24,990,000 Series of 2020 (Forward Delivery)  
Form 8038-G

Dear Sir or Madam:

Enclosed is an Information Return for Tax-Exempt Governmental Obligations (Form 8038-G) issued by the Pennsylvania Intergovernmental Cooperation Authority on December 3, 2019 in the aggregate principal amount of \$56,075,000.

Please do not hesitate to call me if you have any questions.

Very truly yours,

  
George T. Magnatta

GTM/tmr

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED  
7018 1830 0000 9920 4318

Centre Square West • 1500 Market Street, 38<sup>th</sup> Floor • Philadelphia, PA 19102-2186  
Phone: (215) 972-7777 • Fax: (215) 972-7725

DELAWARE FLORIDA ILLINOIS MARYLAND MASSACHUSETTS MINNESOTA NEW JERSEY NEW YORK PENNSYLVANIA WASHINGTON, DC

A DELAWARE LIMITED LIABILITY PARTNERSHIP

(Rev. September 2018)

► Under Internal Revenue Code section 149(e)

► See separate instructions.

OMB No. 1545-0720

Department of the Treasury  
Internal Revenue Service

Caution: If the issue price is under \$100,000, use Form 8038-GC.

► Go to [www.irs.gov/F8038G](http://www.irs.gov/F8038G) for instructions and the latest information.**Part I Reporting Authority**If Amended Return, check here ☐

1 Issuer's name <b>Pennsylvania Intergovernmental Cooperation Authority</b>		2 Issuer's employer identification number (EIN) <b>23-2655902</b>	
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)		3b Telephone number of other person shown on 3a	
4 Number and street (or P.O. box if mail is not delivered to street address) <b>1500 Walnut Street, Suite 1600</b>		Room/suite	5 Report number (For IRS Use Only) <b>3</b>
6 City, town, or post office, state, and ZIP code <b>Philadelphia, PA 19102</b>		7 Date of issue <b>12/03/2019</b>	
8 Name of issue <b>\$31,085,000 Series of 2019 and \$24,990,000 Series of 2020*</b>		9 CUSIP number <b>708840JW4</b>	
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) <b>Harvey Rice, Executive Director</b>		10b Telephone number of officer or other employee shown on 10a <b>215-561-9160</b>	

**Part II Type of Issue (enter the issue price). See the instructions and attach schedule.**

11	Education	11	
12	Health and hospital	12	
13	Transportation	13	
14	Public safety	14	
15	Environment (including sewage bonds)	15	
16	Housing	16	
17	Utilities	17	
18	Other. Describe ► <b>Refunding Bonds</b>	18	<b>60,570,604.20</b>
19a	If bonds are TANs or RANs, check only box 19a		
b	If bonds are BANs, check only box 19b		
20	If bonds are in the form of a lease or installment sale, check box		

**Part III Description of Bonds. Complete for the entire issue for which this form is being filed.**

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	06/15/2023	\$ 60,570,604.20	\$ 56,075,000.00	2.2258 years	1.2919%

**Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)**

22	Proceeds used for accrued interest	22	0
23	Issue price of entire issue (enter amount from line 21, column (b))	23	60,570,604.20
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	672,463.16
25	Proceeds used for credit enhancement	25	0
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0
27	Proceeds used to refund prior tax-exempt bonds. Complete Part V	27	59,892,273.57
28	Proceeds used to refund prior taxable bonds. Complete Part V	28	0
29	Total (add lines 24 through 28)	29	60,564,736.73
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	5,867.47

**Part V Description of Refunded Bonds. Complete this part only for refunding bonds.**

31	Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded	► 2.0739	years
32	Enter the remaining weighted average maturity of the taxable bonds to be refunded	►	years
33	Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY)	► 06/15/2020**	
34	Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY) 2009 Bonds: 06/15/2009; 2010 Bonds: 05/14/2010		

For Paperwork Reduction Act Notice, see separate instructions.

Form **8038-G** (Rev. 9-2018)

\* Sold at the same time and payable from the same source of funds as Series of 2019 but to be delivered on 03/17/2020

\*\* To be redeemed from proceeds of Series of 2020 Bonds to be delivered on 03/17/2020.

**Part VI Miscellaneous**

- 35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) . . . . . **35**
- 36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC). See instructions . . . . . **36a**
- b Enter the final maturity date of the GIC ▶ (MM/DD/YYYY) \_\_\_\_\_
- c Enter the name of the GIC provider ▶ \_\_\_\_\_
- 37 Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units . . . . . **37**
- 38a If this issue is a loan made from the proceeds of another tax-exempt issue, check box ☐ and enter the following information:
- b Enter the date of the master pool bond ▶ (MM/DD/YYYY) \_\_\_\_\_
- c Enter the EIN of the issuer of the master pool bond ▶ \_\_\_\_\_
- d Enter the name of the issuer of the master pool bond ▶ \_\_\_\_\_
- 39 If the issuer has designated the issue under section 265(b)(3)(B)(i)(iii) (small issuer exception), check box . . . . . ☐
- 40 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box . . . . . ☐
- 41a If the issuer has identified a hedge, check here ☐ and enter the following information:
- b Name of hedge provider ▶ \_\_\_\_\_
- c Type of hedge ▶ \_\_\_\_\_
- d Term of hedge ▶ \_\_\_\_\_
- 42 If the issuer has superintegrated the hedge, check box . . . . . ☐
- 43 If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box . . . . . ☒
- 44 If the issuer has established written procedures to monitor the requirements of section 148, check box . . . . . ☒
- 45a If some portion of the proceeds was used to reimburse expenditures, check here ☐ and enter the amount of reimbursement . . . . . ▶ \_\_\_\_\_
- b Enter the date the official intent was adopted ▶ (MM/DD/YYYY) N/A

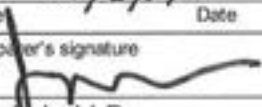
**Signature and Consent**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.

Signature of issuer's authorized representative Harvey M. Rice Date 12/3/19

Harvey Rice, Executive Director  
Type or print name and title

**Paid Preparer Use Only**

Print/Type preparer's name George T. Magnatta	Preparer's signature 	Date 12/03/2019	Check <input type="checkbox"/> if self-employed	PTIN P01080116
Firm's name ▶ Saul Ewing Arnstein & Lehr LLP			Firm's EIN ▶ 23-1416352	
Firm's address ▶ Centre Square West, 1500 Market St., 38th Fl., Phila., PA 19102			Phone no. 215-972-7126	



**\$31,085,000**  
**Pennsylvania Intergovernmental Cooperation Authority**  
**Special Tax Revenue Refunding Bonds**  
**(City of Philadelphia Funding Program)**  
**Series of 2019**

**CLOSING RECEIPT**

Receipt, executed this 3rd day of December, 2019, by the Pennsylvania Intergovernmental Cooperation Authority (the "Issuer"), U.S. Bank National Association, as trustee (the "Trustee"), and RBC Capital Markets, LLC, as representative (the "Representative") on behalf of itself and Siebert Cisneros Shank & Co., LLC and PNC Capital Markets LLC (collectively, the "Underwriters").

**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, 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, the Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006, the Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008, the Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009, the Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 and the Eighth Supplement to Amended and Restated Indenture of Trust dated as of December 1, 2019, each between the Issuer and the Trustee, and as may be further amended or supplemented from time to time in accordance with the terms thereof.

**2009 BONDS:** means the Issuer's \$81,920,000 aggregate outstanding principal amount of Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009.

**2019 BONDS:** means the Issuer's \$31,085,000 aggregate principal amount of Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019.

**PROJECT:** means the financing of the costs, together with other available moneys of the Issuer, of (i) currently refunding all of the outstanding 2009 Bonds and (ii) issuing the 2019 Bonds.

**EIGHTH SUPPLEMENT:** means the Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019, between the Issuer and the Trustee.

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 2019 Bonds to the Trustee and requests the Trustee to authenticate the same in accordance with the Indenture and deliver the 2019 Bonds to the Representative, but only upon receipt of the amount of the Total Due From Underwriters set forth on Schedule I hereto; and

(2) directs the Trustee to deposit the net proceeds from the sale of the 2019 Bonds into the Funds established under the Indenture and to make the transfers and pay the costs of the Project pursuant to Section 3.01 of the Eighth Supplement and as specified on Schedule I and Schedule II hereto.

TRUSTEE hereby:

(1) acknowledges receipt of the 2019 Bonds from the Issuer and confirms that it has authenticated the 2019 Bonds and has delivered them to the Representative in accordance with the foregoing instructions;

(2) acknowledges receipt on the date hereof of the Total Due From Underwriters as set forth on Schedule I hereto;

(3) confirms that the Total Due From Underwriters received at Closing has been deposited and applied as specified on Schedule I and Schedule II hereto; and

(4) confirms that it has made the transfers set forth in Schedule I.

REPRESENTATIVE hereby:

(1) acknowledges receipt from the Trustee of the executed, attested and authenticated 2019 Bonds;

(2) acknowledges payment by it of the amount listed on Schedule I hereto as the Total Amount Due From Underwriters 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 as of the date first written above.

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY, as Issuer

By: \_\_\_\_\_  
Chairperson

RBC CAPITAL MARKETS, LLC, as  
Representative of the Underwriters

By: \_\_\_\_\_  
Vice President

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
Vice President

[Signature Page – Closing Receipt]

IN WITNESS WHEREOF, the authorized officers of the parties hereto have caused this Closing Receipt to be executed as of the date first written above.

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY, as Issuer

By: \_\_\_\_\_  
Chairperson

RBC CAPITAL MARKETS, LLC, as  
Representative of the Underwriters

By:  \_\_\_\_\_  
Director

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
Vice President

[Signature Page – Closing Receipt]

IN WITNESS WHEREOF, the authorized officers of the parties hereto have caused this Closing Receipt to be executed as of the date first written above.

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY, as Issuer

By: \_\_\_\_\_  
Chairperson

RBC CAPITAL MARKETS, LLC, as  
Representative of the Underwriters

By: \_\_\_\_\_  
Vice President

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By:  \_\_\_\_\_  
Vice President

[Signature Page – Closing Receipt]

SCHEDULE 1  
Total Amount Due From Underwriter

Principal Amount of 2019 Bonds	\$31,085,000.00
Plus Original Issue Premium	\$2,933,977.30
Less Underwriters' Discount	<u>(120,965.73)</u>
TOTAL DUE FROM UNDERWRITERS	<u>\$33,898,011.57</u>

Pursuant to Section 3.01 of the Eighth Supplement, net proceeds from the sale of the 2019 Bonds in an amount equal to \$33,898,011.57 have been received by the Trustee for deposit into the Settlement Fund established under the Indenture, and the Trustee shall deposit, disburse and transfer such proceeds from the Settlement Fund as follows:

- (1) deposit an amount equal to \$33,591,383.61 into the Bond Redemption Fund, to be applied, together with other available moneys transferred to the Bond Redemption Fund from the Debt Service Fund and the Debt Service Reserve Fund, to the redemption of all Outstanding 2009 Bonds on December 3, 2019; and
- (2) pay the costs of issuance of the 2019 Bonds in the amounts set forth on Schedule II, upon receipt of invoices.

SCHEDULE II  
COSTS OF ISSUANCE

Bond Counsel – Saul Ewing Arnstein & Lehr LLP	\$55,900.00
Authority Counsel – Reed Smith LLP	55,000.00
Financial Advisor – Phoenix Capital Partners, LLP	50,000.00
Financial Advisor – PFM Financial Advisors LLC	50,517.02
Rating Agency – Fitch Ratings, Inc.	31,800.00
Rating Agency – S&P Global Ratings	28,125.00
Printer – McElwee & Quinn LLC	1,200.00
Verification Agency – Robert Thomas CPA, LLC	1,250.00
Trustee Counsel – Dilworth Paxson LLP	9,500.00
Trustee – U.S. Bank National Association	5,000.00
Auditor – Maher Duessel	5,000.00
Advertising – Reimbursement to PICA	3,028.76
Miscellaneous	<u>10,307.18<sup>1</sup></u>
<b>TOTAL</b>	<b><u>\$306,627.96</u></b>

<sup>1</sup> The amount denominated "Miscellaneous" remaining therein after December 3, 2019 shall be deposited into the Debt Service Fund for the 2019 Bonds.



ESCROW DEPOSIT AGREEMENT

Dated March 17, 2020

By and Between

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY, as Issuer

And

U.S. BANK NATIONAL ASSOCIATION, as Escrow Agent

Providing for Payment of Principal and Interest on  
Aggregate Principal Amount

\$206,960,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program),  
Series of 2010

## ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT made and entered into this 17th day of March, 2020, by and between 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 (the "Commonwealth") under and by virtue of the Constitution and laws of the Commonwealth and U.S. Bank National Association, a national banking association having a corporate trust office in Philadelphia, Pennsylvania as escrow agent hereunder (the "Escrow Agent").

### 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 in the Commonwealth 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 Escrow Agent is a national banking association duly organized and validly existing in good standing under the laws of the United States of America with full power and authority to act in fiduciary capacities and having a corporate trust office in Philadelphia, Pennsylvania; and

WHEREAS, the Authority has heretofore issued its \$206,960,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Refunding Program), Series of 2010 (the "Prior Bonds"); and

WHEREAS, the Prior Bonds were issued pursuant to the provisions of an Amended and Restated Indenture of Trust dated as of December 1, 1994, as supplemented and amended the ("Indenture"), between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"); and

WHEREAS, pursuant to the Indenture, the Authority desires to exercise its option to redeem a portion of the Prior Bonds and provide for the deposit of amounts sufficient to pay the principal and interest on the Prior Bonds being redeemed (the "Refunding Program"); and

WHEREAS, a portion of the Prior Bonds will be refunded as set forth in Exhibit A attached hereto and made a part hereof (the "Refunded Prior Bonds"); and

WHEREAS, the Authority has determined to finance the Refunding Program from a portion of the Sale Proceeds of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) being issued in the aggregate principal amount of \$24,990,000 (the "2020 Bonds") along with a release from the Debt Service

Reserve Fund in the amount of \$273,735.04 and a transfer from the Debt Service Fund in the amount of \$439,250.00; and

WHEREAS, the funds deposited hereunder with respect to the Refunded Prior Bonds [(except for \$\_\_\_\_\_ which shall be retained as a cash deposit to the escrow account)] shall be used to acquire a portfolio of investment securities, described in detail in Exhibit B for the purpose of refunding the Refunded Prior Bonds, which is attached hereto and is made a part hereof, in accordance with the confirmations of purchase or subscription furnished to the Escrow Agent at or before the execution hereof, receipt of which is hereby acknowledged; and

WHEREAS, based upon the Verification Report, as defined herein, the portfolio of investment securities described in Exhibit B, along with the initial cash deposit of \$\_\_\_\_, will provide funds sufficient to pay all interest on and principal of the Refunded Prior Bonds from the date hereof to and including June 15, 2020, the date on which the Refunded Prior Bonds will be called for redemption; and

WHEREAS, the execution and delivery of this Escrow Deposit Agreement has been duly authorized by the Authority and the Escrow Agent.

NOW, THEREFORE, intending to be legally bound, the Authority and U.S. Bank National Association, in its capacities as Trustee and as Escrow Agent hereunder, hereby agree as follows:

#### SECTION 1. Receipt of Funds and Execution of Funding Certificate.

The Escrow Agent hereby acknowledges receipt of proceeds of the 2020 Bonds in the amount of \$26,300,889.96, and funds transferred from the Debt Service Fund and Debt Service Reserve Fund under the Indenture in the amount of \$712,985.04, of which amount (i) \$\_\_\_\_\_ shall be used to purchase the Government Obligations (as more fully described in Section 3 hereof and in Exhibit B hereto) (the "2010 Securities") [and (ii) the remainder shall be held as an initial cash deposit of \$\_\_\_\_ (the "Cash Deposit") which shall remain uninvested]. The Escrow Agent and the Authority have received and are entitled to rely upon the report (the "Verification Report") of Robert Thomas CPA, LLC (the "Verification Agent"), attached hereto as Exhibit C, verifying that the maturing principal of and interest on the 2010 Securities, together with the Cash Deposit, is sufficient to pay, when due, the principal of, premium, if any, and interest due on the Refunded Prior Bonds, when and as the same shall mature or become due, as the case may be, up to and including June 15, 2020 (the "Redemption Date"). The Escrow Agent makes no representation regarding the accuracy of the Verification Report. The 2010 Securities and the Cash Deposit shall be deposited in the Escrow Fund, as hereinafter defined.

#### SECTION 2. Creation of Escrow Fund.

There is hereby created and established with the Escrow Agent a special segregated and irrevocable escrow account designated the Pennsylvania Intergovernmental Cooperation Authority Escrow Fund- Series 2010 Bonds (the "Escrow Fund"). The Escrow Fund shall be held in the custody of the Escrow Agent and irrevocably pledged for the benefit of the holders of the Refunded Prior Bonds. The Escrow Fund shall be held by the Escrow Agent separate and



apart from other funds of the Authority or of the Escrow Agent. \$27,013,875.00 shall be deposited in the Escrow Fund and disbursed as set forth in Sections 3, 4 and 5 hereof.

### SECTION 3. Purchase of Government Obligations.

(a) Concurrently with the execution of this Escrow Agreement, the Escrow Agent shall apply the sum of \$27,013,875.00 to the purchase, in the name of U.S. Bank National Association, as Escrow Agent, in trust for the benefit of the holders of the Refunded Prior Bonds, the Government Obligations for the Refunded Prior Bonds described in **Exhibit B** hereto. The Verification Report demonstrates that the Government Obligations for the Refunded Prior Bonds shall mature and shall bear interest payable in such amounts and at such times as shall be necessary and sufficient, together with the Cash Deposit, to satisfy the debt service requirements for the Refunded Prior Bonds to and including the Redemption Date.

(b) The Escrow Agent shall acquire the Government Obligations for the Refunded Prior Bonds in good faith for value and without notice of any adverse claim. The Escrow Agent shall obtain confirmation from the Bureau of the Public Debt that it has recorded the Government Obligations for the Refunded Prior Bonds comprising SLGS (as hereinafter defined) on its records in the name of the Escrow Agent. The Escrow Agent shall identify on its records that the Government Obligations are being held for the benefit of the holders of the Refunded Prior Bonds.

(c) In this Escrow Deposit Agreement, "**Government Obligations**" shall mean direct obligations of, or direct non-prepayable obligations the principal of and interest on which are unconditionally guaranteed as to the full and timely payment by the United States of America, and which are not callable or otherwise redeemable by any person other than the holder thereof, excluding investments in mutual funds or unit investment trusts. All monies, other than the Cash Deposit, if necessary, in the Escrow Fund shall be invested solely in a portfolio of United States Treasury Obligations – State and Local Government Series ("SLGS"), or other substitute securities as provided for in Section 8 herein, and all such investments shall be in the name of the Escrow Agent. The Government Obligations, consisting of SLGS, for the Refunded Prior Bonds and the Cash Deposit shall be held by the Escrow Agent in trust, exclusively for the benefit of the registered owners of the Refunded Prior Bonds, as described in Section 2 hereof and applied to the payment of the principal of and interest on the Refunded Prior Bonds. If SLGS are not available, then the proceeds shall be invested in Open Market Securities, which shall be Government Obligations other than SLGS.

(d) Upon receipt by the Escrow Agent of the amount set forth in Section 1, the Authority is hereby released from all of its obligations under the Indenture in respect of the payment of principal or redemption of and interest on the Refunded Prior Bonds.

### SECTION 4. Amounts Held in Trust.

(a) The Authority and the Escrow Agent agree that the Cash Deposit and the total principal amount of and interest on the Government Obligations for the Refunded Prior Bonds shall be held by the Escrow Agent, in trust, for the holders of the Refunded Prior Bonds and the Escrow Agent shall apply said Cash Deposit and said principal amount and interest to the

payment of principal of, premium, if any, and interest on the Refunded Prior Bonds through and including the Redemption Date in accordance with the debt service schedule attached hereto as **Exhibit D**.

(b) The Authority agrees that, except as provided in Section 8 hereof, it shall not have any control over the proceeds of the 2020 Bonds to be deposited to the Escrow Fund, any cash or investments held at any time in the Escrow Fund, the application thereof or the investment thereof pending application.

#### SECTION 5. Payment of Refunded Prior Bonds.

On the Redemption Date, after the interest on and principal on all the Refunded Prior Bonds have become due and payable, all moneys and securities in the Escrow Fund in excess of those required to make such payments shall be transferred by the Escrow Agent to U.S. Bank National Association, in its capacity as trustee for the holders of the 2020 Bonds, for application solely to the payment of the principal or redemption price of the 2020 Bonds; provided, however, that if the 2020 Bonds have been paid or payment thereof has been provided for, such amounts may be paid to such other person or applied to such other purpose as may be directed in writing by the Authority.

#### SECTION 6. Redemption of the Refunded Prior Bonds.

(a) The Authority hereby unconditionally and irrevocably authorizes and instructs the Escrow Agent to take all action necessary or appropriate to redeem the Refunded Prior Bonds on June 15, 2020 at a redemption price equal to 100% of the principal amount of such Refunded Prior Bonds plus accrued interest to the Redemption Date.

(b) The Authority hereby unconditionally and irrevocably authorizes and instructs the Escrow Agent to cause a copy of the notice of redemption in substantially the form attached hereto as **Exhibit E** to be deposited in the United States mail, first-class, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the Redemption Date addressed to each holder of Refunded Prior Bonds called for redemption, at his/her address which appears in the Bond Register or at such other address as is furnished in writing by such owner to the Escrow Agent. In addition, the Escrow Agent shall for informational purposes cause copies of such notice of redemption to be posted with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") site (<http://www.emma.msrb.org/>).

#### SECTION 7. Notice of Refunding.

The Authority directs the Escrow Agent to cause a copy of the refunding notice in substantially the form provided in **Exhibit F** hereto to be sent within five (5) days after closing on [March \_\_, 2020] to be deposited in the United States mail, first-class, postage prepaid addressed to each holder of the Refunded Prior Bonds, at the address which appears in the Bond Register or at such other address as is furnished in writing by such owner to the Escrow Agent. In addition, the Escrow Agent shall for informational purposes in a timely manner cause copies of such notice of refunding to be sent by registered mail, certified mail, overnight delivery



service or legible telecopy (or other similarly secure service acceptable to the Escrow Agent) to all registered securities depositories and shall file a copy of such notice on the Municipal Securities Rulemaking Board's EMMA site.

SECTION 8. Sale and Substitution. In addition to the provisions of Section 3 above, from time to time and at any time, the Authority may direct the Escrow Agent in writing, and the Escrow Agent agrees to undertake to sell, redeem or otherwise dispose of, any or all of the securities held in the Escrow Fund and to apply the proceeds of such sale to the purchase of other securities, or to such other use as may be specified, upon compliance with the provisions of this Section 8.

(a) Such direction shall:

(i) specify the securities, and the date or dates on which, and the price or prices at which, they shall be sold;

(ii) specify any securities to be purchased and the date or dates on which, and the price or prices at which, they shall be purchased; and

(iii) specify the application to which receipts of maturing principal of or interest on securities to be held in the Escrow Fund are to be put.

(b) Any securities specified to be purchased pursuant to this subsection must qualify as Government Obligations.

(c) There shall be delivered to the Escrow Agent prior to or simultaneously with the aforesaid direction, a certificate or report of the Verification Agent, or any successor independent certified public accountant approved in writing by the Authority, demonstrating that the cash and securities to be on deposit in the Escrow Fund, after such sale and purchase and the payment of all fees and expenses in respect of said sale and purchase, excluding reinvestment earnings, shall mature and pay interest on such dates and in such amounts as necessary to satisfy fully the payment of the principal and interest on the Refunded Prior Bonds.

(d) There shall be delivered to the Escrow Agent prior to or simultaneously with the aforesaid direction, an opinion of Saul Ewing Arnstein & Lehr LLP ("**Tax Counsel**") or other nationally recognized tax counsel acceptable to the Authority or a ruling from the Internal Revenue Service, to the effect that the actions contemplated in the aforesaid direction (i) are permitted under the relevant documents and (ii) will not result in the Refunded Prior Bonds or the 2020 Bonds becoming "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and the applicable regulations promulgated thereunder in effect on the date of such request (the "**Regulations**"), or otherwise adversely affect the exclusion of interest on the Refunded Prior Bonds or the 2020 Bonds from gross income for federal income tax purposes.

## SECTION 9. Lien.

The Escrow Fund created hereby shall be irrevocable. The Escrow Agent, on behalf of holders of the Refunded Prior Bonds, shall have an express lien on and security interest in, respectively: (i) the Cash Deposit; (ii) all amounts in the Escrow Fund representing principal of and all amounts therein representing interest on the Government Obligations for the Refunded Prior Bonds; and (iii) the Government Obligations for the Refunded Prior Bonds in the Escrow Fund, until each has been used and applied in accordance herewith.

## SECTION 10. Substitute Escrow Agent.

The Escrow Agent may be removed with or without cause at any time by the Authority and the Escrow Agent may resign by giving written notice to the Authority, but no such removal or resignation shall take effect under this Escrow Deposit Agreement unless a successor Escrow Agent shall have been appointed by the Authority as hereinafter provided and such successor Escrow Agent shall have accepted such appointment, in which event such removal or resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent. In the event that no appointment of a successor Escrow Agent shall have been made by the Authority pursuant to the foregoing provisions of this Section within forty-five (45) days after written notice of resignation of the Escrow Agent has been given to the Authority, any retiring Escrow Agent may apply to any court of competent jurisdiction for the appointment of a successor Escrow Agent, and such court may thereupon, after such notice, if any, as it shall deem proper, appoint a successor Escrow Agent. In the event that such an application is made, the Authority shall be liable, to the extent authorized by law, to the retiring Escrow Agent for all actual and reasonable attorneys' fees incurred by said retiring Escrow Agent in connection with such judicial application for the appointment of a successor Escrow Agent. No successor Escrow Agent shall be appointed unless such successor Escrow Agent shall be a corporation or association with trust powers organized under the banking laws of the United States or the Commonwealth, and shall have at the time of appointment capital, surplus and undivided profits of not less than \$50,000,000. Every successor Escrow Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Authority, an instrument in writing accepting such appointment hereunder and thereupon such successor Escrow Agent without any further act, deed or conveyance, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of such successor Escrow Agent or the Authority execute and deliver an instrument transferring to such successor Escrow Agent all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Escrow Agent shall deliver all cash and Government Obligations held by it to its successor. Any corporation or association into which the Escrow Agent, or any successor to it in the trusts created by this Escrow Deposit Agreement, may be merged or converted or with which it or any successor to it may be consolidated, or any corporation or association resulting from any merger, conversion, consolidation or reorganization to which the Escrow Agent or any successor to it shall be a party or to which it sells or otherwise transfers all or substantially all of its corporate trust business shall, if approved in writing by the Authority, be the successor Escrow Agent under this Escrow Deposit Agreement without the execution or filing of any paper or any act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.



SECTION 11. Escrow Agent Entitled to Same Protection as Trustee.

In the exercise of its rights and the performance of its duties as escrow agent under this Escrow Deposit Agreement, the Escrow Agent shall be entitled to the same protections as the trustee under Article IX of the Indenture.

SECTION 12. Representations.

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Escrow Deposit Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

SECTION 13. Limited Obligation of Escrow Agent.

The Escrow Agent shall not be liable for any loss resulting from any investment made pursuant to the terms and provisions of this Escrow Deposit Agreement. The liability of the Escrow Agent for the payment of the principal of and interest on the Refunded Prior Bonds shall be limited to the amounts deposited pursuant to this Escrow Deposit Agreement and the earnings thereon. The Escrow Agent shall not be liable for any act done, or omitted to be done, by it in the absence of negligence or willful misconduct. The Escrow Agent undertakes to perform only such duties expressly set forth herein, and no implied duties or obligations shall be read into this Escrow Deposit Agreement against the Escrow Agent. The Escrow Agent shall have no lien nor assert any lien whatsoever upon any of the moneys in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Escrow Deposit Agreement.

All necessary and proper fees, compensation and expenses of the Escrow Agent, and including without limitation, reasonable compensation for all services rendered in the execution, exercise and performance of any of the duties to be exercised or to be performed pursuant to this Escrow Deposit Agreement and all reasonable expenses, disbursements and advances incurred in accordance with this Escrow Deposit Agreement (including the reasonable compensation and expenses and disbursements of counsel) to the extent not presently paid will be paid by the Authority from its other legally available funds as such payments become due and shall not be paid or deducted from the amounts on deposit in the Escrow Fund.

The Escrow Agent shall be entitled to consult with legal counsel in the event that a question or dispute arises with regard to the construction of any of the provisions hereof or if an amendment to this Escrow Deposit Agreement is to be made pursuant to Section 17 hereof, and shall incur no liability and shall be fully protected in acting in accordance with the advice or opinion of such counsel.

The Escrow Agent may refuse to perform any duty or exercise any right or power which would require it to expend its own funds or risk any liability if it shall reasonably believe that repayment of such funds or adequate indemnity against such risk is not reasonably assured to it. The Escrow Agent may act through agents or attorneys appointed with due care. The Escrow Agent may conclusively rely and shall be protected in acting or refraining from acting upon any opinions, certificates and other documentation believed by it to be genuine and to have been signed or presented by the proper party or parties.

#### SECTION 14. Records.

The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Government Obligations deposited in the Escrow Fund and all proceeds thereof, and such books shall be available for inspection upon prior written notice at reasonable hours and under reasonable conditions by the Authority and the holders of the Refunded Prior Bonds.

#### SECTION 15. Invalid Provision.

If any one or more of the covenants or agreements provided in this Escrow Deposit Agreement on the part of the parties hereto to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Deposit Agreement. Upon any such determination, the Escrow Agent shall notify any Rating Agency then rating the Refunded Prior Bonds and/or the 2020 Bonds.

#### SECTION 16. Counterparts.

This Escrow Deposit Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original and shall constitute and be but one and the same instrument.

#### SECTION 17. Amendments.

No amendment may be made to this Escrow Deposit Agreement unless it is in writing and signed by the parties to this Escrow Deposit Agreement. Furthermore, no amendment shall be made to this Escrow Deposit Agreement without the approval of all Refunded Prior Bonds that have not been paid unless the amendment:

- (a) (i) cures a formal defect, omission, inconsistency or ambiguity in the Escrow Deposit Agreement;
  - (ii) does not materially adversely affect the interest of the holders of the Refunded Prior Bonds; or
  - (iii) is made to pledge additional security, including the deposit of additional amounts to the Escrow Fund, for the benefit of the owners of the Refunded Prior Bonds; and
- (b) notice of the proposed amendment and draft legal documents are sent to any Rating Agency then rating the Prior Bonds prior to execution and the effective date of the amendment.



SECTION 18. Governing Law.

This Escrow Deposit Agreement shall be governed by the applicable law of the Commonwealth.

SECTION 19. Notices.

(a) All notices, demands and formal actions under this Escrow Deposit Agreement shall be in writing and mailed, postage prepaid by first class mail, telecopied and delivered to:

if to the Authority:

Pennsylvania Intergovernmental Cooperation Authority  
1500 Walnut Street, Suite 1600  
Philadelphia, PA 19102  
Attention: Executive Director

and if to the Escrow Agent:

U.S. Bank National Association  
Two Liberty Place  
50 South 16th St., Ste 2000  
Philadelphia, PA 19102

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Escrow Deposit Agreement and delivered using Electronic Means; provided, however, that the Authority shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority, whenever a person is to be added or deleted from the listing. If the Authority elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The Authority understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions,



and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

"Electronic Means" shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder.

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Deposit Agreement to be executed, under seal, by their duly authorized officers and attested as of the first date above written.

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

Attest:

By: \_\_\_\_\_  
(Assistant) Secretary

By: \_\_\_\_\_  
Chairperson

U.S. BANK NATIONAL ASSOCIATION,  
as Escrow Agent

Attest:

By: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Officer

[Signature Page to Escrow Deposit Agreement]

**EXHIBIT A**

**REFUNDING OF REFUNDED PRIOR BONDS**

**SUMMARY OF BONDS REFUNDED**

Pennsylvania Intergovernmental Cooperation Authority

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Special Tax Revenue Refunding Bonds of 2010, 2010:					
SERIAL	06/15/2021	5.000%	12,925,000.00	06/15/2020	100.000
	06/15/2022	5.000%	13,430,000.00	06/15/2020	100.000
			26,355,000.00		

## **EXHIBIT B**

The following Government Obligations have been purchased pursuant to Section 3 of this Escrow Deposit Agreement:

EXHIBIT C

VERIFICATION REPORT



**EXHIBIT D**

**DEBT SERVICE FOR REFUNDED PRIOR BONDS**

## EXHIBIT E

### NOTICE OF REDEMPTION FOR REFUNDED PRIOR BONDS

Date: \_\_\_\_\_

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program),  
Series of 2010

#### REDEMPTION NOTICE<sup>1</sup>

Due	Amount	Rate	Original CUSIP
June 15, 2021	\$12,925,000	5.000%	708840JQ7
June 15, 2022	13,430,000	5.000	708840JR5

Notice is hereby given that the Issuer (hereinafter defined) has called for redemption and payment on June 15, 2020 (the "Redemption Date"), at a redemption price equal to 100% of principal amount plus interest accrued, a portion of the outstanding Pennsylvania Intergovernmental Cooperation Authority (the "Issuer"), Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010 dated May 14, 2010 and maturing on or after June 15, 2021, as listed above (the "Refunded Bonds").

All the Refunded Bonds will become due and payable on June 15, 2020 at the corporate trust office of the Trustee located in Philadelphia, Pennsylvania, upon presentation and surrender of said Refunded Bonds, and if registered, accompanied also by appropriate instruments of assignment duly executed by the registered owner or his duly authorized legal representative. Interest on the Refunded Bonds shall cease to accrue on the Redemption Date.

BY ORDER OF:

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

U.S. BANK NATIONAL ASSOCIATION, as Escrow  
Agent

<sup>1</sup> Such notice shall be mailed to registered owners of Refunded Bonds, owners of unregistered bonds who have filed their names with the Escrow Agent for the purpose of receiving such notice, to The Depository Trust Company, New York, New York, the Municipal Securities Rulemaking Board's Continuing Disclosure Information System, the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") site under S.E.C. Rule 15c2-12 at least two (2) business days in advance of the date notices addressed to registered owners of the Refunded Bonds to be redeemed are deposited in the U.S. mail. The Escrow Agent shall also include in the notice of redemption a reference to backup withholding and W-9 forms, or such other appropriate language as is required by the Internal Revenue Service.

## EXHIBIT F

### NOTICE OF REFUNDING FOR REFUNDED PRIOR BONDS

Date: \_\_\_\_\_, 20\_\_

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program),  
Series of 2010

#### NOTICE OF REFUNDING

NOTICE IS HEREBY GIVEN by U.S. Bank National Association, as Trustee for the Pennsylvania Intergovernmental Cooperation Authority (the "Issuer"), Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010 (the "2010 Bonds") dated May 14, 2010, maturing on or after June 15, 2021 that: (i) the deposit of certain refunding bond proceeds and other moneys which have been invested in obligations of the United States of America which, together with the interest to be received therefrom, along with an initial cash deposit, have been calculated to be sufficient amounts required (a) to pay interest and principal when due on the 2010 Bonds listed below (the "Refunded 2010 Bonds") until redemption and (b) to redeem on June 15, 2020, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the redemption date, all Refunded 2010 Bonds then Outstanding, (ii) such Refunded 2010 Bonds are no longer deemed Outstanding under the Amended and Restated Indenture of Trust, dated as of December 1, 1994, as amended, between the Issuer and the Trustee, and (iii) the Refunded 2010 Bonds are not entitled to any lien, benefit or security under the Indenture other than the right to receive payment from the moneys and securities deposited in accordance with the Indenture.

Due	Amount	Rate	Original CUSIP
June 15, 2021	\$12,925,000	5.000%	708840JQ7
June 15, 2022	13,430,000	5.000	708840JR5

**THIS IS NOT A NOTICE OF REDEMPTION. THIS NOTICE IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT REQUIRE OR SOLICIT THE SURRENDER OR EXCHANGE OF ANY BOND AT THIS TIME.**



## NOTICE OF FULL OPTIONAL REDEMPTION

### PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY SPECIAL TAX REVENUE REFUNDING SERIES OF 2009

NOTICE IS HEREBY GIVEN pursuant to the terms of the governing document dated as of June 15, 2009, between Pennsylvania Intergovernmental Cooperation, as Issuer, and U.S. Bank National Association, as Trustee or Agent, that the bonds listed below have been selected for Full Redemption on December 3, 2019 (the Redemption Date) at the price listed below of the principal amount (the Redemption Price) together with interest accrued to the Redemption Date.

<u>*CUSIP</u>	<u>Maturity</u>	<u>Rate</u>	<u>Amount</u>	<u>Price</u>
708840HY2	06/15/2020	5.00%	\$19,020,000	100.00%
708840HZ9	06/15/2021	4.00%	\$1,965,000	100.00%
708840JA2	06/15/2021	5.00%	\$18,000,000	100.00%
708840JB0	06/15/2022	5.00%	\$20,945,000	100.00%
708840JC8	06/15/2023	4.25%	\$1,800,000	100.00%
708840JD6	06/15/2023	5.00%	\$20,190,000	100.00%

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.

Pursuant to the Governing Documents, payment of the Redemption Price on the Bonds called for redemption will be paid without presentation of the Bonds if presentment is not required and upon presentation of the Bonds if presentment is required. If presentment is required, surrender thereof can be made in the following manner:

**Delivery Instructions:**

U.S. Bank  
Global Corporate Trust  
111 Fillmore Ave E  
St. Paul, MN 55107

Bondholders presenting their bonds in person for same day payment **must** surrender their bond(s) by 1:00 P.M. CST on the Redemption Date and a check will be available for pick up after 2:00 P.M. CST. Checks not picked up by 4:30 P.M. CST will be mailed out to the bondholder via first class mail. If payment of the Redemption Price is to be made to the registered owner of the Bond, you are not required to endorse the Bond to collect the Redemption Price.

Interest on the principal amount designated to be redeemed shall cease to accrue on and after the Redemption Date.

For a list of redemption requirements please visit our website at [www.usbank.com/corporatetrust](http://www.usbank.com/corporatetrust) and click on the "Bondholder Information" link for Redemption instructions. You may also contact our Bondholder Communications team at 1-800-934-6802 Monday through Friday from 8 AM to 6 PM CST.

**IMPORTANT NOTICE**

Federal law requires the Paying Agent to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit [www.irs.gov](http://www.irs.gov) for additional information on the tax forms and instructions.

*\*The Undersigned shall not be held responsible for the selection or use of the CUSIP number in this Redemption Notice, nor is any representation made as to its correctness. It is included solely for the convenience of the Holders.*

By: U.S. Bank National Association  
As Trustee or Agent

Dated: November 1, 2019





1500 Walnut Street, Suite 1600, Philadelphia, PA 19102  
Telephone 215-561-9160 [www.picapa.org](http://www.picapa.org)

December 3, 2019

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

Dear Mr. Torsella:

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, NA., 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, NA.), 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") between the Authority and Wachovia Bank, National Association (successor to First Union National Bank), as Trustee. On June 15, 2006, the Authority issued \$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 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") between the Authority and Wachovia Bank, National Association, as Trustee.

On May 15, 2008, the Authority issued \$214,565,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2008 (the "2008 Bonds") pursuant to the Amended and Restated Indenture, as amended and supplemented by a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 (the "Fifth Supplement to the Amended and Restated Indenture") between the Authority and U.S. Bank National Association (successor to Wachovia Bank, National Association), as Trustee (the "Trustee").

On June 15, 2009, the Authority issued \$354,925,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009 (the "2009 Bonds") pursuant to the Amended and Restated Indenture, as amended and supplemented by a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 (the "Sixth Supplement to the Amended and Restated Indenture") between the Authority and the Trustee.

On May 14, 2010, the Authority issued \$206,960,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010

(the "2010 Bonds") pursuant to the Amended and Restated Indenture, as amended and supplemented by a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 (the "Seventh Supplement to the Amended and Restated Indenture") between the Authority and the Trustee.

The Authority is now issuing \$31,085,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 Bonds") pursuant to the Amended and Restated Indenture, as amended and supplemented by an Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019 (the "Eighth Supplement to the Amended and Restated Indenture" and, collectively with the Amended and Restated Indenture, 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, the Fourth Supplement to the Amended and Restated Indenture, the Fifth Supplement to the Amended and Restated Indenture, the Sixth Supplement to the Amended and Restated Indenture and the Seventh Supplement to the Amended and Restated Indenture, the "Indenture") between the Authority and 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 Authority's bonds, including the 2010 Bonds and the 2019 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 2010 Bonds or 2019 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 2010 Bonds or 2019 Bonds are outstanding under the Indenture. The Authority will timely direct the Treasurer by requisition to transfer such amounts to the Trustee as an assignee of the Authority. The Treasurer shall continue to make such disbursement to the Trustee until it receives written notice from the Authority and the Trustee that the 2010 Bonds and 2019 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, the 1996 Bonds, the 1999 Bonds, the 2003 Bonds, the 2006 Bonds, the 2008 Bonds, and the 2009 Bonds are no longer outstanding under the Indenture.

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The Honorable Joe Torsella  
Treasurer of the Commonwealth of Pennsylvania  
December 3, 2019  
Page 5

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.

Sincerely yours,

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By:   
Harvey M. Rice  
Executive Director

Acknowledged and Agreed:

  
Treasurer of the Commonwealth of  
Pennsylvania

Dated: December 3, 2019



**Proof of Publication in The Philadelphia Inquirer  
Under Act. No 160, P.L. 877, July 9, 1976**

**STATE OF PENNSYLVANIA  
COUNTY OF PHILADELPHIA**

Cindy Jakubowski being duly sworn, deposes and says that **The Philadelphia Inquirer** is a daily newspaper published at 8<sup>th</sup> and Market Street, Philadelphia, 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:

July 19, 2019

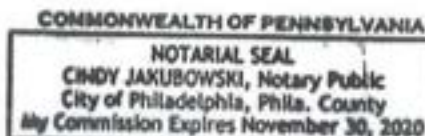
Affiant further deposes and says that she is an employee of the publisher of said newspaper and has been authorized to verify the foregoing statement and that she is not interested in the subject matter of the aforesaid notice of publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.



Sworn to and subscribed before me this 19th, day of  
July, 2019.

  
Notary Public

My Commission Expires:



**Copy of Notice of Publication**

**Notice of Fiscal Year 2020 Board Meetings  
and Annual Meeting for Fiscal Year 2021  
Pennsylvania Intergovernmental  
Cooperation Authority**

Notice is hereby given that the Board of the Pennsylvania Intergovernmental Cooperation Authority will meet at 12:15 pm, Philadelphia, PA 19106, in the Authority's conference room on the following dates:

September 17, 2019  
October 15, 2019  
November 19, 2019  
January 21, 2020  
February 18, 2020  
March 17, 2020  
April 21, 2020  
May 19, 2020  
June 16, 2020  
July 21, 2020 - (Annual Meeting)

All meetings will be held at 12:15 pm, Philadelphia, PA 19106, in the Conference Room of the Authority's office. The Authority's Conference Room is located at Suite 1600, 1600 Walnut Street, Philadelphia, PA 19102.



Proof of Publication in The Philadelphia Inquirer  
Under Act. No 160, P.L. 877, July 9, 1976

STATE OF PENNSYLVANIA  
COUNTY OF PHILADELPHIA

Cindy Jakubowski being duly sworn, deposes and says that **The Philadelphia Inquirer** is a daily newspaper published at 8<sup>th</sup> and Market Street, Philadelphia, 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:

September 23, 2019

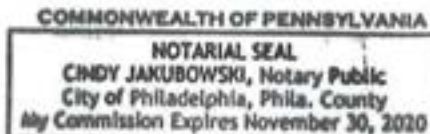
Affiant further deposes and says that she is an employee of the publisher of said newspaper and has been authorized to verify the foregoing statement and that she is not interested in the subject matter of the aforesaid notice of publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.



Sworn to and subscribed before me this 23rd, day of  
September, 2019.

  
Notary Public

My Commission Expires:



Copy of Notice of Publication

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

NOTICE OF ADOPTION OF BOND  
RESOLUTION

NOTICE IS HEREBY GIVEN that the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") adopted a resolution on September 17, 2019 (the "Resolution") authorizing the issuance by the Authority of one or more series of its special tax revenue refunding bonds in an aggregate principal amount not to exceed \$112,000,000 for the purpose of refunding all or a portion of its outstanding Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009, and its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010, and paying certain costs and expenses relating to the issuance of such refunding bonds. Pursuant to Section 303(b) of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act of June 8, 1991, P.L. 9, No. 6, as amended), you are hereby notified that:

1. The Resolution was adopted by the Authority on September 17, 2019.
2. A copy of the Resolution has been filed for public inspection at the office of the Authority at 1500 Walnut Street, 16th Floor, Philadelphia, Pennsylvania 19102, and at the office of the Chief Clerk of the City Council of the City of Philadelphia at Room 402, City Hall, Philadelphia, Pennsylvania 19107.
3. This notice is published on September 23, 2019.
4. Any action or proceeding of any kind or nature in any court questioning the validity or proper authorization of the bonds provided for by the Resolution, or the validity of any covenants, agreements or contract provided for by the Resolution, shall be commenced within 10 days after the publication of this notice. If no action or proceeding questioning the validity or proper authorization of the bonds provided for by the Resolution, or the validity of any covenants, agreements or contract provided for by the Resolution, shall be commenced within 10 days after the publication of this notice, then all residents, taxpayers and owners of property in the City of Philadelphia and all other persons whatsoever shall be forever barred and foreclosed from instituting or commencing any action or proceeding in any court, or pleading any defense to any action or proceedings, questioning the validity or proper authorization of the such bonds, or the validity of any such covenants, agreements and contracts, and such bonds and such covenants, agreements and contracts shall be conclusively deemed to be valid and binding obligations in accordance with their terms and tenor.

BY ORDER OF THE  
PENNSYLVANIA INTERGOVERNMENTAL CO-  
OPERATION AUTHORITY  
Kevin Vaughan, Chairperson

**Proof of Publication in The Philadelphia Inquirer  
Under Act. No 160, P.L. 877, July 9, 1976**

**STATE OF PENNSYLVANIA  
COUNTY OF PHILADELPHIA**

Helene Sweeney being duly sworn, deposes and says that **The Philadelphia Inquirer** is a daily newspaper published at 8<sup>th</sup> and Market Street, Philadelphia, 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:

August 22, 2019

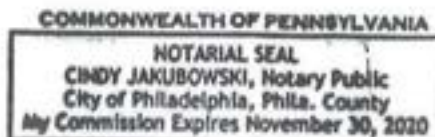
Affiant further deposes and says that she is an employee of the publisher of said newspaper and has been authorized to verify the foregoing statement and that she is not interested in the subject matter of the aforesaid notice of publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.



Sworn to and subscribed before me this 22nd day of August 2019.

  
Notary Public

My Commission Expires:



**Copy of Notice of Publication**

**NOTICE OF  
SPECIAL MEETING  
PENNSYLVANIA  
INTERGOVERNMENTAL  
COOPERATION  
AUTHORITY**

Notice is hereby given that the Board of the Pennsylvania Intergovernmental Cooperation Authority will hold a special meeting for the purpose of considering certain professional service engagements and for the purpose of conducting such other business of the Authority as may be properly brought before the Board on Monday, August 26, 2019 at 12:30 p.m. in the Board room of the Authority located on the 16th floor of 1600 Walnut Street, Philadelphia, Pennsylvania, 19102.

**PENNSYLVANIA  
INTERGOVERNMENTAL  
COOPERATION  
AUTHORITY**  
Kevin Yaugher, Chair



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR  
HARRISBURG

THE GOVERNOR

January 22, 2019

Mr. Kevin E. Vaughan  
1621 Pine Street  
Philadelphia, PA 19103

Dear Mr. Vaughan:

I am pleased to reappoint you as a member of the Pennsylvania Intergovernmental Cooperation Authority.

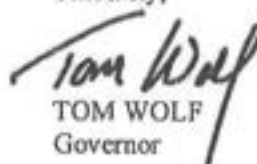
Your commission and oath of office are being prepared by the Department of State and will be mailed to you promptly. The commission, issued under my signature under the Great Seal of the Commonwealth, memorializes your appointment. The oath of office is required by the Constitution of Pennsylvania to 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.

As a member of the Pennsylvania Intergovernmental Cooperation Authority, you are subject to the Public Official and Employee Ethics Act (Ethics Act), 66 Pa. C.S. §§ 1101 et. seq., and the Governor's Code of Conduct, Executive Order 1980-18 Amended. We have posted copies of the Ethics Act and the Governor's Code of Conduct, as well as the Executive Branch Employee Gift Ban, on the Administration tab at [www.governor.pa.gov](http://www.governor.pa.gov) under Intergovernmental Affairs. It is important that you take the time to review each of these documents, which provide ethical guidelines for your public position. If you do not have access to the internet or would like copies mailed to you, please contact my office at 717-787-5825. Please do not hesitate to contact us if you have questions or concerns about the materials you review.

Additionally, in your specific public position, you will be required to file by May 1st of each year a financial disclosure form under the Ethics Act. The Statement of Financial Interests form will be provided to you by your board or commission.

Please accept my best wishes for success in your continued responsibilities and appreciation for your dedicated service to the commonwealth.

Sincerely,

  
TOM WOLF  
Governor

43RD DISTRICT  
JAY COSTA

- ☐ SENATE BOX 203043  
HARRISBURG, PA 17120-3043  
717-767-7683  
FAX: 717-763-8976
- ☐ 1501 ARDMORE BOULEVARD  
SUITE 403  
PITTSBURGH, PA 15221  
412-241-6690  
FAX: 412-731-2332
- ☐ 2306 BROWNSVILLE ROAD  
PITTSBURGH, PA 15210  
412-884-8308  
FAX: 412-888-2080
- ☐ 314 EAST EIGHTH AVENUE  
HOMESTEAD, PA 15120-1592  
412-462-4204  
FAX: 412-462-4543



Senate of Pennsylvania  
February 7, 2019

COMMITTEES

APPROPRIATIONS, EX-OFFICIO  
RULES & EXECUTIVE NOMINATIONS,  
DEMOCRATIC CHAIR  
COMMUNICATIONS & TECHNOLOGY

costa@psenate.com  
www.senatorcosta.com

Kevin Vaughan, Chairman  
Pennsylvania Intergovernmental Cooperation Authority  
1500 Walnut Street, 16th Floor  
Philadelphia, PA 19102

Dear Chairman Vaughan:

As Democratic Leader of the Senate, it is my pleasure to appoint Attorney Alan C. Kessler to serve as the Democratic appointee on the Pennsylvania Intergovernmental Cooperation Authority.

Alan C. Kessler, Esq.  
Duane Morris LLP  
30 South 17<sup>th</sup> St.  
Philadelphia, PA 19103

I am sure he will be an asset to the Authority.

Sincerely,

  
JAY COSTA  
The Democratic Leader

JC:hls

cc: The Honorable Joseph Scarnati, President Pro Temp  
The Honorable Mike Turzai  
The Honorable Frank Dermody  
The Honorable Vincent Hughes  
Megan Martin  
Glenn J. Pasewicz  
Allen C. Kessler, Esq.



MIKE TURZAI  
Speaker of the House

Room 139 Main Capitol Building  
PO Box 202028  
Harrisburg, PA 17120-2028  
Phone: (717) 772-9943



House of Representatives  
Commonwealth of Pennsylvania  
Harrisburg

125 Hillvue Lane  
First Floor  
Pittsburgh, PA 15237  
Phone: (412) 369-2230

February 19, 2019

Harvey M. Rice, Executive Director  
Pennsylvania Intergovernmental Cooperation Authority  
1500 Walnut Street, Suite 1600  
Philadelphia, PA 19102

Dear Mr. Rice:

Please be advised that I am hereby reappointing Michael Karp to the Pennsylvania Intergovernmental Cooperation Authority (PICA) for the 2019-2020 Legislative Session of the General Assembly.

Sincerely,

A handwritten signature in cursive script that reads "Mike Turzai".

Mike Turzai  
Speaker of the Pennsylvania House of Representatives  
Member, 28<sup>th</sup> Legislative District

MT/plh

cc: Michael Karp  
Governor's Office of Boards and Commissions  
Joint State Government Commission  
Keisha Wright



28TH DISTRICT  
**JOE SCARNATI**

SENATE BOX 203025  
HARRISBURG, PA 17120-3025  
(717) 787-7084  
FAX: (717) 772-2785  
www.senatobox.com



**Senate of Pennsylvania**

January 22, 2019

**DISTRICT OFFICES**

**BROCKWAY OFFICE:**  
410 MAIN STREET  
BROCKWAY, PA 15824  
(814) 285-2030  
FAX (814) 285-2040

**WELLSBORO OFFICE:**  
5 MAIN STREET  
WELLSBORO, PA 16901  
(570) 724-5231  
FAX (570) 723-5118

The Honorable James F. Cawley  
United Way of Greater Philadelphia  
and Southern New Jersey  
1709 Ben Franklin Parkway  
Philadelphia, PA 19103

Dear Jim:

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 as a member of the governing board of the Pennsylvania Intergovernmental Cooperation Authority. Your term will expire January 22, 2021.

Thank you for your willingness to continue to represent the Senate in this capacity.

Sincerely,

Joe Scarnati

cc: Secretary of the Senate  
Executive Director, PA Intergovernmental Cooperation Authority  
Governor's Office on Boards and Commissions

FRANK DERMODY  
DEMOCRATIC LEADER  
33RD LEGISLATIVE DISTRICT  
ROOM 423 MAIN CAPITOL  
PO BOX 202033  
HARRISBURG, PENNSYLVANIA 17120-2033  
PHONE: (717) 767-3506  
FAX: (717) 767-8080



DISTRICT OFFICE  
HARMAR  
1331 FREEPORT ROAD  
CHESWICK, PENNSYLVANIA 15024  
PHONE: (724) 274-4770  
FAX: (724) 274-6614

HOUSE OF REPRESENTATIVES  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG

January 31, 2019

Harvey M. Rice, Executive Director  
Pennsylvania Intergovernmental Cooperation Authority  
1500 Walnut Street, 16<sup>th</sup> Floor  
Philadelphia, PA 19102

Dear Mr. Rice:

Pursuant to the Act of June 5, 1991 (P.L. 9, No. 6 § 202), I hereby reappoint Tina Byles Williams to the Pennsylvania Intergovernmental Cooperation Authority for the 2019-2020 Legislative Session of the General Assembly. Ms. Byles Williams' contact information is as follows:

1818 Market Street  
Suite 3205  
Philadelphia, PA 19103

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Dermody", is written over a horizontal line.

Frank Dermody  
33<sup>rd</sup> Legislative District  
Democratic Leader

FD:cs

cc: Governor's Office of Boards and Commissions  
Honorable Jay Costa, Democratic Senate Leader  
Tina Byles Williams  
Joint State Government Commission  
Keisha Wright, Office of the Chief Clerk

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**  
**Special Tax Revenue Refunding Bonds**  
**(City of Philadelphia Funding Program)**

**\$31,085,000**  
**Series of 2019**

**\$24,990,000**  
**Series of 2020 (Forward Delivery)**

**GENERAL CERTIFICATE OF THE AUTHORITY**

This certificate is made on December 3, 2019 in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of the 2019 Bonds (hereinafter defined) and the sale of the 2020 Bonds (hereinafter defined). 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 the resolution of the Authority adopted on September 17, 2019 authorizing and approving, among other things, the issuance and sale of the 2019 Bonds and the 2020 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, the Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006, the Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008, the Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009, the Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 and the Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019, pursuant to which the 2019 Bonds are issued and 2020 Bonds will be issued.

"2019 Bonds" means the \$31,085,000 aggregate principal amount Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019, authorized to be issued under the Indenture.

"2020 Bonds" means the \$24,990,000 aggregate principal amount Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery), authorized to be issued under the Indenture.

"Forward Delivery Purchase Agreement" means the Forward Delivery Bond Purchase Agreement dated October 29, 2019 between the Authority and RBC Capital Markets, LLC, as Representative of the Underwriters.



"Official Statement" means the Official Statement dated October 29, 2019 of the Authority relating to the 2019 Bonds and 2020 Bonds.

"Preliminary Official Statement" means the Preliminary Official Statement dated October 21, 2019 relating to the 2019 Bonds and 2020 Bonds.

"Purchase Contract" means the Bond Purchase Agreement dated October 29, 2019, between the Authority and RBC Capital Markets, LLC, as Representative of the Underwriters.

"Representative" means RBC Capital Markets, LLC, acting on its own behalf and as representative of the Underwriters.

"Underwriters" means RBC Capital Markets, LLC, Siebert Cisneros Shank & Co., LLC and PNC Capital Markets LLC.

All capitalized terms not defined herein shall have the meanings set forth in the Indenture or the Act.

WE, THE UNDERSIGNED CHAIRPERSON AND 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 delivery the Indenture, to issue, sell and deliver the 2019 Bonds and the 2020 Bonds, and to carry out and consummate the transactions contemplated by the Indenture, the Purchase Contract, the Forward Delivery Purchase Agreement and the Official Statement.

2. The voting members and officers 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:

<u>Name</u>	<u>Office</u>	<u>Specimen/Signature</u>
Kevin Vaughan	Chairperson	
Harvey M. Rice*	Executive Director/ Assistant Secretary	

\*Mr. Rice is not a voting member of the Board of the Authority.

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.

4. Attached hereto as Exhibit A is a true, correct and complete copy of the by-laws 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, the Forward Delivery Purchase Agreement 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 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 1500 Walnut Street, Suite 1600, 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 is a true, correct and complete copy of the resolution of the Authority approving the City's Twenty-Eighth Five-Year Financial Plan prepared pursuant to the Act and submitted to the Authority for approval pursuant to the Act; 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.

8. Attached hereto as Exhibit E are true, correct and complete specimens of the form of the Authority's 2019 Bonds. The signatures of the Chairperson or Vice Chairperson and the Secretary or the Assistant Secretary of the Authority signed on the 2019 Bonds are the manual 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 Authority.

9. The Eighth Supplement to the Amended and Restated Indenture delivered to the Trustee at the Closing held this day in respect of the 2019 Bonds and 2020 Bonds was duly authorized, executed, acknowledged and delivered on behalf of the Authority by the Chairperson, and was duly sealed and attested on behalf of the Authority by the Secretary or the 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 Eighth Supplement to the Amended and Restated Indenture is in substantially the form approved by the Bond Resolution.



10. Attached hereto as Exhibit F is a copy of the letter dated June 28, 1991 from the Department of Revenue of the Commonwealth of Pennsylvania, appointing the Revenue Department of the City and the Law Department of the City agents for the Collection and enforcement of the Authority Tax.

11. Attached hereto as Exhibit G is a copy of the City Account Deposit and Disbursement Agreement, dated as of December 6, 1991, as acknowledged by the City.

12. Attached hereto as Exhibit H is a copy of the Intergovernmental Cooperation Agreement, dated as of January 8, 1992, between the City and the Authority.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this General Certificate to be executed on its behalf by its Chairperson and Assistant Secretary and its seal to be affixed hereto on the date and year first above written.

[SEAL]

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By:

  
Chairperson

Attest:

By:

  
Assistant Secretary

EXHIBIT A

BYLAWS

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 General Powers. 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 Interpretation of Bylaws. 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 Principal Office. 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 Books and Records. 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 Membership. 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 Terms. 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 his or her successor is appointed, whichever shall first occur.

(amended  
on  
7/18/94)

3.03 Vacancies. 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, 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.

(amended  
on  
7/18/94)

3.04 Removal. 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 Compensation. 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 Liability. 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.

3.09 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 Place of Meetings. 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 Regular Meetings. 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 Annual Meeting. The annual meeting of the Authority shall be the first regular meeting of each fiscal year of the Authority.

4.04 Special Meetings. 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 Notice of Meetings. 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 Participation in Meetings by Conference Telephone. 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.

4.07 Public Notice of Meetings. 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 following: (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.

5.02 Tenure of Office. Except for the Executive 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 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.

(amended  
on  
7/18/94)

5.03 Chairperson. 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 Vice Chairperson. 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 Treasurer. 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.

5.09 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.

5.10 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.

5.11 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 shall have the power to fill any vacancies occurring for whatever reason in any office, except for a vacancy in the Executive Director's office which shall require a Qualified Majority of the Board. All vacancies shall be filled as soon as practicable.

(amended  
on  
7/18/94)

## ARTICLE VI

### EMPLOYEES

6.01 Other Employees and Professional Services. The 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

7.01 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 Fiscal Year. 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 Corporate Seal. 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 Indemnity. 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 or 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 Security for Indemnification Obligations. 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 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 Reliance Upon Provisions. 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

10.01 Conflicts of Interest. All members, officers and 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 Waiver of Notice. 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 Amendments. 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  
BOND RESOLUTION



ReedSmith

Driving progress  
through partnership

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SEP 18 2019

September 18, 2019

*Via Hand Delivery*

Mr. Michael Decker  
Chief Clerk  
City of Philadelphia City Council  
City Hall  
Room 402  
Philadelphia, PA 19107

Re: Pennsylvania Intergovernmental Cooperation Authority

Dear Mr. Decker:

On behalf of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), and in accordance with Section 303(b) of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, as amended (the "Act"), I am hereby filing with your office for public inspection the enclosed copy of a resolution adopted by the governing board of the Authority on September 17, 2019 authorizing the issuance of bonds by the Authority.

Also in accordance with Section 303(b) of the Act, the Authority intends to cause a notice to be published in a newspaper of general circulation published or circulating in the City, stating that a copy of this resolution has been filed in your office for public inspection.

Please acknowledge your receipt of this letter and the enclosed resolution by time stamping the enclosed copy of this letter and returning that time-stamped copy to our messenger.

Thanks very much,

Very truly yours,

Reed Smith LLP

By   
S. William Richter

SWR/mp

cc w/enc: Mr. Harvey Rice – Executive Director, PICA  
George Magnatta, Esquire – Bond Counsel

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Resolution No. 2020-05

September 17, 2019

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AUTHORIZING THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF REFUNDING BONDS (THE "BONDS") OF THE AUTHORITY TO REFUND ALL OR A PORTION OF THE OUTSTANDING SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM), SERIES OF 2009, AND SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM), SERIES OF 2010, OF THE AUTHORITY (COLLECTIVELY, THE "REFUNDED BONDS"); AUTHORIZING THE BONDS TO BE ISSUED AS FIXED RATE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST PURSUANT TO WHICH THE REFUNDED BONDS WERE ISSUED AND ARE SECURED; AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE BOND PURCHASE CONTRACTS AND OTHER AGREEMENTS AND DOCUMENTS NECESSARY OR APPROPRIATE IN CONNECTION WITH THE ISSUANCE AND SALE OF THE BONDS AND THE REFUNDING TO BE EFFECTED THEREBY (THE "REFUNDING"); AUTHORIZING THE PREPARATION, DISTRIBUTION AND EXECUTION, AS APPLICABLE, OF A PRELIMINARY OFFICIAL STATEMENT AND A FINAL OFFICIAL STATEMENT RELATING TO THE BONDS; DETERMINING THAT A PRIVATE NEGOTIATED SALE OF THE BONDS IS IN THE BEST INTEREST OF THE AUTHORITY; AUTHORIZING AND APPROVING THE SALE OF THE BONDS; AUTHORIZING THE USE OF AVAILABLE MONEYS IN THE DEBT SERVICE RESERVE FUND, DEBT SERVICE FUND AND OTHER FUNDS OF THE AUTHORITY IN CONNECTION WITH THE REFUNDING, IF NECESSARY; AUTHORIZING ONE OR MORE CONDITIONAL NOTICES OF REDEMPTION OF THE REFUNDED BONDS; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS, INCLUDING THE EXECUTION AND DELIVERY OF DOCUMENTS, NECESSARY OR APPROPRIATE FOR THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY.

**BACKGROUND**

WHEREAS, 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 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, the Authority currently has outstanding its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009 (the "2009 Bonds"), in the aggregate principal amount of \$81,920,000, and its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010 (the "2010 Bonds"), in the aggregate

principal amount of \$26,355,000 (the "2010 Bonds") and together with the 2009 Bonds, the "Refunded Bonds"; and

WHEREAS, in order to achieve debt service savings, the Authority desires to authorize the issuance and sale of one or more additional series of its special tax revenue refunding bonds (collectively, the "Bonds") to refund all or a portion of the Refunded Bonds and to pay the costs and expenses of issuance related to the Bonds (collectively, 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 authorizing the issuance of the Bonds in order to obtain funds to be used for the Refunding; and

WHEREAS, the Authority has determined that, because of, in particular, the complexity of this financing, a private negotiated sale of the Bonds is in the best interest of the Authority; and

WHEREAS, the Authority has determined that it would be expeditious to authorize the issuance of one or more conditional notices of optional redemption of the Refunded Bonds; 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 and documents, and the performance of all such other acts as may be necessary or appropriate, in connection with the issuance and sale of the Bonds, the Refunding, the implementation of this Resolution and the transactions contemplated hereby.

NOW, THEREFORE, BE IT RESOLVED BY THE PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY AS FOLLOWS:

Section 1. Definitions. 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, 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, the Fourth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2006, the Fifth Supplement to the Amended and Restated Indenture of Trust, dated as of May 1, 2008, the Sixth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2009, and the Seventh Supplement to the Amended and Restated Indenture of Trust, dated as of May 1, 2010, each between the Authority and the Trustee (or a predecessor trustee).

"Authorized Officers" means the Chairperson and the Executive Director.

"Board" means the governing board of the Authority.

"Bond Purchase Contract" means any Bond Purchase Contract entered into between the Authority and the Underwriters (or a representative of the Underwriters), providing for the sale and purchase of one or more separate series 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.

"Debt Service Reserve Fund" means the fund of that name held by the Trustee under the Amended and Restated Indenture.

"Eighth Supplement to the Amended and Restated Indenture" means the Eighth Supplement to the Amended and Restated Indenture to be entered into between the Authority and the Trustee with respect to the issuance of the Bonds, amending and supplementing the Amended and Restated 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 Deputy Executive Director).

"Official Statement" means any final official statement of the Authority with respect to one or more series of the Bonds.

"Preliminary Official Statement" means any preliminary official statement of the Authority with respect to one or more series of the Bonds.

"Resolution" means this Resolution, and any resolution supplemental hereto.

"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).

"Treasurer" 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).

"Trustee" means U.S. Bank National Association, as trustee under the Amended and Restated Indenture, and its successors and assigns as such trustee.



"Underwriters" means RBC Capital Markets LLC, Siebert Cisneros Shank & Co., L.L.C., PNC Capital Markets LLC, and any other underwriters party to, or named in, any Bond Purchase Contract, to be selected by the Authority.

Section 2. Authorization of the Refunding. The Authority hereby finds and determines that the issuance and sale of the Bonds under the Amended and Restated Indenture and the Eighth Supplement to the Amended and Restated Indenture and the use of the proceeds of the Bonds for the Refunding are in furtherance of the public purposes set forth in the Act, are in the best interest of the Authority, and are in compliance with the provisions of the Act.

Section 3. Negotiated Sale of Bonds. 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, and the corresponding necessity of careful and thorough disclosure in the Preliminary Official Statement and the Official Statement in connection with the offering and the sale of the Bonds, will, in the judgment of the Authority, 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 Preliminary Official Statement and the Official Statement and the other financing documents and in the marketing of the Bonds. The Authority has determined, after due consideration, that 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. Delegation to Authorized Officers. The Authorized Officers are 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 Refunding and the issuance, sale and delivery of the Bonds, 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 or closings therefor in the manner provided herein; provided, however, that the aggregate principal amount of the Bonds shall not exceed \$112,000,000, the final maturity date for the Bonds shall not be later than June 15, 2023, the fixed interest rate or rates on the Bonds shall be such that the true interest cost to the Authority shall not exceed seven percent (7.0%), the price received by the Authority for the Bonds shall be not less than 95% of the face amount thereof, and the Authority shall achieve net present value debt service savings as a result of the Refunding. The Bonds shall be designated generally as "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019" and may be issued in one or more series or subseries and on one or more dates. 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 deposits to any required reserve funds. If so approved by the Authorized Officers, the issuance and sale of the portion of the Bonds to be issued for the refunding of the 2010 Bonds may be structured on a "forward" basis whereby the terms of such Bonds are authorized and established as of a current date in 2019 with an agreement of the Authority to issue such Bonds, and an agreement



of the Underwriters to purchase such Bonds at specified prices, on an appropriate future date in 2020.

Section 5. Form and Terms of Bonds. 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 fixed rates of interest; shall be subject to redemption prior to maturity; and shall otherwise be subject to such additional terms, conditions and provisions, all as are approved by the Authorized Officers and specified in each applicable Bond Purchase Contract or the Eighth Supplement to the Amended and Restated Indenture. The form of the Bonds for each applicable series set forth in the Eighth Supplement to the Amended and Restated Indenture is hereby incorporated herein by this reference, subject to appropriate insertions and revisions necessary to comply with the provisions of the Eighth 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 Eighth Supplement to the Amended and Restated Indenture, as finally executed, and are hereby approved and incorporated herein by this reference. The Bonds, when executed on behalf of the Authority in the manner contemplated by the Eighth Supplement to the Amended and Restated Indenture and this Resolution, shall represent the approved form of the Bonds.

Section 6. Execution and Authentication of Bonds. The Chairperson or Executive Director 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 Eighth Supplement to the Amended and Restated Indenture.

Section 7. Bonds as Limited Obligations. The Bonds shall be limited obligations of the Authority payable by the Authority solely from the sources specified or described in the Amended and Restated Indenture and the Eighth 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. Eighth Supplement to the Amended and Restated Indenture. The Authority is hereby authorized to enter into the Eighth Supplement to the Amended and Restated Indenture. The Chairperson or Executive Director is hereby authorized and directed to execute and deliver the Eighth 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 Eighth Supplement to the Amended and Restated Indenture by either such officer.

Section 9. Bond Purchase Contracts. The Authority is hereby authorized to enter into one or more Bond Purchase Contracts and to sell the Bonds by private negotiated sale to the Underwriters pursuant thereto. The Chairperson or Executive Director 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 Executive Director 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. Application of Bond Proceeds. 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 Amended and Restated Indenture and the Eighth Supplement to the Amended and Restated Indenture and to invest and reinvest, at the direction of the Authority, all moneys which by the terms of the Amended and Restated Indenture and the Eighth Supplement to the Amended and Restated Indenture may be invested, or to deposit and redeposit such moneys in such accounts as may be permitted by the Amended and Restated Indenture and the Eighth Supplement to the Amended and Restated Indenture, all subject to the terms and limitations contained in the Amended and Restated Indenture and the Eighth Supplement to the Amended and Restated Indenture.

Section 11. Preliminary Official Statement and Official Statement. The preparation and distribution of the Preliminary Official Statement and Official Statement (and any appropriate amendments or supplements thereto) for each applicable series of Bonds is hereby authorized and approved in connection with the marketing, sale and delivery of the Bonds. The Chairperson or Executive Director is hereby authorized and directed to execute the Official Statement for each series of Bonds in such form 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 deem the applicable Preliminary Official Statement 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 12. Transaction Documents. The Authority is hereby authorized to enter into such escrow deposit 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, and all other agreements relating to or concerning the Bonds, the Refunding and any credit enhancement for the Bonds, if any, all as may be required under any 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 or the Executive Director is hereby authorized and directed, in the name and on behalf of the Authority, to execute, deliver and file any and all such documents and other documents, instruments, agreements and certificates of any kind whatsoever, 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, 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 any Bond Purchase Contract, the Eighth 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, or that are necessary or appropriate to effectuate fully the issuance of the Bonds, the Refunding and the other transactions contemplated hereby. The Secretary or any 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. For this purpose, the Executive Director is hereby appointed as an Assistant Secretary of the Authority.

Section 13. Filing of Resolution; Publication. 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 City Council 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 14. Transaction Costs. To the extent not paid from the proceeds of the Bonds or from other sources of funds available under the Amended and Restated 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, if any, and deposits to funds under the Amended and Restated Indenture, from the unencumbered general funds of the Authority.

Section 15. Redemption of Refunded Bonds. The proper officers of the Authority are hereby authorized and directed to take all necessary or appropriate action to cause conditional notices of the optional redemption of each series of the Refunded Bonds to be given to the holders of such Refunded Bonds, in accordance with all requirements of the Refunded Bonds, the Amended and Restated Indenture, and the applicable requirements of any applicable securities depository holding any of the Refunded Bonds. The redemption date or dates specified in such notice shall be such date or dates as may be appropriate in light of the anticipated date of issuance of each applicable series of the Bonds. The notices shall specify, among other things, that such redemption of the Refunded Bonds is expressly conditioned upon the deposit of the redemption moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

Section 16. Repeal and Ratification. 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 17. Effective Date. This Resolution shall take effect immediately.

MOVED: Michael Karp

SECONDED: Alan Kessler

APPROVED: YES

Qualified Majority Required: Yes X No \_\_\_\_\_

Vote: Yes No Abstain Absent

Cawley X

Karp X

Kessler X

Vaughan X

Williams X

EXHIBIT C

AUTHORITY RESOLUTION APPROVING COOPERATION AGREEMENT



**INTERGOVERNMENTAL  
COOPERATION  
AGREEMENT**

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**

**Resolution No. 1992 - 02**  
**January 8, 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 Majority Required: Y x N     

Vote:	<u>YES</u>	<u>NO</u>	<u>ABSTAIN</u>
Anderson	<u>X</u>	<u>    </u>	<u>    </u>
Andes	<u>X</u>	<u>    </u>	<u>    </u>
Carroll	<u>X</u>	<u>    </u>	<u>    </u>
Egan	<u>X</u>	<u>    </u>	<u>    </u>

EXHIBIT D

AUTHORITY RESOLUTION APPROVING CITY FINANCIAL PLAN

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**

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**Resolution No. 2020 - 01**  
**July 16, 2019**

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WHEREAS, as required under 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"), and under the Intergovernmental Cooperation Agreement, dated as of January 8, 1992 (the "Cooperation Agreement"), between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and The City of Philadelphia, Pennsylvania (the "City"), the City has submitted to the Authority a five-year financial plan for the City's fiscal years ending June 30, 2020 through June 30, 2024 (the "Plan"); and

WHEREAS, the staff of the Authority has reviewed the Plan and has submitted a report thereon to the Board;

**NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:**

1. The Authority hereby finds and determines that the Plan meets the applicable requirements, criteria and standards of the Act and the Cooperation Agreement and hereby approves the Plan.
2. All prior resolutions or parts of prior resolutions not in accordance with this Resolution are hereby repealed insofar as they conflict herewith.
3. This Resolution shall take effect immediately.

MOVED: Mr. Karp

SECONDED: Mr. Cawley

APPROVED: Yes

Qualified Majority Required: Y   x   N

Vote:	<u>YES</u>	<u>NO</u>	<u>ABSTAIN</u>
Cawley	<u>X</u>	_____	_____
Karp	<u>X</u>	_____	_____
Kessler	<u>X</u>	_____	_____
Vaughan	<u>X</u>	_____	_____
Williams	<u>X</u>	_____	_____



EXHIBIT E  
FORM OF 2019 BONDS

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
 Special Tax Revenue Refunding Bonds  
 (City of Philadelphia Funding Program)  
 Series of 2019

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.000%	June 15, 2021	December 3, 2019	708840JU8

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: NINE MILLION EIGHT HUNDRED SIXTY THOUSAND 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 (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid, from the Dated Date identified above, on June 15 and December 15 in each year, commencing June 15, 2020 (each, an "Interest Payment Date"), 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 U.S. Bank National Association 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 U.S. Bank National Association or its successor as Registrar and at the address appearing thereon on the last day of the month (whether or not a business day) next 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 2019 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 or America.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
 Special Tax Revenue Refunding Bonds  
 (City of Philadelphia Funding Program)  
 Series of 2019

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.000%	June 15, 2022	December 3, 2019	708840JV6

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TEN MILLION THREE HUNDRED FIFTY-FIVE THOUSAND 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 (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid, from the Dated Date identified above, on June 15 and December 15 in each year, commencing June 15, 2020 (each, an "Interest Payment Date"), 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 U.S. Bank National Association 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 U.S. Bank National Association or its successor as Registrar and at the address appearing thereon on the last day of the month (whether or not a business day) next 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 2019 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 or America.



PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
 Special Tax Revenue Refunding Bonds  
 (City of Philadelphia Funding Program)  
 Series of 2019

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.000%	June 15, 2023	December 3, 2019	708840JW4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TEN MILLION EIGHT HUNDRED SEVENTY THOUSAND 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 (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid, from the Dated Date identified above, on June 15 and December 15 in each year, commencing June 15, 2020 (each, an "Interest Payment Date"), 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 U.S. Bank National Association 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 U.S. Bank National Association or its successor as Registrar and at the address appearing thereon on the last day of the month (whether or not a business day) next 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 2019 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 or America.

Interest on the Series 2019 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 2019 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 2019 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 2019 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office or 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 or her 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 Eighth Supplement to the Amended and Restated Indenture, dated as of December 1, 2019, between the Authority and the Trustee (the "Eighth Supplement") 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 2019 issued in the aggregate principal amount of \$31,085,000 (the "Series 2019 Bonds"). The Series 2019 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 2019 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on September 17, 2019 (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, a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006, a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008, a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009, a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 and the Eighth Supplement (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 Series 2019 Bonds are not subject to redemption prior to maturity.

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 2019 Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series 2019 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 2019 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 Assistant Secretary, as of the date first above written.

**ATTEST:**

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: \_\_\_\_\_  
(Assistant) Secretary

By: \_\_\_\_\_  
Chairperson

[SEAL]

SPECIMEN

[Signature Page – 2019 Bond]

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 2019 Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on or attached to this Bond is the complete text of the opinion of Saul Ewing Arnstein & Lehr 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 2019 Bonds.

U.S. BANK NATIONAL ASSOCIATION,  
Trustee

By: \_\_\_\_\_  
Authorized Signature

Date of Authentication:

[Signature Page – 2019 Bonds]



## 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.

Date: \_\_\_\_\_

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 F

COPY OF LETTER FROM DEPARTMENT OF REVENUE

23-25-1991 16:22 FROM: DEPARTMENT OF REVENUE TO:



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE  
HARRISBURG, PENNSYLVANIA  
17127

RECEIVED

*City of Philadelphia*  
**Appen. B**

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, 1991 and shall remain in effect until terminated by notice in writing by the Commonwealth of Pennsylvania, Department of Revenue.

In witness whereof, I have set my hand and seal this  
28 day of June, 1991.

*Eileen H. McNulty*  
Eileen H. McNulty  
Secretary of Revenue

SEAL

APPENDIX B

EXHIBIT G

COPY OF CITY ACCOUNT DEPOSIT AND DISBURSEMENT AGREEMENT

CITY ACCOUNT DEPOSIT AND DISBURSEMENT AGREEMENT

THIS CITY ACCOUNT DEPOSIT AND DISBURSEMENT AGREEMENT is made as of the 6th day of December, 1991, by and between the Pennsylvania Intergovernmental Cooperation Authority, a body corporate and politic constituting a public authority and instrumentality of the Commonwealth of Pennsylvania ("Authority"), and CoreStates Bank, N.A., a national banking association having its principal corporate trust office in the City of Philadelphia, Pennsylvania ("CoreStates"), and is acknowledged and agreed to by the City of Philadelphia, Pennsylvania.

W I T N E S S E T H:

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) ("Act"); and

WHEREAS, pursuant to Section 314 of the Act, the Authority desires to establish with CoreStates, in trust for the exclusive benefit of The City of Philadelphia, Pennsylvania ("City"), an account into which the Authority shall deposit or shall cause or direct to be deposited, certain funds as required by Section 314(c) of the Act; and

WHEREAS, CoreStates, subject to the terms and conditions hereinafter set forth, is willing to accept such trust, to accept such funds for deposit, to hold them in trust

for the City and to disburse such funds in accordance with the terms and conditions hereof and in accordance with the Act.

NOW, THEREFORE, in consideration of the mutual agreements and provisions herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

1. ESTABLISHMENT OF TRUST ACCOUNT.

(a) The Authority hereby establishes with CoreStates, in trust for the exclusive benefit of the City, an account to be designated and known as the "City Account". The City Account shall consist of the funds required to be deposited by the Authority or caused or directed to be deposited by the Authority to the credit thereof pursuant to Section 314 of the Act and in accordance with any intergovernmental cooperation agreement entered into by the City and the Authority, and all investments of such funds and the income from such investments as hereinafter provided.

(b) CoreStates hereby agrees to establish and maintain the City Account as a trust fund and to receive and hold all such funds received from or on behalf of or at the direction of the Authority for deposit therein, and all such investments of such funds and the income from such investment, in trust exclusively for the benefit of the City (all such funds, investments and income on deposit to the credit of the City Account at any time and from time to time being hereinafter referred to as "Funds"). The City Account and the Funds (and the



Investment income earned thereon) shall not be subject to the claims or demands of, or to lien or attachment by or in favor of any creditor of the Authority or obligee of the Authority, as such term is defined in the Act, and shall at all times remain in the City Account as funds for the exclusive benefit of the City, subject to reimbursement to the City strictly in accordance with the terms of this Agreement and the Act. CoreStates shall hold the City Account separate and apart from all other funds and shall not commingle the Funds with any other funds or accounts.

2. DEPOSIT AND INVESTMENT OF FUNDS.

(a) All cash on deposit to the credit of the City Account shall be invested and reinvested by CoreStates only as directed in writing by the City in the permitted investments set forth on Exhibit "A" hereto, which Exhibit is incorporated herein by reference. Exhibit "A" may be revised or supplemented in a manner consistent with the Act by the City by delivery to CoreStates and the Authority of such revision or supplement in writing signed by the City Treasurer of the City or his or her designee named in Exhibit "B" hereto.

(b) Investment income earned on the Funds shall be added to and become part of the Funds.

(c) The directions of the City as to the investment of the City Account shall be provided in writing to CoreStates (with a copy sent concurrently to the Authority) by the City Treasurer of the City or his or her designee named on

Exhibit "B" attached hereto, which Exhibit is incorporated herein by reference, and the Authority and CoreStates shall not be liable or responsible for any loss suffered on account of any investment made upon such directions. The City Treasurer may also revise Exhibit "B" in order to name a different designee or different account for the City's general fund pursuant to Section 2 hereof by delivery of such revision in writing executed by the City Treasurer to the Authority and CoreStates.

(d) CoreStates shall notify the City of the amount of each deposit to the City Account on the date of such deposit.

### 3. DISBURSEMENT OF FUNDS.

(a) Except as provided in Section 3(b), and prior to the issuance of bonds by the Authority, CoreStates shall automatically disburse all Funds then on deposit in the City Account to the City on a weekly basis, on the last business day of each calendar week, by wire transfer of immediately available funds to the account of the City's general fund designated on Exhibit "B" hereto. Upon issuance of bonds by the Authority, CoreStates shall (except as provided in Section 3(b) hereof) automatically disburse all Funds then on deposit in the City Account to the City on a monthly basis, on the last business day of each calendar month, by wire transfer of immediately available funds to the account of the City's general fund designated on Exhibit "B" hereto. Delivery by the Authority of the executed



...enture of trust relating to the Authority's bonds shall be  
...to CoreStates of the commencement of monthly disbursements  
...the City Account. The disbursement of Funds provided  
...ainabove may be made on a different schedule than weekly by  
...ement of the Authority and the City and upon prior written  
...ice from the Authority and the City to CoreStates, but in no  
...ent (except as provided in Section 3(b) hereof) shall  
...bursement to the City be made less often than monthly on the  
...st business day of each calendar month.

(b) Disbursements from the City Account to the  
...ty shall be suspended at the written direction of the Secretary  
...the Budget of the Commonwealth of Pennsylvania, pursuant to  
...section 210(e) of the Act, to CoreStates that certification to  
...the Secretary of the Budget has been made by the Authority  
...pursuant to Section 210(e)(3) of the Act. Upon receipt of such  
...direction from the Secretary of the Budget, CoreStates shall  
...suspend all disbursements from the City Account (except for fees  
...and expenses of CoreStates permitted to be charged to the City  
...Account pursuant to Section 5(g) hereof), but shall continue to  
...invest all Funds at the direction of the City and to give the  
...City notice of amounts deposited in the City Account. Upon  
...receipt by CoreStates of written notice from the Secretary of the  
...Budget that the Funds are to be released pursuant to Section  
...209(e)(4) of the Act, CoreStates shall, by 11:00 A.M. on the  
...business day immediately following its receipt of the foregoing

by initiating a federal funds wire, disburse all Funds in the City Account to the City and shall thereafter resume disbursements in accordance with Section 3(a) hereof.

4. CONFLICTS BETWEEN AGREEMENTS.

The Authority and the City acknowledge and agree that CoreStates has, and shall have, no duties, obligations or liabilities under or in respect of any separate agreement or understanding by or between the Authority and the City and that all of CoreStates' obligations and duties with respect to the Funds arise solely under and in accordance with this Agreement and the Act.

5. CONCERNING CORESTATES.

(a) CoreStates shall not be responsible for determining the sufficiency of any of the amounts delivered for deposit into the City Account or the genuineness of any signature on any notice, agreement or instrument delivered hereunder. The duties of CoreStates hereunder shall be entirely administrative and not discretionary. CoreStates is directed hereby to comply with any orders, judgments or decrees of any court with respect to the disbursement of any Funds and shall not be liable as a result of its compliance with the same. CoreStates may rely conclusively upon the genuineness and authorization of the signature or purported signature of any party upon any



instruction, notice, release, receipt or other document delivered to it pursuant to this Agreement.

(b) As to any question arising in connection with the administration of this Agreement, CoreStates may rely absolutely upon the opinions given to it by its counsel and shall be free of liability for acting (or failing to act) in good faith in reliance on such opinions.

(c) In the event of any dispute or conflicting demands by the Authority or the City, whether or not expressly provided for in this Agreement, or if CoreStates otherwise deems it necessary, CoreStates shall have the right to file a suit in interpleader or for instructions or for a declaratory judgment or other relief and obtain an order from the proper court requiring the parties to litigate in such court their conflicting claims or demands. In the event any such action is taken, CoreStates shall be fully released and discharged from all obligations to perform any duties imposed upon it by this Agreement unless and until otherwise ordered by such court, except that CoreStates shall be obligated to account for the Funds and to maintain the City Account as provided in Section 1 hereof.

(d) CoreStates shall not be liable for any action taken or omitted to be taken hereunder except for its own negligence, willful misconduct or lack of good faith.

(e) The Authority may at any time, upon at least five days' prior written notice to CoreStates and the City,



terminate this Agreement, whereupon CoreStates shall promptly close the City Account and transfer all Funds on deposit therein to a successor trustee as directed in writing by the Authority to CoreStates and the City.

(f) The rights and obligations of CoreStates hereunder shall automatically inure to any successor in interest or successor organization to which CoreStates transfers substantially all of its trust business, provided such successor qualifies as trustee for the City Account under the Act.

(g) The fees, costs and expenses of CoreStates for the City Account and investment of the Funds are as set forth on Exhibit "C" attached hereto and incorporated herein by reference and shall be payable by the City at the times set forth on Exhibit "C". The fees and expenses set forth on Exhibit "C" shall be payable from the City Account, if not timely paid by the City. CoreStates is authorized and empowered to deduct such fees and expenses to which it is or may become entitled under this Agreement from the Funds, only if not timely paid by the City and upon prior written notice to the City. The City and CoreStates may revise or supplement Exhibit "C" from time to time by delivering such revision or supplement in writing to the Authority, such revision or supplement to be executed by CoreStates and the City.

(h) CoreStates shall compute the value of the investments in the City Account at the face value thereof or the

current market value thereof, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the holder. CoreStates shall provide to the City and the Authority on such periodic basis as shall be requested by the City, the valuations of the investments in the City Account and shall provide to the City and the Authority the monthly reports customarily prepared by CoreStates for the City with respect to accounts in CoreStates' trust department. CoreStates shall provide to the City such other reports with respect to the City Account as are reasonably requested by the City; provided, however, that CoreStates is reasonably capable of preparing such reports and that it is compensated for the expense of preparing such reports in amounts as shall be agreed upon by CoreStates and the City, as set forth in Exhibit "C" hereto. CoreStates shall deliver copies of all reports delivered to the City pursuant to this Section 5(h) concurrently to the Authority.

6. MISCELLANEOUS.

(a) Instructions, notices, releases and any other documents delivered under this Agreement shall be sent to the parties hereto as follows:

(i) if to CoreStates:

CoreStates Bank, N.A.  
Corporate Trust Administration  
510 Walnut Street - 6th Floor  
Philadelphia, PA 19106  
Attn: Stephen R. Schaaf  
Corporate Trust Officer  
Fax No: (215) 973-2955

(ii) if to the Authority:

Pennsylvania Intergovernmental  
Cooperation Authority  
2500 One Liberty Place  
Philadelphia, PA 19103  
Attn: Mr. Ronald Henry  
Executive Director  
Fax No: 215-851-1420

(iii) if to the City:

City Treasurer  
1430 Municipal Services Building  
15th Street and John F. Kennedy  
Boulevard  
Philadelphia, PA 19102  
Fax No: 215-568-1947

Each party hereto may designate a different address by  
vice given to the other parties. Such communications shall be  
considered properly sent when sent by facsimile, with  
confirmation; sent by overnight courier; hand-delivered with  
confirmation of receipt; or sent by registered or certified mail,  
return receipt requested.

(b) This Agreement shall be binding upon and  
more to the benefit of the parties hereto and their respective  
successors and assigns. This Agreement is not intended to create  
any rights or benefits in any person other than CoreStates, the  
Authority and the City and no third parties shall be deemed  
beneficiaries hereof.

(c) This Agreement may be amended or modified at  
any time or from time to time in a writing signed by CoreStates  
and the Authority and acknowledged and agreed to in writing by  
the City.



(d) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

(e) This Agreement may be executed in two or more counterparts each of which shall be deemed an original but all of which together shall constitute one and the same document.


(f) This Agreement, unless sooner terminated pursuant to Section 5(e) hereof, shall terminate when the Authority delivers to CoreStates written notice that the bonds of the Authority are no longer outstanding. Upon receipt of such notice, CoreStates shall immediately transfer all Funds to the City and shall close the City Account.

(g) The City represents that the income and other property of the City are exempt from Federal, Commonwealth and local taxation.

IN WITNESS WHEREOF, the parties hereto have executed  
Agreement as of the date first set forth above.

At:

CORESTATES BANK, N.A.

  
Name: STEPHEN R. SCHAAF  
Title: Corporate Trust Officer

By: Nancy J. Rand  
Name: Nancy J. Rand  
Title: Assistant Vice President

At:

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

\_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Known and Agreed:

CITY OF PHILADELPHIA

\_\_\_\_\_  
Name:  
Title:

At: \_\_\_\_\_



IN WITNESS WHEREOF, the parties hereto have executed  
this Agreement as of the date first set forth above.

Witness:

CORESTATES BANK, N.A.

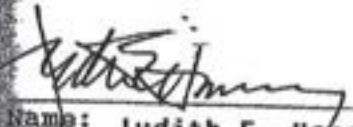
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Witness:

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

  
Name: Judith E. Harris  
Title: Assistant Secretary

By: \_\_\_\_\_

  
Name: Bernard E. Anderson  
Title: Chairperson

Acknowledged and Agreed:

CITY OF PHILADELPHIA

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have executed

Agreement as of the date first set forth above.

CORESTATES BANK, N.A.

By: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Acknowledged and Agreed:

CITY OF PHILADELPHIA



Name: David W. Brenner  
Title: Director of Finance

Date: \_\_\_\_\_

## **EXHIBIT "A"**

### **Permitted Investments**

Bonds or notes of the United States Government; United States Treasury obligations, and United States Agency obligations.

obligations of the Commonwealth of Pennsylvania or any municipality or other political subdivision of the Commonwealth having taxing power, for which obligations the full faith and credit of the issuer are pledged (except obligations issued or guaranteed by the City and obligations of any other municipality or political subdivision which, at the time of investment is in default with respect to its funded indebtedness), all such obligations being registered or otherwise as to principal and interest; repurchase agreements; and collateralized certificates of deposit issued by commercial banks or savings and loan associations or savings banks domiciled in the Commonwealth of Pennsylvania, provided such obligations, agreements or certificates of deposit mature or become payable not more than two years from the time the investment is made; provided, further, that the underlying securities for repurchase agreements shall be limited to the securities listed in clause (1) of this Exhibit "A" and the underlying securities for certificates of deposit shall be limited to those taxable or tax-free securities listed in Section 19-201 (4) of the Philadelphia Code, a copy of which Section is annexed hereto and incorporated herein by reference.



(Bill No. 855)

AN ORDINANCE

*Explanation*

*(Brackets) indicate matter deleted*  
*Italics indicate new matter added*

Amending Sections 19-201 and 19-202 of The Philadelphia Code, entitled respectively "City Depositories" and "Authorized Investments" by deleting and adding certain designated banks and institutions; permitting as security for deposits and authorizing for investment all obligations of the United States; and extending the maximum allowable maturity date for investments from one to two years.

*The Council of the City of Philadelphia hereby ordains:*

SECTION 1. Section 19-201 of The Philadelphia Code is hereby amended as follows:

§19-201. City Depositories.

(1) Pursuant to the provisions of Section 6-300 of the Charter, the City Treasurer is authorized to deposit City funds in the following banks or institutions:

- (e) Continental Bank [and Trust Company];
- (f) Fidelity [Philadelphia Trust Company] Bank;
- (g) First Pennsylvania Bank [and Trust Company];
- (i) [Girard Trust Bank] Mellon Bank (East);
- (j) Industrial Valley Bank [and Trust Company];

APP NO 297-1



(l) [Lincoln National Bank] *Philadelphia Saving Fund Society*;

[(m) Pennsylvania Warehousing and Safe Deposit Company;]

[(n)] (m) Marian Bank;

[(o)] (n) Philadelphia National Bank;

[(p)] (o) Provident National Bank;

(p) *Atlantic Financial Savings and Loan*;

\* \* \*

(4) Security for Deposits:

(a) Banks or institutions designated by the Council as depositories of City funds shall deposit with the Philadelphia Federal Reserve Bank, or another commercial bank, ~~direct obligations of the United States government or obligations guaranteed by the United States government or obligations of certain agencies of the United States government, specifically the obligations of the Federal Farm Credit Banks, Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Bank, or Federal National Mortgage Association;~~ bonds or notes of the United States government, or United States Treasury obligations, or United States Agency obligations, or bonds of the Commonwealth of Pennsylvania or its instrumentalities, authorities, counties, cities, boroughs, incorporated towns, townships or school districts, or notes issued by the City of Philadelphia, or general obligation bonds of other States rated A or better by Moody's Investors Service or Standard and Poor's Corporation, equal to the deposits to be secured. The market value of the securities so pledged shall equal the deposit. The market value is to be determined by such bank or institution holding City deposits as of the close of business on the last day of the previous month or as of the opening of business on the first day of the present month. The



determination of market value by the bank or institution holding the City deposits is to be signed by the bank auditor and is subject to approval by the City Treasurer.

SECTION 2. Section 19-202 of The Philadelphia Code is hereby amended as follows:

§19-202. Authorized Investments.

(1) The Director of Finance, City Treasurer, and City Controller are authorized to invest, in the name of the City, money in the City Treasury which is not required for immediate use, in [direct obligations of the United States government; obligations guaranteed by the United States government; obligations issued by certain agencies of the United States, specifically the Federal Farm Credit Banks, Federal Land Banks, Federal Intermediate Credit Banks, Federal Home Loan Bank, Banks for Cooperatives, or Federal National Mortgage Association;] *bonds or notes of the United States government; United States Treasury obligations; United States Agency obligations;* obligations of this Commonwealth or any Municipality or other political subdivision of this Commonwealth, registered or otherwise as to principal and interest; repurchase agreements; and collateralized certificates of deposit, provided such obligations, agreements or certificates of deposit shall mature or become payable not more than [one year] *two years* from the time the investment is made; provided, further, that the underlying securities for repurchase agreements shall be limited to those taxable securities listed in §19-201(4) and the collateral for certificates of deposit shall be either those taxable or tax-free securities authorized to be used as security for deposits by §19-201(4) of this Chapter.

SECTION 3. This ordinance shall take effect immediately.

1 is deleted  
brackets indicate matter deleted  
it, ... indicate new matter added

APP NO. 297-4

CERTIFICATION: This is a true and correct copy of  
the original Ordinance approved by the Mayor on

JUL 3 - 1986

*Charles H. Sawyer Jr.*

Chief Clerk of the Council

**EXHIBIT "B"**

**Designee(s) of the City Treasurer**

Robert Chapman, Deputy City Treasurer  
George Whelan, Investment Officer  
Joseph Faraldo, Fiscal Analyst  
Francis Gizaza, Fiscal Analyst

**Account of the City's General Fund**

**Wire Transfer Instructions**

Fidelity Bank, N.A.  
Broad and Walnut Streets  
For Credit To  
City of Philadelphia Consolidated Cash Account  
Account No. 110-091-6  
ABA No. 031000503

EXHIBIT "C"

	<u>Amount</u>	<u>Time for Payment</u>
Annual Administration Fee	\$5,000	Payable monthly on the last business day of each calendar month
Investments (including collateral swaps)	\$30 per investment or or maturity	
Wire Transfer of Funds	\$15 each	
Valuations of Securities	\$75 each	
Reasonable Fees and Expenses CoreStates' Counsel		Within 45 days of receipt by the City of Invoice

Manner of Payment

One twelfth of the annual administration fee plus all activity charges for the calendar month will be deducted from investment income earned on the Funds on the last business day of that calendar month.

Fees and Expenses of CoreStates' Counsel shall be paid by check by the City.





# CITY OF PHILADELPHIA

CITY TREASURER'S OFFICE  
1430 Municipal Services Building  
15th St. and J. F. Kennedy Blvd.  
Philadelphia, Pa. 19102-1681  
(215) 686-2300  
FAX (215) 988-0865

January 21, 1992

Mr. Ronald Henry  
Executive Director  
Pennsylvania Intergovernmental  
Cooperation Authority  
2500 One Liberty Place  
Philadelphia, PA 19103

Dear Mr. Henry:

In accordance with Section 2(c) of the City Account Deposit and Disbursement Agreement please be advised of the need to amend Exhibit "B" to remove Robert Chapman, Deputy City Treasurer and add Douglas A. Smith, Deputy City Treasurer and Scott Mills, Deputy City Treasurer.

Sincerely,

Kathryn J. Engebretson  
City Treasurer

KJE:gi

Enc.



EXHIBIT "B"

Designee(s) of the City Treasurer

Douglas A. Smith, Deputy City Treasurer  
Scott Mills, Deputy City Treasurer  
George Whelan, Investment Officer  
- Joseph Faraldo, Fiscal Analyst  
- Francis Gizaza, Fiscal Analyst

Account of the City's General Fund

Wire Transfer Instructions

Fidelity Bank, N.A.  
Broad & Walnut Streets  
For Credit To  
City of Philadelphia Consolidated Cash Account  
Account No. 110-091-6  
ABA No. 031000503

EXHIBIT H

COPY OF INTERGOVERNMENTAL COOPERATION AGREEMENT

Execution Copy

INTERGOVERNMENTAL COOPERATION AGREEMENT

by and between

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

and

THE CITY OF PHILADELPHIA

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Dated as of January 8, 1992

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INTERGOVERNMENTAL COOPERATION AGREEMENT

THIS INTERGOVERNMENTAL COOPERATION AGREEMENT made and entered into as of the eighth day of January, 1992, by and between the PENNSYLVANIA INTERGOVERNMENTAL 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");

W I T N E S S E T H:

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 Depository" 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.



"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 the aggregate 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 depository of the City Account are herein

referred to as the "City Account Depository." 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 any 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 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 in the amount of one hundred fifty six thousand three hundred thirty nine (\$156,339) dollars, which five hundred fifty thousand (\$550,000) dollars amount the Authority and the City acknowledge has been received by the 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 Depository (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 Depository 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) 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 and the next four (4) fiscal years thereafter.

(b) In addition, at least one hundred (100) Days (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, 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 projections 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. Nontax 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 in 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) 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 noncompliance 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 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 noncompliance 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 moneys appropriated by the General Assembly of the 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 it 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.

(c) To the extent the City or any department or agency 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 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.

(d) 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, neither such collective bargaining agreement nor such arbitration award shall 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 Authority that revenues sufficient to pay the costs of such 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) 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 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.

(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 a 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:

1429 Walnut Street  
Fourteenth Floor  
Philadelphia, Pennsylvania 19102  
Telecopier No.: 215-563-2570

For the City:

Mayor  
City Hall, Room 215  
Philadelphia, Pennsylvania 19107  
Telecopier No.: 215-686-2170

With a copy to:

City Solicitor  
1520 Municipal Services Building  
Philadelphia, Pennsylvania 19107  
Telecopier No.: 215-686-5223

Finance Director  
1420 Municipal Services Building  
Philadelphia, Pennsylvania 19107  
Telecopier No.: 215-568-1947

President, City Council  
City Hall, Room 490  
Philadelphia, Pennsylvania 19107



Telecopier No.: 215-563-3162

City Controller  
1230 Municipal Services Building  
Philadelphia, Pennsylvania 19107  
Telecopier No.: 215-686-3832

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.

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

\_\_\_\_\_  
Carol Gassert Carroll  
Secretary

By \_\_\_\_\_  
Bernard E. Anderson  
Chairperson

[AUTHORITY SEAL]

CITY OF PHILADELPHIA

By \_\_\_\_\_  
Edward G. Rendell  
Mayor

EXHIBIT "A"

PRINCIPAL TERMS OF PROPOSED EXTRAORDINARY CONTRACTS

SERVICE/COMMODITY  
TO BE PROVIDED:

AMOUNT  
(by fiscal year):

FUND(S) OR  
ACCOUNT(S)  
FROM WHICH  
PAYMENT(S) 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

**Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020 (Forward Delivery)**

**CERTIFICATE OF AUTHORITY AS TO FINANCIAL PLAN**

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority") hereby certifies on December 3, 2019, in connection with the issuance and sale of the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 in the aggregate principal amount of \$31,085,000 that:

1. Attached hereto as Exhibit A is a true, correct and complete copy of the current five-year financial plan of the City for fiscal years 2020 through 2024 (the "Plan"). The Plan was signed by the Mayor on June 18, 2019 and is in full force and effect as of the date of Closing.

2. The Plan has been approved by the Authority pursuant to due authority and is in full force and effect as of the date of Closing.

[The remainder of this page is left blank intentionally]

IN WITNESS WHEREOF, the Authority has executed this Certificate on the date and year first above written.

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By: \_\_\_\_\_

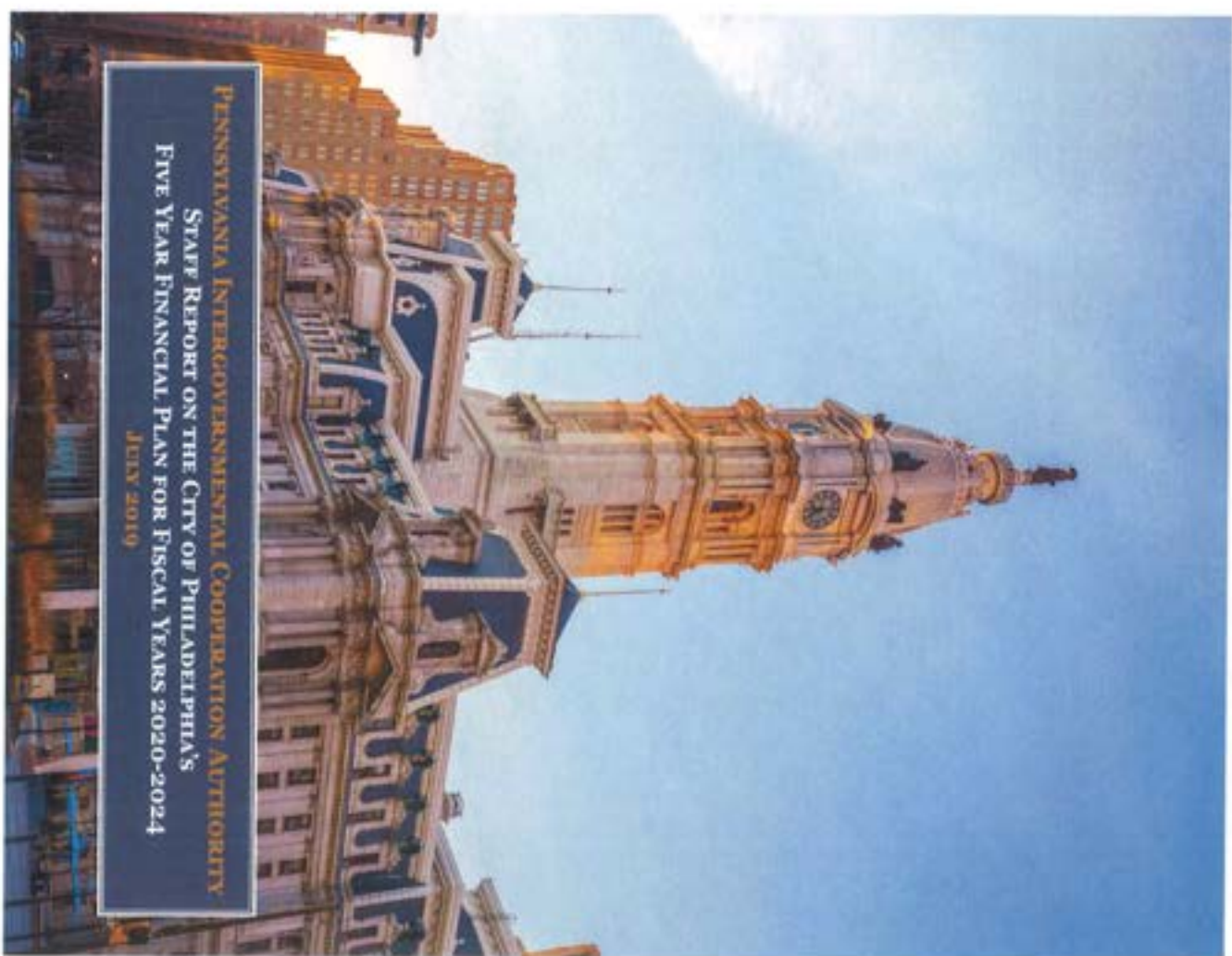
Chairperson

A handwritten signature in blue ink, appearing to read "Kevin E. Vaughn", is written over a horizontal line. The signature is fluid and cursive.

[Signature Page – Certificate of Authority as to Financial Plan]

EXHIBIT A

CITY OF PHILADELPHIA FY 2020 – 2024  
FIVE-YEAR FINANCIAL PLAN (JUNE 2019)



**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**  
**STAFF REPORT ON THE CITY OF PHILADELPHIA'S**  
**FIVE YEAR FINANCIAL PLAN FOR FISCAL YEARS 2020-2024**  
**JULY 2019**



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Now the accepted and suggested budget practice seems represent the maximum level of protection during the 1 year. Action leaves the position open throughout the year.



July 16, 2019

To the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority:

The staff of the Pennsylvania Intergovernmental Cooperation Authority ("PICA") is pleased to provide you with our report on the City of Philadelphia's Five Year Financial Plan for Fiscal Years 2020 through 2024 (the "Plan").

This report provides a comprehensive review and assessment of the Plan and its compliance with the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act"). It analyzes the revenue, expenditure, and fund balance projections, evaluates the reasonableness of the assumptions, and assesses potential risks to the Plan. Based on this review, and in accordance with the PICA Act, Section 209(f), "Authority Review and Approval of Plan," I recommend that the Board approve the Plan as presented.

The preparation of this report on a timely basis was made possible by the dedicated service of the PICA staff and our economic consultant, Charles Swanson. I would also like to thank the City of Philadelphia's Office of the Director of Finance, the Office of Budget and Program Evaluation, and the Department of Revenue for their cooperation, support and continued assistance.

Sincerely,

*Harvey M. Rice*

Harvey M. Rice  
Executive Director

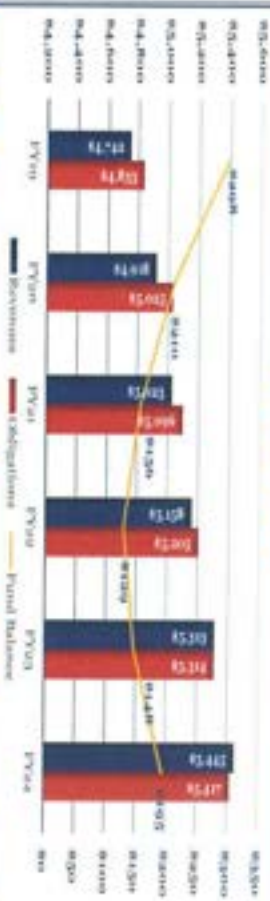
CITY OF PHILADELPHIA		OFFICE OF THE DIRECTOR OF FINANCE													Amounts in Millions		
Projection		July 19	Aug 19	Sept 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	March 20	April 20	May 20	June 20	Total	Actual	Revised	Estimated
REVENUES																	
Real Estate Tax		10.5	8.7	8.7	8.7	8.1	19.1	17.2	16.5	14.5	14.6	16.2	5.2	189.5			189.5
Landfills, Sewer, Airports		11.9	12.0	12.2	12.3	12.4	12.1	12.1	12.2	12.0	12.0	12.2	12.0	121.9			121.9
Ready Transfer Tax		11.7	10.9	10.4	10.2	10.7	10.7	10.5	10.7	10.1	10.0	10.0	10.0	100.0			100.0
Sales Tax		21.9	17.8	18.1	18.8	19.4	19.9	19.4	18.5	18.1	18.8	19.0	19.4	225.0	1.8		227.9
Business Income & Receipts Tax		5.0	5.1	5.4	5.4	5.7	6.0	5.9	5.8	5.6	5.7	5.7	5.4	60.0			60.0
Amusement Tax		7.0	4.4	4.5	4.3	3.9	3.4	3.1	2.9	3.1	3.0	3.3	4.4	75.0			75.0
Other Taxes		30.9	11.4	12.3	12.1	12.0	12.4	12.4	12.4	12.4	12.4	12.4	12.4	121.0			121.0
Locally Generated Non-tax		10.0	10.5	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	101.0			101.0
Total Other Governmental		4.3	71.2	10.6	10.1	10.2	12.2	12.1	12.1	12.1	12.1	12.1	12.1	121.0			121.0
Total PICA Other Governmental		10.0	17.9	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	101.0			101.0
Interfund Transfers		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	100.0		10.0	110.0
Total Current Revenue		101.1	171.8	187.8	188.7	188.6	211.6	206.4	200.5	193.2	193.2	193.2	193.2	1892.9	1.8	11.0	1914.9
Collection of prior year's income		14.7	8.7	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44.8			
Other fund balance adjustments																	
TOTAL FUND REVENUES		115.8	180.5	189.2	188.7	188.6	211.6	206.4	200.5	193.2	193.2	193.2	193.2	1937.7			
EXPENSES AND OBLIGATIONS																	
Payroll		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	100.0	10.0	10.0	110.0
Employee Benefits		11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	113.0	11.3	11.3	124.3
Pensions		1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	17.0	1.7	1.7	18.7
Procurement Services		41.6	41.6	41.6	41.6	41.6	41.6	41.6	41.6	41.6	41.6	41.6	41.6	416.0	41.6	41.6	457.6
Materials, Supplies		4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	44.0	4.4	4.4	48.4
Contributions, Indemnities		11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	111.0	11.1	11.1	122.1
Self-Insured Retention		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Self-Insured Retention		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Charges		17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	172.0	17.2	17.2	189.2
Debt Service & Other Obligations		1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	10.0	1.0	1.0	11.0
Current Year Appropriation		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1000.0	100.0	100.0	1100.0
Fund 1: General Fund Operations		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	100.0	10.0	10.0	110.0
Fund 2: Capital & Construction		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	100.0	10.0	10.0	110.0
TOTAL EXPENSES AND OBLIGATIONS		115.8	180.5	189.2	188.7	188.6	211.6	206.4	200.5	193.2	193.2	193.2	193.2	1892.9			
Excess (Deficit) of Fund Balances		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Opening Balance		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Total		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
TOTAL FUND BALANCES		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

City of Philadelphia  
FY 2020 - 2024 Five Year Financial Plan  
General Fund  
Summary by Department

Department	FY 18 Actual	FY 19 Budget	FY 19 Estimate	FY 20 Budget	FY 20 Estimate	FY 21 Budget	FY 21 Estimate	FY 22 Budget	FY 22 Estimate	FY 23 Budget	FY 23 Estimate	FY 24 Budget	FY 24 Estimate
Mayor's Office of Economic Development	23,073,139	15,850,487	29,879,487	46,202,014	58,618,864	63,652,371	69,003,348	69,003,348	67,716,539				
Mayor's Office of Community Engagement and Connectivity		49,000	49,000		49,000	49,000	49,000	49,000	49,000				
Mayor's Office of Planning	1,381,146	2,254,218	1,584,003	5,469,003	2,348,003	2,348,003	2,348,003	2,348,003	2,348,003				
Mayor's Office of Policy and Planning and the Secretary of Planning	4,022,932	4,173,835	4,088,646	4,088,646	4,088,646	4,088,646	4,088,646	4,088,646	4,088,646				
Office of Community Services	14,889,874	14,202,200	17,737,200	19,888,444	19,482,865	19,482,865	19,482,865	19,482,865	19,482,865				
Office of Economic Development	48,732,624	52,751,688	56,514,684	59,845,719	58,233,112	58,233,112	57,499,811	57,499,811	57,499,811				
Office of Emergency Management	5,526,437	5,543,688	5,526,200	5,754,287	4,934,287	4,934,287	4,934,287	4,934,287	4,934,287				
Office of Innovation and Technology	57,598,000	61,491,827	66,487,387	71,148,539	69,446,445	73,511,400	77,328,479	77,328,479	77,328,479				
Office of Innovation and Technology - IT	14,736,137	15,860,598	16,759,879	17,203,282	17,556,003	18,645,297	18,645,297	18,645,297	18,645,297				
Office of Inspection General	1,487,200	1,538,317	1,580,441	1,580,441	1,580,441	1,580,441	1,580,441	1,580,441	1,580,441				
Office of Inspection Management	15,424,736	14,215,425	13,714,480	17,874,480	16,982,498	16,982,498	16,982,498	16,982,498	16,982,498				
Office of Inspection Management - IT	388,408	388,327	389,100	379,848	379,848	379,848	379,848	379,848	379,848				
Office of Inspection Management - IT	64,390,834	66,393,197	67,193,713	69,268,000	64,823,438	65,724,271	65,724,271	65,724,271	65,724,271				
Office of Inspection Management - IT	4,275,488	4,275,488	4,275,488	4,275,488	4,275,488	4,275,488	4,275,488	4,275,488	4,275,488				
Office of Inspection Management - IT	712,734,848	708,461,844	711,542,579	726,458,000	726,458,000	726,458,000	726,458,000	726,458,000	726,458,000				
Office of Inspection Management - IT	558,888,000	549,071,600	551,542,579	566,458,000	566,458,000	566,458,000	566,458,000	566,458,000	566,458,000				
Office of Inspection Management - IT	4,738,500	4,738,500	4,738,500	4,738,500	4,738,500	4,738,500	4,738,500	4,738,500	4,738,500				
Office of Inspection Management - IT	150,007,846	150,007,846	150,007,846	150,007,846	150,007,846	150,007,846	150,007,846	150,007,846	150,007,846				
Office of Inspection Management - IT	82,277,273	82,277,273	82,277,273	82,277,273	82,277,273	82,277,273	82,277,273	82,277,273	82,277,273				
Office of Inspection Management - IT	81,868,688	81,868,688	81,868,688	81,868,688	81,868,688	81,868,688	81,868,688	81,868,688	81,868,688				
Office of Inspection Management - IT	21,102,679	21,102,679	21,102,679	21,102,679	21,102,679	21,102,679	21,102,679	21,102,679	21,102,679				
Office of Inspection Management - IT	24,380,848	24,380,848	24,380,848	24,380,848	24,380,848	24,380,848	24,380,848	24,380,848	24,380,848				
Office of Inspection Management - IT	4,428,732	4,428,732	4,428,732	4,428,732	4,428,732	4,428,732	4,428,732	4,428,732	4,428,732				
Office of Inspection Management - IT	4,138,880	4,138,880	4,138,880	4,138,880	4,138,880	4,138,880	4,138,880	4,138,880	4,138,880				
Office of Inspection Management - IT	28,808,146	28,808,146	28,808,146	28,808,146	28,808,146	28,808,146	28,808,146	28,808,146	28,808,146				
Office of Inspection Management - IT	28,422,739	28,422,739	28,422,739	28,422,739	28,422,739	28,422,739	28,422,739	28,422,739	28,422,739				
Office of Inspection Management - IT	288,888,739	288,888,739	288,888,739	288,888,739	288,888,739	288,888,739	288,888,739	288,888,739	288,888,739				
Office of Inspection Management - IT	162,380,487	162,380,487	162,380,487	162,380,487	162,380,487	162,380,487	162,380,487	162,380,487	162,380,487				

HIGHLIGHTS OF THE REPORT

FIVE YEAR PLAN



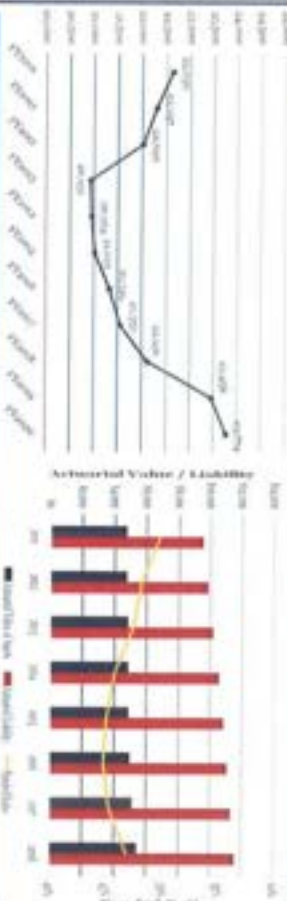
FY2020 TAX REVENUE PROJECTIONS

FY2020 OBLIGATIONS



GENERAL FUND SPENDING LEVELS

PENSION SYSTEM FUNDING STATUS



RISKS TO THE PLAN

BIRT Volatility

Economic Growth

Pension Funding



City of Philadelphia General Fund FY 2020-2024 Five Year Financial Plan Summary by Class										
Expenditure Class	FY 19	FY 19	FY 19	FY 19	FY 20	FY 20	FY 21	FY 21	FY 22	FY 22
	Actual	Budget	Encumr	Budget	Actual	Encumr	Actual	Encumr	Actual	Encumr
Class 100 - Major	1,080,000,000	1,170,444,292	1,171,524,888	1,007,094,489	1,067,294,439	1,022,717,264	1,098,541,297	1,047,486,412		
Class 101 - Benefits	1,214,071,286	1,300,208,287	1,277,964,759	1,471,963,282	1,402,773,755	1,448,732,940	1,322,423,088	1,387,246,546		
Class 200 - Capital Assets	897,273,251	897,000,328	895,792,344	1,097,354,485	908,471,245	1,075,753,875	1,096,982,282	1,268,129,002		
Class 20001 - Supplies, Equipment	102,197,298	114,200,247	123,271,429	122,001,775	118,173,438	113,114,364	112,482,008	112,482,008		
Class 20002 - Information, Communication	103,188,548	202,544,541	204,944,541	222,422,232	203,103,839	203,864,281	207,147,287	275,795,427		
Class 200 - Debt Service	145,708,402	103,488,426	103,488,426	97,482,818	108,488,426	214,844,848	228,864,634	203,147,217		
Class 200 - Payments to Other Funds	81,449,747	28,068,298	34,173,288	62,148,108	88,273,125	91,482,120	87,148,718	147,794,181		
Class 200 - Advances (Other Payments)	0	71,002,473	53,973,105	84,128,128	74,703,125	88,358,125	28,838,125	108,204,125		
<b>Total</b>	<b>4,453,833,857</b>	<b>4,778,467,318</b>	<b>4,870,726,119</b>	<b>5,829,288,888</b>	<b>5,868,377,888</b>	<b>6,085,016,819</b>	<b>6,071,577,786</b>	<b>6,449,273,688</b>		

## I. INTRODUCTION

### Purpose of the Report

The Pennsylvania Intergovernmental Cooperation Authority ("PICCA") is mandated with assessing the City of Philadelphia's annual Five Year Financial Plan. The framework for evaluating the Plan is provided by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "Act").

Currently, PICCA's role in oversight of the City is expected to end in 2023. According to our enabling legislation by the Act, Section 204, enacted in 1991, PICCA is set to expire upon the retirement of all outstanding PICCA bonds, with an up to one-year wind down period. Therefore, this plan represents one of the final four plans we will be evaluating and assessing, pending any legislative action to extend PICCA past the sunset.

The City of Philadelphia's FY2020-FY2024 Five Year Financial Plan (the "Plan") was submitted to PICCA on June 18, 2019. The objective of this report is to provide an overview of the Plan; discuss potential risks; evaluate spending and personnel staffing trends; assess indicators of financial health; review the capital program; and make a recommendation for PICCA Board action.

### PICCA Organization

PICCA was created in 1991 by the Commonwealth of Pennsylvania (the "Commonwealth") Legislature for the purpose of providing financial assistance to the City in overcoming a severe financial crisis. At that time, the City was burdened with a growing cumulative operating deficit, lacked resources to pay mounting overdue bills, had seen its credit ratings drop below the investment grade level by national rating agencies, had instituted an across-the-board hiring freeze, and had experienced an erosion in the quality of municipal services.

PICCA was designed to address the City's short-term financing needs, while overseeing a long-term financial planning process that would restore the confidence of investors, residents, and public officials in the ability of the City to maintain financial stability over the long-term.

PICCA is administered by a governing Board consisting of five voting members and two ex-officio nonvoting members. The Governor, the President pro tempore and the Minority Leader of the Senate, the Speaker and the Minority Leader of the House of Representatives each appoint one voting member to the Board. The ex-officio members are the Budget Secretary of the Commonwealth of Pennsylvania and the Director of Finance of the City of Philadelphia.



City of Philadelphia			SUPPORTING REVENUE SCHEDULES						
Five Year Financial Plan FY2020-2024			FISCAL YEARS 2018 TO 2024						
General			(Amounts in Thousands)						
Revenue from Other Governments									
No.	Agency and Revenue Source	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	
		Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
<b>Use Federal Funds:</b>									
<b>Federal</b>									
41	Toll IV-E	39	200	200	200	200	200	200	
<b>State</b>									
42	Insurance Pooling - Adult	3,980	3,636	3,636	3,636	3,636	3,636	3,636	
43	Insurance Pooling - Juvenile	1,212	1,212	1,212	1,212	1,212	1,212	1,212	
44	Reimbursement - Court Costs	6,634	6,556	10,075	10,075	10,075	10,075	10,075	
45	Reimbursement - Attorney Fees	218	82	82	82	82	82	82	
46	Subtotal	12,718	11,770	15,279	15,279	15,279	15,279	15,279	
47	PICA City Account	474,265	474,671	490,290	429,213	469,667	504,546	628,079	
<b>Total</b>									
48	Federal	31,346	32,764	46,782	46,782	46,782	46,782	46,782	
49	State	224,432	211,512	215,678	214,739	214,878	214,878	214,878	
50	Other Governments	99,447	68,414	64,432	61,464	61,217	68,270	70,200	
51	PICA Funding	474,265	474,671	490,290	429,213	469,667	504,546	628,079	
52	Other Authorized Adjustments	8,303	2,000	1,000	1,000	2,000	2,000	2,000	
53	Total Revenue From Other Govts.	778,413	799,362	817,172	817,139	899,536	936,428	1,062,941	

combination of such 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- and long-term credit markets.”

There are also statutorily mandated standards for the development of the Plan and the manner in which it is to be evaluated by PICCA:

- all projections of revenues and expenditures are to be based upon consistently applied reasonable and appropriate assumptions and methods of estimation;
- revenues are to be recognized in the accounting period in which they become both measurable and available.

The Act also mandates standards for the basis for estimation of City revenues:

*City sources* - current or proposed tax rates, historical collection patterns, and generally recognized econometric models;

*State sources* - historical patterns, currently available levels, or levels proposed in a budget by the Governor;

*Federal sources* - historical patterns, currently available levels, or levels proposed in a budget by the President or in a Congressional budget resolution; and

*Non-tax sources* - current or proposed rates, charges or fees, historical patterns, and generally recognized econometric models.

The Plan is also required to include debt service projections for existing and anticipated City obligations; a schedule of payments for legally-mandated services projected to be due during the term of the Plan; and a schedule showing the number of authorized employee positions (filled and unfilled), inclusive of estimates of wage and benefit levels for various groups of employees.



The Act requires that PICCA solicit an opinion or certification from the City Controller, prepared in accordance with auditing standards generally accepted in the United States, with respect to the reasonableness of the assumptions and estimates in the Plan. The Act does not, however, require that the Controller's determinations bind the PICCA Board in its evaluation of the Plan.

Finally, the Act stipulates that approval of a financial plan is contingent upon a “qualified majority” of the PICCA Board (four of its five voting members).

Once a Plan is approved by the PICCA Board, the City is required to stay “in compliance” with the current Plan. The City may occasionally be faced with a situation where it comes out of compliance with a currently approved Plan for several reasons, including extraordinary contracts, collective bargaining agreements, arbitration awards, or other unforeseen variances in revenue collection and/or expenditures.

For instance, if the City executes an extraordinary contract – a contract not in compliance with the current Plan – that contract is not void by virtue of being out of compliance, but the City must submit a proposed revision to the Plan incorporating those costs for consideration by the PICCA Board.<sup>10</sup> Collective bargaining agreements and arbitration awards require revisions as well, if they are out of compliance with a currently approved Plan. Each of these categories trigger their own respective time frames for submission of proposed revisions and subsequent Board consideration.

<sup>10</sup> *Legislation, Section 2006.*



City of Philadelphia	SUPPORTING REVENUE SCHEDULE
Five Year Financial Plan FY2020-2024	FISCAL YEARS 2018 to 2024 (Amounts in Thousands)

General									
Revenue from Other Governments									
No.	Agency and Bureau Name	FY 2010 Actual	FY 2010 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2011 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2012 Estimate
15	Statewide Economic Development	13	13	13	13	13	13	13	13
16	Transportation Management	100	110	110	110	110	110	110	110
17	Public Training & Development	2,000	3,500	3,500	2,500	2,500	2,500	2,500	3,500
<b>Section</b>									
<b>Public</b>									
1	Highways	131	250	250	350	350	350	350	350
4	Bridge Design	264	310	310	310	310	310	310	310
5	Colorado Valley Reg. Planning Comm.	185	185	185	185	185	185	185	185
<b>State</b>									
6	State Railroad	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
7	Puebloan Bridge Design	47	50	50	50	50	50	50	50
8	Puebloan Highways	0	25	25	25	25	25	25	25
9	School	3,117	3,325	3,325	3,325	3,325	3,325	3,325	3,325
<b>Public Health</b>									
<b>Federal</b>									
10	Medicare - Outpatient / HC's	2,660	2,791	2,791	2,791	2,791	2,791	2,791	2,791
11	Medicare - PPH	893	1,476	1,476	1,476	1,476	1,476	1,476	1,476
12	Medicare - Outpatient / HC's	2,660	4,848	17,865	17,865	17,865	17,865	17,865	17,865
13	Medicare - PPH	23,540	22,719	22,719	22,719	22,719	22,719	22,719	22,719
14	Summer Food Impasse	0	60	60	60	60	60	60	60
<b>State</b>									
15	Camp Health	12,796	9,706	9,706	9,706	9,706	9,706	9,706	9,706
16	Medical Assistance - Outpatient / HC's	1,877	3,329	13,916	13,916	13,916	13,916	13,916	13,916
17	Medical Assistance - PPH	19,326	18,687	18,687	18,687	18,687	18,687	18,687	18,687
18	School	62,410	62,792	85,796	85,796	85,796	85,796	85,796	85,796
<b>Public Projects</b>									
<b>Other Governments</b>									
19	POW Rural	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
<b>Private Services</b>									
<b>Private</b>									
20	Trade Fairs, Adaptive Services	1,457	0	0	0	0	0	0	0

## II. ANALYSIS OF PLAN PROJECTIONS

As discussed in the introduction, the statutory criteria are used as a baseline for assessing the Plan. These are the minimal requirements that the Plan must meet to gain PICCA approval. Table 2.1 presents the PICCA Act criteria and Plan compliance. The discussion below summarises our assessment of the Plan's adherence to these requirements.

### Required Elements of the Plan

**Projecting Revenues and Expenditures.** The Plan includes projections of General Fund revenues and expenditures for five fiscal years, fiscal year 2020 through fiscal year 2024. In addition, the below components are included in the Plan.

**Eliminating Deficits.** The Plan projects positive General Fund year end fund balances for the current fiscal year, FY2020, and for the four subsequent fiscal years, FY2021 through FY2024, thus meeting the criterion of PCA Act Section 209 (b). To avert deficits, the Plan must be realistic—(a) the Act states: projections must be based on “reasonable and appropriate assumptions and methods of estimation” that are “consistently applied.”

**Restoring Funding to Special Accounts.** At the time PICPA was created, the City faced a cash crisis and had resorted to using restricted funds for general operations. The Act required that the plan demonstrate that the City would restore these funds to proper accounts. Added with PICPA's 1992 deficit bonds, this criterion has been met.

*Sound Budgetary Practices.* This provision applies to several fundamental practices, namely "reductions in expenditures, improvements in productivity, increases in revenues, or a combination of such steps." Although the City faces some challenges with regard to high fixed costs, it is making strides in improving efficiencies.

The City's budget process is evolving as a result of PICA's advocacy and City Council's legislation for program-based budgeting. Under the current



budget process, which was implemented in FY2017, resources are displayed by program, taking into account direct and indirect costs and revenues generated by each program. The City has also been adopting performance measures associated with each program, in order to assess program impact, efficiency, and return on investment. As of the beginning of FY2020, 43 departments are currently using this new program-based budgeting format. The remaining 10 departments will be phased in during fiscal year 2020, at which time all City departments will be integrated into the process by FY2021.

The City is also taking measures to resolve discrepancies in accounting practices by improving its approach to bank reconciliations and strengthening internal controls.

The City also seeks to modernize its approach to revenue collections, with the overall goal of maximizing collections and reducing delinquencies. Additionally, the City is embarking on an effort to modernize its financial and procurement systems, related to payroll, benefits, and human resources.

Avoiding a Fiscal Emergency: The City can avoid a fiscal emergency by continuing to address its major financial challenges. It should develop financial policies to address key issues that form the core of its financial condition: a sound economy, tax competitiveness, managing long-term obligations,

City of Philadelphia		SUPPORTING REVENUE SCHEDULES						
Five Year Financial Plan FY 2020-2024		FISCAL YEARS 2018 TO 2024						
		(Amounts in Thousands)						
General								
Locally Generated Non - Tax								
No.	Agency and Revenue Source	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
<b>Chief Administrative Officer</b>								
108	VEEDT Fees	4,803	5,375	5,375	5,375	5,375	5,375	5,375
109	Boysia Altona License	2,369	2,365	2,365	2,365	2,365	2,365	2,365
110	Feder Altona Fees	1,002	1,910	1,910	1,910	1,910	1,910	1,910
111	Recreation - Other	1,260	76	76	76	76	76	76
112	Subtotal	19,454	19,320	19,320	19,320	19,320	19,320	19,320
<b>Resident of With</b>								
113	Cost Care, Fees & Charges	437	760	760	760	760	760	760
114	Recording Fees	2,573	5,519	5,565	2,565	2,565	2,565	2,565
115	Other	719	885	885	885	885	885	885
116	Subtotal	4,229	7,195	7,090	3,990	3,990	3,990	3,990
<b>Resident of Without</b>								
117	Other	40	30	30	30	30	30	30
<b>Subtotal</b>								
118	Short Fee	7,475	6,000	6,000	6,000	6,000	6,000	6,000
119	Construction Fees	4,195	5,245	5,245	5,245	5,245	5,245	5,245
120	Other	2,984	30	30	30	30	30	30
121	Subtotal	14,756	11,295	11,295	11,295	11,295	11,295	11,295
<b>Resident &amp; Development</b>								
122	Zoning Permits	406	415	390	390	390	390	390
123	Architect Review Fees	300	300	300	300	300	300	300
124	Other	254	1	1	1	1	1	1
125	Subtotal	960	696	691	691	691	691	691
<b>City Contributions</b>								
126	Other	3	25	25	25	25	25	25
<b>The Federal Budget - Check of Credits</b>								
127	Other Fees	143	390	390	390	390	390	390
128	Cost Care, Fees & Charges	1,754	1,250	1,250	1,250	1,250	1,250	1,250
129	Real Estate Fee	448	0	0	0	0	0	0
130	Cost Care Fees	2,979	1,000	0	0	0	0	0
131	Other	0	125	125	125	125	125	125
132	Subtotal	5,324	3,225	2,225	2,225	2,225	2,225	2,225
<b>Indefinite Domestic - Traffic Costs</b>								
133	Traffic Court Fees	4,900	5,000	5,000	6,000	7,200	8,000	8,000

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FY2020-FY2024

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## II. Analysis of Plan Projections

Table 2-2: Summary of FY2020-FY2024 Five Year Plan Projections\* (in Millions)

Plan Component	Actual		Estimate		Projected		Projected	
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2024
<b>Revenues</b>								
Taxes	3,601.8	3,552.3	3,609.5	3,706.8	3,877.4	3,955.1	4,077.8	4,077.8
Locally Generated Non-Tax	320.8	325.0	333.3	314.9	316.4	316.4	316.4	316.4
Other Governments	778.2	791.4	847.2	877.3	899.4	933.4	980.9	980.9
Other Funds	55.4	72.9	81.0	65.9	65.4	65.9	66.3	66.3
<b>Total Revenues</b>	<b>84,550.1</b>	<b>84,743.1</b>	<b>84,938.0</b>	<b>85,022.8</b>	<b>85,128.5</b>	<b>85,312.8</b>	<b>85,444.6</b>	<b>85,444.6</b>
<b>Obligations</b>								
Agencies	2,419.2	2,617.4	3,711.4	3,693.6	3,706.6	3,706.6	3,706.6	3,706.6
Employee Benefits	1,314.0	1,378.0	1,412.0	1,417.2	1,444.8	1,533.8	1,581.2	1,581.2
Other Obligations	619.6	817.4	901.9	964.5	1,005.5	1,009.1	1,007.0	1,007.0
<b>Total Obligations</b>	<b>84,408.9</b>	<b>84,812.7</b>	<b>85,025.3</b>	<b>85,090.8</b>	<b>85,205.1</b>	<b>85,319.5</b>	<b>85,417.0</b>	<b>85,417.0</b>
<b>Fiscal Balance</b>								
Pre-Year Adjustments	26.3	28.5	14.5	9.5	16.5	19.5	19.5	19.5
Adjusted Operating Surplus/(Deficit)	79.5	(71.1)	(87.8)	(53.0)	(77.1)	(87.7)	(72.2)	(72.2)
Pre-Year Fund Balance	596.3	368.8	397.7	399.9	428.6	428.6	428.6	428.6
<b>Fund Balance</b>	<b>898.8</b>	<b>897.7</b>	<b>899.9</b>	<b>898.0</b>	<b>898.9</b>	<b>898.9</b>	<b>898.9</b>	<b>898.9</b>

\* If reported, include the number of years the plan is projected to be in deficit.

reserves from FY2021 through FY2024, since all contracts will expire at the end of FY2020. While there is a significant increase in the reserves set aside for contingencies in this plan, as compared to previous plans, these reserves combined still do not reach the GPOA recommendation.

The PICVA Act also requires that estimates for tax revenues collected by the City should be "based on current or proposed tax rates, historical collection patterns, and generally recognized econometric models," while revenues received from federal or state government should be based on "historical patterns," "currently available levels," or levels contained in a budget proposed by the Governor, President, or in a Congressional budget resolution. Locally generated non-tax revenue estimates should be based on "current or proposed rates, charges or fees, historical patterns and generally recognized econometric models." The Plan does meet these criteria.

Furthermore, the City derives projections on the growth of its tax base from forecasts created by a consultant, HKS Martin ("HKS"). The forecasts are then reviewed by a group of professional economists before they are used by the City to estimate the tax base. As explained later in the

"Evaluation of Plan Projections" section, some of the estimates related to tax base growth for several taxes were recently modified.

With regard to expenditures, estimates are required to include "all obligations incurred during the fiscal year and estimated to be payable during the fiscal year or in the 24-month period following the close of the current fiscal year." The Act continues by stating that obligations from previous fiscal years "not covered by encumbered funds" should also be included in estimated expenditures. If there are any obligations not factored into the Plan that may be incurred "during the fiscal year or in the 24-month period following," such as new contracts, debt service, or settlements, they could pose risks to the Plan.

The Act also requires that estimates be made on a modified accrual basis, whereas revenues are recognized in the accounting period in which they become both measurable and available. The City uses the modified accrual basis of accounting to recognize revenues and expenditures for budgeting purposes, therefore the Plan meets this criterion, and all projections are shown in this manner.

FY2020-FY2024

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City of Philadelphia		REPORTING REVENUE SCHEDULES					
Five Year Financial Plan FY2020-2024		FISCAL YEARS 2018 TO 2024					
General		(Amounts in Thousands)					
Locally Generated Non - Tax							
No.	Agency and Division Name	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Laborers and Incentives</b>							
55	Assessment	20	24	24	24	24	24
56	Mobile and Services	18,492	19,040	18,250	17,540	17,540	17,540
57	Police and Fire Protection	499	475	475	475	475	475
58	Street Use	1,215	2,900	2,900	2,900	2,900	2,900
59	Pedestrian & Occupant	1,250	800	800	800	800	800
60	Building Structure & Equipment	11,241	26,908	14,491	11,141	14,496	14,496
61	Business	41	200	200	200	200	200
62	Other Licenses & Permits	41	179	179	179	179	179
63	Code Violation Fines	1,701	2,625	1,875	1,125	1,125	1,125
64	Other	9,357	6,080	8,754	7,124	4,724	4,724
65	Subtotal	56,297	71,188	64,676	62,876	62,813	62,813
<b>Research</b>							
66	Sampling of Large Investment Firms	12,474	12,474	12,498	12,498	12,498	12,498
67	Proportion of Receipts	230	279	400	400	400	400
68	Commission on Tax Stamp	1,819	1,800	1,800	1,800	1,800	1,800
69	Academic Investigation Report	1,092	1,200	1,200	1,200	1,200	1,200
70	Document Technology Fee	2,142	2,430	2,430	2,430	2,430	2,430
71	Other	777	700	700	700	700	700
72	Subtotal	18,425	18,230	18,730	18,730	18,730	18,730
<b>Revenue of Funds</b>							
73	Prior Year Receipts	8	200	200	200	200	200
74	SEITP Fee	29	0	0	0	0	0
75	Buyer Allowance	20	0	0	0	0	0
76	Prior Allowance	12	0	0	0	0	0
77	Reimbursement - Other	7,641	5,800	5,800	5,800	5,800	5,800
78	Reimbursement - Reciprocity Program	8,200	6,250	6,250	6,250	6,250	6,250
79	Health Benefit Charge	1,427	1,490	1,490	1,490	1,490	1,490
80	Other	124	30	30	30	30	30
81	Subtotal	17,911	13,790	13,790	13,790	13,790	13,790
<b>Revenue</b>							
82	Midwestern Fee	479	79	79	79	79	79
83	Non-Paid Org. Voluntary Payment	2,928	3,600	3,700	3,700	3,700	3,700
84	Child Welfare Payment	614	2,000	2,150	2,150	2,150	2,150
85	Other	545	1,610	1,610	1,610	1,610	1,610
86	Subtotal	4,566	7,989	7,139	7,139	7,139	7,139

The Plan projects total FY2020 obligations at \$5.025 billion. Of this amount, \$2.711 billion are for Agency Obligations, \$1.412 billion are for Employee Benefits, and \$90.9 million are for Other Obligations—expenditures including, but not limited to, debt service, and payments to the School District of Philadelphia ("School District"), the Southeastern Pennsylvania Transportation Authority ("SEPTA"), Community College of Philadelphia, and the Pennsylvania Convention Center. Agency Obligations are projected to increase from FY2020 to FY2024 by less than one percent, while Employee Benefits are projected to increase by 12.0 percent, and Other Obligations by over 22 percent.

The remainder of this section describes key assumptions that form the basis of the projections of revenues and obligations in the Plan. Some of the policy issues raised by the projections are also discussed.

#### General Fund Revenue Projections

Taxes. Table 2.3 presents General Fund revenue over the Plan period. The majority of City tax revenue is generated by the wage and earnings, real estate, business income and receipts, real estate transfer, and sales taxes. This table also includes locally generated non-tax revenue, revenue from other governments, and revenue from other funds. Table 2.4 presents the Plan's projected tax rates.

Table 2.4: Philadelphia Tax Rates (Percent)

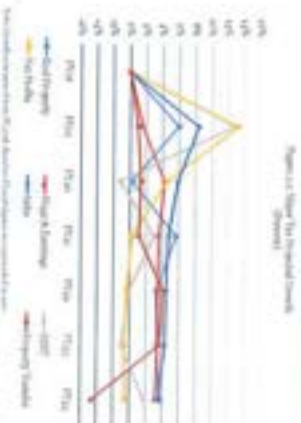
Tax Type	Actual		Projected				
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Real Estate							
City	0.6307	0.6307	0.6307	0.6307	0.6307	0.6307	0.6307
School District	0.7041	0.7041	0.7041	0.7041	0.7041	0.7041	0.7041
Total	1.3348	1.3348	1.3348	1.3348	1.3348	1.3348	1.3348
Wage, Earnings, and Net Profits							
Resident	3.8907	3.8836	3.8712	3.8616	3.8519	3.8423	3.8327
Non-Resident	3.4554	3.4507	3.4401	3.4295	3.4200	3.4103	3.4017
Business Income and Receipts							
Net Income	6.320	6.325	6.320	6.315	6.310	6.305	6.300
Gross Receipts	0.3415	0.3415	0.3415	0.3415	0.3415	0.3415	0.3415
Sales <sup>1</sup>	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total Property Transfer	3.1	3.278	3.278	3.278	3.278	3.278	3.278
Parking	22.5	22.5	22.5	22.5	22.5	22.5	22.5
Beverage <sup>2</sup>	1.5	1.5	1.5	1.5	1.5	1.5	1.5

<sup>1</sup>Does not gross receipts for alcoholic beverages, tobacco, and gambling.  
<sup>2</sup>Includes Sales Tax of 10.25% on taxable goods and services.  
<sup>3</sup>Includes the Sales Tax of 10.25% on taxable goods and services.

Amount in millions

Source: General Fund Revenue Projections, Office of the City Auditor, City of Philadelphia, 2019. The City of Philadelphia reserves the right to change the tax rates at any time without notice.

#### II. Analysis of Plan Projections



Revenue projections are based on projected tax base growth for each tax. Base growth projections for every tax, except the real estate tax and the beverage tax, were made initially by the City's revenue forecasting consultant, IHS. These projections were reviewed by economists at a meeting held at the Federal Reserve Bank of Philadelphia prior to the release of the proposed Plan in March. The IHS projections were generally accepted by the experts present at the Federal Reserve meeting; some were adopted by the City in the proposed Plan, while others were modified by the City before inclusion into the Plan. Finally, as part of the Plan review process, PICCA engages its own economic consultant to evaluate the reasonableness of the City's revenue projections.

City of Philadelphia		REPORTING REVENUE SCHEDULES					
Five Year Financial Plan FY2020-2024		FISCAL YEARS 2018 TO 2024					
		(Amounts in Thousands)					
General							
Locally Generated Non - Tax							
No.	Agency and Revenue Source	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate
<b>Official Information A: Probation</b>							
1	Cable Franchise Fees	22,668	21,961	22,160	22,362	22,566	22,832
2	Telephone Commissions	210	0	0	0	0	0
3	Other	134	251	251	251	251	251
4	School	22,419	22,176	22,391	22,617	22,817	23,083
<b>Meat</b>							
5	Other	123	130	130	130	130	130
<b>Marine Revenue</b>							
6	Other	900	1,612	1,567	1,502	1,617	1,642
<b>Public</b>							
7	Port Year Round - Special Services	4,290	4,250	4,000	4,000	4,000	4,000
8	Port Area Fees	228	212	136	136	136	136
9	Wharves & Pier Fees	62	70	70	70	70	70
10	Other	2,124	2,049	2,049	2,049	2,049	2,049
11	School	6,276	7,308	6,276	6,276	6,276	6,276
<b>Port</b>							
12	Survey Charges	861	875	1,659	1,659	1,659	1,659
13	Second Island Revenue	4,560	5,280	5,280	5,280	5,280	5,280
14	Port Year Round Revenue	30	25	25	25	25	25
15	Collection Fee - Housing Authority	1,077	1,100	1,100	1,100	1,100	1,100
16	Deposit of Salvage (Revolving)	40	10	10	10	10	10
17	Right of Way Fees	997	1,300	2,000	2,137	2,270	2,405
18	Commercial Property Collection Fee	13,885	14,120	14,120	14,120	14,120	14,120
19	Other	443	800	800	800	800	800
20	School	21,618	24,180	24,964	25,000	25,254	25,568
<b>Port</b>							
21	Emergency Medical Services	49,427	39,000	40,000	40,000	41,000	41,000
22	Other	1,353	960	960	960	960	960
23	School	42,526	38,940	40,991	40,930	41,950	41,950
<b>Public Safety</b>							
24	Payments for Towing (City (HCU))	16,262	20,500	18,144	18,144	18,144	19,442
25	Paratransit Fees	3,223	3,250	3,250	3,250	3,250	3,250
26	Environmental Clear Fees	3,648	4,124	4,124	4,124	4,200	4,107
27	Other	675	500	500	500	500	500
28	School	24,066	28,475	26,308	26,515	26,515	27,400

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FY2020-FY2024

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adjustments for tax rate changes in this revenue stream before finalizing projections.

The wage tax is among the City's revenue streams that is most vulnerable to declines in economic growth. The City projects a 4.3 percent revenue growth in FY2020 and approximately 3.5 percent annually thereafter. These projections are based on IHS's view that there is a 25 percent possibility of a recession in FY2020 (see Section III discussion, "Economic Growth").

The business income and receipts tax ("BIRT") is composed of separate levies on net income and gross receipts. The net income tax rate is projected to decline from 6.20 percent in FY2020 to 6.00 percent in FY2024. The gross receipts portion is projected to remain at 0.1415 percent throughout the Plan period. As with the wage tax, the BIRT imposes a tax burden that far exceeds comparable taxes in the suburbs and is unique compared to most other major US cities.

The Plan projects a negative 1.2 percent growth in BIRT revenues in FY2020 and minimal or negative growth thereafter. PICCA's consultant anticipates lower growth rates in the two initial Plan years, due to concerns about a looming recession (see Section III discussion, "BIRT Volatility").

The City has taken steps to reduce and reform this tax by instituting an exemption on the first \$100,000 of gross receipts and a single sales factor apportionment to determine net income. BIRT revenue is difficult to project due to these exemptions. Many firms subject to the tax receive rebates after filing their taxes, if their actual tax bill differs from the original filing. Furthermore, the City cannot quantify the total amount of rebates until after the end of a given fiscal year.

Projections for this tax are further complicated by the need to anticipate corporate earnings, which comprise the tax base, and which are more volatile than wage earnings. Additionally, BIRT revenue is also impacted by business activity outside the City limits conducted by companies not located here, but having some operations in Philadelphia.

As such, national business activity interplays with local activity and the local tax structure, combining into a complex revenue stream. An overall decline in the national economy would thus negatively impact BIRT revenue growth, hence PICCA's designation of this revenue stream as a risk.

The real estate tax rate is a combination of City and School District rates, which together equal 1.3998 percent. The overall tax includes a City-dedicated portion of 0.6317 percent and a School District portion of 0.7681 percent.

The real estate tax projection process begins with the City's estimate of the tax base. This estimate is not based on IHS projections, but rather on an assumption about the rate of growth of taxable assessed value, which includes residential and commercial property classifications. The real estate tax revenue projection also reflects other factors, including: the rate at which assessments for new construction and rehabilitation return to taxable status, homestead exemptions, Longtime Owner Occupants Program ("LOOP") discounts, and Tax Increment Financing ("TIF") programs. Also reflected in the Plan is the impact of enforcement initiatives, including the Revenue Department's data warehouse, sequestration, and delinquent billing policies.

The Plan projects a 6.0 percent increase in this tax for FY2019, due to reassessments, and a 2.0 percent in FY2020. Those increases may be distorted by City Council legislation - Bill No. 171009, enacted in January 2019, the impact of which is a delay in payments on taxes associated with reassessments under appeal - amounts are not due until the resolution of appeals. Reassessments included in the Plan's projections have given rise to an estimated tax base increase that hinges on a success rate on appeals that may not be achieved (see Section III discussion, "Real Estate Tax Appeals"). PICCA's consultant estimates a higher rate of decline due to such appeals than the City's.

Additionally, this year, there is the Homestead Exemption for residential properties, which will have the effect of offsetting increases in real

<sup>1</sup> "Business Income, Receipts and Property Taxes," Philadelphia, PA: IHS, 2018.

<sup>2</sup> Ibid.

FY2020-FY2024



City of Philadelphia As Adopted Five Year Financial Plan FY2020-2024				SUMMARY OF OPERATIONS FISCAL YEARS 2018 TO 2024 (Amounts in Thousands)					
General				FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
NO.	DESCRIPTION	2018	2019	2020	2021	2022	2023	2024	2025
<b>OPERATIONS OF FISCAL YEAR</b>									
<b>REVENUES</b>									
1	Grant	\$,001,829	\$,512,216	\$,556,492	\$,756,841	\$,887,242	\$,988,106	\$,077,807	\$,077,807
2	Locally Generated Non-Tax Revenue	329,643	325,583	353,338	314,947	318,376	326,371	319,187	319,187
3	Revenue from Other Governments	232,948	216,201	247,843	247,843	359,880	352,800	352,800	352,800
4	Other Govts. - PICA City Account (1)	454,203	478,431	499,269	529,227	549,402	584,548	624,954	624,954
5	Sub-Total Other Governments	718,153	761,312	847,172	877,139	899,389	937,428	980,643	980,643
6	Revenue from Other Funds of City	35,437	73,816	81,011	63,879	63,418	67,893	66,764	66,764
7	Total - Revenue	4,858,062	4,742,109	4,918,003	5,021,896	5,198,440	5,312,796	5,444,831	5,444,831
8	Other	0	0	0	0	0	0	0	0
9	Total Revenue and Other Sources	4,858,062	4,742,109	4,918,003	5,021,896	5,198,440	5,312,796	5,444,831	5,444,831
<b>OPERATIONS/APPROPRIATIONS</b>									
10	Personnel Services	1,680,081	1,371,325	1,320,084	1,037,596	1,033,317	1,039,141	1,041,407	1,041,407
11	Personnel Services-Union	718,035	631,498	669,122	706,562	716,768	726,828	740,140	740,140
12	Personnel Services-Non-Union - Salary Tax	24,202	47,278	33,879	34,272	34,771	34,974	35,074	35,074
13	Personnel Services-Other Employee Benefits	421,784	403,881	460,912	407,446	381,779	373,289	365,132	365,132
14	Sub-Total Employee Compensation	3,064,092	3,169,499	3,353,847	2,554,778	2,557,971	2,572,972	2,621,653	2,621,653
15	Provision of Services	891,074	965,793	1,002,329	1,005,784	1,015,784	1,016,565	1,041,707	1,041,707
16	Maintenance, Supplies and Equipment	102,119	122,211	122,482	118,123	113,113	112,483	112,483	112,483
17	Construction, Information, and Transit	785,187	786,583	322,432	330,139	342,544	367,147	378,762	378,762
18	Other Services	168,795	169,496	187,403	199,402	214,883	228,963	235,767	235,767
19	Personnel in Other Funds	61,495	94,378	88,917	62,318	59,429	59,037	60,908	60,908
20	Advances & Misc. Trans. Incl. Labor Reserve	0	0	0	26,090	36,090	48,090	50,090	50,090
21	Adv. & Misc. Trans. / Federal Funding Reserve	0	0	0	0	0	0	0	0
22	Sub-Total	4,402,834	4,632,726	4,999,060	5,061,179	5,109,061	5,276,234	5,378,783	5,378,783
23	Provision to Budget Substitution Reserve Fund	0	0	0	0	0	0	0	0
24	Total - Obligations	4,402,834	4,632,726	4,999,060	5,061,179	5,109,061	5,276,234	5,378,783	5,378,783
25	Other: Surplus (Deficit) for Fiscal Year	455,228	109,383	918,943	959,717	1,089,379	1,036,562	773,048	773,048
26	Revenue Adjustments	0	0	0	0	0	0	0	0
27	Other Adjustments	26,311	19,508	19,508	19,508	19,508	19,508	19,508	19,508
28	Total Prior Year Adjustments	26,311	19,508	19,508	19,508	19,508	19,508	19,508	19,508
29	Adjusted Oper. Surplus (Deficit)	178,917	128,891	899,451	979,225	1,108,887	1,056,070	792,556	792,556
<b>OPERATIONS IN RESPECT TO</b>									
<b>PRIOR FISCAL YEARS</b>									
30	Fund Balance Available for Appropriation	180,244	348,703	297,666	298,903	115,972	123,487	147,603	147,603
31	Line 26 of Prior Fiscal Year	368,763	297,666	298,903	115,972	123,487	147,603	147,603	147,603
32	Fund Balance Available for Appropriation	549,007	646,369	596,569	414,875	239,559	271,290	295,206	295,206

**Locally Generated Non-Tax.** Locally generated non-tax revenue is projected at \$353.3 million in FY2020. This category includes a variety of revenue sources, including fees related to cable franchises, emergency medical services, commercial property refuse collections, business licenses, and the court system. Fine revenue is also included. Revenues collected by City agencies that account for a significant portion of this category are shown in Table 2.3. Overall revenue from this category is projected to remain relatively constant over the life of the Plan, decreasing slightly to \$319.6 million in FY2024. See Figure 2.2 for locally generated non-tax projected revenue growth. (see Section III discussion, "Speculative Revenues").

**Revenue from Other Governments.** The City receives grant revenue from state and federal governments to support a variety of programs. The majority of these revenues are not a part of this report because they are recognized in governmental funds other than the General Fund. In FY2020, the Plan projects \$847.2 million in revenue from other governments. Major categories include reimbursement for certain health programs, the Philadelphia Gas Works annual rental fee, state pension aid, state funding to support wage tax reduction, Philadelphia Parking Authority on-street parking revenue, certain grants to support the court system, and PICA City Account revenue. These revenues are shown in Table 2.3. (see Section III discussion, "Speculative Revenues").

The largest source of revenue within this category is the PICA City Account. PICA receives a share of the resident portion of the wage, earnings and net profits taxes to pay debt service on outstanding PICA bonds. Revenues from PICA-dedicated taxes not needed to pay debt service are returned directly to the City through the PICA City Account. This revenue source is projected at \$499.3 million in FY2020 and is projected to increase to \$608.1 million in FY2024. The significant rate of increase reflects projected growth in wage tax revenue and declining PICA debt service through FY2023.

**Revenue from Other Funds.** General Fund revenue from other funds is projected at \$81 million in FY2020, decreasing to \$66.3 million in FY2024. Major categories include reimbursements from the

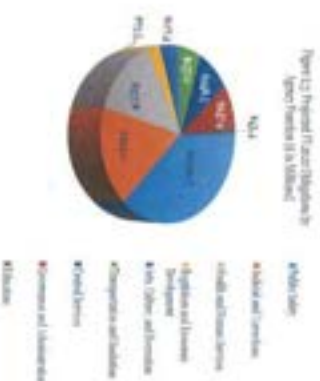
**Water Fund.** Aviation Fund and Grants Revenue Fund, for services provided. Grants Revenue related to the 911 system is projected to be higher in FY2020 than in the other years of the Plan. (see Section III discussion, "Speculative Revenues").

## II. Analysis of Plan Projections

**General Fund Obligation Projections**

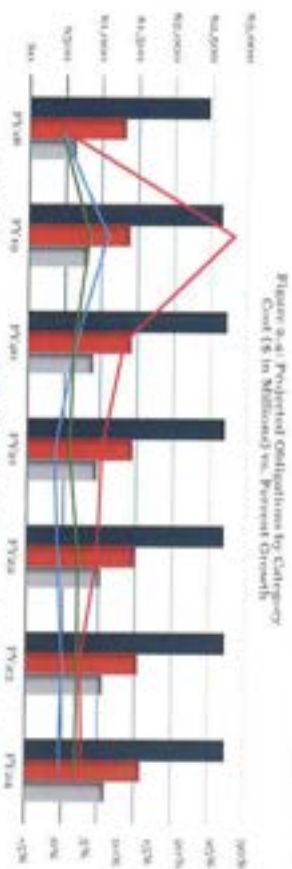
The Plan projects General Fund obligations will increase from \$5.025 billion in FY2020 to \$5.417 billion in FY2024, an increase of \$392 million, or 7.8 percent, over those five fiscal years. This amounts to an average annual increase of 1.9 percent. Obligations are projected to surpass the five billion dollar mark for the first time in the City's history in FY2020, after having surpassed the four billion dollar mark just four years earlier, in FY2016.

General Fund obligations are comprised of three major categories: Agency Obligations, Employee Benefits, and Other (see Table 4.1, in Section IV, for a list of agencies and obligations included in each function and category). The General Fund includes appropriations to finance the operations of 54 City agencies. These agencies range from major departments, such as Police and Prisons, to relatively minor offices and commissions (in terms of funding), such as the Office of Sustainability and the Commission on Human Relations. Some are under the jurisdiction of the Mayor, such as the Office of the Managing Director and the Chief Administrative Officer, while others are led by independently elected officials, such as the Sheriff and the Register of Wills.





# APPENDIX D: CITY'S FY2020-FY2024 FIVE YEAR FINANCIAL PLAN SUBMITTED TO PICA ON JUNE 18, 2019



plan, have now increased to an estimated total of \$1.017 billion, due in part to excessive overtime spending within the Fire Department.

Judicial and Corrections is the next largest category of spending, with \$424.2 million in projected obligations in FY2020. This represents a 2.6 percent decrease from FY2019 spending, and costs for the category are projected to remain flat over the life of the Plan. Two agencies, the Prisons Department and the Office of the District Attorney, are projected to reduce costs in FY2020, by 5.0 percent and 7.5 percent, respectively.

Several Agency Function categories are projected to reduce spending over the life of the Plan. Central Services costs are projected to decrease by 0.1 percent by FY2024. Health and Human Services by 1.1 percent, Governance and Administration by 4.0 percent, and Regulation and Economic Development by a considerable 17.4 percent.

Within the latter category, the Commerce Department has received an influx of funds in FY2020 to enhance its neighborhood commercial corridor program. This is a one-year economic stimulus increase, which accounts for the Department's 50 percent decrease in spending by 2024. Additionally, the Department of Planning and Development's FY2020 spending is bolstered by funds earmarked for the Housing Trust Fund, accounting for that Department's projected decrease in spending by FY2024.

In addition to projected reduced spending within several categories, growth within the remaining categories is projected to be minimal. Arts, Culture, and Recreation obligations are projected to increase by 2.3 percent, and Transportation and Sanitation obligations by 3.1 percent. While obligations for the Education category increased by 48.2 percent, this only amounts to an increase of \$21.9 million.

Figure 2.3 illustrates projected FY2020 obligations by Agency function, while Figure 2.4 illustrates projected obligations by category as both a dollar amount and on a percentage growth basis over the plan period. As is evident from Figure 2.4, the City projects spending reductions in all three obligations categories over the life of the Plan.

**Employee Benefits Obligations.** The General Fund also includes separate appropriations to fund various employee benefits, such as pension payments, employee health benefits, disability, workers' compensation, social security contributions, and unemployment compensation. Contrary to Agency Functions, the Employee Benefits category is projected to see steady growth in spending over the life of the Plan. As shown in Table 2.6, Employee Benefits Obligations for FY2020 are projected at \$1.412 billion, increasing to \$1.581 billion in FY2024—an increase of \$169.3 million. This amounts to growth of almost 12.0 percent, at an average annual rate of almost three percent.

City of Philadelphia – Office of the Director of Finance  
Notes to Forecasted General Fund Statements of Operations  
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**C. Pensions**

As part of the effort to control major cost drivers and to improve the health of the pension fund, several changes have been made over the past few years. The City continues to seek ways to improve the long-term health of the fund.

The City's Act 111 interest arbitration awards with the FOP, Lodge No. 5 and IAFU, Local 22 both require most current members to make additional contributions to the pension fund of 0.92% starting in FY18 and an additional 0.92% in FY19, for a combined 1.84% additional contributions. New hires are now required to make an additional 2.5% contribution above rates in effect prior to the arbitration award.

Significant pension changes were also included in the DC47 collective bargaining agreement, closely mirroring the earlier reforms agreed to with DCC3. Effective in January 2019, current employees began participating in a tiered contribution system where those with higher annual salaries will pay higher contribution rates. New employees are now mandatory members of a stacked hybrid plan under which employees will receive a traditional defined benefit pension on their first \$65,000 of salary as well as the option to participate in a voluntary defined contribution plan. These reforms have been applied to employees who are not represented by a union, which means that all City employees will be participating in strengthening the pension fund.

In addition to the aforementioned changes in pension benefits, the City's pension fund has also undergone the following changes:

- The City continues to make at least its full minimum municipal obligation (MMO) each year and has dedicated a portion of additional revenues to the fund. Under 2014 state legislation, the additional 1% local sales tax provides funding for the School District of Philadelphia (first \$120 million), debt service on a four-year borrowing for the District (next \$15 million through which was satisfied in FY18), and any remaining funds are dedicated to the pension fund. From FY20 through FY24, the City's pension fund is projected to receive \$333.3 million from the proceeds of the Sales Tax. The Sales Tax revenues will supplement the City's MMO payment rather than supplanting a portion of it.
- The City also created the Revenue Recognition Policy under which the Sales Tax revenue and additional employee contributions achieved through collective bargaining and interest



and projects a deposit in each of the years included in the Plan. According to the Plan, a rainy day fund of \$180.8 million will be established by FY2024. The importance of this reserve is paramount; the funds may only be drawn and spent in specific, emergency situations, shielding the funds from other discretionary spending.

Another growing payment in the Other Obligations category is the contribution to the School District—governance of which was returned to a local school board on July 1, 2018, following the dissolution of the School Reform Commission (“SRC”).

The City's contribution was \$104.3 million in FY2018—before the District's returns to local control—it grew to \$185.8 million in FY2019, and will increase further, to \$222.5 million in FY2020. The contribution is projected to increase to \$272.2 million in FY2024.

The City's debt service payment (Slaking Fund) is the fastest-growing Other Obligations category, projected to increase by \$83 million to \$379.7 million, or 28.0 percent, over the life of the Plan. The City projects spending \$1.074 billion on debt service over the five fiscal years included in the Plan.

Considering the fast-growing payments to the School District and for debt service, along with

the aforementioned reserves, Other Obligations is the fastest growing obligations category by far. As a whole, this category is projected to grow from \$901.9 million in FY2020 to \$1.107 billion in FY2024, an increase of \$205.1 million, or 22.7 percent. Additionally, spending within this category nearly doubled from FY2016 to FY2024, an increase of nearly \$520 million. While establishing reserves and funding the School District are considered investments in the future, the City will need to take caution that essential services, categorized in the Agency Function, do not suffer as a result of the additional spending on Other Obligations.

**Revenue and Obligations Growth.** The City projects continued revenue growth over the life of the Plan due to the ongoing economic expansion. General Fund revenues are projected to increase from \$4.918 billion in FY2020 to \$5.445 billion in FY2024, a growth of 10.7 percent. General Fund spending is also projected to grow, from \$5.025 billion to \$5.417 million, or 7.8 percent growth. Whereas revenues are growing at a faster rate than obligations, obligations remain higher than revenues in all but the final year of the Plan.

This threatens the higher fund balances the City has been able to accumulate in recent years. FY2019's estimated fund balance of almost \$300 million is projected to drop to just under \$200 million by FY2024. Whereas the City has been able to achieve a fund balance-to-appropriations ratio triggering a deposit into the USR in FY2020, this may not be possible if the City's fragile revenue projections are negatively affected by an economic downturn or volatile BIRT or real estate tax collections.

Though the City has made progress in recent years, shorting up fund balances and projecting revenues more accurately, to the point that major rating agencies have upgraded the City's credit rating, the City must now focus on maintaining these improved financial practices and planning for the long-term. The City should continue to focus on spending within its means, or at a minimum, keep spending levels within ranges of projected revenues.



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#### 4. Locally Generated Non-Tax Revenue

Locally Generated Non-Tax Revenue are forecasted based on historical trends, rate changes, and current collection patterns. Certain revenues such as interest earnings, licenses and permits and recording fees are subject to economic conditions and are estimated accordingly.

#### 5. Revenue from Other Governments

Revenue from Other Governments is forecasted based on historical trends and state and federal budget information. The PICAA City account, which represents 58.9% of Revenue from Other Governments, is forecasted using Wage Tax variables.

#### 6. Obligation Estimates

OBPE provided obligation estimates to the Director of Finance and the Mayor for discussion and inclusion in the revised annual FY2020 budget and FY2020-2024 FYP submitted by the Mayor to the PICAA on June 18, 2019. OBPE provides forecasts of all major expenditure categories. Obligations total \$4,025 billion, an increase of \$192.5 million over the FY19 estimate. A handful of items account for much of that increase: pensions; the School District contribution; employee disability; disposal contracts, which have been driven up by global markets; a contribution to the budget stabilization reserve fund; and expansion of Pre-K and Community Schools with the resolution of the litigation challenging the Philadelphia Beverage Tax.

#### a. Labor Agreements

The forecasted statements include:

- The final contract pay raise for AFSCME DC23 of 3% in FY20 and a one-time \$11 million lump sum payment to the union's health and welfare fund in FY20.
- Per the FY18 to FY20 arbitration award for the Fraternal Order of Police (FOP), a 3.75% increase in FY20.
- Per the FY18 to FY20 arbitration award for the International Association of Fire Fighters (IAFF), a 3.75% in FY20. Fire fighters also received an increase to premium pay rates of an additional 0.2 hours per week in FY20.

### III. RISKS TO THE PLAN

The PICAA Act requires that Plan projections of revenues and obligations are based on reasonable assumptions and methods of estimation. This requirement was included in the Act to ensure that the Plan provides adequate assurance that the City will continue to maintain financial stability, most notably exhibited through positive fund balances. Reasonable assumptions and methods of estimation, in addition to other budget balancing measures, ensure a positive General Fund balance each fiscal year over the Plan period.

#### Key Risks

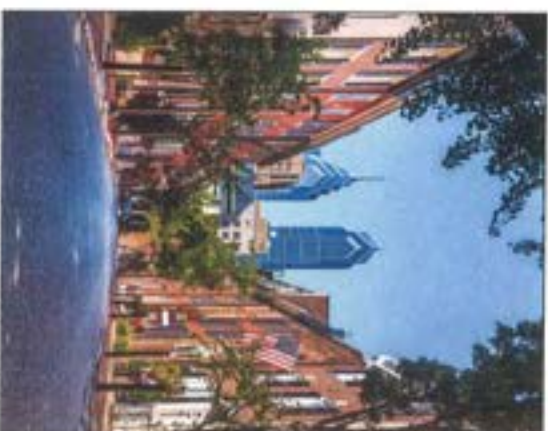
The discussion below focuses on key risks to the Plan and its projections. They include: economic growth, the business income and receipts tax ("BIRT"), the real estate transfer tax ("RTT"), School District of Philadelphia funding, and pension funding, as well as other financial concerns, which are worth noting, but are not considered by PICAA as key risks to the Plan. PICAA recommends approval of the FY2020 to FY2024 Plan as currently proposed, but a well-rounded discussion of the City's finances requires the presentation of any risk factors or other financial issues facing the City.

#### Economic Growth

A risk to any Five Year Plan is the possibility that slower than projected economic growth could result in actual tax revenues below Plan projections. The Plan assumes overall growth in revenues of approximately 2.8 percent annually. These projections account for slower expected economic growth than in recent years, but they reflect the median of growth forecasts, not the lower end of possible growth rates.<sup>1</sup>

There are several indicators economists look to in assessing the likelihood of an economic downturn, one of which is the labor market. When the unemployment rate reaches a low point, this could be a sign of an approaching recession. The current U.S. unemployment rate is at its lowest

<sup>1</sup>United Nations, *Medium-Term Prospects of the World, People's University, Brussels* (United Nations Publications, 2008), 2008.



in 50 years: 3.6 percent, as of June 2019. The Philadelphia unemployment rate is similarly very low, 4.9 percent, although it is typically higher than the national rate (see section V discussion, "Unemployment Rate").

Additionally, although recessions are difficult to predict, there are measures of confidence and other surveys that indicate the potential for a recession. The Wall Street Journal's survey of experts reports that 85 percent of respondents believe there will be a recession either in 2020 or 2021.<sup>2</sup> Consumer confidence, along similar lines, has also recently declined to a 21-month low, as of June 2019, partly due to the concerns of a trade war with China.<sup>3</sup> Meanwhile, the City's consultant, IHS, places the possibility of a recession at 25 percent for 2020, which is built into the City's growth projections.

Perhaps the most significant indicator of an approaching recession is an inverted yield curve.

<sup>2</sup>Survey, "Recession: 85 Percent of Experts Say It's Coming," *Wall Street Journal*, 2019, <https://www.wsj.com/articles/recession-85-percent-of-experts-say-its-coming-11564444444>.

<sup>3</sup>IHS.

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to firms to locate in the city. Lastly, starting in FY20, the BIRT will be collected on a quarterly basis, easing the impact on new businesses.

#### d. Real Estate Transfer Tax

The Real Estate Transfer Tax (RTT) is projected to provide \$339.3 million in FY20. After a strong several years, the base growth of the RTT is projected to grow by 1.37% in FY20. The City currently imposes a 3.278% tax on real property sales and an additional 1% is charged by the Commonwealth for a 4.278% total RTT.

#### e. Sales Tax

Sales Tax revenues are projected to generate \$227.9 million for the City's general fund in FY20, based on a growth rate of 3.8%, and comprising 6.3% of tax revenues. As part of its response to projected City budget deficits in 2009, the Commonwealth of Pennsylvania (the Commonwealth) provided authorization and the City passed legislation to temporarily increase the Sales Tax rate from 1% to 2% through the end of FY14. This raised the total Sales Tax rate to 8%, with 6% going to the Commonwealth and 2% to the City. The tax was made permanent starting in FY15 with 1% of the local Sales Tax being for the benefit of the School District of Philadelphia and the City's pension fund, whereby \$120 million of the sales tax goes directly to the School District and remaining amounts flow through the City's General Fund to pay for debt service on a borrowing on behalf of the School District and for additional contributions to the Pension Fund. In FY20, the debt service on the borrowing is complete, and therefore all of the proceeds above the \$120 million in Sales Tax receipts from the second 1% is going to the City's Pension Fund (projected to be \$43.9 million). From FY20 through FY24, the City's pension fund is projected to receive \$223.3 million from the proceeds of the Sales Tax.

#### f. Parking Tax

The Parking Tax is levied on the gross receipts from all parking transactions. Parking Tax revenue is projected to generate \$100.2 million in FY20, based on prior-year revenue history and local economic trends.

Additionally, the real estate transfer tax, and the business income and receipts tax (BIRT), both discussed below, are particularly volatile, with the BIRT highly sensitive to the business cycle, and the real estate transfer tax sensitive to the housing market.<sup>7</sup>

The recent actual, estimated, and projected growth rates are shown in Figures 3.1 (wage and earnings tax) and 3.2 (real estate transfer tax). They present actual growth from FY2007 through FY2018, estimated in FY2019, and projected growth from FY2020 through FY2024.

The figures illustrate the impact of the Recession of 2008 and the housing crisis of 2007-2009 on City tax bases. The rate of growth in the wage tax in Figure 3.1 is shown to be highly sensitive to the macro economy, as indicated by the steep decline in growth rates from FY2007 to FY2010, and the gradual increase from FY2010 to FY2015.

The real estate transfer tax, in Figure 3.2, shows a significant negative impact attributable to the housing crisis of 2007, with the base declining by more than 30 percent in FY2009. In the years following, during the economic expansion, this tax shows mostly high rates of growth between FY2010 to FY2018.

These past experiences may serve as an indication of the impact of future economic downturns on revenues. In the event of a recession, the impact would be observed almost immediately, within a month for the wage and real estate transfer taxes, and within several months for the sales tax.<sup>8</sup> BIRT declines would be experienced in a more delayed manner.<sup>9</sup> Overall, the revenue streams where the City stands to see the largest declines during an economic downturn, in dollar amounts, would be the wage and real estate transfer taxes.<sup>10</sup> For this reason, the discussion on risks pertaining to the real estate transfer tax projections, below, is particularly important.

years, the assumption of continued economic growth over the full five years of the Plan is a potential risk factor.

#### BIRT Volatility

The business income and receipts tax (BIRT) is one of the most difficult revenue streams to project. Corporate earnings, being a volatile revenue stream, are difficult to predict. The tax is impacted by both national and local economic trends, and any slowdown in the economy would adversely affect BIRT collections.

Furthermore, in formulating BIRT projections, the City must not only account for future corporate earnings as estimated by a combination of City and IHS experts, but it must also include in those estimates, business activity occurring within City limits, which is conducted by businesses located elsewhere.<sup>11</sup> This complexity may further be exacerbated by the high level of refunds and credits incorporated into the BIRT reforms on single sales factor apportionment and exemptions in gross receipts from the gross receipts portion of the tax.<sup>12</sup>

The Plan projects a very minimal BIRT growth over the five year period, averaging approximately 0.5 percent annually. This represents a total projected growth of only 2.6 percent between FY2019 and FY2024, or \$13.1 million overall. This is a notable difference from the City's BIRT projections in last year's Plan, which projected growth in each of its years of more than 3 percent annually on average, representing an overall increase of \$69.6 million over the five year period.

Despite this Plan's minimal projected growth in BIRT revenue, there is a heightened level of uncertainty regarding where business earnings will trend over the next several years during this Plan period.

While the City's FY2020 projection is in line with our economist's forecast, a larger disparity exists between our economist's forecast and the City's projections in the later years of the Plan. PICCA's economist

<sup>7</sup> Business income and receipts tax (BIRT) is particularly volatile, with the BIRT highly sensitive to the business cycle, and the real estate transfer tax sensitive to the housing market.

<sup>8</sup> Sales tax.

<sup>9</sup> BIRT.

<sup>10</sup> Wage and real estate transfer taxes.

<sup>11</sup> IHS.

<sup>12</sup> IHS.

<sup>13</sup> IHS.

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4. Real Estate Transfer Tax (RTT),
5. Sales Tax,
6. Parking Tax, and
7. Philadelphia Beverage Tax.

The remaining taxes, including the amusement tax, are budgeted to provide less than 1% of General Fund revenue. Philadelphia's reliance on the Wage Tax (43.4% of the General Fund, including PICCA portion), the BIRT (10.9%) and the Sales Tax (4.6%) places the City at risk from economic trends and employment fluctuations of the local economy. Other cities and counties that rely more heavily on property tax revenues are more susceptible to dramatic shifts in the housing market.

**a. Wage Tax**

The largest tax revenue source (comprising 44.9% of tax revenues, excluding the PICCA portion) is the Wage Tax, which encompasses the wage, earnings, and net profits taxes. The Wage Tax is collected from all employees working within city limits, and all Philadelphia residents regardless of work location. In FY20, the Wage Tax rate has been reduced from 3.8809% to 3.8712% for residents and from 3.4567% to 3.4413% for non-residents. The resident rate includes 1.5% that is reserved for the PICCA. PICCA has overseen the City's finances since 1992, but under current statute is scheduled to dissolve following the repayment of all outstanding bonds at the close of fiscal year 2023. Revenue projections for fiscal year 2024 assume the City and Commonwealth will work together to extend PICCA's existence or, alternatively, that City Council will adopt a Wage Tax rate, independent of the PICCA portion, to produce the expected revenue. This FYP maintains the assumption that the 1.5% will continue in FY24. The PICCA statute permits the Authority a "first dollar" claim on its portion of Wage Tax proceeds, which is used to pay debt service on bonds issued by PICCA for the benefit of the City. Excluding the PICCA portion, the Wage Tax and Net Profits Tax is projected to bring in \$1.672 billion in FY20. This projection includes a 4.30% growth rate for the Wage and Earnings component and a 5.52% growth rate for the Net Profit component of the tax.<sup>3</sup>

<sup>3</sup> Growth rates referenced throughout these notes are applied to the current portion of the tax base

The cumulative City contribution from the General Fund for FY2020 through FY2024 will total \$1.28 billion. In addition to increasing its General Fund contribution, attributable to the slow down of wage tax reductions (as explained in Section II) and departmental funding cuts of \$222.2 million over the Plan period, the City has also allocated other revenue streams to the School District. The additional revenues are derived from the real estate transfer tax (\$126.7 million), which serves to offset losses from the increased Homestead exemption, and the slowdown of wage tax rate reductions (\$414.0 million) over the life of the Plan.

Nonetheless, the School District's five year projections show deficits of \$76.4 million in FY2022, \$186.0 million in FY2023, and \$296.7 million in FY2024. Additionally, the School District's fund balance as a percentage of total expenditures is low in the years where the fund balance is positive. In FY2019, the fund balance is estimated at approximately 5 percent of expenditures, however, in FY2020 the fund balance falls to 3.8 percent of expenditures, and ultimately to 0.8 percent of expenditures in FY2021, before showing a deficit in the three remaining years.

Furthermore, the current teachers' contract for the Philadelphia Federation of Teachers ("PFT") will expire in FY2020. Four of the School District Plan's five years do not budget for raises and related labor costs. Assuming a conservative two percent growth, a new contract could mean a very low fund balance in FY2021 of approximately \$28.8 million, and even larger deficits in FY2022 through FY2024. Deficits could reach \$92.4 million in FY2022, \$222.0 in FY2023, and \$354.7 million in FY2024 if teachers negotiate a 2 percent rate.

As evidenced by the re-allocation of funds from City operating departments to the School District, the risk is that the City may be compelled to further supplement its contribution to the School District within this Plan period, which could draw vital resources away from other City services, or could impact the fund balance.

**Pension Funding**

The Plan's annual projected pension costs reflect the City's annual contributions to the pension system in satisfaction of the state mandated minimum contribution, known as the Minimum Municipal Obligation ("MMO"). In this year's Plan, the total projected MMO ranges between \$749.1 million in FY2020 to \$815.1 million in FY2024, which includes dedicated amounts arising from the sales tax and employee contributions. The General Fund portion of the MMO ranges between \$584.7 in FY2020 to \$629.7 in FY2024. The City also pays debt service on pension obligation bonds, which account for approximately \$110.2 million annually.

The major risk associated with the MMO projections in any five year plan, is that they are significantly impacted by investment performance. This risk becomes heightened in this Plan, as the City continues into a long period of economic expansion, with potential for a recession increasing with time (see above discussion, "Economic Growth").

The investment return assumption for FY2018, the year of the most recently available Actuarial Valuation, was 7.65 percent, net of fees. The market value of assets, as of the Actuarial Valuation for the year ending June 30, 2018, was 9.01 percent, which was higher than the assumed rate of return. However, the actuarial value of assets—which reflects gains and losses extended over a ten year period, was 5.11 percent—shows that the pension fund has incurred substantial experience losses related to investments in prior years, the effects of which are being incrementally recognized under the City's ten-year asset smoothing policy. As the losses are recognized, they will then be amortized, leading to higher required contributions. Any future losses in any of the years of the Plan will result in even higher required contributions.

Apart from risks of immediate costs related to the MMO, the City's pension liability represents a long-term financial risk to the City. The pension fund is currently 46.8 percent funded, with an unfunded actuarial accrued liability ("UAAL")



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- Forecasts of economic activity provided by several sources including the Congressional Budget Office.
- Continuous evaluation of national and local economic data on employment, inflation, interest rates, and economic growth.
- Ongoing examination of the City's current tax receipts.
- Economic forecasting of tax revenues provided by a revenue forecasting consultant.
- Analysis and tax history provided by experienced staff within the Philadelphia Department of Revenue.
- Discussions with economists at a meeting at the Federal Reserve Bank of Philadelphia, and
- The extensive experience of its staff.

OBPE's tax forecasts for the FYs were developed in conjunction with a revenue forecasting consultant, IHS Markit, Ltd. (IHS). IHS created econometric models which included variables such as wage and salary adjustments in the metropolitan statistical area (MSA) and the county, personal income in the county, the unemployment rate, home prices in the county, real estate transaction growth, and national corporate profits. These models, together with their forecast of the Philadelphia economy, were used by IHS to forecast tax revenues for the City. IHS focused on the following taxes – Wage and Earnings Tax, Net Profits Tax, Business Income and Receipts Tax, Real Estate Transfer Tax, Parking Tax and Sales Tax. These forecasts were refined by OBPE after discussions with economists at a meeting at the Federal Reserve Bank of Philadelphia, as well as with experienced staff within the Department of Revenue. Forecasts for the remaining major taxes – Real Estate and Philadelphia Beverage – were developed using the internal expertise of employees within the City. The Real Estate Tax estimates were forecasted by OBPE with data and input from the Office of Property Assessment and the Department of Revenue. The Philadelphia Beverage Tax estimates were based upon initial collections of this new tax, along with an assumption of a 1% decline in consumption assumed based upon national trends of reduced sugar-sweetened beverage consumption, in consultation with the Department of Revenue.

Table 3.2: Wage Risk by Bargaining Unit (\$ in Millions)

Bargaining Unit	FY2020	FY2021	FY2022	FY2023	FY2024	Plan Total
Police	—	\$10.6	\$20.4	\$32.4	\$63.7	\$126.1
Police – Sheriff	—	0.4	0.8	1.2	1.5	3.8
Police – Registrar of Wills	—	0.1	0.2	0.3	0.3	0.8
AFP – Fire and EMS	—	3.9	7.8	11.6	15.0	39.6
DC 33	—	4.0	8.0	12.1	16.3	40.3
DC 33 – Local 199	—	2.0	4.1	6.2	8.4	20.8
DC 47	—	3.4	4.9	7.4	10.0	24.8
DC 47 – Local 810	—	0.4	0.8	1.2	1.6	4.0
Total Estimated Wage Risk	—	\$63.7	\$128.0	\$202.7	\$277.9	\$672.4

Notes: FY21 estimates based on FY2020 salary and benefit data and projected wage increases through FY2024, after the current contract negotiations. Notes: FY22 estimates based on FY2021 salary and benefit data and projected wage increases through FY2024, after the current contract negotiations.

Wage increases for non-union employees such as exempt and non-represented employees, nor does it account for overtime costs. These potential wage increases do not constitute a projection but are used solely for the purpose of this risk analysis.

Despite the labor reserve set aside, according to our analysis, the City could face a deficit in the labor reserve of \$3.7 million, \$18.0 million, \$32.7 million, and \$47.9 million, in FY2021, FY2022, FY2023, and FY2024, respectively. Therefore, the provision for future obligations is not enough to cover potential wage increases in the later years of the Plan. Despite these additional wage costs, our analysis estimates that the projected fund balances will still remain positive throughout the life of the Plan but dropping significantly in the last two years of the Plan.

Table 3.3 presents the potential impact of the Plan's wage risk on the fund balance. Therefore, despite the labor reserve set aside, a risk exists that

the Plan does not cover the cost of all potential wage increases. It should be noted that any future labor agreements that increase General Fund costs beyond the labor reserve included in the Plan would require a revision. This revision would have to demonstrate the existence of sufficient funds to cover any additional costs.

Speculative Revenues

The FY2020-FY2024 Plan includes some revenues that are speculative in the following categories: locally generated non-tax revenue from other governments, and revenue from other funds.

As discussed at length throughout this report, the PICA Act requires that estimates for tax revenues collected by the City should be "based on current or proposed tax rates, historical collection patterns, and generally recognized econometric models."

Table 3.3: Potential Impact of Wage Risk on Plan Fund Balance (\$ in Millions)

Provision for Future Labor Obligations	FY2020	FY2021	FY2022	FY2023	FY2024	Total
Estimated Wage Risk	—	\$63.7	\$128.0	\$202.7	\$277.9	\$672.4
Plan (Overage)/Overage	—	—	—	—	—	—
Fund Balance as Projected in the Plan	—	—	—	—	—	—
(Overage)/(Overage from FY2020)	—	209.9	108.0	167.6	194.8	672.4
(Overage)/(Overage from FY2021)	—	—	—	—	—	—
(Overage)/(Overage from FY2022)	—	—	—	—	—	—
(Overage)/(Overage from FY2023)	—	—	—	—	—	—
(Overage)/(Overage from FY2024)	—	—	—	—	—	—
Potential Plan Fund Balance	—	209.9	337.9	505.5	700.3	1,753.6

Notes: FY21 estimates based on FY2020 salary and benefit data and projected wage increases through FY2024, after the current contract negotiations. Notes: FY22 estimates based on FY2021 salary and benefit data and projected wage increases through FY2024, after the current contract negotiations.

**City of Philadelphia - Office of the Director of Finance**  
**Forecasted General Fund Statements of Operations**  
**Fiscal Years Ending June 30, 2020 through June 30, 2024**

(Amounts in thousands)

	Item	FY 2020 Adopted	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
<b>OPERATIONS OF FISCAL YEAR</b>						
1	Taxes	3,035,492	3,706,841	3,877,305	3,983,196	4,077,837
2	Locally Generated Non-Tax Revenues	353,328	314,047	316,376	326,371	316,587
3	Revenue from Other Governments	847,172	877,139	894,389	924,426	980,943
4	Sub-Total (Line 1)	4,235,992	4,898,027	5,088,139	5,234,093	5,375,367
5	Revenue from Other Funds of City	81,011	63,879	64,410	63,883	64,264
6	Total Revenue and Other Sources (Line 5)	4,316,003	4,961,906	5,152,549	5,317,976	5,444,631
<b>OBLIGATIONS/APPROPRIATIONS</b>						
7	Personal Services	1,820,084	1,827,496	1,833,217	1,839,141	1,841,407
8	Personal Services-Pensions	349,051	365,734	381,479	380,080	381,114
9	Personal Services-Other Employee Benefits	662,912	671,440	703,275	723,750	756,112
10	Sub-Total Employee Compensation (Line 9)	1,011,047	1,064,670	1,094,971	1,094,970	1,094,970
11	Purchase of Services	1,000,226	998,411	1,015,784	1,035,563	1,041,707
12	Machinery, Supplies and Equipment	172,642	118,172	112,113	112,443	112,469
13	Contributions, Indemnities, and Taxes	322,452	350,139	363,564	367,147	370,787
14	Debt Service	187,483	180,461	214,843	224,964	233,787
15	Advances & Misc. Print / Labor Obligations	0	20,000	30,000	40,000	50,000
16	Advances & Misc. Print / Federal Grants	58,108	56,764	58,356	58,356	58,356
17	Sub-Total (Line 16)	4,922,077	4,907,667	5,113,635	5,216,499	5,306,785
18	Payment to Other Funds	103,180	98,572	98,492	97,047	107,186
19	Total - Obligations (Line 18)	5,025,257	5,006,239	5,212,127	5,313,546	5,413,971
20	Oper. Surplus (Deficit) for Fiscal Year (Line 19)	(1107,254)	(73,333)	(164,587)	(75,570)	(71,066)
21	Prior Year Adjustments:					
22	Other Adjustments	19,500	19,500	19,500	19,500	19,500
23	Total Prior Year Adjustments	19,500	19,500	19,500	19,500	19,500
24	Adjusted Oper. Surplus (Deficit) (Line 20)	(87,754)	(53,833)	(145,087)	(56,070)	(51,566)
<b>DEFICIT FISCAL YEARS</b>						
25	Fund Balance Available for Appropriation June 30 of Prior Fiscal Year	297,666	209,003	158,972	128,884	147,633
26	Fund Balance Available for Appropriation June 30 (Line 25)	209,903	165,172	128,885	147,633	194,793

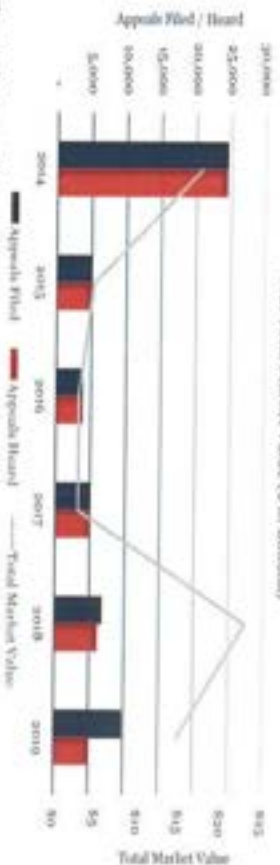
See accompanying summaries of significant accounting policies and assumptions and accountant's report.

1

FY 2020-FY 2024

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Figure 3-3: Appeals Filed vs. Appeals Heard  
with Total Market Value (\$ in Billions)



III. Back to the Plan

The total of speculative revenues could reach between \$90 and \$60 million in FY2020, if the aforementioned projections are not realized. The current fund balance would most likely absorb such a decrease, but PICA cautions the City as to not overproject revenues.

**Real Estate Tax Appeals**

In 2014, the City implemented the Actual Value Initiative ("AVI"), which required that all City properties be assessed at their current market value for taxation purposes.

Since the implementation of AVI, the City has conducted reassessments each year. Reassessments in recent years have prompted some litigation based on questions surrounding classification and ensuing reassessments of different types of properties. The basis of the litigation is the Pennsylvania constitution's uniformity clause, which requires that all properties be taxed in a uniform manner, even between different categories. Additionally, a key component of AVI is the requirement that all City property be appraised each year. On this basis, two commercial property owners have sued the City, rendering \$63 million in City and School District revenues at stake, \$13 million of which are City revenues. A ruling on the lawsuit is pending.

Apart from the immediate risk of the City having to repay commercial property owners \$63 million if the reassessment is found to violate the uniformity clause, the Office of Property Assessment ("OPA") faces other, non-legal challenges, as well.

OPA completed a citywide reassessment of all properties in March 2018 for calendar year 2019 real estate taxes. Subsequently, City Council conducted an audit of that reassessment, based on increasing concerns of flaws in the new values and their impact on taxpayers. The audit flagged a number of deficiencies with the current system and issued recommendations. Among the findings were the following: assessments lack uniformity; assessments generally do not meet industry standards (with the exception of those for condominiums); properties valued below \$100,000 tend to be overassessed; and timing of First Level Reviews was too slow. The audit issued several recommendations, including: examination of inadequacies of staffing, budgets, procedures, and methodologies; reestablishment of clear goals; creation of alternative strategies to accomplish goals; and interaction with stakeholders, among others.

City Council issued several recommendations as a result of the audit, including the identification and correction of any outlier assessments by April 2019. Council's other recommendations centered around hiring, leadership and procurement of experts. The City's response to City Council's audit indicated that the report did not provide specific assessment process improvements, did not give the City credit for implementing recommendations from a previous audit conducted in 2012, and was a missed opportunity to help OPA focus on its weaknesses. In addition, the City had significant concerns with the audit's methodology related to the assessment valuation process, as sales data that was not fully validated was used.

FY 2020-Present

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# CITY OF PHILADELPHIA

OFFICE OF THE COMPTROLLER  
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REBECCA BRUNHART  
City Controller  
CHRISTY BRADY  
Deputy City Controller

## INDEPENDENT ACCOUNTANT'S REPORT

To the Chair and Board Members of the  
Pennsylvania Intergovernmental Cooperation Authority

We have examined the accompanying forecast of the City of Philadelphia, Pennsylvania, which comprises the forecasted general fund statements of operations and statements of significant assumptions and accounting policies for each of the five years ending through June 30, 2024, of the City of Philadelphia, Pennsylvania, based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). City of Philadelphia's Office of the Director of Finance Management is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the AICPA. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented, in all material respects, in accordance with the guidelines for the presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for management's forecast.

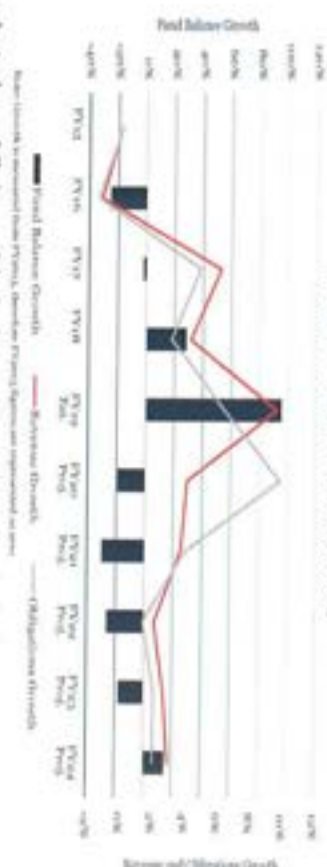
There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The forecasted statement referred to above includes assumptions that are particularly sensitive because they require state or city legislative approval and successful labor negotiations. As discussed in Note C.1.a, the Wage Tax rate includes 1.5 percent that is reserved for PICA. This assumption is particularly sensitive because the plan assumes the state will enact legislation to reinstate PICA upon its dissolution at the end of fiscal year 2023 or, alternatively, City Council will pass legislation to increase the Wage Tax to produce the expected revenue. The assumptions pertaining to labor agreement costs as described in Note C.6, are particularly sensitive due to the uncertainty in the outcome of expected future negotiations with the four major municipal unions whose contracts are set to expire in 2020.

*Christy Brady*

CHRISTY BRADY, CPA  
Deputy City Controller  
Philadelphia, Pennsylvania  
July 8, 2019

Figure 3-4: Fund Balance Growth vs. Revenue and Obligations Growth (Percent)



order to show a full picture of the funds set aside in this Plan. It also illustrates that total reserves are still well below not only GFOA recommended levels, but also the City's own target.

As it pertains to the federal funding reserve, the City contends that amounts need to be set aside in the event of potential federal cuts to grant money. Although PICA advocated for such contingency planning at the beginning of the Trump administration when there was a true threat of this possibility, the City has since prevailed in a lawsuit regarding federal funding. Since the conclusion of this litigation, the risk of funding cuts from the federal government has been minimal, yet the City continues to set aside money in this reserve. The reserve appears to be akin to a second unrestricted fund balance that the City appropriates to other purposes at the conclusion of each fiscal year, upon discovering that federal cuts did not occur. In the interest of transparency and good budgeting, the City should properly designate this reserve for the true purpose it will serve, whether as a part of the fund balance, labor reserve, or another purpose.

There are a number of reasons, apart from the most obvious need to guard against contingencies, for maintaining adequate fund balances, including: cash availability, favorable credit ratings, generating investment earnings, and avoiding interest costs. In consideration of these factors, all of which are particularly relevant to the City, PICA recognizes the City's efforts to ensure larger fund balances in this Plan. PICA hopes the City

will continue in this direction by increasing fund balances to meet GFOA recommendations.

### Employee Health Benefit Costs

Health benefits for active and retired workers are currently estimated at a cost of \$500.2 million for FY2019, 3.8 percent higher than the originally budgeted amount, and 19.6 percent higher than the FY2018 actual. The main contributors to the increased cost above the FY2019 adopted budget were the DC33 reopener payment to the union's health fund of approximately \$17 million and fringe benefit increases associated with DC47 and exempt employee raises.

Despite healthcare trends, the Plan projects health benefit costs to decrease in FY2020, to \$490.0 million, or 2 percent below the FY2019 estimate. The remaining years of the Plan budget for continued increases between FY2020 to FY2024, reaching \$580.4 million. This accounts for higher than 5 percent increases in each year, except in FY2021, which will see a 1.1 percent increase, while a 2.0 percent decrease is projected in FY2020. It is concerning that the first two years of the Plan do not factor in realistic growth expectations for employee benefits—a 2.0 percent decline in FY2020, followed by only 1.1 percent growth in FY2021.

During the Plan period, the overall health benefit cost projections incorporate separate calculations for the union plans and the City-administered

## City of Philadelphia Forecasted General Fund Statements of Operations Fiscal Years 2020-2024



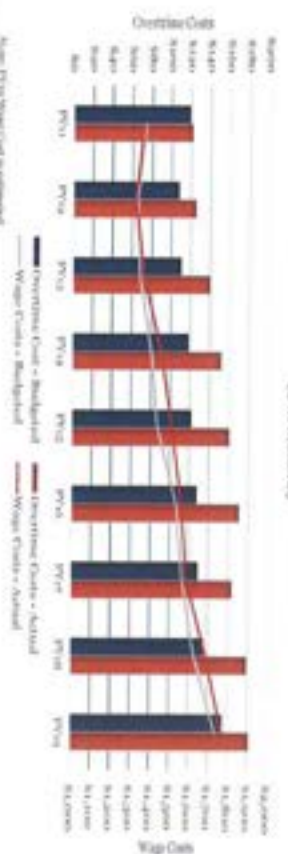
**City Controller**  
**Rebecca Rhynhart**



FY2020-FY2024

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Figure 3-6: Backdrop vs. Actual Overtime Costs  
(\$ in Millions)



The City has shown signs of improvement when it comes to overtime: FY2019 overtime spending only exceeded last year's total by 1.4 percent (less than contractually negotiated wage increases for the fiscal year), and departments came closer to remaining within their annual overtime allocation than in previous years. While improved, the City still exceeded its FY2019 overtime allocation. Additionally, \$181.9 million in overtime spending may be seen as high, considering the myriad other City programs that require funding. Finally, with the current high staffing levels, it should be expected that overtime costs will decrease in the future. Continued high overtime costs represent a risk to the Plan, in that they threaten both the City's budget for wages, as well as crucial funding for other City services.

### Fire Department Overtime Costs

The Philadelphia Fire Department is projected to spend \$51.1 million on overtime in FY2019, the highest total, by far, in its history. As Fire Department overtime costs have fluctuated between approximately \$25 and \$35 million since FY2011, FY2019 overtime costs represent a sharp increase in overtime spending. Additionally, the Department exceeded its annual allocation for overtime by \$22.7 million; City departments, as a whole, only overspent their combined allocation by \$27.1 million. Thus, the Fire Department accounted for 83.8 percent of that overspend. Consequently, high overtime spending necessitated a mid-year fund transfer, as costs pushed the Department beyond its budget for

wages; the potential for such fund transfers in future fiscal years represents a risk to the Plan.

Fire Department officials have cited various factors contributing to the considerable growth in overtime spending within the Department. These factors include: staffing special events, backfilling vacancies due to vacation, illness, training, injury, and employees placed on restricted or no duty due to results on a biennial exam.<sup>11</sup> In addition, recruiting and training new employees, especially EMTs staff, is a lengthy and costly process which has led to chronic under-staffing.

While these factors are relevant to explaining the excessive overtime spending, Department management should make a concerted effort to control overtime spending by developing a detailed overtime reduction plan, and a comprehensive staffing plan that anticipates the needs of the Department to fill shifts without the excessive use of overtime. Planning for attrition should be a key part of that staffing plan, to ensure overtime costs do not again result in the City exceeding its overtime budget.

### Indemnities

General Fund indemnities are projected to stay relatively level throughout the life of the Plan, ranging between a low of \$48.8 to a high of \$49.2 million. Indemnity spending totaled \$45.3 million in FY2019.

<sup>11</sup> Fire Department Response to FY2019 Fire Plan Questionnaire, Sept 2018

FY2020-FY2024





## CITY OF PHILADELPHIA

REBECCA BRITTON, Mayor

OFFICE OF THE CITY CONTROLLER  
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Philadelphia, PA 19102  
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Website: [www.phila.gov](http://www.phila.gov)

July 8, 2019

Mr. Harvey M. Rice, Executive Director  
Pennsylvania Intergovernmental Cooperation Authority  
1500 Walnut Street, Suite 1600  
Philadelphia, PA 19102

Dear Mr. Rice:

Pursuant to its mandate as specified in Section 12720.209(PA) of the Pennsylvania Intergovernmental Cooperation Authority (PICCA) Act, the Office of the Controller conducted its annual review of the Forecasted General Fund Statements of Operations for each of the fiscal years ending June 30, 2020 through June 30, 2024. The Statement of Operations, also known as the Five-Year Plan (Plan), was prepared by the City of Philadelphia's Office of the Director of Finance and submitted to PICCA on June 18, 2019. My staff conducted its review of the Plan in accordance with accreditation standards set forth by the American Institute of Certified Public Accountants. Attached please find the Independent Accountant's report signed by my deputy who is a Certified Public Accountant.

I recommend that PICCA approve the Plan; however, in reviewing the projected annual budgets, our office noted two sensitive assumptions and two causes for concern that PICCA should take into consideration while evaluating the Plan. In particular, the scheduled dissolution of PICCA at the end of fiscal year (FY) 2023 represents a serious risk to the Plan as indicated in the sensitive assumptions detailed below. Our office expects the City to provide a plan with concrete steps for its course of action to resolve this issue by the next budget cycle.

**Sensitive Assumptions**

The Plan does not anticipate the dissolution of PICCA at the close of FY23, following the City's repayment of outstanding PICCA bonds. In the current iteration of the Plan, the City assumes \$2.5B in Wage and Non Profit Tax revenue for FY24, inclusive of \$625M that will no longer be collected by the PICCA Tax. This assumption represents a significant risk to the Plan and requires either state legislative action to reauthorize PICCA or City Council legislation to amend the Wage Tax rate to account for the discontinued PICCA portion.

its inception, but also the first Plan where such contributions are projected to be made in each fiscal year. Total projected contributions to the BSR over the Plan period are \$180.8 million. PICCA has long advocated for this kind of contingency planning; it should be the City's goal to continue this effort and contribute to the BSR every year.

The risk to the Plan is that the BSR contributions are not realized as projected. In past Plans, where the City has projected contributions to the BSR, other contingencies have taken precedence. For example, the FY2015-FY2019 Plan submitted to PICCA included a contribution to the BSR in its final year, amounting to \$24.6 million. However, there were two subsequent revisions to that Plan in August and September, due to new labor agreements and changes in pension related actuarial assumptions, which resulted in the City eliminating the projected BSR contribution.

Similarly, in the FY2016-FY2020 Proposed Plan, the City projected another BSR contribution in the final fiscal year, amounting to \$25.7 million; by the time the Plan was adopted by City Council, that contribution reached \$26.0 million. However, in the following year, the FY2017-FY2021 Plan was submitted to PICCA without a BSR contribution included.

## III. Risks to the Plan

Another example of a foregone BSR contribution arose in FY2019, when the City realized a fund balance that was higher than originally projected, which also triggered a BSR contribution. Due to intricacies in the existing BSR legislation, City Council would have had to pass an amendment to allow a contribution to be made in that particular circumstance. Unfortunately, the legislation never passed, and the contribution to the BSR was not made as a result.

These examples reflect financial priorities that do not rank the BSR highly. This Plan, in particular, gives rise to concerns that pending labor costs for all unions beginning in FY2021 will result in more foregone BSR contributions in future years of the Plan. Although PICCA is hopeful the contributions will occur as projected in each year of this Plan, projected contributions in previous Plans were either deferred or eliminated altogether.

The City should ensure that the projected contributions are made, and that the City continues to put money aside in the BSR every year thereafter.





## APPENDIX B: PERSONNEL TRENDS BY FUNCTION AND AGENCY

## Agency Full-Time Positions by Functional Category: General Fund

[illegible]

FV20240-FV2024

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#### IV. SPENDING AND PERSONNEL STAFFING TRENDS

This section discusses trends in General Fund spending and personnel levels by major category. The review of obligations covers actual spending from FY2015 to FY2018, estimated spending for FY2019, and projected spending for FY2020. Personnel trends from FY2015 to FY2019 are also discussed along with approved personnel levels for FY2020. The purpose of this section is to provide perspective on recent trends in costs and changes in budgetary priorities.

For purposes of the analysis, General Fund obligations are classified into three broad categories: Agency Functions, Employee Benefits, and Other Obligations. Agencies have been classified into nine functional categories. In FY2018, the City restructured certain departments and functions, therefore, for consistency and comparability purposes, we restated prior year obligations accordingly. Table 4.1 lists these three categories of obligations. The following section analyzes these obligations categories as a percentage of total obligations, while also considering rates of spending growth.

## General Fund Spending

Table 4.2 presents overall General Fund obligation trends from FY2015 to FY2020. Figures for FY2019 represent unaudited estimates, and figures for FY2020 represent spending projections listed in the City's Five Year Plan. The analysis considers spending trends from FY2015 to FY2019, the most recent years for which actual and estimated data are available, while looking ahead to projected spending for FY2020 where appropriate. Total General Fund obligations increased by 26.1 percent from FY2015 to FY2019, from \$3.831 billion to \$4.832 billion, at an average annual rate of 6.0 percent.

This represents a considerable increase in spending over the previous five-year period, in which spending increased by just 15.2 percent from FY2014 to FY2018, at an average annual increase of 3.2 percent. Furthermore, City obligations will exceed five billion dollars in FY2020 for the first

time in the City's history, having just crossed the four billion dollar threshold four years earlier in FY2016. FY2020 obligations are projected at \$5.025 billion, a 4.0 percent increase over FY2019.



This increase in spending has been driven by marked increases in each of the three aforementioned spending categories: spending on Agency Functions increased by 21.1 percent from FY2013-FY2019, while Employee Benefits spending increased by 25.3 percent, and spending on Other Obligations increased by 47.4 percent. This growth in spending far outpaces the period from FY2014 to FY2018, when spending on Agency Functions increased by 13.4 percent, Employee Benefits by 9.1 percent, and Other Obligations by 33.3 percent.

Such growth in spending as a function of one additional year poses the question of whether revenues can keep pace with obligations in the coming fiscal years.

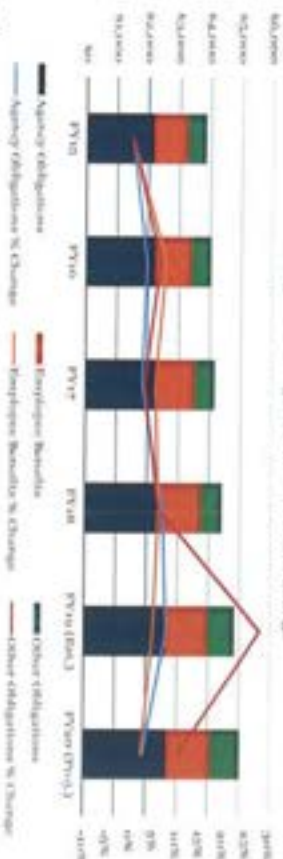
Figure 4.1 illustrates costs by each obligation category, as well as the percentage change for each category from FY2015 to FY2020. Agency costs represented 56.8 percent of total General Fund obligations in FY2015, but decreased slightly to 54.6 percent by FY2019, and are projected to

# APPENDIX A: SPENDING TRENDS BY FUNCTION AND MAJOR AGENCY

Spending by Functional Category: General Fund (\$ in Millions)

Function and Agency	Actual					Estimate	
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2019	FY2020
<b>Public Safety</b>							
Police Department	\$45.3	\$46.1	\$52.4	\$60.9	\$71.1	\$71.1	\$74.8
Fire Department	\$30.2	\$30.3	\$32.5	\$37.9	\$42.3	\$42.3	\$45.8
Public Safety Totals	\$847.2	\$869.7	\$889.3	\$98.8	\$1,073.3	\$1,073.3	\$1,079.7
<b>Judicial and Correctional</b>							
First Judicial District	\$17.8	\$17.2	\$19.1	\$14.8	\$12.7	\$12.7	\$12.5
Department of Prisons	\$43.4	\$35.4	\$39.8	\$27.5	\$30.2	\$30.2	\$28.2
Office of the District Attorney	\$3.8	\$3.8	\$3.8	\$3.3	\$3.8	\$3.8	\$3.9
Other	\$2.1	\$2.1	\$2.2	\$2.5	\$2.7	\$2.7	\$2.6
Judicial and Correctional Totals	\$67.1	\$68.5	\$74.9	\$58.1	\$69.4	\$69.4	\$67.0
<b>Health and Human Services</b>							
Department of Human Services	\$8.8	\$7.0	\$10.7	\$18.0	\$19.2	\$19.2	\$19.0
Office of Human Services	\$3.8	\$3.7	\$3.8	\$3.2	\$3.5	\$3.5	\$3.9
Department of Public Health	\$13.2	\$10.8	\$12.7	\$13.2	\$13.2	\$13.2	\$13.9
DBHHS	\$4.0	\$4.6	\$4.1	\$4.7	\$4.7	\$4.7	\$4.9
Other	\$1.9	\$2.0	\$2.0	\$2.1	\$2.1	\$2.1	\$2.4
Health and Human Services Totals	\$30.7	\$28.1	\$33.3	\$51.6	\$52.7	\$52.7	\$54.1
<b>Regulation and Economic Development</b>							
Department of Planning and Development	\$1.8	\$2.7	\$2.8	\$2.8	\$3.0	\$3.0	\$3.8
Department of Licenses and Inspections	\$8.4	\$8.3	\$8.3	\$8.3	\$8.3	\$8.3	\$8.4
Regulation and Economic Development Totals	\$10.2	\$11.0	\$11.1	\$11.1	\$11.3	\$11.3	\$12.2
<b>Arts, Culture, and Recreation</b>							
First Library of Philadelphia	\$4.3	\$4.4	\$4.4	\$4.4	\$4.4	\$4.4	\$4.8
Department of Parks and Recreation	\$4.3	\$4.3	\$4.3	\$4.3	\$4.3	\$4.3	\$4.3
Other	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7
Arts, Culture, and Recreation Totals	\$11.3	\$11.4	\$11.4	\$11.4	\$11.4	\$11.4	\$11.8
<b>Transportation and Sanitation</b>							
Street Department	\$23.1	\$22.6	\$22.6	\$22.6	\$22.6	\$22.6	\$22.6
Transportation and Sanitation Totals	\$23.1	\$22.6	\$22.6	\$22.6	\$22.6	\$22.6	\$22.6
<b>Central Services</b>							
Department of Public Property	\$7.1	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8
Office of Information and Technology	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9	\$3.9
Office of Fleet Management	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0
Central Services Totals	\$17.0	\$16.7	\$16.7	\$16.7	\$16.7	\$16.7	\$16.7
<b>Governance and Administration</b>							
Office of the Mayor	\$3.0	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9
City Council	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2
Office of the City Controller	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8
Office of the Managing Director	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9
Office of the Director of Finance	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9
Other	\$8.8	\$8.8	\$8.8	\$8.8	\$8.8	\$8.8	\$8.8
Governance and Administration Totals	\$26.6	\$26.5	\$26.5	\$26.5	\$26.5	\$26.5	\$26.5
<b>Major's Office of Community Schools and Pre-K Education Totals</b>	\$—	\$—	\$1.9	\$3.1	\$3.1	\$3.1	\$3.1
<b>Function and Agency Totals</b>	\$847.2	\$869.7	\$889.3	\$98.8	\$1,073.3	\$1,073.3	\$1,079.7

Figure 4-1: Obligations by Category (\$ in Millions)



## IV. Spending and Personnel Staffing Trends

to decrease further, to 54 percent in FY2020, Figures 4.2 and 4.3 illustrate the costs associated with Agency Function categories from FY2015 to FY2019, along with the projected cost of each category in FY2020. Further analysis on cost trends within these categories is provided later in this section.

Employee Benefits represented 28.7 percent of General Fund spending in FY2015 and decreased slightly, by two-tenths of a percentage point by FY2019. Benefits costs are projected to decrease further, to 28.1 percent of total obligations in FY2020, but the change—less than one percentage point over five years—means spending on Employee Benefits has remained relatively constant.

Other Obligations was the only obligations category to show any significant increase as a percent of total spending, growing from 14.5 percent in FY2015 to an estimated 16.9 percent in FY2019. Continued growth in spending within this category is projected for FY2020, to 17.9 percent of total obligations. The increase is primarily driven by the City's larger contribution to the School District of Philadelphia ("School District"), which was officially returned to local control from the School Reform Commission on July 1, 2018.

Thus, as the City's total obligations have increased from FY2015 to FY2019, spending on Agency Functions as a percent of total obligations has decreased. Employee Benefits spending has

remained consistent, and Other Obligations spending has increased over that period. Additionally, the growth in spending for each of these categories has not been proportional, as spending on Agency Functions and Employee Benefits have increased by an average of 4.9 percent and 3.8 percent per year, respectively, while spending on Other Obligations has grown at a rate of 10.2 percent per year.

General Fund Personnel Staffing  
The number of City employees has exceeded the previous peak level, recorded before the Great Recession of 2008.

*FY2015 to FY2019, the City added 2,443 full-time positions, increasing the City's workforce by 11.6 percent over that period.*

The largest increase was in the Public Safety category, as it added 975 employees. Following Public Safety was Governance and Administration, which added 308 employees, then Transportation and Sanitation with 264 employees, and Health and Human Services with 247 employees.

In terms of the rates growth, Regulation and Economic Development led the Agency Function category, as it grew its workforce by 30.5 percent from FY2015 to FY2019. The next highest growth was in Education (20.0 percent), followed by Health and Human Services (19.7 percent), and then Governance and Administration (17.6 percent).





## APPENDICES

### IV. Spending and Personnel Staffing Trends

Table 4.2: General Fund Spending by Obligation Category\* (\$ in Millions)

Obligations Category	Actual				Estimate	
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
<b>Function<sup>1</sup></b>						
Public Safety	\$47.5	\$56.0	\$67.1	\$68.8	\$67.3	\$69.7
Judicial and Correction	\$23.9	\$23.7	\$23.9	\$23.5	\$23.4	\$23.2
Health and Human Services	\$96.9	\$96.9	\$96.9	\$96.9	\$96.9	\$96.9
Regulation & Economic Development	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9
Arts, Culture, and Recreation	\$20.2	\$20.2	\$20.2	\$20.2	\$20.2	\$20.2
Transportation and Sanitation	\$23.1	\$23.1	\$23.1	\$23.1	\$23.1	\$23.1
Central Services	\$15.6	\$15.6	\$15.6	\$15.6	\$15.6	\$15.6
Governance and Administration	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7
Education	—	—	—	—	—	—
<b>Function Totals</b>	<b>\$21,177.8</b>	<b>\$21,240.4</b>	<b>\$21,240.8</b>	<b>\$21,449.9</b>	<b>\$21,467.4</b>	<b>\$21,714.4</b>
<b>Employee Benefits</b>						
Pension Payments	\$58.3	\$62.1	\$66.5	\$71.4	\$71.1	\$74.1
Health and Welfare	\$10.3	\$10.3	\$10.3	\$10.3	\$10.3	\$10.3
Disability/Welfare Compensation	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3	\$7.3
Social Security	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
Unemployment Compensation	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5
<b>Employee Benefits Totals</b>	<b>\$81,094.5</b>	<b>\$81,185.3</b>	<b>\$81,242.0</b>	<b>\$81,314.0</b>	<b>\$81,376.0</b>	<b>\$81,422.0</b>
<b>Other Obligations</b>						
Seating Fund Commission (Debt Service)	\$28.4	\$28.2	\$28.4	\$28.5	\$28.5	\$28.5
Art Museum	2.6	2.6	2.6	2.6	2.6	2.6
PA Convention Center Security	15.0	15.0	15.0	15.0	15.0	15.0
School District Contribution	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1
Community College Security	\$6.9	\$6.9	\$6.9	\$6.9	\$6.9	\$6.9
SEPTA Security	\$20.4	\$20.4	\$20.4	\$20.4	\$20.4	\$20.4
Indemnities	\$2.3	\$2.3	\$2.3	\$2.3	\$2.3	\$2.3
Spice Bonds	\$14.9	\$14.9	\$14.9	\$14.9	\$14.9	\$14.9
Utilities	\$14.4	\$14.4	\$14.4	\$14.4	\$14.4	\$14.4
Legal Services (Defender Association)	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7
Provision for Future Labor Negotiations	—	—	—	—	—	—
Provision for Fraternal Protection in	—	—	—	—	—	—
Federal Grants	—	—	—	—	—	—
Budget Stabilization Reserve Fund	0.3	0.3	0.3	0.3	0.3	0.3
MacArthur <sup>2</sup>	—	—	—	—	—	—
<b>Other Obligations Totals</b>	<b>\$5,831.5</b>	<b>\$5,884.1</b>	<b>\$5,894.0</b>	<b>\$5,902.9</b>	<b>\$5,912.4</b>	<b>\$5,922.3</b>
<b>Spending Totals</b>	<b>\$86,926.3</b>	<b>\$87,029.4</b>	<b>\$87,136.8</b>	<b>\$87,263.7</b>	<b>\$87,388.4</b>	<b>\$87,344.3</b>

\*Data presented includes a number of special obligations, which are not included in the total spending figure.

<sup>1</sup>Source: Table 4.1 for Department of Public Safety, Department of Public Health, Department of Public Works, and Department of Public Finance.

<sup>2</sup>MacArthur Foundation Security Fund.

Spending in this category rose by just 2.7 percent since FY2015, at an average rate of 0.7 percent per fiscal year. Spending within the category actually decreased by almost one percent from FY2018 to FY2019, and is projected to decrease by an additional 1.7 percent in FY2020.

Double-digit increases within the independent elected offices of the Sheriff ("Sheriff"), District Attorney ("DAO"), and Register of Wills over the four-year period were offset by a marginal increase of 1.9 percent within the Philadelphia Department of Prisoners ("PDP"), and a decrease of seven percent within the First Judicial District of Pennsylvania ("FJD").

After years of spending increases at the PDP, costs declined by 2.9 percent from FY2018 to FY2019 and are projected to further decline in FY2020. The City's justice partners have managed to cut the prison population by nearly half while depopulating the aging House of Correction—the result of the City's successful participation in the MacArthur Foundation Safety and Justice Challenge, which has impacted PDP spending.<sup>2</sup>

Changes in staffing levels within Judicial and Corrections departments mirror trends in

<sup>2</sup>The City's justice partners include representatives from the PDP, Department of Public Health, Department of Public Works, the District Attorney and Register of Wills, and the First Judicial District.



the City in prioritizing and allocating capital funding. Although the City encourages such assessments on a departmental level, the last comprehensive assessment was PICCA's 2007 assessment, despite this being a best practice. Furthermore, Philadelphia 2035 does not include plans regarding IT needs, as well as certain other major needs.<sup>1</sup> Facilities assessments have limited lifespans and eventually become obsolete due to changing conditions and capital needs; therefore, any assessments should be conducted with purpose and preparedness to act upon them.

#### Risks

There are always risks associated with capital projects, particularly risks that may derail projects or cause costs to increase above projections, including: higher than budgeted construction costs, change orders, delays in projects, and contractor defaults, among others. The status and costs of projects are continuously monitored by the Budget Office during the funding approval process. If there is a change in the prioritization of projects, due to an emergency or some other need during this process, funding is reallocated from other projects accordingly. If projects become more expensive than the original appropriation allows, left-over funds from other, completed projects, are reallocated.

<sup>1</sup>The City's comprehensive development plan, which is revised and updated by the City Planning Commission.

#### Conclusion

Based on our review of the City's Recommended Capital Program, PICCA staff noted several areas the City can improve upon. The City should continue to put an emphasis on first spending down carry-forward amounts before issuing new debt and research best practices to determine the best time of year to perform the carry-forward calculation. In discussions, PICCA and the City agreed that the City should maximize pay-as-you-go financing opportunities and revisit eligibility requirements annually or bi-annually. Additionally, best practices indicate that the City should conduct facilities assessments to prioritize needs most efficiently and formulate articulable financial policies regarding eligibility for capital funding.

Although the capital planning process could be improved in the aforementioned ways, the FY2020 capital budget is consistent with the Five Year Plan, and as such, is in compliance with the PICCA Act's requirements in Section 208.



percent increase in staff, while DHS added 21 employees and OHS added 17 employees, increases of 4.8 percent and 12.1 percent, respectively. Every department in the category added at least some employees except DBH11X, whose staff of 16 remained constant. Thus, Health and Human Services added 247 employees as a whole, third only to Public Safety and Governance and Administration in number of employees added, for a total increase of 19.7 percent.

**Regulation and Economic Development.** Obligations for the Regulation and Economic Development function are estimated to total \$62.1 million in FY2019, an increase of \$17.2 million from FY2015, or 38.4 percent. Despite the increase, spending totals represented just 2.4 percent of Agency Obligations and 1.3 percent of total General Fund obligations in FY2019.

Approximately \$7.4 million, or 43 percent of the increase in Regulation and Economic Development is a result of the addition of the Department of Planning and Development, which was created in FY2015 and is responsible for City Planning, affordable housing, historical preservation, and oversight of public art. The Department absorbed the Office of Housing and Community Development, the Historical Commission, the Zoning Board of Adjustment, and the City Planning Commission, and consequently, the obligations associated with those entities.

Other increases in obligations within the Regulation and Economic Development function were driven by increased spending within the

**IV. Spending and Personnel Staffing Trends**

Department of Licenses and Inspections (L&I). To accommodate the City's ongoing development boom, and to improve response time to complaints and violations, L&I has hired 103 new employees, increasing its workforce by 31.6 percent. L&I also opened two new satellite offices in FY2018.

**The Commerce Department, responsible for most of the economic development initiatives in the category, has seen its budget remain relatively flat since FY2015, but it is set to receive an increase in FY2020 to strengthen its neighborhood commercial corridor initiatives.**

Every department in the category increased its employee count over the past four fiscal years, and, as a result, the Regulation and Economic Development category has increased staff by 144 employees, or 36.5 percent. This increase is projected to continue; the City has approved an additional 66 full time positions for FY2020, which would bolster Regulation and Economic Development staff by another 12.2 percent.

**Arts, Culture, and Recreation.** Obligations for Arts, Culture, and Recreation are estimated to total \$16.1 million in FY2019, 4.4 percent of Agency Obligations, and 2.4 percent of total General Fund obligations, representing an increase of \$15.8 million, or 15.9 percent from FY2015. Each agency within the category saw spending increases of less than one million dollars over the four-year period except the Free Library of Philadelphia ("FLP"), whose obligations increased by two

Table 4.3: General Fund Full-Time Positions by Function<sup>1</sup>

Function	Actual				Estimated		Increase / Decrease in FY2020
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	
Public Safety	6,668	8,247	8,831	9,034	10,493	10,417	1,383
Police and Corrections	4,879	6,273	6,703	6,914	8,201	8,097	1,287
Health and Human Services	4,854	4,878	5,013	5,014	5,201	5,438	227
Regulation and Economic Development	205	487	488	474	209	493	288
Arts, Culture, and Recreation	1,081	1,035	1,018	1,021	1,439	1,493	54
Transportation and Infrastructure	1,648	1,476	1,487	1,390	1,312	1,283	29
General Services	693	673	679	701	749	792	43
Governance and Administration	1,752	1,755	1,846	1,845	2,050	2,139	89
Education	-	-	30	32	35	47	12
<b>Full-Time Positions Totals</b>	<b>21,003</b>	<b>26,379</b>	<b>27,058</b>	<b>27,130</b>	<b>29,458</b>	<b>29,774</b>	<b>3,318</b>

<sup>1</sup>Source: City of Philadelphia Department of Finance, Office of Management and Enterprise Services, "Full-Time Positions by Function," (10/1/2019) and "Full-Time Positions by Function," (10/1/2020) and "Full-Time Positions by Function," (10/1/2021) and "Full-Time Positions by Function," (10/1/2022) and "Full-Time Positions by Function," (10/1/2023) and "Full-Time Positions by Function," (10/1/2024).



**Table 6-2: Major Projects in FY2020 Recommended Capital Budget (\$ in Millions)**

Department	New City Tax Supported Funding
Streets	\$43.2
OTF	\$28.0
Finance	\$62.0

**Capital Project Funding Eligibility**

Generally, in order for a project to qualify for capital funding, it must cost at least \$15,000 and have a lifespan of at least five years. After this general inquiry, eligibility requirements for capital funding, based on bond requirements, other legal considerations, and financial policy, play a central role in selecting capital projects.

Capital Program eligibility is determined by the Budget Office and is subsequently certified by the Controller's Office. The eligibility requirements have not been revised since 2014, but best practice indicates this should ideally be done annually.

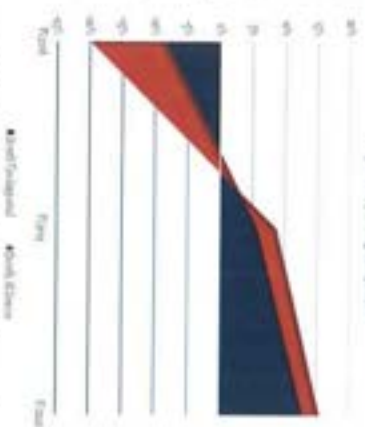
Furthermore, while the bond and legal requirements are clear, eligibility based on financial policy priorities seems unclear, and the formulation of such policy is admittedly not a formal process. The City considers its own financial needs when formulating policies related to eligibility but has not analyzed best practices or policies of similar jurisdictions related to capital funding eligibility.

Prioritization of the projects is based on the City's priorities and on what federal or state funding can be leveraged. For FY2020, federal funding, new and prior, is a source of 17.5 percent of the budget, while state funding is 13.6 percent.

**FY2020 Capital Projects**

The largest recommended investment in the current Capital Program is in the Streets Department, totaling \$315.4 million over six years. In FY2020, \$43.2 million in new general obligation bonds is recommended for resurfacing streets, constructing accessible ramps, and other improvements.

**Figure 11: Capital Budget Comparison**



The Office Of Innovation and Technology ("OIT") shows an investment of \$107.6 million in tax supported funds over the six year program, with \$28 million in FY2020. In that year, approximately \$5.5 million is attributable to IT needs for the new Police headquarters. Another significant investment is the Rebuild program, consisting of \$113 million in currently available funding, from Rebuild bonds, capital funds and grants, with additional future funding between \$295 million and \$360 million.

According to the recommended capital budget, another major project, mandated by the state, is the purchase of new voting machines and related technology. This project will be substantially financed on a pay-as-you-go basis. Additional funding will come from new general obligation bonds and other sources.

There are other major projects involving new tax-supported City funds in the Capital Program in several other major departments. Still, other major projects will be financed through federal.

**Table 6-3: Stand Alone Department Capital Projects FY2020 (\$ in Millions)**

Department	New City Tax Supported Funding
Streets	\$43.2
OTF	\$28.0
Public & Recreation	\$23.8
SEPTA	\$4.6



to FY2019. The additional staff has resulted in a 16 percent increase in the Streets Department's workforce, with 70 additional full-time positions approved for FY2020.

Central Services. Central Services includes internal services that support the operation of other City departments, such as the Department of Public Property ("DPP"), which manages City properties, workspace, and utilities; the Office of Fleet Management ("OFM"), which maintains the City's vehicle inventory; and the Office of Innovation and Technology ("OIT"), which manages the City's internet and information systems and manages technological innovation projects and upgrades.

General Fund obligations for Central Services are estimated to total \$235.2 million in FY2019, representing 8.9 percent of agency spending and 4.9 percent of total obligations. After increasing by \$43.6 million from FY2015 to FY2019, or 22.8 percent, FY2020 obligations are estimated to increase by \$13.3 million, or an additional 5.7 percent over that one fiscal year.

Approximately \$23.5 million of the increased spending from FY2015 to FY2019 was due to the implementation of an upgraded citywide 911 service, an ongoing project within OIT that

features the use of a geographic information system ("GIS") for high positional accuracy, and address and street network data for the routing of emergency response vehicles.<sup>1</sup> Thus, the bulk of Central Services' spending increase was within OIT; spending within OFM has risen slightly, while remaining relatively level within DPP.

As with every other Agency Function category, staffing has increased over the four-year period from FY2015 to FY2019. OFM has added 42 new employees, for an increase of 15.9 percent; OIT has added 37 employees, for an increase of 14.5 percent; and DPP has added 12 employees, for an increase of 8.7 percent. In total, Central Services has added 91 employees, for an increase of 13.8 percent.

Governance and Administration. The Governance and Administration function includes leadership and legislative bodies, such as, the Office of the Mayor and Philadelphia City Council ("City Council"), administrative departments such as the Office of the Managing Director ("MDO"), the Office of the Director of Finance ("Finance"), the Office of the Chief Administrative Officer ("CAO"), and oversight agencies such as the Board of Ethics, and the Office of the Inspector General ("OIG"). The category also includes the highest number of total entities of any of the Agency Functions, at 19.

The high number of agencies suggests that governance and management of the City is a complex and varied task, ranging from protecting the City's legal interests (Law Department), to creating bond issuances (City Treasurer) to managing the City's finances and budget (Finance).

*In terms of spending and staffing levels, Governance and Administration represents some of the lowest totals in both regards, despite including the most departments and offices.*

Spending in this category is estimated to total \$266.6 million in FY2019, 10.1 percent of Agency Obligations, and just 5.5 percent of total General Fund obligations. Obligations increased by a total of \$99.9 million from FY2015 to FY2019,

<sup>1</sup> These costs will be offset through a repayment from other funds.





## VI. CAPITAL PROGRAM

period, though at a lesser average annual rate than pension spending. Obligations increased from \$410.3 million in FY2015, to an estimated \$514.4 million in FY2019, an increase of \$104.1 million, or 25.4 percent, with an average annual increase of 6.3 percent. The City projects health and welfare spending to decrease to \$504.4 million in FY2020, by 2.4 percent. As the national average for healthcare cost increases hovered between three and five percent over that same period, it appears the City has not been able to keep pace with such increases, but is attempting to rein in healthcare costs in FY2020.

There have also been increases in Other Employee Benefits Obligations, such as Unemployment Compensation, Disability, and Social Security. The most stark increase has been in Unemployment Compensation, which, after declining in cost from FY2016 to FY2017, jumped by 77.3 percent in FY2018, and then increased by 16.8 percent in FY2019, for a total growth of 60.4 percent over the four-year period. This increase pushed total Other Employee Benefits costs to increase by 10.3 percent over the same period.

### Other Obligations

Other Obligations include subsidies and payments made to support non-City entities such as SEPTA, the Defender Association and the Art Museum; operational costs such as workspace rentals and utilities; certain provisions, or funds set aside by the City for various purposes, such as a potential reduction in federal grants; the City's Budget Stabilization Reserve; and Debt Service on outstanding bonds. The City also supports the School District, a cost that has increased since the District's return to local control from the state-appointed School Reform Commission on July 1, 2018 (see Section III discussion, "School District of Philadelphia Funding").

*The City's contribution to the School District was, by far, the highest and fastest growing obligation in the Other Obligations category.*

### IV. Spending and Personnel Staffing Trends

The contribution increased from \$69.1 million in FY2015 to \$185.8 million in FY2019, for an increase of 168.8 percent. The City projects the contribution to increase to \$222.5 million in FY2020, or by another 19.8 percent.

Most contributions in the Other Obligations category increased between FY2015 and FY2019, ranging from a \$50.6 million increase in debt service payments, to a \$7,000 increase in Hero Awards. Other contributions remained flat, such as the City subsidies paid to the Philadelphia Museum of Art (\$2.6 million) and the Pennsylvania Convention Center (\$15.0 million).

*The City managed to reduce utilities costs over the four-year period, from \$31.4 million in FY2015 to an estimated \$25.0 million in FY2019—a savings of \$6.4 million.*

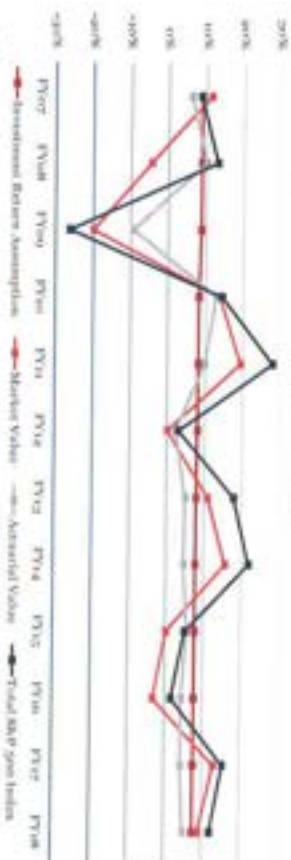
As a whole, Other Obligations increased by \$263.2 million, or 47.5 percent from FY2015 to FY2019, increasing from 14.5 percent of total obligations to 16.9 percent. Again, that increase largely reflects the increased contribution to the School District. As the School District projects deficits in the later years of its five year plan, the City's contribution is also likely to increase.

FY2020-FY2024





Figure 5.4: Pension System Annual Rates of Return



and has started to move into index funds. The Board of Pensions also continues its commitment to reduce the expected return on investments.

In FY2018, the expected return on investments was lowered to 7.65 percent, which has since been reduced to 7.55 percent for FY2021. These efforts, which move the assumptions in a more conservative direction, will reduce the risk that contributions will continue their unpredictable growth. In addition, they will increase the probability that the RRP funding levels will increase the funded ratio of the MRS over time.

Table 5.6 also presents the City Funding Policy as reported in the City's CAFR. The Annual Required Contribution ("ARC") is defined as a payment sufficient to pay system normal costs and amortize any unfunded liabilities over a period not to exceed 30 years. The MMO qualifies as an appropriate measure of the ARC, but the MMO has historically

been below the City Funding Policy, due to the different amortization methods explained previously. The City's actual contributions since 2003 have been based on the MMO rather than the City Funding Policy, pursuant to state Act 205. Accordingly, the actual contributions have been below the City Funding Policy in most years.

As shown in Table 5.6, the City's new RRP still bases payments on the MMO but dedicates supplemental revenues, described earlier in this section, over and above MMO amounts. Basing payments on the lower MMO amount, in lieu of the City Funding Policy, may reflect that the City is unable to make the higher payments. However, the recently implemented RRP, shows the City's ability to contribute higher amounts to the pension fund going forward, which could be viewed as a positive indicator of the City's financial health.

Table 5.7: Other Post-Employment Benefits (OPEB) Funding Status (\$ in Millions)

Component	2011	2012	2013	2014	2015	2016	2017
Actuarial Value of Assets	—	—	—	—	—	—	—
Actuarial Normal Liability	\$4,333.5	\$4,311.9	\$4,303.6	\$4,322.1	\$4,372.6	\$4,498.6	\$4,861.6
Net OPEB Liability <sup>1</sup>	\$4,333.5	\$4,311.9	\$4,303.6	\$4,322.1	\$4,372.6	\$4,498.6	\$4,861.6
Actuarial Funded Ratio	0%	0%	0%	0%	0%	0%	0%
Current Payroll	\$1,469.3	\$1,371.6	\$1,416.9	\$1,482.1	\$1,544.5	\$1,604.5	\$1,664.8
Net OPEB Liability as a Percent of Current Payroll	82.5%	100.2%	100.2%	115.9%	114.8%	116.5%	99.8%
Normal OPEB Cost	\$801.7	\$803.8	\$814.4	\$1,083.1	\$1,032.1	\$1,071.4	\$1,143.5
Payments Made	\$65.5	\$76.3	\$57.1	\$60.1	\$93.3	\$107.2	\$114.8
Percentage of OPEB Cost Paid	64.4%	94.1%	68.6%	55.6%	90.6%	99.0%	100.0%

Source: City of Philadelphia, Office of the City Auditor, "Annual Financial Report: Pension and Post-Employment Benefits," 2018. <sup>1</sup>Net OPEB Liability is calculated as Actuarial Normal Liability minus Actuarial Value of Assets. <sup>2</sup>Net OPEB Liability is calculated as Actuarial Normal Liability minus Actuarial Value of Assets. <sup>3</sup>Net OPEB Liability is calculated as Actuarial Normal Liability minus Actuarial Value of Assets.

## V. INDICATORS OF FINANCIAL HEALTH

This section is designed to promote "efficient and accountable fiscal practices," one of PICPA's core objectives as stated in the PICPA Act. By presenting quantitative measures of the overall economic performance of Philadelphia and the financial performance of its government.

The quantitative measures discussed include four economic indicators: payroll employment, the unemployment rate, poverty, and median household income. Financial condition indicators include the General Fund year end fund balance, outstanding debt, and the funding status of the municipal pension system and other post-employment benefits. Multi-year trends are reported to allow an assessment of whether the indicator is improving or declining over time.

### Economic Indicators

**Payroll Employment.** Table 5.1 presents trends in payroll employment for the City, region, and nation since 2011. The City's share of regional and national employment is also presented to indicate the extent to which the City's employment basis is growing more or less rapidly than that of the region and nation. This data reflects payroll of Philadelphia-based business establishments. As such, it reflects earnings of Philadelphia workers, rather than just residents.

City employment increased to 724,400 in 2018, representing an increase of approximately 2.3 percent over 2017, and an almost 10 percent



increase from 2011. As Table 5.1 illustrates, this rate of increase has been broadly consistent with regional employment trends, as the City's share of regional payroll employment has remained roughly constant since 2011. In contrast, national employment increased by 12.5 percent since 2011, therefore outpacing the City's increase of 9.7 percent. As a result, the City's share of national employment declined slightly from 0.500 percent in 2011 to 0.486 percent in 2018.

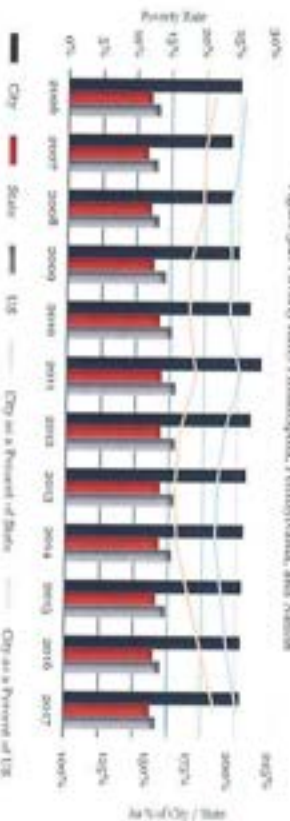
*It should be noted that the City's employment figure has slightly outpaced the region and the nation, since 2016.*

Table 5.1: Non-Farm Payroll Employment by Area

Employment Area	2011	2012	2013	2014	2015	2016	2017	2018
City of Philadelphia	660,300	662,400	665,300	673,300	683,000	696,000	708,300	724,400
Region <sup>1</sup>	2,708,600	2,724,300	2,740,300	2,776,000	2,800,000	2,868,700	2,912,700	3,040,000
Nation <sup>2</sup>	131,940,800	133,170,700	134,380,300	135,607,300	136,815,100	138,048,900	139,204,300	140,404,300
City as Percent of Region	24.4%	24.3%	24.3%	24.3%	24.4%	24.3%	24.3%	24.6%
City as Percent of Nation	0.500%	0.494%	0.488%	0.486%	0.487%	0.487%	0.485%	0.486%

Source: U.S. Bureau of Economic Analysis, "Non-Farm Payroll Employment by Area and Region," 2018. <sup>1</sup>Region includes the Philadelphia, Delaware, and Maryland areas. <sup>2</sup>Nation includes all non-farm payroll employment in the United States. <sup>3</sup>City as Percent of Region is calculated as City of Philadelphia payroll employment divided by Region payroll employment. <sup>4</sup>City as Percent of Nation is calculated as City of Philadelphia payroll employment divided by Nation payroll employment.

Figure 5.2: Poverty Rate: Philadelphia, Pennsylvania, and Nation



District funding challenges. The City's ratings are relatively weak and rank the second lowest among the 20 largest cities (behind Chicago) as of December 2017.<sup>5</sup>

Ultimately, the City continues to save on the cost of borrowing thanks to its current credit ratings, as the difference between A and BBB borrowing rates as of February 2019 was 0.37 percent.<sup>6</sup> It is critical that the City maintain A ratings so that it can continue to improve its infrastructure and finance capital projects on a sustainable basis.

**Pension Funding Status.** The funded status of the City's Municipal Retirement System ("MRS") is one of the most critical financial challenges facing the City. Risks related to pension funding are also described in Section III, Table 5.6 presents a multi-year trend in the primary indicators of

pension funding status. These measures are drawn from the annual actuarial valuation reports and City Comprehensive Annual Financial Reports ("CAFR").

The City's funding is determined by state law, which mandates that the City annually contribute a Minimum Municipal Obligation ("MMO") to the pension fund. The MMO includes costs accrued during the year as a result of services provided by current employees, and an amortization payment sufficient to amortize the unfunded liability of the MRS over a defined period, as determined by an actuarial valuation.

The MMO is calculated by the consulting actuary of the Board of Pensions and Retirement. The actuary's calculation is based on a number of key demographic and economic assumptions, many of which are based on experience. The assumptions

Figure 5.3: Pension System Funding Status (\$ in Millions)

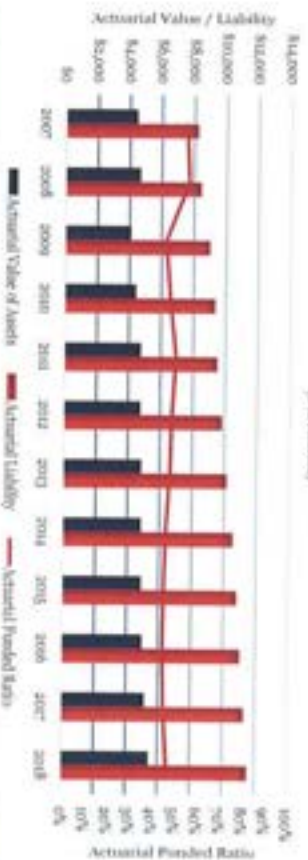
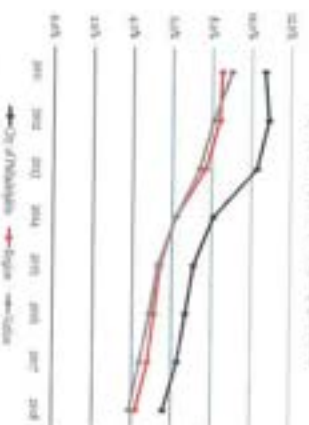


Figure 5.4: Unemployment Rate by Region over Time



was \$308.8 million, 8.4 percent of General Fund obligations. This represented \$140.3 million more than the projected \$228.5 million in the FY2019-2023 Plan and signified the first time the City met its internal target for fund balance, between 6 and 8 percent of obligations.

For FY2019, the year-end fund balance is estimated at approximately \$297.2 million, or 6.3 percent of obligations.

This estimate should be viewed in context, along with the federal funding reserve the City has also set aside for that year, amounting to \$53.6 million.

Fund balances since FY2008 have been modest relative to obligations, until FY2018. The highest level until FY2018 was the FY2013 fund balance of approximately \$257 million, or 7.1 percent of obligations. However, the fund balance in that year was bolstered significantly due to a delay in settling labor contracts with the City's major unions. After FY2013, the General Fund balances dropped lower, as they have reflected the impact of settled labor contracts and a return to annual wage increases for employees since the recession.

Despite the recent larger fund balance in FY2018, and despite the higher fund balances in this Plan, which trigger contributions to the Budget Stabilization Reserve in each fiscal year, fund balances remain below GFOA recommendations. As mentioned previously, the City has established an internal target fund balance of 6 to 8 percent of obligations. The City is poised to meet this goal

Table 5.4: General Fund Year-End Fund Balance and Total Obligations (\$ in Millions)

Fiscal Year	Fund Balance	Total Obligations	Percent of Obligations
2007	\$307.9	\$5,726.7	5.4%
2008	318.5	5,419.9	5.9%
2009	(127.2)	3,483.3	-3.6%
2010	(114.6)	3,053.7	-3.7%
2011	-	3,786.3	0%
2012	146.8	3,484.9	4.2%
2013	256.9	3,613.3	7.1%
2014	209.1	3,886.6	5.4%
2015	103.5	3,851.5	2.7%
2016	148.5	4,053.8	3.7%
2017	189.2	4,439.8	4.3%
2018	298.6	4,409.9	6.8%
2019 (estimated)	\$297.2	\$4,819.7	6.2%

Source: City of Philadelphia's Comprehensive Annual Financial Report, General Fund Obligations. Obligations available for the fiscal year ended June 30.



**Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020 (Forward Delivery)**

**CERTIFICATE OF AUTHORITY PURSUANT TO THE BOND PURCHASE  
CONTRACT AND SECTION 2.11(F) OF THE INDENTURE**

This certificate is made on December 3, 2019 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 2019 (the "2019 Bonds") and the authorization of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 Bonds" and together with the 2019 Bonds, the "2019/2020 Bonds"), as required by Sections L.3(h) and L.3(y) of the Bond Purchase Agreement dated October 29, 2019 (the "Purchase Contract") between the Authority and RBC Capital Markets, LLC, as representative of the Underwriters named therein, Section L.6(h) of the Forward Delivery Bond Purchase Agreement dated October 29, 2019 (the "Forward Delivery Purchase Agreement") between the Authority and RBC Capital Markets, LLC, as representative of the Underwriters and Section 2.11(f) of the Indenture. Terms used but not defined herein shall have the meanings set forth in the Purchase Contract, Forward Delivery Purchase Agreement or the Indenture.

**WE, THE 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 and 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.

3. To the best of our knowledge after reasonable investigation, the representations and warranties of the Authority contained in the Purchase Contract and the Forward Delivery Purchase Agreement 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 of Philadelphia, Pennsylvania (the "City") set forth in the sections of the Official Statement entitled "INTRODUCTION – The City of Philadelphia," "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX," "THE AUTHORITY — Operating History," and in Appendices B, C, G and J of the Official Statement, with respect to FGIC, any of its affiliates

or any other bond insurance company set forth in the Official Statement and with respect to the Underwriters set forth in the section of the Official Statement entitled "UNDERWRITING," with respect to The Depository Trust Company set forth in Appendix G and set forth in the section of the Official Statement entitled "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS — Additional Risks Related to the Forward Delivery Period," 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 2019/2020 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 2019/2020 Bonds or the validity of the 2019 Bonds, the 2020 Bonds, the Bond Documents, the Purchase Contract, or the Forward Delivery Bond Purchase Agreement 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, except as has been disclosed to the Representative, 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 2019/2020 Bonds.

8. The Maximum Annual Debt Service Requirement for the 2019 Bonds and the total principal and interest payable on the 2019 Bonds for the term thereof do not exceed the comparable amounts for the 2009 Bonds being refunded by the 2019 Bonds.

*[Signatures appear on the following page.]*



IN WITNESS WHEREOF, we have executed this Certificate on the date and year first above written.

PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY

By:   
Chairperson

By:   
(Assistant) Secretary

[Signature Page - Certificate of Authority Pursuant to the Bond Purchase  
Contract and Section 2.11(F) of the Indenture]



1500 Walnut Street, Suite 1600, Philadelphia, PA 19102  
Telephone 215-561-9160 [www.picapa.org](http://www.picapa.org)

December 3, 2019

Mr. Rob Dubow  
Director of Finance  
City of Philadelphia  
1401 JFK Boulevard  
Municipal Services Building - Room 1330  
Philadelphia, PA 19102-1693

**Re:   Consent of the City of Philadelphia Regarding the  
      Eighth Supplement to the Amended and Restated Indenture of Trust**

Dear Mr. Dubow:

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and U.S. Bank National Association, as successor Trustee ("Trustee"), intend to enter into an Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019, in the form attached hereto as Exhibit A (the "Eighth 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 2019 and its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery), 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 Eighth Supplement to the Amended and Restated Indenture.

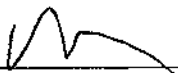
Please sign below and return this letter to the Authority at the above address (to the attention of the undersigned) as evidence of the City's consent to the execution and delivery of the Eighth Supplement to the Amended and Restated Indenture.

Sincerely,

Kevin Vaughan  
Chair

CONSENTED TO BY THE CITY OF PHILADELPHIA, PENNSYLVANIA

This 3rd day of December, 2019

By:  \_\_\_\_\_  
Rob Dubow  
Director of Finance

## EXHIBIT A

See Tab 2



1500 Walnut Street, Suite 1600, Philadelphia, PA 19102  
Telephone 215-561-9160 [www.picapa.org](http://www.picapa.org)

November 12, 2019

National Public Finance Guarantee Corporation  
1 Manhattanville Road  
Suite 301  
Purchase, NY 10577

**Re: Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program), Series of 2019  
and Series of 2020 (Forward Delivery)**

---

Ladies and Gentlemen:

Pursuant to Section 10.04 of the Amended and Restated Indenture of Trust, dated as of December 1, 1994, between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and U.S. Bank National Association, as successor Trustee (the "Trustee"), as supplemented (the "Existing Indenture"), we are hereby giving you notice that we intend to amend and supplement the Existing Indenture on or about December 3, 2019, and request that you consent to the proposed Eighth Supplement to the Amended and Restated Indenture of Trust, dated as of December 1, 2019 (the "Eighth Supplement"), between the Authority and the Trustee. We have been informed that you are now the primary insurer of the Debt Service Reserve Fund Policy (the "Policy") previously issued for the Authority by Financial Guaranty Insurance Company ("FGIC") that was novated to you.

The Authority is planning to issue its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019, in the aggregate principal amount of \$31,085,000 (the "Series of 2019 Bonds"), and its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery), in the aggregate principal amount of \$24,990,000 (the "Series of 2020 Bonds"). The Series of 2019 Bonds are being issued to refund the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2009 for debt service savings. The Series of 2020 Bonds are being issued to refund the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2010 for debt service savings. The Eighth Supplement will authorize and provide for the issuance of the Series of 2019 Bonds and the Series of 2020 Bonds. A near-final draft of the Eighth Supplement is attached hereto.



Please acknowledge your consent to the Eighth Supplement by executing the consent form attached hereto and returning an executed copy to me on or before November 15, 2019. Thank you for your attention and consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Harvey M. Rice". The signature is fluid and cursive, with the first name "Harvey" being more prominent.

Harvey Rice  
Executive Director

Consent of National Public Finance Guarantee

Execution below by the undersigned duly authorized officer of National Public Finance Guarantee Corporation ("National") evidences its consent to the Eighth Supplement substantially in the form attached hereto. National is authorized to give this consent pursuant to the novation of the Policy previously issued by FGIC.

NATIONAL PUBLIC FINANCE  
GUARANTEE CORPORATION

By: Brian J. Cooney  
Name: Brian J. Cooney  
Title: Managing Director

Date: November 14, 2019



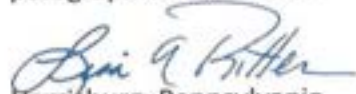
Board of Directors  
Pennsylvania Intergovernmental  
Cooperation Authority

We are the independent certified public accountants with respect to Pennsylvania Intergovernmental Cooperation Authority (PICA) in accordance with standards established by the American Institute of Certified Public Accountants. We have audited the financial statements of PICA as of and for the year ended June 30, 2019 and have issued our report thereon dated September 23, 2019. These financial statements appear in Appendix A of PICA's Final Official Statement dated October 29, 2019, prepared in connection with the issuance of PICA's \$31,085,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019, and \$24,990,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (Final Official Statement).

The financial statements and report referred to above are intended to comply as to form in all material respects with accounting principles generally accepted in the United States of America. The financial statements and report referred to above are not intended to comply with the accounting requirements of the Securities and Exchange Commission that would be applicable to Forms 10-K or registration statements for corporate securities prepared in accordance with the Securities Act of 1933. Similarly, we do not agree to be referred to as "experts" in the statutory meaning of the Securities Act of 1933.

Our audit of the financial statements referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For no period did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those presented in the Final Official Statement and, accordingly, we express no opinion thereon. Nothing has come to our attention which would lead us to believe that the independent auditor's report in Appendix A of the Final Official Statement, dated October 29, 2019, contains any untrue statement of material fact or omits to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

We agree to the inclusion in the Final Official Statement of our report referred to in the first paragraph of this letter.

  
Harrisburg, Pennsylvania  
October 29, 2019



1500 Walnut Street, Suite 1600, Philadelphia, PA 19102  
Telephone 215-561-9160 [www.picapa.org](http://www.picapa.org)

Moody's Investors Service  
7 World Trade Center  
250 Greenwich Street  
New York, NY 10007

S&P Global Ratings  
55 Water Street, 38th Floor  
New York, NY 10041

Fitch Ratings  
33 Whitehall Street  
New York, NY 10004

**Re: Notice to Rating Agencies of the Eighth Supplement to the  
Amended and Restated Indenture of Trust**

Ladies and Gentlemen:

Pursuant to Section 10.05 of the Amended and Restated Indenture of Trust, dated as of December 1, 1994, between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and U.S. Bank National Association, as successor Trustee (the "Trustee"), as supplemented (the "Existing Indenture"), we are hereby giving you notice that we intend to amend and supplement the Existing Indenture on or about December 3, 2019.

The Authority is planning to issue its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019, in the aggregate principal amount of \$31,085,000 (the "Series of 2019 Bonds"), and its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery), in the aggregate principal amount of \$24,990,000 (the "Series of 2020 Bonds"). The Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019 (the "Eighth Supplement") between the Authority and the Trustee will authorize and provide for the issuance of the Series of 2019 Bonds and the Series of 2020 Bonds. A near-final draft of the Eighth Supplement is attached hereto as well as all previous amendments and supplements to the Existing Indenture.

Sincerely,

Harvey Rice  
Executive Director

ATTACHMENTS TO NOTICE TO RATING AGENCIES  
PURSUANT TO SECTION 10.05 OF INDENTURE

SEE TABS 1 AND 2



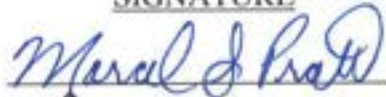


**Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020 (Forward Delivery)**

**CERTIFICATE OF INCUMBENCY AND SIGNATURES OF CITY OFFICIALS**

The undersigned, Chief Deputy City Solicitor 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:

<u>OFFICE</u>	<u>NAME</u>	<u>SIGNATURE</u>
City Solicitor	Marcel S. Pratt	
Director of Finance	Rob Dubow	
Revenue Commissioner	Frank Breslin	

IN WITNESS WHEREOF, I have hereunto set my hand this 3rd day of December, 2019.

CITY OF PHILADELPHIA, PENNSYLVANIA

By: 

Francois A. Dutchie  
Chief Deputy City Solicitor  
Law Department of the City of  
Philadelphia, Pennsylvania


**Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020 (Forward Delivery)**

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The undersigned, Chief Deputy City Solicitor 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:

<u>OFFICE</u>	<u>NAME</u>	<u>SIGNATURE</u>
City Solicitor	Marcel S. Pratt	_____
Director of Finance	Rob Dubow	_____
Revenue Commissioner	Frank Breslin	

IN WITNESS WHEREOF, I have hereunto set my hand this 3rd day of December, 2019.

CITY OF PHILADELPHIA, PENNSYLVANIA

By: \_\_\_\_\_  
Francois A. Dutchie  
Chief Deputy City Solicitor  
Law Department of the City of  
Philadelphia, Pennsylvania

**Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020 (Forward Delivery)**

**CERTIFICATE OF THE DIRECTOR OF FINANCE  
OF THE CITY OF PHILADELPHIA, PENNSYLVANIA**

This Certificate is provided this 3rd day of December, 2019 pursuant to Section L.3.(s) of the Bond Purchase Agreement dated October 29, 2019 (the "Purchase Contract") and Section L.6.(s) of the Forward Delivery Bond Purchase Agreement dated October 29, 2019 (the "Forward Delivery Purchase Agreement"), between the Pennsylvania Intergovernmental Cooperation Authority and RBC Capital Markets, LLC, as representative of the underwriters named therein. Terms used but not defined herein shall have the meanings set forth in the Purchase Contract and the Forward Delivery Purchase Agreement. The undersigned 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.
4. The City has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the date hereof.

[Signature page to follow]

CITY OF PHILADELPHIA,  
PENNSYLVANIA

By:   
Rob Dubow  
Director of Finance

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM),  
SERIES OF 2019  
AND  
SERIES OF 2020 (FORWARD DELIVERY)**

**CERTIFICATE OF CO-FINANCIAL ADVISOR**

The undersigned duly authorized officer of PFM Financial Advisors LLC (the "Co-Financial Advisor") hereby certifies on this 3rd day of December, 2019, as follows:

1. This Certificate is being executed and delivered by the Co-Financial Advisor in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of its \$31,085,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 Bonds") and its \$24,990,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 Bonds," together with the 2019 Bonds, the "2019/2020 Bonds"), as authorized by (a) the Act; (b) the Resolution; (c) Ordinances of the City Council of The City of Philadelphia, Pennsylvania; and (d) the Indenture, as amended and supplemented from time, including by the Eighth Supplemental Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed in the Official Statement (hereinafter defined).

2. The Co-Financial Advisor has acted as a financial advisor to the Authority in connection with the Authority's issuance of the 2019/2020 Bonds.

3. I have read the Preliminary Official Statement, dated October 21, 2019, and the Official Statement dated October 29, 2019, relating to the 2019/2020 Bonds (collectively referred to as the "Official Statement") and without having undertaken to independently determine the accuracy, completeness or fairness of the statements contained in the Official Statement (including the Appendices and Tables thereto), nothing has come to my attention in connection with my engagement in respect to the issuance of the 2019/2020 Bonds that would lead me to believe that, as of the date hereof, the Official Statement (except for information contained in Appendix G – "BOOK-ENTRY ONLY SYSTEM," 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.

4. I further certify that PFM Financial Advisors LLC is (a) a financial advisory and consulting organization; (b) not in the business of underwriting, marketing or trading municipal securities or any other negotiable instruments; and (c) registered as a Municipal Advisor with the Securities and Exchange Commission pursuant to Section 15B of the Securities and Exchange Act of 1934 and all rules and regulations thereunder.



I have executed this Certificate of Co-Financial Advisor on behalf of PFM Financial Advisors LLC on the date first written above.

**PFM FINANCIAL ADVISORS LLC**

By:   
Authorized Representative

[Signature Page – Certificate of Co-Financial Advisor]

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM),  
SERIES OF 2019  
AND  
SERIES OF 2020 (FORWARD DELIVERY)**

**CERTIFICATE OF CO-FINANCIAL ADVISOR**

The undersigned duly authorized officer of Phoenix Capital Partners, LLP (the "Co-Financial Advisor") hereby certifies on this 3rd day of December, 2019, as follows:

1. This Certificate is being executed and delivered by the Co-Financial Advisor in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of its \$31,085,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 Bonds") and its \$24,990,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 Bonds," together with the 2019 Bonds, the "2019/2020 Bonds"), as authorized by (a) the Act; (b) the Resolution; (c) Ordinances of the City Council of The City of Philadelphia, Pennsylvania; and (d) the Indenture, as amended and supplemented from time, including by the Eighth Supplemental Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed in the Official Statement (hereinafter defined).


2. The Co-Financial Advisor has acted as a financial advisor to the Authority in connection with the Authority's issuance of the 2019/2020 Bonds.

3. I have read the Preliminary Official Statement, dated October 21, 2019, and the Official Statement dated October 29, 2019, relating to the 2019/2020 Bonds (collectively referred to as the "Official Statement") and without having undertaken to independently determine the accuracy, completeness or fairness of the statements contained in the Official Statement (including the Appendices and Tables thereto), nothing has come to my attention in connection with my engagement in respect to the issuance of the 2019/2020 Bonds that would lead me to believe that, as of the date hereof, the Official Statement (except for information contained in Appendix G – "BOOK-ENTRY ONLY SYSTEM," 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.

4. I further certify that Phoenix Capital Partners, LLP is (a) a financial advisory and consulting organization; (b) not in the business of underwriting, marketing or trading municipal securities or any other negotiable instruments; and (c) registered as a Municipal Advisor with the Securities and Exchange Commission pursuant to Section 15B of the Securities and Exchange Act of 1934 and all rules and regulations thereunder.

I have executed this Certificate of Co-Financial Advisor on behalf of Phoenix Capital Partners, LLP on the date first written above.

**PHOENIX CAPITAL PARTNERS, LLP**

By:  \_\_\_\_\_  
Authorized Representative

[Signature Page – Certificate of Co-Financial Advisor]

**\$31,085,000**  
**Pennsylvania Intergovernmental Cooperation Authority**  
**Special Tax Revenue Refunding Bonds**  
**(City of Philadelphia Funding Program)**  
**Series of 2019**

**CERTIFICATE OF THE CITY AS TO FINANCIAL PLAN**

The City of Philadelphia, Pennsylvania (the "City") hereby certifies on December 3, 2019, in connection with the issuance and sale of the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 in the aggregate principal amount of \$31,085,000, that attached hereto as Exhibit A is a true, correct and complete copy of the current five-year financial plan of the City.

(Signature page to follow)

IN WITNESS WHEREOF, the City has executed this Certificate on the date and year first above written.

CITY OF PHILADELPHIA, PENNSYLVANIA

By:



Rob Dubow  
Director of Finance



EXHIBIT A

CITY OF PHILADELPHIA FY 2020 – 2024  
FIVE-YEAR FINANCIAL PLAN (JUNE 2019)

See Tab 20

**Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020 (Forward Delivery)**

**Certificate of Chief Clerk of the Council of the City of Philadelphia, Pennsylvania**

I, Michael A. Decker, Chief Clerk of the Council (the "Council") of the City of Philadelphia (the "City"), do hereby certify on December 3, 2019 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, attached hereto as Exhibit A, 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, attached hereto as Exhibit B, approving the execution and delivery by the City of an Intergovernmental Cooperation Agreement between the City and the Authority (hearings held September 27 and September 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. 2020-05 of the Authority, adopted September 17, 2019, 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 402, City Hall, Philadelphia, Pennsylvania, at all times since the delivery of such Resolution to me on September 18, 2019.

IN WITNESS WHEREOF, I have executed this certificate on the date and year first above written.

CITY OF PHILADELPHIA, PENNSYLVANIA



By: \_\_\_\_\_

A handwritten signature in dark ink, reading "Michael A. Decker", written over a horizontal line.

MICHAEL A. DECKER,  
Chief Clerk of the Council of the  
City of Philadelphia, Pennsylvania

**EXHIBIT A**

**Bill Number 1437**



(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.*



(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*

*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.*

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(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.*

APP. NO. 297-39

SECTION 2. Effective Date. This ordinance shall become effective upon the later of either July 1, 1991 or upon the effective date of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of \_\_\_\_\_, 1991, P.L. \_\_\_\_\_, No. \_\_\_\_\_).

Explanation:

Italics indicate new matter added.

APP. NO. 297-40

CERTIFICATION: This is a true and correct copy of the  
original Ordinance approved by the Mayor on

JUNE 12, 1991

*Michael B. Hansen*

Deputy Chief Clerk of the Council

**EXHIBIT B**

**Bill Number 1563-A**





(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.

APP. NO. 578-5

**INTERGOVERNMENTAL COOPERATION  
AGREEMENT  
by and between  
PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY  
and  
THE CITY OF PHILADELPHIA**

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Dated as of \_\_\_\_\_, 1992

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**INTERGOVERNMENTAL COOPERATION  
AGREEMENT**

THIS INTERGOVERNMENTAL COOPERATION AGREEMENT made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 1992, by and between the PENNSYLVANIA INTERGOVERNMENTAL 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");

**W I T N E S S E T H :**

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 Depository" 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.

"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 the aggregate 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 depository of the City Account are herein referred to as the "City Account Depository." 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 fifty-six thousand three hundred thirty-nine (\$156,339) dollars, which five hundred fifty 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*

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*(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 8.03. 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.

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(c) The Authority shall direct the City Account Depository 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]Days (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 4.08. 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 in 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

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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 4.06(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 moneys appropriated by the General Assembly of the 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 it 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.

(c) To the extent the City or any department or agency 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, (i) in the case of a settlement agreement, a description of the impact of such agreement on the Financial Plan, or (ii) 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.

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(b) The City represents and warrants that this Agreement constitutes a service contract between the City and an authority pursuant to Section 8-200(8) 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.:

APP. NO. 678-62

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. 878-64

ATTEST

PENNSYLVANIA  
INTERGOVERNMENTAL  
COOPERATION  
AUTHORITY

\_\_\_\_\_  
Name:

Title:

[AUTHORITY SEAL]

ATTEST:

By \_\_\_\_\_

Name:

Title:

CITY OF PHILADELPHIA

\_\_\_\_\_  
Name:

Title:

[CITY SEAL]

By \_\_\_\_\_

Name:

Title:

**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):**



APP. NO. 678-88

**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**

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**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*

Explanation:

[**Bold Brackets**] indicate matter deleted on Final Passage.  
**Bold Italics** indicate new matter added on Final Passage.

APP. NO. 678-68

CERTIFICATION: This is a true and correct copy of the  
original Ordinance approved by the Mayor on

JANUARY 3, 1992

A handwritten signature in cursive script, appearing to read "Steve B. Harris".

Deputy Chief Clerk of the Council

**Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020 (Forward Delivery)**

**Certificate of the City of Philadelphia, Pennsylvania as to Pennsylvania  
Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement**

The undersigned, the City Solicitor and the Revenue Commissioner of the City of Philadelphia, Pennsylvania (the "City"), hereby certify on this 3rd day of December, 2019, in connection with the issuance and sale of the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019, in the aggregate principal amount of \$31,085,000 and the authorization and sale of the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) in the aggregate principal amount of \$24,990,000, 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.

[Signature page to follow]

IN WITNESS WHEREOF, we have hereunto set our hands on the date and year first written above.

CITY OF PHILADELPHIA, PENNSYLVANIA

By:   
Marcel S. Pratt  
City Solicitor

By: \_\_\_\_\_  
Frank Breslin  
Revenue Commissioner



IN WITNESS WHEREOF, we have hereunto set our hands on the date and year first written above.

CITY OF PHILADELPHIA, PENNSYLVANIA

By: \_\_\_\_\_  
Marcel S. Pratt  
City Solicitor

By: Frank Breslin  
Frank Breslin  
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 pursuant to Section 604(e) 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) Reconciliation: 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 under-remittance 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. ACCOUNTING RECORDS:

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 Address:

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

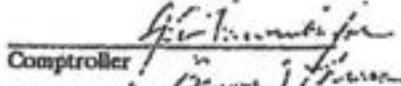
16. SEVERABILITY

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.

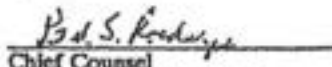
IN WITNESS WHEREOF, the parties hereto, being duly authorized and  
intending to be legally bound, have caused this Agreement to be executed as of the day and year  
first above written.

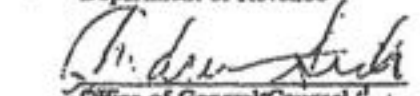
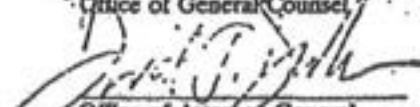
COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE

  
Eileen H. McNulty  
Secretary of Revenue

  
Comptroller

Approved as to form and legality:

  
Chief Counsel  
Department of Revenue

  
Office of General Counsel  
  
Office of Attorney General

CITY OF PHILADELPHIA

By:   
Revenue Commissioner

By:   
City Solicitor



(Bill No. 1437)  
AN ORDINANCE

BLANK, ROME

JUN 19 1991

COMISKY & McCAULEY

*Explanation: Dates indicate when 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.

APP. NO. 297-1

APPENDIX A

*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 19-2500, entitled "Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits," to read as follows:

CHAPTER 19-2500. PENNSYLVANIA  
INTERGOVERNMENTAL  
COOPERATION AUTHORITY TAX  
ON WAGES AND NET PROFITS.

§19-2501. *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 \_\_\_\_\_, 1931, 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.

(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 power 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*

*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 at 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 authorize 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, 1968 (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 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;*

(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.*

**§19-2804. 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.*

*§ 25-2565. 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 establish 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 19-2606.

(3) *Calendar Year Taxpayers.*

to: 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 §19-2603 that are not, in fact, withheld pursuant to §19-2606; 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 ( $1\frac{1}{4}\%$ ) shall be added to the amount charged under subsection (l).

(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.*

APP NO 297-39

SECTION 2. Effective Date. This ordinance shall become effective upon the later of either July 1, 1991 or upon the effective date of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of \_\_\_\_\_, 1991, P.L. \_\_\_\_\_, No. \_\_\_\_\_).

Ex-emption

Issue subject to's matter about

APP. NO. 297-40

CERTIFICATION: This is a true and correct copy of the  
original Ordinance approved by the Mayor on .

JUNE 12, 1991

*Maria B. Harris*

Deputy Chief Clerk of the Council

JJ-01-1991 16:22 FROM: DEPARTMENT OF REVENUE TO



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE  
HARRISBURG, PENNSYLVANIA  
17103

ESTD 1776  
*City of Philadelphia*  
Appen. B

F-1 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(a) of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act of June 5, 1991 (P.L. No. 6, Section 604(a)), (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, 1991 and shall remain in effect until terminated by notice in writing by the Commonwealth of Pennsylvania, Department of Revenue.

In witness whereof, I have set my hand and seal this  
28 day of June, 1991.

*Eileen H. McNulty*  
Eileen H. McNulty  
Secretary of Revenue

SEAL

APPENDIX B

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	\$ 12,474,824	
Total PICA Paid on W-7		
(\$67,068,472 on dailies X.62X.3)	12,474,736	
Difference on W-7	\$ 88	
W-5, 1-92 Settlement Statistics	\$ 10,507,511	
W-1, 1-92 Settlement Statistics	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	\$ 3,056,888	
Total PICA Paid on W-1 & W-5		
(\$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	\$ 101,268	
Total PICA Paid on E-2		
(\$574,290 on dailies X.62X.3)	106,818	
Difference on E-2	\$ (5,550)	
DIFFERENCE DUE FROM PICA, 1-92	\$ (14,866)	

# MONTHLY STATEMENT

MONTH OF 01-72

DATE TAX L/P TOTAL CASH

1970	25,647.38	.00	25,647.38	1
1971	100.00	40.00	140.00	1
1972	847,446.00	1,285.04	848,731.04	78
TOTAL	873,193.38	1,325.04	874,518.42	80

1973	29,545.84	36,817.88	66,363.72	201
1974	780,462.52	87,284.22	867,746.74	713
1975	100,284.67	90,888.01	191,172.68	602
1976	109,350.74	84,580.27	193,931.01	626
1977	300,284.40	143,808.87	444,093.27	1078
1978	361,820.14	68,807.88	430,628.02	1078
1979	710,030.48	520,570.61	1,230,601.09	1799
1980	620,779.79	425,111.88	1,045,891.67	112
TOTAL	3,244,168.15	1,625,891.34	4,870,059.49	7822

1981	.00	30.89	30.89	1
1982	.00	27.10	27.10	1
1983	.00	34.83	34.83	1
1984	.00	72.78	72.78	2
1985	.00	73.84	73.84	2
1986	.00	68.18	68.18	2
1987	.00	68.18	68.18	2
1988	12.82	304.74	317.56	6
1989	777.38	101.34	878.72	24
1990	361.87	304.74	666.61	18
1991	221.03	151.90	372.93	8
1992	405.83	196.68	602.51	17
1993	834.70	648.77	1,483.47	35
TOTAL	1,611.93	1,230.61	2,842.54	87

1979	883.14	50.00	933.14	3
1981	1,891.31	812.88	2,704.19	11
1982	1,000.00	111.51	1,111.51	10
1983	783.61	77.57	861.18	27
1984	918.04	66.18	984.22	15
1985	1,889.48	833.68	2,723.16	25
1986	6,708.82	1,042.78	7,751.60	34
1987	18,399.88	1,200.72	19,600.60	27
1988	22,843.98	28,288.88	51,132.86	117
1989	82,479.10	181,708.58	264,187.68	226
1990	8,800,708.88	8,848.48	8,809,557.36	7282
1991	12,303.27	.00	12,303.27	20

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## MONTHLY SETTLEMENT STATISTICS

MONTH OF 01-93

DATE	TAX	T/P	TOTAL	CREDIT
8,037,708.84 +	40,674.02 +	8,088,441.46 +	7004 +	
1994	.00	17.13	17.13	1
1995	.00	7.87	7.87	1
1996	119.18	.00	119.18	2
1997	119.38	.00	119.38	2
1998	119.33	.00	119.33	2
1999	128.00	.00	128.00	2
2000	147.10	.00	147.10	3
2001	.00	188.82	188.82	2
2002	307.04	.00	307.04	1
2003	.00	52.19	52.19	1
2004	.00	31.84	31.84	1
2005	.00	34.88	34.88	1
2006	105.81	87.83	193.64	8
2007	228.81	888.88	1,117.69	18
2008	2,008.41	881.82	2,890.23	24
2009	2,288.81	843.94	3,132.75	31
2010	2,287.73	1,408.79	3,696.52	34
2011	2,017.81	1,038.33	3,056.14	34
2012	1,811.00	831.18	2,642.18	28
2013	984.81	848.28	1,833.09	18
2014	84.87	80.71	165.58	14
2015	440.53	150.28	590.81	18
2016	1,884.82	888.34	2,773.16	27
2017	2,072.82	890.78	2,963.60	29
2018	1,878.08	878.48	2,756.56	24
2019	10,041.80	8,088.19	18,130.00	208
2020	24,184.87	8,881.71	33,066.58	200
2021	18,138.23	8,888.79	27,027.02	208
2022	28,842.00	11,238.83	40,080.83	242
2023	44,816.23	10,888.87	55,705.10	291
2024	84,804.81	10,810.80	95,615.61	298
2025	27,828.54	880.22	28,708.76	247
2026	27,488.88	1,021.88	28,510.76	298
2027	28,808.18	8,718.84	37,527.02	188
2028	48,888.84	8,888.28	57,777.12	188
2029	888,884.88	14,718.80	903,603.68	1282
2030	1,882.08	14,428.88	16,310.96	1282
888,888.88 +	118,808.88 +	1,007,697.76 +	4228 +	
2031	.00	100.00	100.00	2
2032	.00	188.88	188.88	2
2033	.00	228.88	228.88	4
2034	188.88	177.17	366.05	4
2035	.00	74.18	74.18	1
2036	228.01	228.47	456.48	5
2037	178.28	80.27	258.55	3

# MONTHLY SETTLEMENT STATISTICS

MONTHS OF 41-52

DATE	TAX	TOTAL	COUNT
1976	113.03	1.07	114.00
1980	1,129.92	19,399.50	20,529.42
1981	1,023.79	4,839.12	5,862.91
1982	2,482.91	1,389.67	3,872.58
1983	15,005.78	5,893.19	20,898.97
1984	9,881.86	2,173.05	12,054.91
1985	14,432.23	7,234.10	21,666.33
1986	12,221.34	2,783.81	15,005.15
1987	11,804.43	2,431.45	14,235.88
1988	11,264.85	2,173.88	13,438.73
1989	11,888.15	1,187.31	13,075.46
1990	15,889.67	1,889.25	17,778.92
1991	1,826,349.80	790.98	1,827,140.78
1992	2,287.00	.00	2,287.00
1993	1,748,750.00	61,399,587.77	63,148,337.77
1994	.00	10.00	10.00
1995	.00	10.00	10.00
1996	.00	8.40	8.40
1997	1.00	1.00	2.00
1998	12.00	12.00	12.00
1999	18.00	145.71	163.71
2000	477.25	212.16	689.41
2001	274.88	799.34	1,074.22
2002	1,181.25	1,071.13	2,252.38
2003	1,181.25	1,071.13	2,252.38
2004	1,181.25	1,071.13	2,252.38
2005	1,181.25	1,071.13	2,252.38
2006	1,181.25	1,071.13	2,252.38
2007	1,181.25	1,071.13	2,252.38
2008	1,181.25	1,071.13	2,252.38
2009	1,181.25	1,071.13	2,252.38
2010	1,181.25	1,071.13	2,252.38
2011	1,181.25	1,071.13	2,252.38
2012	1,181.25	1,071.13	2,252.38
2013	1,181.25	1,071.13	2,252.38
2014	1,181.25	1,071.13	2,252.38
2015	1,181.25	1,071.13	2,252.38
2016	1,181.25	1,071.13	2,252.38
2017	1,181.25	1,071.13	2,252.38
2018	1,181.25	1,071.13	2,252.38
2019	1,181.25	1,071.13	2,252.38
2020	1,181.25	1,071.13	2,252.38
2021	1,181.25	1,071.13	2,252.38
2022	1,181.25	1,071.13	2,252.38
2023	1,181.25	1,071.13	2,252.38
2024	1,181.25	1,071.13	2,252.38
2025	1,181.25	1,071.13	2,252.38
2026	1,181.25	1,071.13	2,252.38
2027	1,181.25	1,071.13	2,252.38
2028	1,181.25	1,071.13	2,252.38
2029	1,181.25	1,071.13	2,252.38
2030	1,181.25	1,071.13	2,252.38
2031	1,181.25	1,071.13	2,252.38
2032	1,181.25	1,071.13	2,252.38
2033	1,181.25	1,071.13	2,252.38
2034	1,181.25	1,071.13	2,252.38
2035	1,181.25	1,071.13	2,252.38
2036	1,181.25	1,071.13	2,252.38
2037	1,181.25	1,071.13	2,252.38
2038	1,181.25	1,071.13	2,252.38
2039	1,181.25	1,071.13	2,252.38
2040	1,181.25	1,071.13	2,252.38
2041	1,181.25	1,071.13	2,252.38
2042	1,181.25	1,071.13	2,252.38
2043	1,181.25	1,071.13	2,252.38
2044	1,181.25	1,071.13	2,252.38
2045	1,181.25	1,071.13	2,252.38
2046	1,181.25	1,071.13	2,252.38
2047	1,181.25	1,071.13	2,252.38
2048	1,181.25	1,071.13	2,252.38
2049	1,181.25	1,071.13	2,252.38
2050	1,181.25	1,071.13	2,252.38
2051	1,181.25	1,071.13	2,252.38
2052	1,181.25	1,071.13	2,252.38
2053	1,181.25	1,071.13	2,252.38
2054	1,181.25	1,071.13	2,252.38
2055	1,181.25	1,071.13	2,252.38
2056	1,181.25	1,071.13	2,252.38
2057	1,181.25	1,071.13	2,252.38
2058	1,181.25	1,071.13	2,252.38
2059	1,181.25	1,071.13	2,252.38
2060	1,181.25	1,071.13	2,252.38
2061	1,181.25	1,071.13	2,252.38
2062	1,181.25	1,071.13	2,252.38
2063	1,181.25	1,071.13	2,252.38
2064	1,181.25	1,071.13	2,252.38
2065	1,181.25	1,071.13	2,252.38
2066	1,181.25	1,071.13	2,252.38
2067	1,181.25	1,071.13	2,252.38
2068	1,181.25	1,071.13	2,252.38
2069	1,181.25	1,071.13	2,252.38
2070	1,181.25	1,071.13	2,252.38
2071	1,181.25	1,071.13	2,252.38
2072	1,181.25	1,071.13	2,252.38
2073	1,181.25	1,071.13	2,252.38
2074	1,181.25	1,071.13	2,252.38
2075	1,181.25	1,071.13	2,252.38
2076	1,181.25	1,071.13	2,252.38
2077	1,181.25	1,071.13	2,252.38
2078	1,181.25	1,071.13	2,252.38
2079	1,181.25	1,071.13	2,252.38
2080	1,181.25	1,071.13	2,252.38
2081	1,181.25	1,071.13	2,252.38
2082	1,181.25	1,071.13	2,252.38
2083	1,181.25	1,071.13	2,252.38
2084	1,181.25	1,071.13	2,252.38
2085	1,181.25	1,071.13	2,252.38
2086	1,181.25	1,071.13	2,252.38
2087	1,181.25	1,071.13	2,252.38
2088	1,181.25	1,071.13	2,252.38
2089	1,181.25	1,071.13	2,252.38
2090	1,181.25	1,071.13	2,252.38
2091	1,181.25	1,071.13	2,252.38
2092	1,181.25	1,071.13	2,252.38
2093	1,181.25	1,071.13	2,252.38
2094	1,181.25	1,071.13	2,252.38
2095	1,181.25	1,071.13	2,252.38
2096	1,181.25	1,071.13	2,252.38
2097	1,181.25	1,071.13	2,252.38
2098	1,181.25	1,071.13	2,252.38
2099	1,181.25	1,071.13	2,252.38
2100	1,181.25	1,071.13	2,252.38

10,587.51



MONTHLY SETTLEMENT STATISTICS

MONTH OF 01-92

DATE

TAX

1,977,976.55 TOTAL COUNT

55,475,054.55 \* 55,475.42 \* 55,475,054.55 \* 5475 \*

.00 5,554.00 55,475.42 55,475.42 1  
.00 554,000.42 55,475.42 55,475.42 134  
.00 5,575.00 55,475.42 55,475.42 3  
.00 5,575.00 55,475.42 55,475.42 130 \*

5,575.00 55,475.42 55,475.42 1  
5,575.00 55,475.42 55,475.42 13  
5,575.00 55,475.42 55,475.42 100  
5,575.00 55,475.42 55,475.42 78  
5,575.00 55,475.42 55,475.42 138  
5,575.00 55,475.42 55,475.42 95  
5,575.00 55,475.42 55,475.42 73  
5,575.00 55,475.42 55,475.42 134  
5,575.00 55,475.42 55,475.42 115  
5,575.00 55,475.42 55,475.42 84  
5,575.00 55,475.42 55,475.42 1300  
5,575.00 55,475.42 55,475.42 13000  
5,575.00 55,475.42 55,475.42 130000  
5,575.00 55,475.42 55,475.42 1300000

5,575.00 55,475.42 55,475.42 8  
5,575.00 55,475.42 55,475.42 78  
5,575.00 55,475.42 55,475.42 408  
5,575.00 55,475.42 55,475.42 438

5,575.00 55,475.42 55,475.42 2  
5,575.00 55,475.42 55,475.42 2

5,575.00 55,475.42 55,475.42 2  
5,575.00 55,475.42 55,475.42 2  
5,575.00 55,475.42 55,475.42 2  
5,575.00 55,475.42 55,475.42 2

TOTAL 55,475,054.55 55,475.42 55,475,054.55 5475 \*

(3)



#### 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 a number 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.

Due Date:  
2/28/90

1989

Print your numbers like this:

1121314.567890

TAXPAYER COPY

Type  
Tax

SEE INSTRUCTIONS ON BACK

ACCOUNT NO.

If you had no taxable compensation  
in 1989, see instructions.

Notes: "A" and "B" Denote Employees, Not Gross Wages

A. Number of Taxable Philadelphia Residents

B. Number of Taxable Non-Residents

1. Taxable Residents Compensation

2. Line 1 times .0496 (4.96%)

3. Taxable Non-Residents Compensation

4. Line 3 times .043225 (4.3225%)

5. Total Tax Due (Line 2 plus Line 4)

6. Tax Previously Paid For 1989

NAME:

DO NOT DETACH

ACCOUNT NO.

If line 5 is Greater THAN line 6, Use line 7

7. Tax Due (Line 5 Minus Line 6)

Make Check Payable To: City of Philadelphia

If line 5 is Less than line 6, Use line 8

8. Tax Overpaid (Line 6 Less Line 5)

Signature:

I hereby certify that I have read and understand the instructions on the back of this document.

TAXPAYER COPY

Schedule 1

### ANNUAL RECONCILIATION OF WAGE TAX

The Annual Reconciliation of Wage Tax Withheld for the year 1989 is due on or before February 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 assure efficient processing, please print your numbers carefully.
- Please direct telephone inquiries to 686-6400.

### MAGNETIC TAPE INSTRUCTIONS

**REMARK:** The City of Philadelphia Income Tax regulations requires all employers to submit a copy of Federal Form W-2 for each employee. If the number of forms exceeds 100, then the data MUST be 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-4 (TIB-4); please note that the Code S - Supplemental Record must also be included. On the Code S, be sure to include the following fields:

LOCATION 112 = Tax Type Code = C  
LOCATION 213-217 = Taxing Entity Code = PHILA  
LOCATION 218-224 = Taxable Philadelphia Wages  
LOCATION 227-233 = Philadelphia Wage Tax Withheld  
LOCATION 234-240 = Philadelphia Tax Account Number

**LABEL:** The following data is required on the label to be affixed to the magnetic tape: Name of Taxpayer  
Seven-digit City of Philadelphia Business Tax Account Number  
Tax Year: 1989

**ATTENTION:** please complete below and remit this form.

If you had no taxable compensation in 1989, indicate date taxable compensation terminated: \_\_\_\_\_

Do you intend to have taxable compensation in 1990? Yes ☐ No ☐  
If no, your wage tax account will be terminated.

**WHERE 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 Boulevard  
Philadelphia, PA 19102

8/11 11/2/91

DAILY RECEIPT & DEPOSIT STATEMENT - PA INTERGOVERNMENTAL COMP. AUTHORITY (PICA)  
(Source Philadelphia Daily Consolidated Summary of Deposits)

Date Prepared: July 26, 1991

Date of Deposit: July 26, 1991

1. W-7's Collected: \$ 2,393,659.16
2. W-1/W-5's Collected: \$ \_\_\_\_\_
3. E-2 Collected: \$ \_\_\_\_\_ Total of 1 + 2 + 3 = 2,393,659.16 x .62 = \$ 1,484,068.96  
Phila. Resident Collections -A-
4. WP-3 Collected: \$ \_\_\_\_\_ x .68 = \$ \_\_\_\_\_  
Phila. Resident Collections -B-
5. PICA DEPOSIT:  

$$\begin{array}{rcl} \$1,484,068.96 & + & \$ \text{---C---} \\ \text{A} & & \text{B} \end{array} = \frac{1,484,068.96}{\text{Total Resident Collections}} \times .3024 = \frac{448,668.75}{\text{Total Deposit Amount}}$$

Affirmed: James H. B. Smith City Revenue Commissioner \_\_\_\_\_ City Finance Director

-----For Commonwealth Use Only-----

Transmittal Date: \_\_\_\_\_ Transmittal #: \_\_\_\_\_

6. Adjustments: \_\_\_\_\_ Adjustment Date: \_\_\_\_\_

\$            +/-            =             
 Total Deposit Amt. Adjustment Amt. Funds Transferred Authorized by

Rev. WQ-2

Schedule 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-3'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 nondiscrimination 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 employee, 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 employees 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, available to employees, 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, ancestry, national origin, age, or sex.

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 shall 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 remedies 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 ascertain 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 employees.

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.

**EXHIBIT A**  
**LETTER OF REPRESENTATIONS**

October 29, 2019

RBC Capital Markets, LLC,  
As Representative for the Underwriters

Pennsylvania Intergovernmental  
Cooperation Authority  
1500 Walnut Street  
Suite 1600  
Philadelphia, PA 19102

Re: \$31,085,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax  
Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of  
2019

Ladies and Gentlemen:

Pursuant to the Bond Purchase Agreement of even date herewith (the "Purchase Agreement") between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and RBC Capital Markets, LLC, on behalf of itself and as Representative (the "Representative") of the Underwriters specified therein (the "Underwriters"), the Authority has agreed, *inter alia*, to sell to the Underwriters the above captioned bonds (the "2019 Bonds"), and the Underwriters have agreed to purchase said 2019 Bonds upon the terms and conditions set forth in the Purchase Agreement. Unless otherwise defined herein, the terms defined in the Purchase Agreement are used herein with the same meanings. This Letter of Representations is delivered to you pursuant to the Purchase Agreement.

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 City of Philadelphia (the "City") approves of the terms and conditions upon which the 2019 Bonds are being sold to the Underwriters as set forth in the Purchase Agreement, without waiving any of the City's rights due to provisions of Section S. thereof;
2. The City has duly and validly acknowledged and approved the Official Statement;
3. The City has duly and validly authorized and approved the execution and delivery of the Cooperation Agreement, the Tax Collection Agreement and the City Tax Certifications, and the performance by the City of its obligations, covenants and agreements contained therein;



4. The City has duly and validly acknowledged and approved the City Account Deposit Agreement;

5. The City had and has full legal right, power and authority to enter into the City Cooperation Agreement and the Tax Collection Agreement and has duly authorized the execution and delivery of, and the performance of its obligations under, this Letter of Representations, the Cooperation Agreement, the Tax Collection Agreement and the City Tax Certifications (collectively, the "City Agreements"). Each of the City Agreements constitutes a valid, binding and legally enforceable obligation of the City, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, and other laws affecting creditors' rights generally from time to time in effect, and rights of acceleration, indemnity, and contribution, and the availability of equitable remedies may be affected by equitable principles. The City has, and at the date of Closing will have, full legal right, power and authority to perform its obligations under the City Agreements.

6. The Ordinances have been duly and validly enacted or adopted, as applicable, by the City Council and approved by the Mayor, all in accordance with the City's Home Rule Charter and Code of General Ordinances and all applicable laws of the Commonwealth, are in full force and effect and have not been modified, amended, repealed or rescinded since the date of enactment.

7. 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 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 of the Commonwealth 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.

8. 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;

9. Except as otherwise disclosed in the Preliminary Official Statement and 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 adversely affect the financial condition or results of operations of the City as a whole.

10. 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;

11. The execution and delivery of the City Tax Certifications 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;

12. 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;

13. The City is currently in compliance in all material respects with its previous undertakings with regard to continuing disclosure.

14. The execution and delivery of, and compliance with the terms of this Letter of Representations and the Official Statement by the City, will not, constitute a breach of or default under the City's Home Rule Charter, the Code of General Ordinances, the Ordinance or any existing applicable law or administrative regulation (except that no representation or warranty is made in this paragraph 14 as to any federal or state securities law) or the Constitution of the Commonwealth or the United States or any applicable judgment or decree and will 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.

15. The information with respect to the City contained in the Preliminary Official Statement and in the Official Statement, as of its date, and at the time of acceptance hereof, under the captions "INTRODUCTION – The City of Philadelphia", and in Appendix B and Appendix C, did not, 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.

16. The City will notify the Representative, and the Authority, to the extent not disclosed in the Preliminary Official Statement or 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 the Update Period and will promptly notify the Representative if, during the Update Period, any event shall occur, or information come to its attention that would cause the Official Statement (whether or not previously supplemented or

amended) to contain any untrue statement of a material fact or to 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.

17. 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.

18. The City agrees to comply with and acknowledges its obligation to provide the Authority and the Underwriters with certain certifications and updating information in connection with the preparation of the Official Statement (including any amendments or supplements thereto) at the Closing of the 2019 Bonds, all as set forth in the Purchase Agreement.

19. Based solely on the information provided to me by the Law Department of the City (the "Law Department") after inquiry within the Law Department, except for litigation which in the opinion of the Law Department is without merit, and except as disclosed in the Preliminary Official Statement, to be disclosed in the Official Statement, no litigation or other legal proceeding is pending against the City or, to the best of the Law Department's knowledge, threatened in writing against the City:

(i) to restrain or enjoin the issuance or sale of the 2019 Bonds or the City's execution or delivery of, or performance under the Bond Documents, this Letter of Representations or in any way contesting any authority for or the validity or enforceability of the 2019 Bonds or the Ordinances; 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 results of 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 Preliminary Official Statement or the Official Statement; or

(iv) contesting in any way the validity or enforceability of the City's obligations under the Cooperation Agreement, the Tax Collection Agreement or this Letter of Representations; or

(v) in any way challenging the right of the Director of Finance or the City Treasurer 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 Agreement or herein to hold his or her office, or the respective powers of such offices.

20. The City agrees and acknowledges that: (a) the primary role of the Underwriters is to purchase securities for resale to investors, in an arm's-length commercial transaction between the Authority and the Underwriters and that the Underwriters have financial and other interests that differ from those of the Authority and the City; (b) with respect to the engagement of the Underwriters by the Authority, including in connection with the purchase, sale and offering of the

2019 Bonds, and the discussions, conferences, negotiations and undertakings in connection therewith, each of the Underwriters is and has been acting as a principal and not an agent or municipal or financial advisor of, or fiduciary to, the Authority or the City; (c) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate; and (d) the Purchase Agreement and this Letter of Representations express the entire relationship among the Underwriters, the Authority and the City with respect to the sale and offering of the 2019 Bonds.

This Letter of Representations is made solely for the benefit of the addressees hereof and the signatories hereto (including the successors and assigns of any 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 2019 Bonds from the Underwriters or otherwise.

All representations, warranties and agreements in this Letter of Representations shall remain operative and survive the execution hereof.

Very truly yours,

THE CITY OF PHILADELPHIA

By:  \_\_\_\_\_  
Rob Dubow,  
Director of Finance

This Letter of Representations is acknowledged and accepted October 29, 2019

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: Kevin Vaughan  
Kevin Vaughan,  
Chairperson of the Board

**RBC CAPITAL MARKETS, LLC,**  
*as Representative of the Underwriters*

By: \_\_\_\_\_  
Daniel O'Brien,  
Director

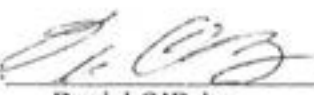


This Letter of Representations is acknowledged and accepted October 29, 2019

**PENNSYLVANIA INTERGOVERNMENTAL  
COOPERATION AUTHORITY**

By: \_\_\_\_\_  
Kevin Vaughan,  
Chairperson of the Board

**RBC CAPITAL MARKETS, LLC,**  
*as Representative of the Underwriters*

By:  \_\_\_\_\_  
Daniel O'Brien,  
Director

18 Oct 2019 | New Issue

## Fitch Rates Pennsylvania Intergovernmental Cooperation Auth's Special Tax Revs 'AAA'; Outlook Stable

Fitch Ratings-New York-18 October 2019: Fitch Ratings has assigned a 'AAA' rating to the following Pennsylvania Intergovernmental Cooperation Authority (PICA, or the authority) special tax revenue refunding bonds (City of Philadelphia Funding Program):

--\$43.57 million series of 2019;

--\$25.465 million series of 2020 (forward delivery).

Additionally, Fitch has affirmed the ratings on PICA's outstanding series 2009 and 2010 bonds. The series 2019 and 2020 bonds will refund the series 2009 and 2010 bonds.

The bonds will be sold via negotiated sale on or about Oct. 29, 2019.

The Rating Outlook is Stable.

### SECURITY

The special tax revenue bonds are limited obligations of the authority payable from pledged revenues, consisting of a 1.5% tax on wages and other compensation earned by city residents, as well as the net profits earned in business, professions, and other activities conducted by residents. Payment of the pledged revenues to PICA is not subject to city or state appropriation.

### ANALYTICAL CONCLUSION

The 'AAA' rating reflects solid growth prospects for PICA's pledged revenues, supported by Philadelphia's expanding economy. The security structure is extremely resilient to economic downturns with robust coverage and history of limited revenue volatility. While the authority has no plans or statutory authority to issue new money bonds, the ratings would likely remain stable even if PICA were authorized by the commonwealth legislature to issue new money bonds up to the full legal additional bonds test (ABT).

Fitch recently published an exposure draft of state and local government tax-supported criteria (Exposure Draft: U.S. Tax-Supported Rating Criteria, dated July 23, 2019) that proposes to limit the

distance between local government special revenue and true sale security ratings and the related government's IDR. If applied in the proposed form, the criteria change would have no impact on the PICA special tax revenue bond ratings discussed in this Rating Action Commentary.

#### KEY RATING DRIVERS

**SOLID PLEDGED REVENUE GROWTH PROSPECTS:** Fitch anticipates growth in the pledged wage, earnings, and net profits tax revenues will be solid and between the pace of national economic growth and inflation. Historical trends indicate a relatively resilient stream, with limited declines and recent acceleration in growth. Pledged revenue growth prospects are linked to the city of Philadelphia's overall economy.

**ROBUST RESILIENCE:** Coverage of PICA special tax revenue bonds from pledged revenues should remain strong through a moderate downturn given the ample current coverage, limited historical revenue volatility, and extremely strong resilience of the security structure.

**NO EXPOSURE TO OPERATING RISK:** Fitch considers the ratings distinct from the both the city of Philadelphia (IDR A-/Positive) and the commonwealth of Pennsylvania (IDR AA-/Stable). Pledged revenues remain the property of PICA until paid to the trustee and are not subject to commonwealth or city appropriation. Fitch does not consider PICA's own operating risks to be a material credit consideration given its limited function as a fiscal oversight entity without direct service responsibilities.

#### RATING SENSITIVITIES

**Sound Coverage Cushion:** The ratings on the Pennsylvania Intergovernmental Cooperation Authority special tax revenue bonds are sensitive to Fitch's expectations for the maintenance of a robust coverage cushion from the pledged revenues, consistent with the current rating level.

#### ECONOMIC RESOURCE BASE

Philadelphia serves as a regional economic center in the Northeast, with a stable employment base weighted toward the higher education and healthcare sectors. Jobs expansion since the Great Recession has been steady and strong, but comparatively low wealth levels and modest population increases persist, limiting growth prospects. The population is approximately 1.6 million.

#### DEDICATED TAX CREDIT PROFILE

#### RATING NOT LINKED TO COMMONWEALTH OR CITY

Fitch does not cap or link the rating on the bonds at the commonwealth or city's IDR. The city acts

as collector of the PICA tax in an agency capacity under an intergovernmental agreement with the state revenue department. Statutory provisions in the act make clear that at all times, the tax revenues remain the property of PICA. After payment of debt service and fulfillment of indenture requirements, residual revenues flow to the city. Payment of the pledged revenues to PICA is not subject to city or commonwealth appropriation.

PICA's operational risks are minimal as it functions largely as a fiscal oversight body without material operating demands. Accordingly, Fitch does not evaluate PICA's operational profile and does not limit the rating on the bonds to the authority's underlying credit quality.

PICA was created by state legislation in 1991 (Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, or the Act) to assist the city in its financial recovery. The authority has broad powers to review and approve city budgets and multi-year financial plans. If PICA certifies the city's noncompliance to the state, Pennsylvania withholds certain state aid due to the city. PICA was given statutory authority to issue wage tax-secured bonds to fund the operating deficits and capital expenditures of the city. PICA has exhausted its borrowing authorization. Any additional issuance, except for refunding purposes as in the proposed transaction, would require consent of the authority's board and legislative approval by the Commonwealth. PICA reports that it has no plans to seek additional authorization and Fitch considers it highly unlikely.

The 1.5% tax pledged to the bonds is exclusively the property of PICA, and the city and state have covenanted not to reduce the tax as long as PICA bonds are outstanding.

#### **STRONG COVERAGE**

Coverage of annual debt service by pledged revenues has strengthened due to steady revenue growth and a declining debt service schedule. Receipts grew by an annual average of approximately 4% between fiscals 2009-2019, including a robust 6% increase year-over-year (yoy) in fiscal 2019 to approximately \$529 million, providing 11x coverage of debt service.

Growth in pledged revenues is tied to the city's economic trajectory, which Fitch views as solid. Fitch's current IDR for the city is 'A-/Positive Outlook. For more information on the city's economy and growth prospects, see Fitch's press release " Fitch Rates Philadelphia Auth for Industrial Development's, PA's \$160MM Rev Bonds A-", dated Aug. 29, 2019 and available at [www.fitchratings.com](http://www.fitchratings.com).

#### **SOLID GROWTH PROSPECTS**

Growth prospects for the pledged wage, earnings and net profits tax revenues are solid and in line

with Fitch's expectations regarding the city's economic trajectory. Pledged revenues are derived from a broad citywide economic base, benefiting from Philadelphia's role as a regional center for healthcare and higher education. Jobs expansion since the recession has been steady, but low wealth levels and weak population growth persist and limit growth prospects somewhat.

Historical revenue growth has been generally consistent, through the last two national recessions. Pledged revenues declined only twice since fiscal 1999, never more than 2%, and never for consecutive years. Particularly robust pledged revenue growth in recent years likely reflects economic growth in the city. Fitch does not anticipate that pace to continue, but continued growth between the pace of national economic growth and inflation is likely leading to a 'aa' assessment for this rating factor.

#### ROBUST RESILIENCE

The security provided by the pledged revenues is extremely resilient to economic volatility. Fitch's analysis focuses on current maximum leverage rather than the 3x ABT. While the lien remains open under the indenture, it requires state legislative action to be utilized, which Fitch considers highly unlikely. PICA has no plans to pursue additional authorization, and the city relies on residual revenues for its operating needs. Residual PICA taxes comprise approximately 10% of the city's operating revenues.

To evaluate the sensitivity of the dedicated revenue stream to cyclical decline, Fitch considers both revenue sensitivity results (using a 1% decline in national GDP scenario) and the largest decline in revenues over the period covered by the revenue sensitivity analysis. Based on the authority's pledged revenue history, the Fitch Analytical Sensitivity Tool (FAST) generates a 1% scenario decline in pledged wage, earnings, and net profits tax revenues. The largest actual decline was a 1.5% decline in fiscal 2010.

PICA has fully utilized its statutory authorization and Fitch does not anticipate the authority will seek further authorization. Therefore the agency assesses the resiliency of the structure by examining it relative to current debt service which declines annually. Fiscal 2019 pledged revenues of approximately \$529 million can withstand a 91% decline while still maintaining sum sufficient MADS coverage. This is equivalent to 91x the scenario result, and 61x the worst actual decline in revenues, warranting an 'aaa' assessment for this rating factor.

Even if PICA were to receive additional legislative authorization and issued up to its 3x ABT, Fitch still considers the structure to be extremely robust. Relative to the ABT, fiscal 2019 pledged revenues could withstand a 67% decline, equivalent to a still very strong 67x the scenario result



and 45x the worst historical decline.

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In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

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**Applicable Criteria**

[U.S. Public Finance Tax-Supported Rating Criteria \(pub. 03 Apr 2018\)](#)

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# S&P Global Ratings

55 Water Street, 38th Floor  
New York, NY 10041-0003  
tel 212-438-2000  
reference no.: 1591430

October 18, 2019

Pennsylvania Intergovernmental Cooperation Authority  
1500 Walnut Street, 16th Floor  
Philadelphia, PA 19102  
Attention: Mr. Harvey M. Rice, Executive Director

Re: *US\$25,465,000 Pennsylvania Intergovernmental Cooperation Authority, Special Tax Revenue Refunding Bonds (City Of Philadelphia Funding Program), Series of 2020 (Forward Delivery)*

Dear Mr. Rice:

Pursuant to your request for an S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "AAA". S&P Global Ratings views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

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October 18, 2019

Pennsylvania Intergovernmental Cooperation Authority  
1500 Walnut Street, 16th Floor  
Philadelphia, PA 19102  
Attention: Mr. Harvey M. Rice, Executive Director

**Re: *US\$43,570,000 Pennsylvania Intergovernmental Cooperation Authority, Special Tax Revenue  
Refunding Bonds (City Of Philadelphia Funding Program), Series of 2019***

Dear Mr. Rice:

Pursuant to your request for an S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "AAA". S&P Global Ratings views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

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## Summary:

### Pennsylvania Intergovernmental Cooperation Authority; Miscellaneous Tax

#### Primary Credit Analyst:

Lisa R Schroeder, Charlottesville (434) 529-2862; [lisa.schroeder@spglobal.com](mailto:lisa.schroeder@spglobal.com)

#### Secondary Contact:

Tiffany Tribbitt, New York (1) 212-438-8218; [Tiffany.Tribbitt@spglobal.com](mailto:Tiffany.Tribbitt@spglobal.com)

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Rationale

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## Summary:

# Pennsylvania Intergovernmental Cooperation Authority; Miscellaneous Tax

### Credit Profile

US\$43.57 mil spl tax rev rfdg bnds (City of Philadelphia Fdg Prog) ser 2019 due 06/15/2023		
<i>Long Term Rating</i>	AAA/Stable	New
US\$25.465 mil spl tax rev rfdg bnds (City of Philadelphia Fdg Prog) ser 2020 due 06/15/2022		
<i>Long Term Rating</i>	AAA/Stable	New
Pennsylvania Intergovernmental Coop Auth spl tax		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

## Rationale

S&P Global Ratings assigned its 'AAA' rating to the Pennsylvania Intergovernmental Cooperation Authority's (PICA) series 2019 and 2020 (forward delivery) special tax revenue refunding bonds (City of Philadelphia Funding Program). At the same time, S&P Global Ratings affirmed its 'AAA' rating on PICA's existing debt. The outlook is stable.

### Security and use of proceeds

A first lien on a 1.5% wage tax levied for PICA on city residents and on the net profits earned in business, professions, and other activities conducted by Philadelphia residents is pledged by PICA to secure the bonds.

The 2019 and 2020 bonds, together with other available funds, will be used to currently refund the 2009 series and execute a forward delivery refunding for the 2010 series the amount of \$43.6 million and \$25.5 million, respectively. The estimated net present value savings is around \$6.7 million and PICA is able to release roughly \$37.5 million from the debt service reserve (DSR) to further decrease debt payments. All bonds mature by 2023. No additional bonds, other than refunding bonds, are permitted under the authorizing legislation.

The rating is based on the application of our "Priority-Lien Tax Revenue Debt" criteria (published Oct. 22, 2018, on RatingsDirect), which incorporates our view of PICA's ownership of the pledged revenue, which is never comingled with either state or city revenue, and the revenue's strength and stability. In addition, we view the unique structure and purpose of the organization of PICA as an autonomous oversight board created by the state of Pennsylvania for the city of Philadelphia as a key credit factor.

Pursuant to our priority-lien criteria, we link the rating to the state as the relevant operating entity because of its role in setting up PICA by statute, the board's composition of state appointees, and PICA's oversight responsibilities as detailed in state statute. These responsibilities include approving budgets and five-year financial plans. PICA's strong oversight and control functions, established at the state level by statute, limit both the likelihood of severe fiscal distress for the city, as well as potential risks to the pledged revenue in a distress scenario. PICA was created in June 1991 to provide a financing vehicle to assist in resolving Philadelphia's fiscal crisis and oversee its finances. State



legislation created the ability to raise the PICA revenue through the imposition of the PICA tax, which is owned by PICA. We believe the relationship between the revenue and the operating entity is remote. We believe the pledged revenue is neither legally nor practically available to finance operations and is unlikely to be affected by operating distress.

The intent of PICA when originally formed was that once the bonds were paid off, the PICA tax expires and PICA will dissolve. However, as the time approaches, the city has expressed interest in maintaining PICA as an oversight entity. The decision on whether to extend PICA as an oversight entity, and include revenue as well, would be a decision that would need to include state-level authorities.

In our view, PICA's bonds are eligible to be rated above the sovereign because we believe the city can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions" (published Nov. 19, 2013), U.S. local governments are considered to have moderate sensitivity to country risk.

The PICA revenue, derived from locally sourced revenues, is the source of security on the debt; this severely limits the possibility of negative sovereign intervention in the payment of the debt or in the operations of the city. The institutional framework in the U.S. is predictable, and there is no history of government intervention.

### **Credit overview**

Key credit considerations include:

- A strong underlying economic base with access to a broad and diverse economy that supports Philadelphia's economic activity, which has led to stable pledged revenues;
- Audited fiscal 2019 collections that provide more than 11x coverage of maximum annual debt service (MADS), which we expect will improve through maturity in 2023 as a result of a trend of increasing revenues, the recent refunding, annually declining debt service requirements, and statutory limitations on the issuance of additional bonds for refunding purposes only;
- Our view that wage and net profits in business taxes demonstrate historically very low volatility through various economic cycles, with no history of significant volatility at the local level; and
- The state's creation of PICA and its governance as identified in state statute, as well as the legal and mechanical structure outlined in the bond documents, supports our view that operating risks are less likely to affect pledged revenue.

### **Economic fundamentals: Strong**

While Philadelphia is not the linked operating entity under our priority-lien criteria, we consider the city's economic activity to be a key factor in evaluating the revenue pledge, which is generated by the economic activity of Philadelphia residents. We consider the city's economy strong after several years of increases in assessed value (AV) and market value growth, which have raised its market value per capita. In addition, most of its major revenues have risen over the past year. Based on audited 2018, year-end revenue came in higher than anticipated, with strong growth in the transfer tax (34% growth over the previous year). In addition, the business income and receipts tax increased 8.8% over the previous year. Other revenues, such as the wage and earnings tax, rose 6.4% over the previous year, and property tax revenue rose 10.8%, in part due to a reassessment. The city's most recent 2019 revenue estimates show



an increase over the 2018 year-end levels, up 4.1%, led in part by a 6% increase real property tax revenue and 12.8% in the business income receipt tax. Fiscal 2019 is projected to end in a deficit of \$90.6 million, though this deficit is smaller than previously projected and includes the city's federal and state funding contingency reserve being spent. Should these trends continue, we anticipate 2019 would likely end strong than projected.

These revenue trends support our view of the overall economic activity, which underlies the PICA pledged revenues as well. The PICA revenues, the wage tax levied on city residents and on the net profits earned in business, professions, and other activities conducted by Philadelphia residents, have almost doubled since 2000.

We consider Philadelphia's economy strong after several years of increases in AV and market value growth, which has raised its market value per capita. The city, with an estimated population of 1.6 million, is coterminous with Philadelphia County in southeastern Pennsylvania. It is the sixth-largest city in the U.S. in terms of population. It is in the Philadelphia-Camden-Wilmington metropolitan statistical area (MSA), which we consider broad and diverse. The city has a projected per capita effective buying income (EBI) of 82% of the national level and per capita market value of \$106,000. It underwent two revaluations with its tax base for 2017, 2018, and 2019, resulting in growth each year. Market value grew by 7.6% over the past year to \$165.0 billion in tax year 2019, although 2020 is showing slower growth of 2.2% as anticipated, in part due to the revaluation appeals. The county unemployment rate was 5.5% in 2018. Leading city employers include Albert Einstein Medical, Children's Hospital of Philadelphia, Southeastern Pennsylvania Transit Authority, and Comcast Corp. of Willow Grove Inc. Philadelphia's economy is comparatively diverse with strong health care and higher education sectors, historically a more moderate employment growth base, and a higher unemployment rate when compared with state and national levels. The city has realized good levels of employment growth over the past two years, mitigating some of the economic concerns about five years of slower-than-U.S. employment growth through 2015.

The city's population experienced growth, after declines through 2006. Philadelphia has seen a rebound, particularly in the 25-34 age bracket between 2011-2015. According to projections, this population growth is anticipated to moderate somewhat in the upcoming years. We view the city's economic activity as key to its ability to service its expenditure needs as outlined. It still has a comparatively low per capita EBI and we note that its population also holds pockets of deep poverty. These statistics feed into our view of both the service-level needs and the ability to tap into the population for additional revenues.

#### **Coverage and liquidity: Very strong**

Pledged revenue collections have increased consistently over the past 18 years, with minor declines in 2010 and 2012. Since 2000, the revenue has more than doubled, providing very strong coverage over the years, and in fiscal 2018, it increased by 6% with another increase in 2019, bringing coverage on existing debt service to 11x. Given the strong economic fundamentals and recent trends, we believe this forecast is likely attainable, although not necessary to retain very strong coverage levels.

In fiscal 2018, total pledged tax revenue increased to almost \$497 million, providing over 8x coverage of MADS, which is latest audited year. The refunded debt service will increase coverage through maturity in 2023 and the state statutes prohibiting new-money issuance after 1996, we believe coverage will remain very strong.

The DSR is required to be funded at MADS, although we believe that, given the high level of coverage, the need for the

reserve is minimal. In combination with our very low volatility assessment and based on our view of very strong coverage, coupled with a closed lien, there is no downward adjustment to the coverage score that would indicate potential liquidity pressures.

**Volatility: Very low**

We assess the volatility of revenue to determine the likelihood of the availability of revenue during different economic cycles. We have two levels of volatility assessment: macro and micro.

Our macro volatility assessment begins with an assessment of the historical volatility of the economic activity being taxed, and includes an analysis of societal, demographic, political, and other factors that could affect these activities. To inform our opinion on expectations of future volatility, we use the variance of national economic activity that we believe most closely represents the taxing base over multiple economic cycles. For the pledged revenue, we determined our macro view of volatility based on personal income tax data from the Bureau of Economic Analysis for the period 1993-2014.

On a micro level, with stable collections coupled with a broad base, we see no internal or external influences that we believe worsen the macro assessment of volatility as very low. While fluctuations could occur relative to economic cycles and potentially the financial services industry bonus season, we believe historical trends inform our view of future tax collections that we believe will remain stable.

**Linkage to the State of Pennsylvania as a related entity: Remote**

We link the rating to the state as the relevant operating entity because of PICA's oversight responsibilities as detailed in state statute, and the purpose of PICA and its limited operations. These responsibilities include approving budgets and five-year financial plans. PICA's strong oversight and control functions, established at the state level, limit both the likelihood of severe fiscal distress for the city as well as potential risks to the pledged revenue in a distress scenario.

We believe the relationship between the revenue and the operating entity is remote. We believe the pledged revenue is neither legally nor practically available to finance operations and is unlikely to be affected by operating distress. We believe this is supported by the intent of PICA, the unique ownership of the revenue stream, and the flow of funds that prevents the revenue from comingling with either city or state revenues. In addition to PICA owning the revenue stream, the revenue collection is placed into a specific PICA tax fund. It is never part of either the city's or state's treasury and is kept segregated.

PICA was created in June 1991 to provide a financing vehicle to assist in resolving Philadelphia's fiscal crisis. The authority provides oversight to the city's finances, which includes reviewing its budgets and long-term financial plans. The authority may ultimately withhold state funding if it does not approve of the budget or longer-term plans. To date, PICA has not had to use this mechanism, but it does show the strength of the oversight body to ensure its fiscal stewardship. This oversight is incorporated into the city's overall operating profile as well.

The authority exists for as long as the bonds remain outstanding, with a small phase-out period.

By legislation, the pledged tax revenue was created for PICA and is owned by PICA. The city collects the revenues as a designated agent of the state and places them into the PICA tax fund. The state treasurer is required to transfer all amounts in the fund to the revenue fund for bond payments. After debt service, the flow of funds is: to the DSR fund;

payment of interest rate exchange, cap, or floor agreements; and to PICA for minimal operating expenses. PICA provides excess funds to the city as a grant. The DSR is funded at MADS on the bonds. No additional bonds, other than refunding bonds, are permitted under the authorizing legislation.

### **Ratings linkage to Pennsylvania**

Though we believe a remote relationship exists, we factor in Pennsylvania's general operating (GO) profile. As part of the priority-lien criteria, we view overall creditworthiness as a key determinant in our analysis.

For more information on the commonwealth's creditworthiness, please refer to our GO analysis on Pennsylvania, published on May 23, 2019 on Ratings Direct.

S&P Global Ratings believes Pennsylvania's fiscal position has stabilized, at least for the near term, given budget estimates for fiscal 2019 and the executive budget proposal for fiscal 2020. Stronger economic growth and slower increases in required pension contributions have helped narrow the commonwealth's budget gaps. However, we believe Pennsylvania's longer-term budgetary flexibility remains challenged by its minimal reserve levels, as proposed in the fiscal 2020 budget. While modest structural imbalance persists, the use of one-time measures has decreased since 2018 and Pennsylvania's liquidity position has improved. Despite a history of prolonged budget impasses and acrimony, fiscal 2020 budget negotiations went more smoothly due to smaller projected budget gaps and the lack of new broad-based tax proposals.

Although we believe the commonwealth is better positioned for fiscal stability in the near term compared to recent years, we expect a high fixed-cost burden and minimal reserve position will dampen Pennsylvania's budgetary flexibility in the long term. Altogether, debt service, pension, other postemployment benefits, and Medicaid account for a significant 45% of fiscal 2018 general fund spending, and with the exception of debt service, their annual cost increases are likely to exceed revenue growth. In addition, the commonwealth has been unable to materially rebuild its reserves, which were depleted during the Great Recession. We expect states to build their reserve profile during expansionary economic times to prepare for potential uncertainty later on.

## **Outlook**

The stable outlook reflects our view of the strong MADS coverage based on audited fiscal 2018 pledged revenue collections, supported by our view of the very low volatility in the pledged revenue. Philadelphia's economic activity and overall strong economy lend stability to the view of the revenue pledge. In addition, under our criteria, there is a link between the attributes of the priority-lien pledge and the Commonwealth of Pennsylvania as a related entity. This reflects our expectation that Pennsylvania's budgetary pressures will not significantly worsen over the two-year outlook horizon given its recent measures close its budget gap, improved liquidity position, and full actuarially determined pension contribution funding.

### **Downside scenario**

If we lowered our rating on Pennsylvania, we would likely lower our rating on PICA as well. We could do so if Pennsylvania's structural imbalance or liquidity were to significantly worsen or it were to backtrack on pension funding progress.

*Summary: Pennsylvania Intergovernmental Cooperation Authority; Miscellaneous Tax*

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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**Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)**

**\$31,085,000  
Series of 2019**

**\$24,990,000  
Series of 2020 (Forward Delivery)**

**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 U.S. Bank National Association, as Trustee (the "Bank") of \$31,085,000 aggregate principal amount of the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 Bonds") and the sale of \$24,990,000 aggregate principal amount of the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery), which are scheduled to be issued on March 17, 2020. The undersigned hereby certifies on behalf of the Bank as follows:

I, Ralph E. Jones, Vice President, of U. S. Bank National Association (the "Bank") hereby certifies:

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 Eighth Supplement to the Amended and Restated Indenture dated as of December 1, 2019 (the "Indenture"), between the Bank and the Authority. The Indenture is the valid and binding agreement 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 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.

<u>Name</u>	<u>Office</u>
Ralph E. Jones	Vice President
Stacy L. Mitchell	Vice President

Signature



Witness the due execution hereof this 3rd day of December, 2019.

U.S. BANK NATIONAL ASSOCIATION

By: 

Ralph E. Jones  
Vice President

[Signature Page – Certificate of Trustee]

# U.S. BANK NATIONAL ASSOCIATION

## CHARTER NO. 24

### AMENDED AND RESTATED ARTICLES OF ASSOCIATION

These Amended and Restated Articles of Association supersede the Articles of Association of Firststar Bank, National Association, being renamed U.S. Bank National Association (the "Association"), heretofore in effect.

**FIRST:** The title of the Association shall be "U.S. Bank National Association."

**SECOND:** The main office of the Association shall be in the City of Cincinnati, County of Hamilton, State of Ohio. The general business of the Association shall be conducted at its main office and its branches.

**THIRD:** The Board of Directors of the Association shall consist of not less than five (5) nor more than twenty-five (25) shareholders, 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 thereof by the Bylaws, 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 the provisions of law; and all elections shall be held according to such lawful regulations as may be prescribed by the Board of Directors.

**FIFTH:** The aggregate number of shares of common stock that the Association has authority to issue is 3,640,000, all of which are of one class only, each such share having a par value of \$5.00 (the "Common Stock"). The Association shall also have authority to issue 2,411,935 shares of preferred stock, without par value (the "Preferred Stock").

No holder of shares of the capital stock of any class of the Association shall have any pre-emptive or preferential right of subscription to any shares of any class of stock of the Association, whether now or hereafter authorized, or to any obligations convertible into stock of the Association issued or sold, nor any right of subscription to any thereof other than such, if any, as the Board of Directors, in its discretion, may from time to time determine and at such price as the Board of Directors may from time to time fix.



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.

**Section 5.01. Series A Preferred Stock.** Pursuant to the provisions of this Article Fifth, a series of Series A Non-Cumulative Preferred Stock, consisting of one hundred sixty-seven thousand (167,000) shares, is hereby established and authorized to be issued, and in addition to such matters specified elsewhere in this Article Fifth, such Series A Non-Cumulative Preferred Stock shall have the following powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions:

(a) **Designation and Amount.** The shares of Preferred Stock shall be designated as the Series A Non-Cumulative Preferred Stock (the "Series A Preferred Stock"), and the number of shares constituting the Series A Preferred Stock shall be one hundred sixty-seven thousand (167,000). The liquidation preference of the Series A Preferred Stock shall be \$1,000 per share (the "Series A Liquidation Value").

(b) **Rank.** The Series A Preferred Stock shall, with respect to dividend rights and upon liquidation, dissolution and winding up of the Association, rank (i) senior to all classes and series of Common Stock of the Association and to all classes and series of capital stock of the Association now or hereafter authorized, issued or outstanding, which by their terms expressly provide that they are junior to the Series A Preferred Stock as to dividend distributions and distributions upon the liquidation, dissolution or winding up of the Association, or which do not specify their rank (collectively with the Common Stock, the "Series A Junior Securities"); (ii) on a parity with the Series B Preferred Stock and the Series C Preferred Stock and each other class of capital stock or series of preferred stock issued by the Association after the date hereof, the terms of which specifically provide that such class or series will rank on a parity with the Series A Preferred Stock as to dividend distributions and distributions upon the liquidation, dissolution or winding up of the Association (collectively with the Series B Preferred Stock and the Series C Preferred Stock, the "Series A Parity Securities"); and (iii) junior to each other class of capital stock or series of preferred stock issued by the Association after the date hereof, the terms of which specifically provide that such class or series will rank senior to the Series A Preferred Stock as to dividend distributions and distributions upon the liquidation, dissolution or winding up of the Association (collectively, the "Series A Senior Securities").

(c) **Dividends.** Dividends are payable on the Series A Preferred Stock as follows:

(i) The holders of shares of the Series A Preferred Stock in preference to the Series A Junior Securities shall be entitled to receive, out of funds legally available for that purpose, and when, as, and if declared by the Board of Directors of the Association, dividends payable in cash at the annual rate of eight percent (8%) of the Series A Liquidation Value (the "Series A Dividend Rate").

(ii) Dividends on the Series A Preferred Stock shall be non-cumulative. Dividends not paid on any Series A Dividend Payment Date shall not accumulate thereafter. Dividends shall accumulate from the first day of any Series A Dividend Period to but excluding the immediately succeeding Series A Dividend Payment Date. Dividends, if and when declared, shall be payable in arrears in cash on each Series A

Dividend Payment Date of each year with respect to the Series A Dividend Period ending on the day immediately prior to such Series A Dividend Payment Date at the Series A Dividend Rate to holders of record at the close of business on the applicable Record Date, commencing on December 31, 2000 with respect to any shares of Series A Preferred Stock issued prior to that Series A Dividend Payment Date; provided that dividends payable on the Series A Preferred Stock on the Series A Dividend Payment Date immediately following the first Series A Dividend Period following the Issue Date (and any dividend payable for a period less than a full semiannual period) shall be prorated for the period and computed on the basis of a 360-day year of twelve 30-day months and the actual number of days in such Series A Dividend Period; and provided, further, that dividends payable on the Series A Preferred Stock on the Series A Dividend Payment Date immediately following the first Series A Dividend Period following the Issue Date shall include any accumulated and unpaid dividends on the Realty Company Series B Exchangeable Stock exchanged for the Series A Preferred Stock as of the Exchange Date for the then current dividend period. Dividends on such Series A Preferred Stock shall be paid only in cash.

(iii) No dividends on shares of Series A Preferred Stock shall be declared by the Board of Directors or paid or set apart for payment by the Board of Directors or paid or set apart for payment by the Association if such declaration or payment shall be restricted or prohibited by law.

(iv) Holders of shares of Series A Preferred Stock shall not be entitled to any dividends in excess of full dividends declared, as herein provided, on the shares of Series A Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment on the shares of Series A Preferred Stock that may be in arrears.

(v) (A) So long as any shares of Series A Preferred Stock are outstanding, no dividends (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, Series A Junior Securities and other than as provided in clause (B) below) shall be declared, paid or set aside for payment or other distribution upon any Series A Junior Securities or any other Series A Parity Securities, nor shall any shares of any Series A Junior Securities or any other Series A Parity Securities be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or set aside or made available for a sinking fund for the redemption of any shares of any such stock) by the Association (except by conversion into or exchange for shares of, or options, warrants or rights to subscribe for or purchase, Series A Junior Securities) unless, in each case, the full dividends on all outstanding shares of the Series A Preferred Stock shall have been declared and paid, when due, for the Series A Dividend Period, if any, terminating on or immediately prior to the date of payment in respect of such dividend, distribution, redemption, purchase or acquisition.

(B) When dividends for any Series A Dividend Period are not paid in full, as provided in clause (A) above, on the shares of the Series A Preferred Stock or any other Series A Parity Securities, dividends may be declared and paid on any such shares for any dividend period therefor, but only if such dividends are declared and paid pro rata so that the amount of dividends declared and paid per share on the shares of the Series A



Preferred Stock and any other Series A Parity Securities, in all cases shall bear to each other the same ratio that the amount of unpaid dividends per share on the shares of the Series A Preferred Stock for such Series A Dividend Period and such other Series A Parity Securities for the corresponding dividend period bear to each other.

**(d) Liquidation Preference.**

(i) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Association, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Association available for distribution to its shareholders an amount in cash equal to the Series A Liquidation Value for each share outstanding, plus an amount in cash equal to all unpaid dividends thereon for the then current Series A Dividend Period, whether or not earned or declared, before any payment shall be made or any assets distributed to the holders of Series A Junior Securities. If the assets of the Association are not sufficient to pay in full the liquidation payments payable to the holders of outstanding shares of the Series A Preferred Stock and any Series A Parity Securities, then the holders of all such shares shall share ratably in such distribution of assets in accordance with the amount which would be payable on such distribution if the amounts to which the holders of outstanding shares of Series A Preferred Stock and the holders of outstanding shares of such Series A Parity Securities are entitled were paid in full.

(ii) For the purpose of this Section 5.01(d), neither the voluntary sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Association, nor the consolidation or merger of the Association, shall be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Association, unless such voluntary sale, conveyance, exchange or transfer shall be in connection with a plan of liquidation, dissolution or winding up of the Association.

**(e) Redemption.** The Series A Preferred Stock is not redeemable prior to December 31, 2021. On or after such date, the Series A Preferred Stock shall be redeemable, in whole or in part, at the option of the Association, but with the consent of the Comptroller of the Currency and any other appropriate regulatory authorities, if required, for cash out of any source of funds legally available, at a redemption price equal to 100% of the Series A Liquidation Value per share plus unpaid dividends thereon accumulated since the immediately preceding Series A Dividend Payment Date (the "Series A Redemption Price"). Any date of such redemption is referred to as the "Series A Redemption Date." If fewer than all the outstanding shares of Series A Preferred Stock are to be redeemed, the Association will select those to be redeemed by lot or pro rata or by any other method as may be determined by the Board of Directors to be equitable.

The Series A Preferred Stock is not subject to any sinking fund.

**(f) Procedure for Redemption.**

(i) Upon redemption of the Series A Preferred Stock pursuant to Section 5.01(e) hereof, notice of such redemption (a "Series A Notice of Redemption") shall be mailed by first-class mail, postage prepaid, not less than thirty (30) days nor more than

sixty (60) days prior to the Series A Redemption Date to the holders of record of the shares to be redeemed at their respective addresses as they shall appear in the records of the Association; provided, however, that failure to give such notice or any defect therein or in the mailing thereof shall not affect the validity of the proceeding for the redemption of any shares so to be redeemed except as to the holder to whom the Association has failed to give such notice or except as to the holder to whom notice was defective. Each such notice shall state: (A) the Series A Redemption Date; (B) the Series A Redemption Price; (C) the place or places where certificates for such shares are to be surrendered for payment of the Series A Redemption Price; and (D) the CUSIP number of the shares being redeemed.

(ii) If a Series A Notice of Redemption shall have been given as aforesaid and the Association shall have deposited on or before the Series A Redemption Date a sum sufficient to redeem the shares of Series A Preferred Stock as to which a Series A Notice of Redemption has been given in trust with the Transfer Agent with irrevocable instructions and authority to pay the Series A Redemption Price to the holders thereof, or if no such deposit is made, then upon the Series A Redemption Date (unless the Association shall default in making payment of the Series A Redemption Price), all rights of the holders thereof as shareholders of the Association by reason of the ownership of such shares (except their right to receive the Series A Redemption Price thereof without interest) shall cease and terminate, and such shares shall no longer be deemed outstanding for any purpose. The Association shall be entitled to receive, from time to time, from the Transfer Agent the interest, if any, earned on such moneys deposited with it, and the holders of any shares so redeemed shall have no claim to any such interest. In case the holder of any shares of Series A Preferred Stock so called for redemption shall not claim the Series A Redemption Price for its shares within twelve (12) months after the related Series A Redemption Date, the Transfer Agent shall, upon demand, pay over to the Association such amount remaining on deposit, and the Transfer Agent shall thereupon be relieved of all responsibility to the holder of such shares, and such holder shall look only to the Association for payment thereof.

(iii) Not later than 1:30 p.m., Eastern Standard Time, on the Business Day immediately preceding the Series A Redemption Date, the Association shall irrevocably deposit with the Transfer Agent sufficient funds for the payment of the Series A Redemption Price for the shares to be redeemed on the Series A Redemption Date and shall give the Transfer Agent irrevocable instructions to apply such funds, and, if applicable and so specified in the instructions, the income and proceeds therefrom, to the payment of such Series A Redemption Price. The Association may direct the Transfer Agent to invest any such available funds, provided that the proceeds of any such investment will be available to the Transfer Agent in Milwaukee, Wisconsin at the opening of business on such Series A Redemption Date.

(iv) Except as otherwise expressly set forth in this Section 5.01(f), nothing contained in these Amended and Restated Articles of Association shall limit any legal right of the Association to purchase or otherwise acquire any shares of Series A Preferred Stock at any price, whether higher or lower than the Series A Redemption Price, in private negotiated transactions, the over-the-counter market or otherwise.



(v) If the Association shall not have funds legally available for the redemption of all of the shares of Series A Preferred Stock on any Series A Redemption Date, the Association shall redeem on the Series A Redemption Date only the number of shares of Series A Preferred Stock as it shall have legally available funds to redeem, as determined in an equitable manner, and the remainder of the shares of Series A Preferred Stock shall be redeemed, at the option of the Association, on the earliest practicable date next following the day on which the Association shall first have funds legally available for the redemption of such shares.

(g) **Reacquired Shares.** Shares of the Series A Preferred Stock that have been redeemed, purchased or otherwise acquired by the Association are not subject to reissuance or resale as shares of Series A Preferred Stock and shall be held in treasury. Such shares shall revert to the status of authorized but unissued shares of preferred stock, undesignated as to series, until the Board of Directors of the Association shall designate them again for issuance as part of a series.

(h) **Voting Rights.** Except as otherwise required by applicable law, the holders of Series A Preferred Stock shall not have any voting rights.

**Section 5.02. Series B Preferred Stock.** Pursuant to the provisions of this Article Fifth, a series of Series B Non-Cumulative Preferred Stock, consisting of one million four hundred ninety-four thousand nine hundred thirty-five (1,494,935) shares, is hereby established and authorized to be issued, and in addition to such matters specified elsewhere in this Article Fifth, such Series B Non-Cumulative Preferred Stock shall have the following powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions:

(a) **Designation and Amount.** The shares of Preferred Stock shall be designated as the Series B Non-Cumulative Preferred Stock (the "Series B Preferred Stock"), and the number of shares constituting the Series B Preferred Stock shall be one million four hundred ninety-four thousand nine hundred thirty-five (1,494,935). The liquidation preference of the Series B Preferred Stock shall be \$1,000 per share (the "Series B Liquidation Value").

(b) **Rank.** The Series B Preferred Stock shall, with respect to dividend rights and upon liquidation, dissolution and winding up of the Association, rank (i) senior to all classes and series of Common Stock of the Association and to all classes and series of capital stock of the Association now or hereafter authorized, issued or outstanding, which by their terms expressly provide that they are junior to the Series B Preferred Stock as to dividend distributions and distributions upon the liquidation, dissolution or winding up of the Association, or which do not specify their rank (collectively with the Common Stock, the "Series B Junior Securities"); (ii) on a parity with the Series A Preferred Stock and the Series C Preferred Stock and each other class of capital stock or series of preferred stock issued by the Association after the date hereof, the terms of which specifically provide that such class or series will rank on a parity with the Series B Preferred Stock as to dividend distributions and distributions upon the liquidation, dissolution or winding up of the Association (collectively with the Series A Preferred Stock and the Series C Preferred Stock, the "Series B Parity Securities"); and (iii) junior to each other class of capital stock or series of preferred stock issued by the Association after the date hereof, the terms of which specifically provide that such class or series will rank senior to the Series B Preferred

Stock as to dividend distributions and distributions upon the liquidation, dissolution or winding up of the Association (collectively, the "Series B Senior Securities").

(c) **Dividends.** Dividends are payable on the Series B Preferred Stock as follows:

(i) The holders of the Series B Preferred Stock in preference to the Series B Junior Securities shall be entitled to receive, out of funds legally available for that purpose, and when, as, and if declared by the Board of Directors of the Association, dividends payable in cash at the applicable annual rate set forth in this Section 5.02(c)(i) below of the Series B Liquidation Value (the "Series B Dividend Rate"):

(1) With respect to dividends payable on each Series B Dividend Payment Date occurring from the Issue Date through December 31, 2005, the Series B Dividend Rate shall be eight and seven-eighths percent (8.875%); and

(2) Thereafter, dividends shall accrue at a variable rate per annum equal to the 5-year CMT Rate plus two percent (2%). On December 31, 2005, and on December 31 every five (5) years thereafter, the previous dividend rate shall be replaced by the then-current 5-year CMT Rate plus two percent (2%). The 5-year CMT Rate for each 5-year period shall be determined by the Calculation Agent on the second Business Day immediately preceding the first day of such period (each a "CMT Determination Date").

(ii) Dividends on the Series B Preferred Stock shall be non-cumulative. Dividends not paid on any Series B Dividend Payment Date shall not accumulate thereafter. Dividends shall accumulate from the first day of any Series A Dividend Period to but excluding the immediately succeeding Series A Dividend Payment Date. Dividends, if and when declared, shall be payable in arrears in cash on each Series B Dividend Payment Date of each year with respect to the Series B Dividend Period ending on the day immediately prior to such Series B Dividend Payment Date at the Series B Dividend Rate per share to holders of record at the close of business on the applicable Record Date, commencing on the Exchange Date with respect to any shares of Series B Preferred Stock issued prior to that Series B Dividend Payment Date; provided that dividends payable on the Series B Preferred Stock on the Series B Dividend Payment Date immediately following the first Series B Dividend Period following the Issue Date (and any dividend payable for a period less than a full quarterly period) shall be prorated for the period and computed on the basis of a 360-day year of twelve 30-day months and the actual number of days in such Series B Dividend Period; and provided, further, that dividends payable on the Series B Preferred Stock on the Series B Dividend Payment Date immediately following the first Series B Dividend Period following the Issue Date shall include any accumulated and unpaid dividends on the Realty Company Series C Exchangeable Stock exchanged for the Series B Preferred Stock as of the Exchange Date for the then current dividend period. Dividends on such Series B Preferred Stock shall be paid only in cash.



(iii) No dividends on shares of Series B Preferred Stock shall be declared by the Board of Directors or paid or set apart for payment by the Board of Directors or paid or set apart for payment by the Association if such declaration or payment shall be restricted or prohibited by law.

(iv) Holders of shares of Series B Preferred Stock shall not be entitled to any dividends in excess of full dividends declared, as herein provided, on the shares of Series B Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment on the shares of Series B Preferred Stock that may be in arrears.

(v) (A) So long as any shares of Series B Preferred Stock are outstanding, no dividends (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, Series B Junior Securities and other than as provided in clause (B) below) shall be declared, paid or set aside for payment or other distribution upon any Series B Junior Securities or any other Series B Parity Securities, nor shall any shares of any Series B Junior Securities or any other Series B Parity Securities be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or set aside or made available for a sinking fund for the redemption of any shares of any such stock) by the Association (except by conversion into or exchange for shares of, or options, warrants or rights to subscribe for or purchase, Series B Junior Securities) unless, in each case, the full dividends on all outstanding shares of the Series B Preferred Stock shall have been declared and paid, when due, for the Series B Dividend Period, if any, terminating on or immediately prior to the date of payment in respect of such dividend, distribution, redemption, purchase or acquisition.

(B) When dividends for any Series B Dividend Period are not paid in full, as provided in clause (A) above, on the shares of the Series B Preferred Stock or any other Series B Parity Securities, dividends may be declared and paid on any such shares for any dividend period therefor, but only if such dividends are declared and paid pro rata so that the amount of dividends declared and paid per share on the shares of the Series B Preferred Stock and any other Series B Parity Securities, in all cases shall bear to each other the same ratio that the amount of unpaid dividends per share on the shares of the Series B Preferred Stock for such Series B Dividend Period and such other Series B Parity Securities for the corresponding dividend period bear to each other.

(d) Liquidation Preference.

(i) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Association, the holders of shares of Series B Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Association available for distribution to its shareholders an amount in cash equal to the Series B Liquidation Value for each share outstanding, plus an amount in cash equal to all unpaid dividends thereon for the then current Series B Dividend Period, whether or not earned or declared, before any payment shall be made or any assets distributed to the holders of Series B Junior Securities. If the assets of the Association are not sufficient to pay in full the liquidation payments payable to the holders of outstanding shares of the Series B



Preferred Stock and any Series B Parity Securities, then the holders of all such shares shall share ratably in such distribution of assets in accordance with the amount which would be payable on such distribution if the amounts to which the holders of outstanding shares of Series B Preferred Stock and the holders of outstanding shares of such Series B Parity Securities are entitled were paid in full.

(ii) For the purpose of this Section 5.02(d), neither the voluntary sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Association, nor the consolidation or merger of the Association, shall be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Association, unless such voluntary sale, conveyance, exchange or transfer shall be in connection with a plan of liquidation, dissolution or winding up of the Association.

(e) **Redemption.** The Series B Preferred Stock is not redeemable prior to December 31, 2005. On such date and on each fifth anniversary of such date, the Series B Preferred Stock shall be redeemable, in whole or in part, at the option of the Association, but with the consent of the Comptroller of the Currency and any other appropriate regulatory authorities, if required, for cash out of any source of funds legally available, at a redemption price equal to 100% of the Series B Liquidation Value per share plus unpaid dividends thereon accumulated since the immediately preceding Series B Dividend Payment Date (the "Series B Redemption Price"). Any date of such redemption is referred to as the "Series B Redemption Date." If fewer than all the outstanding shares of Series B Preferred Stock are to be redeemed, the Association will select those to be redeemed by lot or pro rata or by any other method as may be determined by the Board of Directors to be equitable.

The Series B Preferred Stock is not subject to any sinking fund.

(f) **Procedure for Redemption.**

(i) Upon redemption of the Series B Preferred Stock pursuant to Section 5.02(e) hereof, notice of such redemption (a "Series B Notice of Redemption") shall be mailed by first-class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the Series B Redemption Date to the holders of record of the shares to be redeemed at their respective addresses as they shall appear in the records of the Association; provided, however, that failure to give such notice or any defect therein or in the mailing thereof shall not affect the validity of the proceeding for the redemption of any shares so to be redeemed except as to the holder to whom the Association has failed to give such notice or except as to the holder to whom notice was defective. Each such notice shall state: (A) the Series B Redemption Date; (B) the Series B Redemption Price; (C) the place or places where certificates for such shares are to be surrendered for payment of the Series B Redemption Price; and (D) the CUSIP number of the shares being redeemed.

(ii) If a Series B Notice of Redemption shall have been given as aforesaid and the Association shall have deposited on or before the Series B Redemption Date a sum sufficient to redeem the shares of Series B Preferred Stock as to which a Series B Notice of Redemption has been given in trust with the Transfer Agent with irrevocable

instructions and authority to pay the Series B Redemption Price to the holders thereof, or if no such deposit is made, then upon the Series B Redemption Date (unless the Association shall default in making payment of the Series B Redemption Price), all rights of the holders thereof as shareholders of the Association by reason of the ownership of such shares (except their right to receive the Series B Redemption Price thereof without interest) shall cease and terminate, and such shares shall no longer be deemed outstanding for any purpose. The Association shall be entitled to receive, from time to time, from the Transfer Agent the interest, if any, earned on such moneys deposited with it, and the holders of any shares so redeemed shall have no claim to any such interest. In case the holder of any shares of Series B Preferred Stock so called for redemption shall not claim the Series B Redemption Price for its shares within twelve (12) months after the related Series B Redemption Date, the Transfer Agent shall, upon demand, pay over to the Association such amount remaining on deposit, and the Transfer Agent shall thereupon be relieved of all responsibility to the holder of such shares, and such holder shall look only to the Association for payment thereof.

(iii) Not later than 1:30 p.m., Eastern Standard Time, on the Business Day immediately preceding the Series B Redemption Date, the Association shall irrevocably deposit with the Transfer Agent sufficient funds for the payment of the Series B Redemption Price for the shares to be redeemed on the Series B Redemption Date and shall give the Transfer Agent irrevocable instructions to apply such funds, and, if applicable and so specified in the instructions, the income and proceeds therefrom, to the payment of such Series B Redemption Price. The Association may direct the Transfer Agent to invest any such available funds, provided that the proceeds of any such investment will be available to the Transfer Agent in Milwaukee, Wisconsin at the opening of business on such Series B Redemption Date.

(iv) Except as otherwise expressly set forth in this Section 5.02(f), nothing contained in these Amended and Restated Articles of Association shall limit any legal right of the Association to purchase or otherwise acquire any shares of Series B Preferred Stock at any price, whether higher or lower than the Series B Redemption Price, in private negotiated transactions, the over-the-counter market or otherwise.

(v) If the Association shall not have funds legally available for the redemption of all of the shares of Series B Preferred Stock on any Series B Redemption Date, the Association shall redeem on the Series B Redemption Date only the number of shares of Series B Preferred Stock as it shall have legally available funds to redeem, as determined in an equitable manner, and the remainder of the shares of Series B Preferred Stock shall be redeemed, at the option of the Association, on the earliest practicable date next following the day on which the Association shall first have funds legally available for the redemption of such shares.



(g) **Reacquired Shares.** Shares of the Series B Preferred Stock that have been redeemed, purchased or otherwise acquired by the Association are not subject to reissuance or resale as shares of Series B Preferred Stock and shall be held in treasury. Such shares shall revert to the status of authorized but unissued shares of preferred stock, undesignated as to series, until the Board of Directors of the Association shall designate them again for issuance as part of a series.

(h) **Voting Rights.** Except as otherwise required by applicable law, the holders of Series B Preferred Stock shall not have any voting rights.

**Section 5.03. Series C Preferred Stock.** Pursuant to the provisions of this Article Fifth, a series of Series C Non-Cumulative Preferred Stock, consisting of seven hundred fifty thousand (750,000) shares, is hereby established and authorized to be issued, and in addition to such matters specified elsewhere in this Article Fifth, such Series C Non-Cumulative Preferred Stock shall have the following powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions:

(a) **Designation and Amount.** The shares of Preferred Stock shall be designated as the Series C Non-Cumulative Preferred Stock (the "Series C Preferred Stock"), and the number of shares constituting the Series C Preferred Stock shall be seven hundred fifty thousand (750,000). The liquidation preference of the Series C Preferred Stock shall be \$1,000 per share (the "Series C Liquidation Value").

(b) **Rank.** The Series C Preferred Stock shall, with respect to dividend rights and upon liquidation, dissolution and winding up of the Association, rank (i) senior to all classes and series of Common Stock of the Association and to all classes and series of capital stock of the Association now or hereafter authorized, issued or outstanding, which by their terms expressly provide that they are junior to the Series C Preferred Stock as to dividend distributions and distributions upon the liquidation, dissolution or winding up of the Association, or which do not specify their rank (collectively with the Common Stock, the "Series C Junior Securities"); (ii) on a parity with the Series A Preferred Stock and the Series B Preferred Stock and each other class of capital stock or series of preferred stock issued by the Association after the date hereof, the terms of which specifically provide that such class or series will rank on a parity with the Series C Preferred Stock as to dividend distributions and distributions upon the liquidation, dissolution or winding up of the Association (collectively with the Series A Preferred Stock and the Series B Preferred Stock, the "Series C Parity Securities"); and (iii) junior to each other class of capital stock or series of preferred stock issued by the Association after the date hereof, the terms of which specifically provide that such class or series will rank senior to the Series C Preferred Stock as to dividend distributions and distributions upon the liquidation, dissolution or winding up of the Association (collectively, the "Series C Senior Securities").

(c) **Dividends.** Dividends are payable on the Series C Preferred Stock as follows:

(i) The holders of the Series C Preferred Stock in preference to the Series C Junior Securities shall be entitled to receive, out of funds legally available for that purpose, and when, as, and if declared by the Board of Directors of the Association, dividends payable in cash at the annual rate of 7.75% of the Series C Liquidation Value (the "Series C Dividend Rate").

(ii) Dividends on the Series C Preferred Stock shall be non-cumulative. Dividends not paid on any Series C Dividend Payment Date shall not accumulate thereafter. Dividends shall accumulate from the first day of any Series C Dividend Period to but excluding the immediately succeeding Series C Dividend Payment Date. Dividends, if and when declared, shall be payable in arrears in cash on each Series C Dividend Payment Date of each year with respect to the Series C Dividend Period ending on the day immediately prior to such Series C Dividend Payment Date at the Series C Dividend Rate per share to holders of record at the close of business on the applicable Record Date, commencing on the Exchange Date with respect to any shares of Series C Preferred Stock issued prior to that Series C Dividend Payment Date; provided that dividends payable on the Series C Preferred Stock on the Series C Dividend Payment Date immediately following the first Series C Dividend Period following the Issue Date (and any dividend payable for a period less than a full quarterly period) shall be prorated for the period and computed on the basis of a 360-day year of twelve 30-day months and the actual number of days in such Series C Dividend Period; and provided, further, that dividends payable on the Series C Preferred Stock on the Series C Dividend Payment Date immediately following the first Series C Dividend Period following the Issue Date shall include any accumulated and unpaid dividends on the Funding Company Exchangeable Securities exchanged for the Series C Preferred Stock as of the Exchange Date for the then current dividend period. Dividends on such Series C Preferred Stock shall be paid only in cash.

(iii) No dividends on shares of Series C Preferred Stock shall be declared by the Board of Directors or paid or set apart for payment by the Board of Directors or paid or set apart for payment by the Association if such declaration or payment shall be restricted or prohibited by law.

(iv) Holders of shares of Series C Preferred Stock shall not be entitled to any dividends in excess of full dividends declared, as herein provided, on the shares of Series C Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment on the shares of Series C Preferred Stock that may be in arrears.

(v) (A) So long as any shares of Series C Preferred Stock are outstanding, no dividends (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, Series C Junior Securities and other than as provided in clause (B) below) shall be declared, paid or set aside for payment or other distribution upon any Series C Junior Securities or any other Series C Parity Securities, nor shall any shares of any Series C Junior Securities or any other Series C Parity Securities be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or set aside or made available for a sinking fund for the redemption of any shares of any such stock) by the Association (except by conversion into or exchange for shares of, or options, warrants or rights to subscribe for or purchase, Series C Junior Securities) unless, in each case, the full dividends on all outstanding shares of the Series C Preferred Stock shall have been declared and paid, when due, for the Series C Dividend Period, if any, terminating on or immediately prior to the date of payment in respect of such dividend, distribution, redemption, purchase or acquisition.



(B) When dividends for any Series C Dividend Period are not paid in full, as provided in clause (A) above, on the shares of the Series C Preferred Stock or any other Series C Parity Securities, dividends may be declared and paid on any such shares for any dividend period therefor, but only if such dividends are declared and paid pro rata so that the amount of dividends declared and paid per share on the shares of the Series C Preferred Stock and any other Series C Parity Securities, in all cases shall bear to each other the same ratio that the amount of unpaid dividends per share on the shares of the Series C Preferred Stock for such Series C Dividend Period and such other Series C Parity Securities for the corresponding dividend period bear to each other.

**(d) Liquidation Preference.**

(i) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Association, the holders of shares of Series C Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Association available for distribution to its shareholders an amount in cash equal to the Series C Liquidation Value for each share outstanding, plus an amount in cash equal to all unpaid dividends thereon for the then current Series C Dividend Period, whether or not earned or declared, before any payment shall be made or any assets distributed to the holders of Series C Junior Securities. If the assets of the Association are not sufficient to pay in full the liquidation payments payable to the holders of outstanding shares of the Series C Preferred Stock and any Series C Parity Securities, then the holders of all such shares shall share ratably in such distribution of assets in accordance with the amount which would be payable on such distribution if the amounts to which the holders of outstanding shares of Series C Preferred Stock and the holders of outstanding shares of such Series C Parity Securities are entitled were paid in full.

(ii) For the purpose of this Section 5.03(d), neither the voluntary sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Association, nor the consolidation or merger of the Association, shall be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Association, unless such voluntary sale, conveyance, exchange or transfer shall be in connection with a plan of liquidation, dissolution or winding up of the Association.

(e) **Redemption.** The Series C Preferred Stock shall be redeemable at any time, in whole or in part, at the option of the Association, but with the consent of the Comptroller of the Currency and any other appropriate regulatory authorities, if required, for cash out of any source of funds legally available, at a redemption price equal to 100% of the Series C Liquidation Value per share plus unpaid dividends thereon accumulated since the immediately preceding Series C Dividend Payment Date (the "Series C Redemption Price"). Any date of such redemption is referred to as the "Series C Redemption Date." If fewer than all the outstanding shares of Series C Preferred Stock are to be redeemed, the Association will select those to be redeemed by lot or pro rata or by any other method as may be determined by the Board of Directors to be equitable.

The Series C Preferred Stock is not subject to any sinking fund.



**(f) Procedure for Redemption.**

(i) Upon redemption of the Series C Preferred Stock pursuant to Section 5.03(e) hereof, notice of such redemption (a "Series C Notice of Redemption") shall be mailed by first-class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the Series C Redemption Date to the holders of record of the shares to be redeemed at their respective addresses as they shall appear in the records of the Association; provided, however, that failure to give such notice or any defect therein or in the mailing thereof shall not affect the validity of the proceeding for the redemption of any shares so to be redeemed except as to the holder to whom the Association has failed to give such notice or except as to the holder to whom notice was defective. Each such notice shall state: (A) the Series C Redemption Date; (B) the Series C Redemption Price; (C) the place or places where certificates for such shares are to be surrendered for payment of the Series C Redemption Price; and (D) the CUSIP number of the shares being redeemed.

(ii) If a Series C Notice of Redemption shall have been given as aforesaid and the Association shall have deposited on or before the Series C Redemption Date a sum sufficient to redeem the shares of Series C Preferred Stock as to which a Series C Notice of Redemption has been given in trust with the Transfer Agent with irrevocable instructions and authority to pay the Series C Redemption Price to the holders thereof, or if no such deposit is made, then upon the Series C Redemption Date (unless the Association shall default in making payment of the Series C Redemption Price), all rights of the holders thereof as shareholders of the Association by reason of the ownership of such shares (except their right to receive the Series C Redemption Price thereof without interest) shall cease and terminate, and such shares shall no longer be deemed outstanding for any purpose. The Association shall be entitled to receive, from time to time, from the Transfer Agent the interest, if any, earned on such moneys deposited with it, and the holders of any shares so redeemed shall have no claim to any such interest. In case the holder of any shares of Series C Preferred Stock so called for redemption shall not claim the Series C Redemption Price for its shares within twelve (12) months after the related Series C Redemption Date, the Transfer Agent shall, upon demand, pay over to the Association such amount remaining on deposit, and the Transfer Agent shall thereupon be relieved of all responsibility to the holder of such shares, and such holder shall look only to the Association for payment thereof.

(iii) Not later than 1:30 p.m., Eastern Standard Time, on the Business Day immediately preceding the Series C Redemption Date, the Association shall irrevocably deposit with the Transfer Agent sufficient funds for the payment of the Series C Redemption Price for the shares to be redeemed on the Series C Redemption Date and shall give the Transfer Agent irrevocable instructions to apply such funds, and, if applicable and so specified in the instructions, the income and proceeds therefrom, to the payment of such Series C Redemption Price. The Association may direct the Transfer Agent to invest any such available funds, provided that the proceeds of any such investment will be available to the Transfer Agent in Milwaukee, Wisconsin at the opening of business on such Series C Redemption Date.

(iv) Except as otherwise expressly set forth in this Section 5.03(f), nothing contained in these Amended and Restated Articles of Association shall limit any legal right of the Association to purchase or otherwise acquire any shares of Series C Preferred Stock at any price, whether higher or lower than the Series C Redemption Price, in private negotiated transactions, the over-the-counter market or otherwise.

(v) If the Association shall not have funds legally available for the redemption of all of the shares of Series C Preferred Stock on any Series C Redemption Date, the Association shall redeem on the Series C Redemption Date only the number of shares of Series C Preferred Stock as it shall have legally available funds to redeem, as determined in an equitable manner, and the remainder of the shares of Series C Preferred Stock shall be redeemed, at the option of the Association, on the earliest practicable date next following the day on which the Association shall first have funds legally available for the redemption of such shares.

(g) **Reacquired Shares.** Shares of the Series C Preferred Stock that have been redeemed, purchased or otherwise acquired by the Association are not subject to reissuance or resale as shares of Series C Preferred Stock and shall be held in treasury. Such shares shall revert to the status of authorized but unissued shares of preferred stock, undesignated as to series, until the Board of Directors of the Association shall designate them again for issuance as part of a series.

(h) **Voting Rights.** Except as otherwise required by applicable law, the holders of Series C Preferred Stock shall not have any voting rights.

**Section 5.04. Definitions.** For the purpose of Sections 5.01, 5.02 and 5.03 hereof, the following terms shall have the meanings indicated:

*"5-year CMT Rate"* for any CMT Determination Date will be the rate equal to:

- (i) the weekly average interest rate of U.S. Treasury securities having an index maturity of five years for the week that ends immediately before the week in which the relevant CMT Determination Date falls, as such rate appears on page "7052" on Telerate (or such other page as may replace the 7052 page on that service or any successor services) under the heading "... Treasury Constant Maturities ... Federal Reserve Board Release H.15 ... Mondays Approximately 3:45 p.m."
- (ii) If the applicable rate described in clause (i) above is not displayed on Telerate page 7052 at 3:00 p.m., New York City time, on the relevant CMT Determination Date, then the 5-year CMT Rate will be the Treasury constant maturity rate applicable to a five-year index maturity for the weekly average as published in H.15(519) (as defined below).
- (iii) If the applicable rate described in clause (ii) above does not appear in H.15(519) at 3:00 p.m., New York City time, on the relevant CMT Determination Date, then the 5-year CMT Rate will be the Treasury constant maturity rate, or other U.S. Treasury rate, applicable to a five-



year index maturity with reference to the relevant CMT Determination Date, that:

- (a) is published by the Board of Governors of the Federal Reserve System, or the U.S. Department of the Treasury; and
  - (b) is determined by the Association to be comparable to the applicable rate formerly displayed on Telerate page 7052 and published in H.15(519).
- (iv) If the rate described in clause (iii) above does not appear at 3:00 p.m., New York City time, on the relevant CMT Determination Date, then the 5-year CMT Rate will be the yield to maturity of the arithmetic mean of the secondary market offered rates for Treasury notes having an original maturity of approximately five years and a remaining term to maturity of not less than four years, and in a representative amount, as of approximately 3:30 p.m., New York City time, on the relevant CMT Determination Date, as quoted by three primary U.S. government securities dealers in New York City selected by the Association. In selecting these offered rates, the Association will request quotations from five primary dealers and will disregard the highest quotation – or, if there is equality, one of the highest – and the lowest quotation – or, if there is equality, one of the lowest.
- (v) If the Association is unable to obtain three quotations of the kind described in clause (iv) above, the CMT Rate will be the yield to maturity of the arithmetic mean of the secondary market offered rates for Treasury notes with an original maturity longer than five years and a remaining term to maturity closest to five years, and in a representative amount, as of approximately 3:30 p.m., New York City time, on the relevant CMT Determination Date, as quoted by the three primary U.S. governmental securities dealers in New York City selected by the Association. In selecting these offered rates, the Association will request quotations from five primary dealers and will disregard the highest quotation – or, if there is equality, one of the highest – and the lowest quotation, or, if there is equality, one of the lowest.
- (vi) If fewer than five but more than two primary dealers are quoting offered rates as described above in clause (v), then the 5-year CMT Rate for the relevant CMT Determination Date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded.
- (vii) If two or fewer primary dealers are quoting offered rates as described above in clause (v), the 5-year CMT Rate in effect for the new dividend period will be the 5-year CMT Rate in effect for the prior dividend period.

As used in this definition, "H.15(519)" means the weekly statistical release entitled "Statistical Release H.15(519)," or any successor publication, published by the Board of Governors of the Federal Reserve System.

Absent manifest error, the Association's determination of the 5-year CMT Rate will be final and binding.

"*Association*" means U.S. Bank National Association (formerly named Firststar Bank, National Association), a national banking association.

"*Business Day*" means a day on which the New York Stock Exchange is open for trading and which is not a day on which banking institutions in The City of New York and Milwaukee, Wisconsin are authorized or required by law or executive order to close.

"*Calculation Agent*" means any Person authorized by the Association to determine the Series B Dividend Rate, which initially shall be the Association.

"*CMT Determination Date*" has the meaning set forth in Section 5.02(c)(i)(2) hereof.

"*Dividend Payment Date*" means, as the context requires, a Series A Dividend Payment Date, a Series B Dividend Payment Date or a Series C Dividend Payment Date.

"*Exchange Date*" means, as the context requires, any date on which the Realty Company Series B Exchangeable Stock is exchanged for the Series A Preferred Stock, any date on which the Realty Company Series C Exchangeable Stock is exchanged for the Series B Preferred Stock, or any date on which the Funding Company Exchangeable Securities are exchanged for the Series C Preferred Stock.

"*Firststar Realty*" means Firststar Realty L.L.C., an Illinois limited liability company.

"*Funding Company Exchangeable Securities*" means the Non-Cumulative Exchangeable Preferred Securities of USB Funding LLC, a Delaware limited liability company.

"*Issue Date*" means, as the context requires, the first date on which shares of Series A Preferred Stock, Series B Preferred Stock or Series C Preferred Stock are issued.

"*Person*" means any individual, firm, bank or other entity and shall include any successor (by merger or otherwise) of such entity.

"*Realty Company Series B Exchangeable Stock*" means the Series B Non-Cumulative Exchangeable Preferred Stock of Firststar Realty.

"*Realty Company Series C Exchangeable Stock*" means the Series C Non-Cumulative Exchangeable Preferred Stock of Firststar Realty.

"*Record Date*" means the 15th day of the month in which the applicable Dividend Payment Date falls for dividends declared by the Board of Directors.



*"Series A Dividend Payment Date"* means each June 30 and December 31 of each year.

*"Series A Dividend Period"* is the period from a Series A Dividend Payment Date to, but excluding, the next succeeding Series A Dividend Payment Date, except that the initial Series A Dividend Period shall commence on the date of the original issuance of shares of Series A Preferred Stock.

*"Series A Dividend Rate"* has the meaning set forth in Section 5.01(c)(i) hereof.

*"Series A Junior Securities"* has the meaning set forth in Section 5.01(b) hereof.

*"Series A Liquidation Value"* has the meaning set forth in Section 5.01(a) hereof.

*"Series A Notice of Redemption"* has the meaning set forth in Section 5.01(f)(i) hereof.

*"Series A Parity Securities"* has the meaning set forth in Section 5.01(b) hereof.

*"Series A Preferred Stock"* has the meaning set forth in Section 5.01(a) hereof.

*"Series A Redemption Date"* has the meaning set forth in Section 5.01(e) hereof.

*"Series A Redemption Price"* has the meaning set forth in Section 5.01(e) hereof.

*"Series A Senior Securities"* has the meaning set forth in Section 5.01(b) hereof.

*"Series B Dividend Payment Date"* means each June 30 and December 31 of each year.

*"Series B Dividend Period"* is the period from a Series B Dividend Payment Date to, but excluding, the next succeeding Series B Dividend Payment Date, except that the initial Series B Dividend Period shall commence on the original issuance of shares of Series B Preferred Stock.

*"Series B Dividend Rate"* has the meaning set forth in Section 5.02(c)(i) hereof.

*"Series B Junior Securities"* has the meaning set forth in Section 5.02(b) hereof.

*"Series B Liquidation Value"* has the meaning set forth in Section 5.02(a) hereof.

*"Series B Notice of Redemption"* has the meaning set forth in Section 5.02(f)(i) hereof.

*"Series B Parity Securities"* has the meaning set forth in Section 5.02(b) hereof.

*"Series B Preferred Stock"* has the meaning set forth in Section 5.02(a) hereof.

*"Series B Redemption Date"* has the meaning set forth in Section 5.02(e) hereof.

*"Series B Redemption Price"* has the meaning set forth in Section 5.02(e) hereof.



*"Series B Senior Securities"* has the meaning set forth in Section 5.02(b) hereof.

*"Series C Dividend Payment Date"* means each January 15 and July 15 of each year.

*"Series C Dividend Period"* is the period from a Series C Dividend Payment Date to, but excluding, the next succeeding Series C Dividend Payment Date, except that the initial Series C Dividend Period shall commence on the original issuance of shares of Series C Preferred Stock.

*"Series C Dividend Rate"* has the meaning set forth in Section 5.03(c)(i) hereof.

*"Series C Junior Securities"* has the meaning set forth in Section 5.03(b) hereof.

*"Series C Liquidation Value"* has the meaning set forth in Section 5.03(a) hereof.

*"Series C Notice of Redemption"* has the meaning set forth in Section 5.03(f)(i) hereof.

*"Series C Parity Securities"* has the meaning set forth in Section 5.03(b) hereof.

*"Series C Preferred Stock"* has the meaning set forth in Section 5.03(a) hereof.

*"Series C Redemption Date"* has the meaning set forth in Section 5.03(e) hereof.

*"Series C Redemption Price"* has the meaning set forth in Section 5.03(e) hereof.

*"Series C Senior Securities"* has the meaning set forth in Section 5.03(b) hereof.

*"Transfer Agent"* means a bank or trust company as may be appointed from time to time by the Board of Directors of the Association, or a committee thereof, to act as transfer agent, paying agent and registrar of the Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock.

**SIXTH:** The Board of Directors shall appoint one of its members President of the Association, who shall be Chairman of the Board, unless the Board appoints another Director to be the Chairman of the Board. The Board of Directors shall have the power to appoint one or more Vice Presidents; and to appoint a Cashier and such other officers and employees as may be required to transact the Business of the 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 affairs of the Association; to make all Bylaws 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, without need for approval of shareholders, shall have the power to change the location of the main office of the Association, subject to such limitations as from time to time may be provided by law; 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.

**EIGHTH:** The corporate existence of the Association shall continue until terminated in accordance with the laws of the United States.

**NINTH:** The Board of Directors of the Association, the Chairman of the Board, the President, or any three or more holders of Common Stock owning, in the aggregate, not less than twenty-five percent of the Common 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 (10) days prior to the date of such meeting to each shareholder of record entitled to vote at such meeting at his address as shown upon the books of the Association.

**TENTH:** Any person, his heirs, executors, or administrators, may be indemnified or reimbursed by the Association for reasonable expenses actually incurred in connection with any action, suit, or proceeding, civil or criminal, to which he or they shall be made a party by reason of his being or having been a Director, officer, or employee of the Association or of any firm, corporation, or organization which he served in any such capacity at the request of the Association. Provided, however, that no person shall be so indemnified or reimbursed in relation to any matter in such action, suit, or proceeding as to which he shall finally be adjudged to have been guilty of or liable for gross negligence, willful misconduct or criminal acts in the performance of his duties to the Association. And, provided further, that no person shall be so indemnified or reimbursed in relation to any matter in such action, suit, or proceeding which has been made the subject of a compromise settlement except with the approval of a court of competent jurisdiction, or the holders of record of a majority of the outstanding shares of the Association, or the Board of Directors, acting by vote of Directors not parties to the same or substantially the same action, suit or proceeding, constituting a majority of the whole number of Directors. And, provided further, that no Director, officer or employee shall be so indemnified or reimbursed for expenses, penalties or other payments incurred in an administrative proceeding or action instituted by an appropriate bank regulatory agency where said 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. The foregoing right of indemnification shall not be exclusive of other rights to which such person, his heirs, executors, or administrators, may be entitled as a matter of law. The Association may, upon the affirmative vote of a majority of its Board of Directors, purchase insurance for the purpose of indemnifying its Directors, officers and other employees to the extent that such indemnification is allowed in the preceding paragraph. Such insurance may, but need not, be for the benefit of all Directors, officers, or employees.

**ELEVENTH:** Except as otherwise specifically provided in Article Fifth hereof, these Amended and Restated 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 outstanding shares of Common Stock of the Association, unless the vote of the holders of a greater amount of stock is required by law and in that case by the vote of the holders of such greater amount.



**AMENDED AND RESTATED  
BYLAWS  
OF  
U.S. BANK NATIONAL ASSOCIATION**

**ARTICLE I.  
MEETINGS OF SHAREHOLDERS**

**Section 1. Annual Meeting**

The annual meeting of shareholders shall be held at the main banking house of the Association or other convenient place duly authorized by the Board of Directors (the "Board") at 11:00 a.m. on the second Tuesday in March of each year, or such other date or time which the Board may designate at any Board meeting held prior to the required date for sending notice of the annual meeting to the shareholders. Notice of such meeting shall be mailed to shareholders not less than ten (10) or more than sixty (60) days prior to the meeting date.

**Section 2. Special Meetings**

Special meetings of shareholders may be called and held at such times and upon such notice as is specified in the Articles of Association.

**Section 3. Quorum**

A majority of the outstanding capital stock represented in person or by proxy shall constitute a quorum of any meeting of the 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.

**Section 4. Inspectors**

The Board of Directors may, and in the event of its failure so to do, the Chairman of the Board may appoint Inspectors of Election who shall determine the presence of quorum, the validity of proxies, and the results of all elections and all other matters voted upon by shareholders at all annual and special meetings of shareholders.

**Section 5. Voting**

In deciding on questions at meetings of shareholders, except in the election of directors, each shareholder shall be entitled to one vote for each share of stock held. A majority of votes cast shall decide each matter submitted to the shareholders, except where by law a larger vote is required. In all elections of directors, each shareholder shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of directors multiplied by the

number of his shares equal, or to distribute them on the same principle among as many candidates as he shall think fit.

#### Section 6. Waiver and Consent

The shareholders may act without notice or a meeting by a unanimous written consent by all shareholders.

### **ARTICLE II. BOARD OF DIRECTORS**

#### Section 1. Term of Office

The directors of this Association shall hold office for one year and until their successors are duly elected and qualified.

#### Section 2. Number

As provided in the Articles of Association, the Board of this Association shall consist of not less than five nor more than twenty-five members. At any meeting of the shareholders held for the purpose of electing directors, or changing the number thereof, the number of directors may be determined by a majority of the votes cast by the shareholders in person or by proxy.

Any vacancy occurring in the Board shall be filled by the remaining directors. Between meetings of the shareholders held for the purpose of electing directors, the Board by a majority vote of the full Board may increase the size of the Board by not more than four directors in any one but not to more than a total of twenty-five directors, and fill any vacancy so created in the Board. All directors shall hold office until their successors are elected and qualified.

#### Section 3. Regular Meetings

The organizational meeting of the Board of Directors shall be held as soon as practicable following the annual meeting of shareholders at such time and place as the Chairman or President may designate. Other regular meetings of the Board of Directors shall be held quarterly at such time and place as may be designated in the notice of the meeting. When any regular meeting of the Board falls on a holiday, the meeting shall be held on the next banking business day, unless the Board shall designate some other day.

#### Section 4. Special Meetings

Special meetings of the Board of Directors may be called by the Chairman of the Board of the Association, or at the request of three or more Directors. Notice of the time, place and purposes of such meetings shall be given by letter, by telephone, in person, by facsimile, by electronic mail or other reasonable manner to every Director.

#### Section 5. Quorum

A majority of the entire membership of the Board shall constitute a quorum of any

meeting of the Board.

Section 6. Necessary Vote

A majority of those Directors present and voting at any meeting of the Board of Directors shall decide each matter considered, except where otherwise required by law or the Articles or Bylaws of this Association.

Section 7. Compensation

Directors, excluding full-time employees of the Bank, shall receive such reasonable compensation as may be fixed from time to time by the Board of Directors.

**ARTICLE III.  
OFFICERS**

Section 1. Who Shall Constitute

The Officers of the Association shall be a Chairman of the Board, Chief Executive Officer, a President, a Secretary, and other officers such as Vice Chairman of the Board, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents, Assistant Secretaries, Trust Officers, Assistant Trust Officers, Controller, and Assistant Controller, as the Board may appoint from time to time. The Board may choose to delegate authority to elect officers other than the Chairman, Chief Executive Officer, President, Secretary, Vice Chairman and Executive Vice Presidents, to the Chief Executive Officer or President. Any person may hold two offices. The Chief Executive Officer and the President shall at all times be members of the Board of Directors.

Section 2. Term of Office

All officers shall be elected for and shall hold office until their respective successors are elected and qualified or until their earlier death, resignation, retirement, disqualification or removal from office, subject to the right of the Board of Directors in its sole discretion to discharge any officer at any time.

Section 3. Chairman of the Board

The Chairman of the Board shall have general executive powers and duties and shall perform such other duties as may be assigned from time to time by the Board of Directors. He shall, when present, preside at all meetings of the shareholders and directors and shall be ex officio a member of all committees of the Board.

Section 4. Chief Executive Officer

The Chief Executive Officer, who may also be the Chairman or the President, shall have general executive powers and duties and shall perform such other duties as may be assigned from time to time by the Board of Directors.



## Section 5. President

The President shall have general executive powers and duties and shall perform such other duties as may be assigned from time to time by the board of Directors. In addition, if designated by the Board of Directors, the President shall be the Chief Executive Officer and shall have all the powers and duties of the Chief Executive Officer, including the same power to name temporarily a Chief Executive Officer to serve in the absence of the President if there is a vacancy in the position of the chairman or in the event of the absence or incapacity of the Chairman.

## Section 6. Vice Chairmen of the Board

The Board of Directors shall have the power to elect one or more Vice Chairmen of the Board of Directors. Any such Vice Chairman of the Board shall participate in the formation of the policies of the Association and shall have such other duties as may be assigned to him from time to time by the Chairman of the Board or by the Board of Directors.

## Section 7. Other Officers

The Secretary and all other officers appointed by the Board of Directors shall have such duties as defined by law and as may from time to time be assigned to them by the Chief Executive Officer or the Board of Directors.

# ARTICLE IV. COMMITTEES

## Section 1. Compensation Committee

The duties of the Compensation Committee of the Association shall be carried out by the Compensation Committee of the financial holding company that is the parent of this Association.

## Section 2. Committee on Audit

The duties of the Audit Committee of the Association shall be carried out by the Audit Committee of the financial holding company that is the parent of this Association.

## Section 3. Trust Management Committee

The Board of Directors of this Association shall appoint a Trust Management Committee to provide oversight of the fiduciary activities of the Association. The Trust Management Committee shall determine policies governing fiduciary activities. The Trust Management Committee or such sub-committees, officers or others as may be duly designated by the Trust Management Committee shall oversee the processes related to fiduciary activities to assure conformity with fiduciary policies it establishes, including ratifying the acceptance and the closing out or relinquishment of all trusts. All actions of the Trust Committee shall be reported to the Board of Directors.

#### Section 4. Other Committees

The Board of Directors may appoint, from time to time, other committees for such purposes and with such powers as the Board may direct.

#### **ARTICLE V. MINUTE BOOK**

The organization papers of this Association, the Bylaws as revised or amended from time to time and the proceedings of all regular and special meetings of the shareholders and the directors shall be recorded in a minute book or books. All reports of committees required to be made to the Board shall be recorded in a minute book or shall be filed by the recording officer. The minutes of each meeting of the shareholders and the Board shall be signed by the recording officer.

#### **ARTICLE VI. CONVEYANCES, CONTRACTS, ETC.**

All transfers and conveyances of real estate, mortgages, and transfers, endorsements or assignments of stock, bonds, notes, debentures or other negotiable instruments, securities or personal property shall be signed by any elected or appointed officer.

All checks, drafts, certificates of deposit and all funds of the Association held in its own or in a fiduciary capacity may be paid out by an order, draft or check bearing the manual or facsimile signature of any elected or appointed officer of the Association.

All mortgage satisfactions, releases, all types of loan agreements, all routine transactional documents of the Association, and all other instruments not specifically provided for, whether to be executed in a fiduciary capacity or otherwise, may be signed on behalf of the Association by any elected or appointed officer thereof.

The Secretary or any Assistant Secretary of the Association or other proper officer may execute and certify that required action or authority has been given or has taken place by resolution of the Board under this Bylaw without the necessity of further action by the Board.

#### **ARTICLE VII. SEAL**

The Association shall have no corporate seal.

#### **ARTICLE VIII. INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES**

#### Section 1. General.

The Association shall indemnify to the full extent permitted by and in the manner permissible under the Delaware General Corporation Law, as amended from time to time (but,



in the case of any such amendment, only to the extent that such amendment permits the Association to provide broader indemnification rights than said law permitted the Association to provide prior to such amendment), any person made, or threatened to be made, a party to any action, suit, or proceeding, whether criminal, civil, administrative, or investigative, by reason of the fact that such person (i) is or was a director, advisory director, or officer of the Association or any predecessor of the Association, or (ii) is or was a director, advisory director or officer of the Association or any predecessor of the Association and served any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, advisory director, officer, partner, trustee, employee or agent at the request of the Association or any predecessor of the Association; provided, however, that the Association shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person, except for a proceeding contemplated by Section 4 of this Article VIII, only if such proceeding (or part thereof) was authorized by the Board of Directors.

### Section 2. Advancement of Expenses.

The right to indemnification conferred in this Article VIII shall be a contract right and shall include the right to be paid by the Association the expenses incurred in defending any such proceeding or threatened proceeding in advance of its final disposition, such advances to be paid by the Association within 20 days after the receipt by the Association of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that if the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a director, advisory director or officer in his or her capacity as a director, advisory director or officer (and not in any other capacity in which service was or is rendered by such person while a director, advisory director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Association of an undertaking by or on behalf of such director, advisory director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director, advisory director or officer is not entitled to be indemnified under this Article VIII or otherwise.

### Section 3. Procedure for Indemnification.

To obtain indemnification under this Article VIII, a claimant shall submit to the Association a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this Section 3, a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (1) if requested by the claimant, by Independent Counsel (as hereinafter defined), or (2) if no request is

made by the claimant for a determination by Independent Counsel, (i) by a majority vote of the Disinterested Directors (as hereinafter defined), even though less than a quorum, or by a majority vote of a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, even though less than a quorum, or (ii) if there are no Disinterested

Directors or if the Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the claimant. In the event the determination of entitlement to indemnification is to be made by Independent Counsel at the request of the claimant, the Independent Counsel shall be selected by the Board of Directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within 10 days after such determination.

#### Section 4. Certain Remedies.

If a claim under Section 1 of this Article VIII is not paid in full by the Association within thirty days after a written claim pursuant to Section 3 of this Article VIII has been received by the Association, or if a claim under Section 2 of this Article VIII is not paid in full by the Association within twenty days after a written claim pursuant to Section 2 of this Article VIII has been received by the Association, the claimant may at any time thereafter bring suit against the Association to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Association) that the claimant has not met the standard of conduct which makes it permissible under the General Corporation Law of the State of Delaware for the Association to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Association. Neither the failure of the Association (including its Board of Directors or Independent Counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Association (including its Board of Directors or Independent Counsel) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

#### Section 5. Binding Effect.

If a determination shall have been made pursuant to Section 3 of this Article VIII that the claimant is entitled to indemnification, the Association shall be bound by such determination in any judicial proceeding commenced pursuant to Section 4 of this Article VIII.

#### Section 6. Validity of this Article VIII.

The Association shall be precluded from asserting in any judicial proceeding commenced pursuant to Section 4 of this Article VIII that the procedures and presumptions of this Article VIII are not valid, binding and enforceable and shall stipulate in such proceeding that the Association is bound by all the provisions of this Article VIII.



#### Section 7. Nonexclusivity, etc.

The right to indemnification and the payment of expenses incurred in defending a proceeding or threatened proceeding in advance of its final disposition conferred in this Article VIII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Association, Bylaws, agreement, vote of shareholders or Disinterested Directors or otherwise. No repeal or modification of this Article VIII, or adoption of any provision inconsistent herewith shall in any way diminish or adversely affect the rights of any present or former director, advisory director, officer, employee or agent of the Association or any predecessor thereof hereunder in respect of any occurrence or matter arising, or of any claim involving allegations of acts or omissions occurring or arising, prior to any such repeal or modification.

#### Section 8. Insurance.

The Association may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Association or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Association would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware. To the extent that the Association maintains any policy or policies providing such insurance, each such director or officer, and each such agent or employee to whom rights to indemnification have been granted as provided in Section 9 of this Article VIII, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such director, officer, employee or agent.

#### Section 9. Indemnification of Other Persons.

The Association may grant rights to indemnification, and rights to be paid by the Association the expenses incurred in defending any proceeding in advance of its final disposition, to any present or former employee or agent of the Association or any predecessor of the Association to the fullest extent of the provisions of this Article VIII with respect to the indemnification and advancement of expenses of directors, advisory directors and officers of the Association.

#### Section 10. Severability.

If any provision or provisions of this Article VIII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article VIII (including, without limitation, each portion of any paragraph of this Article VIII containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Article VIII (including, without limitation, each such portion of any paragraph of this Article VIII containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.



## Section 11. Certain Definitions.

For purposes of this Article VI:

(1) "Disinterested Director" means a director of the Association who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(2) "Independent Counsel" means a law firm, a member of a law firm, or an independent practitioner that is experienced in matters of corporation law and shall include any such person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Association or the claimant in an action to determine the claimant's rights under this Article VIII.

## Section 12. Notices.

Any notice, request or other communication required or permitted to be given to the Association under this Article VIII shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail or courier service, or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Association and shall be effective only upon receipt by the Secretary.

## Section 13. Payments

Notwithstanding any other provision of this Article VIII, however, (a) any indemnification payments to an institution-affiliated party, as defined at 12 USC 1813(u), for an administrative proceeding or civil action initiated by a federal banking agency, shall be reasonable and consistent with the requirements of 12 USC 1828(k) and the associated regulations; and (b) any indemnification payments and advancement of costs and expenses to an institution-affiliated party, as defined at 12 USC 1813(u), in cases involving an administrative proceeding or civil action not initiated by a federal banking agency, shall be consistent with safe and sound banking practices.

## **ARTICLE IX. AMENDMENTS**

These Bylaws, or any of them, may be added to, altered, amended or repealed by the Board at any regular or special meeting of the Board.

## **ARTICLE X. GOVERNING LAW**

This Association designates the Delaware General Corporation Law, as amended from time to time, as the governing law for its corporate governance procedures, to the extent not inconsistent with Federal banking statutes and regulations.

October 20, 2014

December 3, 2019

Saul Ewing Arnstein & Lehr  
Philadelphia, Pennsylvania

U.S. Bank National Association, as Trustee  
Philadelphia, Pennsylvania

**\$31,085,000**  
***Pennsylvania Intergovernmental Cooperation Authority***  
***Special Tax Revenue Refunding Bonds***  
***(City of Philadelphia Funding Program),***  
***Series of 2019***

Ladies and Gentlemen:

As counsel to Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), we have rendered an opinion, dated this date, to RBC Capital Markets, LLC, as Representative of the Underwriters, in connection with the issuance and sale of the above-captioned Bonds (the "Bonds"). A copy of said opinion is attached hereto. You are hereby authorized to rely on numbered paragraphs 1, 2, 3, 5 and 8 of our said opinion (subject to all of the assumptions, qualifications, exceptions, limitations and conditions set forth therein) as though it were expressly addressed to you.

This letter is furnished solely for your benefit in connection with the issuance and sale of the Bonds on this date and may not be delivered to or relied upon by any other person or entity without our express prior written consent.

Very truly yours,

  
REED SMITH LLP

SWR/mp

December 3, 2019

RBC Capital Markets, LLC,  
as Representative of the Several Underwriters  
New York, NY

**Re: *Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program), Series of 2019***

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 \$31,085,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 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 2019 Bonds under an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and U.S. Bank National Association, as successor 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"), by the Fourth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2006 (the "Fourth Supplemental Indenture"), by the Fifth Supplement to the Amended and Restated Indenture of Trust, dated as of May 1, 2008 (the "Fifth Supplemental Indenture"), by the Sixth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2009 (the "Sixth Supplemental Indenture"), by the Seventh Supplement to the Amended and Restated Indenture of Trust, dated as of May 1, 2010 (the "Seventh Supplemental Indenture") and by the Eighth Supplement to the Amended and Restated Indenture of Trust, dated as of December 1, 2019 (the "Eighth Supplemental Indenture" and, together with the 1994 Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, and the Seventh Supplemental Indenture, the "Indenture"), for the purpose of refunding certain outstanding bonds of the Authority, as more particularly described in the Indenture. The 2019 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 Agreement, dated October 29, 2019 (the "Bond Purchase Agreement"), between the Authority and RBC Capital Markets, LLC, as the representative of the several underwriters named therein (the "Underwriters"), the Authority is selling the 2019 Bonds to the Underwriters for reoffering by the Underwriters to the public. In connection with such public offering of the 2019 Bonds, the Authority has prepared an Official Statement, dated October 29, 2019 (the "Official Statement"), relating to the 2019 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 2019 Bonds, the Authority has executed and delivered a Federal Tax Certificate, dated December 3, 2019 (the "Tax Compliance Certificate"); and the Authority has entered into a Continuing Disclosure Agreement, dated December 3, 2019 (the "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 Agreement, the Intergovernmental Cooperation Agreement, the Official Statement, the Authority Income Tax Ordinance, the Tax Compliance Certificate, the 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 2019 Bonds.

In rendering this opinion letter, we have assumed, with respect to all documents and instruments reviewed by us, the genuineness of all signatures (other than those of the Authority), 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 2019 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 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 Credit Facility (as defined in the Indenture) issued by such Credit Facility Issuer. 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 (or at the relevant time had) the power and the authority under the Act to enter into the Indenture and to issue the 2019 Bonds thereunder, and to enter into the Intergovernmental Cooperation Agreement, the Bond Purchase Agreement, the Tax Compliance Certificate and the Disclosure Agreement.

3. The Indenture, the 2019 Bonds, the Intergovernmental Cooperation Agreement, the Bond Purchase Agreement, the Tax Compliance Certificate and the Disclosure 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 2019 Bonds, the Intergovernmental Cooperation Agreement, the Bond Purchase Agreement, the Tax Compliance Certificate and the Disclosure 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 2019 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 2019 Bonds. According to the Act, the 2019 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 2019 Bonds by the Authority or which in any way contest the validity or enforceability of the 2019 Bonds, the Indenture, the Bond Purchase Agreement, the Intergovernmental Cooperation Agreement, the Tax Compliance Certificate, the Disclosure 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 2019 Bonds.

Although we have not undertaken to determine independently the accuracy, completeness or fairness of the information contained in the Official Statement and express no opinion with respect thereto, nothing has come to our attention during the course of the performance of our duties as counsel to the Authority in this transaction 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 concerning the City, any information concerning any bond insurance company or any of the Underwriters, any information under the headings "TAX MATTERS", "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS" and "UNDERWRITING", and any financial, statistical or demographic information, 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 2019 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 2019 Bonds. We express no opinion with respect to any liquidated damages provisions. We express no opinion concerning the status of the Indenture, the 2019 Bonds or the offering or sale of the 2019 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 2019 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, (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) and (c) in the

particular case of indemnities or rights of contribution, the application of Federal or state securities or other laws, regulations or judicial decisions or public policy considerations which may limit the validity or enforceability thereof. We call to your attention that, as provided in the Act, the Authority enjoys sovereign and official immunity and shall remain immune from suit except as provided therein.

No opinion is expressed herein concerning the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 Bonds") that are described in the Official Statement. We call to your attention that the issuance and delivery of the 2020 Bonds in the future is subject to the satisfaction of certain legal and contractual conditions, as to which we express no opinion herein.

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 in this transaction.

This opinion letter is being rendered solely for your benefit in connection with the issuance of the 2019 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 2019 Bonds.

Very truly yours,  
  
REED SMITH LLP

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December 3, 2019

RBC Capital Markets, LLC,  
as Representative of the Several Underwriters  
New York, NY

**Re: *Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program), Series of 2020 (Forward Delivery)***

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 Forward Delivery Bond Purchase Agreement, dated October 29, 2019 (the "Forward Delivery Bond Purchase Agreement"), between the Authority and RBC Capital Markets, LLC, as the representative of the several underwriters named therein (the "Underwriters"), that relates to the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery), in the aggregate principal amount of \$24,990,000 (the "2020 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 proposes to issue the 2020 Bonds under an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and U.S. Bank National Association, as successor 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"), by the Fourth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2006 (the "Fourth Supplemental Indenture"), by the Fifth Supplement to the Amended and Restated Indenture of Trust, dated as of May 1, 2008 (the "Fifth Supplemental Indenture"), by the Sixth Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2009 (the "Sixth Supplemental Indenture"), by the Seventh Supplement to the Amended and Restated Indenture of Trust, dated as of May 1, 2010 (the "Seventh Supplemental Indenture") and by the Eighth Supplement to the Amended and Restated Indenture of Trust, dated as of December 1, 2019 (the "Eighth Supplemental Indenture" and, together with the 1994 Indenture, the First Supplemental Indenture, the Second



Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, and the Seventh Supplemental Indenture, the "Indenture"), for the purpose of refunding certain outstanding bonds of the Authority, as more particularly described in the Indenture. The Eighth Supplemental Indenture provides that, when issued, the 2020 Bonds will be secured thereunder 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").

The Authority proposes to sell the 2020 Bonds to the Underwriters for reoffering by the Underwriters to the public. In connection with such public offering of the 2020 Bonds, the Authority has prepared an Official Statement, dated October 29, 2019 (the "Official Statement"), relating to the 2020 Bonds. In connection with the issuance of the 2020 Bonds, the Authority proposes to enter into a Continuing Disclosure Agreement substantially in the form attached to the Official Statement as Appendix F (the "Disclosure Agreement"). 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").

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 Forward Delivery Bond Purchase Agreement, the Intergovernmental Cooperation Agreement, the Official Statement (including the form of the Disclosure Agreement appended thereto), the Authority Income Tax Ordinance 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.

In rendering this opinion letter, we have assumed, with respect to all documents and instruments reviewed by us, the genuineness of all signatures (other than those of the Authority), 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 2020 Bonds will be 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 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 Credit Facility (as defined in the Indenture) issued by such Credit Facility Issuer. 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 (or at the relevant time had) the power and the authority under the Act to enter into the Indenture and to issue the 2020 Bonds thereunder, and to enter into the Intergovernmental Cooperation Agreement, the Forward Delivery Bond Purchase Agreement and the Disclosure Agreement.

3. The Indenture, the Intergovernmental Cooperation Agreement and the Forward Delivery Bond Purchase Agreement have each been duly authorized, executed and delivered by the Authority. The Authority has duly authorized the issuance of the 2020 Bonds and the execution and delivery of the Disclosure Agreement.

4. The Official Statement has been duly authorized and executed by the Authority.

5. The Indenture, the Intergovernmental Cooperation Agreement and the Forward Delivery Bond Purchase Agreement are each legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.

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 2020 Bonds by the Authority or which in any way contest the validity or enforceability of the 2020 Bonds, the Indenture, the Forward Delivery Bond Purchase Agreement or the Intergovernmental Cooperation 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 Authority's bonds issued under the Indenture.

Although we have not undertaken to determine independently the accuracy, completeness or fairness of the information contained in the Official Statement and express no opinion with respect thereto, nothing has come to our attention during the course of the performance of our duties as counsel to the Authority in this transaction 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 concerning the City, any information concerning any bond insurance company or any of the Underwriters, any information under the headings "TAX MATTERS", "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE 2020 BONDS" and "UNDERWRITING", and any financial, statistical or demographic information, 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 2020 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 2020 Bonds. We express no opinion with respect to any liquidated damages provisions. We express no opinion concerning the status of the Indenture, the 2020 Bonds or the offering or sale of the 2020 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 2020 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, (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) and (c) in the particular case of indemnities or rights of contribution, the application of Federal or state securities or other laws, regulations or judicial decisions or public policy considerations which may limit the validity or enforceability thereof. We call to your attention that, as provided in the Act, the Authority enjoys sovereign and official immunity and shall remain immune from suit except as provided therein. We further call to your attention that the issuance and delivery of the 2020 Bonds in the future is subject to the satisfaction of certain legal and contractual conditions as set forth in the Forward Delivery Bond Purchase Agreement, the Indenture and the Act, as to which we express no opinion herein.

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 in this transaction.

This opinion letter is being rendered solely for your benefit in connection with the issuance of the 2020 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 2020 Bonds.

Very truly yours,



REED SMITH LLP

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legalop



## CITY OF PHILADELPHIA

LAW DEPARTMENT  
One Parkway  
1515 Arch Street  
Philadelphia, PA 19102-1595

**MARCEL S. PRATT**  
CITY SOLICITOR  
(215) 683-5003 (Tel)  
(215) 683-5069 (Fax)

December 3, 2019

RBC Capital Markets, LLC,  
as Representative of the Underwriters  
200 Vesey Street, 9th Floor  
New York, New York 10281

Saul Ewing Arnstein & Lehr LLP  
Center Square West  
1500 Market Street, 38th Floor  
Philadelphia, Pennsylvania 19102

U.S. Bank National Association,  
as Trustee (the "Trustee")  
Two Liberty Place  
50th South 16th St., Ste. 2000  
Philadelphia, Pennsylvania 19102

Pennsylvania Intergovernmental  
Cooperation Authority  
1500 Walnut Street, Suite 1600  
Philadelphia, Pennsylvania 19102

Re: \$31,085,000 Pennsylvania Intergovernmental Cooperation Authority (the  
"Authority") Special Tax Revenue Refunding Bonds (City of Philadelphia  
Funding Program), Series of 2019 (the "2019 Bonds")

To the Above-Named Addressees:

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 (the "Authority") of its \$31,085,000 aggregate principal amount Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "Bonds"). This opinion is being delivered to you pursuant to Section L.(4)(i) of the Bond Purchase Agreement dated October 29, 2019, between the Authority and RBC Capital Markets, LLC, as representative to the Underwriters named therein (the "Purchase Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Agreement.

In rendering the opinions expressed below, the Department has examined such proceedings, documents, statutes, and ordinances as the Department deemed necessary as the basis for the opinions hereinafter expressed, including:

- (1) certified copies of the Ordinances;
- (2) a fully executed copy of the Letter of Representations;
- (3) a fully executed copy of the Cooperation Agreement;

- (4) a fully executed copy of the Tax Collection Agreement;
- (5) a fully executed copy of the Certificate of the City attached to the Tax Compliance Certificate;
- (6) the Official Statement; and
- (7) 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 on June 5, 1991, as amended (the "PICA Act").

As to certain factual matters material to the opinions hereinafter expressed, the Department has 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. The Department has 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. The Department has 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 PICA 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 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 of the Commonwealth 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 PICA Act and the Philadelphia Home Rule Charter to execute and deliver the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement, and the Certificate of the City attached to the Tax Compliance Certificate. The Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate or the Tax Collection Agreement, or in any way contesting the validity or enforceability of the Cooperation Agreement, the Tax Collection Agreement, the Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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.

10. The Bonds are authorized to be issued by the Authority by virtue of and pursuant to the PICA Act.

11. Pursuant to authority granted by the PICA Act, the City has, by the City Council's adoption of the Tax Ordinance, enacted the Authority Tax.

12. In the PICA 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 PICA Act further provides that the terms of the PICA 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 PICA Act. In addition, the PICA 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 PICA Act, the City has, in the Tax Ordinance and the 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.

13. 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.

14. 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.

15. 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 affected 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.

This opinion is subject to the following exceptions, limitations, and qualifications:

(1) 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.

(2) 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 the Certificate of the City attached to the Tax Compliance Certificate.

(3) The Department expresses no opinion as to the validity or enforceability of any provision of the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or the Certificate of the City attached to the Tax Compliance Certificate 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.

The Department calls 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 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.

This opinion is given to you as of the date hereof and the Department expresses 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. The Department undertakes no obligation to update or supplement this letter under any circumstance including if, after the date hereof, facts or events come to our attention or changes in law occur which could affect the opinions expressed herein. The Department expresses no opinion herein as to any matter not set forth in the numbered sections above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary or definitive official statements prepared in respect of the Bonds, including the appendices thereto, and make no representation that the Department has independently verified the contents thereof. This

RBC Capital Markets, LLC  
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opinion is furnished solely for your benefit under the Purchase Contract and may not be relied upon by any person or for any other purpose.

The Department has rendered this opinion to you solely in connection with the consummation of the transactions contemplated by the Purchase Agreement 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,

A handwritten signature in blue ink, appearing to read "Marcel S. Pratt", is written over a horizontal line.

Marcel S. Pratt,  
City Solicitor  
The City of Philadelphia



## CITY OF PHILADELPHIA

LAW DEPARTMENT  
One Parkway  
1515 Arch Street  
Philadelphia, PA 19102-1505

**MARCEL S. PRATT**  
CITY SOLICITOR  
(215) 683-5003 (Tel)  
(215) 683-5069 (Fax)

December 3, 2019

RBC Capital Markets, LLC,  
as Representative of the Underwriters  
200 Vesey Street, 9th Floor  
New York, New York 10281

Saul Ewing Arnstein & Lehr LLP  
Center Square West  
1500 Market Street, 38th Floor  
Philadelphia, Pennsylvania 19102

U.S. Bank National Association,  
as Trustee (the "Trustee")  
Two Liberty Place  
50th South 16th St., Ste. 2000  
Philadelphia, Pennsylvania 19102

Pennsylvania Intergovernmental  
Cooperation Authority  
1500 Walnut Street, Suite 1600  
Philadelphia, Pennsylvania 19102

Re: \$24,990,000 Pennsylvania Intergovernmental Cooperation Authority (the  
"Authority") Special Tax Revenue Refunding Bonds (City of Philadelphia  
Funding Program), Series of 2020 (Forward Delivery)

To the Above-Named Addressees:

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 proposed issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of its \$24,990,000 aggregate principal amount Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "Bonds"). This opinion is being delivered to you pursuant to Section L.(6)(i) of the Forward Delivery Bond Purchase Agreement dated October 29, 2019, between the Authority and RBC Capital Markets, LLC, as representative to the Underwriters named therein (the "Forward Delivery Purchase Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Forward Delivery Purchase Agreement.

In rendering the opinions expressed below, the Department has examined such proceedings, documents, statutes, and ordinances as the Department deemed necessary as the basis for the opinions hereinafter expressed, including:

- (1) certified copies of the Ordinances;
- (2) a fully executed copy of the Letter of Representations;



- (3) a fully executed copy of the Cooperation Agreement;
- (4) a fully executed copy of the Tax Collection Agreement;
- (5) a fully executed copy of the Certificate of the City attached to the Tax Compliance Certificate;
- (6) the Official Statement; and
- (7) 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 on June 5, 1991, as amended (the "PICA Act").

As to certain factual matters material to the opinions hereinafter expressed, the Department has 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. The Department has 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. The Department has 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 PICA 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 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 of the Commonwealth 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 PICA Act and the Philadelphia Home Rule Charter to execute and deliver the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement, and the Certificate of the City attached to the Tax Compliance Certificate. The Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance

Certificate or the Tax Collection Agreement, or in any way contesting the validity or enforceability of the Cooperation Agreement, the Tax Collection Agreement, the Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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 Certificate of the City attached to the Tax Compliance Certificate 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.

10. The Bonds are authorized to be issued by the Authority by virtue of and pursuant to the PICA Act.

11. Pursuant to authority granted by the PICA Act, the City has, by the City Council's adoption of the Tax Ordinance, enacted the Authority Tax.

12. In the PICA 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 PICA Act further provides that the terms of the PICA 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 PICA Act. In addition, the PICA 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 PICA Act, the City has, in the Tax Ordinance and the 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.

13. 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.

14. 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.

15. 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 affected 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.

This opinion is subject to the following exceptions, limitations, and qualifications:

(1) 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.

(2) 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 the Certificate of the City attached to the Tax Compliance Certificate.

(3) The Department expresses no opinion as to the validity or enforceability of any provision of the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or the Certificate of the City attached to the Tax Compliance Certificate 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.

The Department calls 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 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.

This opinion is given to you as of the date hereof and the Department expresses 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. The Department undertakes no obligation to update or supplement this letter under any circumstance including if, after the date hereof, facts or events come to our attention or changes in law occur which could affect the opinions expressed herein. The Department expresses no opinion herein as to any matter not set forth in the numbered sections above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary or definitive official statements prepared in respect of the Bonds, including the appendices thereto, and make no representation that the Department has independently verified the contents thereof. This opinion is furnished solely for your benefit under the Forward Delivery Purchase Agreement and may not be relied upon by any person or for any other purpose.



RBC Capital Markets, LLC  
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The Department has rendered this opinion to you solely in connection with the consummation of the transactions contemplated by the Forward Delivery Purchase Agreement 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,



Marcel S. Pratt,  
City Solicitor  
The City of Philadelphia

# AHMAD ZAFFARESE LLC

One South Broad Street | Suite 1810 | Philadelphia, PA 19107  
215.496.9373 Office | 215.496.9419 Fax  
www.azlawllc.com

December 3, 2019

RBC Capital Markets, LLC,  
as Representative of the Underwriters  
200 Vesey Street, 9th Floor  
New York, New York 10281

RE: \$31,085,000 aggregate principal amount, Pennsylvania Intergovernmental  
Cooperation Authority Special Tax Revenue Refunding Bonds (City of  
Philadelphia Funding Program), Series of 2019

To RBC Capital Markets, LLC:

We have acted as counsel to you, as underwriter and as representative (the "Representative") of a group of underwriters (the "Underwriters") named in the Bond Purchase Agreement dated October 29, 2019 (the "Purchase Agreement") executed by you and the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") in connection with the Authority's issuance of the above-referenced bonds (the "Bonds") and the sale of the Bonds to the Underwriters pursuant to the Purchase Agreement. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

The Bonds are being issued on the date of this opinion pursuant to: (1) 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"), (2) a resolution adopted by the Authority on September 17, 2019 (the "Resolution"), (3) the Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Original Indenture") between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented by seven supplemental indentures, and (4) the Eighth Supplement to the Amended and Restated Indenture of Trust to be dated as of December 1, 2019 (the "Eighth Supplemental Indenture" and collectively, with the Original Indenture, as amended by such seven supplemental indentures, referred to herein as the "Indenture").

In rendering the opinions expressed below, we have examined: (1) the Preliminary Official Statement and the Official Statement (collectively referred to herein as the "Official Statement"); (2) an executed copy of the Purchase Agreement; (3) executed copies of the certificates dated this date and delivered to the Representative pursuant to the Purchase Agreement; (4) an executed Letter of Representations of The City of Philadelphia (the "City"); (5) the approving and supplemental opinion letters of Saul Ewing Arnstein & Lehr LLP ("Bond Counsel"); (6) the opinion of Reed Smith LLP ("Counsel to the Authority"); (7) the opinion of

the City Solicitor of the City (the "City Solicitor"); (8) copies of the Indenture; and (9) a certified copy of the Resolution.

In addition, we have examined and relied upon 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. We have also assumed, but have not independently verified, the authenticity of all original documents and the conformity to the original documents of all conformed copies and photocopies of documents, the genuineness of all signatures and the due authorization, execution and delivery of all documents, and the authority to do so of all persons executing such documents. Further, as to various questions of fact material to our opinions expressed herein, we have relied upon the representations of the Authority and the City. As to certain other matters, we have reviewed, and are assuming the accuracy of the conclusions made in opinions of even date herewith of Counsel to the Authority, Bond Counsel and the City Solicitor.

In accordance with our understanding with you, we rendered legal service and assistance to you in the course of your investigation and negotiations pertaining to, and your participation in the preparation of, the Official Statement and the issuance and sale of the Bonds. The scope of our engagement was (a) to assist in your investigation relating to and in the preparation of the Official Statement, and (b) to assist in the preparation and negotiation of the Purchase Agreement, (c) to examine the documents delivered to you in satisfaction of the conditions set forth in the Purchase Agreement, and (d) to otherwise consult with you as to the satisfaction of these conditions. 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 and telephone conferences along with other participants in the transaction (including the Authority, its counsel, Bond Counsel, the City, and the City's Law Department), during which the contents of the Official Statement and related matters were discussed and reviewed.

On the basis of the foregoing, we are of the opinion that the Bonds are exempt from the registration requirements of the Securities Act of 1933, as amended, and that the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

It is also our opinion that the Authority's Continuing Disclosure Agreement dated the date hereof satisfies the specific requirements of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as in effect on the date hereof (the "Rule") with respect to the content of the written agreement or contract required by the Rule.

On the basis of the information which was developed in the course of the performance of the services as described above, subject to the assumptions and limitations set forth in the preceding paragraph and without having undertaken to determine independently the adequacy, accuracy or completeness of the statements contained in the Official Statement (including the appendices thereto), and based solely on our participation in conferences and telephone conferences at which your representatives, representatives of the Authority, Counsel to the



Authority, and Bond Counsel, were at various times present, nothing has come to our attention in the course of our engagement as counsel to you which would lead us to believe that the Official Statement, as of its respective posting dates and as of the date hereof (other than (i) the financial and statistical data and forecasts, numbers, estimates, assumptions and expressions of opinion included or incorporated by reference in the Official Statement, (ii) the sections captioned "TAX MATTERS," "FINANCIAL ADVISORS" and "RELATIONSHIPS OF CERTAIN PARTIES" in the Official Statement, (iii) the Appendices to the Official Statement, (iv) any of other information with respect to the City or The Depository Trust Company and its book-entry system, and (v) any information in the Official Statement concerning Financial Guaranty Insurance Company (or any of its affiliates or successors), National Public Finance Guarantee Corporation, or any other bond insurance company or the Reserve Policy (as defined in the Official Statement), as to which we express no belief and expressly exclude from the scope of this sentence) 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.

In view of the scope of the legal representation that you have asked us to provide, and because of (1) the limitations inherent in the investigation made by us, as well as the limitations generally inherent in the verification of factual matters, (2) the character of the determinations involved in the preparation of the Official Statement, and (3) our limited participation in the development of the factual information and assumptions set forth in the Official Statement, except as noted in the immediately preceding paragraph, we are not passing upon, and we do not assume any responsibility for the accuracy, completeness and fairness of the statements of fact made in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements.

This opinion is specifically limited to present federal law and the present internal laws of the Commonwealth of Pennsylvania, and no opinion is expressed as to the effect the law of any other jurisdiction might have upon the subject matter of the opinions expressed herein under conflict of laws principles or otherwise.

This opinion is given as of the date hereof, is limited to the facts, circumstances, and matters set forth herein, based on the assumptions and qualifications set forth herein, and according to the laws currently in effect. This opinion is furnished by us solely for your benefit, information and assistance as Representative and may not be relied upon by any person or entity other than the Underwriters. We make no undertaking to supplement this opinion if, hereafter, facts or circumstances come to our attention or occur after this date or changes in law occur which could affect this opinion.

Very Truly Yours,

AHMAD ZAFFARESE LLC

# AHMAD ZAFFARESE LLC

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215.496.9373 Office | 215.496.9419 Fax  
www.azlawllc.com

December 3, 2019

RBC Capital Markets, LLC,  
as Representative of the Underwriters  
200 Vesey Street, 9th Floor  
New York, New York 10281

RE: \$24,990,000 aggregate principal amount, Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery)

To RBC Capital Markets, LLC:

We have acted as counsel to you, as underwriter and as representative (the "Representative") of a group of underwriters (the "Underwriters") named in the Forward Delivery Bond Purchase Agreement dated October 29, 2019 (the "Purchase Agreement") executed by you and the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") in connection with the Authority's planned issuance of the above-referenced bonds (the "Bonds") on March 17, 2020 and the sale of the Bonds to the Underwriters pursuant to the Purchase Agreement. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

It is anticipated that the Bonds will be issued on March 17, 2020 pursuant to: (1) 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"), (2) a resolution adopted by the Authority on September 17, 2019 (the "Resolution"), (3) the Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Original Indenture") between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented by seven supplemental indentures, and (4) the Eighth Supplement to the Amended and Restated Indenture of Trust to be dated as of December 1, 2019 (the "Eighth Supplemental Indenture" and collectively, with the Original Indenture, as amended by such seven supplemental indentures, referred to herein as the "Indenture").

In rendering the opinions expressed below, we have examined: (1) the Preliminary Official Statement with respect to the Bonds, dated October 21, 2019 and the Official Statement with respect to the Bonds, dated October 29, 2019 (collectively referred to herein as the "Official Statement"); (2) an executed copy of the Purchase Agreement; (3) executed copies of the certificates described within Section L.6. of the Purchase Agreement dated the Initial Closing Date and delivered to the Representative; (4) an executed Letter of Representations of The City



of Philadelphia (the "City"); (5) the letter and supplemental opinion of Saul Ewing Arnstein & Lehr LLP ("Bond Counsel") provided pursuant to Sections L.6.(e) and L.6.(f) of the Purchase Agreement; (6) the opinion of Reed Smith LLP ("Counsel to the Authority") provided pursuant to Section L.6.(g) of the Purchase Agreement; (7) the opinion of the City Solicitor of the City (the "City Solicitor") provided pursuant to Section L.6.(i) of the Purchase Agreement; (8) copies of the Indenture; and (9) a certified copy of the Resolution.

In addition, we have examined and relied upon 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. We have also assumed, but have not independently verified, the authenticity of all original documents and the conformity to the original documents of all conformed copies and photocopies of documents, the genuineness of all signatures and the due authorization, execution and delivery of all documents, and the authority to do so of all persons executing such documents. Further, as to various questions of fact material to our opinions expressed herein, we have relied upon the representations of the Authority and the City. As to certain other matters, we have reviewed, and are assuming the accuracy of the conclusions made in opinions of even date herewith of Counsel to the Authority, Bond Counsel and the City Solicitor.

In accordance with our understanding with you, we rendered legal service and assistance to you in the course of your investigation and negotiations pertaining to, and your participation in the preparation of, the Official Statement. The scope of our engagement was (a) to assist in your investigation relating to and in the preparation of the Official Statement, and (b) to assist in the preparation and negotiation of the Purchase Agreement, (c) to examine the documents delivered to you on or prior to the Initial Closing Date in satisfaction of the conditions set forth in the Purchase Agreement, and (d) to otherwise consult with you as to the satisfaction of these conditions. 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 and telephone conferences along with other participants in the transaction (including the Authority, its counsel, Bond Counsel, the City, and the City's Law Department), during which the contents of the Official Statement and related matters were discussed and reviewed.

On the basis of the information which was developed in the course of the performance of the services as described above, subject to the assumptions and limitations set forth in the preceding paragraph and without having undertaken to determine independently the adequacy, accuracy or completeness of the statements contained in the Official Statement (including the appendices thereto), and based solely on our participation in conferences and telephone conferences at which your representatives, representatives of the Authority, Counsel to the Authority, and Bond Counsel, were at various times present, nothing has come to our attention in the course of our engagement as counsel to you which would lead us to believe that the Official Statement, as of its respective posting dates and as of the date hereof (other than (i) the financial and statistical data and forecasts, numbers, estimates, assumptions and expressions of opinion included or incorporated by reference in the Official Statement, (ii) the sections captioned "TAX MATTERS," "FINANCIAL ADVISORS" and "RELATIONSHIPS OF CERTAIN PARTIES"

in the Official Statement, (iii) the Appendices to the Official Statement, (iv) any of other information with respect to the City or The Depository Trust Company and its book-entry system, and (v) any information in the Official Statement concerning Financial Guaranty Insurance Company (or any of its affiliates or successors), National Public Finance Guarantee Corporation, or any other bond insurance company or the Reserve Policy (as defined in the Official Statement), as to which we express no belief and expressly exclude from the scope of this sentence) 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.

In view of the scope of the legal representation that you have asked us to provide, and because of (1) the limitations inherent in the investigation made by us, as well as the limitations generally inherent in the verification of factual matters, (2) the character of the determinations involved in the preparation of the Official Statement, and (3) our limited participation in the development of the factual information and assumptions set forth in the Official Statement, except as noted in the immediately preceding paragraph, we are not passing upon, and we do not assume any responsibility for the accuracy, completeness and fairness of the statements of fact made in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements.

This opinion is specifically limited to present federal law and the present internal laws of the Commonwealth of Pennsylvania, and no opinion is expressed as to the effect the law of any other jurisdiction might have upon the subject matter of the opinions expressed herein under conflict of laws principles or otherwise.

This opinion is given as of the date hereof, is limited to the facts, circumstances, and matters set forth herein, based on the assumptions and qualifications set forth herein, and according to the laws currently in effect. This opinion is furnished by us solely for your benefit, information and assistance as Representative and may not be relied upon by any person or entity other than the Underwriters. We make no undertaking to supplement this opinion if, hereafter, facts or circumstances come to our attention or occur after this date or changes in law occur which could affect this opinion.

Very Truly Yours,

AHMAD ZAFFARESE LLC

**SAUL EWING**  
**ARNSTEIN**  
**& LEHR** <sup>LLP</sup>

December 3, 2019

Re: Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program)  
\$31,085,000 Series of 2019

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TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$31,085,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 (the "2019 Bonds"). The 2019 Bonds are issued under and pursuant to and authorized by 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"), pursuant to the Resolution adopted by the Authority on September 17, 2019 and pursuant to the Amended and Restated Trust Indenture (the "Amended and Restated Indenture"), dated as of December 1, 1994 between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented pursuant to the 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"), a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplement"), a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 (the "Fifth Supplement"), a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 (the "Sixth Supplement"), a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 (the "Seventh Supplement"), and an Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019 (the "Eighth Supplement," and together with the Amended and Restated Indenture, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, the "Indenture").

The 2019 Bonds are being issued for the purpose of providing funds which, together with other available moneys of the Authority, will be used to: (i) currently refund all of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2009; and (ii) pay the costs of issuing the 2019 Bonds (collectively, the "Refunding Project").

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In the course of the performance of our duties as Bond Counsel, we have examined such documents, opinions, records, orders, notices, certificates, statutes, resolutions, decisions, and rulings as we have deemed necessary to enable us to furnish this opinion, including, *inter alia*, the following: (i) an executed counterpart of the Eighth Supplement, (ii) the form of the 2019 Bonds, (iii) a copy, certified or otherwise identified to our satisfaction, of the Indenture, (iv) an executed counterpart of the Tax Certificate, (v) the opinion of Counsel to the Authority, on which we have relied, (vi) an executed counterpart of the Bond Purchase Agreement dated as of October 29, 2019 (the "Purchase Agreement") between the Authority and RBC Capital Markets, LLC, and (vii) such constitutional and statutory provisions and such other resolutions, certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to the matters set forth herein. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to such opinions, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents and the representations and warranties made therein without undertaking to verify the same by independent investigation. We have also assumed that the documents referred to herein have been duly authorized by all parties thereto other than the Authority and are, where appropriate, legally binding obligations of, and enforceable in accordance with their terms against all parties, except the Authority, and that the actions required to be taken and consent required to be obtained by such parties, have been taken or obtained. We do not render any opinion with respect to the adequacy of security for the 2019 Bonds or the sources of payment in respect of the 2019 Bonds.

Based upon the foregoing, it is our opinion, under existing law and as of the date hereof, and subject to the qualifications and limitations set forth herein, that:

1. The Authority is a body corporate and politic, organized and validly existing under the laws of the Commonwealth of Pennsylvania with full power and authority to undertake the Refunding Project, to execute, deliver and perform its obligations under the Eighth Supplement and to issue and sell the 2019 Bonds.

2. The Eighth Supplement has been duly authorized, executed and delivered by the Authority and constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

3. The Authority has duly assigned, transferred and pledged to the Trustee, for the benefit of the holders of the 2019 Bonds, to the extent provided in the Indenture, all of its right, title and interest in and to the Pledged Revenues.

4. The issuance and sale of the 2019 Bonds have been duly authorized by the Authority and, on the assumption of execution and authentication stated above, such 2019 Bonds

have been duly executed and delivered by the Authority and authenticated by the Trustee, are valid and binding limited obligations of the Authority enforceable in accordance with their terms and are entitled to the benefit and security of the Indenture, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

5. Interest on the 2019 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence assumes that the Authority complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2019 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the 2019 Bonds to be so includable in gross income retroactive to the date of issuance of the 2019 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2019 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the federal alternative minimum taxes. We express no opinion regarding other federal tax consequences relating to the 2019 Bonds or the receipt of interest thereon.

6. Under the laws of the Commonwealth, as enacted and construed on the date hereof, the 2019 Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2019 Bonds or the interest thereon.

The opinions set forth above are rendered on the basis of, and limited to, federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. We express no opinion herein as to any matter not set forth in the numbered paragraphs above. In particular, we call to your attention that the 2019 Bonds are not in any way a debt or liability of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof other than the Authority, nor do the 2019 Bonds or the Indenture pledge the general credit or taxing power of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof. The Authority has no taxing power.

The opinions set forth above are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur including, but not limited to, those that may affect the tax status of interest on the 2019 Bonds.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Paul E. Arnstein", followed by a date "12/3/19".



**[ASSUMING THAT NO CHANGE IN LAW HAS OCCURRED, SET FORTH BELOW IS  
THE FORM OF APPROVING OPINION TO BE DELIVERED BY BOND COUNSEL  
ON THE DELAYED DELIVERY CLOSING DATE FOR THE 2020 BONDS ]**

**[DATE: DELAYED DELIVERY CLOSING DATE]**

**RE: \$24,990,000 PENNSYLVANIA INTERGOVERNMENTAL COOPERATION  
AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA  
FUNDING PROGRAM), SERIES OF 2020 (FORWARD DELIVERY)**

**TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:**

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$24,990,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery) (the "2020 Bonds"). The 2020 Bonds are issued under and pursuant to and authorized by 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"), pursuant to the Resolution adopted by the Authority on September 17, 2019 and pursuant to the Amended and Restated Trust Indenture (the "Amended and Restated Indenture"), dated as of December 1, 1994 between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented pursuant to the 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"), a Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplement"), a Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 (the "Fifth Supplement"), a Sixth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2009 (the "Sixth Supplement"), a Seventh Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2010 (the "Seventh Supplement"), and an Eighth Supplement to the Amended and Restated Indenture of Trust dated as of December 1, 2019 (the "Eighth Supplement," and together with the Amended and Restated Indenture, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, the "Indenture").

The 2020 Bonds are being issued for the purpose of providing funds which, together with other available moneys of the Authority, will be used to: (i) currently refund the maturities of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2010 maturing after June 15, 2020; and (ii) pay the costs of issuing the 2020 Bonds (collectively, the "Refunding Project").

In the course of the performance of our duties as Bond Counsel, we have examined such documents, opinions, records, orders, notices, certificates, statutes, resolutions, decisions, and rulings as we have deemed necessary to enable us to furnish this opinion, including, *inter alia*, the following: (i) an executed counterpart of the Eighth Supplement, (ii) the form of the 2020 Bonds, (iii) a copy, certified or otherwise identified to our satisfaction, of the Indenture, (iv) an executed counterpart of the Tax Certificate, (v) the opinion of Counsel to the Authority, on which we have relied, (vi) an executed counterpart of the Forward Delivery Bond Purchase Agreement dated as of October 29, 2019 (the "Forward Delivery Purchase Agreement") between the Authority and RBC Capital Markets, LLC and (vii) such constitutional and statutory provisions and such other resolutions, certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to the matters set forth herein. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Forward Delivery Purchase Agreement.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to such opinions, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents and the representations and warranties made therein without undertaking to verify the same by independent investigation. We have also assumed that the documents referred to herein have been duly authorized by all parties thereto other than the Authority and are, where appropriate, legally binding obligations of, and enforceable in accordance with their terms against all parties, except the Authority, and that the actions required to be taken and consent required to be obtained by such parties, have been taken or obtained. We do not render any opinion with respect to the adequacy of security for the 2020 Bonds or the sources of payment in respect of the 2020 Bonds.

Based upon the foregoing, it is our opinion, under existing law and as of the date hereof, and subject to the qualifications and limitations set forth herein, that:

1. The Authority is a body corporate and politic, organized and validly existing under the laws of the Commonwealth of Pennsylvania with full power and authority to undertake the Refunding Project, to execute, deliver and perform its obligations under the Eighth Supplement and to issue and sell the 2020 Bonds.

2. The Eighth Supplement has been duly authorized, executed and delivered by the Authority and constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

3. The Authority has duly assigned, transferred and pledged to the Trustee, for the benefit of the holders of the 2020 Bonds, to the extent provided in the Indenture, all of its right, title and interest in and to the Pledged Revenues.



4. The issuance and sale of the 2020 Bonds have been duly authorized by the Authority and, on the assumption of execution and authentication stated above, such 2020 Bonds have been duly executed and delivered by the Authority and authenticated by the Trustee, are valid and binding limited obligations of the Authority enforceable in accordance with their terms and are entitled to the benefit and security of the Indenture, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting the rights and remedies of creditors generally and by the exercise of judicial discretion in accordance with general principles of equity.

5. Interest on the 2020 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence assumes that the Authority complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2020 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the 2020 Bonds to be so includable in gross income retroactive to the date of issuance of the 2020 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2020 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the federal alternative minimum taxes. We express no opinion regarding other federal tax consequences relating to the 2020 Bonds or the receipt of interest thereon.

6. Under the laws of the Commonwealth, as enacted and construed on the date hereof, the 2020 Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2020 Bonds or the interest thereon.

The opinions set forth above are rendered on the basis of, and limited to, federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. We express no opinion herein as to any matter not set forth in the numbered paragraphs above. In particular, we call to your attention that the 2020 Bonds are not in any way a debt or liability of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof other than the Authority, nor do the 2020 Bonds or the Indenture pledge the general credit or taxing power of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof. The Authority has no taxing power.

The opinions set forth above are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur including, but not limited to, those that may affect the tax status of interest on the 2020 Bonds.

Very truly yours,

**SAUL EWING**  
**ARNSTEIN**  
**& LEHR** LLP

December 3, 2019

RBC Capital Markets, LLC, acting for itself,  
and as Representative of the underwriters  
Philadelphia, PA

Re: \$31,085,000  
Pennsylvania Intergovernmental Cooperation Authority  
Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program), Series of 2019

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 the above-captioned bonds (the "2019 Bonds"). In connection with the issuance and sale of the 2019 Bonds, the Authority and RBC Capital Markets, LLC, for itself and as representative of the underwriters, have entered into a Bond Purchase Agreement dated October 29, 2019 (the "Purchase Agreement"). The 2019 Bonds will be issued pursuant to an Eighth Supplement dated as of December 1, 2019 (the "Eighth Supplement") to the Amended and Restated Indenture of Trust dated as of December 1, 1994, as previously amended and supplemented (the "Existing Indenture," together with the Eighth Supplement, the "Indenture") between the Authority and U.S. Bank National Association, as successor trustee. In connection with the issuance of the 2019 Bonds, the Authority is executing a Continuing Disclosure Agreement dated December 3, 2019 (the "Disclosure Agreement") and a Tax Certificate dated December 3, 2019 (the "Tax Certificate"). This opinion is being provided pursuant to Section L.3.(f) of the Purchase Agreement. Any capitalized terms used herein and not specifically defined herein shall have the meanings given to those terms in the Purchase Agreement.

In rendering this opinion, we have reviewed the Official Statement dated October 29, 2019 (the "Official Statement"), the Purchase Agreement, a copy (certified or otherwise identified to our satisfaction) of the Existing Indenture, the Eighth Supplement, the Disclosure Agreement, the Tax Certificate, and the proceedings authorizing the issuance of the 2019 Bonds, and certain certificates, opinions, receipts and other documents as we have considered relevant. We have also assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to such opinions, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates, and documents and the representations and warranties made therein without

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undertaking to verify the same by independent investigation. We have also assumed (except with respect to the Authority) that the documents referred to herein have been duly authorized by all parties thereto and are, where appropriate, legally binding obligations of, and enforceable in accordance with their terms against all parties, and that the actions required to be taken and consent required to be obtained by such parties, have or will be taken or obtained.

On the basis of the foregoing, and subject to the other conditions and limitations set forth herein, we are of the opinion that:

1. The Purchase Agreement has been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery by and enforceability against the other parties thereto, constitutes a legal, valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as enforcement may be limited by laws relating to bankruptcy, reorganization, insolvency, receivership, arrangement, moratorium and other laws affecting creditors' rights, by equitable principles whether considered at law or in equity, and by the exercise of judicial discretion in appropriate cases.

2. The statements contained in the subsections of the Official Statement captioned "INTRODUCTION – Authorization to Issue the 2019/2020 Bonds," "and "Sources of Payment and Security for the 2019/2020 Bonds," "THE 2019/2020 BONDS" and "SOURCES OF PAYMENT AND SECURITY FOR THE 2019/2020 BONDS" and Appendix D thereto, insofar as they related to the 2019/2020 Bonds, the Ordinance, the Bond Documents, certain federal and Commonwealth statutes relating to bankruptcy and remedies of bondholders, and the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, accurately summarize the terms and provisions purported to be summarized therein in all material respects. The statements appearing in the Official Statement under the caption "TAX MATTERS" accurately reflect the opinion of Bond Counsel as to the application of federal and Commonwealth law summarized therein in all material respects. No opinion is given with respect to any tabular, numerical, financial or statistical data or projections contained in such portions of the Official Statement.

3. The 2019 Bonds are exempt from the registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

Except to the extent specifically set forth above, we express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement.

This opinion letter is limited to the law of the Commonwealth of Pennsylvania and the federal law of the United States of America. This opinion letter is limited to the matters expressly stated herein, and no opinion may be inferred or is implied beyond the matters expressly stated herein to be our opinion. The opinions herein are expressed as of the date hereof only, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.



December 3, 2019

Page 3

This opinion is being furnished solely for your information and benefit in connection with the issuance and sale of the 2019 Bonds. You may not rely on this opinion for any other purpose and no other person or entity may rely on this opinion letter for any purpose.

Very truly yours,

A handwritten signature in blue ink that reads "Paul G. Anstine & Behr LLP". The signature is written in a cursive, flowing style.

December 3, 2019

Pennsylvania Intergovernmental Cooperation Authority  
Philadelphia, Pennsylvania

RBC Capital Markets, LLC,  
as Representative of the Underwriters  
New York, New York

U.S. Bank National Association, as Trustee  
Philadelphia, Pennsylvania

Re: Pennsylvania Intergovernmental Cooperation Authority  
\$24,990,000 Special Tax Revenue Refunding Bonds  
(City of Philadelphia Funding Program), Series of 2020 (Forward Delivery)

Ladies and Gentlemen:

Attached as Appendix E-2 to the Official Statement of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") dated October 29, 2019 (the "Official Statement"), relating to the above-captioned bonds (the "Bonds"), is our proposed form of opinion regarding, among other things, the authorization, issuance, validity and enforceability of the Bonds and the excludability of interest on the Bonds from gross income for federal income tax purposes, subject to the conditions and qualifications stated therein. Assuming satisfaction by both parties of their respective obligations in the Forward Delivery Bond Purchase Agreement, dated October 29, 2019, between the Authority and RBC Capital Markets, LLC, on behalf of itself and the other underwriters named therein (the "Forward Delivery Purchase Agreement"), and the issuance of the Bonds, and no change in any applicable law, regulations or rulings, or in interpretations thereof or in any other facts or circumstances (tax or otherwise) which, in our view, affects or is material to our opinion (including, without limitation, the existence of any litigation), we expect to issue our opinion on the Delayed Delivery Closing Date (as defined in the Forward Delivery Purchase Agreement) in substantially the form attached as Appendix E-2 to the Official Statement.

Very truly yours,

  
George T. Magnatta  
Partner

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PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)

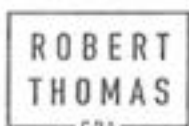
Verification Report  
December 3, 2019

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)**

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Exhibit C-4	Yield on the 2019/2020 Bonds
Appendix I	Applicable Schedules Provided by RBC Capital Markets, LLC



## INDEPENDENT ACCOUNTANT'S VERIFICATION REPORT

December 3, 2019

Pennsylvania Intergovernmental  
Cooperation Authority ("Issuer")  
Philadelphia, Pennsylvania

PFM Financial Advisors ("Co-Municipal Advisor")  
Philadelphia, Pennsylvania

Saul Ewing Arnstein & Lehr LLP ("Bond Counsel")  
Philadelphia, Pennsylvania

U.S. Bank National Association ("Escrow Agent")  
Philadelphia, Pennsylvania

Phoenix Capital Partners, LLP ("Co-Municipal Advisor")  
Philadelphia, Pennsylvania

RBC Capital Markets, LLC, as the authorized representative  
of a group of Underwriters ("Underwriter")  
West Conshohocken, Pennsylvania

Pursuant to the request of the Co-Municipal Advisors, on behalf of the Issuer, we have performed certain procedures, as discussed below, in connection with the Issuer's proposed issuance of **\$31,085,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019**, dated December 3, 2019 (the "2019 Bonds"), and **\$24,990,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery)**, dated March 17, 2020 (the "2020 Bonds", and together with the 2019 Bonds, the "2019/2020 Bonds").

A portion of the proceeds from the 2020 Bonds will be used to currently refund the Issuer's **Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010**, dated May 14, 2010 (the "Refunded Bonds") as listed below.

Issue	Par Amount Refunded	Maturity Dates	Call Date	Call Price	Exhibit
<b><i>Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010</i></b>	\$26,355,000	Serial bonds maturing 6/15/2021 and 6/15/2022	June 15, 2020	100.00	B-2



The procedures, as summarized below, were performed solely to assist the addressees of this report in evaluating the mathematical accuracy of certain schedules prepared by the Underwriter which indicate that:

- there will be sufficient funds available in an escrow account (the "Escrow Fund"), to be established on March 17, 2020, to pay the principal and interest related to the Refunded Bonds (the "Escrow Requirements"), assuming the Refunded Bonds, in the aggregate principal amount of \$26,355,000 will be called and redeemed on the optional redemption date of June 15, 2020 at 100.00 percent of the principal amount thereof plus accrued interest; and
- the yield on the 2019/2020 Bonds is as shown in our report.

The procedures we performed are summarized below:

1. We independently calculated the Escrow Requirements related to the Refunded Bonds, using information from the Official Statement (the "Prior Bond Documents"), compared the Escrow Requirements to the Underwriter's schedules, and found the Escrow Requirements to be in agreement. We assume the Prior Bond Documents to be accurate and have relied solely on the documents named in this paragraph to calculate Escrow Requirements.
2. Using the results of our independent calculations described in procedure 1 and assuming the cash deposit to the Escrow Fund of \$27,013,875.00 on March 17, 2020, we prepared an Escrow Fund cash flow schedule (attached hereto as Exhibit B). The resulting cash flow schedule indicates that there will be sufficient funds available in the Escrow Fund to pay the Escrow Requirements on a timely basis.
3. We compared pertinent terms of the Refunded Bonds (i.e., debt service payment dates, annual maturity amounts, interest rates, and optional and mandatory redemption provisions), as summarized herein, to the information from the Prior Bond Documents; we found the terms to be in agreement.
4. We compared the maturity and interest payment dates, interest rates, principal maturity amounts and issue prices to the public of the 2019/2020 Bonds, to the Official Statement and information for the 2019/2020 Bonds provided to us by the Underwriter; we found the terms to be in agreement.
5. We independently calculated the yield on the 2019/2020 Bonds assuming a settlement date of December 3, 2019 for the 2019 Bonds and March 17, 2020 for the 2020 Bonds. The term "yield," as used herein, means that yield which, when used in computing the present value of all payments of principal and interest on an obligation, compounded semi-annually, using a 30/360-day year basis, produces an amount equal to the issue price on the 2019/2020 Bonds.

The result of our yield calculation, which is listed below, was compared to the yield calculation provided by the Underwriter; we found the yield to be in agreement.

	YIELD	EXHIBIT
• Yield on the 2019/2020 Bonds	1.291924%	C-4

Based on performing the aforementioned procedures, we have found that those schedules provided by the Underwriter, when compared to those schedules prepared by us (attached hereto as Exhibits), are arithmetically accurate and reflect, based on the assumptions set forth herein, that:

- there will be sufficient funds available in the Escrow Fund to pay the Escrow Requirements on a timely basis; and
- the yield on the 2019/2020 Bonds is as shown in our report.

This engagement was performed in accordance with consulting service standards established by the American Institute of Certified Public Accountants (the "AICPA"). The sufficiency of these procedures is solely the responsibility of the specified users of the report. We make no representation regarding the sufficiency of the procedures summarized above, either for the purpose for which this report has been requested or for any other purpose.

The results of our independent calculations with respect to the proposed transactions are summarized in the accompanying exhibits. The original computations, along with related characteristics and assumptions contained herein, were provided by the Underwriter on behalf of the Issuer. We relied solely on this information and these assumptions and limited our work to performing those procedures set forth above.

This report is issued solely for the information of, and assistance to, the addressees of this report and is not to be quoted or referred to in any document, except for the Official Statement and the required closing transaction documents. Additionally, this report should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under the terms of our engagement, we have no obligation to update this report because of events or transactions occurring subsequent to the date of this report.



Overland Park, Kansas

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)

SCHEDULE OF SOURCES AND USES OF FUNDS

Delivery Date:	December 3, 2019	March 17, 2020	
<b>SOURCES:</b>			
Principal amount of the 2019/2020 Bonds	2019 Bonds	2020 Bonds	Total
Original issue premium	\$31,085,000.00	\$24,990,000.00	\$56,075,000.00
DSRF Release	2,933,977.30	1,561,626.90	4,495,604.20
PICA 2009 Sinking Fund	38,683,188.06	273,735.04	38,956,923.10
PICA 2010 Sinking Fund	11,541,425.00	439,250.00	11,541,425.00
			439,250.00
	<u>\$84,243,590.36</u>	<u>\$27,264,611.94</u>	<u>\$111,508,202.30</u>
<b>USES:</b>			
Cash deposit to the Escrow Fund	\$83,815,996.67	\$27,013,875.00	\$110,829,871.67
Costs of issuance	301,875.00	167,375.00	469,250.00
Underwriter's discount	120,965.73	82,247.43	203,213.16
Contingency	4,752.96	1,114.51	5,867.47
	<u>\$84,243,590.36</u>	<u>\$27,264,611.94</u>	<u>\$111,508,202.30</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)

## ESCROW FUND CASH FLOW

<u>Dates</u>	<u>Debt service payments on Refunded Bonds (Exhibit B-1)</u>	<u>Cash balance</u>
Cash deposit on		
March 17, 2020		\$27,013,875.00
06-15-20	\$27,013,875.00	0.00
	<u>\$27,013,875.00</u>	

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)

DEBT SERVICE TO MATURITY AND ESCROW REQUIREMENTS  
FOR THE REFUNDED BONDS

Date	Remaining Scheduled Debt Service Payments to Original Maturity Date (For Reference Purposes Only)			Debt service payments	Escrow Requirement
	Principal	Interest rate	Interest		
06-15-20			\$658,875.00	\$658,875.00	\$27,013,875.00
12-15-20			658,875.00	658,875.00	
06-15-21	\$12,925,000	5.000%	658,875.00	13,583,875.00	
12-15-21			335,750.00	335,750.00	
06-15-22	13,430,000	5.000%	335,750.00	13,765,750.00	
	<u>\$26,355,000</u>		<u>\$2,648,125.00</u>	<u>\$29,003,125.00</u>	<u>\$27,013,875.00</u>

(To Exhibit B)



PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)

DEBT SERVICE PAYMENTS ON THE 2019 BONDS

Date	\$31,085,000 issue dated December 3, 2019			Total debt service
	Principal	Interest rate	Interest	
06-15-20			\$828,933.33	\$828,933.33
12-15-20			777,125.00	777,125.00
06-15-21	\$9,860,000	5.000%	777,125.00	10,637,125.00
12-15-21			530,625.00	530,625.00
06-15-22	10,355,000	5.000%	530,625.00	10,885,625.00
12-15-22			271,750.00	271,750.00
06-15-23	10,870,000	5.000%	271,750.00	11,141,750.00
	<u>\$31,085,000</u>		<u>\$3,987,933.33</u>	<u>\$35,072,933.33</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)

ORIGINAL ISSUE PREMIUM ON THE 2019 BONDS

Maturity date	Principal	Interest rate	Yield	Initial public offering price	Original issue premium
06-15-21	\$9,860,000	5.000%	1.230%	105.708%	\$562,808.80
06-15-22	10,355,000	5.000%	1.230%	109.374%	970,677.70
06-15-23	10,870,000	5.000%	1.260%	112.884%	1,400,490.80
	<u>\$31,085,000</u>				<u>\$2,933,977.30</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)

DEBT SERVICE PAYMENTS ON THE 2020 BONDS

Date	\$24,990,000 issue dated December 3, 2019			Total debt service
	Principal	Interest rate	Interest	
06-15-20			\$305,433.33	\$305,433.33
12-15-20			624,750.00	624,750.00
06-15-21	\$12,260,000	5.000%	624,750.00	12,884,750.00
12-15-21			318,250.00	318,250.00
06-15-22	12,730,000	5.000%	318,250.00	13,048,250.00
	<u>\$24,990,000</u>		<u>\$2,191,433.33</u>	<u>\$27,181,433.33</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)

ORIGINAL ISSUE PREMIUM ON THE 2020 BONDS

Maturity date	Principal	Interest rate	Yield	Initial public offering price	Original issue premium
06-15-21	\$12,260,000	5.000%	1.370%	104.461%	\$546,918.60
06-15-22	12,730,000	5.000%	1.380%	107.971%	1,014,708.30
	<u>\$24,990,000</u>				<u>\$1,561,626.90</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS  
(CITY OF PHILADELPHIA FUNDING PROGRAM)

YIELD ON THE 2019/2020 BONDS

Date	Total debt service on the 2019 Bonds (Exhibit C)	Total debt service on the 2020 Bonds (Exhibit C-2)	Bond valuation	Total adjusted debt service on the 2019/2020 Bonds	Present value on December 3, 2019 using a yield of 1.291924%
12-03-19			(\$34,018,977.30) (1)	(\$34,018,977.30)	(\$34,018,977.30)
03-17-20			(26,551,626.90) (2)	(26,551,626.90)	(26,453,032.47)
06-15-20	\$828,933.33	\$305,433.33		1,134,366.66	1,126,602.41
12-15-20	777,125.00	624,750.00		1,401,875.00	1,383,343.89
06-15-21	10,637,125.00	12,884,750.00		23,521,875.00	23,061,972.44
12-15-21	530,625.00	318,250.00		848,875.00	826,936.00
06-15-22	10,885,625.00	13,048,250.00		23,933,875.00	23,165,667.54
12-15-22	271,750.00			271,750.00	261,339.47
06-15-23	11,141,750.00			11,141,750.00	10,646,148.02
	<u>\$35,072,933.33</u>	<u>\$27,181,433.33</u>	<u>(\$60,570,604.20)</u>	<u>\$1,683,762.46</u>	<u>\$0.00</u>

(1) Bond valuation as of December 3, 2019:

The present value of the future payments is equal to:

Principal amount of the 2019 Bonds	\$31,085,000.00
Original issue premium of the 2019 Bonds	2,933,977.30
	<u>\$34,018,977.30</u>

(2) Bond valuation as of March 17, 2020:

The present value of the future payments is equal to:

Principal amount of the 2020 Bonds	\$24,990,000.00
Original issue premium of the 2020 Bonds	1,561,626.90
	<u>\$26,551,626.90</u>

The sum of the present values of the debt service payments of the 2019/2020 Bonds on December 3, 2019, using a yield of 1.291924%, is equal to the issue price of the 2019/2020 Bonds.



## **Appendix I**

**Applicable Schedules Provided by  
RBC Capital Markets, LLC**

## SOURCES AND USES OF FUNDS

### Pennsylvania Intergovernmental Cooperation Authority Current Refunding of 2009 and Forward Refunding of 2010

Sources:	Refunding of 2009 Bonds	Forward Refunding of 2010 Bonds	Total
<b>Bond Proceeds:</b>			
Par Amount	31,085,000.00	24,990,000.00	56,075,000.00
Premium	2,933,977.30	1,561,626.90	4,495,604.20
	<u>34,018,977.30</u>	<u>26,551,626.90</u>	<u>60,570,604.20</u>
<b>Other Sources of Funds:</b>			
DSRF Release	38,683,188.06	273,735.04	38,956,923.10
PICA 2009 Sinking Fund	11,541,425.00		11,541,425.00
PICA 2010 Sinking Fund		439,250.00	439,250.00
	<u>50,224,613.06</u>	<u>712,985.04</u>	<u>50,937,598.10</u>
	<u>84,243,590.36</u>	<u>27,264,611.94</u>	<u>111,508,202.30</u>
<hr/>			
Uses:	Refunding of 2009 Bonds	Forward Refunding of 2010 Bonds	Total
<b>Refunding Escrow Deposits:</b>			
Cash Deposit	83,815,996.67	27,013,875.00	110,829,871.67
<b>Delivery Date Expenses:</b>			
Cost of Issuance	301,875.00	167,375.00	469,250.00
Underwriter's Discount	120,965.73	82,247.43	203,213.16
	<u>422,840.73</u>	<u>249,622.43</u>	<u>672,463.16</u>
<b>Other Uses of Funds:</b>			
Additional Proceeds	4,752.96	1,114.51	5,867.47
	<u>84,243,590.36</u>	<u>27,264,611.94</u>	<u>111,508,202.30</u>

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ESCROW SUFFICIENCY

Pennsylvania Intergovernmental Cooperation Authority  
Current Refunding of 2009 and Forward Refunding of 2010

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
12/03/2019	83,815,996.67	83,815,996.67		
03/17/2020		27,013,875.00	27,013,875.00	27,013,875.00
06/15/2020	27,013,875.00		-27,013,875.00	
	110,829,871.67	110,829,871.67	0.00	

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## ESCROW REQUIREMENTS

Pennsylvania Intergovernmental Cooperation Authority  
Current Refunding of 2009 and Forward Refunding of 2010

Period Ending	Interest	Principal Redeemed	Total
12/03/2019	1,895,996.67	81,920,000.00	83,815,996.67
06/15/2020	658,875.00	26,355,000.00	27,013,875.00
	2,554,871.67	108,275,000.00	110,829,871.67

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SUMMARY OF BONDS REFUNDED

Pennsylvania Intergovernmental Cooperation Authority  
Current Refunding of 2009 and Forward Refunding of 2010

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Special Tax Revenue Refunding Bonds Series of 2009, 2009:					
SERIAL	06/15/2020	5.000%	19,020,000.00	12/03/2019	100.000
	06/15/2021	4.000%	1,965,000.00	12/03/2019	100.000
	06/15/2021	5.000%	18,000,000.00	12/03/2019	100.000
	06/15/2022	5.000%	20,945,000.00	12/03/2019	100.000
	06/15/2023	4.250%	1,800,000.00	12/03/2019	100.000
	06/15/2023	5.000%	20,190,000.00	12/03/2019	100.000
			81,920,000.00		
Special Tax Revenue Refunding Bonds of 2010, 2010:					
SERIAL	06/15/2021	5.000%	12,925,000.00	06/15/2020	100.000
	06/15/2022	5.000%	13,430,000.00	06/15/2020	100.000
			26,355,000.00		
			108,275,000.00		

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BOND DEBT SERVICE

Pennsylvania Intergovernmental Cooperation Authority  
Current Refunding of 2009 and Forward Refunding of 2010

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/15/2020			1,134,366.66	1,134,366.66	
06/30/2020					1,134,366.66
12/15/2020			1,401,875.00	1,401,875.00	
06/15/2021	22,120,000	5.000%	1,401,875.00	23,521,875.00	
06/30/2021					24,923,750.00
12/15/2021			848,875.00	848,875.00	
06/15/2022	23,085,000	5.000%	848,875.00	23,933,875.00	
06/30/2022					24,782,750.00
12/15/2022			271,750.00	271,750.00	
06/15/2023	10,870,000	5.000%	271,750.00	11,141,750.00	
06/30/2023					11,413,500.00
	56,075,000		6,179,366.66	62,254,366.66	62,254,366.66

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# BOND SUMMARY STATISTICS

## Pennsylvania Intergovernmental Cooperation Authority Current Refunding of 2009 and Forward Refunding of 2010

Earliest Dated Date	12/03/2019
Earliest Delivery Date	12/03/2019
Last Maturity	06/15/2023
Arbitrage Yield	1.291924%
True Interest Cost (TIC)	1.451183%
Net Interest Cost (NIC)	1.442568%
All-In TIC	1.821863%
Average Coupon	4.724046%
Average Life (years)	2.333
Weighted Average Maturity (years)	2.226
Par Amount	56,075,000.00
Bond Proceeds	60,570,604.20
Total Interest	6,179,366.66
Net Interest	1,886,975.62
Total Debt Service	62,254,366.66
Maximum Annual Debt Service	24,923,750.00
Average Annual Debt Service	17,619,160.38
Underwriter's Fees (per \$1000)	
Average Takedown	2.000000
Other Fee	1.623953
Total Underwriter's Discount	3.623953
Bid Price	107.654732

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial Bonds	56,075,000.00	108.017	5.000%	2.204	12,690.90
	56,075,000.00			2.204	12,690.90

	TIC	All-In TIC	Arbitrage Yield
Par Value	56,075,000.00	56,075,000.00	56,075,000.00
+ Accrued Interest			
+ Premium (Discount)	4,495,604.20	4,495,604.20	4,495,604.20
- Underwriter's Discount	-203,213.16	-203,213.16	
- Cost of Issuance Expense		-469,250.00	
- Other Amounts			
Target Value	60,367,391.04	59,898,141.04	60,570,604.20
Target Date	Multiple	Multiple	Multiple
Yield	1.451183%	1.821863%	1.291924%

# BOND PRICING

Pennsylvania Intergovernmental Cooperation Authority  
Current Refunding of 2009 and Forward Refunding of 2010

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds, 12/03/2019:					
	06/15/2021	9,860,000	5.000%	1.230%	105.708
	06/15/2022	10,355,000	5.000%	1.230%	109.374
	06/15/2023	10,870,000	5.000%	1.260%	112.884
		31,085,000			
Serial Bonds, 03/17/2020:					
	06/15/2021	12,260,000	5.000%	1.370%	104.461
	06/15/2022	12,730,000	5.000%	1.380%	107.971
		24,990,000			
		56,075,000			

Dated Date	12/03/2019	
Delivery Date	12/03/2019	
First Coupon	06/15/2020	
Par Amount	56,075,000.00	
Premium	4,495,604.20	
Production	60,570,604.20	108.017127%
Underwriter's Discount	-203,213.16	-0.362395%
Purchase Price	60,367,391.04	107.654732%
Accrued Interest		
Net Proceeds	60,367,391.04	