PRELIMINARY OFFICIAL STATEMENT DATED JUNE 5, 2003.

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION AND AMENDMENT. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful under the law of such jurisdiction.

NEW ISSUE – BOOK ENTRY ONLY **Ratings: See "Ratings" herein**

In the opinion of Bond Counsel, under existing law, and subject to continuing compliance by the Authority with certain covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2003 Bonds is excluded from gross income for Federal income tax purposes and is not an item of tax preference for purposes of Federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as corporations are defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. The 2003 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2003 Bonds is exempt from Pennsylvania corporate net income tax and from personal income taxation by the Commonwealth of Pennsylvania (See "TAX EXEMPTION" herein).

$165,895,000*
PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 2003

Dated: June 16, 2003 **Due: June 15, 2022**

The 2003 Bonds are being issued pursuant to an Amended and Restated Indenture of Trust (the "1994 Indenture"), between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"), as a public authority and instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth"), and Wachovia Bank, National Association, Philadelphia, Pennsylvania (successor in interest to Meridian Bank), as trustee (the "Trustee"), as amended and supplemented by three supplements thereto (as so amended and supplemented, the "Indenture"), between the Authority and the Trustee. The 2003 Bonds will initially bear interest at a Variable Rate for a Weekly Rate Period. The interest rate on the 2003 Bonds may thereafter be converted to another Variable Rate, a Flexible Rate or a Fixed Rate. The 2003 Bonds are issuable only as fully registered bonds, without coupons, in the denominations of $100,000 and integral multiples of $5,000 in excess thereof while bearing interest at a Variable Rate. The Interest Payment Dates for interest accruing on the 2003 Bonds during a Daily Rate Period or a Weekly Rate Period is the fifteenth day of each month and the Regular Record Date therefor is the close of business on the Business Day preceding such Interest Payment Date. Interest on the 2003 Bonds is payable, by check or draft mailed or under certain conditions by wire transfer, to the persons in whose names the 2003 Bonds are registered at the close of business on the Regular Record Date. The principal of, and redemption premium, if any, on the 2003 Bonds will be payable at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

Any 2003 Bond bearing interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period that is tendered or deemed tendered for purchase and not remarketed by the purchase date will be purchased (subject to certain conditions described herein) pursuant to a Standby Bond Purchase Agreement by JPMorgan Chase Bank.

JPMorgan

The 2003 Bonds are subject to optional and mandatory tender and optional and mandatory sinking fund redemption prior to maturity as described herein. The 2003 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 2003 Bonds, together with the other available funds of the Authority, will be used to (i) currently refund the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993A maturing on and after June 15, 2004 in the aggregate principal amount of $163,185,000, and (ii) pay the costs of issuing the 2003 Bonds. See "PLAN OF FINANCE" herein.

The 2003 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 2003 Bonds. Purchases of beneficial ownership interests in the 2003 Bonds will be made in book-entry-only form. So long as DTC or its nominee, Cede & Co., is the registered owner, principal of, redemption premium, if any, and interest on, and purchase price of, the 2003 Bonds is payable directly to Cede & Co., for redistribution to DTC Participants and in turn to the beneficial owners as described herein. Purchasers of 2003 Bonds will not receive physical delivery of certificates representing their ownership interests in the 2003 Bonds. See "THE 2003 BONDS—Book-Entry-Only System" herein.

THE 2003 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY ISSUED PURSUANT TO THE ACT AND THE INDENTURE AND ARE PAYABLE SOLELY FROM REVENUES OF THE AUTHORITY DERIVED FROM (i) A ONE AND ONE-HALF PERCENT (1.5%) TAX ON THE SALARIES, WAGES, COMMISSIONS AND OTHER COMPENSATION EARNED BY RESIDENTS OF THE CITY OF PHILADELPHIA (THE "CITY") AND ON NET PROFITS EARNED IN BUSINESS, PROFESSIONS AND OTHER ACTIVITIES CONDUCTED BY RESIDENTS OF THE CITY, WHICH TAX IS IMPOSED BY THE CITY PURSUANT TO THE ACT AND AN ORDINANCE ADOPTED BY THE COUNCIL OF THE CITY OF PHILADELPHIA AND APPROVED BY THE MAYOR EXCLUSIVELY FOR THE PURPOSES OF THE AUTHORITY, AND (ii) CERTAIN MONEYS AND SECURITIES, AND INVESTMENT EARNINGS THEREON, HELD BY THE TRUSTEE IN CERTAIN FUNDS ESTABLISHED UNDER THE INDENTURE. THE ACT PROVIDES THAT THE REVENUES FROM THE FOREGOING TAX ARE THE REVENUES AND PROPERTY OF THE AUTHORITY AND ARE NOT THE REVENUES AND PROPERTY OF THE CITY. SEE "SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS" HEREIN.

In addition, payment of the principal of and interest on the 2003 Bonds will be insured by an insurance policy to be issued simultaneously with the delivery of the 2003 Bonds by Ambac Assurance Corporation.

Ambac

NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2003 BONDS. THE 2003 BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, AND NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS LIABLE FOR THE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR THE PURCHASE PRICE OF THE 2003 BONDS. THE AUTHORITY HAS NO TAXING POWER.

The 2003 Bonds are offered when, as and if issued by the Authority and delivered to and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the receipt of the approving opinion of Klett Rooney Lieber & Schorling, A Professional Corporation, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by Reed Smith LLP, Philadelphia, Pennsylvania, General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by Dilworth Paxson LLP and Obermayer Rebmann Maxwell & Hippel LLP, both of Philadelphia, Pennsylvania, co-counsel to the Underwriters. Certain legal matters will be passed upon for the City by the Office of the City Solicitor and by Blank Rome LLP, Philadelphia, Pennsylvania, special counsel to the City. It is anticipated that the 2003 Bonds in definitive form will be available for delivery to DTC in New York, on or about June 16, 2003.

Raymond James & Associates, Inc.

Arthurs, Lestrange & Company, Inc. **Commerce Capital Markets, Inc.**

RBC Dain Rauscher **UBS PaineWebber Inc.**

This Official Statement is dated June __, 2003.

* Preliminary

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2003 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2003 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE OF THE OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement does not constitute an offer to sell the 2003 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by the Authority, the City of Philadelphia or the Underwriters to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the 2003 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the 2003 Bonds. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been provided by the Authority, the City of Philadelphia, Ambac Assurance Corporation, JPMorgan Chase Bank and by other sources which the Authority believes are reliable, but it is not guaranteed as to its accuracy or completeness, and it not to be construed as a representation by the Underwriters or, as to information provided by sources other than the Authority, by the Authority. The Underwriters have provided the following sentence for inclusion in this Official Statement. 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. No representation, warranty or guarantee is made by the Financial Advisors as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Authority, the City, the Underwriters or the Financial Advisors.

This Official Statement contains forecasts, projections and estimates by the City of Philadelphia that are based on current expectations or assumptions. In light of the important factors that may materially affect the amount of Authority Tax received, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Authority or the City of Philadelphia that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the amount of Authority Tax received include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the Authority and the City. These forward-looking statements include, but are not limited to, certain statements contained in the information contained under the captions "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX" and such statements speak only as of the date of this Official Statement. The Authority and the City disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority's or the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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

The 2003 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2003 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
1429 Walnut Street, 14th Floor, Philadelphia, Pennsylvania 19102
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Email: pica@picapa.org

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OFFICIAL STATEMENT

Relating to

$165,895,000*

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 2003

INTRODUCTION

General

This Official Statement, including the cover page, table of contents and the attached appendices, sets forth information with respect to the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of $165,895,000* aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds"). This introduction is a brief description of certain matters described in this Official Statement and is qualified by reference to the entire Official Statement. Persons considering the purchase of any of the 2003 Bonds should read this Official Statement, including the cover page, tables and all appendices, in its entirety. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the respective meanings set forth in APPENDIX C hereto or in the Indenture (as defined herein).

The Authority

The Authority, a body corporate and politic, was organized and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (the "Act"). Pursuant to the Act, the Authority was established to provide financial assistance to cities of the first class in the Commonwealth of Pennsylvania (the "Commonwealth"). The City of Philadelphia (the "City") currently is the only city of the first class in the Commonwealth. See "THE AUTHORITY" herein.

The Act provides that, upon the request by the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain financial and oversight functions. First, the Authority shall have the power, subject to satisfaction of certain requirements in the Act, to provide financial assistance to the City. Second, the Authority also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify noncompliance by the City with its then-existing five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth).

Under the Act, the Authority is no longer permitted to issue bonds for the purpose of financing a capital project of the City or a deficit of the City, including a cash flow deficit. The Authority does, however, have the power to issue bonds to refund outstanding bonds issued under the Act.

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* Preliminary

Authority's Outstanding Indebtedness

The Authority has previously issued six Series of Bonds. Three Series of Bonds remain Outstanding: Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") issued in the original aggregate principal amount of $178,675,000, of which $163,185,000 will be Outstanding on the date of issuance of the 2003 Bonds; Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 issued in the original aggregate principal amount of $343,030,000 (the "1996 Bonds"), of which $105,070,000 are currently Outstanding, and Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 issued in the original aggregate principal amount of $610,005,900, of which $567,325,000 are currently Outstanding. Three series of bonds, Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") in the original aggregate principal amount of $474,555,000, Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds") in the original aggregate principal amount of $643,430,000, and Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") in the original aggregate principal amount of $122,020,000, are no longer Outstanding.

The 1992 Bonds were issued to provide funds to make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit and the projected Fiscal Year 1992 and 1993 General Fund deficits of the City, fund the costs of certain capital projects to be undertaken by the City and provide other financial assistance to the City to enhance productivity in the operation of City government. The 1993 Bonds were issued to provide funds to make grants to the City to (i) pay the costs of certain capital projects to be undertaken by the City, (ii) pay the costs of certain capital improvements to the City's criminal justice and correctional facilities, and (iii) provide for the defeasance of certain general obligation bonds of the City. The 1993A Bonds were issued to provide funds to advance refund a portion of the 1992 Bonds, in the aggregate principal amount of $136,670,000. The 1994 Bonds were issued to provide funds to make grants to the City to pay the costs of certain capital projects to be undertaken by the City. The 1996 Bonds were issued to provide funds to advance refund the Outstanding 1992 Bonds and the Outstanding 1994 Bonds. The 1999 Bonds were issued to provide funds to advance refund the Outstanding 1993 Bonds. The proceeds of the 2003 Bonds will be applied to the current refunding of the 1993A Bonds.

Since the issuance of the 1992 Bonds in June, 1992, the Authority has devoted its primary attention to the assessment, approval and oversight of each of the City's five-year financial plans prepared in accordance with the requirements of the Act (each, a "Financial Plan"), the City's compliance therewith, the evaluation of City financial reporting, the analysis of City financial and budgetary practices and programs and the oversight of the expenditures of funds for the capital projects and productivity enhancements for which the Authority has made grants to the City with a portion of the proceeds from the sale of the 1992 Bonds, the 1993 Bonds and the 1994 Bonds. See "THE AUTHORITY - Operating History" herein.

Authorization to Issue the 2003 Bonds

The Authority is authorized to issue and sell the 2003 Bonds pursuant to the provisions of the Act and pursuant to a resolution of the Authority adopted March 25, 2003. The 2003 Bonds will be issued pursuant to and secured under an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture"), between the Authority and Wachovia Bank, National Association (successor in interest to Meridian Bank), as trustee (the "Trustee"), as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplement"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplement") and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement" and, together with the Amended and Restated Indenture, the First Supplement and the Second Supplement, the "Indenture"). The Amended and Restated Indenture amended and restated an Indenture of Trust dated as of June 1, 1992, as amended and supplemented (the "Original Indenture") between the Authority and Meridian Bank (successor trustee by assignment from CoreStates Bank, N.A., the initial trustee). For a summary of certain provisions of the Indenture, see "APPENDIX C - DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" hereto.

The 1992 Bonds, the 1993 Bonds and the 1993A Bonds were issued pursuant to the Original Indenture. The 1994 Bonds, the 1996 Bonds and the 1999 Bonds were issued pursuant to the Amended and Restated Indenture. The Indenture provides that the 1996 Bonds, the 1999 Bonds, the 2003 Bonds and any Additional Bonds issued pursuant thereto (sometimes referred to herein collectively as, the "Bonds") are to be equally and ratably secured under the Indenture (except as otherwise described herein and in the Indenture). For a discussion of the issuance by the Authority of additional bonds, including Additional Bonds issued under the Indenture, and the limitations on such issuance, see "SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS - Additional Bonds" herein.

Plan of Finance

The proceeds from the sale of the 2003 Bonds will be used to (i) currently refund the 1993A Bonds maturing on and after June 15, 2004 in the aggregate principal amount of $163,185,000, and (ii) pay the costs of issuing the 2003 Bonds. See "PLAN OF FINANCE" herein.

Financial Condition of the City

The City has reported that it ended Fiscal Year 2002 on June 30, 2002 with a General Fund balance of $139.0 million, a decrease of $91.0 million from the Fiscal Year 2001 year-end General Fund balance. No deficit elimination grants from the Authority were made during Fiscal Years 1993 through 2002. The City's Fiscal Year 2003 General Fund Budget was adopted by City Council on May 2, 2002 and approved by the Mayor on May 15, 2002 and the City's Five Year Plan for the fiscal years ending June 30, 2003 through June 30, 2007 was approved by resolution of City Council on May 2, 2002. The Authority approved the City's Fiscal Year 2003 General Fund budget on June 18, 2002. The Fiscal Year 2003 General Fund Budget was adopted by Philadelphia City Council and approved by the Mayor without a grant from the Authority. The City's Fiscal Year 2004 budget was approved by City Council on May 29, 2003 and does not anticipate a grant from the Authority for Fiscal Year 2004. For additional information regarding the City's financial condition, see "APPENDIX B — CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" hereto.

Although the 2003 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 2003 Bonds. Further, economic and demographic conditions in the City may affect the levels of collections of the Authority Tax (as defined herein). See "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX" herein. For a more detailed discussion of the City's financial affairs, see "APPENDIX B — CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" hereto.

Description of the 2003 Bonds

The 2003 Bonds will be issued as fully registered bonds, without coupons, will be dated June 16, 2003, and will mature on June 15, 2022. The 2003 Bonds are subject to optional and mandatory redemption prior to scheduled maturity as described herein. See "THE 2003 BONDS—Optional Redemption" and "THE 2003 BONDS—Mandatory Sinking Fund Redemption" herein. The 2003 Bonds may bear interest at (i) a Variable Rate, with a Daily Rate Period, a Weekly Rate Period or a Term Rate Period, (ii) a Flexible Rate, or (iii) the Fixed Rate. The 2003 Bonds will initially bear interest at a Variable Rate with a Weekly Rate Period until converted to another Rate Period. The 2003 Bonds will continue to bear interest from the date of their initial delivery at a Variable Rate for a Weekly Rate Period, as determined from time to time by the Remarketing Agent as described herein until the Conversion Date, as described in the Third Supplement. The 2003 Bonds will be issuable in authorized denominations; the authorized denominations for 2003 Bonds during any Daily Rate Period or Weekly Rate Period are $100,000 and any whole multiple of $5,000 in excess thereof. THE BONDS OF THE AUTHORITY WHICH ARE OUTSTANDING UNDER THE INDENTURE, INCLUDING THE 2003 BONDS, ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT.

The Interest Payment Date for interest accrued on the 2003 Bonds during a Daily Rate Period or a Weekly Rate Period is the fifteenth day (or the next succeeding Business Day if the fifteenth day is not a Business Day) of each calendar month and the Regular Record Date therefor is the close of business on the Business Day preceding such Interest Payment Date.

The principal of 2003 Bonds during a Daily Rate Period or a Weekly Rate Period 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 Wachovia Bank, National Association , as tender agent (the "Tender Agent").

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 Trustee as bond registrar on the Record Date. Interest on the 2003 Bonds shall, except as hereinafter provided, be paid during a Daily Rate Period or a Weekly Rate Period, (i) 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) 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; or (iii) on or prior to the Fixed Rate Conversion Date, in such other fashion as is agreed upon between the registered owner and the Tender Agent, including, without limitation, by wire transfer upon such prior notice as may be satisfactory to the Tender Agent.

The 2003 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 2003 Bonds. See "THE 2003 BONDS – Book-Entry-Only System" herein.

The 2003 Bonds are subject to optional and mandatory tender as described herein. The obligation to purchase 2003 Bonds will be funded from the proceeds of the remarketing of such 2003 Bonds by Raymond James & Associates, Inc., as remarketing agent (the “Remarketing Agent”) and, except under certain circumstances described herein, purchases of 2003 Bonds under a standby bond purchase agreement dated as of June 1, 2003 (the “Standby Agreement”) provided in respect of the 2003 Bonds by JPMorgan Chase Bank (the “Bank”). The obligation of the Authority to pay the purchase price of any 2003 Bonds upon optional or mandatory tender is limited to proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent and to moneys provided under the Standby Agreement.

Sources of Payment and Security for the 2003 Bonds

The 2003 Bonds are limited obligations of the Authority and the principal of, redemption premium, if any, and interest on, and purchase price upon tender of, the 2003 Bonds are payable, together with the 1996 Bonds, the 1999 Bonds and any Additional Bonds issued pursuant to the Indenture, solely from (i) the revenues pledged and assigned by the Authority for such payment under the Indenture, including revenues received by the Authority from a one and one-half percent (1.5%) tax (the "Authority Tax") imposed by the City, pursuant to the Act and an ordinance adopted by City Council and approved by the Mayor on June 12, 1991 (Bill No. 1437, effective July 1, 1991) (the "Authority Tax Ordinance"), exclusively for the purposes of the Authority, on the salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City, and (ii) certain moneys and securities and investment earnings thereon, together with a Debt Service Reserve Fund Policy (described herein), all held by the Trustee in certain funds established under the Indenture. In connection with the enactment of the Authority Tax Ordinance and the adoption of the Fiscal Year 1992 operating budget of the City, the City enacted an ordinance reducing the rate of the City's tax on the salaries, wages, commissions and other compensation earned by, and net profits earned in business, professions and other activities conducted by, City residents by one and one-half percent (1.5%).

The Act provides that the Commonwealth will not reduce, and will not authorize any government agency levying such tax to reduce, the rate of any tax, including the Authority Tax, imposed exclusively for the purposes of the Authority and pledged by the Authority as security for the payment of principal of, and interest on, bonds issued by the Authority, including without limitation the 2003 Bonds, until all of the principal of, and interest on, the bonds so secured is paid in full or provided for. The Authority Tax presently is the only tax imposed exclusively for the purposes of the Authority and pledged by the Authority as security for the payment of its bonds.

The Act prohibits the City from reducing the rate of the Authority Tax or repealing the Authority Tax Ordinance while bonds of the Authority secured by the Authority's pledge of the Authority Tax are outstanding. The City, as required by the Act, has pledged and agreed in the Authority Tax Ordinance with each and every obligee of the Authority secured by an Authority pledge of the Authority Tax that the City will not reduce the rate of, or repeal, the Authority Tax until the principal of, and interest on, all bonds so secured are paid in full or provision for such payment is made. In an Intergovernmental Cooperation Agreement, dated January 8, 1992 (the "Cooperation Agreement"), between the Authority and the City, the City has made a similar pledge to, and agreement with, the Authority and its obligees.

The Act requires that the Authority Tax be collected by the Department of Revenue of the Commonwealth (the "Pennsylvania Revenue Department") for deposit in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund (the "PICA Tax Fund") established under the Act and held by the Treasurer of the Commonwealth (the "State Treasurer"), as custodian. The State Treasurer is required by the Act to transfer all amounts in the PICA Tax Fund at least weekly to or upon the order of the Authority. Concurrently with the issuance of the 1992 Bonds, the Authority directed the State Treasurer to transfer all such amounts to the Trustee for deposit in the Revenue Fund established under the Indenture in accordance with the requirements of the Act and for so long as any 1992 Bonds are Outstanding under the Indenture. Similar instructions were given in connection with the issuance of the 1993 Bonds, the 1993A

Bonds, the 1994 Bonds, the 1996 Bonds and the 1999 Bonds. In connection with the issuance of the 2003 Bonds, similar instructions will be given relating to the 1996 Bonds, the 1999 Bonds and the 2003 Bonds so long as any of such bonds are Outstanding under the Indenture. The Act authorizes the Pennsylvania Revenue Department to appoint agents for the collection and enforcement of the Authority Tax. Pursuant to such authority, a letter dated June 28, 1991 from the Pennsylvania Revenue Department and the Pennsylvania Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement, dated as of June 1, 1992 (the "Tax Collection Agreement"), by and between the Commonwealth and the City, the Revenue Department of the City ("City Revenue Department") and the Law Department of the City have been appointed agents of the Pennsylvania Revenue Department for the collection and enforcement of the Authority Tax. The procedures for the collection and transfer of the Authority Tax are prescribed in the Act and are further delineated in the Authority Tax Ordinance and the Tax Collection Agreement.

NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2003 BONDS. THE 2003 BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, AND NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS LIABLE FOR THE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2003 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Additional Bonds

The Authority has the power under the Act, and subject to the limitations set forth therein, to issue additional bonds for various purposes. Under the Act as currently in effect, however, the Authority may only issue refunding bonds. Subject to the terms of the Act and the Indenture, such additional bonds may be issued by the Authority under the Indenture on a parity with the 1996 Bonds, the 1999 Bonds and the 2003 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 2003 BONDS - Additional Bonds" herein.

Bond Insurance

Payment of the principal of and interest on the 2003 Bonds will be insured in accordance with the terms of a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") to be issued by Ambac Assurance Corporation (“Ambac Assurance ") simultaneously with the issuance and delivery of the 2003 Bonds. See "BOND INSURANCE" herein and a specimen copy of the Financial Guaranty Insurance Policy in APPENDIX E hereto.

Miscellaneous

Brief descriptions of the Act, the Authority, the 2003 Bonds, the Indenture, the Cooperation Agreement, the Tax Collection Agreement, the Authority Tax Ordinance, the Standby Agreement and the Financial Guaranty Insurance Policy are included in this Official Statement. The summaries of the Act and of other documents contained herein do not purport to be complete, comprehensive or definitive and are qualified in their entireties by reference to the entire text of the Act and such documents, and the description herein of the 2003 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 Standby Agreement and the Tax Collection Agreement may be obtained from the Authority and, after initial delivery of the 2003 Bonds, at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

Certain information concerning the City has been furnished by the City and is included as APPENDIX B hereto. THE AUTHORITY MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION INCLUDED AS APPENDIX B HERETO.

Certain information concerning Ambac Assurance and the Financial Guaranty Insurance Policy has been furnished by Ambac Assurance and is included under the caption "BOND INSURANCE" herein. A specimen copy of the Financial Guaranty Insurance Policy has been furnished by Ambac Assurance and is included as APPENDIX E hereto. THE AUTHORITY MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION FURNISHED BY AMBAC ASSURANCE INCLUDED HEREIN OR OF THE SPECIMEN COPY OF THE FINANCIAL GUARANTY INSURANCE POLICY FURNISHED BY AMBAC ASSURANCE INCLUDED AS APPENDIX E HERETO.

This Official Statement, including the appendices (except APPENDIX A, consisting of the audited financial statements of the Authority, which speak as of June 30, 2002), speaks only as of the date of this Official Statement printed on the cover hereof. The information contained herein is subject to change.

PLAN OF FINANCE

General

In December, 2001, the Authority and JPMorgan Chase Bank (in this capacity, the "Swap Counterparty") entered into an interest rate swap transaction dated December 6, 2001 (the "1993A Bonds Swaption") with respect to the 1993A Bonds as a means of effecting a synthetic refunding of the 1993A Bonds. Under the 1993A Bonds Swaption, the Swap Counterparty made a payment to the Authority on the date of execution of the 1993A Bonds Swaption in exchange for an option to cause the Authority to enter into an interest rate exchange or swap transaction (the "Swap") with the Swap Counterparty. The Swap Counterparty has given notice to the Authority that it intends to exercise its option on June 16, 2003. The terms of the Swap require the payment (i) by the Swap Counterparty to the Authority of an amount (the "Floating Rate Amount") on the 15th day of each month, commencing July 15, 2003, equal to the interest payable on the agreed upon principal amount (the "Notional Amount") computed on the basis of a floating rate equal to 67% of one month LIBOR and (ii) by the Authority to the Swap Counterparty of an amount (the "Fixed Rate Amount") on each June 15 and December 15, commencing December 15, 2003, equal to the interest payable on the Notional Amount computed on the basis of a fixed rate essentially equal to the fixed rates payable on the 1993A Bonds. The Notional Amount on which such Floating Rate Amount and Fixed Rate Amount is computed is initially equal to $163,185,000 and declines on June 15 of each year, commencing June 15, 2004, through its termination date of June 15, 2022. See "CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY" herein for a discussion of the interest rate "swaption" transactions entered into by the Authority, including the 1993A Bonds Swaption.)

The Swap Counterparty has given notice to the Authority that it intends to exercise its option on June 16, 2003. As a result of the Swap Counterparty's election to exercise its option to cause the Authority to enter into the Swap, the Authority has determined to issue the 2003 Bonds. The proceeds from the sale of the 2003 Bonds will be used to (i) provide for the current refunding of all of the Outstanding 1993A Bonds maturing after June 15, 2003, in the aggregate principal amount of $163,185,000 (the "Refunded 1993A Bonds"), and (ii) pay the costs of issuing the 2003 Bonds.

A portion of the net proceeds of the sale of the 2003 Bonds shall be held by the Trustee in a separate account in the Bond Redemption Fund and immediately applied to the payment of the redemption price of the Refunded 1993A Bonds which have been called for redemption on June 15, 2003, at a redemption price of 100% of the principal of the Refunded 1993A Bonds then Outstanding, plus accrued interest to the redemption date. In accordance with the Indenture, as June 15, 2003 is not a business day, payment of the redemption price of the 1993A Bonds will be made on June 16, 2003. Upon deposit of the necessary funds with the Trustee, the Refunded 1993A Bonds will no longer be deemed to be Outstanding under the Indenture.

Estimated Sources and Uses

The estimated sources and uses of funds relating to the 2003 Bonds are as follows:

Sources of Funds:	
Principal Amount of 2003 Bonds	$__________
Uses of Funds:	
Current Refunding of 1993A Bonds	$163,185,000
Costs of Issuance*	__________
Total	$

*Includes legal, accounting, financial advisory and liquidity facility fees and expenses, printing, bond insurance premium, rating fees, underwriters' fee, contingency and miscellaneous fees and expenses.

THE 2003 BONDS

General

The 2003 Bonds are being issued in the principal amount and are stated to mature on the date shown on the cover of this Official Statement. The 2003 Bonds may bear interest at (i) a Variable Rate, with a Daily Rate Period, a Weekly Rate Period or a Term Rate Period, (ii) a Flexible Rate, or (iii) the Fixed Rate. The 2003 Bonds will initially bear interest at a Variable Rate with a Weekly Rate Period until converted to another Rate Period. The 2003 Bonds will continue to bear interest from the date of their initial delivery at a Variable Rate for a Weekly Rate Period, as determined from time to time by the Remarketing Agent as described herein until the Conversion Date, as described in the Third Supplement.

The following is a summary of certain provisions of the 2003 Bonds while such Bonds bear interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period. Reference is made to the 2003 Bonds and to the Third Supplement for the detailed provisions of the 2003 Bonds, including provisions relating to the Flexible Rate Period, the Term Rate Period and the Fixed Rate Period.

The Authority anticipates that a remarketing memorandum or other new or supplemental disclosure document will be prepared in the event the 2003 Bonds are converted to bear interest at the Flexible Rate or the Fixed Rate, or to a Variable Rate for a Term Rate Period.

The 2003 Bonds will be issuable in fully registered form, without coupons, in the authorized denominations for each Interest Rate Period. The authorized denomination for 2003 Bonds is $100,000 and any whole multiple of $5,000 in excess thereof during any Daily Rate Period or Weekly Rate Period.

The Interest Payment Date for interest accrued on the 2003 Bonds during a Daily Rate Period or a Weekly Rate Period is the fifteenth day (or the next succeeding Business Day if the fifteenth day is not a Business Day) of each calendar month and the Regular Record Date therefor is the close of business on the Business Day preceding such Interest Payment Date.

The principal of and premium, if any, on 2003 Bonds during a Daily Rate Period or a Weekly Rate Period 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. Payment of principal of any 2003 Bond shall be made to any owner of $1,000,000 or more in aggregate principal amount of 2003 Bonds by wire transfer to such owner on the principal payment date for said 2003 Bonds upon written notice from such owner containing the wire transfer address within the continental United States to which such owner wishes to have such wire directed, which written notice is received not later than the tenth (10th) day next preceding the principal payment or maturity date applicable to such 2003 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2003 Bonds at the designated office of the Trustee or Tender Agent, as applicable, on the principal payment date.

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 Trustee as bond registrar on the Record Date. Interest on the 2003 Bonds shall, except as hereinafter provided, be paid during a Daily Rate Period or a Weekly Rate Period, (i) 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) 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; or (iii) on or prior to the Fixed Rate Conversion Date, in such other fashion as is agreed upon between the registered owner and the Tender Agent, including, without limitation, by wire transfer upon such prior notice as may be satisfactory to the Tender Agent.

Under certain circumstances as described herein, the beneficial owner of a 2003 Bond bearing interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period will have the right to tender to the Tender Agent a 2003 Bond (or any portion thereof in an Authorized Denomination) for purchase at a price (the "Tender Price") equal to 100% of the principal amount thereof, plus accrued interest. Payment for 2003 Bonds so tendered is required to be made in immediately available funds on the purchase date specified by the owner if the notice and tender requirements described herein and as set forth in the Third Supplement have been strictly complied with. Subject to the provisions described below under "THE 2003 BONDS - Purchase of Tendered Bonds - Optional Tender," notices of tender are to be delivered to the Tender Agent by the beneficial owner.

Raymond James & Associates, Inc. has been appointed Remarketing Agent for the 2003 Bonds. The Remarketing Agent is to remarket 2003 Bonds tendered for purchase and is to perform certain rate-setting functions in connection with the 2003 Bonds as described herein under "THE 2003 BONDS—Remarketing" pursuant to a Remarketing Agreement to be dated June 16, 2003 (the "Remarketing Agreement"), between the Authority and the Remarketing Agent. See "THE 2003 BONDS—Remarketing."

Wachovia Bank, National Association has been appointed Tender Agent for the 2003 Bonds. The Tender Agent shall perform those functions with respect to the 2003 Bonds related to the registration of transfers and exchanges, tenders, redemption, notices and purchases thereof and payments thereon prior to the commencement of a Fixed Rate Period.

DTC will serve as securities depository under a book-entry-only system for the 2003 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 2003 Bonds) will be applicable to the 2003 Bonds. If such system is discontinued, the provisions described under "Discontinuance of Book-Entry-Only System" below will be applicable.

So long as DTC, or its partnership nominee, Cede & Co., is the registered owner of the 2003 Bonds, payments of the principal of and interest on the 2003 Bonds, and payments of the purchase price of any 2003 Bonds subject to optional or mandatory tender, are to be made by the Tender Agent 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 2003 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM " below.

THE 2003 BONDS ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT

Interest

General. Upon initial issuance, and until a Conversion Date, the 2003 Bonds will bear interest at a Variable Rate for a Weekly Rate Period. During Daily Rate Periods and Weekly Rate Periods, the Remarketing Agent shall determine the interest rate as described below. The 2003 Bonds may be converted from one Variable Rate Period to another, from a Term Rate Period of one length to a Term Rate Period of a different length, to a Flexible Rate Period or to a Fixed Rate Period, as elected by the Authority, following which the 2003 Bonds will bear interest at the interest rate determined by the Remarketing Agent for the new Rate Period. Such conversion will result in the mandatory tender for purchase of the 2003 Bonds as described below under "Purchase of Tendered 2003 Bonds - Mandatory Tender." When 2003 Bonds bear interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period, interest will be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed.

Determination of interest rates when the 2003 Bonds bear interest at the Flexible Rate, the Fixed Rate or at a Variable Rate during a Term Rate Period are described in the Third Supplement.

Weekly Rate. When the 2003 Bonds bear interest at a Variable Rate during a Weekly Rate Period, the interest rate on the 2003 Bonds for a particular Weekly Rate Period shall be the rate established by the Remarketing Agent no later than 10:00 a.m. on the commencement date of such Weekly Rate Period, or, if such preceding day is not a Business Day, on the preceding Business Day. The initial Weekly Rate for the 2003 Bonds will be established not later than the date preceding the date they are issued and delivered. The initial Weekly Rate Period shall commence on the date of issuance and delivery of the 2003 Bonds and end on June 25, 2003. Each subsequent Weekly Rate Period shall commence on a Thursday and continue through the following Wednesday; 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 first Business Day of the next calendar month.

Daily Rate. When the 2003 Bonds bear interest at a Variable Rate during a Daily Rate Period, the interest rate on the 2003 Bonds during such Daily Rate Period shall be the rate established by the Remarketing Agent no later than 10:30 a.m. on such Business Day. For any day which is not a Business Day, the interest rate on the 2003 Bonds shall be the interest rate in effect for the next preceding Business Day. Each Daily Rate established for the 2003 Bonds will remain in effect through the day preceding the Business Day following the day on which that Daily Rate was established. The Remarketing Agent is required to make each determination of the interest rate on the respective date described above for each Daily Rate Period and Weekly Rate Period (each a "Rate Determination Date”). "Maximum Interest Rate" for the 2003 Bonds means twelve percent (12%) per annum.

If for any reason the Remarketing Agent fails to determine or notify the Tender Agent of the Variable Rate for any Daily Rate Period or Weekly Rate Period, the interest rate for any 2003 Bonds in a Daily Rate Period or a Weekly 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), or if the BMA Municipal Swap Index is not published on the day the Variable Rate is to be set, 125% of an comparable index selected by the Authority).

Conversion of Interest Rate Mode. The Authority is permitted to effect conversions of 2003 Bonds among the various interest rate modes as provided in the Third Supplement. In the case of conversions between Variable Rate Periods or to a Flexible Rate Period or a Fixed Rate Period, the Authority must deliver notice to the Remarketing Agent, the Trustee, the Tender Agent and the Bank not less than 7 days prior to the date on which the Tender Agent is required to notify Bondholders of the conversion. If the proposed conversion is from a Daily Rate Period or a Weekly Rate Period, the Conversion Date must be a regularly scheduled Interest Payment Date. In the case of a conversion of 2003 Bonds bearing interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period, the Authority must cause to be delivered to the Trustee and the Tender Agent an opinion of bond counsel stating that the proposed conversion is permitted by the Third Supplement and will not adversely affect the exclusion from gross income of interest on the 2003 Bonds for federal income tax purposes; provided, however, no such opinion shall be required with respect to a conversion to a Daily Rate Period or Weekly Rate Period or to a Term Rate Period with a duration of twelve months if the immediately preceding period was a Daily Rate Period, Weekly Rate Period or a Term Rate Period with a duration of twelve calendar months.

Notwithstanding the Authority's delivery of notice of its exercise of the option to effect a conversion, such conversion shall not take effect if (1) the Remarketing Agent fails to determine the interest rate for the new interest rate mode, (2) if all the 2003 Bonds being converted are not remarketed on the proposed Conversion Date, or (3) if the opinion of bond counsel referred to in the preceding paragraph is not confirmed as of the Conversion Date. See "Purchase of Tendered 2003 Bonds - Mandatory Tender" below. In addition, in connection with any conversion to or from a Variable Rate Period or a Flexible Rate Period or a conversion to a Fixed Rate Period, in addition to the other conditions to conversion set forth in the 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.

Notice to Bondowners. The Tender Agent is required to give written notice to holders of the 2003 Bonds being converted at least 14 days prior to the Conversion Date in the case of conversions from a Daily Rate Period or a Weekly Rate Period to another Variable Rate or a Flexible Rate Period, and at least 30 days in all other cases.

Effect of Determination. Each designation of a Rate Period, each determination of the duration of a Rate Period and each determination of a Variable Rate by the Remarketing Agent, shall be conclusive and binding upon the owners of the 2003 Bonds, the Trustee, the Authority, the Tender Agent, and the Remarketing Agent.

Purchase of Tendered 2003 Bonds

Optional Tender. An owner of a 2003 Bond will have the right to tender its 2003 Bonds (or portions thereof in authorized denominations) for purchase while the 2003 Bonds bear interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period, on the purchase dates and with prior notice and delivery as described below, at the Tender Price, payable from and to the extent of proceeds of the remarketing of such 2003 Bonds, moneys paid to it by the Bank for the purchase of 2003 Bonds pursuant to the Liquidity Facility and any other moneys provided by the Authority.

Payment for 2003 Bonds so tendered is required to be made in immediately available funds by 3:00 p.m. on the Optional Tender Date specified by the Bondowner for purchase.

So long as DTC is the registered owner of the 2003 Bonds, a Beneficial Owner (as hereinafter defined) of 2003 Bonds is required to give notice to elect to have its 2003 Bonds purchased or tendered, through its Participant (as hereinafter defined), to the Tender Agent and shall effect delivery of such 2003 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2003 Bonds, on DTC's records, to the Tender Agent.

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. In the case of a written notice, such notice shall be delivered to the Tender Agent at its designated office and be in form satisfactory to the Tender Agent. Such notice, whether delivered orally or in writing, shall state (i) the name and address of such bondholder and the principal amount of the 2003 Bond to which the notice relates, (ii) that the Bondholder irrevocably demands purchase of such 2003 Bond or a specified portion thereof in an Authorized Denomination, (iii) the Optional Tender Date on which such 2003 Bond or portion is to be purchased, and (iv) the payment instructions with respect to the Tender Price.

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. In the case of a written notice, such notice shall be delivered to the Tender Agent at its Principal Office and be in form satisfactory to the Tender Agent. Such notice, whether delivered orally or in writing, shall state (i) the name and address of such bondholder and the principal amount of the 2003 Bond to which the notice relates, (ii) that the Bondholder irrevocably demands purchase of such 2003 Bond or a specified portion thereof in an Authorized Denomination, (iii) the Optional Tender Date on which such 2003 Bond or portion is to be purchased, and (iv) the payment instructions with respect to the Tender Price.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the Third Supplement will be conclusive and binding upon the owner of the 2003 Bonds.

In accepting a notice of tender pursuant to the Third Supplement, the Tender Agent and the Remarketing Agent may conclusively assume that the person providing the notice of tender is the Beneficial Owner of the 2003 Bonds and therefore entitled to tender them. The Tender Agent and the Remarketing Agent assume no liability to anyone in accepting a notice of tender from a person whom it reasonably believes to be a Beneficial Owner of the 2003 Bonds.

Mandatory Tender. The owners of 2003 Bonds will be required to tender, and in any event will be deemed to have tendered, their 2003 Bonds to the Tender Agent for purchase at the Tender Price, payable from and to the extent of proceeds of the remarketing of such 2003 Bonds, moneys paid to it by the Bank for the purchase of 2003 Bonds pursuant to the Liquidity Facility, and any other moneys provided by the Authority in its sole discretion, (1) on each Variable Rate Conversion Date, Flexible Rate Conversion Date or Fixed Rate Conversion Date, and (2) on the regularly scheduled Interest Payment Date preceding the effective date of any substitution of the Liquidity Facility with an Alternate Liquidity Facility, on any Renewal Date if by the tenth day preceding such Renewal Date the Trustee has not received a Renewal Liquidity Facility, and (3) on the 15th 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, and with respect to the initial Liquidity Facility only, the occurrence of either of the events described under "THE STANDBY AGREEMENT—Conditions Causing a Mandatory Tender" herein.

The Tender Agent is required to give notice of mandatory tender, as provided in the Third Supplement, to each owner of the 2003 Bonds by first-class mail as follows: (i) at least 30 days' written notice in the event of a conversion to a Fixed Rate, (ii) at least 15 days' written notice in the event of a substitution of the Liquidity Facility or a non-renewal of the Liquidity Facility, and (iii) in the event of the occurrence of an event of default under the Liquidity Facility, on the Business Day following receipt by the Trustee of such notice from the Bank. The owners of the 2003 Bonds shall have no right to elect to retain 2003 Bonds that are subject to mandatory tender.

Undelivered Bonds. ANY 2003 BOND (OR PORTION THEREOF) FOR WHICH NOTICE OF OPTIONAL OR MANDATORY TENDER HAS BEEN GIVEN IN ACCORDANCE WITH THE PROVISIONS OF THE THIRD SUPPLEMENT, BUT THAT IS NOT TENDERED FOR PURCHASE BY THE REQUIRED TIME, WILL BE DEEMED TO HAVE BEEN TENDERED AND SOLD ON THE DESIGNATED PURCHASE DATE AND, UPON DEPOSIT IN THE BOND PURCHASE FUND ESTABLISHED UNDER THE THIRD SUPPLEMENT OF AN AMOUNT SUFFICIENT TO PAY THE PURCHASE PRICE OF SUCH 2003 BOND ON SUCH PURCHASE DATE, THE OWNER OF SUCH 2003 BOND WILL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST ACCRUED SUBSEQUENT TO SUCH DATE) IN RESPECT THEREOF OTHER THAN THE PURCHASE PRICE FOR SUCH 2003 BOND AND ACCRUED INTEREST AS OF THE PURCHASE DATE. SUCH 2003 BOND WILL NO LONGER BE ENTITLED TO THE BENEFIT OF THE INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF SUCH PURCHASE PRICE AND, EXCEPT AS DESCRIBED ABOVE, ACCRUED INTEREST AS OF THE PURCHASE DATE.

Purchase of 2003 Bonds Upon Tender. The obligation to purchase 2003 Bonds will be funded from the proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent and, except under certain circumstances described herein, purchases of the 2003 Bonds under the Standby Agreement. The obligation of the Authority to pay the purchase price of any 2003 Bonds upon optional or mandatory tender is limited to proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent and to moneys provided under the Standby Agreement.

Bank Bonds. Any 2003 Bonds purchased with proceeds of a drawing on the Liquidity Facility ("Bank Bonds") shall be registered in the name of the provider of the Liquidity Facility and shall bear interest at the rate determined in accordance with the provisions of the Liquidity Facility.

Remarketing

The Authority and the Remarketing Agent are entering into the Remarketing Agreement pursuant to which the Authority will agree to pay to the Remarketing Agent a fee for its services as Remarketing Agent and the Remarketing Agent will agree, among other things, to perform the duties of the Remarketing Agent set forth in the Third Supplement for so long as any of the 2003 Bonds bear interest at a Variable Rate or a Flexible Rate. The Authority and the Remarketing Agent anticipate that separate fee arrangements will be made for remarketing 2003 Bonds being converted to bear interest at the Fixed Rate. The Remarketing Agreement may be amended by the Authority and the Remarketing Agent without the consent of the Trustee or the owners of the 2003 Bonds.

The Remarketing Agreement provides that the Remarketing Agent may be removed by the Authority at any time or may resign, in either instance upon 30 days prior notice. In addition, under certain circumstances the Remarketing Agent may cease reoffering and selling the 2003 Bonds with immediate effect.

Redemption

(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:

Length of Term Rate Period	Commencement of Redemption Period
Greater than or equal to 15 years	10th Anniversary of the commencement of the Term Rate Period
Less than 15 years and greater than or equal to 8 years	8th Anniversary of the commencement of the Term Rate Period
Less than 10 years and greater than or equal to 8 years	6th Anniversary of the commencement of 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:

Length of Fixed Rate Period	Commencement of Redemption Period
Greater than or equal to 15 years	10th Anniversary of the commencement of the Fixed Rate Period
Less than 15 years and greater than or equal to 8 years	8th Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6th Anniversary of the commencement of the Fixed Rate Period
Less than 8 years	Not subject to optional redemption

Notwithstanding the foregoing, the No-Call Periods and redemption prices specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 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.

Redemption Date (June 15)	Principal Amount*	Redemption Date (June 15)	Principal Amount*
2004	$5,480,000	2013	$ 8,440,000
2005	5,740,000	2104	8,850,000
2006	6,015,000	2015	9,285,000
2007	6,310,000	2016	9,740,000
2008	6,625,000	2017	10,220,000
2009	6,970,000	2018	10,725,000
2010	7,310,000	2019	11,260,000
2011	7,670,000	2020	11,810,000
2012	8,045,000	2021	12,395,000
		2022	13,005,000**

* Preliminary
**Stated Maturity

In the event of any partial optional redemption of the 2003 Bonds or any special optional redemption of 2003 Bonds that are Bank 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.

Notice of Redemption

When the Authority shall determine to redeem 2003 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of 2003 Bonds to be redeemed, or whenever the Trustee shall be required to redeem 2003 Bonds from moneys in the 2003 Bonds Sinking Fund Account, 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 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. If at the time of mailing of any notice of redemption, other than with respect to a mandatory sinking fund redemption, 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 late than the opening of business on the redemption date and shall be of no effect unless such moneys are so deposited.

During a Daily Rate Period or a Weekly Rate Period, the notice to Bondholders shall be deposited by the Trustee in the United States mail, postage prepaid, at least fifteen (15) days, but not more than thirty (30) days, prior to the redemption date, addressed to the Holders of the 2003 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 2003 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other 2003 Bonds.

So long as DTC or its nominee is the sole Bondholder under the book-entry-only system, redemption notices shall be sent by the Trustee only to DTC or its nominee and any failure on the part of DTC or a DTC Participant (as defined below) to notify the Beneficial Owner (as defined below) of a 2003 Bond called for redemption shall not affect the validity of the redemption.

Transfers and Exchanges of 2003 Bonds

Upon presentation for transfer and exchange of any 2003 Bond entitled to registration of exchange or registration of transfer at the corporate trust office of Wachovia Bank, National Association, Philadelphia, Pennsylvania (the "Registrar"), the Registrar will register the exchange or register the transfer of such 2003 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 2003 Bonds at its corporate trust office in Philadelphia, Pennsylvania. Until the discontinuance of the book-entry-only system, as described above, one fully registered 2003 Bond in the aggregate principal amount of the 2003 Bonds will be registered in the name of Cede & Co., as nominee for DTC.

The transfer of any 2003 Bond shall be registered in the registration books of the Registrar at the written request of the Bondholder thereof or his attorney duly authorized in writing, upon surrender and cancellation thereof at the corporate trust office of the Registrar in Philadelphia, Pennsylvania, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Bondholder or his duly authorized attorney. Upon the registration of transfer of any such 2003 Bond or Bonds, the Authority shall issue in the name of the transferee, in authorized denominations permitted by the Indenture, a new fully registered 2003 Bond or new fully registered 2003 Bonds in the same aggregate principal amount and of like tenor as the surrendered 2003 Bond or Bonds.

The Authority, the Trustee and the Registrar may deem and treat the registered owner of any 2003 Bond as the absolute owner of such 2003 Bond, whether such 2003 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on 2003 Bonds and for all other purposes, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All such payments so made to any such holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such 2003 Bond to the extent of the sum or sums so paid.

Any 2003 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 2003 Bonds of the same maturity, and having the same interest rate and other provisions, as the surrendered 2003 Bond.

In all cases in which the privilege of exchanging 2003 Bonds or registering the transfer of 2003 Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver 2003 Bonds in accordance with the provisions of the Indenture.

For every such exchange or registration of transfer of the 2003 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 2003 Bond during the period from a Record Date, as described below, through the next Interest Payment Date, inclusive, nor to transfer or exchange any 2003 Bond selected for redemption in whole or in part.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry only system have been obtained from DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable; however, the Authority and the Underwriters take no responsibility for the accuracy thereof and make no representation as to the accuracy of such information.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2003 Bonds. The 2003 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2003 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S.

securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2003 Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2003 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 2003 Bonds, except in the event that use of the book-entry system for the 2003 Bonds is discontinued.

To facilitate subsequent transfers, all 2003 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 2003 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2003 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2003 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2003 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indentures. For example, Beneficial Owners of 2003 Bonds may wish to ascertain that the nominee holding the 2003 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the 2003 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2003 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal or redemption price of and interest on the 2003 Bonds will be paid to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, as applicable, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, as applicable, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

So long as Cede & Co. is the registered owner of the 2003 Bonds, as nominee of DTC, references herein to the bondholders or registered owners of the 2003 Bonds means Cede & Co., not the Beneficial Owners of the 2003 Bonds.

THE AUTHORITY, 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 2003 BONDS (i) PAYMENTS OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2003 BONDS, OR (ii) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2003 BONDS, OR (iii) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE AUTHORITY, THE TRUSTEE, THE REMARKETING AGENT OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OF THE 2003 BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (ii) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OF, OR INTEREST ON, ANY 2003 BONDS, (iii) THE DELIVERY OF ANY NOTICE BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2003 BONDS, OR (v) ANY OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

Discontinuation of Book-Entry Only System

DTC may determine to discontinue providing its service with respect to the 2003 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS

General

The 2003 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 2003 Bonds are payable from and are equally and ratably secured under the Indenture, together with the 1996 Bonds, the 1999 Bonds and with certain Additional Bonds that may be issued thereunder, by an assignment, pledge and grant to the Trustee of all of the Authority's right, title and interest in and to (i) the Authority Tax, and (ii) moneys and securities held by the Trustee under the Indenture (including proceeds of the Authority Tax) and any interest or income earned thereon, including amounts deposited into the Deficit Fund, Capital Projects Fund, Revenue Fund, Debt Service Fund, Debt Service Reserve Fund and the Bond Redemption Fund, but excluding moneys held in trust for the United States in the Rebate Fund (collectively, the "Pledged Revenues"), subject to the terms and conditions of the Indenture. The Indenture provides that moneys in accounts established by the Trustee in respect of a particular Series of Bonds shall only be available to pay debt service or the redemption price of Bonds of such Series, except as may otherwise be provided in the Indenture or in a Supplemental Indenture adopted at or prior to the time of issuance of such Series. The Debt Service Reserve Fund will secure, equally and ratably, all Bonds outstanding under the Indenture, including the 1996 Bonds, the 1999 Bonds and the 2003 Bonds.

Authority Tax

As permitted by the Act, and pursuant to the Authority Tax Ordinance, the City has imposed, exclusively for the purposes of the Authority, a one and one-half percent (1.5%) tax on the salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City. As described above, the Authority Tax has been pledged by the Authority to the Trustee, as permitted by the Act and pursuant to the Indenture, as security for the payment of principal of, redemption premium, if any, and interest on, the Bonds, including the 1996 Bonds, the 1999 Bonds and the 2003 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-CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA"), the City and the Pennsylvania Revenue Department currently attribute 63.0% of wage tax remittances, 77.1% of earnings tax remittances, and 44.0% of net profit tax remittances to City residents. Pursuant to the Tax Collection Agreement, the Pennsylvania Revenue Department shall determine the timing and the method of recalculation of the foregoing percentages. Moneys in an amount equal to each daily amount of the Authority Tax collected (calculated as set forth above) are deposited on the day of receipt in immediately available funds in a segregated account (the "Custodial Account") established by the City, as agent for the Pennsylvania Revenue Department, for remittance on the following day to a general Commonwealth demand deposit account established by the State Treasurer. Upon the transfer of Authority Tax collections to the custody of the State Treasurer, such moneys are held with other Commonwealth funds. Pursuant to the Tax Collection Agreement, the City is required to reconcile the daily deposits to the Custodial Account with actual Authority Tax collections on a monthly basis. Pursuant to the Act, the Authority Tax paid to the State Treasurer shall be transferred by the State Treasurer not less frequently than every two weeks to the PICA Tax Fund, a special fund established by the Act and held in the custody of the State Treasurer. Pursuant to the Act, proceeds of the Authority Tax and amounts on deposit in the PICA Tax Fund are at all times the sole property and revenues of the Authority, and are not subject to appropriation by either the City or the Commonwealth.

The Act requires that the State Treasurer make at least weekly payments of all amounts in the PICA Tax Fund to or upon the order of the Authority. Concurrently with the issuance of the 1992 Bonds, the Authority directed the State Treasurer to transfer all such amounts to the Trustee for deposit in the Revenue Fund established under the Indenture in accordance with the requirements of the Act and for so long as any 1992 Bonds were Outstanding under the Indenture. Similar instructions were given in connection with the issuance of the 1993 Bonds, the 1993A Bonds, the 1994 Bonds, the 1996 Bonds and the 1999 Bonds. In connection with the issuance of the 2003 Bonds, similar instructions will be given relating to the 1996 Bonds, the 1999 Bonds and the 2003 Bonds so long as any of such Bonds are Outstanding under the Indenture. Promptly after deposit of moneys in the Revenue Fund, the Trustee shall transfer any money in the Revenue Fund to the following funds in the following order and priority:

(a) to the Debt Service Fund, the amount necessary to cause the aggregate amount therein in each month to equal the sum of (i) the aggregate for all Series of Bonds Outstanding paying interest semiannually of 1/6 (such fraction to be increased or decreased, as appropriate, for a Series of Bonds to account for any initial or final interest period longer or shorter than six months) of the amount of interest that will be due and payable on each Series of Bonds Outstanding on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds paying interest at an interval other than semiannually of an amount equal to the interest that will be due and payable on each such Series of Bonds during such month (assuming that interest due on such Bonds will be payable at the maximum interest rate applicable to such Bonds, and taking into account (A) any amounts received from the counterparty to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the 1993 Bonds Swaption, deposited directly into the Debt Service Fund, and (B) any amounts remaining in the Debt Service Fund from prior months' transfers from the Revenue Fund), (iii) the aggregate for all Series of Bonds Outstanding of 1/12 (such fraction to be increased for a Series to account for any initial or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds Outstanding, including the 2003 Bonds (whether upon maturity or mandatory redemption), on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iv) any deficiency in deposits required to be made in prior months under the preceding clauses (i), (ii) and (iii) which has not been eliminated, and (v) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds;

(b) to the Debt Service Reserve Fund, the amount necessary to eliminate any deficiency therein (a deficiency being the amount by which the Debt Service Reserve Requirement exceeds the amount in such Fund);

(c) to any Person entitled to payment pursuant to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the Swap Counterparty, an amount equal to the net amount then required to be paid to such person by the Authority pursuant to such an agreement; provided, however, with respect to certain interest rate swap agreements or similar hedge agreements, the Authority may elect to establish a separate account in the Revenue Fund and cause the Trustee to deposit on a monthly basis such amount as is necessary to cause the aggregate amount deposited therein in each month to equal a monthly portion of the amount that will be due to the relevant counterparty on the next payment date;

(d) as directed in a certificate of the Authority delivered to the Trustee, to the trustees or other depositories in respect of subordinated debt, if any, payable from Pledged Revenues, the amount necessary to cause the aggregate amount paid in respect of such subordinated debt from all sources to equal the amount then required to be paid in respect of each issue of subordinated debt;

(e) to the Authority, the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made to equal the operating expenses of the Authority for such fiscal year as set forth in a certificate of the Authority delivered to the Trustee with respect to such fiscal year, to the extent that the amounts transferred from the Debt Service Reserve Fund pursuant to the applicable provisions of the Indenture are not sufficient for such purpose; and

(f) to the Rebate Fund, the amounts required to be deposited therein pursuant to the applicable provisions of the Indenture, to the extent that the transfers from the earnings in the Debt Service Reserve Fund pursuant to the applicable provisions of the Indenture are insufficient for such purpose.

Notwithstanding the foregoing order of priority, the Indenture requires that to the extent the Trustee is required to make payment of the Rebate Amount or Yield Reduction Amount to the United States of America pursuant to the Indenture and there are insufficient amounts in the Rebate Fund on the date which is thirty (30) days prior to the due date of such payment, the Trustee shall thereafter transfer moneys from the Revenue Fund to the Rebate Fund prior to making any other transfers of moneys to any other funds until the amount in the Rebate Fund equals the required Rebate Amount and Yield Reduction Amount. Any moneys remaining in the Revenue Fund after all transfers required by paragraphs (a), (b), (c), (d), (e) and (f) have been made shall be transferred by the Trustee to Wachovia Bank, National Association, for deposit to a special account (the "City Account"), in trust for the exclusive benefit of the City, established and created under the Act and the City Account Deposit and Disbursement Agreement, dated as of December 6, 1991, as amended, between the Authority and First Union National Bank (now Wachovia Bank, National Association), Philadelphia, Pennsylvania, as depository. The City Account Deposit and Disbursement Agreement has been acknowledged and agreed to by the City.

The Bonds, including the 2003 Bonds, are not secured by, and the owners of the Bonds, including the 2003 Bonds, are not and shall not be entitled to, any moneys transferred by the Trustee, as required by the Act and the Indenture, to the City Account.

The Act provides that, for so long as any of the Authority's bonds, including the 2003 Bonds, remain Outstanding, the Commonwealth (i) will not limit or alter the rights vested in the Authority by the Act in any manner inconsistent with the obligations of the Authority to its obligees, and (ii) will not reduce, nor will it authorize any government agency (which term includes, without limitation, the City) levying such tax to reduce, the rate of any tax, including the Authority Tax, imposed exclusively for the purposes of the Authority and pledged by the Authority to secure its bonds, including the 2003 Bonds. Pursuant to the requirements of the Act, the City has included a pledge to the effect set forth in clause (ii) above in the Authority Tax Ordinance.

In the Authority Tax Ordinance and the Cooperation Agreement, the City has pledged and agreed, for so long as any of the Authority's bonds remain outstanding, with the Authority and each and every obligee of the Authority secured by an Authority pledge of the Authority Tax, that the City will not reduce the rate of, or repeal in whole or in part, the Authority Tax until the principal amount of all bonds of the Authority, including the 2003 Bonds, secured by a pledge of the Authority Tax, together with interest thereon, is fully paid or provision for such payment is made in accordance with the terms of the Indenture or other agreement pursuant to which such bonds were issued. The City further has acknowledged and agreed in the Authority Tax Ordinance and the Cooperation Agreement that, as provided in the Act, (i) all revenues from the Authority Tax are revenues and property of the Authority and not revenues or property of the City, (ii) such revenues may be freely pledged by the Authority to secure payment of bonds of the Authority, and (iii) such revenues are not subject to appropriation by City Council.

Debt Service Reserve Fund

The Debt Service Reserve Fund will, upon issuance of the 2003 Bonds, be maintained in an amount equal to the Debt Service Reserve Requirement, and will secure, equally and ratably, all Bonds Outstanding under the Indenture, including the 1996 Bonds, the 1999 Bonds and the 2003 Bonds.

Under the Indenture the term "Debt Service Reserve Requirement" means, with respect to all Bonds, an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds Outstanding under the Indenture, and (ii) the maximum amount permitted by the Code. The amount to be deposited into the Debt Service Reserve Fund as a result of each additional Series of Bonds will be specified in the Supplemental Indenture executed in connection with the issuance of each additional Series of Bonds, and will be that amount sufficient to satisfy the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture. The Indenture provides that in lieu of a deposit at the time of issuance of a series of Bonds, the Authority may cause a Credit Facility to be provided to the Trustee. See "APPENDIX C—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE-Debt Service Reserve Fund." Upon the issuance of the 2003 Bonds, amounts on deposit in the Debt Service Reserve Fund will satisfy the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture. Initially, the Debt Service Reserve Requirement will be satisfied with existing monies derived from the prior accounts of the Debt Service Reserve Fund and the Debt Service Reserve Fund Policy (the "Reserve Fund Policy") issued by Financial Guaranty Insurance Company ("Financial Guaranty") and delivered to the Trustee in connection with the issuance of the 1999 Bonds.

The Reserve Fund Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Authority, provided that the aggregate amount paid under the Reserve Fund Policy may not exceed the maximum amount set forth in the Reserve Fund Policy. Financial Guaranty will make such payments to the Trustee on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Trustee of the nonpayment of such amount by the Authority. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction.

If there are insufficient moneys to pay the debt service requirements on any Series of Bonds on any Interest Payment Date, mandatory sinking fund redemption date or maturity date of such Series of Bonds, the Trustee shall transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund. All cash and investments in the Debt Service Reserve Fund shall be utilized for making required transfers to the Debt Service Fund for payment of principal of, or interest on, the Bonds before making any draws on the Reserve Fund Policy. Repayment of any draws, expenses and interest thereon with respect to the Reserve Fund Policy shall be made prior to replenishment of the Debt Service Reserve Fund. Draws on the Reserve Fund Policy and any other similar policies on which there is available coverage shall be made on a pro rata basis (calculated by reference to coverage then available under each such policy) after applying available cash and investments in the Debt Service Reserve Fund. Holders of Bonds will have equal and ratable rights or claims to all funds, including the Reserve Fund Policy, held by the Trustee in the Debt Service Reserve Fund.

The Reserve Fund Policy is non-cancelable and the premium has been fully paid. The Reserve Fund Policy covers failure to pay principal of the Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Fund Policy terminates on the scheduled final maturity date of the 1999 Bonds.

Generally, in connection with its issuance of a Reserve Fund Policy, Financial Guaranty requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Fund Policy, it be granted the power to exercise any remedies available at law or under the authorizing document other than (A) acceleration of the Bonds or (B) remedies which would adversely affect holders in the event that the Authority fails to reimburse Financial Guaranty for any draws on the Reserve Fund Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Fund Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Authority is required to provide additional or substitute credit enhancement, and related matters.

The Reserve Fund Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of December 31, 2002, the total capital and surplus of Financial Guaranty was approximately $978 million. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

Additional Bonds

Pursuant to the Indenture and the Act, the Authority is authorized to issue Additional Bonds under the Indenture, so long as no Event of Default has occurred and is continuing under the Indenture. The Additional Bonds may be equally and ratably secured with the 1996 Bonds, the 1999 Bonds and the 2003 Bonds, except for moneys otherwise specifically pledged under the Indenture. Pursuant to the Act, additional bonds, including Additional Bonds issued under the Indenture, may be issued only for the purpose of refunding any outstanding bonds issued by the Authority under the Act.

In connection with the issuance of Additional Bonds under the Indenture, the Indenture provides that the Authority must execute a certificate, the calculations of which shall be "verified" by a certified public accountant, showing that (1) the PICA Taxes (as defined in the Indenture), including the Authority Tax, collected with respect to any twelve (12) consecutive months during the fifteen (15) month period immediately preceding the date of issuance of such Additional Bonds equaled at least one hundred seventy-five percent (175%) of the Maximum Annual Debt Service Requirement on Bonds to be Outstanding after the issuance of the Additional Bonds and (2) the PICA Taxes projected to be collected during the twelve (12) months following issuance of the Additional Bonds, which projection may be based on the PICA Taxes projected in the City's most recent Financial Plan approved by the Authority, equal at least one hundred seventy-five (175%) of the Debt Service Requirement during such twelve (12) month period on Bonds to be Outstanding after the issuance of the Additional Bonds. In connection with the issuance of the 2003 Bonds, the Authority has selected the twelve (12) consecutive month period commencing April, 2002 and ending March, 2003 for the purpose of satisfying the test set forth in clause (1) of the preceding sentence. In determining the amount of PICA Taxes, retroactive effect shall be given to any PICA Tax which was not in effect (including for this purpose any increase in the rate of an existing tax) during the relevant period, but which has been imposed prior to the issuance of the Additional Bonds, provided that new PICA Taxes shall not be included in the calculation unless Financial Guaranty Insurance Company, as the issuer of municipal bond new issue insurance policy for the 1996 Bonds (so long as any of the 1996 Bonds are Outstanding), the 1999 Bonds (so long as any of the 1999 Bonds are Outstanding), and Ambac Assurance Corporation, as the issuer of the Financial Guaranty Insurance Policy (so long as any of the 2003 Bonds are Outstanding), consent to the inclusion. The certificate referenced in this paragraph shall not be required, in the case of Additional Bonds issued to refund Outstanding Bonds where the Maximum Annual Debt Service Requirement for such Additional Bonds and the total principal and interest payable on such Additional Bonds for the term thereof do not exceed the comparable amounts for the Bonds being refunded.

The Authority may at any time, without the request or approval of the City, issue bonds to refund its outstanding bonds, including the 2003 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 2003 Bonds satisfy this requirement.

Certain Remedies of Bondholders

Upon the occurrence of any Event of Default (as defined in the Indenture) and subject to certain rights of Ambac Assurance (see "BOND INSURANCE" herein), the Indenture provides that the Trustee, if requested to do so by the holders of twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding and upon being indemnified as provided in the Indenture, shall pursue any available remedy at law or in equity, including, without limitation, the right to enforce the pledge of, security interest in and lien and charge on all revenues pledged by the Authority as security under the Indenture against all Commonwealth and local public officials in possession of any such taxes and revenues at any time and the performance by the Authority of its obligations under the Indenture; provided, however, that there is no right to accelerate the payment of the principal of the Bonds. See "APPENDIX C - DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" hereto.

Limitation of Remedies

THE 2003 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE PLEDGED REVENUES. THE 2003 BONDS DO NOT OTHERWISE CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OF THE AUTHORITY. FURTHER, THE 2003 BONDS DO NOT CONSTITUTE A PLEDGE OF THE CREDIT OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE CITY), NOR DO THE 2003 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 2003 BONDS.

THE 2003 BONDS SHALL NOT BE SECURED BY, AND ARE NOT PAYABLE FROM, AND THE OWNERS OF THE 2003 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 2003 BONDS ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF AN EVENT OF DEFAULT.

The rights and remedies of Bondholders could be limited by the provisions of the Federal Bankruptcy Code, as now or hereafter enacted (the "Bankruptcy Code"), or by other laws or legal or equitable principles which may affect the enforcement of creditors' rights. Chapter 9 of the Bankruptcy Code permits, under prescribed circumstances, a political subdivision of a state to commence a voluntary bankruptcy proceeding and to file a plan of adjustment in the repayment of its debts, if such political subdivision is generally not paying its debts as they became due (unless such debts are the subject of a bona fide dispute), or is unable to pay its debts as they become due. Under the Bankruptcy Code, an involuntary petition cannot be filed against a political subdivision.

In order to proceed under Chapter 9 of the Bankruptcy Code, state law must authorize the political subdivision to file a petition under the Bankruptcy Code. THE ACT PROHIBITS BOTH THE AUTHORITY AND THE CITY FROM FILING A PETITION UNDER THE BANKRUPTCY CODE WHILE ANY BONDS OF THE AUTHORITY ARE OUTSTANDING.

CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY

The Authority and the Swap Counterparty have entered into interest “swaption” transactions with respect to each of the 1993A Bonds, the 1996 Bonds and the 1999 Bonds. These swaption transactions are documented under standard ISDA documents including a Master Agreement, dated as of December 6, 2001 (the “Master Agreement”); a U.S. Municipal Counterparty Schedule to said Master Agreement, dated as of December 6, 2001; a Credit Support Annex to said Schedule, dated as of December 6, 2001 (the “Credit Support Annex”); a transaction confirmation, dated December 6, 2001, with respect to the swaption relating to the 1993A Bonds (the “1993A Bonds Swaption”); a transaction confirmation, dated December 6, 2001, with respect to the swaption relating to the 1996 Bonds (the “1996 Bonds Swaption”); and a transaction confirmation, dated May 1, 2002, with respect to the swaption relating to the 1999 Bonds (the “1999 Bonds Swaption”).

The 1993A Bonds Swaption involved the purchase by the Swap Counterparty of an “American” option, exercisable by the Swap Counterparty at any time after June 15, 2003 upon at least 90 days notice, to cause an interest rate swap to become effective. Under this interest rate swap, the Authority will pay to the Swap Counterparty a fixed rate (as specified in the related confirmation, but essentially equal to the fixed rates payable on the 1993A Bonds from time to time, ranging from 5.01077% to 5.00%), and the Swap Counterparty will pay to the Authority a floating rate (equal to 67% of one month LIBOR), on an amortizing notional amount equal to the principal amount of the 1993A Bonds as originally scheduled to be outstanding each year from June 15, 2003 to maturity. The termination date of this interest rate swap is June 15, 2022.

The 1996 Bonds Swaption involved the purchase by the Swap Counterparty of an “American” option, exercisable by the Swap Counterparty at any time after June 15, 2006 upon at least 90 days notice, to cause an interest rate swap to become effective. Under this interest rate swap, the Authority will pay to the Swap Counterparty a fixed rate (as specified in the related confirmation, but essentially equal to the fixed rates payable on the 1996 Bonds from time to time, ranging from 5.48419% to 5.50%), and the Swap Counterparty will pay to the Authority a floating rate (equal to 67% of one month LIBOR), on an amortizing notional amount equal to the principal amount of the 1996 Bonds as originally scheduled to be outstanding each year from June 15, 2006 to maturity. The termination date of this interest rate swap is June 15, 2020.

The 1999 Bonds Swaption involved the purchase by the Swap Counterparty of an “American” option, exercisable by the Swap Counterparty at any time after June 15, 2009 upon at least 90 days notice, to cause an interest rate swap to become effective. Under this interest rate swap, the Authority will pay to the Swap Counterparty a fixed rate (as specified in the related confirmation, but essentially equal to the fixed rates payable on the 1999 Bonds from time to time, ranging from 5.1221% to 4.75%), and the Swap Counterparty will pay to the Authority a floating rate (equal to 62% of one month LIBOR), on an amortizing notional amount equal to the principal amount of the 1999 Bonds as originally scheduled to be outstanding each year from June 15, 2009 to maturity. The termination date of this interest rate swap is June 15, 2023.

In addition, the Authority is considering entering into a “basis cap” transaction (the “1993A Bonds Basis Cap”) relating to the 1993A Bonds and the 1993A Bonds Swaption with the Swap Counterparty. The 1993A Bonds Basis Cap would be an additional “Transaction” under the Master Agreement, Schedule and Credit Support Annex described above. Under the 1993A Bonds Basis Cap, the Swap Counterparty would pay to the Authority a fixed rate each month, starting July 15, 2003 of a certain percentage to be negotiated, and the Authority would pay to the Swap Counterparty each month, starting July 15, 2003, an amount equal to the greater of (a) the average of the BMA Index for the monthly period divided by the one-month LIBOR rate less 70%, multiplied by the one-month LIBOR rate, times the notional amount times the day count fraction, and (b) zero. The notional amount and term of the 1993A Bonds Basis Cap are expected to mirror the notional amount and term of the interest rate swap that is the subject of the 1993A Bonds Swaption. There is no assurance that the Authority will, in fact, enter into the 1993A Bonds Basis Cap on these or any other terms.

Under each of these transactions, the Authority has the right at its option to terminate the related interest rate swap or basis cap, either before or after the related option has been exercised by the Swap Counterparty, and any such termination will be treated as an “Additional Termination Event” under the Master Agreement that will result in a termination payment, calculated under the “Market Quotation, Second Method” basis, either owing by the Authority to the Swap Counterparty or owing by the Swap Counterparty to the Authority. Other “Additional Termination Events” under the Master Agreement that may entitle the Authority to terminate the related interest rate swap transactions include (i) if the Swap Counterparty ceases to have an unsecured and unenhanced senior long-term debt rating of at least “A3” by Moody’s Investors Service, Inc. (“Moody’s”) and “A-“ by Standard & Poor’s Ratings Services (“S&P”) and the Swap Counterparty fails to post collateral as required by the Credit Support Annex within 15 days, and (ii) if the unsecured and unenhanced senior long-term debt rating of the Swap Counterparty by Moody’s or S&P is suspended or withdrawn or if the Swap Counterparty ceases to have an unsecured and unenhanced senior long-term debt rating of at least “Baa2” by Moody’s and “BBB” from S&P.

Under the documentation for these interest rate swaptions and basis cap, the liability of the Authority to make any payment is limited to the amounts available for such payment in the Revenue Fund after all required transfers have been made to the Debt Service Fund and the Debt Service Reserve Fund pursuant to the Indenture (and also after payment of any amounts owing to the issuer of any municipal bond debt service reserve fund policy on deposit in the Debt Service Reserve Fund). The Swap Counterparty's rights are expressly subordinated to payment by the Authority on the Authority's bonds issued under the Indenture and amounts required to be deposited into the Debt Service Reserve Fund (including payments to the issuer of a reserve fund policy as aforesaid), and the Authority has not granted to the Swap Counterparty any lien, charge, security interest or other encumbrance in or on the Pledged Revenues or any of other revenues or assets to secure payment or performance of any of the Authority's obligations under the swaption transaction and basis cap.

BOND INSURANCE

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation (the "Ambac Assurance") has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the 2003 Bonds effective as of the date of issuance of the 2003 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the 2003 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority. Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the 2003 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2003 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 2003 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding 2003 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 2003 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a 2003 Bond 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 in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Financial Guaranty Insurance Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of 2003 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2003 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of bondholder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.
Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 2003 Bonds, appurtenant coupons, if any, or right to payment of principal or interest on such 2003 Bonds and will be fully subrogated to the surrendering bondholders' rights to payment.

The Financial Guaranty Insurance Policy does not insure against loss relating to payments of the purchase price of 2003 Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of 2003 Bonds upon tender by a registered owner thereof.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $6,362,000,000 (unaudited) and statutory capital of approximately $3,945,000,000 (unaudited) as of March 31, 2003. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service, Inc. and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Authority of the 2003 Bonds.

Ambac Assurance makes no representation regarding the 2003 Bonds or the advisability of investing in the 2003 Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented under the heading "Bond Insurance".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company . These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;
2. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003;
3. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003;
4. The Company's Current Report on Form 8-K dated March 18, 2003 and filed on March 20, 2003;
5. The Company's Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003;
6. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;
7. The Company's Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003;
8. The Company's Current Report on Form 8-K dated April 17, 2003 and filed on April 21, 2003; and
9. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

THE STANDBY AGREEMENT

General

The initial Liquidity Facility with respect to the 2003 Bonds will be provided pursuant to the Standby Bond Purchase Agreement dated as of June 1, 2003 by and among the Bank, the Trustee and the Authority (the "Standby Agreement"). The following is a summary of certain provisions of the Standby Agreement. The following summary does not purport to be a full and complete statement of the provisions of the Standby Agreement and the Standby Agreement should be read in full for a complete understanding of all the terms and provisions thereof. Copies of the Standby Agreement may be obtained from the Trustee upon request.

Under the Standby Agreement, the Bank will agree (subject to certain conditions described below) to advance moneys to enable the Trustee to purchase for the Bank any 2003 Bonds bearing interest at the Daily Rate or the Weekly Rate, that are duly tendered or deemed tendered for optional or mandatory purchase pursuant to the Third Supplement if the Remarketing Agent is unable to remarket such 2003 Bonds pursuant to the Remarketing Agreement. See "The 2003 Bonds — Purchase of Tendered 2003 Bonds." The obligation of the Bank to advance moneys to the Trustee for the purchase of the 2003 Bonds is limited to the aggregate outstanding principal amount of such 2003 Bonds plus the actual amount of interest accrued on such 2003 Bonds to but not including the date of purchase; provided that if the applicable purchase date is an Interest Payment Date, the interest component amount shall be reduced by the interest payable on each such 2003 Bond on such Interest Payment Date. The 2003 Bonds purchased by the Bank will be Bank Bonds, and will bear interest at the rate determined in accordance with the Standby Agreement. The Bank may sell Bank Bonds to certain investors subject to the terms and conditions set forth in the Standby Agreement.

Conditions Precedent to Purchase of Tendered Bonds

The Bank's obligation to advance moneys to the Trustee to purchase any 2003 Bonds pursuant to the Standby Agreement is subject to the following conditions: receipt by the Bank of required notice from the Trustee, and that none of the following events shall have occurred:

(a) any principal or interest due on any 2003 Bond is not paid by the Authority when due and such principal or interest is not paid by Ambac Assurance when, as, and in the amounts required to be paid pursuant to the terms of the Financial Guaranty Insurance Policy; or

(b) an officer of Ambac Assurance shall in writing claim that the Financial Guaranty Insurance Policy, with respect to the payment of principal or interest on the 2003 Bonds, is not valid and binding on Ambac Assurance, and repudiate the obligations of Ambac Assurance under the Financial Guaranty Insurance Policy with respect to payment of principal of and interest on the 2003 Bonds, or Ambac Assurance shall initiate any legal proceeding to seek an adjudication that the Financial Guaranty Policy, with respect to the payment of principal of or interest on the 2003 Bonds, is not valid and binding on Ambac Assurance; or

(c) (c) (i) the issuance, under the laws of the state of incorporation or organization of Ambac Assurance, of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of Ambac Assurance; (ii) the commencement by Ambac Assurance of a voluntary case or other proceeding seeking an order for relief, liquidation, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or organization of Ambac Assurance or any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (iii) the consent of Ambac Assurance to any relief referred to in the preceding clause (ii) in an involuntary case or other proceeding commenced against it; (iv) the making by Ambac Assurance of an assignment for the benefit of creditors; (v) the failure of Ambac Assurance to generally pay its debts or claims as they become due; or (vi) the initiation by Ambac Assurance of any actions to authorize any of the foregoing; or

(d) Ambac Assurance shall default in any payment or payments of amounts payable by it under any bond insurance policy or policies (other than the Financial Guaranty Insurance Policy) when due and such default shall continue for a period of 10 days (it being understood by the Bank that default, for the purposes of this clause (d), shall not mean a situation whereby Ambac Assurance contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder).

In the case of an Event of Default as described in (a), (c) or (d) above or the occurrence of a Final Suspension Event (as defined below) (each, an "Automatic Termination Event"), the obligation of the Bank to purchase 2003 Bonds under the Standby Agreement shall immediately terminate without notice or demand to any person, and thereafter the Bank shall be under no obligation to purchase 2003 Bonds. Promptly after the Bank receives written notice of an Automatic Termination Event, the Bank shall give written notice of the same to the Trustee, Ambac Assurance, the Authority and the Remarketing Agent; provided that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice, and such failure shall in no way affect the termination of the Bank's commitment and its obligation to purchase 2003 Bonds pursuant to the Standby Agreement.

In the case of an Event of Default described in (b) above (an "Automatic Suspension Event"), the Bank's obligation to purchase 2003 Bonds under the Standby Agreement shall immediately be suspended without notice or demand to any person and thereafter the Bank shall be under no obligation to purchase 2003 Bonds until its obligation to purchase 2003 Bonds is reinstated as described below. Promptly upon an Event of Default specified in (b) above the Bank shall notify the Authority, the Trustee and the Remarketing Agent of such suspension in writing. With respect to an Event of Default specified in (b), if (i) a court with jurisdiction to rule on the validity of the Financial Guaranty Insurance Policy shall thereafter enter a final, nonappealable judgment that the Financial Guaranty Insurance Policy is not valid and binding on Ambac Assurance or (b) a period of two years elapses since the commencement of the suspension thereunder, then the obligation of the Bank under the Standby Agreement will immediately terminate and the Bank shall be under no further obligation to purchase 2003 Bonds (a "Final Suspension Event"). If with respect to such an Event of Default a court with jurisdiction to rule on the validity on the Financial Guaranty Insurance Policy shall find or rule that the Financial Guaranty Insurance Policy is valid and binding on Ambac Assurance, then upon such ruling or termination, as applicable, the Bank's obligation under the Standby Agreement shall be automatically reinstated and the terms of the Standby Agreement will continue in full force and effect (unless the Standby Agreement shall otherwise have terminated by its terms) as if there had been no such suspension.

Conditions Causing a Mandatory Tender

Upon the occurrence and continuance of each of the following events, the Bank may terminate its commitment under the Standby Agreement, but must provide notice to the Authority, the Trustee, Ambac Assurance and the Remarketing Agent, specifying the date on which the Standby Agreement and the obligation of the Bank to advance funds for the purchase of the 2003 Bonds shall terminate (the "Noticed Termination Date"), which shall be not less than twenty-five (25) days from the date of receipt of such notice by the Trustee and, on and after the Noticed Termination Date, the Bank shall be under no further obligation to purchase the 2003 Bonds:

(a) nonpayment, in whole or in part, of any commitment fees payable under the Standby Agreement within fifteen (15) business days after the Authority and Ambac Assurance shall receive written notice from the Bank that the same were not paid when due; or

(b) the financial strength ratings assigned to Ambac Assurance by Moody's, S&P and Fitch shall fall below "Aa3", "AA-" and "AA-", respectively, and such financial strength ratings shall remain below "Aa3", "AA-" and "AA-", respectively, for a period of 90 consecutive days.

Expiration of Commitment to Purchase Tendered 2003 Bonds

The obligation of the Bank to purchase the 2003 Bonds ends on the earliest of (i) 5:00 p.m. on June 14, 2004 (or such later date as may be agreed to by the Bank and the Authority in accordance with the terms of the Standby Agreement), (ii) the date on which no 2003 Bonds are Outstanding, (iii) 5:00 p.m. on the business day on which the Trustee notifies such Bank that an Alternate Liquidity Facility has been delivered in replacement of the Standby Agreement and is effective, (iv) the business day immediately succeeding the date on which all of the 2003 Bonds are converted to a rate other than the Daily Rate or the Weekly Rate, (v) the close of business on the Noticed Termination Date, and (vi) the close of business on the date the available commitment is reduced to zero or terminated pursuant to the terms of the Standby Agreement. If the Standby Agreement terminates and is not replaced, the 2003 Bonds will be subject to mandatory tender for purchase. See "The 2003 Bonds — Purchase of Tendered 2003 Bonds." The Bank will be obligated to purchase the 2003 Bonds subject to mandatory tender only if the conditions described above under "Conditions Precedent to Purchase of Tendered Bonds" are satisfied.

CERTAIN INFORMATION CONCERNING THE BANK

Certain information concerning the Bank is set forth in Appendix F hereto.

DEBT SERVICE REQUIREMENTS

The following table shows the annual debt service requirements on the 1996 Bonds and the 1999 Bonds as of the date of this Official Statement, the annual principal or sinking fund requirements on the 2003 Bonds, interest payments on the 2003 Bonds at an assumed rate of __%, and the total debt service requirements on the 1996 Bonds, the 1999 Bonds and the 2003 Bonds. The following table does not reflect the debt service requirements on the Refunded 1993A Bonds which will no longer be outstanding following redemption by the Authority as described in "PLAN OF FINANCE" herein.

Year Ending (June 15)	1996 Bonds Debt Service Requirements	1999 Bonds Debt Service Requirements	Total Debt Service Requirements on 1996 Bonds and 1999 Bonds	2003 Bonds Sinking Fund Requirements[2]	2003 Bonds Interest	2003 Bonds Debt Service Requirements	Total Debt Service Requirements[3]
2003[1]	$6,330,365.63	$42,290,125.00	$48,620,490.63	-			
2004	9,224,376.26	53,655,500.00	62,879,876.26	$5,480,000			
2005	9,308,976.26	63,157,000.00	72,465,976.26	5,740,000			
2006	9,385,576.26	63,226,800.00	72,612,376.26	6,015,000			
2007	9,383,576.26	63,228,050.00	72,611,626.26	6,310,000			
2008	9,382,176.26	57,566,550.00	66,948,726.26	6,625,000			
2009	9,384,136.26	48,940,550.00	58,324,686.26	6,970,000			
2010	9,387,916.26	42,112,300.00	51,500,216.26	7,310,000			
2011	9,381,916.26	38,455,375.00	47,837,291.26	7,760,000			
2012	9,385,516.26	38,435,512.50	47,821,028.76	8,045,000			
2013	9,381,556.26	38,428,175.00	47,809,731.26	8,440,000			
2014	9,383,150.00	38,404,425.00	47,787,575.00	8,850,000			
2015	9,388,400.00	38,386,637.50	47,775,037.50	9,285,000			
2016	9,383,850.00	38,360,875.00	47,744,725.00	9,470,000			
2017	9,383,950.00	38,338,725.00	47,722,675.00	10,220,000			
2018	9,382,325.00	29,215,987.50	38,598,312.50	10,725,000			
2019	9,382,875.00	20,490,487.50	29,873,362.50	11,260,000			
2020	9,384,225.00	20,492,412.50	29,876,637.50	11,810,000			
2021	-	20,490,412.50	20,490,412.50	12,395,000			
2022	-	20,491,162.50	20,491,162.50	13,005,000			
2023	-	20,489,100.00	20,489,100.00	-			
TOTAL[3]	$165,624,863.23	$834,656,162.50	$1,000,281,025.73	$165,895,000			

(1) Does not reflect interest payments made on December 15, 2002 with respect to the 1996 Bonds and the 1999 Bonds
(2) Preliminary
(3) Numbers may not add due to rounding.

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 2003. The current rate is 3.0% which, when added to the Authority Tax, results in a tax rate of 4.5%.

Legislation passed by City Council in 2002 will continue reductions in the rate of the City Tax through fiscal year 2007. In addition, such legislation stipulates that if combined tax receipts ("Tax Receipts") from the City Tax, the Authority Tax and the Non-resident Tax (hereinafter defined) grow by at least 3.5% over the previous year, the size of the reduction in the rate of the City Tax will increase. If the Tax Receipts grow at 3.5% in each year of the planned tax rate reduction, the rate of the City Tax would drop to 2.48% in fiscal year 2007. If Tax Receipts do not grow at 3.5% in any year of the plan, the rate of the City Tax would be 2.85% in fiscal year 2007.

The City Tax is imposed pursuant to authority granted to the City by the Sterling Act (Act of August 5, 1932, Sp. Sess., P.L. 45, No. 45), which was enacted by the Pennsylvania General Assembly in 1932 and permits the City to levy any tax not specifically preempted by the Commonwealth. The City has imposed a wage, earnings and net profits tax since 1939. For a discussion of historical data with respect to collection of the City Tax, see "APPENDIX B - CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" herein.

Under state law at least sixty percent (60%) of a taxpayer's tax liability based upon net income under the Business Privilege Tax levied by the City under the First Class City Business Tax Reform Act must be allowed as a credit against such taxpayer's liability under any tax based upon net profits or gain levied by the City pursuant to the Sterling Act (such as the City Tax and the Authority Tax). The Act requires that such credit be applied and exhausted against the City Tax before such credit can be applied and charged against similar liability of a taxpayer under the Authority Tax. The City currently allows the minimum sixty percent (60%) credit required by law, but is permitted to increase that credit above sixty percent (60%).

The City also levies a tax on the salaries, wages, commissions and other compensation and on net profits earned in business, professions and other activities of non-residents employed in the City ("Non-resident Tax"). The Non-resident Tax rate is different from the City Tax rate.

The amount of the Authority Tax remitted to the Authority by the Commonwealth in Fiscal Years 1999, 2000, 2001 and 2002 totaled $243,588,074, $259,325,800, $274,935,589 and $276,834,389, respectively. The following table sets forth Authority Tax receipts from the Commonwealth for the periods indicated below.

Authority Tax Receipts
April, 2002 to March, 2003

Month	Amount	Month	Amount
April 2002	$25,714,298	October	$ 25,975,486
May	29,314,839	November	22,737,281
June	20,921,915	December	19,654,462
July	24,771,495	January 2003	25,258,231
August	23,919,839	February	22,639,499
September	19,078,853	March	20,446,637
		Total*	$280,432,835

*Total does not add due to rounding

Historical Revenues and
Debt Service Coverage Ratios

The revenues of the Authority available for debt service from the Authority Tax for Fiscal Years 1999, 2000, 2001 and 2002 and the debt service coverage ratios for Fiscal Years 1999, 2000, 2001 and 2002 are shown in the following table:

	1999	2000	2001	2002
Revenues Available for Debt Service	$243,588,074	$259,325,800	$274,935,589	$276,834,389
Actual Debt Service	$87,226,415	$107,071,149	$106,998,376	$107,298,475
Debt Service Coverage Ratio*	2.79	2.42	2.57	2.58

* Based on Maximum Annual Debt Service Requirement of the Bonds Outstanding as of June 30 of such Fiscal Years.

In its current Financial Plan, the City estimates that the amount of the Authority Tax to be collected in Fiscal Years 2003 and 2004 will be approximately $285.7 and $295.7 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 eleven (11) months of Fiscal Year 2003 totaled $256.04 million. The current Financial Plan estimated $285.0 million would be collected during Fiscal Year 2003. See "APPENDIX B - CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" herein.

THE AUTHORITY

Organization and Purpose

The Authority is a body corporate and politic constituting a public authority and an instrumentality of the Commonwealth exercising public powers of the Commonwealth as an agency and instrumentality thereof which was created pursuant to the Act for the purpose of providing financial assistance to, and exercising certain powers of oversight over the budgetary practices and fiscal affairs of, cities of the first class in the Commonwealth. The City currently is the only city of the first class in the Commonwealth. The Act and the Cooperation Agreement provide that, upon the request by the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain powers. In its financial assistance capacity, the Authority had the power to issue its bonds to grant or lend the proceeds thereof to the City. Such power to issue debt for such purposes has expired; however, the Authority remains authorized under the Act to refund any of its Outstanding Bonds. The Authority also has an oversight role, and in this capacity it has the power to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve Financial Plans to be revised at least annually by the City and to certify any noncompliance by the City with its then-existing Financial Plan, which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth and disbursements to the City from the City Account to be suspended pending compliance with the Act and the then-existing Financial Plan. For a discussion of the operating history of the Authority, see "THE AUTHORITY - Operating History" herein.

Board of Authority

Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex officio non-voting members. The Governor, the President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives each appoints one voting member of the Board. Each Board member serves at the pleasure of his or her appointing authority for a term extending not more than sixty days beyond the current term of office of the appointing authorities from the House of Representatives or until a successor member is appointed, whichever occurs first. The maximum term of office of the appointing authorities from the House of Representatives is two (2) years. The current term of office of the appointing authorities from the House of Representatives ends on November 30, 2004.

Members of the Board shall not be liable personally on the 2003 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 present members of the Board are as follows:

LAURI A. KAVULICH, Chair. Ms. Kavulich was appointed to serve as a member of the Board by the Minority Leader of the Senate of the Commonwealth in 1998. Ms. Kavulich is the Managing Attorney of the Philadelphia office of the law firm Reger and Rizzo. She is a member of the Bar of the Supreme Courts of Pennsylvania and New Jersey. She is also a member of the Committee of Seventy. Ms. Kavulich holds a Bachelor of Sciences degree from the University of Scranton and a Juris Doctor from Villanova University School of Law.

WILLIAM J. LEONARD, Vice-Chair. Mr. Leonard was appointed to serve as a member of the Board by the Minority Leader of the House of Representatives of the Commonwealth in 1998. Mr. Leonard is a partner with the Philadelphia-based law firm of Obermayer Rebmann Maxwell & Hippel LLP. He was previously associated with the law firm of Dilworth Paxson LLP. His areas of concentration include general complex commercial litigation with experience in antitrust, construction and intellectual property matters. He graduated from Drexel University in 1981 with a degree in Business Administration. In 1984 he graduated from the Dickinson School of Law where he was the winner of the Law Review Writing Competition for Outstanding Casenote.

GREGG R. MELINSON, Treasurer/Secretary. Mr. Melinson was appointed to serve as a member of the Board by the President Pro Tempore of the Senate of the Commonwealth of Pennsylvania in 1999. Mr. Melinson is a partner with the Philadelphia-based law firm of Drinker Biddle & Reath LLP. He has previously served as Deputy General Counsel to Governor Tom Ridge of Pennsylvania. He is currently a member of his firm's litigation department and labor and employment group. Mr. Melinson initially joined his firm in 1990 after serving a one-year judicial clerkship with the Honorable Edward R. Becker of the United States Court of Appeals for the Third Circuit. Between 1990 and 1994, Mr. Melinson practiced in the Labor and Employment Group, where he represented the firm's clients in labor disputes, employment discrimination litigation, wrongful discharge lawsuits, and other employment-related matters. In early 1995, Governor Ridge appointed Mr. Melinson Deputy General Counsel. In that capacity, he represented the Governor of Pennsylvania and other administration officials in federal and state court litigation, provided legal counseling to several cabinet secretaries, and oversaw the legal work of attorneys in a variety of state agencies. He graduated magna cum laude from LaSalle University in 1986 with a degree in English. In 1989, he graduated from the Duke University School of Law where he served as Senior Editor of the Alaska Law Review and was awarded the Bidlake Award for excellence in legal writing.

MICHAEL A. KARP. Mr. Karp was appointed to serve as a member of the Board by the Speaker of the House of Representatives in 2000 and reappointed in 2003. His prior government service includes service as a member of the Board of Education of the School District of Philadelphia. He is the founder of University City Housing and is active in the civic affairs of the University City community in West Philadelphia.

KENNETH I. TRUJILLO. Mr. Trujillo was appointed to serve as a member of the Board by the Governor of the Commonwealth in 2003. Mr. Trujillo is a founding member of Trujillo Rodriguez & Richards, LLC. He returned to the firm after serving as the City Solicitor of Philadelphia for the first two years of the administration of Mayor John F. Street. A substantial portion of Mr. Trujillo's work is in the area of complex litigation. Mr. Trujillo is also a former Assistant U.S. Attorney. In addition to his professional activities, Mr. Trujillo is active in a wide range of non-profit boards and professional associations. Most recently, Mr. Trujillo served Governor Rendell as Deputy Counsel of Governor Rendell's Transition Team. He is also the President of the Board of Directors of Congreso de Latinos Unidos, Inc. and the Secretary/Treasurer of the National Council of La Raza Board of Directors.

JANICE D. DAVIS, Ex Officio. Ms. Davis is the Director of Finance of the City.

MICHAEL J. MASCH, Ex Officio. Mr. Masch is the Secretary of the Budget of the Commonwealth.

Authority Staff

The Board appoints a staff to execute the functions of the Authority. Currently, the staff of the Authority is comprised of six (6) individuals, including the Executive Director, Deputy Executive Director, one (1) financial analysis specialist and three (3) clerical assistants. The Act provides that the Executive Director serves at the pleasure of the Board for a term ending sixty days beyond the current term of office of the appointing authorities from the House of Representatives or until his or her successor is retained, whichever occurs first. The staff of the Authority is currently supervised by:

JOSEPH C. VIGNOLA, Executive Director. Mr. Vignola was Chair of the Philadelphia Board of City Commissioners from 1981 to 1983. He was elected and reelected Controller of the City and County of Philadelphia in 1983 and 1985 and served in that office from 1983 to 1987. From 1987 to 1992, he established a law practice in Pennsylvania and New Jersey. In 1991, he was elected to the City Council of Philadelphia for the 1st Councilmanic District and served in that position until he resigned to become PICA's Executive Director in April 1995.

URI Z. MONSON, Deputy Executive Director. Mr. Monson served as Director of Budgetary Analysis for PICA until October 16, 2001. From 1998 to 2000, he served as an Assistant Budget Director for the City of Philadelphia. From 1995 to 1998, he worked for the U.S. Department of Education in Washington, D.C. as a congressional liaison, policy analyst, and as manager of the Javits Graduate Fellowship Program and co-manager of the National Resource Center program. Mr. Monson is a graduate of the Presidential Management Internship Program, serving as a program analyst at the U.S. Department of Education, and working in the Office of the Vice President of the United States and the New York City Office of the Superintendent for Alternative High School Programs. He has a Masters Degree in Public Policy, with a concentration in education policy, from the Columbia University School of International and Public Affairs. He also has a BA in Political Science from Columbia University, as well as a BA in Midrash from the Jewish Theological Seminary of America. Mr. Monson serves on the Boards of Camp Ramah in the Poconos and the Philadelphia Academy for Law, Criminal Justice and Public Administration as well as a Vice President of the Philadelphia Committee on City Policy.

Financing Program

The Authority was established and organized by the Commonwealth in June, 1991 pursuant to the Act. The Authority has not issued any short- or long-term debt obligations other than the 1992 Bonds, the 1993 Bonds, the 1993A Bonds, the 1994 Bonds, the 1996 Bonds and the 1999 Bonds. Only the 1993A Bonds, the 1996 Bonds and the 1999 Bonds are currently Outstanding. In addition to its currently outstanding obligations and the 2003 Bonds, the Authority may from time to time, subject to the limitations prescribed in the Act, enter into refinancing transactions for Authority obligations previously issued. Each additional refinancing transaction may be a separate obligation of the Authority issued under a trust indenture separate from the Indenture or may be an obligation of the Authority issued under a supplemental indenture to the Indenture and secured on an equal and ratable (except for moneys otherwise specifically pledged under the Indenture) or subordinate basis with the 1996 Bonds, the 1999 Bonds and the 2003 Bonds.

Under the Act, the City is required to fulfill and comply with certain requirements in order to receive financial assistance from the Authority. Such requirements include, but are not limited to, (i) adoption of an intergovernmental cooperation agreement between the City and the Authority, which must be approved by a Qualified Majority (as defined in the Act) of the Board, and (ii) the development and revision at least annually by the City, in consultation with the Authority, of, and compliance with, a Financial Plan. "Qualified Majority" is defined in the Act to mean a majority of the Board which includes any four voting members.

Oversight Functions of the Authority

The Act establishes a statutory framework for financial oversight of the City by the Authority. Generally, in order to receive financial assistance from the Authority, and for so long as any bonds of the Authority remain Outstanding, the City must comply with certain requirements set forth in the Act and in certain documents and agreements, such as the Cooperation Agreement, contemplated by the Act. In addition, the Act and certain documents and agreements contemplated by the Act, such as the Cooperation Agreement, grant to the Authority certain powers to review City financial information and to take certain actions to monitor and to promote the City's compliance with its obligations under the Act and under certain documents and agreements contemplated by the Act, such as the Cooperation Agreement. See "THE AUTHORITY - Powers of the Authority to Promote Compliance" herein.

Intergovernmental Cooperation Agreement

On January 8, 1992, the City and the Authority entered into the Cooperation Agreement. In addition to detailing the preparation, approval and effect of the City's Financial Plan as described below, the Cooperation Agreement provides, in general, for the initial issuance of bonds by the Authority to provide financial assistance to the City, and sets forth certain terms governing the City Account. The Cooperation Agreement also requires the City to provide to the Authority certain financial and other information and grants to the Authority certain inspection and audit rights.

Financial Plan

Upon the request by the City to the Authority for financial assistance, and for so long as any bonds of the Authority remain Outstanding, the Act requires that the City submit and the Authority approve at least annually a Financial Plan conforming to certain standards specified in the Act and in the Cooperation Agreement. The Act and the Cooperation Agreement require that each Financial Plan include financial information concerning projected revenues and expenditures of the principal operating fund or funds of the City specified in the Cooperation Agreement, including primarily the City's General Fund, General Capital Fund and Grants Revenue Fund, for the current fiscal year and the next four fiscal years. All projections of the revenues and expenditures in each Financial Plan must be based on assumptions and methods of estimation determined to be reasonable and appropriate by the Authority, such assumptions and methods to be consistently applied. All cash flow projections in each Financial Plan must be based upon assumptions as to sources and uses of cash determined to be reasonable and appropriate by the Authority. Revenue and appropriation estimates must be on a modified accrual basis; any deviation from the statutory standards for estimating revenues and expenditures must be approved by a Qualified Majority of the Board.

Each Financial Plan must specify practices by which the City shall (i) eliminate any projected deficit of the City for the then-current fiscal year and for the subsequent fiscal years covered by such Financial Plan; (ii) restore to special fund accounts of the City moneys from those accounts used for purposes other than those specifically authorized; (iii) balance the then-current fiscal year budget and subsequent budgets of the City covered by the Financial Plan through sound budgetary practices, including, but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of such steps; (iv) provide procedures to avoid a City fiscal emergency condition in the future; and (v) enhance the ability of the City to regain access to the short- and long-term credit markets.

Pursuant to the Act, the City was required to submit an initial Financial Plan to the Authority for its approval prior to the Authority rendering certain financial assistance to the City. The City submitted an initial Financial Plan to the Authority prior to the issuance of the 1992 Bonds. In addition, the Act and the Cooperation Agreement require the City to submit a revised Financial Plan at least one hundred (100) days prior to the beginning of each fiscal year (or such other date as the Authority may approve at the request of the City), so long as any bonds of the Authority are outstanding. Each such revised Financial Plan is required to include projected revenues and expenditures of the General Fund, the General Capital Fund, the Grants Revenue Fund and any other principal operating fund of the City which becomes a member of the City's Consolidated Cash Account (collectively, the "Covered Funds") for five fiscal years of the City, consisting of the fiscal year of the City beginning on the July 1 next following the date such revised Financial Plan is required to be submitted to the Authority and the next four fiscal years thereafter.

The Act and the Cooperation Agreement also require that the City, simultaneously with the submission of each Financial Plan, submit to the Authority, among other things, the following:

(a) a schedule of debt service payments due or projected to become due in respect of all indebtedness of the City and all indebtedness of others supported in any manner by the City (by guaranty, lease, service agreement or otherwise) during each fiscal year of the City until the final scheduled maturity of such indebtedness, such schedule to set forth such debt service payments separately according to the general categories of direct general obligation debt, direct revenue debt, lease obligations, service agreement obligations and guaranty obligations;

(b) a schedule of payments for legally mandated services included in the Financial Plan and due or projected to be due during the fiscal years of the City covered by the Financial Plan;

(c) a statement describing, in reasonable detail, the significant assumptions and methods of estimation used in arriving at the projections contained in the Financial Plan;

(d) the Mayor's proposed operating budget and capital budget for each of the City's principal operating funds for the next fiscal year of the City, which budgets shall be consistent with the first year of the Financial Plan and which budgets shall be prepared in accordance with the Philadelphia Home Rule Charter, as amended;

(e) a statement by the Mayor that the budgets described in (d) above:

(i) are consistent with the Financial Plan;

(ii) contain funding adequate for debt service payments, legally mandated services and lease payments securing bonds of other government agencies or of any other entities; and

(iii) are based on reasonable and appropriate assumptions and methods of estimation;

(f) a cash flow forecast for the City's consolidated cash account for the first fiscal year of the City covered by the Financial Plan;

(g) an opinion or certification of the City Controller, prepared in accordance with generally accepted auditing standards, with respect to the reasonableness of the assumptions and estimates in the Financial Plan; and

(h) a schedule setting forth the number of authorized employee positions (filled and unfilled) for the first year covered by such Financial Plan for each board, commission, department or office of the City.

The Act and the Cooperation Agreement require the Authority promptly to review the Financial Plan and the proposed operating and capital budgets. The Act and the Cooperation Agreement also require the Authority, within thirty (30) days of the submission of the Financial Plan and proposed operating and capital budgets, to determine whether such Financial Plan projects balanced budgets for the principal operating fund or funds of the City, based upon reasonable assumptions, for each year of the Financial Plan and whether such proposed operating and capital budgets are consistent with the Financial Plan.

If the Authority determines that the Financial Plan and the proposed operating and capital budgets fulfill the applicable requirements of the Act and the Cooperation Agreement, the Act and the Cooperation Agreement require the Board to approve the Financial Plan by a Qualified Majority. If the Authority fails to take any action within thirty (30) days of the submission of a proposed Financial Plan, such Financial Plan shall be deemed to have been approved; provided, however, that if during such thirty (30) day period a written request by two (2) members of the Board for a meeting and vote on the question of approval of the proposed Financial Plan has been submitted to the Chairperson of the Board and a meeting and vote does not take place, then the Financial Plan shall be deemed to have been disapproved. The Financial Plan also shall be deemed to have been disapproved if such meeting and vote are held and the Financial Plan is approved by anything less than a Qualified Majority. The Act and the Cooperation Agreement provide that the Authority shall not be bound by any opinions or certifications of the City Controller issued pursuant to the Act or the Cooperation Agreement in making any determination regarding the Financial Plan.

If the Financial Plan is disapproved by the Board, the Act and the Cooperation Agreement require the Authority to notify the City thereof and to state in writing in reasonable detail the reasons for such disapproval, including the amount of any estimated budget imbalance in a principal operating fund or funds of the City. The City must then submit a revised Financial Plan to the Authority, eliminating the budget imbalance, within fifteen (15) days of such disapproval. Such revised Financial Plan must be reviewed and voted upon by the Board within fifteen (15) days of its submission. If the Authority determines that the revised Financial Plan fulfills the applicable requirements of the Act and the Cooperation Agreement, the Board must approve the revised Financial Plan by a Qualified Majority. If the Authority does not so approve the revised Financial Plan, the Authority shall certify the City's noncompliance with the Financial Plan to the Secretary of the Budget of the Commonwealth. See "THE AUTHORITY - Powers of the Authority to Promote Compliance" herein.

The Act and the Cooperation Agreement provide that the City may, during any fiscal year, submit proposed revisions to its then-existing Financial Plan. The Act provides that the City shall submit such a proposed revision after, and the Cooperation Agreement provides that the City shall submit a proposed revision within fifteen (15) days after, any amendment to the City's operating or capital budget becomes effective. The Act and the Cooperation Agreement also require the Mayor, within ninety (90) days of assuming office, to certify to the Authority that the Mayor adopts the then-existing Financial Plan or to propose to the Authority revisions to the then-existing Financial Plan. When a proposed revision is submitted, the Authority is required to review the revision within twenty (20) days and to approve the proposed revision if, based on assumptions deemed to be reasonable by the Authority, it does not cause the Financial Plan to become imbalanced. Proposed revisions become part of the Financial Plan upon the approval of a Qualified Majority, unless a Qualified Majority of the Board adopts some other method of approval in its rules and regulations. If the Authority fails to take action on a proposed revision within twenty (20) days, such revision will be deemed to have been approved, unless two (2) members of the Board request in writing submitted to the Chairperson of the Board a meeting and vote on the revision and no such meeting and vote takes place, in which event such revision will be deemed to have been disapproved. The Financial Plan shall also be deemed to have been disapproved if such meeting and vote are held and the Financial Plan is approved by anything less than a Qualified Majority.

In the event that the City Council adopts a budget inconsistent with an approved Financial Plan, the Act and the Cooperation Agreement require the City to submit the enacted budget to the Authority (pursuant to the terms of the Cooperation Agreement, within twenty (20) days after such budget has been so enacted) as a proposed revision to the Financial Plan. The Authority shall have thirty (30) days to review such proposed revision.

Contracts and Collective Bargaining Agreements of the City

The Act and the Cooperation Agreement provide that the City shall execute contracts and collective bargaining agreements which are in compliance with the Financial Plan. The Act and the Cooperation Agreement provide that if the City executes a contract or collective bargaining agreement or receives an arbitration award (other than with respect to police officers or firefighters as described in the next following sentence) which is not in compliance with the Financial Plan, such contract, collective bargaining agreement or arbitration award shall not be void or voidable solely by reason of such noncompliance, but the City shall as soon as practicable but in no event later than fifteen (15) days after the execution or receipt thereof by the City, submit to the Authority a proposed revision to the Financial Plan which demonstrates to the reasonable satisfaction of the Authority that revenues sufficient to pay the costs of the contract or collective bargaining agreement or arbitration award will be available in the affected fiscal years of the Financial Plan. In addition, Section 209(k) of the Act provides that a board of arbitration must take into consideration and accord substantial weight to the Financial Plan when making an award which increases the wages or fringe benefits of any police officers or firefighters employed by the City. The Act and the Cooperation Agreement provide that if such an arbitration award, after the exhaustion of all appeals, is not in compliance with the Financial Plan, such an arbitration award shall not be void or voidable solely by reason of such noncompliance, but the City shall not later than twenty (20) days after the date of such award, submit to the Authority a proposed revision to the Financial Plan which demonstrates that revenues sufficient to pay the costs of the arbitration award will be available in the affected fiscal years of the Financial Plan. (It should be noted, however, that Act No. 230 of 2002, signed into law by the Governor of the Commonwealth on December 30, 2002, purports to repeal Section 209(k) of the Act. The City has filed suit against the Commonwealth and certain other relevant parties seeking declaratory relief to declare Act 230 of 2002 unconstitutional. Such case is currently pending before the Pennsylvania Supreme Court.) The Cooperation Agreement provides that the Authority has certain rights to receive information concerning collective bargaining agreements of the City and to express views as to the financial impact on the City of such collective bargaining agreements. The Cooperation Agreement also provides that the Authority has certain rights of review, comment, and recommendation with respect to certain other contracts or agreements to which the City is a party or under or on account of which the City may be or become obligated, directly or indirectly, pursuant to which the City will or may incur a financial obligation or confer a financial benefit upon another, in either case in excess of $1,000,000 during any fiscal year of the City during the term of such contract or agreement, or in excess of $5,000,000 in the aggregate during the term of such contract or agreement. The Authority has agreed with the City to keep certain information and communications relating to collective bargaining agreements and such other contracts confidential until such agreements or contracts are executed.

Powers of the Authority to Promote Compliance

In the event the City fails to submit the required revisions to the Financial Plan as discussed above, the Authority may exercise certain powers to promote compliance, as described below.

Power to Require Production of Records and Information and to Act Thereon

The Act and the Cooperation Agreement require the City to furnish, and the Authority to receive and review, certain financial reports and other information in order to enable the Authority to determine whether the City is complying with the then-existing Financial Plan. Under the Cooperation Agreement, within forty-five (45) days of the end of each fiscal quarter of the City, and also monthly (within thirty (30) days after the end of the previous month) if a Variance (as hereinafter defined) from the then-current Financial Plan has been determined by the Authority to have occurred, the Mayor is required to provide to the Authority a report describing actual, or current estimates of, revenues, expenditures and cash flows by Covered Fund (excepting the Grants Revenue Fund) compared to budgeted revenues, expenditures and cash flows by Covered Funds (excepting the Grants Revenue Fund) for such previous quarterly or monthly period, as the case may be, and for the year-to-date period from the beginning of the then-current fiscal year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any Variance existing as of such last day. If the City fails to file with the Authority any Financial Plan, revision to a Financial Plan, report or other information required to be filed with the Authority pursuant to the Act or the Cooperation Agreement, the Act and the Cooperation Agreement authorize the Authority to bring, on ten (10) days' notice, a mandamus action to compel production of the same.

The Authority is required to determine, based on its review of the aforementioned information or upon such independent audits, examinations or studies of the City finances as may be conducted by or on behalf of the Authority, whether a Variance from the Financial Plan has occurred.

Under the Cooperation Agreement, a "Variance" is deemed to have occurred as of the end of a reporting period described above if (i) a net adverse change in the fund balance of a Covered Fund of more than one percent (1%) of the revenues budgeted for such Covered Fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or (ii) the actual net cash flows of the City for a Covered Fund are reasonably projected to be less than ninety-five percent (95%) of the net cash flows of the City for such Covered Fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year.

If the Authority determines that a Variance exists, it is required to notify the City in writing, whereupon the City is required, within ten (10) days after request by the Authority, to provide the Authority such additional information as the Authority deems necessary to explain the Variance. The Authority may not take action with respect to the City as a result of Variances from the Financial Plan in any fiscal quarter of the City if the City (i) within thirty (30) days provides a written explanation of the Variance that the Authority deems reasonable, (ii) within forty-five (45) days proposes remedial action that the Authority believes will restore overall compliance with the Financial Plan, (iii) provides information in the immediately succeeding quarterly financial report required to be delivered to the Authority demonstrating to the reasonable satisfaction of the Authority that the City is taking the remedial action and otherwise complying with the Financial Plan, and (iv) submits monthly supplemental reports in accordance with the Act and the Cooperation Agreement.

Power to Initiate Withholding of Certain Payments to the City by the Commonwealth

The Act and the Cooperation Agreement require the Authority to certify to the Secretary of the Budget of the Commonwealth the City's noncompliance with the then-existing Financial Plan during any period when the Authority, by a Qualified Majority, determines that the City (i) has not adhered to the then-existing Financial Plan and (ii) has not taken adequate remedial action during the next fiscal quarter following such departure from the Financial Plan to cure such noncompliance.

In addition, the Act and the Cooperation Agreement require the Authority to certify to the Secretary of the Budget of the Commonwealth that the City is not in compliance with the then-existing Financial Plan if the City (a)(i) has failed to file a Financial Plan or has no Financial Plan approved by the Authority, both as required by the Act and the Cooperation Agreement, or (ii) has failed to file mandatory revisions to an approved Financial Plan or reports as required by the Act and the Cooperation Agreement and (b) has not been compelled to file a Financial Plan, a mandatory revision to a Financial Plan or a report pursuant to the Authority's power to institute a mandamus action under the Act and the Cooperation Agreement.

Withholding of Commonwealth Payments to City; Exemptions Therefrom

In the event the Authority certifies the City's noncompliance with an approved Financial Plan, the Act requires the Secretary of the Budget of the Commonwealth to notify the City of such certification and to inform the City that each grant, loan, entitlement or payment from the Commonwealth or any of its agencies to the City (except as provided below), including payments from the City Account, shall be suspended until such time as the City complies with the then-existing Financial Plan. The Act also requires payments from the City Account to be retained in that account, and all other payments to be held in escrow by the Commonwealth until such time as the Board, by a Qualified Majority, determines that the conditions causing the City's noncompliance with the Financial Plan have ceased to exist. At the time the Authority makes such determination, the Act requires the Authority promptly to notify the Secretary of the Budget of the Commonwealth, who is required to release all funds held in escrow, along with interest and income earned thereon during the escrow period, and the disbursements to the City from the City Account shall then resume.

The Act and the Cooperation Agreement specifically provide that, other provisions of the Act and the Cooperation Agreement notwithstanding, the following funds may not be withheld by the Commonwealth from the City for noncompliance with a Financial Plan: (i) funds for capital projects under contracts in progress; (ii) funds granted or allocated to the City directly from an agency of the Commonwealth, or from the federal government for distribution by the Commonwealth after the declaration of a disaster resulting from a catastrophe; (iii) pension fund payments required by law; (iv) funds administered by the City's Department of Human Services or Department of Health that provide benefits or services to recipients; (v) funds that the City has pledged to repay bonds or notes issued under The First Class City Revenue Bond Act (Act of October 18, 1972, P.L. 955, No. 234); and (vi) funds appropriated by the Commonwealth for the City's court system or correctional programs. The Act also provides that funds will not be withheld from the City if the City's noncompliance with a Financial Plan is due to the Commonwealth's failure to pay funds due to the City from moneys appropriated by the General Assembly of the Commonwealth. However, the Cooperation Agreement provides that such failure by the Commonwealth to pay any such money shall not be as a result of any fault of the City.

Operating History

Since the issuance of the 1992 Bonds, the Authority has devoted its primary attention to the assessment, approval and oversight of the City's Financial Plans, the City's compliance therewith, the evaluation of City financial reporting, the analysis of City financial and budgetary practices and programs and oversight of the expenditure of funds for capital projects and productivity enhancements for which the Authority made and expects to make grants to the City with a portion of the proceeds from the sale of the 1992 Bonds, 1993 Bonds and 1994 Bonds.

The City's original Financial Plan, which covered Fiscal Years 1992-1996, was prepared by the Mayor, approved by City Council on April 29, 1992 and approved by the Authority on May 18, 1992. In November 1992 the Authority began receiving quarterly Financial Plan reports from the City addressing the status of the City's compliance with its original Financial Plan and any associated achievement of City initiatives. The Authority determined a Variance to exist with respect to the quarterly Financial Plan report for the first quarter of Fiscal Year 1993, which projected a Variance in the Financial Plan through June 30, 1993 of $57 million of the budgeted revenues of the General Fund. The Mayor proposed Variance correction measures for Fiscal Year 1993, a revised Financial Plan for Fiscal Years 1994-1998 and a Fiscal Year 1994 general fund and capital budget, which were enacted or approved by the City Council. The revised Financial Plan for Fiscal Years 1994-1998 and Variance correction proposals were submitted to the Authority and were approved by the Authority on April 14, 1993, at which time the Authority determined that a Variance no longer existed with respect to the Financial Plan. Subsequent quarterly Financial Plan reports have not projected Variances from the Financial Plans applicable to such reports. The Authority approved five subsequent Financial Plans including most recently the Financial Plan for Fiscal Years 2003-2007. The Financial Plan for Fiscal Years 2004-2008 was approved by City Council on May 29, 2003, and is currently being considered by the Board of the Authority.

LITIGATION

There is no litigation of any nature now pending or threatened seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2003 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 2003 Bonds or the existence or powers of the Authority.

LEGAL INVESTMENT

The Act provides that the 2003 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 2003 Bonds may properly and legally be deposited with and received by any government agency for any purpose for which the deposit of bonds or other obligations of the Commonwealth now or hereafter may be authorized by law.

TAX EXEMPTION

Federal Tax Exemption

Bond Counsel is expected to issue its opinion that under existing law, the interest on the 2003 Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference within the meaning of Section 57 of the Internal Revenue Code of 1986, as amended (the “Code”) for purposes of the alternative minimum tax imposed by Section 55 of the Code on individuals and corporations: however, it should be noted, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority complies with all the requirements of the Code that must be satisfied subsequent to the issuance of the 2003 Bonds in order that interest on the 2003 Bonds be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the 2003 Bonds to be included in gross income retroactively to the date of issuance of the 2003 Bonds. The Authority has covenanted to comply with all such requirements.

Ownership of the 2003 Bonds may give rise to collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2003 Bonds. Bond Counsel expresses no opinion as to any such collateral federal income tax consequences. Purchasers of the 2003 Bonds should consult their own tax advisors as to such collateral federal income tax consequences.

Pennsylvania Tax Exemption

In the opinion of Bond Counsel, under existing law, the 2003 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2003 Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.

RATINGS

Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings, which have assigned the 2003 Bonds ratings of "Aaa", "AAA" and "AAA", respectively, have done so with the understanding that, upon delivery of the 2003 Bonds, the Financial Guaranty Insurance Policy will be issued by Ambac Assurance. Moody’s Investors Service, Inc., Standard & Poor’s Rating Services and Fitch Ratings have also assigned underlying ratings of “A1”, “A+”, and “A” to the 2003 Bonds based on the unenhanced credit of the Authority. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004; Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2003 Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the 2003 Bonds are subject to the approval of Klett Rooney Lieber & Schorling, a Professional Corporation, Philadelphia, Pennsylvania, Bond Counsel. The proposed form of opinion of Bond Counsel is appended hereto as APPENDIX D. Certain legal matters will be passed upon for the Authority by Reed Smith LLP, Philadelphia, Pennsylvania, General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by Dilworth Paxson LLP and Obermayer Rebmann Maxwell & Hippel LLP, both of Philadelphia, Pennsylvania, Co-counsel to the Underwriters. Certain legal matters will be passed upon for the City by the Office of the City Solicitor and by Blank Rome LLP, Philadelphia, Pennsylvania, special counsel to the City.

The various legal opinions to be delivered concurrently with the delivery of the 2003 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, an attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. In addition, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

UNDERWRITING

The 2003 Bonds are being purchased for reoffering by the underwriters shown on the cover page hereof (the "Underwriters") at an aggregate purchase price of par. The Authority has agreed to pay the Underwriters an underwriting fee of $_____. The initial public offering prices of the 2003 Bonds may be changed from time to time by the Underwriters without notice. The Underwriters may offer and sell the 2003 Bonds to certain dealers (including dealers depositing 2003 Bonds into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at prices lower than the offering prices set forth on the cover page hereof. The purchase contract for the 2003 Bonds provides that the Underwriters' obligation to purchase the 2003 Bonds is subject to certain conditions and that the Underwriters are obligated to purchase all of the 2003 Bonds, if any 2003 Bonds are purchased.

FINANCIAL ADVISORS

Hopkins & Company, Calhoun Baker, Inc. and Penn Capital Advisors have served as co-financial advisors to the Authority with respect to the issuance and sale of the 2003 Bonds. Hopkins & Company, Calhoun Baker, Inc. and Penn Capital Advisors have assisted in the preparation of this Official Statement (excluding the Appendices hereto) and in other matters relating to the planning, structuring, and issuance of the 2003 Bonds.

CERTAIN RELATIONSHIPS

William J. Leonard, Esquire, a Board member of the Authority, is a partner at Obermayer Rebmann Maxwell & Hippel LLP, co-counsel to the Underwriters.

FINANCIAL STATEMENTS

The financial statements of the Authority as of June 30, 2002 included in APPENDIX A to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in APPENDIX A.

MISCELLANEOUS

Negotiable Instruments

The Act provides that bonds of the Authority shall have all the qualities of negotiable instruments under the Uniform Commercial Code of the Commonwealth.

Certain References

All summaries of the provisions of the 2003 Bonds and the security therefor, the Act and the Indenture set forth herein, and all summaries and references to other documented material not purported to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is made hereby to the complete documents relating to such matters for the complete terms and provisions thereof, or for the information contained therein. Copies of the Indenture are on file at the corporate trust office of the Trustee in Philadelphia, Pennsylvania. Insofar as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are made merely as such and not as representations of fact.

The City has furnished the information relating to the City and its affairs contained in APPENDIX B to this Official Statement and has reviewed and approved all other information relating to the City appearing in this Official Statement. The Authority makes no representations as to the accuracy or completeness of such information.

This Official Statement has been duly authorized, executed and delivered by the Authority. Neither any advertisement for the 2003 Bonds nor this Official Statement is to be deemed or construed as constituting a contract among the Authority, the City and the purchasers of the 2003 Bonds.

No Continuing Disclosure Undertaking

The Authority is not required to provide continuing financial or other information for the benefit of the owners of the 2003 Bonds so long as the 2003 Bonds bear interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period.

If the interest rate on the 2003 Bonds is converted to a Term Rate or to another interest rate mode for which the interest rate period is longer than nine months, the Authority must either provide the Trustee, the issuer of the Liquidity Facility, Ambac Assurance 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. It should be noted, however, that as a result of prior contractual commitments in respect of the 1996 Bonds and the 1999 Bonds, the Authority has filed annual reports with nationally recognized municipal securities information repositories in the past and expects to file such reports in the future so long as any 1996 Bonds or 1999 Bonds, scheduled to mature in 2019 and 2022, respectively, remain outstanding.

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: ______________________________________

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AS OF JUNE 30, 2002

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Pennsylvania Intergovernmental Cooperation Authority

Management Discussion and Analysis, Financial Statements and Supplemental Schedules as of and for the Year Ended June 30, 2002 and Independent Auditors' Report

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

TABLE OF CONTENTS

Management Discussion of Financial Operations

The Board of the Pennsylvania Intergovernmental Cooperation Authority (the Authority) offers the following narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2002.

Financial Highlights

- The total net assets of the Authority at the close of the fiscal year were ($694,478,230) representing an increase in net assets of $39,353,757 over the prior year.
- At the close of the current fiscal year, the Authority's General Fund unreserved balance increased by over $981,000 to $2,221,612 from the prior fiscal year. All Administration costs in during fiscal year 2002 were funded from the Authority's earnings on its General Fund and on its Debt Service Reserve Fund.
- The Authority's outstanding long-term debt decreased by $61,175,000 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, and 2) governmental funds financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net assets changed during the fiscal year ended June 30, 2002. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements can be found on pages 2-3 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the functions as reported as governmental activities in the government-wide financial statements. However, unlike the

government-wide financial statements, governmental fund financial statements focus on near-
term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The basic governmental fund financial statements can be found on pages 4-5 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6-18 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, liabilities exceeded assets by $694,478,230 at the close of fiscal year 2002.

By far the largest portion of the Authority's net deficit reflects its bonds payable. Proceeds from the PICA tax as well as the corresponding interest earned are in part utilized to fund such debt service requirements. The Authority's bonds payable activity for the year ended June 30, 2002 is summarized as follows:

	Amount (in thousands)
Outstanding Debt at July 1, 2001	$901,850
Debt Retired	61,175
Outstanding Debt at June 30, 2002	$840,675

The Authority's long-term investments make up the largest portion of the total assets. Such investments are derived from the proceeds of bond issuances of year's past and the related investment income and are used to provide grants to the City of Philadelphia for various capital projects. During fiscal year 2002, the Authority granted approximately $201.5 million to the City of Philadelphia.

Governmental activities decreased the Authority's net deficit by $39,353,757, thereby accounting for the total growth in assets during fiscal year 2002. Asset growth was due primarily to the retirement of long-term debt as well as better than budgeted operating fund results during fiscal year 2002.

Governmental Funds Financial Analysis

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of approximately $146 million, a decrease of approximately $21.8 million in comparison with the prior year. Approximately 60 percent of this total amount ($87.4 million) constitutes fund balances reserved for debt service. Approximately 37 percent of the total ($54.6 million) constitutes fund balances that are reserved for the benefit of the City of Philadelphia. The remainder of the reserved fund balances is reserved primarily for the administration of the Authority. Approximately $2.2 million constitutes unreserved fund balance, which is available for spending at the Authority's discretion.

General Fund. All fiscal year 2002 administration expenses of the Authority were funded from the Authority's earnings on its General Fund and on its Debt Service Reserve Fund (established from proceeds of the Authority's bond issues) and residual balances of similar earnings from prior fiscal years. No City of Philadelphia or Commonwealth of Pennsylvania tax revenues were used to pay any portion of the Authority's administrative costs in fiscal year 2002, nor are any expected to be used in fiscal year 2003 for such purpose.

The PICA Act allows the Authority several sources of income to support its operations. The statute specifically provides that the Authority may draw earnings from the various funds and accounts created pursuant to its Trust Indenture, and also directly from the proceeds of PICA Taxes to the extent investment income is insufficient. The latter allowable revenue source has never been utilized by the Authority.

The PICA Act requires that the Authority adopt an annual budget (for the fiscal year commencing July 1) before March 1 of each year and also stipulates the format thereof, and information to be provided therewith to the Governor and General Assembly of the Commonwealth of Pennsylvania. The Authority's annual General Fund budgets, since its inception, have all produced surpluses.

Details as to anticipated and actual fund balances as of June 30, 2002 and as to the fiscal year 2002 budget are as follows:

Anticipated Residual Fund Balance:	
Fund Balance at June 30, 2001	$1,311,341
Less: Utilization of Fund Balance	71,709
Anticipated Fund Balance at June 30, 2002	$1,239,632
Fund Balance at June 30, 2002 (Anticipated/Actual):	
Anticipated Unreserved Fund Balance at June 30, 2002	$1,239,632
Add: Net FY02 "Better than Budget" Operating Results	981,980
Actual Unreserved Fund Balance at June 30, 2002	$2,221,612

General Fund Budget for FY03:

Revenues - General Fund Interest Earnings	$ 53,050
Other Financing Sources - Transfer from Bond Issue Investment Earnings ("Reserved for subsequent Authority Administration" in the Debt Service Reserve Fund at June 30, 2002)	1,832,483
Utilization of portion of FY02 fund balance	0
Total Estimated Expenditures	$1,885,533

The Authority's fiscal year 2003 budget recognizes the possibility that the Authority may be requested to become involved in oversight matters pertinent to the School District of Philadelphia; and provides funding to study and/or implement such a role.

The philosophy underlying the Authority's general fund operations remains that the Authority should maintain a personnel and expenditure level sufficient to permit it to respond to the demands placed upon it, but not so large as to present an opportunity either for the City of Philadelphia to use the Authority's resources to bypass the re-creation of its own management systems or to establish a permanent Authority structure that would develop its own reason for continued existence.

Special Revenue Fund. The Authority's Special Revenue Fund receives PICA taxes, interest earnings on such collections, and net interest earnings on bond issue funds other than Capital Projects Funds (the earnings on Capital Projects Funds are restricted to use for grants to the City of Philadelphia for PICA approved capital projects). The Special Revenue Fund receipts are utilized to provide, monthly, from the first available funds in that month, one-sixth of the next semi-annual interest requirement on PICA bonds outstanding and one-twelfth of the next annual principal requirement on PICA bonds outstanding, in a manner calculated to provide the total required semi-annual interest and the total required annual principal at the close of the month prior to such required date. After provision of monthly debt service requirements, the residual balances in PICA's Special Revenue Fund are paid to City of Philadelphia as grants to the City's General Fund.

The Special Revenue Fund received in excess of $156,000 on its invested balances during fiscal year 2002, and also received in excess of $5,361,000 of net interest earnings transferred in from other bond issue provided funds. Thus, PICA grants to the City of Philadelphia's General Fund during fiscal year 2002 exceeded the equation (PICA taxes minus provision for PICA Debt Service divided by the monthly basis equals PICA grants to the City) by in excess of $5,518,000.

Debt Service Funds. The Debt Service Funds account for the accumulation of financial resources for the payment of principal and interest on PICA's long-term debt.

Debt Service Reserve Fund. This fund is used to hold assets for debt service reserve purposes as required by the Trust Indenture. Current year investment earnings were transferred to pay current year debt service requirements and to aid in paying for the general fund's administration expenditures.

Rebate Fund. This fund is maintained in order to fund future potential rebates and/or debt service requirements. The only activity that occurred during the current fiscal year was the increase from investment earnings.

At June 30, 2002, the Fund Balances held in the combined Debt Service Funds, by individual fund groups, consisted of:

Debt Service Fund -- Current assets held for interest due 12/15/02 and principal due 6/15/03	$ 6,977,415
Debt Service Reserve Fund -- Current assets held for debt service reserve purposes as required by the Trust Indenture	76,840,350
Rebate Fund -- Current assets held for future potential rebate/debt service purposes	3,562,787
Amount Reserved for Debt Service	$87,380,552
Debt Service Reserve Fund -- Current assets held for subsequent PICA administration purposes (Debt Service Reserve Fund earnings held for PICA FY03 operations – per adopted budget)	1,832,483
Fund Balances at June 30, 2002-- Combined Debt Service Funds	$89,213,035

Expendable Trust/Capital Projects Funds. Expendable trust funds include amounts held separately, by bond issue from which such funds were provided, for purposes of grants to the City of Philadelphia for specific PICA approved capital projects. The PICA Act restricts City of Philadelphia use of PICA provided capital projects dollars to specific "emergency" and "productivity" projects approved by the PICA Board and, where necessary, by specified Commonwealth of Pennsylvania elected officials.

PICA, in connection with its three new-money bond issues, approved specific City capital projects totaling approximately $426 million, while providing bond issue funds of approximately $400.8 million for such projects. The difference, $25.2 million, as anticipated, has been raised from investment earnings of funds dedicated to capital projects. At June 30, 2002, sufficient PICA controlled capital projects funds were available to complete all of the initially approved PICA projects, to complete $16.3 million of additional projects subsequently approved by the PICA Board, and an additional $30.2 million of yet to be designated projects. Capital project funds held for PICA capital project grants to the City of Philadelphia totaled approximately $54.6 million at June 30, 2002.

Additional information. In accordance with IRS regulations, certain funds already granted to the City of Philadelphia by PICA continue to be classified as PICA Arbitrage Reportable Funds until the City of Philadelphia expends such funds for the purpose for which they were provided. Accordingly, and also for oversight purposes, PICA tracks the uses/balances of such grant funds and interest earnings thereon as yet unexpended by the City of Philadelphia. As of June 30, 2002, such PICA provided funds as yet unexpended by the City of Philadelphia included:

	Amount (in thousands)
Indemnity Fund	$ 1,757
'95 Indemnity Fund	$11,427
'92 Capital Projects Encumbered Funds	$16,764
'93 Capital Projects Encumbered Funds	$10,010
'93 Criminal Justice Project Encumbered Funds	$ 6,990
'94 Capital Projects Encumbered Funds	$ 6,420

INDEPENDENT AUDITORS' REPORT

To the Board of the Authority:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") as of and for the year ended June 30, 2002, which collectively comprise the Authority's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements- and Management's Discsussion and Analysis- for State and Local Governments*, as of June 30, 2002.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Pennsylvania Intergovernmental Cooperation Authority as of June 30, 2002, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit such information and therefore, express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of the Authority's management. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP
Philadelphia, Pennsylvania

September 13, 2002

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

STATEMENT OF NET ASSETS
JUNE 30, 2002

ASSETS	**Governmental Activities**
CURRENT ASSETS:	
Cash and short-term investments	$ 51,630,766
PICA Taxes receivable	6,796,803
Accrued interest receivable	589,502
Total current assets	59,017,071
LONG-TERM INVESTMENTS	121,030,421
OTHER ASSETS—Prepaid rent and security deposit	12,257
TOTAL	$ 180,059,749
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	$ 106,612
Accrued payroll and taxes	289,979
Due to the City of Philadelphia	7,231,388
Deferred revenue	26,235,000
Bonds payable—current portion	36,620,000
Total current liabilities	70,482,979
BONDS PAYABLE—Long-term portion	804,055,000
Total liabilities	874,537,979
NET ASSETS (DEFICIT):	
Restricted for debt service	87,380,552
Restricted for benefit of the City of Philadelphia	54,589,741
Restricted for subsequent PICA administration	1,832,483
Unrestricted deficit	(838,281,006)
Total net assets (deficit)	(694,478,230)
TOTAL	$ 180,059,749

See notes to financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2002

EXPENSES:	
Grants to the City of Philadelphia	$ 201,528,938
General management and support—	
General operations	1,046,327
Interest expense on long term debt	46,123,475
Total program expenses	248,698,740
PROGRAM REVENUES—	
Interest	11,218,108
Program revenues	11,218,108
Net program expenses	237,480,632
GENERAL REVENUES:	
PICA Taxes	276,677,775
Interest	156,614
Total general revenues	276,834,389
DECREASE IN NET DEFICIT	39,353,757
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(733,831,987)
NET ASSETS (DEFICIT), END OF YEAR	$ (694,478,230)

See notes to financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2002

	General	PICA Tax Revenue	Debt Service Fund 1993A	Debt Service Fund 1996	Debt Service Fund 1999	Debt Service Reserve Fund	Rebate Fund	Expendable Trust Funds Capital Projects Fund 1992	Expendable Trust Funds Capital Projects Fund 1993	Expendable Trust Funds Capital Projects Fund 1994	Total Governmental Funds
ASSETS											
CURRENT ASSETS:											
Cash and short-term investments	$ 28,931,833		$ 1,136,684	$ 854,468	$ 4,979,828	$ 15,347,983	$ 3,954	$ 172,761	$ 75,721	$ 127,534	$ 51,630,766
PICA Taxes receivable		$ 6,796,803									6,796,803
Accrued interest receivable	81,495	1,015	1,174	980	4,281	433,570	5	19,564	6,028	41,390	589,502
Interfund receivable		433,570									433,570
Total current assets	29,013,328	7,231,388	1,137,858	855,448	4,984,109	15,781,553	3,959	192,325	81,749	168,924	59,450,641
LONG-TERM INVESTMENTS						63,324,850	3,558,828	18,013,190	3,584,254	32,549,299	121,030,421
OTHER ASSETS—Prepaid rent and security deposit	12,257										12,257
TOTAL	$ 29,025,585	$ 7,231,388	$ 1,137,858	$ 855,448	$ 4,984,109	$ 79,106,403	$ 3,562,787	$ 18,205,515	$ 3,666,003	$ 32,718,223	$ 180,493,319
LIABILITIES AND FUND EQUITY											
CURRENT LIABILITIES:											
Accounts payable	$ 106,612										$ 106,612
Accrued payroll and taxes	289,979										289,979
Due to the City of Philadelphia		$ 7,231,388									7,231,388
Deferred revenue	26,235,000										26,235,000
Interfund payable						$ 433,570					433,570
Total current liabilities	26,631,591	7,231,388				433,570					34,296,549
FUND EQUITY:											
Fund balances:											
Unreserved	2,221,612										2,221,612
Reserved for debt service			$ 1,137,858	$ 855,448	$ 4,984,109	76,840,350	$ 3,562,787				87,380,552
Reserved for benefit of the City of Philadelphia								$ 18,205,515	$ 3,666,003	$ 32,718,223	54,589,741
Reserved for subsequent PICA administration						1,832,483					1,832,483
Reserved for future swaption activity	172,382										172,382
Total fund equity	2,393,994		1,137,858	855,448	4,984,109	78,672,833	3,562,787	18,205,515	3,666,003	32,718,223	146,196,770
TOTAL	$ 29,025,585	$ 7,231,388	$ 1,137,858	$ 855,448	$ 4,984,109	$ 79,106,403	$ 3,562,787	$ 18,205,515	$ 3,666,003	$ 32,718,223	
Amounts reported for governmental activities in the statement of net assets are different due to:											
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds											(840,675,000)
Net assets of governmental activities											$ (694,478,230)

See notes to financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2002

	General	PICA Tax Revenue	Debt Service Fund 1993A	Debt Service Fund 1996	Debt Service Fund 1999	Debt Service Reserve Fund	Rebate Fund	Expendable Trust Funds Capital Projects Fund 1992	Expendable Trust Funds Capital Projects Fund 1993	Expendable Trust Funds Capital Projects Fund 1994	Total Governmental Funds
REVENUES:											
PICA Taxes		$ 276,677,775									$ 276,677,775
Interest earned on investments	$ 278,980	156,614	$ 141,615	$ 1,357,458	$ 799,674	$ 4,741,821	$ 286,086	$ 1,277,720	$ 541,363	$ 1,793,391	11,374,722
Total revenues	278,980	276,834,389	141,615	1,357,458	799,674	4,741,821	286,086	1,277,720	541,363	1,793,391	288,052,497
EXPENDITURES:											
Grants to the City of Philadelphia		177,093,803						9,000,000	12,744,410	2,690,725	201,528,938
Debt service:											
Principal			775,000	45,800,000	14,600,000						61,175,000
Interest			8,454,494	8,548,731	29,120,250						46,123,475
Administration:											
Operations	1,046,327										1,046,327
Total expenditures	1,046,327	177,093,803	9,229,494	54,348,731	43,720,250			9,000,000	12,744,410	2,690,725	309,873,740
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(767,347)	99,740,586	(9,087,879)	(52,991,273)	(42,920,576)	4,741,821	286,086	(7,722,280)	(12,203,047)	(897,334)	(21,821,243)
OTHER FINANCING SOURCES (USES)— Net operating transfers in (out)	1,850,000	(99,740,586)	9,443,805	49,222,927	43,983,192	(4,759,338)					
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,082,653		355,926	(3,768,346)	1,062,616	(17,517)	286,086	(7,722,280)	(12,203,047)	(897,334)	(21,821,243)
FUND BALANCES, JULY 1, 2001	1,311,341		781,932	4,623,794	3,921,493	78,690,350	3,276,701	25,927,795	15,869,050	33,615,557	168,018,013
FUND BALANCES, JUNE 30, 2002	$ 2,393,994	$ -	$ 1,137,858	$ 855,448	$ 4,984,109	$ 78,672,833	$ 3,562,787	$ 18,205,515	$ 3,666,003	$ 32,718,223	$ 146,196,770

Reconciliation of change in fund balance to change in net assets:

Change in fund balance	$ (21,821,243)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	61,175,000
Change in net assets	$ 39,353,757

See notes to financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Structure—The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic, was organized on June 5, 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (P.L. 9, No. 6) (the "Act"). Pursuant to the Act, the Authority was established to provide financial assistance to cities of the first class. The City of Philadelphia (the "City") currently is the only city of the first class in the Commonwealth of Pennsylvania (the "Commonwealth"). Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex officio nonvoting members. The Governor, the President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives each appoints one voting member of the Board.

The Act provides that, upon the request of the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain financial and oversight functions. First, the Authority shall have the power, subject to satisfaction of certain requirements in the Act, to issue bonds and grant or lend the proceeds thereof to the City. Second, the Authority also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify noncompliance by the City with its then-existing five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth).

Adoption of GASB Statement 34 - The Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements- and Management's Disccussion and Analysis- for State and Local Governments*, as of June 30, 2002. The requirements of this new reporting model are described below.

Government-Wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are

recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.
The governmental fund financial statements utilize a “modified accrual basis” of accounting. Under this basis, certain revenues (those susceptible to accrual, readily measurable and available as to amount and anticipated as being readily collectible) are recorded on the accrual basis. All other revenues are recognized only when received in cash. Expenditures, with the exception of interest requirements on long-term debt, are accounted for on the accrual basis of accounting.

The General Fund is used to account for the administrative operations of the Authority, for which a budget is adopted annually.

The Special Revenue Fund accounts for the proceeds of the PICA Tax (a tax levied on the wages and net profits of City of Philadelphia residents) remitted to the Authority via the Commonwealth. It is utilized to fund the debt service requirements of the Authority and to provide grants to the City. It encompasses the Revenue Fund established with the Trustee by the Trust Indenture (see Note 3).

Debt Service Funds account for the accumulation of financial resources for the payment of principal and interest on the Authority’s long-term debt. The Debt Service Reserve Fund holds assets for debt service reserve purposes as required by the Trust Indenture. The Rebate Fund is maintained in order to fund future potential rebates and/or debt service requirements. The Debt Service Funds also include the Bond Redemption Fund which has not yet been required.

The Expendable Trust Funds/Capital Projects Funds account for assets held by the Authority for expenditure for the benefit of the City. The principal and income of these funds must be expended for their designated purpose. These funds also utilize the modified accrual basis of accounting. The Expendable Trust Funds/Capital Projects Funds also include the Deficit and Settlement funds which completed their designated purposes in prior years and are presently inactive.

PICA Tax—The “PICA Tax” was enacted by an ordinance adopted by City Council and approved by the Mayor of the City of Philadelphia on June 12, 1991 (Bill No. 1437). The tax levy is one and one-half percent (1.5%) on the wages and net profits of City residents. The PICA Tax is collected by the Department of Revenue of the Commonwealth, utilizing the City Revenue and Law Departments (collectively) as its agent, and remitted to the Treasurer of the Commonwealth for disbursement to the Authority’s Trustee.

Compensated Absences—The Authority records all accrued employee benefits, including accumulated vacation, as a liability in the period benefits are earned. Accrued vacation at June 30, 2002 totaled $115,622.

Investments—The Authority’s investments are stated at fair value.

2. CASH AND INVESTMENTS

Authority funds may be deposited in any bank that is insured by federal deposit insurance. To the extent that such deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodians) obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Pennsylvania Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

Investments in the Special Revenue Fund, the Debt Service Funds, and the Expendable Trust Funds must be invested in accordance with the Trust Indenture (see Note 3). The Trust Indenture restricts investments to the following types of securities:

(a) Obligations of the City of Philadelphia;

(b) government obligations;

(c) federal funds, unsecured certificates of deposits, time deposits or bankers' acceptances of any domestic bank having a combined capital and surplus of not less than $50,000,000;

(d) federally insured deposits of any bank or savings and loan association which has a combined capital, surplus and undivided profits of not less than $3,000,000;

(e) (i) direct obligations of, or (ii) obligations, the principal of and interest on which are unconditionally guaranteed by any state of the United States of America, the District of Columbia or the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, other than the City, whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and Standard & Poor's (S&P);

(f) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;

(g) repurchase agreements collateralized by direct obligations of, or obligations the payment of principal and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America; and direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; debentures of the Federal Housing Administration; 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 letter 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 types specified in clauses (b) or (f) above and is rated "AAAm" or "AAAm-G" by S&P;

(i) guaranteed investment contracts (GICs) with a bank, insurance company or other financial institution that is rated in one of the three highest rating categories by Moody's and S&P and which GICs are either insured by a municipal bond insurance company or fully collateralized at all times with securities included in (b) above.

Investments in the Debt Service Reserve Fund may only be invested in the investments included in (b) through (i) above with a maturity of 5 years or less or GICs that can be withdrawn without penalty.

At June 30, 2002, the carrying amount of the Authority's deposits with financial institutions (including certificates of deposit and shares in U.S. Government money market funds) was $38,116,186. The bank balance of $38,154,667 was insured or collateralized as follows:

Insured	$ 100,000
Uninsured and uncollateralized, but covered under the provisions of Act 72, as amended	38,054,667
Total deposits	$ 38,154,667

The following is a schedule of investments of the Authority by type (other than certificates of deposit and shares in U.S. Government money market funds) showing the carrying value and categorization as to credit risk at June 30, 2002:

	Fair Value			
		Credit Risk Category		
	Total	**(1)**	**(2)**	**(3)**
Federal National Mortgage Loan Corporation discount note	$ 13,514,580			$ 13,514,580
Federal National Mortgage Association debenture	3,558,828			3,558,828
Repurchase agreements	117,471,593			117,471,593
Total investments	$ 134,545,001			$ 134,545,001

The three credit risk categories are defined as follows:

Category

(1) Insured, registered or securities held by the entity or its agent (bank trust department) in the entity's name (name of the Authority).

(2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

(3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

During the year ended June 30, 2002, deposits and investments of the Authority were similar to those on hand at June 30, 2002 with respect to credit risk.

The Authority's deposits include bank certificates of deposit that have a remaining maturity at time of purchase of one year or less and shares in U.S. Government money market funds. U.S. Government Agency Investments with a remaining maturity of one year or less are classified as short-term investments.

3. SPECIAL TAX REVENUE BONDS

In the government-wide financial statements bonds are reported as liabilities in the statement of net assets. Through June 30, 2002, the Authority issued six series of Special Tax Revenue Bonds, as follows:

Series of	Amount Issued
1992	$474,555,000
1993	643,430,000
1993A	178,675,000
1994	122,020,000
1996	343,030,000
1999	610,005,000

The following summary shows the changes in bonds payable for the year ended June 30, 2002:

Series of	Outstanding July 1, 2001	Retirements	Outstanding June 30, 2002
1993A	$ 169,055,000	$ 775,000	$ 168,280,000
1996	150,870,000	45,800,000	105,070,000
1999	581,925,000	14,600,000	567,325,000
	$ 901,850,000	$ 61,175,000	840,675,000
Less current portion			36,620,000
Long-term portion			$ 804,055,000

In conjunction with its 1992, 1993 and 1993A bond issues, the Authority entered into an Indenture of Trust dated as of June 1, 1992 which was subsequently amended and supplemented as of June 22, 1992, July 15, 1993 and August 15, 1993. An Amended and Restated Indenture of Trust dated as of December 15, 1994 was entered into in conjunction with the Authority's 1994 bond issue and replaced (amended and restated) the original indenture as amended and supplemented. The 1996 bonds were issued pursuant to the Amended and Restated Indenture of Trust dated as of December 15, 1994 (the "1994 Indenture") as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996. The 1999 bonds were issued pursuant to the Amended and Restated Indenture of Trust dated as of December 15, 1994 as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 and a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (together the "Trust Indenture") between the Authority and First Union National Bank as Trustee (the "Trustee"). The Trustee's responsibilities include ensuring that the proceeds of the PICA Tax (see Note 1) received by it are used to fund the debt service payments (bond principal and interest) required under the Trust Indenture.

Each series of bonds issued by the Authority are limited obligations of the Authority and the principal, redemption premium, if any, and interest thereon, are payable solely from a portion of the PICA Tax.

To issue additional bonds, the Trust Indenture requires that the Authority's collection of PICA Taxes in any twelve consecutive months during the fifteen-month period immediately proceeding the date of issuance of such additional bonds equals at least 175% of the maximum annual debt service requirement on the bonds outstanding after the issuance of the additional bonds. The PICA Taxes collected during the year ended June 30, 2002 ($276,221,579) equaled approximately 349% of the maximum annual debt service ($79,229,826) of the bonds outstanding at June 30, 2002 (the 1993A, 1996 and 1999 bonds).

Total annual debt service requirements (annual principal or sinking fund requirements and interest payments) on the outstanding bonds at June 30, 2002 are as follows:

Fiscal Year Ending	Total Debt Service Requirements
2003	$ 79,229,826
2004	76,391,709
2005	85,979,061
2006	86,123,509
2007	86,121,324
2008	80,455,926
2009	71,836,686
2010	65,010,966
2011	61,349,791
2012	61,332,279
2013	61,320,981
2014	61,299,075
2015	61,286,038
2016	61,253,475
2017	61,231,425
2018	52,108,063
2019	43,388,863
2020	43,386,138
2021	34,001,413
2022	33,999,413
2023	20,489,100

Details as to the purpose of each of the respective series of bonds issued by the Authority to June 30, 2002 and as to bonds outstanding at that date follow.

A. **Series of 1992**

The proceeds from the sale of the Series of 1992 Bonds were to be used to (i) 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, (ii) make grants to the City to pay the costs of certain emergency capital projects to be undertaken by the City and other capital projects to increase productivity in the operation of City government, (iii) make the required deposit to the Debt Service Reserve Fund, (iv) capitalize interest on a portion of the Series of 1992 Bonds through June 15, 1993, (v) repay amounts previously advanced to the Authority by the Commonwealth to pay initial operating expenses of the Authority, (vi) fund a portion of the Authority's first fiscal year operating budget, and (vii) pay the costs of issuing the Series of 1992 Bonds.

Series of 1992 Bonds in the aggregate principal amount of $136,670,000, initially scheduled to mature June 15, 2006, 2012 and 2022 were advance refunded on September 14, 1993 (the "Refunded 1992 Bonds") through an irrevocable trust created by using a portion of the proceeds of the Series of 1993A Bonds. Series of 1992 Bonds in the aggregate principal amount of $304,160,000, initially scheduled to mature June 15, 1996, 1997, 1998, 1999, 2000 and 2002 were advance refunded on May 15, 1996 (also the "Refunded 1992 Bonds") together with the Refunded 1994 Bonds (see Series of 1994 in this Note 3) through an irrevocable trust created by using the net proceeds of the Series of 1996 Bonds together with monies on deposit with the Trustee on account of the Refunded 1992 Bonds, monies on deposit with the Trustee on account of the Refunded 1994 Bonds and sums derived from certain forward purchase agreements entered into with respect to the irrevocable trust. The Refunded 1992 Bonds are no longer deemed to be outstanding under the Trust Indenture.

B. **Series of 1993**

The proceeds from the sale of the Series of 1993 Bonds were to be used to (i) make grants to the City to pay the costs of certain emergency capital projects (including capital improvements to the City's Criminal Justice and Correctional Facilities) to be undertaken by the City and other capital projects to increase productivity in the operation of City government, (ii) make a grant to the City for refunding of certain of the City's General Fund Obligation Bonds, (iii) make the required deposit to the Debt Service Fund, and (iv) to pay the costs of issuing the Series of 1993 Bonds.

Series of 1993 Bonds in the aggregate principal amount of $610,730,000, initially scheduled to mature June 15, 1999 through 2009, 2015, 2016 and 2023 were advance refunded on April 1, 1999 (the "Refunded 1993 Bonds") through an irrevocable trust created by using the net proceeds of the Series of 1999 Bonds together with monies on deposit with the Trustee on account of the refunded 1993 bonds. The Refunded 1993 Bonds are no longer deemed to be outstanding under the Trust Indenture (see Note 5).

C. **Series of 1993A**

The proceeds from the sale of the Series of 1993A Bonds were to be used to (i) provide for the advance refunding of a portion of the Authority's Special Tax Revenue Bonds Series of 1992, in the aggregate principal amount of $136,670,000, (ii) make the required deposit to the Debt Service Fund, and (iii) to pay the costs of issuing the Series of 1993A Bonds.

The details of Series of 1993A Bonds outstanding at June 30, 2002 are as follows:

Interest Rate	Maturing June 15	Amount
4.750	2003	$ 5,095,000
4.850	2004	5,335,000
4.950	2005	5,595,000
5.050	2006	5,870,000
5.150	2007	6,165,000
5.250	2008	6,480,000
5.000	2013	12,000,000
5.000	2013	25,710,000
5.000	2022	96,030,000
Total		$168,280,000

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1993A Bonds outstanding at June 30, 2002:

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2003	$ 5,095,000	$ 8,418,845	$13,513,845
2004	5,335,000	8,176,833	13,511,833
2005	5,595,000	7,918,085	13,513,085
2006	5,870,000	7,641,133	13,511,133
2007	6,165,000	7,344,698	13,509,698
2008	6,480,000	7,027,200	13,507,200
2009	6,825,000	6,687,000	13,512,000
2010	7,165,000	6,345,750	13,510,750
2011	7,525,000	5,987,500	13,512,500
2012	7,900,000	5,611,250	13,511,250
2013	8,295,000	5,216,250	13,511,250
2014	8,710,000	4,801,500	13,511,500
2015	9,145,000	4,366,000	13,511,000
2016	9,600,000	3,908,750	13,508,750
2017	10,080,000	3,428,750	13,508,750
2018	10,585,000	2,924,750	13,509,750
2019	11,120,000	2,395,500	13,515,500
2020	11,670,000	1,839,500	13,509,500
2021	12,255,000	1,256,000	13,511,000
2022	12,865,000	643,250	13,508,250

D. **Series of 1994**

The proceeds from the sale of the Series of 1994 Bonds were to be used to (i) make grants to the City to pay the costs of certain emergency capital projects to be undertaken by the City and other capital projects to increase productivity in the operation of City Government, (ii) make the required deposit to the Debt Service Reserve Fund, and (iii) pay the costs of issuing the Series of 1994 Bonds.

Series of 1994 Bonds in the aggregate principal amount of $120,180,000 initially scheduled to mature on and after June 15, 1996 were advance refunded on May 15, 1996 (the "Refunded 1994 Bonds") together with the Refunded 1992 Bonds (see Series of 1992 earlier in this Note 3) through an irrevocable trust created by using the net proceeds of the Series of 1996 Bonds together with monies on deposit with the Trustee on account of the Refunded 1994 Bonds, monies on deposit with the Trustee on account of the Refunded 1992 Bonds and sums derived from certain forward purchase agreements entered into with respect to the irrevocable trust. The Refunded 1994 Bonds are no longer deemed to be outstanding under the Trust Indenture (see Note 4).

E. **Series of 1996**

The proceeds from the sale of the Series of 1996 Bonds were to be used, together with monies available in certain of the separate accounts established under the 1994 Indenture on account of the 1992 Bonds and the 1994 Bonds to (i) provide for the advance refunding of the Authority's Special Tax Revenue Bonds Series of 1992 outstanding as of May 15, 1996 in the aggregate principal amount of $304,160,000 and the Authority's Special Tax Revenue Bonds Series of 1994 outstanding as of May 15, 1996 in the aggregate principal amount of $120,180,000, (ii) pay the premium for a Debt Service Reserve Fund Insurance Policy in the amount of $35,004,944 to satisfy the Debt Service Reserve Fund Requirements in respect of the Series of 1996 Bonds which amount is equal to ten percent (10%) of the proceeds of the Series of 1996 Bonds, and (iii) pay the costs of issuing the Series of 1996 Bonds.

The details of Series of 1996 Bonds outstanding at June 30, 2002 are as follows:

Interest Rate	Maturing June 15	Amount
4.850	2003	$ 3,430,000
6.000	2004	3,590,000
6.000	2005	3,890,000
6.000	2006	4,200,000
5.200	2007	4,450,000
5.300	2008	4,680,000
5.400	2009	4,930,000
5.500	2010	5,200,000
5.500	2011	5,480,000
5.600	2012	5,785,000
5.625	2013	6,105,000
5.500	2016	20,440,000
5.500	2020	32,890,000
Total		$ 105,070,000

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1996 Bonds outstanding at June 30, 2002.

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2003	$ 3,430,000	$ 5,800,731	$ 9,230,731
2004	3,590,000	5,634,376	9,224,376
2005	3,890,000	5,418,976	9,308,976
2006	4,200,000	5,185,576	9,385,576
2007	4,450,000	4,933,576	9,383,576
2008	4,680,000	4,702,176	9,382,176
2009	4,930,000	4,454,136	9,384,136
2010	5,200,000	4,187,916	9,387,916
2011	5,480,000	3,901,916	9,381,916
2012	5,785,000	3,600,516	9,385,516
2013	6,105,000	3,276,556	9,381,556
2014	6,450,000	2,933,150	9,383,150
2015	6,810,000	2,578,400	9,388,400
2016	7,180,000	2,203,850	9,383,850
2017	7,575,000	1,808,950	9,383,950
2018	7,990,000	1,392,325	9,382,325
2019	8,430,000	952,875	9,382,875
2020	8,895,000	489,225	9,384,225

F. **Series of 1999**

The net proceeds from the sale of the Series of 1999 Bonds were to be used, together with other monies available in the Debt Service Fund of the 1993 Bonds, to (i) provide for the advance refunding of all of the Authority's Special Tax Revenue Bonds Series of 1993 outstanding as of April 1, 1999 and maturing June 15 of the years 1999 through 2009, 2015, 2016 and 2023, in the aggregate principal amount of $610,730,000 (the "Refunded 1993 Bonds"), (ii) pay the premium for a Debt Service Reserve Fund Insurance Policy to help satisfy the Debt Service Reserve Requirements in respect of the 1993A, 1996 and 1999 bonds outstanding under the Indenture, equally and ratably, as per the amended provisions of the Trust Indenture with respect to "Debt Service Reserve Requirements," and (iii) pay the costs of issuing the Series of 1999 Bonds.

The details of Series of 1999 Bonds outstanding at June 30, 2002 are as follows:

Interest Rate	Maturing June 15	Amount
5.00	2003	$ 28,095,000
5.00	2004	26,670,000
4.00	2005	37,505,000
5.00	2006	39,075,000
5.00	2007	41,030,000
5.00	2008	37,420,000
5.00	2009	30,665,000
5.25	2010	25,370,000
5.25	2011	23,045,000
5.25	2012	24,235,000
5.25	2013	25,500,000
5.25	2014	26,815,000
5.25	2015	28,205,000
5.25	2016	29,660,000
5.25	2017	31,195,000
5.00	2018	23,710,000
4.75	2019	16,170,000
5.00	2021	34,725,000
4.75	2023	38,235,000
Total		$ 567,325,000

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1999 Bonds outstanding at June 30, 2002.

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2003	$28,095,000	$28,390,250	$56,485,250
2004	26,670,000	26,985,500	53,655,500
2005	37,505,000	25,652,000	63,157,000
2006	39,075,000	24,151,800	63,226,800
2007	41,030,000	22,198,050	63,228,050
2008	37,420,000	20,146,550	57,566,550
2009	30,665,000	18,275,550	48,940,550
2010	25,370,000	16,742,300	42,112,300
2011	23,045,000	15,410,375	38,455,375
2012	24,235,000	14,200,513	38,435,513
2013	25,500,000	12,928,175	38,428,175
2014	26,815,000	11,589,425	38,404,425
2015	28,205,000	10,181,638	38,386,638
2016	29,660,000	8,700,875	38,360,875
2017	31,195,000	7,143,725	38,338,725
2018	23,710,000	5,505,988	29,215,988
2019	16,170,000	4,320,488	20,490,488
2020	16,940,000	3,552,413	20,492,413
2021	17,785,000	2,705,413	20,490,413
2022	18,675,000	1,816,163	20,491,163
2023	19,560,000	929,100	20,489,100

G. **Series of 1993A, 1996, and 1999 Swaptions**

During the fiscal year ended June 30, 2002, the Authority entered into three swaption agreements with JPMorganChase as the counterparty. These swaption agreements were entered into in order to affect a synthetic advance refunding of the Authority's 1993A, 1996, and 1999 bond issuances at some point in the future. The Authority received a total of $26,235,000, recorded as deferred revenue, for the option to enter into interest rate swap agreements, the first may begin during the fiscal year 2003. At the time any of the interest rate swap agreements are to take effect, the notional amounts will represent the outstanding debt balance at that time. The Authority will pay an annual fixed interest rate, which represents the rate on its variable rate bonds for that time period, approximately 5.0%. In turn the Authority will receive a floating rate which will be a predetermined percentage of LIBOR. Both the Authority and the counterparty have the ability to end the interest rate swap agreements, with monetary consequences, before the interest rate swaps are set to begin.

4. REFUNDED 1994 BONDS - 1996 REFUNDED BONDS ESCROW FUND

Proceeds of the Series of 1996 Bonds, together with certain funds held by the Trustee on account the Series of 1994 Bonds and the proceeds of certain forward supply agreements entered into utilizing portions of the proceeding funds (the 1994 and 1996 proceeds supply agreements) were deposited into an irrevocable trust fund (the "1996 Refunded Bonds Escrow Fund") under and pursuant to the terms of an escrow deposit agreement, dated as of May 15, 1996 (the "Escrow Deposit Agreement") between the Authority and its "Escrow Agent." First Union National Bank became the Escrow Agent during the fiscal year ended June 30, 1997. The 1996 Refunded Bonds Escrow Fund is required to be invested in Government Obligations (as defined in the Trust Indenture). Moneys in the 1996 Refunded Bonds Escrow Fund shall be used to pay when due the principal of and interest on the 1994

Refunded Bonds as the same shall become due and payable from the date of the Escrow Deposit Agreement to and including June 15, 2005 (the "1994 Bonds Redemption Date") and to pay on the 1994 Bonds Redemption Date the Redemption Price (100% of principal amount) of the outstanding 1994 Refunded Bonds maturing after that date plus accrued interest on that date.

The following sets forth the 1994 Refunded Bonds ($104,185,000 aggregate amount) which remain advance refunded through establishment of the 1996 Refunded Bonds Escrow Fund:

Maturing June 15	**Par Amount**
2003	$ 2,850,000
2004	3,025,000
2005 and thereafter	98,310,000 *

* Includes redemption of all Bonds maturing 2005 through 2021.

At June 30, 2002, the 1996 Refunded Bonds Escrow Fund held cash and United States Treasury Securities (at market) in the amount of $123,970,379 for payment of its obligations after that date. The maturing principal and interest on the securities held in escrow have been verified as being sufficient to provide for the payment of the principal of, interest on and redemption price of the Refunded Bonds on their scheduled maturity and redemption dates.

5. REFUNDED 1993 BONDS—1993 BONDS ESCROW FUND

A portion of the proceeds of the Series of 1999 Bonds ($616,677,050), together with moneys on deposit with the Trustee on account of the Refunded 1993 Bonds ($19,817,995), were deposited into an irrevocable trust fund (the "1993 Bonds Escrow Fund") established and held by First Union National Bank, an escrow agent (the "Escrow Agent"), under and pursuant to the terms of an escrow deposit agreement dated as of April 1, 1999 (the "Escrow Deposit Agreement"). The 1993 Bonds Escrow Fund is required to be invested in Government Obligations, as defined in the Trust Indenture. Moneys in the 1993 Bonds Escrow Fund shall be used to pay interest on and principal of the Refunded 1993 Bonds, as and when due to and including June 15, 2003 and to redeem and pay on June 15, 2003, at a redemption price of 100%, the principal of the Refunded 1993 Bonds then outstanding plus accrued interest to the redemption date.
The following sets forth the refunded 1993 Bonds ($565,645,000 aggregate amount) which remain advance refunded through the 1993 Bonds Escrow Fund:

Maturing June 15	**Par Amount**
2003 and thereafter	565,645,000*

* Includes redemption of all bonds maturing 2003 through 2023.

At June 30, 2002, the 1993 Bonds Escrow Fund held cash and United States Treasury securities (at market) in the amount of $574,787,510 for the previously stated purpose. The maturing principal and interest on the securities held in escrow have been verified as being sufficient to provide for the payment of the interest and redemption prices of the Refunded 1993 Bonds on their scheduled redemption dates.

6. DEFINED BENEFIT PENSION PLAN

Plan Description—The Authority covers all full-time employees in the State Employees' Retirement System (the "System") which was established as of June 27, 1923, under the provisions of Public Law 858, No. 331. The System is the administrator of a cost-sharing, multiple-employer defined benefit retirement system established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies.

The System is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. The System also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Commonwealth of Pennsylvania, State Employees' Retirement Board, 30 North Third Street, P.O. Box 1147, Harrisburg, Pennsylvania 17108.

The System provides retirement, death and disability benefits. Retirement benefits vest after five years of credited service. Employees who retire with three years of service at age 60, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. The general annual benefit is 2% of the member's highest three-year annual average salary times years of service times class of service multiplier. The Authority's total and annual covered payroll for the year ended June 30, 2002 was $535,430.

Contributions Required—Covered employees are required to contribute to the System at a rate of 6.25% of their gross pay. The contributions are recorded in an individually identified account which is also credited with interest, calculated quarterly to yield 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

Participating agency contributions are also mandated by statute and are based upon an actuarially determined percentage of gross pay that is necessary to provide the System with assets sufficient to meet the benefits to be paid to System participants.

The Authority's contributions to the System for the years ended June 30, 2002, 2001 and 2000 were $0, $3,587, and $23,745, respectively, and equal the required contribution for each year.

According to the retirement code, all obligations of the System will be assumed by the Commonwealth should the System terminate.

7. LEASE OBLIGATIONS

The Authority is obligated under various operating leases, including a lease for office space through December 31, 2007. The following is a schedule of all minimum lease payments:

Fiscal Year Ending June 30	Amount
2003	$ 80,109
2004	76,725
2005	76,725
2006	75,443
2007	75,443
2008	37,722
	$ 422,167

Rental expense for the year ended June 30, 2002 was $77,345.

* * * * *

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

GENERAL FUND

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2002

	Budget	Actual	Over (Under) Budget
Revenues - interest earnings	$ 62,671	$ 278,980	$ 216,309
Expenditures:			
Personnel—salaries and benefits	1,051,880	623,140	(428,740)
Professional services:			
Legal	35,000	21,195	(13,805)
Audit	45,000	45,500	500
Consulting/research	35,000	48,866	13,866
Interagency services	2,500		(2,500)
Trustee	76,500	126,500	50,000
Miscellaneous	45,000		(45,000)
Other:			
Rent	76,000	77,345	1,345
Computer software and minor hardware	14,000	12,982	(1,018)
Office supplies	6,500	1,504	(4,996)
Telephone	13,000	14,097	1,097
Subscriptions and reference services	6,000	8,499	2,499
Postage and express	7,500	6,055	(1,445)
Dues and professional education	10,000	436	(9,564)
Travel	8,000	3,112	(4,888)
General and administrative	15,000	13,095	(1,905)
Miscellaneous	2,500		(2,500)
Administration—operations	1,449,380	1,002,326	(447,054)
Capital outlay—furniture, fixtures and equipment	35,000	44,001	9,001
Additional oversight duties	500,000		(500,000)
Total—administration	1,984,380	1,046,327	(938,053)
Excess of expenditures over revenues	(1,921,709)	(767,347)	1,154,362
Other financing sources—transfers in—PICA draw for operations	1,850,000	1,850,000	
Excess of revenues and other financing sources over expenditures	(71,709)	1,082,653	1,154,362
FUND BALANCE, JULY 1, 2001	330,737	1,311,341	980,604
FUND BALANCE, JUNE 30, 2002	$ 259,028	$ 2,393,994	$ 2,134,966

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

GENERAL FUND

SUPPLEMENTAL SCHEDULE OF CASH ACTIVITY
YEAR ENDED JUNE 30, 2002

Cash receipts:	
Revenues collected—interest	$ 261,117
Proceeds from swaption activity	26,235,000
Other financing sources—operating transfers in from interest earnings on Debt Service Funds	1,850,000
Total cash receipts	28,346,117
Cash disbursements—expenditures paid—administration	1,165,185
Excess of cash receipts over cash disbursements	27,180,932
CASH AND SHORT-TERM INVESTMENTS, JULY 1, 2001	1,750,901
CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 2002	$ 28,931,833

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL REVENUE FUND

SUPPLEMENTAL SCHEDULE OF CASH ACTIVITY
YEAR ENDED JUNE 30, 2002

Cash receipts:	
Revenues collected:	
PICA Taxes	$ 276,221,579
Interest	158,181
Other financing sources—operating transfers in from interest earnings on Debt Service Funds	5,129,635
Total cash receipts	281,509,395
Cash disbursements:	
Expenditures paid—grants to the City of Philadelphia	176,549,973
Other financing uses—operating transfers out for debt service requirements	104,959,422
Total cash disbursements	281,509,395
Excess of cash receipts over cash disbursements	-
CASH AND SHORT-TERM INVESTMENTS, JULY 1, 2001	
CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 2002	$ -

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APPENDIX B

CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA

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APPENDIX B

DESCRIPTIVE, FINANCIAL, DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF PHILADELPHIA

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THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

The City was incorporated in 1789 by an Act of the Commonwealth of Pennsylvania General Assembly (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1684). In 1854 the General Assembly, by an act commonly referred to as the Consolidation Act, made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"), abolished all governments within these boundaries other than the City and the County and consolidated the legislative functions of the City and the County. Article 9, Section 13 of the Pennsylvania Constitution abolished all county offices in the City and provides that the City performs all functions of county government and that laws applicable to counties apply to the City.

Since 1952, the City has been governed under a Home Rule Charter authorized by the General Assembly (First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City. The Home Rule Charter, as amended and supplemented to this date, provides, among other things, for the election, organization, powers and duties of the legislative branch (the "City Council"); the election, organization, powers and duties of the executive and administrative branch; and the basic rules governing the City's fiscal and budgetary matters, contracts, procurement, property and records. The Home Rule Charter, as amended, now also provides for the governance of the School District of Philadelphia (the "School District") as a home rule school district. Certain other constitutional provisions and Commonwealth statutes continue to govern various aspects of the City's affairs, notwithstanding the broad grant of powers of local self-government in relation to municipal functions set forth in the First Class City Home Rule Act.

Under the Home Rule Charter, as now in effect, there are today two principal governmental entities in Philadelphia: (1) the City, which performs ordinary municipal functions as well as traditional county functions; and (2) the School District, which has boundaries coterminous with the City and has responsibility for all public primary and secondary education.

The court system in Philadelphia, consisting of Common Pleas, Municipal and Traffic Courts, is part of the Commonwealth of Pennsylvania judicial system. Although judges are paid by the Commonwealth, most other court costs are paid by the City, with partial reimbursement from the Commonwealth.

Elected and Appointed Officials

The Mayor is elected for a term of four years and is eligible to succeed himself for one term. Each of the seventeen members of the City Council is also elected for a four-year term which runs concurrently with that of the Mayor. There is no limitation on the number of terms that may be served by members of the City Council. Of the members of the City Council, ten are elected from districts and seven are elected at-large, with a minimum of two of the seven representing a party or parties other than the majority party. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

The City Controller's responsibilities derive from the Home Rule Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow GAGAS, Generally Accepted Government Auditing Standards established by the federal General Accounting Office, and GAAS, generally accepted auditing standards promulgated by the

American Institute of Certified Public Accountants. As of June 30, 2002, the Office of the City Controller had 125 employees, including 73 auditors, 41 of whom are certified public accountants.

The City Controller post-audits and reports on the City's combined financial statements, federal assistance received by the City, the performance of City departments and the finances of the School District. The City Controller also conducts a pre-audit program of expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit on a category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the Charter and other pertinent legal and contractual requirements before any moneys are paid by the City Treasurer. The Pre-Audit Technical Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to the Pennsylvania Intergovernmental Cooperation Authority on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

The principal officers of the City's government appointed by the Mayor are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), who is the chief financial and budget officer and is selected from three names submitted to the Mayor by a Finance Panel, the City Solicitor (the "City Solicitor"), who is head of the Law Department, and the City Representative and Director of Commerce (the "City Representative and Director of Commerce"). These officials, together with the Mayor and the other members of the Mayor's cabinet, constitute the major policy-making group in the City's government.

The Managing Director is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The City Solicitor acts as legal advisor to the Mayor, the City Council, and all of the agencies of the City government. The City Solicitor is also responsible for all of the City's contracts and bonds, for assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council, and for the conduct of litigation involving the City. The City Representative and Director of Commerce is charged with the responsibility of giving wide publicity to any items reflecting the activities and accomplishments of the City, its inhabitants, and commerce and industry, and is charged with the responsibility of promoting and developing commerce and industry.

The Director of Finance is responsible for the financial functions of the City including development of the annual operating budget, the capital budget, and capital program; the City's program for temporary and long-term borrowing; supervision of the operating budget's execution, the collection of revenues through the Department of Revenue, purchasing, and some aspects of property management through the Procurement Department; oversight of pension administration as Chairperson of the Board of Pensions and Retirement; and the appointment and supervision of the City Treasurer.

The following are brief biographies of Mayor Street, his chief of staff, his cabinet and the City Controller:

John F. Street, Mayor, was sworn in as Philadelphia's 97th mayor on January 3, 2000. Elected to Philadelphia City Council in 1979, Mayor Street took his City Council seat in 1980. For nearly 20 years he represented the City's Fifth Councilmanic District, distinguishing himself as a fighter for working people and neighborhoods. He was unanimously elected City Council President in 1992 and again in 1996. Mayor Street received his B.A. from Oakwood College in Huntsville, Alabama, and a J.D. from Temple University Law School.

Joyce S. Wilkerson, Chief of Staff, began practicing law as a legal service attorney first in California and later in Philadelphia. Ms. Wilkerson worked as Housing Counsel at the Philadelphia Redevelopment Authority where she represented the Redevelopment Authority in its capacity as issuer of housing bonds. More recently, Ms. Wilkerson served as Chief Staff Attorney to the City Council of Philadelphia. Ms. Wilkerson has a B.A. degree from the University of Pennsylvania and a J.D. degree from Boalt Hall School of Law at the University of California, Berkeley.

Janice D. Davis, Secretary of Financial Oversight and Director of Finance, served as Chief Financial Officer for the Dallas Independent School District for one and a half years prior to assuming her current position in May 2000. Prior to that, she served as the Director of Finance and Budget for the Dallas/Fort Worth International Airport. From 1992-1995, Ms. Davis served the City of Houston, first as the Director of General Accounting in the Controller's Office and, later as Deputy Director of Financial Services. She received a B. S. in Accounting from the University of New Orleans. She is a Certified Public Accountant and Government Financial Manager.

Nelson A. Diaz, is the City Solicitor, and was most recently a partner in the law firm of Blank Rome Comisky & McCauley LLP. He was previously appointed by President Clinton as the General Counsel for the United States Department of Housing and Urban Development, where he managed over 500 lawyers. Before that he was a Judge in the Trial Division, Court of Common Pleas, First Judicial District of Pennsylvania, elected in 1981. On the Common Pleas Court, he was Administrative Judge of the Trial Division. He is the first person of Puerto Rican ancestry to be admitted to the Bar in Pennsylvania and the first Hispanic Judge in the Court of Common Pleas in Philadelphia. Judge Diaz was also Special Assistant to Vice President Walter F. Mondale, and prior to that a Public Defender. Judge Diaz was born and raised in Harlem, New York. He received a B.S. in accounting from St. Johns University in 1969, and a J.D. from Temple University School of Law in 1972. His professional memberships include the Philadelphia, Pennsylvania and American Bar Associations, the Bar of the Supreme Court of the United States, the National Hispanic Bar Association, and others.

Philip R. Goldsmith, Managing Director, was appointed February 2003. Mr. Goldsmith served as the Acting Executive Director of Fairmount Park from September 2002 to January 2003. From November 2000 to December 2002, he served as Interim Chief Executive Officer for the School District of Philadelphia. Prior to his appointment as Interim CEO, Mr. Goldsmith served from 1997 to 2000 as the managing principal of Right Management Consultants where he was responsible for overseeing the company's Mid-Atlantic operations. From 1994 to 1997, Mr. Goldsmith was chief operating officer for Diversified Search Companies, an executive recruiting firm. Mr. Goldsmith gained extensive banking experience working for PNC Bank Corporation from 1982 through 1994, rising to the level of President of the credit card subsidiary and the head of consumer banking. He served from 1979 through 1982 as Deputy Mayor for Policy and Planning for the City, and previous to that was a journalist for *The Philadelphia Inquirer*. He served as Executive Director of the Philadelphia Bar Association from 1973 to 1976 and served as Chairman of the Greater Philadelphia First/Philadelphia School District Oversight Committee on Management and Productivity and currently serves on the Board of Philadelphia Futures. He graduated with a Juris Doctor from George Washington University Law School in 1969 and a Bachelor of Arts in accounting from Pennsylvania State University in 1966.

George R. Burrell, Jr., Secretary of External Affairs, was appointed in January 2000. While serving as a member of City Council, Mr. Burrell served as Chair of the Committees on Labor and Civil Service and Licenses and Inspections. In 1974, he began his law practice as a corporate attorney with Ragan Henry, Esquire. He later joined the law firm of Wolf Block Schorr and Solis-Cohen in 1977. In both firms, Mr. Burrell served as Chairman of their Governmental Relations Department. In 1985, before his election as an at-large member of the Philadelphia City Council, he founded Burrell, Waxman, Donaghy, and Lee. Mr. Burrell graduated from the University of Pennsylvania Wharton School in 1969. He received a J.D. from the University of Pennsylvania Law School in 1974.

James Cuorato, Director of Commerce and City Representative, was appointed in July 2000. Prior to serving in his current position Mr. Cuorato served as Vice President of the Penn's Landing Corporation from 1994 – 2000. Mr. Cuorato also served the City of Philadelphia's Department of Commerce in the capacity of First Deputy Director from 1986 – 1994. Mr. Cuorato also spent 6 years with the Philadelphia Industrial Development Corporation. Mr. Cuorato holds a Master's Degree in Business Administration from Drexel University and a Bachelor's Degree from Saint Joseph's University.

Debra A. Kahn, Secretary of Education, has served as the Executive Director of Philadelphia Futures, Assistant to the President of Temple University, Vice President of Corporate Communications and Public Affairs at PNC Bank, and the Director of Policy and Planning for Mayor William J. Green. She has provided volunteer services for several civic and community organizations, including service as a founding board member for the Greater Philadelphia Food Bank. From 1991 to 1997, Ms. Kahn served as a member of the Philadelphia Board of Education. She received a B.A. in government from Franklin and Marshall College. She holds a masters degree in political science from the Eagleton Institute of Politics at Rutgers University.

Sylvester M. Johnson, Police Commissioner/Secretary of Public Safety. Mr. Johnson is a thirty-six year veteran of the Philadelphia Police Department. Prior to his current appointment, Mr. Johnson was, since April 1998, Deputy Commissioner of Operations under former Police Commissioner John F. Timoney. Mr. Johnson attended Philadelphia Community College, Temple University, the Senior Management Institute for Police at Harvard University, Pennwalt Corporation's Targeted Management Training, the United States Secret Service Dignitary Protection Training, the Federal Bureau of Investigation's ("FBI") National Academy Class 172, and the FBI National Executive Institute.

Maxine Griffith, Secretary of Strategic Planning and Initiatives/Executive Director of the City Planning Commission, was appointed in May 2001. Prior to serving in her current position, Ms. Griffith was the Senior Fellow for Community Planning and Development at the Regional Planning Association in New York. She also served in the Clinton administration in the Department of Housing and Urban Development ("HUD"), first as Secretary's Regional Representative for New York and New Jersey and then as the HUD's Assistant Deputy Secretary. From 1988-1996, Ms. Griffith was a principal of Griffith Planning and Design and from 1990–1996 served as a member of the New York City Planning Commission. She received a bachelor's degree from Hunter College and a master's of architecture degree from the University of California at Berkeley.

Dianah L. Neff, Chief Information Officer, was appointed in May 2001. Prior to that Ms. Neff served as deputy City Manager and Chief Information Officer for the City of San Diego, California. Before that she served as Chief Information Officer of the City of Bellevue, Washington. Ms. Neff has also Served as Director of Information Systems for the County of San Bernadino, California and Director of Information Resources for the City of Palo Alto, California, where she oversaw efforts to make Palo Alto the first city in the nation on the World Wide Web. Prior to her work in government, Ms. Neff had fourteen years experience in the private sector working for high-tech software and hardware firms in the Silicon Valley. Ms. Neff holds a bachelor's degree in marketing and economics from San Jose State University.

Corey Kemp, City Treasurer, was appointed in April 2002. Mr. Kemp served as the Deputy City Treasurer for the City of Philadelphia from June 2000 to April 2002. Prior to coming to the City of Philadelphia, Mr. Kemp served as the Finance Director and Treasurer for West Goshen Township, Pennsylvania for two and a half years. Mr. Kemp worked for the City of Reading, Pennsylvania from

1991 to 1997 where he served in various capacities, including Accounting Manager, Treasury Manager, and Acting Finance Director. Mr. Kemp holds a Bachelor of Business in Accounting from Alvernia College and a Masters in Business Administration from West Chester University.

Jonathan A. Saidel, City Controller, is serving his fourth term as Philadelphia's elected City Controller, an office independent of the Mayor. He is an attorney and certified public accountant, and received a Juris Doctor degree from the Delaware Law School of Widener University and a Bachelor of Business in Accounting degree from Temple University. In recent years, Mr. Saidel has been an adjunct professor in graduate programs at Drexel University, Saint Joseph's University and the University of Pennsylvania. Philadelphia: A New Urban Direction, a book offering analysis and recommendations for improving Philadelphia's competitive position, researched and written by Mr. Saidel and the staff of the Office of the City Controller, was published by Saint Joseph's University Press in 1999.

Government Services

Municipal services provided by the City include: police and fire protection; health care; certain welfare programs; construction and maintenance of local streets, highways, and bridges; trash collection and disposal; provision for recreational programs and facilities; maintenance and operation of the water and wastewater systems (the "Water and Wastewater Systems"); the acquisition and maintenance of City real and personal property, including vehicles; maintenance of building codes and regulation of licenses and permits; maintenance of records; collection of taxes and revenues; purchase of supplies and equipment; construction and maintenance of airport facilities; and maintenance of a prison system. The City owns the assets that comprise the Philadelphia Gas Works ("PGW"). PGW serves residential, commercial, and industrial customers in the City. PGW is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate the PGW for the benefit of the City.

Local Government Agencies

There are a number of significant governmental authorities and quasi-governmental non-profit corporations that also provide services within the City.

The Southeastern Pennsylvania Transportation Authority ("SEPTA"), which is supported by transit revenues and Federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region.

The Philadelphia Parking Authority is responsible for the construction and operation of parking facilities in the City and at the Philadelphia International Airport and, by contract with the City, for enforcement of on-street parking regulations.

The Philadelphia Municipal Authority (formerly The Equipment Leasing Authority of Philadelphia) ("PMA") was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA's powers have been expanded to include the construction of municipal solid waste disposal facilities, correctional facilities, and other municipal buildings.

The Redevelopment Authority of the City of Philadelphia (the "Redevelopment Authority") and the Philadelphia Housing Authority develop and/or administer low and moderate income rental units and housing in the City. The Redevelopment Authority, supported by Federal funds through the City's Community Development Block Grant Fund and by Commonwealth and local funds, is responsible for the redevelopment of the City's blighted areas.

The Hospitals and Higher Education Facilities Authority of Philadelphia, formerly The Hospitals Authority of Philadelphia (the "Hospitals Authority") assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority have been expanded to permit the financing of construction of buildings and facilities for certain colleges and universities and other health care facilities and nursing homes.

The Philadelphia Industrial Development Corporation ("PIDC") and its affiliate, the Philadelphia Authority for Industrial Development ("PAID"), coordinate the City's efforts to maintain an attractive business environment and to attract new businesses to the City and retain existing ones.

The Pennsylvania Convention Center Authority (the "Convention Center Authority") constructed and maintains, manages, and operates the Pennsylvania Convention Center, which opened on June 25, 1993.

School District

The School District was established by the Educational Supplement to the City's Home Rule Charter to provide free public education to the City's residents. Under the Home Rule Charter, its board is appointed by the Mayor and must submit a lump sum statement of expenditures to the City annually. Such statement is used by City Council in making its determination to authorize the levy of taxes on behalf of the School District. Certain financial information regarding the School District is included in the City's Annual Financial Report. It has no independent taxing powers and may levy only the taxes authorized on its behalf by the City and the Commonwealth. Under the Home Rule Charter, the School District is managed by a nine-member Board of Education appointed by the Mayor from a list supplied by an Educational Nominating Panel that is chosen by the Mayor. In some matters, including the incurrence of short-term and long-term debt, both the City and the School District are governed primarily by the laws of the Commonwealth. The School District is a separate political subdivision of the Commonwealth and the City has no property interest in or claim on any revenues or property of the School District.

The School District was declared distressed by the Secretary of Education of the Commonwealth pursuant to Section 691(c) of the Public School Code of 1949, as amended (the "School Code"), on December 22, 2001. During a period of distress under Section 691(c) of the School Code, all of the powers and duties of the Board of Education granted under the School Code or any other law will be suspended and all of such powers and duties are vested in the School Reform Commission (the "School Reform Commission") provided for under the School Code. The School Reform Commission is responsible for the operation, management and educational program of the School District during such period. It is also responsible for financial matters related to the School District. The School Code provides that the members of the Board of Education continue to serve during the time the School District is governed by the School Reform Commission, and that the establishment of the School Reform Commission shall not interfere with the regular selection of the members of the Board of Education. During the tenure of the School Reform Commission, the Board of Education will perform those duties delegated to it by the School Reform Commission.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

General

The Pennsylvania Intergovernmental Cooperation Authority ("PICA") was created on June 5, 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act"). PICA was established to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. The PICA Act provides that, upon request by the

City to PICA for financial assistance and for so long as any bonds issued by PICA remain outstanding, PICA shall have certain financial and oversight functions. Under the PICA Act, PICA no longer has the authority to issue bonds for new money purposes but may refund bonds previously issued by it. PICA has the power, in its oversight capacity, to exercise certain advisory and review procedures with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify non-compliance by the City with the then-existing five-year plan adopted by the City pursuant to the PICA Act. Under the PICA Act, such certification would require the Secretary of the Budget of the Commonwealth to withhold payments due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payment of the portion of the PICA Tax, hereinafter described, otherwise payable to the City). See "Source of Payment of PICA Bonds" below.

On June 16, 1992, PICA, at the request of the City, issued $474,555,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 PICA Bonds"). The proceeds of the 1992 PICA Bonds were used (i) to make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit ($153.5 million) and the then-projected Fiscal Year 1992 General Fund deficit ($71.4 million); (ii) to make grants to the City to pay the costs of certain capital projects to be undertaken by the City; and (iii) to make a grant to the City to provide it with financial assistance to enhance productivity in the operation of City government. It had been anticipated that the proceeds of the 1992 PICA Bonds would also be used to fund the City's projected Fiscal Year 1993 General Fund deficit; however, because no deficit occurred, a grant from PICA for this purpose was not required. These proceeds, in the amount equal to $23.5 million, were instead used to fund the City's Indemnity Fund and the "Day Backward/Day Forward Program."

On July 29, 1993, PICA, at the request of the City, issued $643,430,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 PICA Bonds"), the proceeds of which were used to make grants to the City to pay the costs of certain capital projects to be undertaken by the City and to make a grant to the City to provide for the defeasance of certain outstanding general obligation bonds of the City in the aggregate amount of $336,225,000.

On September 14, 1993, PICA issued $178,675,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A, the proceeds of which were used to advance refund $136,670,000 principal amount of the 1992 PICA Bonds.

On December 15, 1994, PICA, at the request of the City, issued $122,020,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program) Series of 1994 (the "1994 PICA Bonds"), the proceeds of which were used to make grants to the City to pay the costs of certain capital projects to be undertaken by the City.

On May 30, 1996, PICA issued $343,030,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 PICA Bonds"), the proceeds of which were used to advance refund $304,160,000 principal amount of the 1992 PICA Bonds and $120,180,000 principal amount of the 1994 PICA Bonds.

On April 15, 1999, PICA issued $610,005,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999, the proceeds of which were used to advance refund $610,730,000 principal amount of the 1993 PICA Bonds.

As of the close of business on June 30, 2002, the principal amount of PICA bonds outstanding was $840,700,000.

Source of Payment of PICA Bonds

The PICA Act authorized the City to impose a tax for the sole and exclusive purposes of PICA. In connection with the adoption of the Fiscal Year 1992 budget and the adoption of the first Five-Year Plan, the City reduced the wage, earnings, and net profits tax on City residents by 1.5% and enacted a 1.5% tax on wages, earnings and net profits of City residents (the "PICA Tax"). Proceeds of the PICA Tax are solely the property of PICA. The PICA Tax, collected by the City's Department of Revenue, is deposited in the "Pennsylvania Intergovernmental Cooperation Authority Tax Fund" (the "PICA Tax Fund") of which the State Treasurer is custodian. The PICA Tax Fund is not subject to appropriation by City Council or the General Assembly of the Commonwealth.

The PICA Act authorizes PICA to pledge the PICA Tax to secure its bonds and prohibits the Commonwealth and the City from repealing the PICA Tax or reducing the rate of the PICA Tax while any bonds secured by the PICA Tax are outstanding.

The PICA Act requires that proceeds of the PICA Tax in excess of amounts required for (i) debt service, (ii) replenishment of any debt service reserve fund for bonds issued by PICA, and (iii) certain PICA operating expenses, be deposited in a trust fund established pursuant to the PICA Act exclusively for the benefit of the City and designated the "City Account." Amounts in the City Account are required to be remitted to the City not less often than monthly, but are subject to withholding if PICA certifies the City's non-compliance with the then-current five-year plan.

The PICA Act establishes a "Bond Payment Account" for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. Since PICA has issued bonds secured by the PICA Tax, the PICA Act requires that the State Treasurer pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account, the debt service reserve fund created for bonds issued by PICA and the City Account.

The total amount of PICA Tax remitted to PICA by the State Treasurer for each of the Fiscal Years 1992 through 2002 is set forth below:

Year	Amount
1992	$169.0 million
1993	185.1 million
1994	205.5 million
1995	209.6 million
1996	218.8 million
1997	218.2 million
1998	236.1 million
1999	245.8 million
2000	256.6 million
2001	273.6 million
2002	278.0 million

PICA bonds are payable from the PICA revenues, including the PICA Tax, pledged to secure PICA's bonds, the Bond Payment Account and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

Five-Year Plans of the City

One of the conditions precedent to the issuance of bonds by PICA was the development by the City and approval by PICA of a five-year financial plan. The original five-year plan (the "Original Five-Year Plan"), which covered Fiscal Years 1992 through 1996, was prepared by the Mayor, approved by City Council on April 29, 1992 and by PICA on May 18, 1992.

In each subsequent year, the City updated the previous year's five-year plan, each of which was adopted by City Council, signed by the Mayor and approved by PICA. The following table lists each Five-Year plan.

Plan	Plan Fiscal Years
Original Five-Year Plan	1992-1996
Second Five-Year Plan*	1994-1998
Third Five-Year Plan	1995-1999
Fourth Five-Year Plan	1996-2000
Fifth Five-Year Plan	1997-2001
Sixth Five-Year Plan	1998-2002
Seventh Five-Year Plan	1999-2003
Eighth Five-Year Plan	2000-2004
Ninth Five-Year Plan	2001-2005
Tenth Five-Year Plan	2002-2006
Eleventh Five-Year Plan	2003-2007
Twelfth Five-Year Plan	2004-2008

* Also included Fiscal Year 1993

The Twelfth Five-Year Plan was presented to City Council by the Mayor on January 28, 2003, and approved by City Council on May, 29, 2003, but has not yet been approved by City PICA. In the Twelfth Five-Year Plan, the City projects a balanced budget in each of the five years covered by the plan through a continued strategy based upon implementation of management initiatives, productivity improvements, cost containments, certain workforce restructurings, and revenue enhancements.

CITY FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information contained in this Official Statement have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the Comprehensive Annual Financial Reports and Notes therein.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the general purpose financial statements of The City of Philadelphia contained in the City's Comprehensive Annual Financial Report for Fiscal Years 1997, 1998, 1999, 2000 and 2001 and The City of Philadelphia's basic financial statements for fiscal year 2002. See also, "CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA – City Financial Procedures – Independent Audit and Opinion of the City Controller." The City Controller has not examined and expressed an opinion on the financial statements on any financial data contained in this Official Statement. .

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.

Fund Structure

The major operations of the City are conducted through the Principal Operating Funds (Debt Related) which include the General Fund. In addition, the City has three other Principal Operating Funds that are not debt related ("Non-Debt Related Funds"), two of which are financed solely from grants from the Commonwealth and Federal governments. Collectively, the Principal Operating Funds (Debt Related and Non-Debt Related Funds) are referred to herein as the "Principal Operating Funds."

Principal Operating Funds

The Unrestricted Debt Related Funds include the General Fund, the resources of which are available for any City purpose, and the County Liquid Fuels Tax Fund and the Special Gasoline Tax Fund, the resources of which are available only for servicing general obligation debt issued for construction of public roads or streets. The Other Debt Related Funds include the Water Fund and the Aviation Fund, the resources of which are not generally available for other City purposes.

The Non-Debt Related Funds, the resources of which are not available for other City purposes, include the Grants Revenue Fund, the Community Development Fund, the Hotel Room Rental Tax Fund, the Car Rental Tax Fund and the HealthChoices Behavioral Health Revenues Fund.

Basis of Accounting

The City's basis of accounting for annual reporting purposes is as follows:

A. Governmental Funds, Expendable Trust and Agency Funds account for their activities using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenue and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Using modified accrual accounting means revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due. However, the expenditures may be accrued if they are to be liquidated with available resources.

   Derived tax revenues, such as wage, business privilege, net profits and earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Imposed nonexchange revenues such as real estate taxes are recognized when the enforceable legal claim arises 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.

B. Proprietary Funds, Pension Trust Funds and Non-Expendable Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Propriety fund-type operating statements present increases (e.g. revenue) and decreases (e.g. expenses) in net total assets. These funds use the accrual basis of accounting where revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time liabilities are incurred. Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Activities," Propriety Funds will continue to follow FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements and will follow FASB standards issued after that date which do not conflict with GASB standards. Water revenues, net of uncollectible accounts, are recognized as billed on the basis of scheduled meter readings. Aviation revenue from Passenger Facility Charges is reserved for capital purposes. Pension Trust Funds recognize employer and plan member contributions and benefits and refunds paid in the period in which they are due and payable.

Budget Procedure

At least thirty days before the end of each Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing years. Within ten days after the adoption of each of such ordinances and their receipt by the Mayor, the Mayor must act upon such ordinances or the ordinances become effective.

The operating budget for the next Fiscal Year is prepared by the Mayor and must be submitted to City Council for adoption at least ninety days before the end of the Fiscal Year. 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.

The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, Federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. See Table 18 for a summary of the City's capital improvement program for the Fiscal Years 2003 through 2008.

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing Fiscal Year from funds that City Council appropriates, is adopted by City Council concurrently with the capital program. The capital budget must be in full conformity with that part of the capital program applicable to the Fiscal Year that it covers.

Awards

For the twenty first consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

Consolidated Cash

The Act of the General Assembly of the Commonwealth of June 25, 1919, P.L. 581, Art. XVII, § 6, gives the City the authority to make temporary inter-fund loans between operating and capital funds.

The Consolidated Cash Account provides for the physical commingling of the cash of all City Funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, certain capital project funds, sinking fund reserves, funds of PGW, the Water Fund, the Aviation Fund and certain other restricted purpose funds). A separate accounting is maintained for the equity of each member fund in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to written procedures adopted by the Finance Department.

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, the required advance is made from the Consolidated Cash Account, in the amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a borrowing fund are applied in repayment of the advance.

All advances are made within the budgetary constraints of the borrowing funds. Within the General Fund, this system of inter-fund advances has historically resulted in the temporary use of tax revenues or other operating revenues for capital purposes and the temporary use of capital funds for operating purposes.

Written procedures governing the City's cash management operations require the General Fund-related operating fund to borrow initially from the General Fund-related capital fund, and only to the extent there is a deficiency in such fund may the General Fund-related operating fund borrow money from any other funds in the Consolidated Cash Account.

Investment Practices

Cash balances in each of the City's funds are invested by the City Treasurer's Office through the use of money market mutual funds and professional money managers under contract with the City. The Director of Finance adopted a written Investment Policy (the "Policy") which went into effect in August 1994 and was revised most recently in April 2001.

The Policy delineates the authorized investments as approved by City Council Ordinance and the funds to which the Policy applies. The authorized investments include U.S. Government Securities, U.S. Treasuries, U.S. Agencies, Certificates of Deposit, Bankers Acceptance Notes, Eurodollar Deposits, Euro Certificates of Deposit, Commercial Paper, Corporate Bonds, Money Market Mutual Funds, Repurchase Agreements and Commonwealth of Pennsylvania securities, all of investment grade rating or better. Each category of instruments, excluding U.S. Government, Treasury and Agency securities which carry no limitation, is limited to investment of no more than 25% of the total portfolio, and no more than 10% of the total portfolio per institutional or corporate issuer. The Policy also restricts investments to those having a maximum maturity of two years. Daily liquidity is maintained through the use of SEC-registered money market mutual funds with the balance of funds invested by money managers in accordance with the Investment Policy.

The Policy provides for an ad hoc Investment Committee consisting of the Director of Finance, City Treasurer and the two Deputy City Treasurers with ex-officio membership of a representative of each of the principal operating and capital funds, i.e. Water Fund, Aviation Fund, Philadelphia Gas Works and Philadelphia Municipal Authority. The Investment Committee meets quarterly with each of the investment managers to review each manager's performance to date and to plan for the next quarter. Investment managers are given any changes in investment instructions at these meetings. All changes in the Policy are approved by the Investment Committee.

The Policy expressly forbids the use of any derivative investment product whose yield or market value does not follow the normal swings in interest rates. Investment in derivatives such as "inverse floaters" leveraged variable rate debt and interest-only or principal-only Collateralized Mortgage Obligations are specifically forbidden. The use of any other derivative investment products is restricted to identified "core cash" in any fund but never to exceed 25% of any fund's balance at the time of purchase. If the market values fall 5% below cost, a written explanation is required from the investment manager outlining the reasons for the decline and outlining the steps, if any, that are needed to correct the situation.

General Fund Cash Flow

Because the receipt of General Fund revenues lags behind expenditures during most of each fiscal year, the City issues notes in anticipation of General Fund revenues and makes borrowings from the Consolidated Cash Account to finance its on-going operations. The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972. Each issue was repaid when due, prior to the end of the fiscal year.

The timing imbalance referred to above results from a number of factors, principally the following: (1) real property, business privilege tax and certain other taxes are not due until the latter part of the fiscal year; (2) the City makes the majority of the employer's contribution to the Municipal Pension Fund in July of each year; and (3) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

DISCUSSION OF FINANCIAL OPERATIONS

Fiscal Year 2002 Budget

The City's Fiscal Year 2002 budget was approved by City Council on March 22, 2001. This budget was prepared by the City in conjunction with the Tenth Five-Year Plan, which was approved by PICA on May 15, 2001. The Tenth Five-Year Plan reflects a fund balance of $21.1 million at the end of Fiscal Year 2006.

The adopted General Fund budget for Fiscal Year 2002 including prior year adjustments, was balanced for the tenth consecutive year without a deficit elimination grant from PICA. In preparing the budget for Fiscal year 2002, the City took a conservative approach to revenue estimation while also reflecting revenue enhancement and operating expense reduction measures identified in the Tenth Five-Year Plan.

On August 15, 2002, the City issued its Quarterly City Managers Report which reported Fiscal Year 2002 results through June 30, 2002.

The City ended Fiscal Year 2002 with a fund balance in the General Fund of $139.0 million; a decrease of $91 million from the Fiscal Year 2001 fund balance. A copy of the most recent Quarterly City Managers report may be obtained from the Office of the City Treasurer.

One of the largest causes of the decreases was a delay in the receipt of $45 million in reimbursements from the State government. If the City had received its reimbursement for those costs on time, its FY'02 fund balance would have been $184 million, about $7 million lower than the amount the City projected when it introduced the FY '03 -'07 Five-Year Financial Plan in January.

Changes on both the revenues and expenditures sides caused the decrease in fund balance. While revenues were declining, expenditures were increasing by about $99 million from $2.88 billion in FY '01 to $2.98 billion in FY '02. The largest single increase in expenditures was the $45 million contribution made to the School District as a result of the partnership entered into by the City and the State. Excluding the contribution to the School District, the City's expenditures grew by under two percent from FY '01 to FY '02.

Fiscal Year 2003 Budget

The City's Fiscal Year 2003 budget was approved by City Council on May 2, 2002 and signed by the Mayor on May 15, 2002. This budget was prepared by the City in conjunction with the Eleventh Five-Year Plan. The Eleventh Five-Year Plan, which covers Fiscal Years 2003-2007, was approved by PICA on June 18, 2002. As of March 31, 2003, the City is projecting it will end Fiscal Year 2003 with a positive fund balance of $116.2 million with revenue of $3,115.0 million and obligations of $3,162.8 million.

Table 1
City of Philadelphia
General Fund
Summary of Operations (Legal Basis)
(Amounts In Millions)

	1997	1998	1999	2000	2001	2002	Adopted Budget 2003
REVENUES							
Real Property Taxes	$ 354.8	$ 333.9	$ 342.6	$ 353.6	$ 363.4	$ 373.6	349.7
Personal Property Taxes	3.4[(a)]	0.0	0.0	0.0	0.8	0.0	0.0
Wage and Earnings Tax	872.5	914.3	934.3	973.0	1,047.2[(c)]	1,006.0	1,028.3
Net Profits Tax	12.8	12.6	15.5	12.7	11.8	13.4	10.9
Business Privilege Tax	246.4	237.4	254.5	290.1	314.0[(c)]	295.8	299.2
Sales Tax	91.4	94.5	101.4	103.7	111.3	108.1	112.5
Other Taxes [(b)]	93.9	122.1	118.3	123.5	130.0[(c)]	148.2	130.9
Total Taxes	1,675.2	1,714.8	1,766.6	1,856.6	1,977.7	1945.4	1,931.5
Locally Generated Non-Tax Revenue	178.7	180.9	193.1	194.9	204.5	207. 1	198.9
Revenue from Other Governments	546.4	579.0	606.4	678.0	748.8	687.7	868.7
Receipts from Other City Funds	24.5	22.5	61.9	26.0	24.0	24. 7	24.6
Total Revenue	2,424.8	2,497.2	2,628.1	2,755.5	2,955.1	2866.9	3,023.7
OBLIGATIONS/APPROPRIATIONS							
Personal Services	970.4	974.2	1,018.4	1,071.8	1,173.3	1188.3	1,197.2
Purchase of Services	735.9	736.0	794.0	848.9	871.8	920.5	1,013.7
Materials, Supplies and Equipment	72.4	76.1	85.2	79.7	84.0	80.0	79.6
Employee Benefits	456.7	471.0	488.1	493.8	483.4	485.8	528.1
Indemnities, Contributions and Grants	84.0	79.9	90.2	69.9	82.4	123.8	95.7
City Debt Service	91.1	84.1	84.2	91.5	88.2	101.8	111.5
Other	29.7	29.5	29.3	29.2	72.9	30.2	32.4
Payments to Other City Funds	23.8	28.8	27.1	26.4	25.5	50.7	27.5
Total Obligations/Appropriations	2,463.9	2,479.6	2,616.6	2,711.2	2,881.5	2981.1	3,085.5
Operating Surplus for the Year	(39.2)	17.6	11.5	44.3	73.6	(114.2)	(61.8)
Net Adjustments – Prior Year	49.5	22.8	25.0	45.1	(138.7) [(d)]	23.2	32.0
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	(161.6)
Cumulative Fund Balance Prior Year	118.5	128.8	169.2	205.7	295.1	230.0	194.8
Cumulative Adjusted Year End Fund Balance	$ 128.8	$ 169.2	$ 205.7	$ 295.1	$ 230.0	$ 139.0	$ 0.0

(a) Final year of collection of Personal Property Taxes. See "REVENUES OF THE CITY-Assessment and Collection of Real and Personal Property Taxes."
(b) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
(c) Accounting accrual changes required by GASB #33 resulted in additional one-time tax revenue accruals in FY2001. (Wage Tax, $50.4 million; Business Privilege, $5.2 million; Other Taxes, $4.3 million)
(d) Reflects GASB # 33's impact on prior year accruals.
FIGURES MAY NOT ADD DUE TO ROUNDING

Table 2
City of Philadelphia
Principal Operating Funds (Debt Related)
Summary of Operations
(Legal Basis)
(Amounts In Millions)

	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**Adopted Budget 2003**
REVENUES							
General Fund	$2,424.8	$2,497.2	$2,628.1	$2,755.5	$2,955.1	$2866.9	$3,023.7
Water Fund [a]	384.0	398.7	402.3	414.0	410.3	404.2	453.0
Aviation Fund [b]	128.6	131.0	147.5	154.3	180.6	184.2	281.5
Other Operating Funds [c]	22.0	23.8	25.3	24.5	29.1	35.8	39.5
Total Revenue	2,959.4	3,050.7	3,203.2	3,348.3	3,575.1	3491.1	3,797.7
OBLIGATIONS/APPROPRIATIONS							
Personal Services	1,098.4	1,101.9	1,153.3	1,208.6	1,321.4	1339.1	1,366.8
Purchase of Services	836.3	843.5	903.8	966.4	992.2	1050.3	1,166.5
Materials, Supplies and Equipment	117.5	122.2	129.9	124.1	127.1		138.4
						121.9	
Employee Benefits	504.9	520.8	541.4	546.3	538.1	541.8	595.7
Indemnities, Contributions and Taxes	89.5	86.2	98.7	77.7	88.1	129.1	108.1
Debt Service [d]	256.9	253.4	273.0	289.8	296.2	330.7	383.3
Other	29.7	29.5	29.3	29.2	72.9	30.3	32.9
Payments to Other City Funds	77.2	92.1	64.3	70.6	75.5	97.5	92.8
Total Obligations/Appropriations	3,010.3	3,049.6	3,193.8	3,312.7	3,511.5	3640.7	3,884.5
Operating Surplus (Deficit) for the Year	(50.9)	1.1	9.3	35.6	63.6	(149.6)	(86.8)
Net Adjustments Prior Year	65.8	41.0	43.6	58.7	(122.8)	43.1	47.2
Funding for Contingencies	0.0	0.0	0.0	0.0	(0.0)	0.0	(161.6)
Cumulative Fund Balance (Deficit) Prior Year End	140.9	155.8	197.9	250.9	330.3	289.6	241.3
Cumulative Adjusted Year End Fund Balance (Deficit)	$ 155.8	$ 197.9	$ 250.9	$ 345.2	$ 271.1	$ 183.1	$40.1

(a) Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of $4,994,000 per year, provided certain further conditions are satisfied. The City has determined that only $4,138,000 per year shall be transferred from the Water Fund to the General Fund provided certain other conditions are met.
(b) Airport revenues are not available for other City purposes.
(c) Includes County Liquid Fuels Tax Fund, Special Gasoline Tax Fund and Water Residual Fund.
(d) Excludes PICA bonds.
FIGURES MAY NOT ADD DUE TO ROUNDING.

Quarterly Reporting to PICA

On November 16, 1992, the City submitted the first of its quarterly reports to PICA. This reporting is required under the PICA Act so that PICA may determine whether the City is in compliance with the then-current Five-Year Plan. Under the PICA Act, a "variance" is deemed to have occurred as of the end of a reporting period if (i) a net adverse change in the fund balance of a covered fund of more than 1% of the revenues budgeted for such fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or (ii) the actual net cash flows of the City for a covered fund are reasonably projected to be less than 95% of the net cash flows of the City for such covered fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year. The Mayor is required to provide a report to PICA that describes actual or current estimates of revenues, expenditures, and cash flows by covered funds compared to budgeted revenues, expenditures, and cash flows by covered funds for such previous quarterly or monthly period and for the year-to-date period from the beginning of the then-current fiscal year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

PICA may not take any action with respect to the City for variances if the City (i) within 30 days provides a written explanation of the variance that PICA deems reasonable; (ii) within 45 days proposes remedial action that PICA believes will restore overall compliance with the then-current Five-Year Plan; (iii) provides information in the immediately succeeding quarterly financial report demonstrating to the reasonable satisfaction of PICA that the City is taking remedial action and otherwise complying with the then-current Five-Year Plan; and (iv) submits monthly supplemental reports as required by the PICA Act.

The City's most recent quarterly report was submitted to PICA on February 15, 2003 and reported no adverse variance from the Eleventh Five-Year Plan.

REVENUES OF THE CITY

General

In 1932, the Pennsylvania General Assembly adopted an act (commonly referred to as the Sterling Act) under which the City was permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Prior to 1939, the City relied heavily upon the real property tax as the mainstay of its revenue system. Acting under the Sterling Act and other legislation, the City has taken various steps over the years to reduce its reliance on real property taxes as a source of income, including: (1) enacting the wage, earnings, and net profits tax in 1939; (2) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (3) requiring under the Home Rule Charter that the water, sewer, and other utility systems be fully self-sustaining; and (4) enacting in 1952 the Mercantile License Tax (a gross receipts tax on business done within the City), which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax.

Major Revenue Sources of Principal Operating Funds (Debt Related)

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 for revenues by major source for Fiscal Years 1993-2003 and Table 4 for General Fund tax revenues for Fiscal Years 1997-2003. The following description does not take into account revenues in the Non-Debt Related Funds. See Table 5 for tax rates for Fiscal Years 1993 through 2002.

Real Property Taxes — The City levies real estate taxes on all taxable real property located within its boundaries. For Fiscal Year 2002, the rate for the City is 37.45 mills and the rate for the School District is 45.19 mills. The City is shifting an additional 2.71 mills to the School District in Fiscal Year 2003 to provide $25 million of the $45 million in additional funding the City pledged to provide to the School District as part of its School District agreement with the Commonwealth. In Fiscal Year 2002, the full $45 million in additional funding was provided as a contribution because it was too late in the fiscal year for the City to change its mileage allocation. The mileage shift would increase the School District's portion of the tax from 4.519 percent to 4.79 percent and the City's portion of the tax would decrease from 3.745 percent to 3.474 percent. At the same time, the City's cash transfer to the School District would be reduced by $25 million so that there would be no net change in the amount of combined property tax revenues and city cash transfers that the School District receives.

Wage, Earnings, and Net Profits Taxes — These taxes are levied on the wages, earnings, and net profits of all residents of the City and all non-residents employed within the City. The rate for both residents and non-residents was 4.3125% from Fiscal Year 1977 through Fiscal Year 1983. For Fiscal Years 1984 through 1991 the wage and earnings tax rate was 4.96% for residents and 4.3125% for non-residents and the net profits tax rate was 4.96% for both residents and non-residents.

In Fiscal Year 1992, the City reduced the City wage, earnings, and net profits tax on City residents by 1.5% and imposed the PICA Tax on wage, earnings and net profits at the rate of 1.5% on City residents. The following are the resident and non-resident wage and earnings tax rates for Fiscal Years 1992-2003.

Fiscal Year	Resident Wage and Earnings Tax Rates*	Non-Resident Wage and Earnings Tax Rates
1992	4.9600%	4.3125%
1993	4.9600	4.3125
1994	4.9600	4.3125
1995	4.9600	4.3125
1996	4.8600	4.2256
1997	4.8400	4.2082
1998	4.7900	4.1647
1999	4.6869	4.0750
2000	4.6135	4.0112
2001	4.5635	3.9672
2002	4.5385	3.9462
2003	4.5000	3.9127

* Includes PICA Tax

Business Privilege Tax — In May 1984, the City enacted an ordinance substituting the Business Privilege Tax for the Mercantile License Tax. The Business Privilege Tax has been levied since January 1985 on every entity engaging in business in the City.

The Business Privilege Tax is a composite tax. Tax rates vary according to business classification (regulated, non-regulated, persons registered under the Pennsylvania Securities Act of 1972, manufacturing, wholesale, or retail) and method of tax computation employed. The various methods of tax computation are as follows: effective Fiscal Year 1989, all regulated industries, banks, trust companies, insurance companies, and public utilities, among others, were taxed at an annual rate of 3.25

mills on annual receipts not to exceed 6.5% of their net income. The tax on annual receipts and net income of all businesses, other than regulated industries, was levied at 3.25 mills and 6.5%, respectively, provided that persons registered under the Pennsylvania Securities Act of 1972 shall in no event pay a tax of less than 5.711 mills on all taxable receipts plus the lesser of 4.302% of net income or 4.302 mills on gross taxable receipts.

Non-regulated industry manufacturers can opt for a lower 5.395% rate on receipts from sales after deducting the applicable cost of goods. Non-regulated wholesalers may choose a gross receipts tax on wholesale transactions at a lower rate of 7.55% after deducting applicable product and labor costs. Non-regulated retailers have the option of choosing the lower rate of 2.1% on receipts from retail sales after deducting applicable product and labor costs.

All persons subject to both the Business Privilege Tax and the Net Profits Tax are entitled to apply a credit of 60% of their Business Privilege Tax liability against what is due on the Net Profits Tax, which credit may be carried back or forward for up to three years.

In Fiscal Year 1996, the City began a program of reducing the gross receipts portion of the Business Privilege Tax from its previous level of 3.25 mills.

Fiscal Year	**Business Privilege Tax/Gross Receipts**
1995	3.250 mills
1996	3.000 mills
1997	2.950 mills
1998	2.875 mills
1999	2.775 mills
2000	2.650 mills
2001	2.530 mills
2002	2.400 mills
2003	2.300 mills

In the Eleventh Five-Year Plan, the Mayor also proposed further reductions in this tax rate for each of Fiscal Years 2003-2007. The City proposes to accelerate the rate reductions for the gross receipts portion of the business privilege tax so that by Fiscal Year 2007, this tax will be only 50 percent of the rate that prevailed when the City began its tax cuts in 1996. There can be no assurance that the proposed reductions will be implemented.

All business activity is also assessed a one-time $200 licensing fee administered by the Department of Licenses and Inspections.

Sales and Use Tax — In connection with the adoption of the Fiscal Year 1992 Budget, the City adopted a 1% sales and use tax (the "City Sales Tax") for City general revenue purposes. The Commonwealth authorized the levy of this tax under the PICA Act. Vendors are required to pay this sales tax to the Commonwealth Department of Revenue together with the similar Commonwealth sales and use tax. The State Treasurer deposits the collections of this tax in a special fund and disburses the collections, including any investment income earned thereon, less administrative fees of the Commonwealth Department of Revenue, to the City on a monthly basis.

The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. The City Sales Tax became effective September 28, 1991 and is collected for the City by the Commonwealth Department of Revenue. The City collected the amount set forth below in Fiscal Years 1994 through 2002 and budgeted collection for Fiscal Year 2003 set forth below.

Fiscal Year	City Sales Tax Collections
1994	$ 82.6 million
1995	86.1 million
1996	82.4 million
1997	91.4 million
1998	94.5 million
1999	101.4 million
2000	103.7 million
2001	111.3 million
2002	108.1 million
2003	110.8 million*

* Budgeted for Fiscal Year 2003

Other Taxes — The City also collects real property transfer tax, parking lot taxes, and other miscellaneous taxes such as the Amusement Tax.

Other Locally Generated Non-Tax Revenues — These revenues include license fees and permit sales, traffic fines and parking meter receipts, court related fees, stadium revenues, interest earnings and other miscellaneous charges and revenues of the City.

Revenue From Other Governments — The City's Fiscal Year 2002 Current General Fund actual shows that approximately 24% of General Fund revenues will be received from other governmental jurisdictions, including: (1) $242.2 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $224.7 million from the Federal government; (3) $34.1 million from other governments, in which revenues are primarily principal and interest payments on loans made by the City on SEPTA's behalf, the Convention Center Service Fee offset and rents paid to the City by PGW; and (4) $6.5 million of "Other Authorized Adjustments." In addition, the projected net collections of the PICA Tax of $180.2 million are included in "Revenue from Other Governments." These amounts do not include the substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Revenues from City-Owned Systems

In addition to taxes, the City realizes revenues through the operation of various City-owned systems such as the Water and Wastewater Systems and PGW. The City has issued revenue bonds with respect to the Water and Wastewater Systems and PGW to be paid solely from and secured by a pledge of the respective revenues of these systems. The revenues of the Water and Wastewater Systems and PGW do not represent moneys that are unconditionally available for the payment of obligations of the City.

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

The revenues of PGW are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by PGW. PGW also makes an annual payment of $18,000,000 to the City's General Fund. The Fiscal Year 2003 General Fund budget includes this annual receipt of $18,000,000.

Philadelphia Parking Authority

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

<u>Revenues under the Ground Lease with PPA</u> – PPA owns and operates three parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease expiring in 2030 (the "Ground Lease"). PPA is currently constructing two additional garages at the Airport that will also be subject to the terms of Ground Lease. The Ground Lease provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA's bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The amount that was transferred from the PPA to the Division of Aviation on June 29, 2002 was approximately $16,863,000.

One component of the operating expenses is PPA's administrative costs. In 1999, at the request of the Federal Aviation Administration ("FAA"), PPA and the City entered into a letter agreement (the " FAA Letter Agreement") which contained a formula for calculating PPA's administrative costs and capped such administrative costs at 28% of PPA's total administrative costs for all of its cost centers. PPA owns and/or operates parking facilities at a number of non-Airport locations in the City. These parking facilities are revenue centers for purposes of the FAA Letter Agreement.

<u>Act 22 Litigation</u> – In 2001, the Commonwealth enacted a law ("Act 22") which, in part, requires PPA to transfer to the Philadelphia School District in PPA's fiscal year beginning April 1, 2001, that portion of PPA's retained earnings, not to exceed $45,000,000, which will not jeopardize its ability to meet debt service payments or to retire outstanding bonds. Act 22 also provides that the board of PPA shall transfer the maximum amount it deems available for such purposes in subsequent fiscal years.

It is the City's position that Act 22 will not materially reduce the amount of revenue the City receives from PPA. The primary sources of the revenue are funds the City receives pursuant to the lease arrangements between the City and PPA (including the Ground Lease), and funds the City receives pursuant to the Agreement of Cooperation whereby PPA acts as the City's agent in administering much of the City's on-street parking program, which is a municipal function. It is the City's position that Act 22 does not affect the aforementioned leases or Agreement of Cooperation.

The City has filed a lawsuit in the United States District Court for the Eastern District of Pennsylvania seeking a ruling confirming that no such transfer of City revenues may occur because sums paid to, or retained by, PPA from revenues generated by PPA at the Airport are limited by the FAA Letter

Agreement and Federal law (49 U.S.C.§ 47107), which prohibits the diversion of airport revenues for non-airport purposes. This federal lawsuit has been stayed, and is currently expected to remain stayed pending the outcome of the state litigation described below.

The City filed a lawsuit in the Court of Common Pleas for Philadelphia County seeking a ruling invalidating Act 22. In this state court lawsuit, the City alleges, among other things, that Act 22 violates several provisions of the Pennsylvania Constitution and infringes upon certain statutory guarantees prohibiting changes in PPA's rights and authority. The state court lawsuit was transferred to the Pennsylvania Commonwealth Court for a decision on its merits. The Commonwealth Court sustained the defendant's preliminary objections, thus dismissing the lawsuit. The City has appealed the dismissal to the Pennsylvania Supreme Court. It is anticipated that briefing on the matter will be complete by the end of July, 2003.

Assessment and Collection of Real and Personal Property Taxes

The Board of Revision of Taxes (the "Board") appoints real estate assessors who annually assess all real estate located within the City. The assessors return assessments for each parcel of real estate to the Board. The Board may increase or decrease the property valuations contained in the returns of the assessors in order that such valuations conform with law. After the Board gives proper notice of all changes in property assessments, and after it has heard all assessment appeals, it then makes assessments and certifies the results to the Department of Revenue.

Real estate taxes, if paid by February 28, are discounted by 1%. If the tax is paid during the month of March, the gross amount of tax is due. If the tax is not paid by the last day of March, tax additions of 1.5% per month are added to the tax for each month that the tax remains unpaid through the end of the calendar year. Beginning in January of the succeeding year, the 15% tax additions that accumulated during the last ten months of the preceding years are capitalized and the tax is registered delinquent. Interest is then computed on the new tax base at a rate of 0.5% per month until the real estate tax is fully paid. Commencing in February of the second year, an additional 1% per month penalty is assessed for a maximum of seven months. See Table 6 for assessed and market values of taxable realty in the City and Table 7 for levies and rates of collections.

During Fiscal Year 1997 and subsequent to the adoption of the Fiscal Year 1998 budget, the City decided to abandon the collection of the Personal Property Tax due to uncertainty as to the outcome of litigation challenging specific aspects of the tax then pending in other jurisdictions of the Commonwealth. As a result, the City realized no Personal Property Tax revenues in Fiscal Years 1998 or in subsequent years. The Personal Property Tax had been levied on the value of certain personal property of the residents of the City.

Table 3
City of Philadelphia
Summary of
Principal Operating Funds (Debt Related)
Revenues By Major Source
Fiscal Years 1993-2003
(Legal Basis)

(Amounts in Millions of Dollars)

Fiscal Year	Real & Personal Property Taxes [a]	Wage Earnings & Net Profits Taxes [a]	Business Privilege Tax [a]	Sales and Use Tax [a][b]	Other Taxes [c]	Total Taxes	Water & Wastewater Charges	Airport Charges	Other Locally Generated Charges	Total Local Revenue	Revenue from Other Gov'ts	Revenue from Other City Funds	Total Revenues
1993	345.2	820.0[d]	215.1	76.3	69.0	1,525.6	294.8	113.5	176.5	2,110.4	617.1	31.8	2,759.3
1994	346.0	840.8[d]	221.6	82.6	78.3	1,569.3	288.1	114.7	199.9	2,172.0	587.0	38.7	2,797.7
1995	339.5	857.6[d]	230.2	86.1	79.9	1,593.3	288.9	114.0	244.7	2,240.9	515.9	31.1	2,787.9
1996	346.6	877.5[d]	237.5	82.4	77.7	1,621.8	296.2	123.8	250.4	2,292.2	565.1	33.2	2,890.5
1997	358.2	885.4[d]	246.4	91.4	93.8	1,675.2	291.0	125.8	236.8	2,328.8	587.9	44.1	2,960.8
1998	333.9[e]	926.9[d]	237.4	94.5	122.1	1,714.8	288.8	126.6	253.7	2,383.9	620.7	46.1	3,050.7
1999	342.6	949.8[d]	254.5	101.4	118.3	1,766.6	290.5	143.2	259.9	2,460.2	639.9	103.1	3,203.2
2000	353.6	985.7	290.1	103.7	123.5	1,856.6	296.1	149.4	258.0	2,560.1	708.3	79.9	3,348.3
2001	363.4	1,059.0[f]	314.0[f]	111.3	130.0[f]	1,997.7	285.8	175.7	251.3	2,710.5	781.7	90.5	3,580.0
2002	373.6	1019.3	295.8	108.1	148.6	1945.4	302.8	181.7	257.9	2687.8	722.5	80.8	3491.1
2003 (Budget)	349.7	1,028.3	299.2	112.5	141.8	1,931.5	326.1	277.5	258.1	2,793.2	901.1	103.4	3,797.7

(a) See Table 5 for Tax Rates.
(b) Effective September 28, 1991.
(c) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
(d) In Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Taxes from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on the PICA bonds and PICA's expenses.
(e) The City ceased collecting the Personal Property Tax in Fiscal Year 1998.
(f) See Note (c) on Table 1.
FIGURES MAY NOT ADD DUE TO ROUNDING

Table 4
City of Philadelphia
General Fund
Tax Revenues [a]
Fiscal Years 1997-2003
(Amounts In Millions)

			Actual				Adopted Budget
	1997	1998	1999	2000	2001	2002	2003
REAL PROPERTY TAXES							
Current	$ 310.1	$ 305.8	$ 311.9	$ 315.9	$ 325.8	$ 333.2	$ 321.7
Prior	44.7	28.1	30.7	37.7	37.6	40.4	28.0
Total	$ 354.8	$ 333.9	$ 342.6	$ 353.6	363.4	$ 373.6	349.7
PERSONAL PROPERTY TAXES							
Current [b]	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prior	3.4	0.0	0.0	0.0	0.0	0.0	0.0
Total	$ 3.4	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
WAGE AND EARNINGS TAX [c]							
Current	859.7	896.6	916.2	949.6	1,023.1[d]	981.8	1,007.3
Delinquent	12.8	17.7	18.1	23.4	24.1	24.2	21.0
Total	$ 872.5	$ 914.3	$ 934.3	$ 973.0	$ 1,047.2	$ 1,006.0	$ 1,028.3
BUSINESS TAXES:							
Business Privilege							
Current	210.6	214.0	233.9	251.7	275.5	273.8	264.2
Delinquent	35.8	23.4	20.7	38.4	38.5	22.0	35.0
Sub-Total Business Privilege	$ 246.4	$ 237.4	$ 254.5	$ 290.1	$ 314.0	$ 295.8	$ 299.2
Net Profits Tax							
Current	10.4	10.2	13.1	9.9	10.6	11.4	9.8
Delinquent	2.3	2.4	2.4	2.8	1.2	2.0	1.1
Sub-Total Net Profits Tax	12.7	12.6	15.5	12.7	11.8	13.4	10.9
Total Business Taxes	$ 259.2	$ 250.0	$ 270.0	$ 302.8	$ 325.8	$ 309.2	$310.0
OTHER TAXES							
Sales and Use Tax	91.4	94.5	101.4	103.7	111.3	108.1	112.5
Amusement Tax	9.2	9.5	9.9	11.7	13.0[d]	13.8	13.3
Real Property Transfer Tax	54.8	82.5	74.9	77.7	77.0	96.7	78.9
Parking Taxes	28.4	30.0	32.1	34.1	39.0[d]	37.9	37.6
Other Taxes	1.4	.1	1.4	0.0	0.5	.1	1.0
Sub-Total Other Taxes	$ 185.2	$ 216.6	$ 219.7	$ 227.2	$ 241.3	$ 256.6	$243.4
TOTAL TAXES	$1,675.2	$1,714.8	$1,766.6	$1,856.6	$1,977.7	$ 1945.4	$1,931.5

(a) See Table 5 for Tax Rates.
(b) The City ceased levying the Personal Property Tax during the latter part of Fiscal Year 1997.
(c) Beginning in FY 1992, the City reduced the resident Wage and Earnings and Net Profits Tax from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and the PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments.
(d) See Note (c) on Table 1.
FIGURES MAY NOT ADD DUE TO ROUNDING

Table 5
City of Philadelphia
Tax Rates and School District Real Estate Tax Rates
For the Ten-Year Period 1993 Through 2002

Tax Classification	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Real Property: (% on Assessed Valuation)										
City	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%
School District	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%
Assessment Ratio as Determined by Sales	25.10%	27.30%	27.00%	27.07%	26.44%	24.39%	23.00%	23.70%	25.46%	NA
Effective Tax Rate (Real Estate Tax Rate x Assessment Ratio)	2.074%	2.256%	2.231%	2.237%	2.185%	2.016%	1.901%	1.959%	2.104%	NA
Wage, Earnings and Net Profits Taxes:										
Residents (a)	4.96%	4.96%	4.96%	4.86%(b)	4.84%(c)	4.79%(h)	4.6869%(i)	4.6135%(j)	4.5630%(k)	4.5385%(s)
Non-Residents	4.3125%	4.3125%	4.3125%	4.2256%(b)	4.2082%(c)	4.1647%(h)	4.075%(i)	4.0112%(j)	3.9672%(k)	3.9462%(s)
Real Property Transfer Tax (l)	3.46%	3.23%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Personal Property Tax (% on Taxable Intangible Items) (m)	0.4%	0.4%	0.4%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Business Privilege Taxes										
(% on Gross Receipts)	0.325%	0.325%	0.325%	0.300%(b)	0.295%(c)	0.2875%(d)	0.2775%(e)	0.2650%(f)	0.2525%(g)	0.2400%(t)
(% on Net Income) (n)	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Sales and Use Tax	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Parking Lot Tax (% on Gross Receipts)	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Mechanical Amusement Device Tax(o)	$100	-	-	-	-	-	-	-	-	-
Hotel Room Rental Tax	5.0%	6.0%(p)	6.0%	6.0%	6.0%	6.0%	6.0%	7.0%(r)	7.0%	7.0%
Vehicle Rental Tax(q)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%

NOTES:

(a) Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Taxes for City residents is 1.5%.
(b) Tax decrease effective January 1, 1996.
(c) Tax decrease effective January 1, 1997.
(d) Tax decrease effective January 1, 1998.
(e) Tax decrease effective January 1, 1999.
(f) Tax decrease effective January 1, 2000.
(g) Tax decrease effective January 1, 2001.
(h) Tax decrease effective July 1, 1997.
(i) Tax decrease effective July 1, 1998.
(j) Tax decrease effective July 1, 1999.
(k) Tax decrease effective July 1, 2000.
(l) Phased decreases effective July 1, 1990.
(m) The City ceased the collection of the Personal Property Tax during FY 1997.
(n) 60% of Net Income Tax portion paid is credited against Net Profits Tax Payable.
(o) The City converted this tax to a Licensing Fee in Fiscal 1994.
(p) Tax Increase effective July, 1993.
(q) Effective July 1, 2000
(r) Tax increase effective July 1, 1999.
(s) Tax decrease effective July 1, 2001.
(t) Tax decrease effective January 1, 2002.

Table 6
City of Philadelphia
Assessed and Market Value of Taxable Realty in Philadelphia
For the Calendar Years 1993 Through 2002
(Amounts in Millions of Dollars)

	Assessed Value Adjusted to 6-30-2002(a)		Market Value on Basis of STEB Ratio			Estimated Market Value Based on Sales			
Calendar Year	Amount	Percentage Increase (Decrease) Over Prior Year	Assessment Ratio of State Tax Equilization Board (b)	Amount	Percentage Increase (Decrease) Over Prior Year	Assessment Ratio as Determined by Sales (c)	Amount	Percentage Increase (Decrease) Over Prior Year
1993	8,865	-0.66%	0.300	29,570	-0.66%	0.251	35,291	-0.46%
1994	9,008	1.61%	0.300	30,047	1.61%	0.273	33,057	-6.33%
1995	8,896	-1.24%	0.299	29,753	-0.98%	0.270	32,912	-0.44%
1996	8,896	0.00%	0.300	29,673	-0.27%	0.271	32,863	-0.15%
1997	8,968	0.81%	0.303	29,617	-0.19%	0.264	33,918	3.21%
1998	9,039	0.79%	0.302	29,940	1.09%	0.244	37,060	9.26%
1999	9,196	1.74%	0.304	30,300	1.20%	0.230	39,983	7.89%
2000	9,351	1.69%	0.304	30,811	1.69%	0.237	39,439	-1.36%
2001	9,615	2.82%	0.303	31,712	2.93%	0.255	37,765	-4.24%
2002(d)	9,911	3.08%	0.303	32,677	3.04%	NA	NA	NA
Total Increase 1993 - 2002	1,046	11.80%						
Compounded Annual Average Rate of Increase 1993 – 2002		1.25%						

NOTES:

(a) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments.

(b) The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth. The ratio is used for the purpose of equalizing certain state school aid distribution.

(c) The Assessment Ratio as presented has not been adjusted to allow for the effects of large or unusual sales.

(d) At June 30, 2002

Table 7
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 1993 Through 2002
(Amounts in Millions of Dollars)

Calendar Year of Levy (a)	Original Assessed Value (b)	Assessed Value of Taxable Real Property Adjusted to 6-30-2001(c)	Amount Collectible in Year of Levy	Amount Collected in Year of Levy (d)	Collections Within Year of Levy as a Percent of Amount Collectible	Net Levy Adjusted to 6-30-2002	Net Collections of Delinquent Taxes Relating to Year of Levy	Total Collections	Total Collections as a Percent of Adjusted Amount Collectible
1993	9,676	8,865	337.2	307.1	91.1%	338.0	24.7	331.8	98.2%
1994	9,516	9,008	335.6	305.9	91.2%	337.0	22.5	328.4	97.5%
1995	9,410	8,896	338.5	307.1	90.7%	336.4	23.2	330.3	98.2%
1996	9,266	8,896	337.7	308.2	91.3%	338.5	19.5	327.7	96.8%
1997	9,275	8,968	336.2	310.8	92.4%	337.3	18.1	328.9	97.5%
1998	9,220	9,039	338.6	311.9	92.1%	341.2	18.2	330.1	96.8%
1999	9,273	9,196	343.6	316.2	92.0%	346.2	15.6	331.8	95.8%
2000	9,527	9,351	349.3	322.0	92.2%	352.1	12.8	334.8	95.1%
2001	9,867	9,615	356.6	326.7	91.6%	359.6	7.9	334.6	93.1%
2002	10,300	9,911	367.6	324.9(e)	88.4%	N/A	N/A	N/A	N/A

NOTES:

(a) Real property tax bills are sent out in November and are payable at one percent discount until February 28, and the face amount is due on or before March 31, without interest or penalty.

(b) Includes $334.1 million in 1993, $189.8 million in 1994, $95.2 million in 1995, $64.9 million in 1996, $52.7 million in 1997, $13.7 million in 1998, $23.3 million in 1999, $57.7 million in 2000, $84.0 million in 2001 and $68.1 million in 2002 classified as exempt under ordinance (Bill 1130) approved February 8, 1978 which provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill 982 (approved July 9, 1990) changed the exemption period from five years to three years. Also includes $35.8 million in 1993, $11.8 million in 1994, $13.1 million in 1995, $10.4 million in 1996, $4.3 million in 1997,$5.9 million in 1998, $9.0 million in 1999, $15.3 million in 2000, $16.1 million in 2001 and $26.9 million in 2002 classified as exempt under ordinance (Bill 1456-A) as approved January 28, 1983 which provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property; and Legislative Act 5020-205 as amended, approved October 11, 1984 which provides for a maximum thirty month tax abatement to developers of residential property. Includes $2.3 million in 2000, $9.0 million in 2001 and $19.4 million in 2002 classified as exempt under ordinance (Bill #970274) approved July 1, 1997 which provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial, or other business property to commercial non-owner occupied residential property. Also includes, $17.1 million in 2001 and $26.7 million in 2002 classified as exempt under ordinance (Bill 980788A) approved December 30, 1998 which provides a maximum twelve year tax exemption, abatement, or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

(c) The adjustment reflects reductions or increases in assessments pursuant to established procedures for review of assessments.

(d) Amounts shown as collected include amounts allowed as discounts for payments during the discount period.

(e) Includes collections through June 30, 2002, while the other years include collection through December 31, of the year of the levy. It is estimated that approximately 91% of the net levy for Fiscal 2002 will be collected within the year of levy, resulting in approximately $334.5 million by December 31, 2002.

Table 8
City of Philadelphia
Ten Largest Real Estate Assessments
January 1, 2002
(Amounts in Thousands of Dollars)

Location	Owner		Assessme	Percentage of Total Assessments
1650 Market Street	Phila. Liberty Place	$	64,320	0.63%
1500-42 Market Street	Center Square Partners		59,520	0.59%
1735 Market Street	Nine Penn Center Associates		51,968	0.51%
50 S. 16th Street	Two Liberty Place		51,840	0.51%
4301 Byberry Road	PMI Associates		48,096	0.47%
1717 Arch Street	Bell Atlantic		43,320	0.43%
1901-19 Market Street	PRU 1901 Market LLC		32,896	0.32%
2005 Market Street	Commerce Square Partners		32,320	0.32%
2001 Market Street	Maguire/Thomas		32,000	0.32%
1201 Market Street	Philadelphia Market Street		30,400	0.30%
		$	446,680	4.40%
Total Taxable Assessments		$	10,158,592	100.00%

Table 9
Ten Largest Certified Market and Assessment Values
of Tax Abated Properties
January 1, 2001

Rank	Location	2001 Certified Market Value	Taxable Assessment Value	Assessment Value
1	1622-50 Arch Street	$40,000,000	$6,400,000	$6,400,000
2	1701 Market Street	30,000,000	2,240,000	7,360,000
3	219-29 South 18th Street	20,859,700	2,988,711	3,686,393
4	1628-36 Chestnut Street	16,620,000	960,000	4,358,400
5	1500 Chestnut Street	14,800,000	294,400	4,441,600
6	1100 Vine Street	14,700,000	325,000	4,379,000
7	232-52 South 24th Street	12,500,000	539,456	3,460,544
8	1338-48 Chestnut Street	11,615,000	1,464,000	2,252,800
9	140 South Broad Street	11,500,000	2,080,000	1,600,000
10	9898 East Roosevelt Blvd.	10,255,100	2,683,520	598,112

Source: City of Philadelphia, Board of Revision of Taxes.

EXPENDITURES OF THE CITY

The major City expenditures are for personal services, employee benefits, purchase of services (including payments to SEPTA), and debt service.

Personal Services (Personnel)

As of June 30, 2002, the City employed 29,072 full-time employees with the salaries of 24,372 employees paid from the General Fund. Additional employment is supported by other funds, including the Water Fund and the Aviation Fund.

Additional operating funds for employing personnel are contributed by other governments, primarily for categorical grants, as well as for the conduct of the community development program. These activities are not undertaken if funding is not received.

The following table sets forth the number of filled full-time positions of the City as of the dates indicated.

Table 10
City of Philadelphia
Filled, Full-Time Positions – All Operating Funds

	At June 30 Actual						Adopted Budget
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
General Fund							
Police	7,630	7,801	7,789	7,812	7,807	7,683	7,883
Streets	2,160	2,135	2,137	2,130	2,141	2,080	2,195
Fire	2,462	2,468	2,478	2,468	2,500	2,458	2,518
Health	90[illegible]	87[illegible]	88[illegible]	90[illegible]	86[illegible]	82[illegible]	88
Courts	2,091	2,108	2,080	2,108	2,038	2,039	2,060
Other	8,866	8,963	9,024	9,257	9,306	9,289	9,898
Total General Fund	24,115	24,350	24,391	24,676	24,653	24,372	25,440
Other Funds	4,250	4,331	4,530	4,556	4,649	4,700	5,553
TOTAL	28,365	28,681	28,921	29,232	29,302	29,072	30,993

Labor Agreements

Four major bargaining units represent City employees for collective bargaining purposes. District Councils 33 and 47 of the American Federation of State County and Municipal Employees, AFL-CIO represents approximately 15,000 non-uniformed employees. The bargaining units for uniformed employees are the Fraternal Order of Police, Lodge 5 (the “FOP”) and the Philadelphia Fire Fighters Association, Local 22, International Association of Fire Fighters AFL-CIO (“Local 22”), which together represent approximately 9,400 employees. The non-uniformed employees bargain under Act 195 of 1972, which allows for the limited right to strike over collective bargaining impasses. The uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses.

In July 2000, new collective bargaining agreements were reached with District Councils 33 and 47. These four-year contracts, expiring June 30, 2004, include a $1,500 payment with no general wage increase in Fiscal Year 2001, an increase of 3% late in the second quarter of both Fiscal Years 2002 and 2003 and a 3% increase in Fiscal Year 2004. In addition, these agreements maintain the health benefit cost containment provisions, disability reforms, paid leave reductions and other reforms achieved in prior agreements.

The City is currently engaged in binding interest arbitration with Local 22. The arbitration panel will award modifications in the fire wage and benefits packages which will be effective July 1, 2002.

On July 25, 2002 the City concluded binding interest arbitration with the FOP. The panel awarded the FOP a 3% increase in wages effective 7/1/02 and a 3.5% wage increase effective 7/1/03. The two year award also granted significant increases in health and welfare benefits to the FOP. All other reforms achieved in prior agreements are maintained.

The following table presents employee wage increases for the Fiscal Years 1993 through 2004.

Table 11
City of Philadelphia
Employee Wage Increases
Fiscal Years 1993-2004

Fiscal Year	District Council No. 33		District Council No. 47		Fraternal Order of Police		International Association of Fire Fighters	
1993	No increase		No increase		No increase		No increase	
1994	No increase		No increase		No increase		No increase	
1995	2.0%		2.0%		2.0%		2.0%	
1996	3.0%		3.0%		3.0%		3.0%	
1997	No increase	(a)	No increase	(a)	4.0%	(b)	4.0%	(c)
1998	3.0%	(d)	3.0%	(d)	4.0%	(e)	4.0%	(f)
1999	3.0%	(g)	3.0%	(g)	3.0%	(h)	3.0%	(i)
2000	4.0%	(j)	4.0%	(j)	4.0%	(k)	4.0%	(l)
2001	No increase	(m)	No increase	(m)	3.0%		3.0%	
2002	3.0%	(n)	3.0%	(n)	4.0%		4.0%	
2003	3.0%	(o)	3.0%	(o)	0.0%		0.0%	
2004	3.0%	(p)	3.0%	(p)	0.0%		0.0%	

(a) First year of a four year contract: received a cash bonus of $1,100 in July 1996.
(b) First year of a two year contract: 4% effective July 1, 1996.
(c) First year of a four year contract: 4% effective July 1, 1996.
(d) Second year of a four year contract: 3% effective December 15, 1997.
(e) Second year of a two year contract: 4% effective September 15, 1997.
(f) Second year of a four year contract: 4% effective September 15, 1997.
(g) Third year of a four year contract: 3% effective December 15, 1998.
(h) First year of a two year contract: 3% effective September 15, 1998.
(i) Third year of a four year contract: 3% effective September 15, 1998.
(j) Fourth year of a four year contract: 4% effective March 15, 2000.
(k) Second year of a two year contract: 4% effective September 15, 1999.
(l) Fourth year of a four year contract: 4% effective September 15, 1999.
(m) First year of a four year contract: cash bonus of $1,500 paid in August 2000.
(n) Second year of a four year contract: 3% effective December 15, 2001.
(o) Third year of a four year contract: 3% effective December 15, 2002.
(p) Fourth year of a four year contract: 3% effective July 1, 2003.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 1997 through 2003 are shown in the following table.

Table 12
City of Philadelphia
General Fund Employee Benefit Expenditures
Fiscal Years 1997-2003

(Amounts in Millions)

	Actual						Adopted Budget
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Pension Contribution	$207.2	$219.2	$224.9	$219.7	$194.2	$196.6	$210.8
Health-Medical-Dental	149.6	151.6	162.1	172.2	186.7	187.6	207.6
Social Security	46.2	48.2	51.7	53.5	57.8	57.4	59.2
Other	54.1	52.0	49.4	48.4	44.6	44.2	50.5
Total	$457.1	$471.0	$488.1	$493.8	$483.3	$485.8	528.1

Municipal Pension Fund (Related to All Funds)

The City is required by the Home Rule Charter to maintain an actuarially sound pension and retirement system covering all officers and employees of the City. Court decisions have interpreted this requirement to mean that the City must make contributions to the Municipal Pension Fund sufficient to fund:

A. Accrued actuarially determined normal costs.

B. Amortization of the unfunded actuarial accrued liability determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.

C. Amortization in level dollar payments of the changes in the July 1, 1985 liability due to: non active member's benefit modifications (10 years); experience gains and losses (15 years); changes in actuarial assumptions (20 years); and active members' benefit modifications (20 years).

The pension fund was actuarially valued every two years through 1984, and beginning with the July 1, 1985 valuation report, is required to be actuarially valued each year.

The July 1, 1980 unfunded liability, as amended by subsequent reports, will be amortized over 38 years through annual contributions which will closely approximate a level percent of payroll. The Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, enacted December 18, 1984 adopted changes in funding of municipal pensions that have been reflected in the valuation report for July 1, 1985. In particular, this act generally requires that unfunded actuarial accrued liability be funded in annual level dollar payments. The City is permitted to amortize the July 1, 1985 unfunded actuarial accrued liability over 40 years ending in 2025.

Based on an actuarial schedule providing payments increasing at 5.0% per annum, the unfunded accrued liability of $1.4 billion, as of July 1, 2001 should be fully amortized by 2019.

Non-uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service or upon attainment of age fifty-five. Upon retirement, non-uniformed employees may receive up to 80% of their average final compensation depending upon their years of credited service. Uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service or upon attainment of age forty-five. Upon retirement, uniformed employees may receive up to 100% of their average final compensation depending upon their years of credited service.

Effective January 1, 1987 the City adopted a new plan ("Plan 87") to cover employees hired after January 8, 1987, as well as members in the previous Plan who elected to transfer to Plan 87. Except for elected officials, Plan 87 provides for less costly benefits and reduced employee contributions. For elected officials, Plan 87 provides for enhanced benefits, with participating elected officials required to pay for the additional normal cost. Police and Fire personnel became eligible for Plan 87 on July 1, 1988. Because of Court challenges, members of District Council 33 and Local 2187 of District Council 47 were not eligible for Plan 87 until October 2, 1992.

In February 1999, PAID issued $1,291,913,112.35 Pension Funding Bonds (City of Philadelphia Retirement System) Series 1999A-1999C. The net proceeds of this issue, $1,250,000,000, were deposited in the City's pension fund reducing the unfunded pension liability from approximately $2.7 billion to $1.45 billion.

The following table is a comprehensive statement of operations of the City Municipal Pension Fund for Fiscal Years 1996 through 2002.

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Table 13
City of Philadelphia
City Municipal Pension Fund
Comparative Schedule of Operations
For the Fiscal Years 1993 Through 2002

	1993 Amount	%	1994 Amount	%	1995 Amount	%	1996 Amount	%	1997 Amount	%	1998 Amount	%	1999 Amount	%	2000 Amount	%	2001 Amount	%	2002 Amount
evenue:																			
Contributions:																			
Employees:																			
Members' Contributions	45.0	10.7	44.3	9.6	44.2	10.1	45.6	7.2	47.0	4.9	48.0	6.7	49.2	2.5	50.2	7.4	49.3	14.1	50.1
Less: Refunds to Members	4.9	1.2	4.3	0.9	3.7	0.8	3.8	0.6	3.8	0.4	3.2	0.4	4.2	0.2	4.2	0.6	4.7	1.3	7.1
Net Members' Contributions	40.1	9.5	40.0	8.6	40.5	9.2	41.8	6.6	43.2	4.5	44.8	6.3	45.0	2.3	46.0	6.8	44.6	12.8	43.0
Employer's:																			
City of Philadelphia	174.3	41.3	233.7 (2)	50.5	212.8	48.5	222.5	35.3	237.0	24.8	252.0	35.3	1,506.8 (5)	77.7	179.5 (2)	26.6	163.5	46.9	174.2
Commonwealth of Pennsylvania																			
Through City of Philadelphia	35.1	8.3	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	0.0
Quasi Governmental Agencies	3.6	0.9	2.8	0.6	4.6	1.0	4.8	0.8	5.2	0.5	5.0	0.7	4.9	0.3	4.5	0.7	4.1	1.3	4.0
Total Employer's Contributions	213.0	50.5	236.5	51.1	217.4	49.5	227.3	36.0	242.2	25.3	257.0	36.0	1,511.7	78.0	184.0	27.3	167.6	48.2	178.2
Commonwealth of Pennsylvania	6.5	1.5	2.7	0.6	1.3	0.3	4.5	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Contributions	259.6	61.6	279.2	60.4	259.2	59.0	273.6	43.4	285.4	29.8	301.8	42.3	1,556.6	80.3	230.0	34.1	212.2	61.0	221.2
Investment Earnings	161.6	38.3	182.9	39.5	178.9	40.8	356.4	56.5	669.9 (3)	70.1	411.8	57.6	383.0	19.7	445.0	65.9	135.8	39.0	111.4
Other	0.5	0.1	0.5	0.1	0.9	0.2	0.8	0.1	0.3	0.1	0.4	0.1	0.3	0.0	0.2	0.0	0.6	0.0	0.7
Total Revenue	421.7	100.0	462.6	100.0	439.0	100.0	630.8	100.0	955.6	100.0	714.0	100.0	1,939.9	100.0	675.2	100.0	348.6	100.0	333.3
eductions:																			
For Pension Benefits	312.5		326.2		338.6		353.4		372.0		383.3		434.0		444.3		456.8		450.2
Net Decline in Fair Value of Investments	0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		422.8		359.5
For Other Purposes, Excluding Refunds	43.2 (1)		26.8 (1)		28.1 (1)		21.4 (1)		13.6		2.9 (4)		4.4		4.8		5.3		5.2
Total Deductions	355.7		353.0		366.7		374.8		385.6		386.2		438.4		449.1		884.9		814.9
xcess of Revenue Over Deductions	66.0		109.6		72.3		256.0		570.0		327.8		1,501.5		226.1		-536.3		-481.6
let Assets: Opening	1,847.1		1,913.1		2,022.7		2,095.0		2,351.0		2,921.0		3,248.8		4,750.3		4,976.4		4,440.1
Closing	1,913.1		2,022.7		2,095.0		2,351.0		2,921.0		3,248.8		4,750.3		4,976.4		4,440.1		3,958.5
ıcrease (Decrease) During the Year	66.0		109.6		72.3		256.0		570.0		327.8		1,501.5		226.1		-536.3		-481.6
XHIBIT:																			
. Pension Benefits Paid as a Percent of																			
A. Net Contributions of Members		779.3		815.5		836.0		845.5		861.1		855.6		964.4		965.9		1,024.2	
B. Revenue		74.1		70.5		77.1		56.0		38.9		53.7		22.4		65.8		131.0	
C. Closing Net Assets		16.3		16.1		16.2		15.0		12.7		11.8		9.1		8.9		10.3	
. The Closing Assets as a Percent of																			
Total Disbursements		537.8		573.0		571.3		627.3		757.5		841.2		1,083.6		1,108.1		501.8	
. Coverage of Revenues Over Disbursements		118.6		131.0		119.7		168.3		247.8		184.9		442.5		150.3		39.4	
. Investment Earnings as a Percent of																			
Pension Benefits		51.7		56.1		52.8		100.8		180.1		107.4		88.2		100.2		29.7	

Notes:

(1) Disbursements for Other Purposes include losses due to the permanent decline in market value of some investments. These losses amounted to $34.2 million in Fiscal 1993, $14.4 million in Fiscal 1994, $15.2 million in Fiscal 1995 and $9.3 million in Fiscal 1996.
(2) Includes additonal payments toward the Unfunded Actuarial Accrued Liability of $10.0 million in Fiscal 1994 and $15.0 million in Fiscal 2000
(3) Included in this figure is $354.2 million attributable to the recognition of the fair value of the investments at June 30, 1997
(4) Disbursements for Other Purposes includes a reduction of $1 million due to the reversal of charges made in previous fiscal years
(5) Includes $1,250 million from the sale of Pension Funding obligations.

Purchase of Services

The City accounts for a number of expenditures as purchase of services. The following table presents major purchases of services in the General Fund in Fiscal Years 1997 through 2003.

Table 14
City of Philadelphia
Purchase of Services In The General Fund
Fiscal Years 1996-2002

(Amounts In Millions)

	Actual						Adopted Budget
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Human Services [(a)]	$249.4	$275.3	$296.6	$335.0	$360.2	$393.1	$439.0
Public Health [(b)]	54.2	55.6	58.4	58.2	62.0	73.6	73.1
Public Property [(c)]	135.9	139.1	137.7	135.6	140.3	144.3	143.0
Streets [(d)]	65.1	59.1	48.0	49.7	49.7	50.4	52.0
Sinking Fund-Lease Debt[(e)]	38.5	38.2	38.2	44.2	42.6	57.8	91.2
Legal Services [(f)]	22.6	24.2	24.1	25.2	27.1	29.5	30.7
First Judicial District	29.9	27.1	28.5	27.9	28.8	21.9	23.4
Licenses & Inspections [(g)]	12.5	15.0	16.2	15.5	23.7	25.9	5.0
Emergency Services [(h)]	12.3	10.0	9.6	11.9	11.8	11.6	13.9
All Other	115.6	92.4	137.6	145.7	125.6	142.9	142.4
Total	$736.0	$736.0	$794.9	$848.9	$871.8	$951.2	$1,013.7

(a) Includes payments for care of dependent and delinquent children.
(b) Prior to FY 1995, the purchased service category for the Department of Public Health included MH/MR payments. The FY 1995 Budget transfers these obligations to the Grants Revenue Fund. Prior to Fiscal Year 1996, the purchased service category for the Department of Public Health included funding for prison health services. The Fiscal Year 1996 budget transferred these obligations to the Philadelphia Prison System.
(c) Includes payments for SEPTA, space rentals, utilities, and telecommunications.
(d) Includes solid waste disposal costs.
(e) Includes Justice Center lease debt.
(f) Includes payments to the Defender Association to provide legal representation for indigents.
(g) Includes payments for demolition.
(h) Includes homeless shelter and boarding home payments.
FIGURES MAY NOT ADD DUE TO ROUNDING

City Payments to School District

In each fiscal year since Fiscal Year 1996, the City has made an annual grant of $15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional annual $45 million beginning in Fiscal Year 2002.

City Loan to PGW

The City made a loan of $45 million to PGW during Fiscal Year 2001 to assist PGW in meeting its cash flow requirements. Such loan is currently due in Fiscal Year 2007.

City Payments to SEPTA

In recent years, SEPTA has faced increased operating costs. The City's estimated Fiscal Year 2002 operating subsidy payment to SEPTA was $61.4 million. The Fiscal Year 2003 budget projects operating subsidy payments to SEPTA of $64.2 million. The Eleventh Five-Year Plan provides that the City's contribution to SEPTA will remain at approximately this level through Fiscal Year 2007.

DEBT OF THE CITY

The Constitution of the Commonwealth provides that the authorized debt of the City "may be increased in such amount that the total debt of said City shall not exceed 13.5% of the average of the annual assessed valuations of the taxable realty therein, during the ten years immediately preceding the year in which such increase is made, but said City shall not increase its indebtedness to an amount exceeding 3.0% upon such average assessed valuation of realty, without the consent of the electors thereof at a public election held in such manner as shall be provided by law." It has been judicially determined that bond authorizations once approved by the voters will not be reduced as a result of a subsequent decline in the average assessed value of City property.

The Constitution of the Commonwealth further provides that there shall be excluded from the computation of debt for purposes of the Constitutional debt limit, debt (herein called "self-supporting debt") incurred for revenue-producing capital improvements that may reasonably be expected to yield revenue in excess of operating expenses sufficient to pay interest and sinking fund charges thereon. In the case of general obligation debt, the amount of such self-supporting debt to be so excluded must be determined by the Court of Common Pleas of Philadelphia County upon petition by the City. Self-supporting debt is general obligation debt of the City, with the only distinction from tax-supported debt being that it is not used in the calculation of the Constitutional debt limit. Self-supporting debt has no lien on any particular revenues.

As of February 1,2003, the Constitutional debt limitation for tax-supported general obligation debt was $1,260,639,000. After legally authorized deductions, $1,119,224,000 of tax-supported general obligation debt was authorized as of this date, leaving a balance of $141,415,000 available for future authorization.

The City is also authorized to issue revenue bonds pursuant to The First Class City Revenue Bond Act of 1972. Bonds so issued are excluded for purposes of the calculation of the Constitutional debt limit.

Short-Term Debt

The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972. Each note issue was repaid when due prior to the end of the fiscal year of issuance.

The City issued $300 million of Tax and Revenue Anticipation Notes in July 2002. These notes are due on June 30, 2003. The City intends to repay these notes when due at maturity.

Long-Term Debt

Table 15 presents a synopsis of the bonded debt of the City and its component units at the close of Fiscal Year 2002. Table 16 sets forth a ten year historical summary of tax-supported debt of the City and School District. Table 17 sets forth the debt service requirements to maturity of the City's outstanding bonded indebtedness. As of June 30, 2002, the City's tax-supported general obligation debt issued and outstanding equaled $855.3 million.

Of the total balance of City tax-supported general obligation bonds outstanding at June 30, 2002, 18% is scheduled to mature within 5 years and 33% is scheduled to mature within 10 years.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations. These obligations include guarantees or the payment of debt service on certain bonds of PMA, PAID, the Parking Authority, the Redevelopment Authority, the Hospitals Authority and the Convention Center Authority.

The principal amount of the City's obligation with regard to each of these authorities as of June 30, 2002 is as follows:

PMA	$	300.7 million
PAID	$	1,668.8 million
Parking Authority	$	109.8 million
Redevelopment Authority	$	145.3 million
Hospitals Authority	$	24.1 million
Convention Center Authority	$	253.8 million

The bonds of the Parking Authority included in the previous table are payable from project revenues, and by the City only if and to the extent that net revenues are inadequate for this purpose. See "REVENUES OF THE CITY – Philadelphia Parking Authority."

The Hospitals Authority has issued bonds on behalf of the Community College of Philadelphia ("CCP"). These bonds are secured by, among other things, payments to be made by the City as the local sponsor pursuant to the enabling legislation that authorized the creation of CCP. As the local sponsor, the City is obligated to pay up to 50% of the debt service on bonds issued on behalf of CCP. The principal amount of the lease revenue bonds on behalf of CCP for which the City is obligated to make such payments was $24,105,000 as of June 30, 2002; this amount represents 50% of the $48,210,000 principal amount of bonds issued and outstanding for CCP purposes as of June 30, 2002.

Recent Financings

In May 2002, the Redevelopment Authority issued $18,250,000 of taxable and $124,123,000 of non-taxable bonds in connection with the City of Philadelphia's Neighborhood Transformation Initiative. Such bonds are secured by a Service Agreement that obligates the City to appropriate sums equal to the debt service of such bonds.

Table 15
City of Philadelphia
Analysis of Changes in Bonded Debt Outstanding
For The Period July 1, 2001 To June 30, 2002

(Amounts in Thousands of Dollars)

	General Fund	Water Fund	Aviation Fund	Gas Works Fund	Total
Bonded Debt Outstanding, July 1, 2001	901,043	1,692,738	954,302	975,302	4,523,385
Increases:					
Par Value of Bonds Issued:					
General Obligation	0		0	0	0
Revenue Bonds	0	288,672	227,800	0	516,472
Total Bonds Sold	0	288,672	227,800	0	516,472
Decreases:					
Matured Bonds:					
General Obligation	42,133	1,696	3,667	0	47,496
Revenue Bonds		61,814	26,690	38,855	127,359
Revenue Refunded	0	35,735	0	0	35,735
Total Decrease	42,133	99,245	30,357	38,855	210,590
Total Debt Outstanding,	858,910	1,882,165	1,151,745	936,447	4,829,267

Table 16
City of Philadelphia
City and School District Net Tax Supported Debt and Debt Service Ratios
For the Fiscal Years 1993 Through 2002

Line No.		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Net Tax Supported Debt (Millions)										
	City:										
1	Bonded Debt (a)	$ 792.6	490.2	451.4	522.6	486.1	453.7	674.7	640.2	895.4	855.3
2	Other Long-Term Obligations (b)	1,817.3	1,754.1	1,796.3	1,799.8	1,836.3	734.1	3,124.9	3,113.8	3,112.7	3,615.0
3	Total City	$ 2,609.9	2,244.3	2,247.7	2,322.4	2,322.4	1,187.8	3,799.6	3,754.0	4,008.1	4,470.3
	Overlapping School District Debt:										
4	Bonded Debt	400.7	533.1	498.7	628.2	704.0	697.2	784.3	870.4	995.1	1,410.9
5	Other Long-Term Obligations (c)	$ 381.3	403.3	420.6	436.5	436.2	458.2	447.2	483.7	516.5	547.3
6	Total School District	$ 782.0	936.4	919.3	1,064.7	1,140.2	1,155.4	1,231.5	1,354.1	1,511.6	1,958.2
7	Overlapping PICA Bonded Debt:	$ 0.0	1,156.7	1,237.5	1,146.2	1,102.4	1,055.0	1,014.1	959.4	901.8	840.7
8	Total Debt	$ 3,391.9	4,337.4	4,404.5	4,533.3	4,565.0	3,398.2	6,045.2	6,067.5	6,421.5	7,269.2
9	Estimated Population (Thousands) (d)	1,539	1,524	1,499	1,478	1,451	1,436	1,418	1,518	1,518	1,492
10	Assessed Valuation (Millions) (e)	$ 8,865	9,008	8,896	8,896	8,968	9,039	9,196	9,351	9,615	9,911
11	Estimated Market Value (Millions) (e)	$ 35,291	33,057	32,912	32,863	33,918	37,060	39,983	39,439	37,765	NA
	City Net Tax Supported Annual Debt Service:										
12	Bonded Debt	$ 176.4	168.0	69.1	67.6	68.1	61.4	62.6	73.0	71.9	87.9
13	Other Long-Term Obligations	96.1	132.2	115.0	87.2	104.4	108.1	64.1	120.9	73.0	125.0
14	Total (Line 12 and Line 13)	$ 272.5	300.2	184.1	154.8	172.5	169.5	126.7	193.9	144.9	212.9
15	City General Governmental Obligations (f)	$ 2,462.1	2,627.2	2,626.1	2,774.0	2,996.6	3,229.7	3,576.7	3,775.1	3,947.8	4,211.1
	Net Tax Supported Debt per Capita:										
16	City Bonded Debt (Line 1/Line 9)	$ 515.0	321.7	301.1	353.6	335.0	315.9	475.8	421.7	589.9	573.3
17	City Total Long-Term Debt (Line 3/Line 9)	$ 1,695.8	1,472.6	1,499.5	1,571.3	1,600.6	827.2	2,679.5	2,473.0	2,640.4	2,996.2
18	School District Total (Line 6/Line 9)	$ 508.1	614.4	613.3	720.4	785.8	804.6	868.5	892.0	995.8	1,312.5
19	PICA Bonded Debt (Line 7/Line 9)	$ 0.0	759.0	825.6	775.5	759.8	734.7	715.2	632.0	594.1	563.5
20	Total (Line 8/Line 9)	$ 2,204.0	2,846.1	2,938.3	3,067.2	3,146.1	2,366.4	4,263.2	3,997.0	4,230.2	4,872.1
	Net Tax Supported Debt as a Percentage of Assessed Valuation:										
21	City Bonded Debt (Line 1/Line 10)	8.94	5.44	5.07	5.87	5.42	5.02	7.33	6.83	9.25	8.63
22	City Total Long-Term Debt (Line 3/Line 10)	29.44	24.91	25.27	26.11	25.90	13.14	41.32	40.15	41.69	45.10
23	School District Total (Line 6/Line 10)	8.82	10.40	10.33	11.97	12.71	12.78	13.39	14.48	15.72	19.76
24	Total (Lines 3 & 6/Line 10)	38.26	35.31	35.60	38.07	38.61	25.92	54.71	54.63	57.41	64.86
	Net Tax Supported Debt as a Percentage of Estimated Market Value:										
25	City Bonded Debt (Line 1/Line 11)	2.25	1.48	1.37	1.59	1.43	1.22	1.69	1.62	NA	NA
26	City Total Long-Term Debt (Line 3/Line 11)	7.40	6.79	6.83	7.07	6.85	3.21	9.50	9.52	10.61	NA
27	School District Total (Line 6/Line 11)	2.22	2.83	2.79	3.24	3.36	3.12	3.08	3.43	4.00	NA
28	Total (Lines 3 & 6/Line 11)	9.61	9.62	9.62	10.31	10.21	6.32	12.58	12.95	14.62	NA
	City Net Tax Supported Debt Service as a Percentage of City General Governmental Obligations:										
29	City Bonded Debt (Line 12/Line 15)	7.16	6.39	2.63	2.44	2.27	1.90	1.75	1.93	1.82	2.09
30	City Total Long-Term Obligation (Line 14/Line 15)	11.07	11.43	7.01	5.58	5.76	5.25	3.54	5.14	3.67	5.06

NOTES:
(a) See Table 13.
(b) Consists of leasing obligations, payments on contingent liabilities, accrued compensated absences, and the pension funding service agreement.
(c) Consists of amounts due the Commonwealth of PA for vocational education, the State Public Building Authority and leasing obligations and accrued Terminal and Severance Pays.
(d) Source: U.S. Department of Commerce, Bureau of the Census and Wharton Econometric Forecasting Associates.
(e) See Table 5.
(f) Consists of General Fund and Special Revenue Funds, all of which account for general governmental functions. See Table 3.

Table 17
City of Philadelphia
City and Gas Works Related Annual Debt Service on Long-Term Debt
As of June 30, 2002
(Amounts in Millions of Dollars)

	General Obligation Bonds									Revenue Bonds									
	Tax Supported			Self-Supporting			Total			Water and Sewer			Gas Works			Aviation Fund			
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Fiscal Year
2003	$ 44.4	$ 42.8	$ 87.2	$ 3.9	$ 0.7	$ 4.6	$ 48.3	$ 43.5	$ 91.8	$ 64.3	$ 95.4	$ 159.7	$ 43.3	$ 46.6	$ 89.9	$ 31.8	$ 59.8	$ 91.6	2003
2004	43.1	40.5	83.6	4.0	0.5	4.5	47.1	41.0	88.1	67.0	92.8	159.8	40.1	45.0	85.1	34.2	60.2	94.4	2004
2005	27.6	38.3	65.9	3.7	0.3	4.0	31.3	38.6	69.9	69.5	90.0	159.5	32.0	43.5	75.5	36.0	58.3	94.3	2005
2006	16.8	36.9	53.7	1.4	0.2	1.6	18.2	37.1	55.3	75.3	84.9	160.2	40.2	41.9	82.1	38.0	56.3	94.3	2006
2007	19.0	36.2	55.2	1.2	0.2	1.4	20.2	36.4	56.6	79.1	81.1	160.2	32.9	40.0	72.9	32.3	54.2	86.5	2007
2008	23.3	35.3	58.6	1.3	0.2	1.5	24.6	35.5	60.1	82.5	77.7	160.2	37.0	38.1	75.1	34.0	52.4	86.4	2008
2009	24.4	34.1	58.5	1.4	0.1	1.5	25.8	34.2	60.0	85.9	74.4	160.3	36.9	36.1	73.0	35.8	50.6	86.4	2009
2010	25.5	32.9	58.4	1.4	0.1	1.5	26.9	33.0	59.9	89.4	70.9	160.3	36.2	34.1	70.3	37.8	48.7	86.5	2010
2011	26.9	31.6	58.5	1.5	0.1	1.6	28.4	31.7	60.1	95.4	64.9	160.3	46.3	32.2	78.5	39.8	46.6	86.4	2011
2012	28.2	30.2	58.4	1.3	0.1	1.4	29.5	30.3	59.8	102.7	57.5	160.2	38.4	30.6	69.0	42.0	44.5	86.5	2012
2013	29.7	28.7	58.4	0.3	0.1	0.4	30.0	28.8	58.8	108.7	51.8	160.5	20.4	29.4	49.8	44.3	42.2	86.5	2013
2014	31.3	27.2	58.5	0.2	0.1	0.3	31.5	27.3	58.8	114.7	45.8	160.5	33.2	27.8	61.0	46.7	39.8	86.5	2014
2015	32.9	25.5	58.4	0.2	0.1	0.3	33.1	25.6	58.7	121.0	39.6	160.6	33.5	26.0	59.5	49.3	37.2	86.5	2015
2016	30.7	23.9	54.6	0.2	0.1	0.3	30.9	24.0	54.9	126.5	34.4	160.9	33.7	24.1	57.8	45.9	34.5	80.4	2016
2017	32.2	22.3	54.5	0.2	0.0	0.2	32.4	22.3	54.7	47.3	27.9	75.2	30.9	22.2	53.1	48.4	32.1	80.5	2017
2018	33.8	20.8	54.6	0.2	0.0	0.2	34.0	20.8	54.8	49.8	25.4	75.2	31.1	20.5	51.6	50.2	29.4	79.6	2018
2019	35.4	19.1	54.5	0.2	0.0	0.2	35.6	19.1	54.7	43.1	23.1	66.2	31.3	18.8	50.1	42.7	26.6	69.3	2019
2020	37.2	17.3	54.5	0.2	0.0	0.2	37.4	17.3	54.7	35.0	21.2	56.2	31.6	17.0	48.6	45.0	24.3	69.3	2020
2021	28.0	15.4	43.4		0.0	0.0	28.0	15.4	43.4	36.8	19.5	56.3	31.8	15.3	47.1	47.4	21.9	69.3	2021
2022	29.4	14.1	43.5	0.0	0.0	0.0	29.4	14.1	43.5	38.7	17.7	56.4	32.0	13.5	45.5	50.0	19.3	69.3	2022
2023	30.9	12.6	43.5	0.0	0.0	0.0	30.9	12.6	43.5	40.7	15.7	56.4	32.8	11.8	44.6	52.7	16.6	69.3	2023
2024	32.4	11.0	43.4	0.0	0.0	0.0	32.4	11.0	43.4	26.9	13.7	40.6	33.0	10.0	43.0	55.6	13.8	69.4	2024
2025	34.1	9.3	43.4	0	0	0.0	34.1	9.3	43.4	28.2	12.4	40.6	33.4	8.3	41.7	58.6	10.7	69.3	2025
2026	28.5	7.6	36.1	0	0	0.0	28.5	7.6	36.1	29.7	11.0	40.7	28.3	6.6	34.9	45.7	7.5	53.2	2026
2027	30.0	6.1	36.1	0	0	0.0	30.0	6.1	36.1	31.2	9.6	40.8	29.5	5.2	34.7	48.1	5.2	53.3	2027
2028	31.4	4.6	36.0	0	0	0.0	31.4	4.6	36.0	32.7	8.1	40.8	27.3	3.7	31.0	44.3	2.7	47.0	2028
2029	15.8	3.0	18.8	0.0	0.0	0.0	15.8	3.0	18.8	34.4	6.6	41.0	28.8	2.3	31.1	2.4	0.4	2.8	2029
2030	16.6	2.2	18.8	0	0	0.0	16.6	2.2	18.8	36.2	4.8	41.0	15.0	1.2	16.2	2.5	0.3	2.8	2030
2031	17.5	1.4	18.9	0.0	0.0	0.0	17.5	1.4	18.9	38.0	2.9	40.9	7.6	0.6	8.2	2.6	0.1	2.7	2031
2032	18.3	0.5	18.8	0	0.0	0.0	18.3	0.5	18.8	40.0	1.0	41.0	7.9	0.2	8.1	0.0	0.0	0.0	2032
Total	855.3(a)	631.4	1,486.7	22.8(b)	2.9	25.7	878.1	634.3	1,512.4	1,870.7	1,181.8(c)	3,052.5	936.4	652.6	1,589.0	1,144.1	896.2	2,040.3	
Sinking Fund Assets Held by Fiscal Agent	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	0.0	0.0	
Available City Sinking Fund Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	160.9	0.7(d)	161.6	99.4	0.0	99.4	57.9	6.5	64.4(e)	
Net Debt	$ 855.3	$ 631.4	$ 1,486.7	$ 22.8	$ 2.9	$ 25.7	$ 878.1	$ 634.3	$ 1,512.4	$ 1,709.8	$ 1,181.1	$ 2,890.9	$ 837.0	$ 652.6	$ 1,489.6	$ 1,086.2	$ 889.7	$ 1,975.9	

NOTES:

(a) Included in this amount is $1.8 million issued for Port purposes which has been reclassified as Tax-Supported due to thesale of the Port Corporation.

(b) Of this amount, Bonds have been issued for the following major purposes: Water and Sewer, $11.5 million; Airport, $7.7 million; Veterans Stadium, $.4 million and Subways, $2.5 million. Issues for five other purposes account for the balance of $.7 million.

(c) Interest on $94.6 million Water and Sewer Variable Rate Bonds is based on the estimated short-term interest rate of 2.8241%.

(d) In addition to the $161.6 million available in Sinking Fund Assets, $136.3 million has been reserved in the Water and Sewer Rate Stabilization Fund in accordance with the Seventh Supplemental Amendment to the General, Water and Sewer Revenue Bond Ordinance of 1974 as amended by Bill No. 544 dated June 24, 1993.

(e) In addition to the $64.4 million available in Sinking Fund Assets, $2.5 million has been reserved in a Renewal, Replacement and Contingency Fund, which has been funded by the proceeds of the Series 1978 Aviation Revenue Bonds.

Table 17 (cont.)
City of Philadelphia
City and Gas Works Related Annual Debt Service on Long-Term Debt
As of June 30, 2002
(Amounts in Millions of Dollars)

	Total Revenue Bonds			Total General Obligation and Revenue Bonds			Other Long-Term Obligations			Total Long-Term Debt			
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Fiscal Year
2003	139.4	201.8	341.2	187.7	245.3	433.0	93.5	96.1	189.6	281.2	341.4	622.6	2003
2004	141.3	198.0	339.3	188.4	239.0	427.4	73.7	94.1	167.8	262.1	333.1	595.2	2004
2005	137.5	191.8	329.3	168.8	230.4	399.2	79.1	92.0	171.1	247.9	322.4	570.3	2005
2006	153.5	183.1	336.6	171.7	220.2	391.9	84.4	89.3	173.7	256.1	309.5	565.6	2006
2007	144.3	175.3	319.6	164.5	211.7	376.2	94.0	85.8	179.8	258.5	297.5	556.0	2007
2008	153.5	168.2	321.7	178.1	203.7	381.8	90.7	81.8	172.5	268.8	285.5	554.3	2008
2009	158.6	161.1	319.7	184.4	195.3	379.7	98.8	77.9	176.7	283.2	273.2	556.4	2009
2010	163.4	153.7	317.1	190.3	186.7	377.0	116.7	73.4	190.1	307.0	260.1	567.1	2010
2011	181.5	143.7	325.2	209.9	175.4	385.3	127.5	67.7	195.2	337.4	243.1	580.5	2011
2012	183.1	132.6	315.7	212.6	162.9	375.5	138.2	61.5	199.7	350.8	224.4	575.2	2012
2013	173.4	123.4	296.8	203.4	152.2	355.6	145.1	59.8	204.9	348.5	212.0	560.5	2013
2014	194.6	113.4	308.0	226.1	140.7	366.8	148.0	57.9	205.9	374.1	198.6	572.7	2014
2015	203.8	102.8	306.6	236.9	128.4	365.3	259.1	56.0	315.1	496.0	184.4	680.4	2015
2016	206.1	93.0	299.1	237.0	117.0	354.0	143.5	54.0	197.5	380.5	171.0	551.5	2016
2017	126.6	82.2	208.8	159.0	104.5	263.5	144.8	51.8	196.6	303.8	156.3	460.1	2017
2018	131.1	75.3	206.4	165.1	96.1	261.2	150.9	49.7	200.6	316.0	145.8	461.8	2018
2019	117.1	68.5	185.6	152.7	87.6	240.3	137.8	47.2	185.0	290.5	134.8	425.3	2019
2020	111.6	62.5	174.1	149.0	79.8	228.8	128.6	45.8	174.4	277.6	125.6	403.2	2020
2021	116.0	56.7	172.7	144.0	72.1	216.1	130.0	44.3	174.3	274.0	116.4	390.4	2021
2022	120.7	50.5	171.2	150.1	64.6	214.7	131.4	43.0	174.4	281.5	107.6	389.1	2022
2023	126.2	44.1	170.3	157.1	56.7	213.8	132.7	41.6	174.3	289.8	98.3	388.1	2023
2024	115.5	37.5	153.0	147.9	48.5	196.4	134.2	40.0	174.2	282.1	88.5	370.6	2024
2025	120.2	31.4	151.6	154.3	40.7	195.0	135.8	38.4	174.2	290.1	79.1	369.2	2025
2026	103.7	25.1	128.8	132.2	32.7	164.9	137.4	36.8	174.2	269.6	69.5	339.1	2026
2027	108.8	20.0	128.8	138.8	26.1	164.9	130.6	34.2	164.8	269.4	60.3	329.7	2027
2028	104.3	14.5	118.8	135.7	19.1	154.8	134.6	26.2	160.8	270.3	45.3	315.6	2028
2029	65.6	9.3	74.9	81.4	12.3	93.7	246.8	10.4	257.2	328.2	22.7	350.9	2029
2030	53.7	6.3	60.0	70.3	8.5	78.8	22.9	1.9	24.8	93.2	10.4	103.6	2030
2031	48.2	3.6	51.8	65.7	5.0	70.7	24.2	0.6	24.8	89.9	5.6	95.5	2031
2032	47.9	1.2	49.1	66.2	1.7	67.9	0.0		0.0	66.2	1.7	67.9	2032
Total	3,951.2	2,730.6	6,681.8	4,829.3	3,364.9	8,194.2	3,615.0	1,559.2	5,174.2	8,444.3	4,924.1	13,368.4	
Sinking Fund Assets Held by Fiscal Agent	0.0	0.0	0.0	00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Available City Sinking Fund Assets	318.2	7.2	325.4	318.2	7.2	325.4	0.0	0.0	0.0	318.2	7.2	325.4	
Net Debt	$ 3,633.0	$ 2,723.4	$ 6,356.4	$ 4,511.1	$ 3,357.7	$ 7,868.8	$ 3,615.0	$ 1,559.2	$ 5,174.2	$ 8,126.1	$$ 4,916.9	$ 13,043.0	

NOTES:

(a) Included in this amount is $1.8 million issued for Port purposes which has been reclassified as Tax-Supported due to thesale of the Port Corporation.

(b) Of this amount, Bonds have been issued for the following major purposes: Water and Sewer, $11.5 million; Airport, $7.7 million; Veterans Stadium, $.4 million and Subways, $2.5 million. Issues for five other purposes account for the balance of $.7 million.

(c) Interest on $94.6 million Water and Sewer Variable Rate Bonds is based on the estimated short-term interest rate of 2.8241%.

(d) In addition to the $161.6 million available in Sinking Fund Assets, $136.3 million has been reserved in the Water and Sewer Rate Stabilization Fund in accordance with the Seventh Supplemental Amendment to the General, Water and Sewer Revenue Bond Ordinance of 1974 as amended by Bill No. 544 dated June 24, 1993.

(e) In addition to the $64.4 million available in Sinking Fund Assets, $2.5 million has been reserved in a Renewal, Replacement and Contingency Fund, which has been funded by the proceeds of the Series 1978 Aviation Revenue Bonds.

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2003-2008 contemplates a total expenditure of $4,211,894 billion, of which $1,658,979 billion is to be provided from Federal, Commonwealth, and other sources and the remainder through City funding. The following table shows the amounts anticipated to be spent each year from various sources of funds for capital projects. City Council adopted the Capital Improvement Program for Fiscal Years 2003-2008 on May 2, 2002.

Table 18
City of Philadelphia
Fiscal Years 2003-2008
Capital Improvement Program

(Amounts in Thousands)

	2003	2004	2005	2006	2007	2008	Total
City Funds – Tax Supported							
New Loans	89,946	81,604	67,931	58,847	51,340	48,343	398,011
Operating Revenue	20,912	5,375	4,650	4,650	4,650	4,650	44,887
Carry Forward	208,098						208,098
Prefinanced Loans	3,500	1,000	1,000	1,000	1,000	1,000	8,500
PICA-Prefinanced Loans	42,298	0	0	0	0	0	42,298
Tax-Supported Total	364,754	87,979	73,581	64,497	56,990	53,993	659,496
City Funds – Self-Sustaining							
New Loans	219,919	264,193	464,359	153,490	121,141	133,558	1,356,660
Operating Revenue	59,496	16,487	16,687	16,887	17,087	17,287	143,931
Carry Forward	372,328	0	0	0	0	0	1,872,919
Self-Sustaining Total	65,1743	280,680	481,046	170,377	138,228	150,845	1,872,919
Other City Funds							
Revolving Funds	10,000	2,500	2,000	2,000	2,000	2,000	20,500
Total City Funds	10,000	2,500	2,000	2,000	2,000	2,000	20,500
Other Than City Funds							
Federal	189,980	41,234	32,568	66,108	19,670	13,210	362,770
Federal Off Budget	67,343	162,038	165,614	136,958	92,525	62,000	686,478
State	45,881	4,363	2,442	10,362	3,880	2,690	69,618
State Off Budget	29,666	50,130	49,424	58,583	46,013	33,860	267,676
Private	73,479	12,395	11,090	1,475	70	20	98,529
Other Governments/Agencies	151,610	18,000	0	0	0	0	169,610
Other Governments/Agencies Off-Budget	124	941	995	828	795	615	4,298
Other Than City Funds total	558,083	289,101	262,133	274,314	162,953	112,395	1,658,979
TOTAL ALL FUNDS	1,584,580	660,260	818,760	511,188	360,171	319,233	4,211,894

Source: City of Philadelphia, Office of Budget and Program Evaluation, Capital Program Office.

LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Aviation Division, and the Gas Works. Claims against the Water Department are paid first from the Water Fund and only secondarily from the General Fund. Claims against the Aviation Division, to the extent not covered by insurance, are paid first from the Aviation Fund and only secondarily from the General Fund. Claims against the Gas Works, to the extent not covered by insurance, are paid first from Gas Works revenues and only secondarily from the General Fund.

The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act" (the "Tort Claims Act"), establishes a $500,000 aggregate limitation on damages for injury to a person or property arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been repeatedly upheld by the Pennsylvania Supreme Court. In February 1987, an appeal of a decision upholding such constitutionality to the United States Supreme Court was dismissed for want of jurisdiction. However, under Pennsylvania Rule of Civil Procedure 238, delay damages in State Court cases are not subject to the $500,000 limitation. Moreover, the limit on damages is inapplicable to any suit against the City which does not arise under state tort law such as claims made against the City under Federal civil rights laws.

The aggregate loss resulting from general and special litigation claims was $30.2 million for Fiscal Year 2001 and $30.0 million for Fiscal Year 2002. The City's Five-Year Plan dated January 2003 includes estimates of settlements and judgments from the General Fund of $26.1 million, $28.4 million, $29.8 million, $30.6 million and $32.1 million for the Fiscal Years 2003 through 2007, respectively. In budgeting for settlements and judgments in the annual Operating Budget and projecting settlements and judgments for each Five-Year Plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. Actual claims paid out from the General Fund for settlements and judgments have averaged $31.3 million over the past five years.

In addition to routine litigation incidental to performance of the City's governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the City's General Fund. These proceedings involve: (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) a class action suit alleging that the City failed to properly oversee management of funds in the deferred compensation plan of City employees; (iii) various civil rights claims; (iv) a labor arbitration award holding that the City should have used union employees rather than outside contractors since 1997 to provide home inspections for first time home buyers subsidized by the City's Office of Housing and Community Development; (v) a mandamus action to compel the Mayor to provide free trash collection to all condominiums and cooperatives; (vi) a claim made by a Philadelphia sports franchise alleging damages for the cancellation of a professional exhibition game allegedly because the field at Veterans' Stadium was not in playable condition.

The ultimate outcome and fiscal impact, if any, on the City's General Fund of the claims and proceedings described in the preceding paragraph are not currently predictable. Various claims in addition to the lawsuits described above have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The aggregate loss for Fiscal Year 2002 which resulted from these claims and lawsuits was $3.7 million. The estimated loss for Fiscal Year 2003 is $3.5 million. The Water Department's budget for Fiscal Year 2003 contains an appropriation for Water Department claims in the amount of $6.5 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

APPENDIX A

CITY SOCIOECONOMIC INFORMATION

Introduction

The City includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.52 million people. The City is in the heart of a nine-county metropolitan area with approximately 5.1 million residents. Air, rail, highway, and water routes provide easy access to the City.

The City is strategically located on the east coast with easy access to markets, resources, government centers, and transportation. The City's metropolitan area is the nation's fourth largest in terms of total retail sales and disposable income with approximately one-half of the population of the United States living within an overnight drive.

Quality of Life

The City is a very livable city with relatively low housing costs. Philadelphia is the most affordable of the nation's 27 largest housing markets.

The City is rich in history, art, architecture, and entertainment. World-class cultural and historic attractions include the Philadelphia Museum of Art (which houses the third largest art collection in the United States), the Philadelphia Orchestra, Academy of Music, Pennsylvania Ballet, Pennsylvania Academy of Fine Arts, Franklin Institute, Mann Music Center, Opera Company of Philadelphia, and the Rodin Museum. The South Philadelphia sports complex, currently consisting of Veterans Stadium, the First Union Spectrum and the First Union Center, is home to the Philadelphia Phillies, 76ers, Flyers, and Eagles. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell, as well as Fairmount Park, which includes Pennypack Park and the Country's first zoo, within its 8,000 acres.

The City is a center for health, education, and science facilities with presently more than 45 hospitals, seven medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry and veterinary medicine, and the Philadelphia Center for Health Care Sciences in West Philadelphia. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area.

The City has eighty degree-granting institutions of higher education with a total enrollment of over 110,000 students. Included among these institutions are the University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force to the Philadelphia community.

The City also has major research facilities, including those located at its universities, the medical schools, the Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. The Children's Hospital of Philadelphia has recently completed the construction of a new $100 million biomedical research facility located within the Philadelphia Center for Health Care Sciences in West Philadelphia. A major new cancer research center is also planned by the University of Pennsylvania.

Demographics

During the ten year period between 1990 and 2000, the population of the City decreased from 1,585,577 to 1,517,550. During the same period, the population of the Philadelphia PMSA increased by 5.0%, less than one-half the national rate of increase.

Table A-1
Population
City, PMSA & Nation

	1990	2000	% Change 1990-2000
Philadelphia	1,585,577	1,517,550	-4.3
Philadelphia PMSA*	4,856,881	5,100,931	5.
United States	249,632,692	281,421,906	12.7

Source: U.S. Dept. of Commerce, Bureau of the Census.

* The Philadelphia, PA-NJ Primary Metropolitan Statistical Area includes the counties of Bucks, Chester, Delaware, Montgomery, and Philadelphia in Pennsylvania and the counties of Burlington, Camden, and Gloucester in New Jersey. In 1993, Salem County, New Jersey was added to the Philadelphia, PA-NJ PMSA.

Table A-2
Population Age Distribution

	Philadelphia				Pennsylvania			
Age	1990	% of Total	2000	% of Total	1990	% of Total	2000	% of Total
0-24	563,816	35.6	551,308	36.3	4,021,585	33.8	3,877,729	32.3
25-44	490,224	30.9	444,774	29.3	3,657,323	30.8	3,515,421	29.3
45-64	290,803	18.3	307,746	20.2	2,373,629	20.0	2,701,930	22.5
65-84	217,913	13.7	186,383	12.3	1,657,270	13.9	1,666,641	13.9
85 & up	22,801	1.4	27,339	1.8	171,836	1.4	232,295	1.9
Total	1,585,577	100.0	1,517,550	100.0	11,881,643	100.0	11,994,016	100.0

Source: U.S. Dept. of Commerce, Bureau of the Census.

Age	United States 1990	% of Total	2000	% of Total
0-24	90,342,198	36.3	99,437,266	35.3
25-44	80,754,835	32.5	885,040,251	30.2
45-64	46,371,009	18.6	61,952,636	22.0
65-84	28,161,666	11.3	330,752,166	11.0
85 & Up	3,080,165	1.2	44,239,587	1.5
Total	248,709,873	100.0	281,421,906	100.0

Source: U.S. Dept. of Commerce, Bureau of the Census.

The Economy

Philadelphia's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major business and personal service center with strengths in insurance, law, finance, health, education, and utilities.

The cost of living in Philadelphia is relatively moderate compared to other major metropolitan areas. The City, as one of the country's education centers, offers the business community a large, diverse, and industrious labor pool.

Table A-3
Office Rental Rates in Cities
Throughout the United States

(In $ Per Square Foot)

	June, 1997	June, 1998	Sept, 1999	Sept, 2000	March 2001	March 2002
Atlanta	19.50	20.07	20.00	20.20	22.08	21.60
Chicago	19.05	21.77	25.99	28.16	24.03	24.02
Dallas	17.54	19.43	19.99	20.87	18.51	19.77
Denver	15.78	16.98	18.50	19.70	18.27	16.58
Houston	14.53	17.28	21.09	22.61	16.30	18.20
Los Angeles	18.12	20.04	20.16	20.64	27.30	27.42
New York	30.10	34.88	33.08	43.10	53.26	47.20
Philadelphia	**18.50**	**19.50**	**19.80**	**21.28**	**23.49**	**22.16**
Phoenix	17.62	18.15	19.81	20.28	21.57	21.11
Portland	16.29	17.93	20.25	21.50	20.50	20.00
San Francisco	33.79	43.93	47.00	78.21	61.80	30.20
St. Louis	19.15	19.88	19.09	19.35	17.97	17.83
Tampa	14.50	14.65	18.20	20.25	18.93	18.89
Washington, D.C.	24.20	24.68	32.90	35.76	30.52	30.63

Source: Insignia/ESG Commercial Market Report, National Market Overview.

Employment

The employment and unemployment rates and the total number of jobs within the City are reflected in Tables A-4 and A-5, respectively.

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

In accordance with the federal government's plans to close military facilities, the City saw several major closure actions in the 1990's, including the Philadelphia Navy Shipyard and Naval Station ("Navy Yard"), the Philadelphia Naval Hospital and the former Defense Supply Center Philadelphia. At the time of their closures, these facilities employed in excess of 20,000 people.

Since these closure actions and the subsequent transfer of property from the federal government, the City has seen substantial progress in the revitalization of these assets and rebuilding the lost employment base. Most significant, employment at the former Navy Yard complex has begun to climb. In March 2000, PAID took ownership of more than 1,000 acres at the site and has begun to implement aggressive redevelopment activities. To date, 47 companies have leased or purchased in excess of 2 million square feet of facilities at the complex, now known as the Philadelphia Naval Business Center ("PNBC"). In addition to this employment, the Navy has retained more than 2 million square feet of facilities. Together the private and Navy facilities employ more than 5,500 people. Long term plans call for more than 10 million square feet of industrial and commercial space at PNBC, with employment targeted between 15,000-20,000.

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Table A-4
Labor Force Data Annual Average
Based On Residency

	1991	1992	1993	1994[a]	1995	1996	1997	1998	1999	2000	2001
Philadelphia (000)											
Labor Force	689.6	682.2	677.0	657.0	644.2	641.4	643.0	640.0	644.2	628.7	639.8
Employment	628.6	618.0	612.9	604.6	594.4	596.1	598.3	600.4	606.9	590.1	599.1
Unemployment	60.9	61.0	64.1	52.5	49.8	45.3	44.7	39.6	36.8	38.6	40.7
Unemployment Rate (%)	8.8	9.4	9.4	8.0	7.7	7.1	7.0	6.2	5.8	6.1	6.4
Philadelphia PMSA (000)											
Labor Force	2,473.8	2,467.2	2,446.7	2,428.5	2,428.5	2,464.2	2,502.1	2,493.1	2,515.4	2,503.2	2,534.8
Employment	2,300.7	2,273.0	2,272.8	2,280.5	2,286.3	2,334.1	2,380.5	2,385.5	2,412.9	2,403.5	2,425.1
Unemployment	173.1	194.2	173.9	148.0	142.2	130.1	121.6	107.6	104.6	99.8	109.7
Unemployment Rate (%)	7.0	7.9	7.1	6.1	5.9	5.3	4.9	4.3	4.1	4.0	4.3
United States (000,000)											
Labor Force	126.3	128.1	129.2	131.1	132.3	133.9	136.3	137.7	139.4	140.9	141.9
Employment	117.7	118.5	120.3	123.1	124.9	126.7	129.6	131.5	133.5	135.2	134.2
Unemployment	8.6	9.6	8.9	8.0	7.4	7.2	6.7	6.2	5.9	5.7	7.7
Unemployment Rate (%)	6.8	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	5.4

Source: Pennsylvania Department of Labor and Industry, Bureau of Research and Statistics. Pennsylvania Civilian Labor Force Series by County of Residence and Pennsylvania Civilian Labor Force Series by Labor Market Area.

(a) Important Notice: Labor force data beginning January 1994 are not comparable to earlier data due to the implementation of revised survey methodology by the U.S. Department of Labor.

Table A-5
Philadelphia
Total Monthly Employment And Monthly Unemployment Rates
Based On Residency
1997 – 2001

	Total Employment					Unemployment Rate %				
Month	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001
January	585.3	592.3	589.6	582.3	589.3	6.9	6.6	5.8	6.1	6.2
February	588.7	592.2	590.5	581.7	588.9	6.8	6.3	5.9	6.1	6.4
March	591.4	594.4	595.6	583.6	592.8	6.8	6.2	5.8	5.9	6.1
April	592.8	595.4	598.0	585.3	593.4	6.8	6.1	5.6	5.5	5.7
May	593.1	595.2	600.1	586.6	596.8	7.3	6.6	6.0	6.1	6.4
June	603.7	603.4	606.7	595.2	605.6	6.9	6.3	6.3	6.2	6.6
July	607.2	609.0	611.8	598.8	609.9	7.3	6.5	6.5	6.4	6.6
August	605.4	608.3	609.9	596.9	606.0	7.0	6.2	6.2	6.1	6.5
September	596.2	598.4	600.0	586.8	600.1	7.7	6.6	6.7	6.9	6.7
October	601.9	603.8	607.7	592.4	601.1	7.2	6.1	6.0	6.5	6.7
November	606.6	605.1	608.9	594.7	602.1	7.0	6.0	6.0	6.5	6.6
December	608.6	607.2	613.1	597.0	602.9	5.7	4.9	5.0	5.3	5.8

Source: Pennsylvania Department of Labor and Industry, Bureau of Research & Statistics.

Table A-6
Philadelphia City
Non-Farm Payroll Employment*

(Amounts In Thousands)

	1992	1993	1994	1995	1996	1997	1998	1999	2000**
Total Employment	689.8	681.3	678.5	665.9	676.2	681.2	674.3	679.2	693.4
Manufacturing	68.9	66.0	64.5	61.1	60.4	60.2	57.7	56.6	57.0
Non-Manufacturing	620.9	615.3	614.0	604.8	615.8	621.0	616.6	622.6	636.5
Construction & Mining	11.4	10.7	11.8	10.5	10.2	10.1	10.8	10.3	12.5
Transportation & Public Utilities	37.4	37.9	38.0	33.4	32.6	33.1	34.1	35.8	35.7
Wholesale & Retail Trade	119.9	117.0	114.3	114.8	113.9	117.2	112.5	112.3	118.4
Finance, Insurance & Real Estate	59.8	57.7	58.0	56.0	53.9	55.2	52.3	51.3	49.5
Services	263.5	265.8	271.6	272.1	278.0	279.5	291.8	293.1	297.7
Government	135.1	131.8	132.1	128.5	127.2	125.9	115.1	113.2	122.7

Source: Pennsylvania Department of Labor and Industry, Bureau of Research and Statistics.
* Includes persons employed within the City, without regard to residency.
** Figures are based on estimate

Table A-7
City of Philadelphia
Largest Non-Governmental Employers In Philadelphia
December 31, 2002

Albert Einstein Medical

Aramark Food & Support Services Group

Cardone Industries, Inc.

Children's Hospital of Philadelphia

Delaware Management Business Trust

Drexel University

Everen Capital Corporation

Frankford Hospital

Independence Blue Cross

PA. Hospital of Univ of Penn Health Systems

Philadelphia Gas Works

Philadelphia Newspapers, Inc.

SEPTA

Smith Kline Beecham Corporation

Sunoco, Inc.

Temple University

Temple University Hospital Inc.

Tenet Health System Philadelphia Inc.

Tenet Phila Health & Ed (MCP Hahnemann)

Thomas Jefferson University

Thomas Jefferson University Hospitals

Towers, Perrin, Forster & Crosby, Inc.

University of Pennsylvania Hospital

University of Pennsylvania

Verizon Services Corporation

<u>Source:</u>

Philadelphia Department of Revenue

Table A-8
Fortune 500
Largest Corporations
With Headquarters In Philadelphia, 2001

Corporation	Type of Industry	Ranking	Revenues ($ Millions)
Cigna	Health Care	102	$19,994.0
Sunoco	Petroleum Refining	154	$12,664.0
Comcast	Telecommunications	233	$ 8,218.6
Crown Cork & Seal	Metal Products	250	$ 7,289.0
ARAMARK	Diversified Outsourcing Services	253	$ 7,262.9

Source: Fortune Magazine, April 28, 2001.

Table A-9
Fortune 500
Largest Service Corporations
With Headquarters In Philadelphia, 2001

Corporation	Type of Industry	Ranking	Revenues ($ Millions)
Cigna	Health Care	102	$19,994.0
Comcast	Telecommunications	233	$ 8,218.6
ARAMARK	Diversified Outsourcing Services	253	$ 7,262.9
Lincoln National	Insurance: Life & Health	274	$ 6,851.5

Source: Fortune Magazine, April 18, 2001.

Table A-10
Total Industry Employment By Establishment
Annual Averages

(Amounts In Thousands)

Philadelphia PMSA

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Non-Agricultural Employment	2,095.5	2,129.3	2,169.1	2,178.9	2,214.4	2,257.5	2,315.6	2,322.1	2,394.2
Goods Producing	386.7	390.9	392.7	386.0	384.9	393.0	396.2	387.0	398.6
Construction & Mining	73.7	77.0	79.2	77.9	79.1	87.8	90.4	86.3	99.1
Manufacturing	313.0	313.8	313.5	308.1	305.8	305.2	305.8	300.7	299.5
Durable Goods	149.9	148.5	149.0	148.9	146.6	146.0	147.4	143.7	142.8
Nondurable Goods	163.1	165.3	164.5	159.2	159.3	159.2	158.4	157.0	156.7
Service Producing	1,708.8	1,738.4	1,776.4	1,792.9	1,829.5	1,864.5	1,919.4	1,935.1	1,995.6
Transp. & Public Utilities	97.8	102.3	105.4	103.6	104.6	106.9	109.9	113.4	114.3
Wholesale & Retail Trade	486.9	468.8	479.5	487.2	493.3	498.3	506.8	503.2	526.3
Fin., Insurance & Real Estate	157.4	156.3	158.0	153.9	154.4	157.3	161.6	162.7	169.2
Services	685.0	708.9	729.1	744.1	774.8	806.6	848.5	859.0	886.0
Government	299.7	302.1	304.4	304.1	302.3	295.4	292.6	296.8	299.8
Federal Government	75.0	73.1	73.6	69.0	65.0	58.1	55.9	57.7	57.8
State & Local Government	224.7	229.0	230.8	235.1	237.4	237.3	236.7	239.1	242.1

Source: Pennsylvania Department of Labor and Industry, Bureau of Labor Research and Statistics.

Income

The following table presents data relating to per-capita income for the City, the PMSA, and the United States. It illustrates that, for the past few years, real per-capita income has generally outpaced the urban cost of living index, suggesting that on average, the newly created service jobs have generated positive real income growth for City wage earners.

Table A-11
Consumer Price Indices and Median Household Effective Buying Income

	1990	1995	1996	1997	1998	1999
CPI-U United States(a)	130.7	153.5	155.1	160.5	163.0	166.6
CPI-U Philadelphia PMSA(a)	135.8	158.7	164.3	166.5	168.2	171.9
Median Household Effective Buying Income(b)						
Philadelphia	$24,880	$27,542	$28,557	$29,561	$30,127	$31,621
Philadelphia PMSA	$33,277	$39,470	$41,192	$42,852	$44,425	$47,152
United States	$27,912	$32,238	$33,482	$34,618	$35,377	$37,233

Source:
(a) Consumer Price Index - All Urban Consumers. U.S. Bureau of Labor Statistics.
(b) “2000 Survey of Buying Power”

Table A-12
Number of Households By Income Range In Philadelphia County

Income	Number of Households* 1990	Number of Households* 1980	Percentage of Households* 1990	Percentage of Households* 1980
Under $5,000	59,823	127,401	9.9	20.5
$5,000-9,999	76,512	116,931	12.7	18.8
$10,000-14,999	59,331	98,540	9.9	15.9
$15,000-24,999	108,405	150,851	18.1	24.3
$25,000-49,999	190,237	112,508	31.7	18.1
$50,000 and over	106,432	14,4508	17.57	2.35
Total	600,740	620,639	100.0%	100.0%

Source: U.S. Department of Commerce, Bureau of the Census.
* A household includes all the persons who occupy a housing unit.

Number of Households By Income Range In United States

Income	Number of Households (000's) 1990	Number of Households (000's) 1980	Number of Households (000's) 1970	Percentage of Households 1990	Percentage of Households 1980	Percentage of Households 1970
Under $5,000	5,684	10,663	10,373	6.2	13.3	20.3
$5,000-9,999	8,530	12,772	16,630	9.3	15.9	32.5
$10,000-14,999	8,133	12,342	13,617	8.8	15.3	26.6
$15,000-24,999	16,124	21,384	8,177	17.5	26.6	16.0
$25,000-49,999	31,003	19,614	2,371*	33.7	24.3	4.6*
$50,000 and over	22,519	3,692	N/A*	24.5	4.6	N/A*
Total	91,994	80,467	51,168	100.0%	100.0%	100.0%

Source: U.S. Department of Commerce, Economics and Statistics Administration, 1990 Census of Population
* In 1970 the highest income range was $25,000 and over.

Retail Sales

The following table reflects taxable sales for Philadelphia from fiscal years 1994 to 2001.

Table A-13
Philadelphia
Taxable Retail Sales 1994-2001

($000's)

Fiscal Year	Taxable Sales
1994	8,366,567
1995	8,636,921
1996	10,249,166
1997	9,637,833
1998	8,276,083
1999	9,604,970
2000	10,432,800
2001	11,107,100

Source: Figures determined by dividing remitted sales tax reported by the Pennsylvania Department of Revenue by the sales tax rate of 0.06.

The following table compares retail sales activity among the City, the PMSA, Pennsylvania, and the United States.

Table A-14
Retail Sales By Store Group ($000)
2000

	Philadelphia	PMSA	Pennsylvania	United States
Total Retail Sales*	10,874,471	58,258,726	141,940,701	3,409,490,367
Food	1,948,678	8,858,582	20,734,966	464,261,976
Eating & Drinking	1,521,992	4,880,129	11,742,263	303,905,297
Gen. Merchandise	799,776	5,109,025	14,741,017	417,852,013
Furniture, Furnishings	448,056	2,805,614	5,779,514	179,178,997
Automotive	1,988,652	15,701,718	39,213,344	927,141,001

Source: Sales and Marketing Management, "2000 Survey of Buying Power"

* Total Retail Sales reflects net sales (less refunds and allowances for returns) for all establishments primarily engaged in retail trade. Receipts from repairs and other services are also included, but retail sales by wholesalers and service establishments are not.

Effective Buying Income and Household Income

The median household effective buying income for the City in 1999 was $31,621, 67.1% of the PMSA median household effective buying income, and 84.9% of the U.S. median household effective buying income. In 1998 the Philadelphia metropolitan area had the nation's fifth largest total effective buying income. Effective buying income ("EBI") is defined as all personal income less personal taxes, non-tax payments (fines, fees and penalties), and contributions to social security. EBI is also commonly referred to as disposable or after-tax income.

Table A-15
City And PMSA Effective Buying Income
1999

			% of Household EBI		
	Total EBI ($000)	**Median Household EBI**	**$20,000-34,999**	**$35,000-49,999**	**$50,00 0 and Over**
Philadelphia (City)	$ 22,002,926	$31,621	20.9	16.2	29.6
Bucks Co.	14,517,150	58,281	13.7	15.7	59.6
Chester Co.	13,227,520	68,588	11.6	12.8	66.3
Delaware Co.	12,078,536	49,343	16.9	16.8	49.3
Montgomery Co.	20,793,236	56,963	14.8	15.7	57.7
Burlington Co., NJ	9,148,321	53,310	16.0	17.5	54.4
Camden Co., NJ	9,254,922	43,229	18.8	17.9	42.1
Gloucester Co., NJ	4,650,606	48,747	17.0	18.1	48.5
Salem Co., NJ	1,232,180	45,680	17.2	16.7	44.9
Pennsylvania	227,495,309	38,922	20.7	17.8	37.3
United States	4,877,786,658	37,233	22.0	18.0	36.4

Source: Sales and Marketing Management, "2000 Survey of Buying Power"

Transportation

The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to the airport and to the surrounding counties. A high speed train line runs from southern New Jersey to Center City and is operated by the Delaware River Port Authority. An important addition to the area's transportation system was the opening of the airport high speed line between Center City and the Philadelphia International Airport in 1985. The line places the airport less than 25 minutes from the Center City business district and connects directly with the commuter rail network and the Convention Center which opened in June 1993. The opening of the commuter rail tunnel in 1984 provided a unified City transportation system linking the commuter rail system, the SEPTA bus, trolley, and subway lines, the high speed line to New Jersey, and the airport high speed line.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting Philadelphia to the other major cities and markets in the United States. More than 100 truck lines serve the Philadelphia area.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of I-95; the Vine Street Expressway (I-676), running east-to-west through the Central Business District between I-76 and I-95; and the "Blue Route" (I-476) in suburban

Delaware and Montgomery Counties which connects the Pennsylvania Turnpike and I-95 and thereby feeds into the Schuylkill Expressway (I-76) and thus into Center City Philadelphia.

The City owns Philadelphia International Airport ("PHL"), located eight miles southwest of Center City and a smaller reliever airport in Northeast Philadelphia. PHL is accessible by major highways within the City and from surrounding communities and SEPTA's high speed train line. PHL provides its passengers with service on eleven domestic carriers and eleven regional and commuter carriers, while four foreign flag carriers and one U.S. carrier provide international service. In addition, there are eight all-cargo carriers. PHL serves as a key connecting hub for USAirways. PHL opened a new commuter terminal in 2001 and a new international terminal which opened in April 2003.

In 2002, PHL ranked 19th in the nation in terms of total passengers, up from 21st in 2001 according to data reported by Airports Council International.

The Port of Philadelphia is one of the busiest ports in the United States, holding a leadership position in the handling of many labor-intensive cargoes. It is the leading handler among all U.S. ports of Chilean fruit entering the country and a leader in the handling of high-quality paper and other forest products. Containerized cargo is handled at the Port's two modern container-handling facilities, Packer Avenue Marine Terminal and Tioga Marine Terminal. The Port's publicly owned facilities are now benefiting from a $56 million Commonwealth capital program for facility modernization and expansion. The Port also services a growing number of cruise-ship calls. Foreign trade zones are located in the port district.

Water and Wastewater Systems

The water and wastewater systems of Philadelphia are owned by the City and operated by the City's Water Department. The water system provides water to the City (130 square mile service area), to the Pennsylvania Suburban Corporation and the Bucks County Water and Sewer Authority. The City obtains approximately 56 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 474,000 households through 3,300 miles of mains and provides fire protection through more than 27,800 fire hydrants.

The wastewater system services a total of 360 square miles of which 130 square miles are within the City and 230 square miles are in suburban areas. The total number of accounts is approximately 474,000. The wastewater system contains three water pollution control plants, a biosolids processing facility, 16 pumping stations and approximately 2,960 miles of sewers. By order of the Delaware River Basin Commission, the City is required to achieve effluent limitations that are considered more stringent than those required to achieve secondary treatment levels as defined in the Federal Water Pollution Control Act, as amended.

Municipal Solid Waste Disposal

The City is responsible for collecting solid waste from sources other than industrial or commercial institutions. Approximately 3,000 tons of solid waste per day is collected by the City. Municipal solid waste is disposed of at various landfills operated outside of the City limits. The City significantly reduced its waste disposal costs over the past eight years after entering into new contracts effective in July 1994 and again in July 1998 with private contractors for landfill space. The current disposal contracts were extended through June 2002 and may be extended further for up to three additional years.

Housing

The City boasts a diversity of neighborhoods and housing opportunities. There are over 100 neighborhoods, some of which trace their origin to the seventeenth century and the early settlements of the City. Approximately 60% of the City's housing units are owner-occupied.

Housing costs are low relative to the largest metropolitan areas in the United States, and costs are very competitive with major metropolitan areas in the Northeast. Since 1988, home ownership and rental costs in Philadelphia have increased more slowly than costs in Pittsburgh, Baltimore, and Washington, D.C.

Table A-16
Housing Affordability In Major Markets

American Housing Survey Data: Value of Recently Built Homes**

MSA Name	1997 MIRS* Sample Conventionally Financed New Construction	Median Value Constructed 1994-1997	Average Value Constructed in 1994-1997	Year of AHS Survey
Atlanta, GA	$133,500	$139,146	$154,420	96
Buffalo, NY	N/A	170,926	174,320	94
Charlotte, NC/SC	155,500	118,181	135,340	95
Chicago, IL	185,000	191,502	203,740	95
Cleveland, OH	203,000	194,787	207,660	96
Columbus, OH	N/A	145,018	155,800	95
Dallas, TX	160,354	121,613	138,850	94
Denver, CO	179,195	193,707	203,530	95
Detroit, MI	167,900	162,605	176,070	95
Forth Worth/Arlington., TX	148,473	147,684	155,980	94
Hartford, CT	153,000	197,534	201,620	96
Indianapolis, IN	147,758	139,085	150,400	96
Kansas City, MO/KS	167,248	148,990	159,780	95
Los Angeles/Long Beach, CA	222,665	N/A	198,840	95
Memphis, TN/ARMS	160,157	124,638	134,020	96
Miami/Ft. Lauderdale, FL	132,995	145,897	158,850	95
Milwaukee, WI	175,285	179,154	185,990	94
New Orleans, LA	N/A	113,277	120,340	95
New York/Nassau/Suffolk, NY	231,500	N/A	200,970	95
Newark, NJ	195,000	145,873	176,940	95
Oklahoma City, OK	121,102	121,968	130,200	96
Orange County, CA	251,000	250,053	N/A	94
Philadelphia/PA, NJ	**191,815**	**157,881**	**174,500**	**95**
Phoenix, AZ	154,671	137,881	153,450	94
Pittsburgh, PA	169,000	174,180	173,800	95
Portland, OR	161,275	181,465	191,340	95
Riverside/San Bernadino, CA	169,440	138,327	151,660	94
Sacramento, CA	185,475	172,890	185,230	96
St. Louis, MO/IL	161,786	143,477	155,150	96
San Antonio, TX	124,990	116,069	125,150	95
San Diego, CA	235,000	226,279	N/A	94
Seattle/Everett, WA	180,000	209,419	210,190	96

Source: U.S. Department of Housing and Urban Development Office of Policy Development and Research

* MIRS data is from the Federal Housing Finance Board. Sample is national in design; thus, in some MSAs the data may come from only a small number of lenders.

** AHS data as of year of survey.

Table A-17
Characteristics of Housing Units

	1970	1980	1990	2000
Total Housing Units				
City of Philadelphia	673,524	685,629	674,899	661,959
Philadelphia PMSA	1,536,872	1,554,651	1,491,310	1,565,641
Pennsylvania	3,924,757	4,597,412	4,938,140	5,249,750
Percent Owner Occupied				
City of Philadelphia	59.7%	61.0%	62.0%	59.3%
Philadelphia PMSA	67.1%	63.4%	68.5%	68.4%
Median Value of Owner Occupied Housing				
City of Philadelphia	$10,600	N/A	$48,400	N/A
Philadelphia PMSA	14,900	$41,700	96,700	N/A
Pennsylvania	13,600	39,100	67,900	N/A
Number of Persons per Housing Unit				
City of Philadelphia	2.50	2.66	2.63	2.65

Source: U.S. Department of Commerce, Bureau of the Census.

While the City's housing market has remained fairly stable, there has been significant development in the commercial real estate sector. The table below summarizes certain information concerning construction activity.

Table A-18
Construction Authorized By Building Permit
Declared Valuation

(Millions of Dollars)

	Residential	Commercial	Other *	Total	Housing Units
1989	104.9	434.9	118.7	658.5	1,496
1990	84.9	469.9	108.0	662.8	1,213
1991	55.1	391.0	41.7	487.8	614
1992	47.7	371.7	97.4	516.7	361
1993	81.8	319.5	54.3	455.6	307
1994	89.7	304.9	54.3	448.9	262
1995	82.5	298.6	53.7	434.8	253
1996	124.5	457.6	163.2	745.3	636
1997	101.9	382.2	176.7	660.9	509
1998	316.2	753.9	196.3	1266.5	594

Source: City of Philadelphia, Department of Licenses and Inspections.
* Includes construction by government, industrial, medical and educational units.

In calendar years 2000 and 2001, 12,335 and 12,014 building permits, respectively, were issued. The total estimated cost of construction of housing units in calendar years 2000 and 2001 were $1,147 million and $1,441 million, respectively for 817 units and 934 units, respectively.

Economic Development

The last decade found the City riding one of the biggest development waves since the development of the Center City office towers in the mid-1980's. The City's economic development policies are being strategically driven under the auspices of an initiative called the Economic Stimulus Program, which began in 1994 as a $2.2 billion project, and was extended in 1997 for three years and continued in 2000 by the administration of Mayor John Street.

The gains of the Program are evident in a series of economic development accomplishments that include:

A. a hotel construction boom that has given the City more than 4,000 new hotel rooms, all within walking distance of the Pennsylvania Convention Center, in the last three years;

B. the $500 million Pennsylvania Convention Center;

C. the Avenue of the Arts complex capped off by the $255 million Regional Performing Arts Center;

D. the creation of economic development zones to enhance existing economic development efforts already underway; and

E. the ongoing conversion of closed military installations to commercial use including the transformation of the former Philadelphia Naval Base into a world class commercial and industrial park with the most modern shipbuilding operation in North America.

Philadelphia International Airport

Philadelphia International Airport is ranked 19^{th} among the nation's airports in terms of passenger traffic, serving 23.9 million passengers in calendar year 2002. In June 1998 a $135 million renovation of terminals B and C was completed. A year later, construction began on a new $440 million development project to construct new international and regional terminals, funded by a 1998 Airport Revenue Bond issue. An additional $225 million in bond financing was provided for the project in July 2001. Construction of the regional terminal was completed in June 2001 and the new international terminal was completed in April 2003. The Parking Authority completed in the fall of 2002 construction of two new Airport parking garages, which will provide a total of 5,000 additional parking spaces. Upon completion in 2003, Airport improvements are expected to have an economic impact of more than $2 billion over the first twenty (20) years of operation.

Hospitality and Tourism

One of the most encouraging trends for the City's economy has been the continuing growth in the hospitality and tourism industry. As one of the cornerstones of the City's economic development efforts in the 1990s, the hospitality and tourism sector continues to represent a significant growth opportunity for the City.

Pennsylvania Convention Center

At the center of the hospitality and tourism industry is the Pennsylvania Convention Center. In 1998, for the second year in a row, Philadelphia hosted more major conventions than any other city in the Northeast and more than Boston and Washington combined. The existence of the Center, one of the largest in the east and the attendant development of hotels within walking distance of it, have positioned the City to attract some of the largest conventions and shows in the country. This includes the annual Flower Show with an estimated $25 million economic impact as well as the American Library Association (an estimated $7 million economic impact) and SAP (an estimated $12 million economic impact). In 2000, the Republican National Convention was held in Philadelphia at the First Union Center, bringing significant revenues to the local economy.

The Convention Center Authority has crafted a $460 million proposal that would enlarge the center from 440,000 square feet to 685,000 square feet of exhibit space, making it the 8th largest convention facility in the United States. No action has yet been taken with respect to this proposal.

Center City Hotel Development

Part of the strategy of developing Philadelphia as a destination city to support its burgeoning hospitality industry and attracting the largest conventions was to add at least 2,000 hotel rooms within walking distance of the Pennsylvania Convention Center by the year 2000. That goal has been met and exceeded.

The hotels within walking distance of the Convention Center, which have opened since 1998 are:

Hotel	Approximate Total Program Cost		Number of Rooms	Completion Date
Hawthorne Suites/1100 Vine Street	$24	million	294	Opened 1998
Alexander/12th and Spruce	N/A		48	Opened 1998
Sheraton/Rittenhouse Regency	$24	million	192	Opened 1999
Bed & Breakfast/Rittenhouse Square	$1.25	million	10	Opened 1999
Marriott/Reading Terminal Headhouse	$40	million	213	Opened 1999
Union League Conversion	$8.13	million	65	Opened 1999
Warwick Conversion	$43.75	million	350	Opened 1999
Windsor Conversion	$18.75	million	150	Opened 1999
Marriott Courtyard/City Hall Annex	$77	million	500	Opened 1999
Club Quarters/17th and Chestnut	$37.5	million	300	Opened 1999
Loews Hotel/PSFS Building Hotel	$100	million	580	Opened 2000
Ritz Carlton/Two Mellon Center	$88	million	330	Opened 2000
Hilton Gardens/Gallery Garage	$35	million	280	Opened 2000
Sofitel/Stock Exchange Building	$34.63	million	277	Opened 2000
Hyatt Regency/Penn's Landing	$60	million	350	Opened 2001
Hampton Inn/13th and Race	$33.75	million	270	Opened 2001
TOTALS	$625.76	million	4,209	

Source: City of Philadelphia Five-year Financial Plan Fiscal Year 2001-Fiscal Year 2005.

Avenue of the Arts

The Avenue of the Arts is a multi-million dollar effort to convert the area along Broad Street in Center City north and south of City Hall into a concentrated performing arts and culture district. It consists of 14 different projects including a $31 million High School for Creative and Performing Arts which opened in September 1997.

The last major project on the Avenue of the Arts is the Regional Performing Arts Center ("RPAC"), an approximately $255 million project which opened in the Fall of 2001. Designed by a world-class team of architects, RPAC is the home for the Philadelphia Orchestra, Concerto Soloists Chamber Orchestra, Philadanco and the Philadelphia Chamber Music Society.

Penn's Landing Waterfront

The City and Penn's Landing issued a Request for Qualification in December 2002. A short list of developers will be selected to compete for development rights to the site, with the expectation that a developer will be in place by the spring 2003, to ensure that development will be complete by 2005. The $200 million complex will include retail and entertainment attractions, ice rinks, a 3000-seat outdoor amphitheater, a multi-screen movie theater, a new home for the Philadelphia Please Touch Museum and an aerial tram that will connect Philadelphia to the entertainment venues along Camden, New Jersey's waterfront.

New Stadium and Ballpark

A new stadium for the Philadelphia Eagles football franchise and a new ballpark for the Philadelphia Phillies baseball franchise are currently under construction and are expected to be completed in August 2003 and April 2004, respectively. The total cost of constructing both the stadium and the ballpark, including site acquisition and construction of parking facilities, is estimated to be approximately $1 billion.

New Center City Skyscrapers

Liberty Property Trust has announced that it expects to begin the construction of a $390 million project that will include two office buildings containing 1.1 million square feet as well as a glass enclosed winter garden and public plaza. The structures will be the first major Center City office development in more than ten years.

TJ Maxx Distribution Center

TJ Maxx has completed a new distribution facility in Northeast Philadelphia which will bring 1,100 new jobs to the City.

Special Economic Development Zones

Between 1995 and 2000, three special "zones" were created in Philadelphia to promote revitalization and economic development. They are the Federal Empowerment Zone, the target areas of Frankford/Port Richmond known as the Urban Industry Initiative and the Keystone Opportunity Zone. These zones represent initiatives over and above day-to-day economic development activity.

Federal Empowerment Zone. In 1994 the City was named, along with Camden, New Jersey, as a bi-state federal empowerment zone. Since 1995, the City has received $79 million in federal funds allocated to its three target areas: the American Street corridor of North Philadelphia, North Central Philadelphia and West Philadelphia. In the first seven years of existence of the zones, a number of achievements can be documented. In addition to the creation of lending and governance institutions in each of the zones and the provision of capital and technical assistance, 426 new businesses opened, 1790 jobs were created, and another 2,840 were retained. Highlights occurring in each of the three zones include:

Westside Park. Ground has been broken and a developer chosen for a 100,000 square foot retail center that will house a supermarket and other retail operations on a site assembled on North 52nd Street in West Philadelphia.

American Street. Asia Foods, a new $4 million 60,000 square foot state-of-the-art warehouse facility and office building opened on the site of the former Sovereign Oil factory. The abandoned facility was demolished and environmental problems remediated to make way for the thriving business.

Keystone Opportunity Zones ("KOZ"). A state-wide program that exempts companies locating in designated areas from paying a variety of taxes until the year 2011, the Keystone Opportunity program in Philadelphia has attracted companies from outside the City and helped local companies stay and expand.

Philadelphia has 12 KOZ sub-zones located throughout the City from industrial parks in Northeast Philadelphia to portions of the Philadelphia Naval Business Center at the base of Broad Street in South Philadelphia. The sub-zones comprise approximately 1500 acres. Compudata, a Philadelphia computer company on the verge of leaving the City, was the first company in the Commonwealth to construct a building using the KOZ program when it built a new headquarter in the Byberry East Industrial Park.

By the end of 2000, 47 companies had made use of the KOZ program involving $133 million in capital investment creating 1,993 new jobs and retaining 1,370 additional jobs.

Keystone Opportunity Expansion Zones ("KOEZ"). Under the second round of KOZ zones, called Keystone Opportunity Expansion Zones, the City applied to the Commonwealth to designate a parcel of land as a KOEZ and received Commonwealth approval. As with the KOZ zones, the KOEZ zones are designed primarily for vacant industrial/commercial properties with no existing businesses.

Philadelphia Industrial Development Corporation

The City's efforts to retain and attract industry are directed by PIDC. Established in 1958, PIDC is a non-profit venture of the City of Philadelphia and the Greater Philadelphia Chamber of Commerce. The many programs provided by PIDC include (i) direct mortgage funding in a subordinate position at reduced interest rates for fixed asset improvement to companies who intend to build or expand in Philadelphia; (ii) tax-exempt bond funding to eligible borrowers such as non-profit institutions through PAID; (iii) offering of fully improved parcels of land for sale in more than a dozen designated industrial parks and districts across the City; and (iv) offering of development assistance and project management to a range of Philadelphia's development and non-profit corporations.

Urban Industry Initiative

Urban Industry Initiative ("UII") is a demonstration project created in 1996 through a grant from the Pew Charitable Trusts ("Pew") and operated by PIDC to strengthen neighborhood-based manufacturing in lower Northeast Philadelphia. The area has 330 manufacturing businesses and nearly 12,000 manufacturing jobs.

The strategy of the program is to build a network of relationships among manufacturers, between manufacturers and the UII staff and between manufacturers and the rest of the community. Outcomes to date include creation of a micro-loan fund which has provided 14 loans totaling more than $850,000 and leveraging an additional $2.3 million in private financing and equity and a new product development forum, in conjunction with the Ben Franklin Technology Center. The program has been extended through 2002 with additional funds from Pew and new funds from the First Union Foundation.

The Office of Defense Conversion Activities

The Office of Defense Conversion within PIDC serves as the City's point of contact for issues related to the acquisition and redevelopment of former military facilities. The City, as the only city in the country adversely affected by all four rounds of base closures, finds itself at the forefront of cities in converting former military installations to commercial and related uses.

The largest of the City's closed facilities is the PNBC. PAID acquired these assets from the Navy in March 2000. The PNBC totals in excess of 1,000 acres and includes four discreet development zones capable of supporting all forms of industrial and commercial development. These zones include the Shipyard, the Girard Point Industrial Park, the Commerce Center and the Intermodal Yard.

With the acquisition of the PNBC in 2000 after nearly a decade of closure actions, lawsuits and negotiations, PAID has established a strong industrial presence at the site. Forty-seven private companies currently occupy in excess of 2 million square feet of facilities. In addition, the Navy also occupies 2 million square feet of research, office and industrial facilities within the campus. Total employment is currently in excess of 5,500.

The largest and most significant project at the PNBC has been the development of a state-of-the-art commercial shipbuilding facility. In partnership with local, state and federal government, Kvaerner ASA has constructed the world's most modern and technologically advanced shipyard. With construction of the $250 million facility completed, Kvaerner Philadelphia Inc. now employs in excess of 900 workers on the site and has its first two container ships under construction. With its recent merger of its shipbuilding businesses with Aker Maritime Group, Kvaerner has reaffirmed its corporate commitment to shipbuilding worldwide and regained its position as Europe's leading shipbuilder.

PAID has also made significant gains in the acquisition and redevelopment of other closed military sites. In April 2000, PAID acquired the 50 acre former Philadelphia Naval Hospital. PAID entered into a lease with the Philadelphia Eagles football franchise for the eastern half of that site, where the Eagles have developed a new practice facility, team offices and an outpatient physical rehabilitation center. On the balance of the site, PAID recently completed the demolition of the massive hospital structure and constructed an interim parking lot to support the adjacent construction of two new sports stadiums. Upon completion of the stadiums, this portion of the site will be made available for private development.

The final major military closure site in the City was the former Defense Supply Center Philadelphia ("DSCP"), located at 20th Street and Oregon Avenue. PAID has completed the acquisition of this 85 acre site from the Army. Given the existence of a major underground plume of oil that is being remediated, the acquisition was structured to allow PAID to take title to the property's air rights initially with the ground rights to follow upon completion of the remediation project. In addition, PAID has entered into the following agreements with private entities: (1) sold approximately 1 million SF of buildings to Brite Star Manufacturing where more than 300 people are employed in the manufacturing, warehousing and distribution of holiday decorations; (2) sold an additional 750,000 SF of buildings to a private real estate developer to be renovated and marketed for commercial and warehousing space; (3) entered into an Agreement of Sale for the development of a new ACME supermarket on the site of a 3.5 acre parking lot; and (4) entered into an Agreement of Sale for a 45 acre parcel that will result in the development of an $80 million retail center that will employ in excess of 1,000 people. Both the supermarket and retail developments began construction in 2002.

Hospitals and Medical Centers

Hospitals and Medical Centers. The following table presents the most recent published data regarding hospitals and medical centers in Philadelphia. Due to mergers and consolidations that have occurred or may occur in the future, this table is accurate only as of its initial publication date.

Table A-19
City of Philadelphia
Hospitals and Medical Centers
(as of 1999)

Institution	Beds
Albert Einstein Medical Center	701
Belmont Center for Treatment	146
Charter Fairmont Institute	136
Chestnut Hill Hospital	189
Children's Hospital of Philadelphia	304
Children's Seashore House	77
Episcopal Hospital	218
Fox Chase Cancer Center	74
Frankford Hospital	490
Friedman Hospital of the Home for the Jewish Aged	566
Friends Hospital	192
Germantown Hospital and Community Services (1)	158
Graduate Hospital, main campus	198
Hahnemann Hospital	540
City Avenue Hospital (2)	195
Parkview Hospital (3)	165
Jeanes Hospital	206
John F. Kennedy Memorial	141
Kensington Hospital	45
Magee Rehabilitation Hospital	96
Medical College of Pennsylvania Hospital (4)	369
Nazareth Hospital	222
Temple East, Newmann Medical Center (5)	166
North Philadelphia Health System	315
Northeast Hospital	166
Pennsylvania Hospital	346
Presbyterian Medical Center of the University of Pennsylvania Health System (6)	325
Roxborough Memorial Hospital	129
Saint Agnes Medical Center	172
Shriners Hospital for Crippled Children	59
St. Christopher's Hospital	130
Temple University Hospital	398
Thomas Jefferson University Hospital	992
University of Pennsylvania Medical Center	659
Veterans Affairs Medical Center	656

Source: AHA Guide to Hospital Statistics, 2000 Edition.
(1) Formerly Known as Germantown Hospital & Medical Center
(2) Formerly Known as Graduate Hospital, City Avenue
(3) Formerly Known as Graduate Hospital, Parkview
(4) Formerly Known as Medical College Hospitals, main campus
(5) Formerly Known as Neuman Medical Center
(6) Formerly Known as Presbyterian Medical Center of Philadelphia

Children's Hospital Expansion. Children's Hospital of Philadelphia recently announced a five-year $650 million expansion program that began construction in February 2001 and will add more than one million square feet of treatment and research space at the Hospital's campus in West Philadelphia.

University of Pennsylvania/Civic Center. The University of Pennsylvania and Children's Hospital of Philadelphia are constructing a cancer research and treatment center on the former Civic Center site in West Philadelphia.

Additional Projects Under Construction

The following table lists additional projects that were under construction in the City as of the close of 2001. Construction has been completed on several of the projects.

Table A-20
Projects Under Construction

Project	Estimated Cost
Philadelphia International Airport Terminals	$680,000,000
University of Pennsylvania/Civic Center	450,000,000
Philadelphia Eagles Stadium	395,000,000
Philadelphia Phillies Ballpark	346,000,000
City Hall Tower Restoration	200,000,000
Networks (High Tech Center)	85,000,000

Source: City of Philadelphia, Five-Year Financial Plan Fiscal Year 2003-FY2008.

APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following sets forth the definitions of certain terms used in the Indenture and a brief summary of certain provisions of the Indenture. Certain other provisions of the Indenture relating to the 2003 Bonds are summarized in the Official Statement under the section captioned "THE 2003 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

"**Act**" means the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended, as such act may be amended from time to time.

"**Additional Bonds**" means bonds or notes, other than the 1996 Bonds, the 1999 Bonds and the 2003 Bonds, authorized to be issued under the Indenture.

"**Affiliate**" means any person or company directly or indirectly controlling, controlled by or under common control with the Authority.

"Alternate Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 of the Third 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 2003 Bonds delivered or deemed delivered in accordance with Article III of the 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**" means the Pennsylvania Intergovernmental Cooperation Authority, a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth under and by virtue of the Constitution and laws of the Commonwealth.

"**Authority Bonds**" means any 2003 Bonds of which ownership is registered in the name of the Authority or any Affiliate, other than Bank Bonds.

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

"Authorized Denomination" means (i) during any Daily Rate Period, Weekly Rate Period or Flexible Rate Period, $100,000 and $5,000 multiples in excess thereof, 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).

"**Board**" means the governing board of the Authority.

"**Bond**" or "**Bonds**" means all bonds authorized to be issued pursuant to authorizing resolutions previously adopted by the Authority and executed and delivered under and pursuant to such authorizing resolutions and the Indenture or the

Original Indenture, as the same was amended and supplemented from time to time, including any bonds issued in substitution therefor, and any Additional Bonds issued pursuant to the Indenture.

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

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

"**Bond Insurance Policy**" means, with respect to the 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; with respect to the 1999 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1999 Bonds that guarantees payment of principal of and interest on the 1999 Bonds; with respect to the 2003 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1996 Bonds that guarantees payment of principal of and interest on the 2003 Bonds; and with respect to any other Series shall have the meaning defined in the Supplemental Indenture authorizing such Series.

"**Bond Insurer**" means, (i) with respect to the 1996 Bonds and the 1999 Bonds, Financial Guaranty Insurance Company, a New York stock insurance company ("FGIC"), or any successor thereto; (ii) with respect to the 2003 Bonds, Ambac Assurance Corporation; and (iii) with respect to any other Series, shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"Bond Purchase Fund" means the trust fund so designated which is created and established pursuant to Section 308 of the Third Supplement to the Amended and Restated Indenture.

"**Bond Redemption Fund**" means the separate fund of such name established under the Indenture.

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

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

"**Business Day**" means 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, and, 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 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.

"**Capital Projects Fund**" means the separate fund of such name established under the Indenture.

"**City**" means the City of Philadelphia, Pennsylvania.

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

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

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

"**Commonwealth**" means the Commonwealth of Pennsylvania.

"Conversion Date" means each Fixed Rate Conversion Date, Flexible Rate Conversion Date and Variable Rate Conversion Date.

"**Credit Facility**" means the Municipal Bond Debt Service Reserve Fund Policy issued by Financial Guaranty Insurance Company, and any other letter of credit, bond insurance policy, other than the Bond Insurance Policy, or other credit facility meeting the requirements of, and delivered to the Trustee in accordance with, the Indenture in connection with the issuance of Additional Bonds to satisfy the Debt Service Reserve Requirement for the Debt Service Reserve Fund.

"**Credit Facility Issuer**" means Financial Guaranty Insurance Company and each issuer of a Credit Facility then in effect, and its successors. Reference to the Credit Facility Issuer shall be read to mean each issuer of a Credit Facility.

"**Daily Rate Period**" means, with respect to the 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.

"**Debt Service Fund**" means the separate fund of such name established under the Indenture.

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

"**Debt Service Reserve Fund**" means the separate fund of such name established under the Indenture.

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

"**Deficit Fund**" means the separate Fund of such name established under the Indenture.

"**Department**" means the Department of Revenue of the Commonwealth.

"**Depositary**" means Wachovia Bank, National Association, successor to First Union National Bank, a national banking association organized and existing under the laws of the United States, as Depositary under the Disbursement Agreement, and its successors and assigns.

"**Disbursement Agreement**" means the City Account Deposit and Disbursement Agreement dated as of December 6, 1991 between the Authority and the Depositary and acknowledge and agreed to by the City as the same may be amended, modified or supplemented and in effect from time to time.

"**Encumbered Funds Account**" means the separate account of such name created pursuant to the Encumbered Funds Account Agreement between Wachovia Bank, National Association, successor to First Union National Bank, and the Authority, as amended and restated.

"**Event of Default**" means any event specified as such in Section 8.01 of the Indenture.

"**Favorable Opinion**" means 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.

"**Fitch**" means Fitch IBCA, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and if such corporation shall for any reason no longer perform the actions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of Fitch are specified in the Indenture, such categories shall be irrespective of gradations within a category.

"**Fixed Rate**" means the rate to be borne by the 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 the 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.

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

(a) direct general obligations of, or obligations the payment of principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America ("Direct Obligations");

(b) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FHMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs") guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; and guaranteed Title XI financings of the U.S. Maritime Administration; or

(c) upon the approval of the Bond Insurer for the 1996 Bonds, which approval will not be unreasonably withheld, obligations issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (the "FIRRE Act"), (i) the principal of which obligations is payable when due from payments of the maturing principal of noninterest bearing direct obligations of the United States of America which are issued by the Secretary of the Treasury and deposited in the Funding Corporation Principal Fund established pursuant to the FIRRE Act, and (ii) the interest on which obligations, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to the FIRRE Act.

"Immediate Notice" means notice by telephone, telex, telecopier or email to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid.

"**Income Tax**" means the 1.5 % tax on salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City pursuant to Section 601(a)(3) of the Act.

"**Indenture**" means the Amended and Restated Indenture of Trust dated as of December 1, 1994, between the Authority and the Trustee, as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996, the Second Supplement to the Amended and Restated Indenture of Trust dated as of March 1 1999, and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003, between the Authority and the Trustee and as further amended or supplemented from time to time in accordance with the terms thereof.

"Initial Bank" means JPMorgan Chase Bank, in its capacity as issuer of the Initial Liquidity Facility.

"Initial Liquidity Facility " means the transferable Standby Bond Purchase Agreement dated as of June 1, 2003, entered into between the Authority and the Initial Bank concurrently with the original issuance of the 2003 Bonds.

"**Interest Component**" means the maximum amount stated in the Liquidity Facility (as reduced and reinstated from time to time in accordance with the terms thereof) which may be 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) of the Third Supplement to the Amended and Restated Indenture 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) of the Third Supplement to the Amended and Restated Indenture. 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, 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, with respect to the 1999 Bonds, December 15, 1999 and each June 15 and December 15 thereafter so long as any 1999 Bonds remain Outstanding, with respect to the 2003 Bonds during a Daily or Weekly Rate Period, the fifteenth (15^{th}) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of each calendar month, each Mandatory Tender Date, the Maturity Date and for 2003 Bonds called for redemption, the applicable redemption date, and with respect thereto and with respect to any other Series shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"**Intergovernmental Cooperation Agreement**" means the Intergovernmental Cooperation Agreement between the Authority and the City dated January 8, 1992, as the same may be amended, supplemented or otherwise modified and in effect from time to time.

"**Investment Earnings**" means all interest and income received from the investment of funds held under the Indenture, losses suffered by reason of such investment, and any interest paid by the Trustee or any other depositary of any fund established under the Indenture, and any net profits or losses resulting from the sale of securities.

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

(a) Government Obligations;

(b) federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States (which may include the Trustee and the Registrar) having a combined capital and surplus of not less than $50,000,000, which at the time of purchase has a short-term "Bank Deposit" rating of "P-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-l" by Moody's and "A-l" 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.

"**Letter of Representations**" means, the Blanket Letter of Representations from the Authority to The Depository Trust Company ("DTC"), pursuant to the terms of which all payments of the principal of, premium or interest on the 2003 Bonds shall be made to DTC or its nominee, as the Bondholder of 2003 Bonds.

"**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 the 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) of the Third Supplement to the Amended and Restated Indenture, "Maturity Date" means the date so assigned.

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

"**Moody's**" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of Moody's are specified in the Indenture, such categories shall be irrespective of gradations within a category.

"**1993A Bonds**" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A.

"**1996 Bonds**" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996.

"**1996 Term Bonds**" means the 1996 Bonds scheduled to mature on June 15 in the years 2016 and 2020.

"**1999 Bonds**" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999.

"**1999 Term Bonds**" means the 1999 Bonds scheduled to mature on June 15 in the years 2021 and 2023.

"No-Call Period" means the period of time (measured from the Conversion Date) during which the 2003 Bonds in the Fixed Rate Period or the Term Rate Period may not be called for optional redemption as set forth in Section 401(a)(ii) of the Third Supplement to the Amended and Restated Indenture.

"**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 the 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.

"**Original Indenture**" means the Indenture of Trust dated as of June 1, 1992, between the Authority and Wachovia Bank, National Association, as successor to CoreStates Bank, N.A.

"**Outstanding**" or "**Bonds Outstanding**" means all Bonds which have been authenticated and delivered under the Indenture or the Original Indenture, as the same was amended and supplemented from time to time, except:

(a) Bonds cancelled after purchase in the open market or because of payment or redemption prior to maturity;

(b) Bonds for the payment or redemption of which funds shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee, and provided that all such deposits shall have been made in accordance with the provisions of the Indenture; and

(c) Bonds in lieu of which others have been authenticated and delivered under the Indenture.

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

In addition, the term “Outstanding” means, with respect to the 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 the 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 the 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 the 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 the Third Supplement to the Amended and Restated Indenture, 2003 Bonds held or owned by the Authority or any Affiliate thereof.

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

"**PICA Tax Disbursement Agreement**" means the letter agreement between the Authority and the State Treasurer pursuant to which the Authority has designated the Trustee as the Trustee for the funds required or permitted to be established pursuant to Chapter 3 of the Act for the security and payment of the 1996 Bonds, the 1999 Bonds, the 2003 Bonds and all other Series of Bonds issued under the Indenture and the State Treasurer has acknowledged and agreed to the terms of such letter agreement.

"**PICA Tax Ordinance**" means the ordinance (Bill No. 1437) of the City approved June 12, 1991 enacting the Income Tax.

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

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

"**Principal Office**" means, with respect to the 2003 Bonds, (i) the corporate trust office of the Trustee responsible for the administration of the 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 of the Third Supplement to the Amended and Restated Indenture, and (ii) the respective offices of the Bank, the Tender Agent and the Remarketing Agent designated to receive notices required by the Third Supplement to the Amended and Restated Indenture, as set forth in Section 709 of the Third Supplement to the Amended and Restated Indenture.

"**Proposed Fixed Rate Conversion Date**" means the date indicated in the written notice of the Authority given pursuant to Section 205 of the 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.

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

"**Rebate Fund**" means the separate fund of such name established under the Indenture.

"**Record Date**" means with respect to the 1996 Bonds and the 1999 Bonds, the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date or any redemption date, and with respect to the 2003 Bonds while the 2003 Bonds bear interest during a Daily Rate Period or a Weekly Rate Period, the close of business on the last Business Day preceding an Interest Payment Date.

"**Registrar**" means the Registrar appointed in accordance with the provisions of the Indenture. "Principal Office" of the Registrar means the office thereof designated in writing to the Authority and the Trustee.

"**Remarketing Agent**" means Raymond James & Associates, St. Petersburg, Florida, and its successor for the time being in such capacity as provided in Section 502 of the Third Supplement to the Amended and Restated Indenture.

"**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 of the Third Supplement to the Amended and Restated Indenture which has been issued with terms and conditions identical to, and by the same provider of, the Liquidity Facility in substitution for which the Renewal Liquidity Facility is to be provided, except for:

(a) an extension of the Stated Expiration Date;

(b) an increase or decrease in the Interest Coverage 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) of the Third 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).

"**Revenue Fund**" means the separate fund of such name established under the Indenture.

"**S&P**" means Standard & Poor's Ratings Group, a Division of McGraw Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of S&P are specified in the Indenture, such categories shall be irrespective of the gradations within a category.

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

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

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

"**State Treasurer**" means the State Treasurer of the Commonwealth.

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

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

"**2003 Bonds**" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003.

"**Tax Collection Agency Agreement**" means the agreement between the Department and the City, acting through its Revenue Department and its Law Department, which sets forth the manner in which the Revenue Department and the Law Department of the City shall collect Income Tax on behalf of the Department and in which amounts collected shall be transferred to the Commonwealth account designated by the Department.

"**Tax Compliance Agreement**" means each respective agreement executed by the Authority and the City regarding compliance with provisions of the Code to assure that interest on a Series of Bonds which is intended to be excluded from gross income for federal income tax purposes is so excludable.

"**Tender Agent**" means that Person appointed pursuant to Section 501 of the Third Supplement to the Amended and Restated Indenture 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 the 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^{th}) 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^{th}) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of the twelfth (or any integral multiple of 12) succeeding calendar month.

"**Trustee**" means Wachovia Bank, National Association, as successor to Meridian Bank, a national banking association organized and existing under the laws of the United States, as the Trustee under the Indenture, its successors in trust under the Indenture and its assigns. "Principal Office" of the Trustee means the principal corporate trust office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by the Indenture is located at the address specified in the Indenture.

"**Variable Rate**" means, with respect to the then effective Variable Rate Period, the lowest interest rate which, in the judgment of the Remarketing Agent, would enable the 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 the 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.

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

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

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Pledge and Assignment

Under the Indenture, the Authority assigns, pledges and grants to the Trustee a security interest in the following property (the "Trust Estate"): all of the Authority's right, title and interest in and to the Pledged Revenues; all right, title and interest of the Authority in and to all moneys and securities from time to time held by the Trustee under the terms of the Indenture, except for moneys and securities held in the Rebate Fund; and any and all other property rights and interests of every kind or nature as the Authority may from time to time assign, pledge and grant to the Trustee as additional security under the Indenture, in trust for the equal and proportionate benefit, security and protection of all present and future Holders of Bonds to secure the payment of the principal of, premium, if any, and interest on the Bonds, without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds, except in the case of funds held for the benefit of particular Bonds, to the extent provided in the Indenture, for the performance and observance of the covenants contained in the Indenture and in the Bond, and for the benefit of any Credit Facility Issuer to the extent provided in the Indenture.

Redemption of the Bonds

The 2003 Bonds are subject to redemption as described under "THE 2003 BONDS" in the Official Statement. The 1996 Bonds and the 1999 Bonds are subject to redemption as described in the Indenture. Each other Series may be subject to such redemption as specified in the Supplemental Indenture authorizing such Series.

Creation of Funds

The Indenture creates the following funds: Deficit Fund, Capital Projects Fund, Revenue Fund, Debt Service Fund, Debt Service Reserve Fund, Bond Redemption 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 receipt of a requisition signed by the Authority accompanied by a notice (in the form prescribed in the Indenture) of the City to the Authority to the effect that the City is prepared to award a contract for or commence work on an approved capital project or projects, which notice shall identify in reasonable detail: (i) the capital project or projects, (ii) the amount of the contract to be awarded or the cost of work to be encumbered, and (iii) the proposed date of award of such contract or the proposed date of commencement of the work. The Trustee shall not transfer amounts from the Capital Projects Fund to the Encumbered Funds Account at any time when a suspension of payment from the Commonwealth to the City is in effect as a result of the Authority certifying that the City is not in compliance with an approved financial plan pursuant to provisions of the Act and the Trustee has notice of such suspension. In addition, the Trustee shall not transfer amounts from the Capital Projects Fund to the Encumbered Funds Account if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction, unless the Trustee receives an order of the Supreme Court of Pennsylvania permitting such transfer. Upon completion, termination or abandonment of any capital project with respect to which moneys shall have been disbursed to the Encumbered Funds Account, any unspent moneys deposited therein for such capital project shall, to the extent not approved by the Authority for application to other capital projects being funded from the Encumbered Funds Account, be deposited, at the direction of the Authority and the City, in the Capital Projects Fund.

Amounts remaining in any account in the Capital Projects Fund after completion, termination or abandonment of the capital project or projects to be financed with the proceeds of the related Series of Bonds shall be transferred at the direction of the Authority to the Debt Service Fund for the payment of principal next becoming due on the applicable Series of Bonds or to the Bond Redemption Fund for redemption of Bonds of such Series at the earliest practicable date that Bonds of such Series can be redeemed without a premium unless the Trustee is directed by the Authority at the request of the City to apply such excess for a purpose permitted under the Act and receives an opinion of Bond Counsel that such use is permitted under the Act and will not adversely effect the excludability of interest on any Bonds from gross income for Federal income tax purposes.

To the extent that amounts in the Debt Service Fund are insufficient to make any payment of principal of or interest due on the Bonds after all available amount in the Debt Service Reserve Fund have been used, the Trustee shall transfer amounts from the Capital Projects Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency.

Revenue Fund

All payments of PICA Taxes made to the Trustee by the State Treasurer shall be received by the Trustee and deposited by the Trustee in the Revenue Fund. The Trustee shall transfer sums from the Revenue Fund to other funds as provided in the Indenture and as more particularly described in the Official Statement under "SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS - Authority Tax." Any moneys remaining in the Revenue Fund after all such transfers have been made shall be transferred by the Trustee to the Depositary for deposit to the City Account.

Debt Service Fund

On the date of settlement for each Series of Bonds, there shall be deposited in the Debt Service Fund an amount equal to the accrued interest, if any, on such Series of Bonds to the date of settlement therefor and any capitalized interest in respect of such Series. Amounts received by the Trustee pursuant to an interest rate exchange agreement or other agreement permitted by Section 304(10) of the Act in respect of a Series of Bonds shall be credited to the accounts in respect of such Series of Bonds.

Moneys in the Revenue Fund shall be transferred to the Debt Service Fund to the extent necessary to cause the aggregate amount deposited therein in each month to equal the sum of (i) the aggregate for all Series of Bonds paying interest semiannually of 1/6 (such fraction to be increased or decreased, as appropriate, for a Series to account for any initial or final interest period shorter or longer than six months) of the amount of interest that will be due and payable on each such Series of Bonds on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds paying interest at an interval other than semiannually of an amount equal to the interest that will be due and payable or otherwise accrue on each such Series of Bonds during such month (assuming that interest due on such Bonds will be payable at the maximum interest rate applicable to such Bonds, and taking into account (A) any amounts received from the counterparty to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the 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. The Trustee shall use the moneys in the Debt Service Fund to pay the principal of and mandatory sinking fund installments and interest on the Bonds as it becomes due and payable and to pay any amount owed to the Credit Facility Issuer in respect of payments made for principal and interest on Bonds.

The Trustee shall establish as part of the Debt Service Fund a 1996 Bonds Sinking Fund Account, a 1999 Bonds Sinking Fund Account and a 2003 Bonds Sinking Fund Account for the retirement of certain of the 1996 Term Bonds, 1999 Term Bonds and 2003 Term Bonds, respectively. Certain of the 2003 Term Bonds are subject to mandatory sinking fund redemption on the dates and in the amounts set forth in the Official Statement under "THE 2003 BONDS -- Mandatory Sinking Fund Redemption". The Trustee shall transfer moneys from the Debt Service Fund to the Sinking Fund Accounts in the amounts required to retire the 1996 Term Bonds, the 1999 Term Bonds and the 2003 Term Bonds on the dates and in amounts so described. Notwithstanding the foregoing, the Indenture permits the Trustee, at the direction of the Authority prior to May 1 of each year in which 1996 Term Bonds, 1999 Term Bonds or 2003 Terms Bonds are subject to mandatory sinking fund redemption, to apply amounts deposited in the Sinking Fund Accounts to the purchase of as many 1996 Term Bonds, 1999 Term Bonds and 2003 Terms Bonds as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not exceeding the principal amount thereof, plus interest accrued to such date (which interest shall be paid from amounts in the Debt Service Fund).

Debt Service Reserve Fund

There shall be maintained in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement for the Bonds. In lieu of such deposit, at the time of issuance of a Series, subject to approval of the Bond Insurer, if any, there may be provided a Credit Facility in such amount issued by a Credit Facility Issuer whose credit facilities are such that bonds secured by such credit facilities are rated in one of the three highest rating categories by Moody's and S&P. To the extent that additional amounts are required to be deposited in the Debt Service Reserve Fund, such moneys shall come from sources other than the proceeds of the Bonds. Moneys in the Revenue Fund shall be transferred to the Debt Service Reserve Fund to the extent necessary to eliminate a deficiency therein. To the extent that there is an excess amount in the Debt Service Reserve Fund as of the date any valuation is required to be made as provided in the Indenture, unless otherwise provided in the Supplemental Indenture authorizing the issuance of such Series, the excess (other than any Investment Earnings) shall be transferred, at the written direction of the Authority, to the Debt Service Fund or the Bond Redemption Fund as provided in the Indenture, or, subject to an approving opinion of Bond Counsel, as directed in writing by the Authority.

Investment Earnings from investments of amounts in the Debt Service Reserve Fund shall be applied by the Trustee as follows:

(a) the Trustee shall retain in the Debt Service Reserve Fund the amount necessary to eliminate deficiency therein;

(b) the Trustee shall transfer to the Rebate Fund in respect of each Bond Year such amount as is certified by the Authority to the Trustee pursuant to the applicable Tax Compliance Agreement as the Rebate Amount and Yield Reduction Amount, if any, for such Bond Year with respect to the 1996 Bonds, the 1999 Bonds, the 2003 Bonds and such additional amount for each other Series of Bonds as may be specified in the Supplemental Indenture authorizing the Series;

(c) the Trustee shall transfer to the Authority the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made (together with transfers from the Revenue Fund), to equal the total operating expenses of the Authority for such fiscal year as set forth in the certificate of the Authority filed with the Trustee in respect of such fiscal year; and

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

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

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

The Trustee shall value the Investment Securities, if any, held in the Debt Service Reserve Fund at the end of each Bond Year for such Series and six months after the end of each such Bond Year. Investments in the Debt Service Reserve Fund, other than guaranteed investment contracts, shall be valued at fair market value. Guaranteed investment contracts shall be valued at the amortized cost thereof plus accrued interest. If the value of such Investment Securities plus any moneys in the Debt Service Reserve Fund (other than Investment Earnings which have not yet been transferred as described above) falls below the Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority. Such deficiency shall be eliminated as indicated above and if necessary by the transfer from the Revenue Fund described in the Indenture.

Upon a redemption or final maturity of all of the Bonds of a Series, moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall be applied as discussed above.

Bond Redemption Fund

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

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

Rebate Fund

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

The Authority is required to determine the Rebate Amount and Yield Reduction Amount, if any, in respect of each Series of Bonds or cause the same to be determined within 30 days after the end of each Bond Year and upon the retirement of the last Bond of a particular Series and to give written notification of such amounts to the Trustee. Following receipt of such notification, the Trustee is required to transfer first from Investment Earnings on the Debt Service Reserve Fund and then from the Revenue Fund to the Rebate Fund such amount as may be necessary so that the amount in the Rebate Fund shall be equal to the Rebate Amount and Yield Reduction Amount, if any, as of the computation date. In the event that as of the first day of any Bond Year in respect of each Series of Bonds, the amount on deposit in the Rebate Fund exceeds the Rebate Amount and Yield Reduction Amount, if any, the Trustee, at the direction of the Authority, shall transfer such excess amount into the Revenue Fund. If any amount shall remain in the Rebate Fund after the Trustee has made the final payment to the United States in respect of each Series of Bonds pursuant to the Indenture, such amount shall be transferred to the Revenue Fund.

Pledged Revenues

The Pledged Revenues, which secure the payment of amounts due in respect of the Bonds, consist of all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes and all moneys and securities held by the Trustee under the Indenture, together with any earnings thereon, except moneys and securities held in the Rebate Fund.

Pledge of Pledged Revenues and Fund

The Pledged Revenues are trust funds and shall not be subject to lien (other than that of the Indenture or any lien thereon granted to secure the payment of any subordinated indebtedness of the Authority in accordance with the terns of the Indenture) or attachment by any creditor of the Authority.

Investment of Funds

Moneys in the funds established under the Indenture shall, to the extent permitted by law and at the direction of the Authority, be invested and reinvested in Investment Securities or City Obligations, except that moneys in the Debt Service Fund, the Revenue Fund and the Rebate Fund shall be invested only in Government Obligations with maturities which will assure the availability of money at the time when needed, and moneys in the Debt Service Reserve Fund shall only be invested in Investment Securities with a maturity of not more than five years; provided, however, that if moneys are invested in a guaranteed investment contract or a repurchase agreement which allows the full principal of and interest on the investment to be withdrawn at par on any principal or interest payment date for the Bonds, such guaranteed investment contract or repurchase agreement may have a maturity longer than five years but not longer than ten years. Investment Earnings shall be added or charged to the Revenue Fund when earned or realized, subject to the provisions of the Indenture in the case of defeasance, and provided that (i) Investment Earnings from investment of amounts in the Debt Service Reserve Fund shall be applied as described under "Debt Service Reserve Fund" above; (ii) Investment Earnings from investment of amounts in the Rebate Fund shall remain in the Rebate Fund and become a part thereof, to be disbursed as described under "Rebate Fund" above; and (iii) Investment Earnings from investment of amounts in the Capital Projects Fund shall remain in the Capital Projects Fund so long as costs of capital projects are to be paid therefrom.

Covenants of the Authority

The Authority covenants, among other things, that it will promptly pay or cause to be paid, but only from the Pledged Revenues, the principal of, premium, if any, and interest on all Bonds, and that it shall do and perform or cause to be done or performed all acts and things required to be done or performed by it under the Act and that it shall comply with all valid acts, rules, regulations, orders and directions applicable to the Indenture. The Authority has covenanted not to enter into any interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by the Act if entering into such agreement would materially adversely affect any rating of the Bonds by Moody's, S&P or Fitch. The Authority also covenants at all times, to the extent permitted by law, to defend, preserve and protect the assignment and pledge of, and security interest in, the Trust Estate under the Indenture and all the rights of the Bondholders and all Credit Facility Issuers under the Indenture against all claims and demands of all persons whomsoever.

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

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

Defaults and Remedies

Each of the following events constitutes an Event of Default under the Indenture:

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

(b) Default in the due and punctual payment of the principal or mandatory sinking fund installment of any Bond, whether at the stated maturity thereof or upon proceedings for redemption thereof; or

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority contained in the Indenture, any Supplemental Indenture or in the Bonds; or

(d) Failure by the City to perform any of its covenants or agreements contained in the PICA Tax Ordinance or in any other ordinance of the City enacting PICA Taxes; or

(e) Failure by the State Treasurer or the Department in the performance of any of their duties under the Act or covenants or agreements contained in the PICA Tax Disbursement Agreement or the Tax Collection Agency Agreement;

(f) If payment of the purchase price of any 2003 Bond tendered pursuant to Article III of the Third Supplement to the Amended and Restated Indenture is not made when it becomes due and payable;

provided, however, that a default under (c) or (e) shall not constitute an Event of Default unless the Authority, the State Treasurer or the Department, as applicable, shall have had thirty (30) days after receipt of notice of such default from the Trustee or from the Bondholders of not less than twenty-five percent (25%) in aggregate principal amount of all Outstanding Bonds to correct said default or cause said default to be corrected and shall not have corrected said default or caused said default to be corrected within such period; provided that, if said default is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority, the State Treasurer or the Department, as applicable, within the applicable period and diligently pursued until the default is corrected, subject to each Bond Insurer's approval of the grace period for the taking of such corrective action; provided, further, that the period to cure any of such defaults shall be only seven (7) days in the case of a default in the payment of money and shall be such shorter period as may be specified in the notice of such default in the case of any default which would have a material adverse effect on the tax exempt status of the 1996 Bonds, the 1999 Bonds or the 2003 Bonds if not cured sooner than the period specified in the notice. In determining whether a payment default has occurred or whether a payment on any Series of Bonds has been made, no effect shall be given to payments made under the applicable Bond Insurance Policy.

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

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

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

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

Limitation on Actions by Bondholders

Under certain circumstances set forth in the Indenture, Bondholders may direct proceedings with respect to an Event of Default; however, no Bondholder shall have the right to pursue any remedy under the Indenture unless (a) the Trustee has been notified of an Event of Default as provided in the Indenture, (b) the Bondholders of not less than 25% of the aggregate principal amount of Outstanding Bonds shall have made written request to the Trustee and shall have offered it reasonable opportunity either to exercise the powers with respect to remedies granted under the Indenture or to pursue such remedy in their name or names, (c) the Trustee shall have been offered security and indemnity satisfactory to it against costs, expenses and liabilities and (d) the Trustee shall have failed or refused to comply with such request. Notwithstanding the foregoing, nothing in the Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest on each of the Bonds to and for the equal benefit of all Bondholders at the time and place, from the source and in the manner expressed in the Bonds. For purposes of actions by Bondholders, the respective Bond Insurer, if any, shall be deemed to be the sole holder of the Bonds which it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy relating to such Bonds.

Waivers of Events of Default

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

Modifications of Indenture

The Authority and the Trustee may enter into Supplemental Indentures, without the consent of or notice to, the Bondholders, for any one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in the Indenture;

(b) To grant to or confer upon the Bondholders or the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(c) To subject to the Indenture additional revenues or collateral;

(d) To modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States;

(e) To provide for the adoption of a book-entry registration of any Series of Bonds;

(f) To evidence the appointment of a separate or co-Trustee or the succession of a new Trustee;

(g) To authorize the issuance and establish the terms of Additional Bonds and to effect an interest rate swap agreement, an interest rate cap or floor agreement or other similar agreement permitted under the Act;

(h) To make any other change in the Indenture, including changes in connection with the Authority's issuance of subordinated debt, which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders;

(i) To secure or maintain the rating for the Bonds from S&P and/or Moody's and/or Fitch;

(j) To cure any defects in the Indenture which would, if not cured, cause the interest on Bonds which at the time of issuance was intended to be excluded from gross income for federal income tax purposes not to be so excluded;

(k) To make any change permitted under Section 5.09 of the Indenture (relating to the Rebate Fund); or

(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; or

(m) With respect to the 2003 Bonds, to increase or decrease the maximum interest rate used to compute (i) the Interest Coverage Rate, as defined in Section 103 of the Third Supplement to the Amended and Restated Indenture, and (ii) the maximum rate at which the 2003 Bonds may be remarketed, as set forth in Section 310(h) of the Third Supplement to the Amended and Restated Indenture; provided, however, that the Trustee shall have first obtained the written consent for such amendment from the Bond Insurer insuring the 2003 Bonds.

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

Except for the foregoing Supplemental Indentures and subject to the provisions of the Indenture, the Bondholders of not less than a majority in aggregate principal amount of the Outstanding Bonds which would be adversely affected thereby shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such other Supplemental Indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, without the consent of the Holders of all Bonds Outstanding which would be adversely effected thereby, (a) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture, (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or a change in the terms of redemption of the Bonds, (c) a privilege or priority of any Bond or Bonds over any Outstanding Bond or Bonds, (d) a reduction in the aggregate principal amount of the Bonds required for consent to Supplemental Indentures, (e) the creation of any lien ranking prior to or on a parity with the lien of the Indenture on the Trust Estate or any part thereof, except as expressly permitted in the Indenture, (f) the deprivation of the Bondholder of any Outstanding Bond of the lien created on the Trust Estate or (g) an adverse effect on the interest of the Bondholders in any Credit Facility; and further provided that no such amendment shall be permitted without the consent of the Credit Facility Issuer so long as the Credit Facility Issuer has not wrongfully failed to honor a drawing under the Credit Facility or otherwise defaulted thereunder.

No amendment or supplement shall be effective unless the prior written consent of each Bond Insurer to such amendment or supplement is obtained; provided, however, that each Bond Insurer may not unreasonably withhold its consent to an amendment or supplement pursuant to clause (j) in the third preceding paragraph.

Discharge of Indenture

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

Any Bond shall be deemed paid as described above for all purposes under the Indenture when payment of the principal of, premium, if any, and interest on such Bond to the due date thereof either (i) shall have been made or caused to be made in accordance with the terms of the Indenture, or (ii) shall have been provided for by the irrevocable deposit with the Trustee of (A) moneys sufficient to make such payment and/or (B) Government Obligations of the types described in clause (a) of such definition, Refcorp interest strips, CATS, TIGRS, STRPS or defeased municipal bonds rated "AAA" by S&P or "Aaa" by Moody's, in each case maturing as to principal and interest in such amount and such time as will insure the availability of sufficient moneys to make such payment. At such time as a Bond shall be deemed to be paid as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

If any advance refunding of the 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.

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 D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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KLETT ROONEY LIEBER & SCHORLING

A PROFESSIONAL CORPORATION

TWO LOGAN SQUARE, 12TH FLOOR
PHILADELPHIA, PENNSYLVANIA 19103
TELEPHONE (215) 567-7500
FACSIMILE (215) 567-2737

June __, 2003

Re: Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003

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 2003 (the "2003 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"), and an Amended and Restated Indenture of Trust dated as of December 1, 1994, (the "Amended and Restated Indenture"), between the Authority and Wachovia Bank, National Association, as successor to Meridian Bank, as Trustee (the "Trustee"), as amended pursuant to the First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture"), the Second Supplement to the Amended and Restated Indenture dated as of April 1, 1999 (the "Second Supplement to the Amended and Restated Indenture") and a 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 First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Amended and Restated Indenture, the "Indenture").

The proceeds of the 2003 Bonds will be used, together with other available monies, to (i) currently refund the aggregate outstanding balance of the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") and (ii) pay the costs of issuing the 2003 Bonds (collectively, the "Refunding Project").

As Bond Counsel, we have reviewed the Act, the relevant provisions of the Constitution and such statutes of the Commonwealth of Pennsylvania (the "Commonwealth") and such resolutions of the Authority and ordinances of the City of Philadelphia (the "City") ,and proceedings relating thereto as are contained in the transcripts of proceedings for the 1993A and 2003 Bonds. We have also reviewed and relied upon the proceedings authorizing the issuance of the 2003 Bonds and certain certifications and agreements (including a Tax Compliance Agreement intended to satisfy certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable Treasury Regulations), affidavits, receipts and other documents, agreements, certificates and opinions, all as executed and delivered in connection with the issuance of the 2003 Bonds. We have also reviewed a specimen of the 2003 Bonds and have relied on the certification of the Trustee as to its authentication of the 2003 Bonds.

As expressly stated in the form of the 2003 Bonds and in the Indenture, the 2003 Bonds are limited obligations of the Authority payable solely from the Pledged Revenues (as defined in the Indenture). The 2003 Bonds do not otherwise constitute a pledge of the general credit of the Authority. Further, the 2003 Bonds do not constitute a pledge of the credit of the Commonwealth or any political subdivision thereof (including the City), nor do the 2003 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 2003 Bonds.

As to questions of fact material to our opinion, we have relied upon the representations of the Authority contained in the proceedings relating to the issuance of the 2003 Bonds and other certifications furnished to us without undertaking to verify the same by independent investigation.

Based and in reliance upon the foregoing, our attendance at the closing held this day and subject to the caveats, qualifications, exceptions and assumptions set forth herein, it is our opinion that, as of the date hereof, under existing law:

1. The Authority is a body corporate and politic validly existing under the laws of the Commonwealth, and has the full power and authority under the Act to undertake the Refunding Project, to execute and deliver the Third Supplement to the Amended and Restated Indenture and to issue the 2003 Bonds.

2. The Third 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 Third 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 2003 Bonds have been duly authorized, executed, issued and delivered by the Authority and are the legal, valid and binding limited obligations of the Authority, entitled to the benefit and security of the Indenture, and are enforceable against the Authority in accordance with their terms.

4. The Indenture creates a valid pledge to the Trustee for the benefit of the holders of the 2003 Bonds of, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture) which it purports to create.

5. Under existing law, interest on the 2003 Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference within the meaning of Section 57 of the Code, for purposes of the alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest and accruals are taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the 2003 Bonds in order that interest on the 2003 Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the 2003 Bonds to be included in gross income retroactively to the date of issuance of the 2003 Bonds. The Authority has covenanted in the Indenture to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the 2003 Bonds.

6. Under the laws of the Commonwealth as presently enacted and construed, the interest on the 2003 Bonds is exempt from Commonwealth personal income tax and Commonwealth corporate net income tax and the 2003 Bonds are exempt from personal property taxes in the Commonwealth; provided, however, under the laws of the Commonwealth as presently enacted and

construed, any profits, gains or income derived from the sale, exchange or other disposition of the 2003 Bonds, shall be subject to state and local taxation within the Commonwealth.

It is to be understood that the rights of the owners of the 2003 Bonds and the enforceability of the 2003 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is rendered solely for the benefit of the addressee hereof in connection with the initial issuance of the 2003 Bonds. The addressee may not rely on this opinion letter for any other purpose and no other person may rely on this opinion letter for any purpose without the express written consent of the undersigned. This opinion letter is limited to the matters set forth herein. This opinion is subject to future changes in applicable law and we do not undertake any obligation to update any of the opinions expressed in this letter. No opinion may be inferred or implied beyond the matters expressly stated herein, and our opinions expressed herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth herein. The law covered by the opinions expressed herein is limited to the laws of the Commonwealth and the federal law of the United States of America.

Very truly yours,

KLETT ROONEY LIEBER & SCHORLING
A Professional Corporation

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APPENDIX E

SPECIMEN COPY OF FINANCIAL GUARANTY INSURANCE POLICY

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

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APPENDIX F

CERTAIN INFORMATION CONCERNING THE BANK

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APPENDIX F

CERTAIN INFORMATION CONCERNING THE BANK

JPMorgan Chase Bank is a wholly owned bank subsidiary of J.P. Morgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMorgan Chase Bank is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Its business is subject to examination and regulation by Federal and New York State banking authorities. As of March 31, 2003, JPMorgan Chase Bank had total assets of $621.7 billion, total net loans of $183.4 billion, total deposits of $300.1 billion, and total stockholder's equity of $36.3 billion. As of December 31, 2002, JPMorgan Chase Bank had total assets of $622.4 billion, total net loans of $180.6 billion, total deposits of $300.6 billion, and total stockholder's equity of $35.5 billion.

Additional information, including the most recent Form 10-K for the year ended December 31, 2002 of J.P. Morgan Chase & Co., the 2002 Annual Report of J.P. Morgan Chase & Co. and additional annual, quarterly and current reports filed with the Securities and Exchange Commission by J.P. Morgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, J.P. Morgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The information contained in this Appendix relates to and has been obtained from JPMorgan Chase Bank. This data has been taken from the Consolidated Reports of Condition and Income filed with the Board of Governors of the U.S. Federal Reserve System compiled in accordance with regulatory accounting principles. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of JPMorgan Chase Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

The Authority makes no representation as to the accuracy of the information contained in this Appendix.

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