Book-Entry Only **Ratings: (See "RATINGS" herein)**

In the opinion of Co-Bond Counsel, interest on the 2010 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, except as to interest on any 2010 Bond during any period such 2010 Bond is held by a person who is a "substantial user" of the facilities financed or refinanced by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), subject to the condition described in "TAX MATTERS" herein. Interest on the 2010A Bonds is not subject to the alternative minimum tax imposed on individuals and corporations. Interest on the 2010B Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes. Interest on the 2010C Bonds and 2010D Bonds is treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. Under the Code, interest on the 2010 Bonds may be subject to certain other taxes affecting corporate holders of the Bonds. Under the laws of the Commonwealth of Pennsylvania, the 2010 Bonds are exempt from personal property taxes in Pennsylvania, and interest on the 2010 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS" herein.

$624,665,000
CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE BONDS,
SERIES 2010
Consisting of

$273,065,000 Airport Revenue Bonds
Series 2010A (Non-AMT)

$24,395,000 Airport Revenue Refunding Bonds
Series 2010B (Non-AMT)

$54,730,000 Airport Revenue Refunding Bonds
Series 2010C (AMT)

$272,475,000 Airport Revenue Refunding Bonds
Series 2010D (AMT)

Dated: Date of Delivery **Due:** June 15, as shown on inside front cover

The $624,665,000, City of Philadelphia, Pennsylvania Airport Revenue Bonds, Series 2010 (the "2010 Bonds") consisting of $273,065,000 Airport Revenue Bonds, Series 2010A (Non-AMT) ("2010A Bonds"), $24,395,000 Airport Revenue Refunding Bonds, Series 2010B (Non-AMT) ("2010B Bonds"), $54,730,000 Airport Revenue Refunding Bonds, Series 2010C (AMT) ("2010C Bonds") and $272,475,000 Airport Revenue Refunding Bonds, Series 2010D (AMT) ("2010D Bonds") are issuable as fully registered bonds in denominations of $5,000 and any multiple thereof maturing in the aggregate principal amounts and bearing interest at the rates set forth on the inside front cover hereof. The Bonds are being issued pursuant to the Act and the Ordinances (as such terms are defined herein). The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchases of the beneficial ownership interests in the 2010 Bonds will be made in book-entry only form. Purchasers will not receive certificates representing their ownership interests in the 2010 Bonds purchased, so long as Cede & Co. is the owner of the 2010 Bonds, as nominee of DTC. References herein to the bondholders, holders and registered owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the Bonds. See "DESCRIPTION OF THE 2010 BONDS – Book-Entry Only System."

The principal and redemption price of the 2010 Bonds are payable at the corporate trust office of U.S. Bank National Association, as Fiscal Agent and Sinking Fund Depository, in Philadelphia, Pennsylvania, at the times and in the amounts set forth herein. Interest on the Bonds is payable semiannually on each June 15 and December 15, commencing June 15, 2011, by check mailed by the Fiscal Agent to the persons in whose names the 2010 Bonds are registered. So long as DTC, or its nominee, Cede & Co., is the registered owner of the 2010 Bonds, principal of and interest on the 2010 Bonds are payable directly to Cede & Co., for redistribution to Participants and in turn to Beneficial Owners as described herein. For so long as any purchaser is the Beneficial Owner of 2010 Bonds, such purchaser must maintain an account with a broker or dealer who is, or acts through, a Participant to receive payment of the principal of and interest on such Bonds.

THE 2010 BONDS ARE LIMITED OBLIGATIONS OF THE CITY OF PHILADELPHIA (THE "CITY") PAYABLE SOLELY FROM THE PLEDGED AMOUNTS (AS DESCRIBED HEREIN). THE 2010 BONDS ARE NOT SECURED BY A PLEDGE OF THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY. THE 2010 BONDS DO NOT CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE A LIEN AGAINST ANY PROPERTY OF THE CITY OTHER THAN THE PLEDGED AMOUNTS.

The scheduled payment of principal of and interest on certain 2010 Bonds designated as "Insured" in the maturity schedules on the inside cover and following two pages (collectively, the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued, concurrently with the delivery of the Insured Bonds, by ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

ASSURED GUARANTY MUNICIPAL

The 2010A Bonds and the 2010D Bonds are subject to redemption prior to maturity. See "DESCRIPTION OF THE 2010 BONDS."

The proceeds of the 2010 Bonds, together with other available moneys, are being used to (i) pay or reimburse for the costs of the 2010 Project (defined herein); (ii) provide for capitalized interest on the 2010A Bonds during construction of the 2010 Project; (iii) currently refund all of the City's outstanding Airport Revenue Refunding Bonds, Series 1997A; (iv) currently refund a portion of the City's outstanding Airport Revenue Refunding Bonds, Series 1998A; (v) currently refund a portion of the City's outstanding Airport Revenue Bond, Series 1998B ("1998B Bond"); (vi) fund a deposit to the Parity Sinking Fund Reserve Account, and (vii) pay the costs of issuance of the 2010 Bonds. Any prepayment of the 1998B Bond shall be in an amount that is sufficient and used to pay a like amount of The Philadelphia Authority for Industrial Development, Airport Revenue Bonds, Series 1998A (the "PAID Bonds", and together with the 1998B Bond, sometimes hereinafter referred to, collectively, as the "International Terminal Bonds"). See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

This cover page contains certain information for quick reference only. It is not intended to be a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2010 Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approving legal opinion of Saul Ewing LLP, Philadelphia, Pennsylvania, and Gonzalez Saggio & Harlan LLP, New York, New York, Co-Bond Counsel. Certain legal matters will be passed upon for the City of Philadelphia by the City Solicitor. Certain legal matters will be passed upon for the Underwriters by Kutak Rock LLP, Philadelphia, Pennsylvania, and Stephanie Saint-Cyr, Esquire, Moorestown, New Jersey, Co-Counsel to the Underwriters. It is expected that the 2010 Bonds in definitive form will be made available through DTC in New York against payment therefor on or about November 15, 2010.

BofA Merrill Lynch

J.P. Morgan **Siebert Brandford Shank & Co., L.L.C.** **Morgan Stanley**

Jackson Securities **Loop Capital Markets** **Morgan Keegan & Company, Inc.** **PNC Capital Markets LLC** **Wells Fargo Securities**

Dated: October 27, 2010

$624,665,000
CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE BONDS,
SERIES 2010
consisting of

$273,065,000 Airport Revenue Bonds
Series 2010A (Non-AMT)

$54,730,000 Airport Revenue Refunding Bonds
Series 2010C (AMT)

$24,395,000 Airport Revenue Refunding Bonds
Series 2010B (Non-AMT)

$272,475,000Airport Revenue Refunding Bonds
Series 2010D (AMT)

MATURITY SCHEDULES

$273,065,000 Series 2010A (Non-AMT)

Maturity Date (June 15)	Principal Amount	Interest Rate	Price	Yield	CUSIP[≠]
2011	$ 5,000	2.00%	100.579%	1.00%	717817MH0
2012	5,000	2.00	101.093	1.30	717817MJ6
2013	5,000	2.00	101.134	1.55	717817MK3
*2014	360,000	3.00	104.180	1.79	717817ML1
2014	4,710,000	5.00	110.834	1.86	717817NG1
*2015	710,000	3.00	104.179	2.04	717817MM9
2015	4,605,000	5.00	112.188	2.19	717817NH9
2016	5,565,000	4.00	107.986	2.46	717817MN7
*2017	2,625,000	4.00	108.230	2.63	717817MP2
2017	3,165,000	5.00	113.398	2.76	717817NJ5
*2018	6,050,000	5.00	114.274	2.89	717817MQ0
*2019	100,000	4.00	106.502	3.13	717817MR8
2019	6,255,000	5.00	112.773	3.28	717817NK2
2020	6,670,000	5.00	112.207	3.49	717817MS6
*2021	275,000	4.00	103.626 [C]	3.55	717817MT4
2021	6,730,000	5.00	110.066 [C]	3.74	717817NL0
*2022	560,000	3.75	100.000	3.75	717817MU1
2022	6,795,000	5.00	108.555 [C]	3.92	717817NM8
2023	7,715,000	5.00	107.809 [C]	4.01	717817MV9
2024	8,100,000	5.00	107.151 [C]	4.09	717817MW7
2025	8,505,000	5.00	106.498 [C]	4.17	717817MX5
*2026	2,910,000	4.00	99.423	4.05	717817MY3
2026	6,020,000	5.25	107.800 [C]	4.25	717817NN6
2027	9,360,000	5.25	107.150 [C]	4.33	717817MZ0
2028	9,855,000	5.25	106.503 [C]	4.41	717817NA4
*2029	2,320,000	4.25	99.488	4.29	717817NB2
2029	8,050,000	5.25	105.862 [C]	4.49	717817NP1
2030	10,890,000	5.25	105.225 [C]	4.57	717817NC0
*2035	595,000	4.50	98.244	4.62	717817ND8

* Insured.

[C] Priced to the first optional call date.

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$273,065,000 Series 2010A (Non-AMT) (continued)

*$25,000,000 5% Term Bond due June 15, 2035, priced at 102.911% [C] to yield 4.62% CUSIP≠ No. 717817NQ9

$37,750,000 5% Term Bond due June 15, 2035, priced at 101.979% [C] to yield 4.74% CUSIP≠ No. 717817NF3

*$48,000,000 5% Term Bond due June 15, 2040, priced at 102.289% [C] to yield 4.70% CUSIP≠ No. 717817NR7

$32,805,000 5% Term Bond due June 15, 2040, priced at 101.364% [C] to yield 4.82% CUSIP≠ No. 717817NE6

$24,395,000 Series 2010B (Non-AMT)

Maturity Date (June 15)	Principal Amount	Interest Rate	Price	Yield	CUSIP≠
2011	$4,585,000	2.00%	100.784	0.65%	717817NS5
2012	4,635,000	4.00	104.216	1.30	717817NT3
2013	4,815,000	5.00	108.702	1.55	717817NU0
2014	5,055,000	5.00	110.834	1.86	717817NV8
2015	5,305,000	5.00	112.188	2.19	717817NW6

$54,730,000 Series 2010C (AMT)

Maturity Date (June 15)	Principal Amount	Interest Rate	Price	Yield	CUSIP≠
2011	$ 5,000	2.00%	100.521	1.10%	717817NX4
2012	6,780,000	4.00	103.449	1.78	717817NY2
2013	7,050,000	5.00	107.305	2.08	717817NZ9
2014	7,400,000	5.00	108.301	2.56	717817PA2
2015	7,775,000	5.00	109.129	2.86	717817PB0
2016	8,155,000	5.00	109.508	3.13	717817PC8
2017	8,570,000	5.00	108.748	3.50	717817PD6
2018	8,995,000	5.00	108.249	3.74	717817PE4

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* Insured.

[C] Priced to the first optional call date.

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$272,475,000 Series 2010D (AMT)

Maturity Date (June 15)	Principal Amount	Interest Rate	Price	Yield	CUSIP≠
2011	$ 505,000	2.00%	100.725	0.75%	717817PF1
2012	12,935,000	4.00	103.449	1.78	717817PG9
2013	13,450,000	4.00	104.803	2.08	717817PH7
2014	13,985,000	4.00	104.898	2.56	717817PJ3
*2015	1,000,000	4.00	105.302	2.76	717817PK0
2015	13,545,000	5.00	109.129	2.86	717817PX2
2016	15,260,000	5.00	109.508	3.13	717817PL8
2017	16,040,000	5.00	108.748	3.50	717817PM6
2018	16,830,000	5.00	108.249	3.74	717817PN4
2019	17,670,000	5.00	107.201	4.00	717817PP9
*2020	630,000	4.00	99.681	4.04	717817PQ7
2020	17,920,000	5.00	106.335	4.19	717817PY0
2021	19,475,000	5.00	104.328 C	4.44	717817PR5
2022	20,450,000	5.25	104.829 C	4.62	717817PS3
2023	21,520,000	5.25	104.122 C	4.71	717817PT1
*2024	310,000	4.50	99.594	4.54	717817PU8
2024	22,340,000	5.25	103.653 C	4.77	717817PZ7
2025	23,830,000	5.25	103.110 C	4.84	717817PV6
2028	24,780,000	5.25	102.186 C	4.96	717817PW4

* Insured.

C Priced to the first optional call date.

 The CUSIP numbers listed above are being provided only for the convenience of the reader and neither the City nor the Underwriters make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. Any CUSIP number may change after the issuance of the 2010 Bonds as a result of subsequent events including in particular, but not by way of limitation, the procurement of secondary market portfolio insurance or other similar enhancement that is applicable to all or certain portions of the 2010 Bonds.

CITY OF PHILADELPHIA, PENNSYLVANIA

MAYOR
HONORABLE MICHAEL A. NUTTER

MAYOR'S CHIEF OF STAFF
CLARENCE D. ARMBRISTER

MAYOR'S CABINET

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

City Treasurer
Rebecca Rhynhart

City Controller
Alan L. Butkovitz

PHILADELPHIA DEPARTMENT OF COMMERCE
DIVISION OF AVIATION

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

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

FISCAL AGENT
U.S. Bank National Association

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or ***representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of*** **an offer to buy, nor shall there be any sale of the 2010 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the City or the Underwriters and the purchasers or owners of any 2010 Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Philadelphia or of the Division of Aviation of the Department of Commerce or in any other matters discussed herein since the date hereof or the date as of which particular information is given, if earlier. The Underwriters (who have provided this sentence for inclusion herein) have reviewed the information in this Official Statement in accordance with, and as a part of, their respective 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.**

In connection with this Offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2010 Bonds at a level above that which might otherwise prevail in the open market, such stabilizing, if commenced, may be discontinued at any time without prior notice.

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

The Underwriters may offer and sell the 2010 Bonds to certain dealers at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters ***without prior notice.***

Upon issuance, the 2010 Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other Securities Exchange, nor have the Ordinances been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts.

The 2010 Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Official Statement, any representation to the contrary is a criminal offense.

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 2010 Bonds is made only by means of this entire Official Statement.

This Official Statement speaks only as of the date printed on the cover page hereof. The information contained herein is subject to change. The Official Statement will be made available through the Electronic Municipal Market Access System, now the only nationally recognized municipal securities information repository.

The information set forth herein has been obtained from the City and the Division of Aviation and other sources believed to be reliable but is not guaranteed as to accuracy or completeness by the Underwriters.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM" or "Bond Insurer") makes no representation regarding the 2010 Bonds or the advisability of investing in the 2010 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix VIII - Specimen Municipal Bond Insurance Policy".

TABLE OF CONTENTS

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OFFICIAL STATEMENT

relating to

$624,665,000
CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE BONDS,
SERIES 2010
consisting of

$273,065,000 Airport Revenue Bonds
Series 2010A (Non-AMT)

$24,395,000 Airport Revenue Refunding Bonds
Series 2010B (Non-AMT)

$54,730,000 Airport Revenue Refunding Bonds
Series 2010C (AMT)

$272,475,000 Airport Revenue Refunding Bonds
Series 2010D (AMT)

INTRODUCTION

General

This Official Statement, including the cover page and appendices attached hereto, sets forth certain information in connection with the offering and sale by the City of Philadelphia, Pennsylvania (the "City"), a corporation and body politic existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") of its Airport Revenue Bonds, Series 2010 (the "2010 Bonds") in the aggregate principal amount of $624,665,000, consisting of $273,065,000 Airport Revenue Bonds, Series 2010A (Non-AMT) ("2010A Bonds"), $24,395,000 Airport Revenue Refunding Bonds, Series 2010B (Non-AMT) ("2010B Bonds"), $54,730,000 Airport Revenue Refunding Bonds, Series 2010C (AMT) ("2010C Bonds") and $272,475,000 Airport Revenue Refunding Bonds, Series 2010D (AMT) ("2010D Bonds"). The 2010 Bonds are authorized and are being issued under and pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act"), the Amended and Restated General Airport Revenue Bond Ordinance, approved June 16, 1995 (Bill No. 950282), as amended and supplemented (the "General Ordinance"), the Ninth Supplemental Ordinance (Bill No. 080525, approved by the Mayor on July 2, 2008) (the "Ninth Supplemental Ordinance"), the Tenth Supplemental Ordinance (Bill No. 100305, approved by the Mayor on June 23, 2010) (the "Tenth Supplemental Ordinance", and together with the Ninth Supplemental Ordinance and the General Ordinance, the "Ordinances"). Unless otherwise indicated, capitalized terms used in this Official Statement, including the cover hereto, are defined in Appendix IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2010 BONDS" (hereinafter referred to as "SUMMARIES").

THE 2010 BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED AMOUNTS (AS DESCRIBED HEREIN). THE 2010 BONDS ARE NOT SECURED BY A PLEDGE OF THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY. THE 2010 BONDS DO NOT CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE A LIEN AGAINST ANY PROPERTY OF THE CITY OTHER THAN THE PLEDGED AMOUNTS.

With respect to the 2010D Bonds, Pledged Amounts include PFC Revenues, as hereinafter described. See "SECURITY FOR THE 2010 BONDS".

The proceeds of the 2010 Bonds, together with other available moneys, are being used to (i) pay or reimburse for the costs of the 2010 Project (defined herein); (ii) provide for capitalized interest on the 2010A Bonds during construction of the 2010 Project; (iii) currently refund all of the City's outstanding Airport Revenue Refunding Bonds, Series 1997A; (iv) currently refund a portion of the City's outstanding Airport Revenue Refunding Bonds, Series 1998A; (v) currently refund a portion of the International Terminal Bonds; (vi) fund a deposit to the Parity Sinking Fund Reserve Account in respect of the 2010 Bonds, and (vii) pay the costs of issuance of the 2010 Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Airport System

The Airport System consists of the Philadelphia International Airport (the "Airport") and the Northeast Philadelphia Airport (the "Northeast Philadelphia Airport") and is owned by the City and operated by the Division of Aviation of the City's Department of Commerce (the "Division of Aviation"). As of July 2010, the Airport had 568 daily scheduled aircraft departures to domestic destinations and 57 to international destinations. In calendar year 2009, it was ranked 18th in the United States in terms of total passengers and served a total of approximately 30.7 million passengers. For a further description of the Airport System, the Service Area of the Airport and the Air Transport Industry, see "THE AIRPORT SYSTEM," "THE AIRPORT SERVICE REGION," "CERTAIN INVESTMENT CONSIDERATIONS" and APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED OCTOBER 19, 2010."

Brief descriptions of the 2010 Bonds, the security therefor, the Airport System and certain data about the City are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to the Act, the General Ordinance, the Ninth Supplemental Ordinance, the Tenth Supplemental Ordinance, and the Report of the Airport Consultant are qualified by reference to the definitive form of each such document in its entirety. Copies of the Act, the General Ordinance, the Ninth Supplemental Ordinance, the Tenth Supplemental Ordinance, and the financial statements of the City for the Fiscal Year ended June 30, 2009, are available from the Office of the Director of Finance, 13th Floor, Municipal Services Building, 1401 John F. Kennedy Boulevard, Philadelphia, Pennsylvania 19102. A copy of the financial statements of the City for the Fiscal Year ended June 30, 2009 may be downloaded at http://www.phila.gov/investor. Financial statements of the Division of Aviation for the Fiscal Year ended June 30, 2009, are attached hereto as APPENDIX I. The Report of the Airport Consultant is attached hereto as APPENDIX II. The Engineer's Letter is attached hereto as APPENDIX III. Summaries of legislation authorizing the issuance of the City's Airport Revenue Bonds, the Insurance and Reimbursement Agreement and the Airport-Airline Use and Lease Agreements (the "Airline Agreement") are attached hereto as APPENDIX IV. Certain information concerning the government of and fiscal affairs of the City is attached hereto as APPENDIX V. The form of approving opinion of Co-Bond Counsel that will be delivered in connection with the issuance of the 2010 Bonds is attached hereto as APPENDIX VI. The form of the Continuing Disclosure Agreement is attached hereto as APPENDIX VII. The form of Specimen Municipal Bond Insurance Policy to be issued by AGM in connection with the issuance of the Insured 2010 Bonds is attached hereto as APPENDIX VIII.

Under the caption "CERTAIN INVESTMENT CONSIDERATIONS" is a discussion of certain investment risks which, among others, may affect repayment of and security for the 2010 Bonds.

THIS OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE REPORT OF THE AIRPORT CONSULTANT, CONTAINS STATEMENTS RELATING TO FUTURE RESULTS THAT ARE "FORWARD LOOKING STATEMENTS" AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS "ESTIMATE," "ANTICIPATE," "FORECAST," "PROJECT," "INTEND," "PROPOSE," "PLAN," "EXPECT," "ASSUME" AND SIMILAR EXPRESSIONS IDENTIFY FORWARD LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD LOOKING STATEMENTS. THE REPORT OF THE AIRPORT CONSULTANT IS DATED OCTOBER 19, 2010, AND HAS NOT BEEN UPDATED TO REFLECT EVENTS AND CHANGES IN CIRCUMSTANCES SINCE SUCH DATE.

Outstanding and Additional Indebtedness

Pursuant to the General Ordinance, as supplemented and amended, as of June 30, 2010, $1,232,700,000 of previously issued parity Airport Revenue Bonds (defined hereinafter) were outstanding.

The City has outstanding the following series of previously issued parity Airport Revenue Bonds (taking into account payments made since June 30, 2010): Airport Revenue Bonds, Series 1997A (the "1997A Bonds"), which are currently outstanding in the aggregate principal amount of $26,130,000 and all of which are being refunded with proceeds of the 2010B Bonds; Airport Revenue Bonds, Series 1998A (the "1998A Bonds"), which are currently outstanding in the aggregate principal amount of $65,540,000 and a portion of which are being refunded with proceeds of the 2010C Bonds; Airport Revenue Bonds, Series 2001B Bonds, which are currently outstanding in the aggregate principal amount of $34,560,000 (the "2001B Bonds"); Airport Revenue Bonds, Series 2005A (the "2005A Bonds"), which are currently outstanding in the aggregate principal amount of $120,185,000; Airport Revenue Refunding Bonds, Series 2005C, which are currently outstanding in the aggregate principal amount of $168,600,000 (the "2005C Bonds"); Airport Revenue Bonds, Series 2007A (the "2007A Bonds"), which are currently outstanding in the aggregate principal amount of $172,470,000; Airport Revenue Bonds, Series 2007B (the "2007B Bonds"), which are currently outstanding in the aggregate principal amount of $73,345,000; and Airport Revenue Refunding Bonds, Series 2009A, which are currently outstanding in the aggregate principal amount of $45,705,000 (the "2009A Bonds"). The City has also issued its $443,700,000 Airport Revenue Bond, Series 1998B (Philadelphia Airport System Project), which is currently outstanding in the aggregate principal amount of $354,805,000 and a portion of which is being refunded with proceeds of the 2010D Bonds (hereinabove defined as the "1998B Bond") and its $187,680,000 Airport Revenue Bond, Series 2001A (Philadelphia Airport System Project), which is currently outstanding in the aggregate principal amount of $154,555,000 (the "2001A Bond"), both of which are additionally secured by a pledge of passenger facility charges ("PFC"). The 1997A Bonds, the 1998A Bonds, the 1998B Bond, the 2001A Bond, the 2001B Bonds, the 2005A Bonds, the 2005C Bonds, the 2007A Bonds, the 2007B Bonds, the 2009A Bonds, the 2010 Bonds and any Additional Bonds issued under the General Ordinance (collectively, the "Airport Revenue Bonds") are and will be, as the case may be, parity bonds. The 1998B Bond, the 2001A Bond and the 2010D Bonds are sometimes hereinafter referred to, collectively, as the "PFC-Pledge Bonds". Except for the 2010D Bonds, the 2010 Bonds are not secured by a pledge of Pledged PFC Revenues. See "SECURITY FOR THE 2010 BONDS – City May Pledge Passenger Facility Charges Revenues" below for further information on the Pledged PFC Revenues as additional security for certain series of the Airport Revenue Bonds, including the 2010D Bonds.

CERTAIN 2010 BONDS INSURED

The scheduled payment of principal of and interest on the Insured Bonds listed in the tables on the following page, when due will be guaranteed under a municipal bond insurance policy to be issued, concurrently with the delivery of the Insured Bonds, by AGM. The 2010 Bonds not listed in the tables on the following page are sometimes hereinafter referred to, collectively, as the "Uninsured Bonds". See "BOND INSURANCE" and "APPENDIX VIII – SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

Insured 2010A Bonds

Maturity Date (June 15)	Principal Amount	Interest Rate	CUSIP*
2014	$ 360,000	3.00%	717817ML1
2015	710,000	3.00	717817MM9
2017	2,625,000	4.00	717817MP2
2018	6,050,000	5.00	717817MQ0
2019	100,000	4.00	717817MR8
2021	275,000	4.00	717817MT4
2022	560,000	3.75	717817MU1
2026	2,910,000	4.00	717817MY3
2029	2,320,000	4.25	717817NB2
2035	595,000	4.50	717817ND8

$25,000,000 5% Term Bond due June 15, 2035, CUSIP No. 717817NQ9

$48,000,000 5% Term Bond due June 15, 2040, CUSIP No. 717817NR7

Insured 2010D Bonds

Maturity Date (June 15)	Principal Amount	Interest Rate	CUSIP*
2015	$1,000,000	4.00%	717817PK0
2020	630,000	4.00	717817PQ7
2024	310,000	4.50	717817PU8

PLAN OF FINANCE

The proceeds of the 2010 Bonds, together with other available moneys, are being used to (i) pay or reimburse for the costs of the 2010 Project (hereinafter defined); (ii) provide for capitalized interest on the 2010A Bonds during construction of the 2010 Project; (iii) currently refund all of the City's outstanding Airport Revenue Refunding Bonds, Series 1997A; (iv) currently refund a portion of the City's outstanding Airport Revenue Refunding Bonds, Series 1998A; (v) currently refund a portion of the International Terminal Bonds; (vi) fund a deposit to the Parity Sinking Fund Reserve Account, and (vii) pay the costs of issuance of the 2010 Bonds. See "PLAN OF FINANCE"; "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY FOR THE 2010 BONDS" herein.

As noted above, as of June 30, 2010, $1,232,700,000 of previously issued parity Airport Revenue Bonds were outstanding.

The 2010 Project. The 2010A Bonds are being issued in the aggregate principal amount of $273,065,000 to pay or reimburse for costs of the 2010 Project hereinafter described. The Division of Aviation maintains an ongoing six-year capital improvement program for the Airport System. The City periodically issues Airport Revenue Bonds to finance Airport System capital improvement projects, as such projects are reviewed and approved by the Signatory Airlines under procedures of the Airline

* See Note regarding CUSIP under Maturity Schedules on Inside Cover.

Agreement. The "2010 Project" represents the next phase of an ongoing process of expanding and modernizing Airport facilities to keep pace with increasing traffic demand and changes in the air transportation system.

Elements of the 2010 Project expected to be funded with a portion of the proceeds of the 2010A Bonds include the projects set forth below.

(a) Terminal F Expansion. Terminal F will be expanded and renovated to provide additional facilities for the processing of passengers, baggage and airline operations. The project will entail the reconfiguration of the terminal and the addition of approximately 68,000 square feet to the existing 205,000 square feet of the terminal. The expansion includes (i) a new baggage claim building on the arrivals roadway providing two claim devices, (ii) enlarged passenger holdrooms and concession areas on concourses 2 and 3, (iii) enlarged club room, crew lounges, and other airline operations facilities for US Airways, (iv) enlarged "Central Hub" to accommodate additional concession space and improve passenger flow, (v) a corridor linking Terminals F and E to allow passengers to move between all Airport terminals without having to leave the secure areas to be rescreened, (vi) redesigned security checkpoint that has additional screening capacity and latest screening technology, and (vii) infrastructure improvements to meet increased needs for heating, air conditioning, electrical power, and other utilities associated with the expansion.

(b) Terminal Improvements. Various projects will be undertaken to renovate and update terminal space and facilities including replacement and refurbishment of loading bridges, improvements to the terminal concessions program, and upgrades to the terminal signage.

(c) Terminal B-C Expansion Design. Terminals B and C, which accommodate US Airways domestic mainline operations, will be renovated and expanded to provide additional facilities for the processing of passengers and baggage and airline operations. Additional terminal facilities are planned to be developed over the Airport's entrance roadway system in a configuration similar to Terminal A-West. The 2010 Project includes only the design of these improvements.

(d) Eastside and Westside Taxiways. New taxiways and taxiway connectors will be designed and constructed and existing taxiways will be extended. The taxiways will expedite aircraft movement between the terminal complex and the runways in east and west flow operations, as well as improving access to the cargo aprons and deicing facility. The 2010 Project includes only design of the eastside taxiways and both design and construction of the westside taxiways.

(e) Runway 9L-27R Resurfacing and Navaids. Runway 9L-27R and adjacent taxiways will be resurfaced and associated lighting systems will be upgraded. Approach and touchdown lighting systems and other air navigation aids (navaids) serving Runway 9L-27R will be upgraded to allow Category II/III operations. These upgrades will make Runway 9L-27R the second runway at the Airport with Category II/III capacity and provide increased landing capacity during adverse weather conditions.

(f) Airport Maintenance and Utilities Facilities. An Airport maintenance facility will be designed and the first phase constructed to consolidate vehicle and equipment maintenance buildings, fueling stations, and vehicle storing facilities now located at several sites. Boilers and chillers in the Airport's central utility plant will also be replace or upgraded with more efficient equipment, resulting in lower energy costs.

(g) Infrastructure Improvement Program. Various construction and planning projects will be undertaken to renew and replace Airport infrastructure and facilities.

The Refunding Plan.

(a) The 2010B Bonds are being issued in the aggregate principal amount of $24,395,000 to currently refund all of the outstanding 1997A Bonds.

(b) The 2010C Bonds are being issued in the aggregate principal amount of $54,730,000 to currently refund a portion of the outstanding 1998A Bonds.

(c) The 2010D Bonds are being issued in the aggregate principal amount of $272,475,000 to currently refund a portion of the International Terminal Bonds.

AUTHORIZATION FOR THE 2010 BONDS

The 2010 Bonds are authorized and are being issued under the Act, the General Ordinance, the Ninth Supplemental Ordinance and the Tenth Supplemental Ordinance. The Act authorizes cities of the first class to issue revenue bonds to finance certain revenue producing projects and to refund any such bonds or other bonds of the City issued for the foregoing purposes. Such bonds must be payable solely from Project Revenues (as defined in the Act). See APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2010 BONDS – The Amended and Restated General Airport Revenue Bond Ordinance – Summary of Operative Provisions of the General Ordinance-Covenants of the City."

DESCRIPTION OF THE 2010 BONDS

General

The 2010 Bonds will be dated, will bear interest at the rates and will mature on the dates (subject to prior redemption), as shown on the inside cover of this Official Statement. The 2010 Bonds have been issued in fully-registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC").

Interest on the 2010 Bonds is payable semiannually on each June 15 and December 15, beginning on June 15, 2011 (the "Interest Payment Dates"). Interest is payable on such Interest Payment Dates by check or draft mailed by U.S. Bank National Association, as successor to Wachovia Bank, National Association, as Fiscal Agent and Sinking Fund Depository, (in such capacity, the "Fiscal Agent'), to the registered owners of the 2010 Bonds as of the close of business on the first day of the month containing each such Interest Payment Date (the "Record Date"). Any person who is the registered owner of at least $1,000,000 principal amount of Bonds may, by written request to the Fiscal Agent, at least three days before the Record Date in connection with which such request is made, request that interest be paid by wire transfer to an account at a financial institution in the United States as may be specified in such written request. The principal or redemption price of the 2010 Bonds is payable at the principal Philadelphia corporate trust office of the Fiscal Agent upon surrender of the 2010 Bonds.

THE 2010 BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED AMOUNTS (AS DESCRIBED HEREIN). THE 2010 BONDS ARE NOT SECURED BY A PLEDGE OF THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY. THE 2010 BONDS DO NOT CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE A LIEN AGAINST ANY PROPERTY OF THE CITY OTHER THAN THE PLEDGED AMOUNTS. SEE "SECURITY FOR THE 2010 BONDS."

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2010 Bonds. The 2010 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 each series of the 2010 Bonds, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the 2010 Bonds Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2010 Bonds, except in the event that use of the book-entry system for the 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2010 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 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2010 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 2010 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 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal or redemption price of and interest on the 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest on the 2010 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2010 Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

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

Redemption

Optional Redemption of the 2010A Bonds

The 2010A Bonds maturing on and after June 15, 2021, are subject to redemption prior to maturity in whole or in part (and if in part, in such order of maturity as the City may direct and within a maturity by lot) on and after June 15, 2020, at the redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption of the 2010A Bonds

The 2010A Bonds maturing June 15, 2035, and June 15, 2040, are subject to mandatory redemption prior to maturity (to the extent that such 2010 Bonds in the principal amount otherwise required to be redeemed have not been previously purchased by the City), in part, as drawn by lot by the Fiscal Agent, from moneys as required to be deposited for that purpose in the Sinking Fund on June 15 of the following years at a redemption price equal to 100% of the principal amount of each such 2010 Bond to be redeemed, plus accrued interest to the date of redemption according to the following schedules:

Insured 2010A Bonds
Maturing June 15, 2035

Year	Principal Amount
2031	$4,565,000
2032	4,795,000
2033	5,035,000
2034	5,290,000
2035*	5,315,000

Insured 2010A Bonds
Maturing June 15, 2040

Year	Principal Amount
2036	$8,680,000
2037	9,115,000
2038	9,575,000
2039	10,060,000
2040*	10,570,000

Uninsured 2010A Bonds
Maturing June 15, 2035

Year	Principal Amount
2031	$6,900,000
2032	7,240,000
2033	7,605,000
2034	7,980,000
2035*	8,025,000

Uninsured 2010A Bonds
Maturing June 15, 2040

Year	Principal Amount
2036	$5,945,000
2037	6,240,000
2038	6,545,000
2039	6,870,000
2040*	7,205,000

* Stated Maturity.

At its discretion, but in the case of the Insured 2010A Bonds, only with the consent of the Bond Insurer, the City is authorized under the direction of the Director of Finance to satisfy any mandatory sinking fund redemption requirements for the 2010A Bonds by purchasing the 2010A Bonds in the open market at a price of not more than par and presenting such 2010A Bonds to the Fiscal Agent in lieu of required deposits to the Sinking Fund.

Optional Redemption of the 2010D Bonds

The 2010D Bonds maturing on and after June 15, 2021, are subject to redemption prior to maturity in whole or in part (and if in part, in such order of maturity as the City may direct and within a maturity by lot) on and after June 15, 2020, at the redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

The 2010B Bonds and the 2010C Bonds are not subject to redemption prior to maturity.

Notice of Redemption

As provided more fully in the General Ordinance and in the applicable forms of the 2010A Bonds and the 2010D Bonds, notice of redemption of such 2010 Bonds shall be given by the Fiscal Agent by mailing a copy of the redemption notice by first class mail, postage prepaid, to each Holder of 2010A Bonds or 2010D Bonds to be redeemed at such Holder's registered address as it appears in the Bond Register, not less than 30 or more than 60 days prior to the redemption date. Each notice shall be given in the name of the City and shall contain the CUSIP number, and, in the case of partial redemption of any 2010A or 2010D Bonds, the certificate numbers and the respective principal amounts of the 2010A or 2010D Bonds to be redeemed, the publication date, the redemption date, the redemption price and the name and address of the redemption agent, and shall further identify the 2010A Bonds or 2010D Bonds by date of issue, interest rate and maturity date. Failure to mail any notice or any defect in a mailed notice or in the mailing thereof in respect of any notice shall not affect the validity of the redemption proceedings. If at the time of mailing notice of redemption the City shall not have deposited with the Fiscal Agent moneys sufficient to redeem the 2010A Bonds or 2010D Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of the redemption moneys with the Fiscal Agent not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited. Notice having been given and funds having been deposited in the Sinking Fund in accordance with the requirements of the General Ordinance, all interest on the 2010A Bonds or 2010D Bonds called for redemption shall cease accruing from the date fixed for redemption.

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ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources of Funds

	2010A Bonds	2010B Bonds	2010C Bonds	2010D Bonds	TOTAL
Principal Amount of the 2010 Bonds	$273,065,000.00	$24,395,000.00	$54,730,000.00	$272,475,000.00	$624,665,000.00
Net Original Issue Premium	13,489,665.50	1,844,591.40	4,340,003.05	14,533,455.25	34,207,715.20
Other Available Moneys	0.00	576,072.92	1,326,125.00	5,434,348.60	7,336,546.52
Total Sources of Funds	$286,554,665.50	$26,815,664.32	$60,396,128.05	$292,442,803.85	$666,209,261.72

Estimated Uses of Funds

	2010A Bonds	2010B Bonds	2010C Bonds	2010D Bonds	TOTAL
Deposit to Project Fund for 2010 Project	$232,700,000.00	0.00	0.00	0.00	$232,700,000.00
Sinking Fund Reserve Account	15,966,639.58	0.00	0.00	0.00	15,966,639.58
Sinking Fund Deposit (Capitalized Interest)	35,467,073.74	0.00	0.00	0.00	35,467,073.74
Refunding Deposit	0.00	26,706,072.92	60,096,125.00	290,709,348.60	377,511,546.52
Costs of Issuance*	1,748,636.71	109,591.40	300,003.05	1,724,515.13	3,882,746.29
Bond Insurance	672,315.47	0.00	0.00	8,940.12	681,255.59
Total Uses of Funds	$286,554,665.50	$26,815,664.32	$60,396,128.05	$292,442,803.85	$666,209,261.72

* Includes underwriters' discount, printing costs, rating agency fees, legal and financial advisor fees and other expenses.

SECURITY FOR THE 2010 BONDS

Pledge of Project Revenues and Funds

Pursuant to the General Ordinance, the City has covenanted that the 2010 Bonds, together with all other parity Airport Revenue Bonds issued under and outstanding or subject to the General Ordinance, are and will be equally and ratably secured by a lien on and security interest in (i) Project Revenues (as defined below); (ii) amounts payable to the City under a Qualified Swap; (iii) all amounts on deposit in or credited to the Aviation Funds (including the Parity Sinking Fund Reserve Account), except for amounts deposited into any Non-Parity Sinking Fund Reserve Subaccount; and (iv) proceeds of the foregoing (subsections (i) through (iv) are collectively referred to herein as the "Pledged Amounts"). See APPENDIX IV – "SUMMARY OF AUTHORIZATIONS FOR THE 2010 BONDS – The Amended and Restated General Airport Revenue Bond Ordinance – Summary of Operative Provisions of the General Ordinance Pledge of Revenues; Grant of Security Interest; Limitation on Recourse." To the extent that the Fiscal Agent maintains such Pledged Amounts, the Fiscal Agent shall hold and apply the Pledged Amounts in trust, for the equal and ratable benefit and security of all Holders of parity Airport Revenue Bonds issued under or subject to the General Ordinance. The General Ordinance provides that such Pledged Amounts may also be pledged for the benefit of a letter of credit issuer, municipal bond insurance provider, standby purchaser, swap provider or any other person who undertakes to provide moneys for the account of the City for the payment of principal or redemption price of and interest on any series of Airport Revenue Bonds on an equal and ratable basis with Airport Revenue Bonds.

With respect to the 2010D Bonds only (among the 2010 Bonds), "Pledged Amounts" includes PFC Revenues, as hereinafter described.

THE 2010 BONDS ARE LIMITED OBLIGATIONS OF THE CITY AND DO NOT PLEDGE THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY, OR CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE ANY LIEN AGAINST ANY PROPERTY OF THE CITY, OTHER THAN AGAINST THE PLEDGED AMOUNTS THEREFOR.

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

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

City May Pledge Passenger Facility Charges Revenues. Under federal law, the City is permitted under certain circumstances to include PFC Revenues in pledged airport revenues. However, the pledge of PFC Revenues is limited to the allowable costs of approved PFC projects ("PFC-Eligible" projects) and may not be used to pay debt service on any bonds issued to finance non-PFC-Eligible projects. The City may pledge PFC Revenues (defined herein) pursuant to a Supplemental Ordinance and such PFC Revenues shall constitute Pledged Amounts; *provided, however*, that if as a result of applicable law, rules and regulations, such PFC Revenues may only be pledged to secure one or more specified series of Airport Revenue Bonds, Pledged PFC Revenues and proceeds thereof shall constitute Pledged Amounts solely with respect to such series of Airport Revenue Bonds; provided, further, that PFC Revenues shall not constitute Pledged Amounts or Amounts Available for Debt Service unless the City first receives written confirmation from all Rating Agencies then rating any Airport Revenue Bonds outstanding under the General Ordinance, that the pledge of PFC Revenues, in and of itself, will not result in a downgrade, suspension or withdrawal of rating on any outstanding Airport Revenue Bonds, without taking into account Airport Revenue Bonds the rating on which is based upon a Credit Facility for such Airport Revenue Bonds, provided that if all outstanding Airport Revenue Bonds are rated based upon a Credit Facility, then PFC Revenues may be pledged only upon receipt by the City of written consent by the providers of such Credit Facilities. See "THE AIRPORT SYSTEM – Funding Sources for Airport System Capital Improvement Projects – Passenger Facility Charges" for additional information concerning the impact of federal law on the City's ability to collect and pledge, respectively, PFCs and PFC Revenues. The City was permitted and did pledge PFC Revenues to secure payment of the 1998B Bond (a portion of which is being refunded with proceeds of the 2010D Bonds) and the 2001A Bond, as further hereinafter described.

"PFC Revenues" means PFCs paid to the City as a result of enplanements at the Airport, together with investment earnings thereon. "Pledged PFC Revenues" means the PFC Revenues pledged by the City pursuant to a Supplemental Ordinance, subject to the following limitation: at no time shall the amount of PFC Revenues pledged to the 1998B Bond, the 2001A Bond and the 2010D Bonds outstanding in any year exceed the lesser of (a) 70% of the amount of all PFCs actually paid to the City in that year, or (b) 75% of total debt service on such series of Airport Revenue Bonds in that year.

Pledged PFC Revenues shall be in the amount described above with respect to the PFC-Pledge Bonds on an annual basis, such lien and security interest to be held on an equal and ratable basis without preference or priority except as may be otherwise provided in or arise from the terms of a pertinent Supplemental Ordinance, as referred to in the next sentence concerning the respective PFC-Pledge Bonds, with any lien and security interest hereafter created with respect to (i) any bonds issued pursuant to a Supplemental Ordinance to the General Ordinance pursuant to which PFC Revenues are pledged, and (ii) any other obligations of the City with respect to which PFC Revenues are pledged. Such pledge shall be equal to one hundred percent of the annual amount of the PFC eligible debt service on the 2010D Bonds; *provided, however*, that the lien and security interest created with respect to the Pledged PFC Revenues securing: (i) the 1998B Bond shall have first priority with respect to all Pledged PFC Revenues up to an amount in any year equal to the PFC Revenues pledged to the 1998B Bond in such year, (ii) the 2001A Bond shall have second priority with respect to all Pledged PFC Revenues up to an amount in any year equal to the PFC Revenues pledged to the 2001A Bond in such year, and (iii) the 2010D Bonds and any future bonds that are issued for PFC-Eligible projects (to the extent the City pledges PFC Revenues pursuant to a Supplemental Ordinance) will have a third priority parity lien with respect to all Pledged PFC Revenues up to an amount in any year equal to the PFC Revenues pledged for such PFC-Eligible projects. As such, at the time when no portions of the 1998B Bond and the 2001A Bond remain outstanding, the 2010D Bonds and any future bonds that are issued for PFC-Eligible projects (to the extent the City pledges PFC Revenues pursuant to a Supplemental Ordinance) will share a first priority parity lien with respect to all Pledged PFC Revenues up to an amount in any year equal to the PFC Revenues pledged for such PFC-Eligible projects.

In addition to the previously issued Airport Revenue Bonds, including the 1997A Bonds, 1998A Bonds, 2001B Bonds, 2005A Bonds, 2005C Bonds, 2007A Bonds, 2007B Bonds and 2009A Bonds, the City issued solely to the Philadelphia Authority for Industrial Development ("PAID") the 1998B Bond, in the original aggregate principal amount of $443,700,000 to acquire a capital leasehold interest in two new terminals, Terminal A West and Terminal F, and related improvements at the Airport (the "Terminal A West/Terminal F Project") (See "THE AIRPORT SYSTEM – Recently Completed and In Progress Capital Improvement Projects") and its 2001A Bond, in the original aggregate principal amount of $187,680,000, to finance the cost of the completion of the acquisition of the leasehold interest in the Terminal A West/Terminal F Project, which 1998B Bond and 2001A Bond are also secured by Pledged PFC Revenues. The 1997A Bonds, the 1998A Bonds, the 1998B Bond, the 2001A Bond, the 2001B

Bonds, the 2005A Bonds, the 2005C Bonds, the 2007A Bonds, the 2007B Bonds and the 2009A Bonds are, and the 2010 Bonds are being issued as, parity Airport Revenue Bonds under the General Ordinance. The 1998B Bond, a portion of which is being refunded by the 2010D Bonds, and the 2001A Bond are the only two series of Airport Revenue Bonds additionally secured by a pledge of Pledged PFC Revenues. The 2010D Bonds will be secured by a pledge of Pledged PFC Revenues; the 2010A Bonds, 2010B Bonds and 2010C Bonds are not secured by a pledge of PFC Revenues.

Flow of Funds and Application of Project Revenues

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

(a) To pay such sums constituting Net Operating Expenses in a timely manner.

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

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

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

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

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

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

(h) To pay any Interdepartment Charges.

* No such general obligation debt of the City is currently outstanding.

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

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

So long as any 2010 Bonds or Bonds are outstanding, the deposit and application of Project Revenues for each Fiscal Year during the term of the Airline Agreement shall be governed by the General Ordinance. The City is expressly permitted in the General Ordinance to use amounts remaining in the Aviation Operating Fund following any transfers pursuant to subparagraphs (a)-(i) above for the Bond Redemption and Improvement Requirement, the O&M Requirement, the Airline Revenue Allocation and City Revenue Allocation (as defined in the Airline Agreement). Pursuant to Section 4.06 of the General Ordinance, any amounts remaining in the Aviation Operating Fund following any transfer then required to be made pursuant to subparagraphs (a)-(i) above may be used for any Airport System purposes at the written direction of the City. The City has directed that such amounts remaining will be applied or credited in the following manner:

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

In accordance with the provisions of the General Ordinance and the Airline Agreement, the balance of moneys on deposit in the Bond Redemption and Improvement Account shall equal the "Bond Redemption and Improvement Requirement." For the sole purpose of establishing the Bond Redemption and Improvement Requirement, and expressly not for the purpose of establishing a debt service reserve fund as set forth in the General Ordinance, the Bond Redemption and Improvement Requirement shall mean an amount not to exceed the lesser of (1) the amount of Debt Service Reserve Surety Bonds fulfilling the City's Sinking Fund Reserve requirements, or (2) such dollar amount required to maintain a dollar balance in the Bond Redemption and Improvement Account equal to (A) in Fiscal Year 2010, twenty percent (20%) of the Debt Service Requirement and (B) in Fiscal Year 2011 and thereafter, twenty-five percent (25%) of the Debt Service Requirement. At the termination of the Airline Agreement, it is the City's intention to retain the balance in the Bond Redemption and Improvement Account in an Airport related account with substantially the same purpose. For additional information, see "APPLICATION OF PROJECT REVENUES" in APPENDIX II of this Official Statement.

(k) O&M Account. The O&M Account is available for use by the City for the payment of Operating Expenses in the City's sole discretion in the event the then current Airport Revenues allocated to Operating Expenses in the Annual Budget are deemed to be insufficient. For additional information, see "APPLICATION OF PROJECT REVENUES" in APPENDIX II of this Official Statement.

(l) Airline Revenue Allocation. For each Fiscal Year during the term of the Airline Agreement, the Airline Revenue Allocation shall be equal to fifty percent (50%) of the prior Fiscal Year's

* No such general obligation debt of the City is currently outstanding.

total net revenue from the Outside Terminal Areas Cost Center reduced by an amount of up to $7,000,000, to the extent net revenue from the Outside Terminal Areas Cost Center equals or exceeds $7,000,000.

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

Application of PFC Revenues

The PFCs shall be deposited, upon receipt, in the Aviation Capital Fund; the amount of the Pledged PFC Revenues pledged to the 2010D Bonds shall, subject to the transfers to the respective Sinking Funds for the 1998B Bond and the 2001A Bond, be transferred therefrom, at least semiannually, and deposited in the Sinking fund for the 2010D Bonds.

Sinking Fund Reserve Account

Under the General Ordinance, the City is required to maintain a parity Sinking Fund Reserve Account within the Sinking Fund known as the Parity Sinking Fund Reserve Account. The City is required to maintain an aggregate balance in the Parity Sinking Fund Reserve Account for all Airport Revenue Bonds which are to be secured by the Parity Sinking Fund Reserve Account, equal to the lesser of (a) the greatest amount of Debt Service Requirements on Airport Revenue Bonds payable in any one Fiscal Year, determined as of any particular date, or (b) the maximum amount permitted by the Internal Revenue Code of 1986, as amended (the "Code"), to be maintained without yield restriction for bonds, the interest on which is not includable in gross income for Federal income tax purposes; provided, however, that additional Airport Revenue Bonds may be secured by a Non-Parity Sinking Fund Reserve Account under certain circumstances. See APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2010 BONDS – The Amended and Restated General Airport Revenue Bond Ordinance – Summary of Operative Provisions of the General Ordinance – Establishment of Funds and Accounts."

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

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

Under the General Ordinance, in lieu of the required deposits into the Sinking Fund Reserve Account, the City may cause to be deposited in such Account an unconditional and irrevocable surety bond, an insurance policy or an irrevocable letter of credit in the required amount; provided that such surety bond, insurance policy or irrevocable letter of credit, or the issuer thereof (as applicable), at least meets the credit ratings' threshold prescribed in the General Ordinance.

Upon the issuance and delivery of the 1998B Bond, an irrevocable surety bond was obtained to satisfy the funding requirement for the Parity Sinking Fund Reserve Account ("Parity Sinking Fund Reserve Requirement"). Due to the deterioration of the credit rating of the provider of such surety bond, the City entered into an agreement with Wells Fargo Bank, N.A. (as successor to Wachovia Bank, National Association) whereby Wells Fargo Bank, N.A. issued a letter of credit which is available to be drawn upon in the event that the provider of the surety bond fails to honor a demand for payment pursuant to the terms of the surety bond. The letter of credit issued by Wells Fargo Bank, N.A. has an expiration date of June 6, 2011.

Upon the issuance and delivery of the 2005A Bonds, the City delivered to the Fiscal Agent an unconditional and irrevocable surety bond issued by MBIA Insurance Corporation ("MBIA") to satisfy the Parity Sinking Fund Reserve Requirement. As a result of the deterioration of the credit rating of the surety bond provider on April 13, 2009, the City made a cash deposit in an amount sufficient to meet the Parity Sinking Fund Reserve Requirement.

The City delivered to the Fiscal Agent on December 23, 2008, a Sinking Fund Reserve Letter of Credit issued by TD Bank, N.A., which was deposited into the Parity Sinking Fund Reserve Account to satisfy the Parity Sinking Fund Reserve Requirement . Such Letter of Credit expires December 23, 2011.

Upon issuance and delivery of the 2007A Bonds and the 2007B Bonds (the "2007 Bonds"), the City delivered to the Fiscal Agent a reserve fund surety policy issued by Financial Security Assurance Inc. (the insurer of the 2007 Bonds) to satisfy the Parity Sinking Fund Reserve Requirement.

With respect to the 2009A Bonds, the Parity Sinking Fund Reserve Requirement was satisfied by a cash deposit, from proceeds of the 2009A Bonds, to the Sinking Fund Reserve Account.

As of July 31, 2010, the Parity Sinking Fund Reserve Requirement is $108,248,513, of which $32,484,956 is funded with cash or cash equivalents and $75,763,557 with surety bonds or other Credit Facilities.

Upon issuance and delivery of the 2010 Bonds, the Parity Sinking Fund Reserve Requirement will be $121,107,512, of which $45,343,955 will be funded with cash or cash equivalents and $75,763,557 with surety bonds or other Credit Facilities.

Renewal Fund

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

Rate Covenant

The City covenants with the holders of the 2010 Bonds, that it will, at a minimum, impose, charge and recognize as revenues in each Fiscal Year such rentals, charges and fees as shall, together with that portion of the Aviation Operating Fund balance attributable to Amounts Available for Debt Service and carried forward at the beginning of such Fiscal Year and together with all other Amounts Available for Debt Service to be received in such Fiscal Year, be equal to not less than the greater of:

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

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

For a further discussion of the funds and accounts, priority of payment, the Rate Covenant, the Alternative Rate Covenant which may be elected by the City, and other provisions of the General Ordinance, see APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2010 BONDS – The Amended and Restated General Airport Revenue Bond Ordinance."

Certain Provisions of General Ordinance Effective Upon City Election and Certain Consents

The City may elect an alternative rate covenant in lieu of the Rate Covenant (the "Alternative Rate Covenant"), upon the conveyance of all or substantially all of the City's right, title and interest in the Airport System, the occurrence of other certain circumstances and the consent of certain parties, all as set forth in the General Ordinance. As of the date hereof, the City has no plans to elect the Alternative Rate Covenant, however, the City may elect the Alternative Rate Covenant in the future. For additional information about the City's election and calculation of the Alternative Rate Covenant, see APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2010 BONDS – The Amended and Restated General Airport Revenue Bond Ordinance – Conveyance of System and Assignment, Assumption and Release of Obligations – *Alternative Rate Covenant.*"

Issuance of Additional Airport Revenue Bonds

The General Ordinance permits the issuance of Additional Bonds which, except as otherwise provided in the General Ordinance, will be equally and ratably secured with the 2010 Bonds and all other outstanding parity bonds issued under and/or subject to the General Ordinance. Additional Bonds may be issued under the General Ordinance to pay the costs of Projects relating to the Airport System, to reimburse the City for the prior payment of such costs, to fund any such costs for which the City shall have outstanding obligations, to refund bonds of the City previously issued for such purposes or to finance other costs relating to the Airport System permitted under the Act; provided that, among other requirements, in each case other than certain refundings of bonds, the City obtains reports of the Consultants stating, among other things, that (i) for either the immediately preceding Fiscal Year of the City, or any period of 12 full consecutive months during the 18-month period preceding the delivery of the Consultants' reports, the Airport System yielded pledged Amounts Available for Debt Service, sufficient to satisfy the Rate Covenant, (ii) the Airport System will, in the opinion of the Consultant, yield pledged Amounts Available for Debt Service for each of the five Fiscal Years (or three Fiscal Years in the event that the Consultant is professionally unable to provide an opinion for a period in excess of three Fiscal Years) ended immediately following the issuance of the 2010 Bonds, sufficient to comply with the Rate Covenant, and (iii) a statement that the Airport System is in good operating condition or that adequate steps are being taken to return the Airport System to good operating condition. For a discussion of the issuance and assumption of additional Bonds under the General Ordinance, see APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2010 BONDS – The Amended and Restated General Airport Revenue Bond Ordinance – Summary of Operative Provisions of the General Ordinance – Conditions of and Provisions Relating to Issuing Bonds."

Authorization for Possible Transfer of Airport System

The General Ordinance provides that, under certain circumstances, the City has the ability to transfer the Airport System to a municipal authority created pursuant to the Municipality Authorities Act, or to an authority created pursuant to other authorizing legislation or to another entity which will assume all of the obligations evidenced by the bonds outstanding under the Ordinances, including the 2010 Bonds. See APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2010 BONDS – The Amended and Restated General Airport Revenue Bond Ordinance – Summary of Operative Provisions of the General Ordinance — Conveyance of System and Assignment, Assumption and Release of Obligations" for a summary of the conditions which must be satisfied prior to any such transfer.

SOURCES OF PROJECT REVENUES UNDER THE GENERAL ORDINANCE

Airport-Airline Use and Lease Agreements

General.

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

Between July 1, 2006 and June 30, 2007, all airlines serving the Airport operated under an Airport Rates and Charges Regulation (the "Regulation") adopted by the City on June 16, 2006. Since July 1, 2007, the City and the principal airlines serving the Airport have operated under the terms of a new Airport-Airline Use and Lease Agreement (the "Airline Agreement") to succeed the Prior Airline Agreement. The Airline Agreement has been executed by airlines accounting for substantially all of the landed aircraft weight at the Airport. The procedures in the Airline Agreement for setting airline rentals, fees, and charges are such as to ensure continued compliance with the Rate Covenant. The Airline Agreement expires June 30, 2011, unless earlier terminated as provided therein. The Division of Aviation expects that negotiations for a new Airline Agreement will begin later this fall. In the absence of a new Airline Agreement, the City has the power and authority to establish, charge and collect air carrier rates and charges by ordinance, subject to satisfaction of requirements of federal law.

There follows a summary of certain provisions of the Airline Agreement. This summary is in all respects subject to and qualified by the complete, definitive form of the Airline Agreement in its entirety, copies of which are available from the Office of the Director of Finance at the address set forth under the heading "**ADDITIONAL INFORMATION**" herein. Certain capitalized terms in this summary are as defined in the Airline Agreement.

See APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2010 BONDS" for a more detailed description of the provisions of the Airline Agreement.

Cost Centers

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

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

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

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

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

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

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

Adjustment of Rentals, Fees, and Charges.

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

Landing Fee Rates.

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

Terminal Rentals and International Common Use Area Fees.

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

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

Ramp Area Rentals.

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

Non-Signatory Airline Rentals, Fees, and Charges.

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

Operating Budget.

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

Annual Adjustment.

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

Mid-Year Adjustment.

Additional provisions permit adjustments during any Fiscal Year in the event the City estimates a substantial (10% or more) decrease in revenues or increase in expenses. Under the Airline Agreement, the City must hold a consultation meeting with the Signatory Airlines no less than 30 days prior to any such mid-year adjustment. The City has not estimated that a mid-year adjustment is necessary for Fiscal Year 2011 as a result of the issuance of the 2010 Bonds.

Majority-in-Interest Approval of Capital Expenditures

Under the Airline Agreement, Capital Expenditures are deemed approved by the Signatory Airlines unless they are specifically disapproved by a Majority-in-Interest. For projects affecting Terminal Area rentals, fees, and charges, Majority-in-Interest is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of the passengers enplaned at the Airport during the preceding calendar year. For projects affecting Airfield Area fees and charges, Majority-in-Interest is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of landed weight at the Airport during the preceding calendar year. Majority-in-Interest approval obligates the Signatory Airlines to pay rentals, fees, and charges as required to enable the City to comply with the Rate Covenant.

Accommodation of Airlines

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

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

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

Certain Other Revenues

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

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

Philadelphia Parking Authority

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

Revenues under the Ground Lease with the Philadelphia Parking Authority

The PPA owns and operates five parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease that extends to December 31, 2030 or such time all bonds issued under PPA's bond indenture have been retired (the "Ground Lease"). The Ground Lease provides for payment of rent to the City (the "Rental Payment"), which is equal to gross receipts less operating expenses, debt service on PPA's bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The Rental Payments that were transferred from the PPA to the City's Aviation Operating Fund as rent on June 30, 2007, 2008 and 2009 were $33,184,918, $33,570,037 and $31,239,909, respectively. The decline in 2009 resulted from a decrease in the number of originating passengers.

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Insured Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") will issue its Municipal Bond Insurance Policy for the Insured Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix VIII to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AA+" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 25, 2010, S&P published a Research Update in which it downgraded AGM's counterparty credit and financial strength rating from "AAA" (negative outlook) to "AA+" (stable outlook). Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010.

Capitalization of AGM

At June 30, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,264,680,337 and its total net unearned premium reserve was approximately $2,259,557,420, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);

(ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010); and

(iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

THE AIRPORT SYSTEM

General

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

The City is classified as a large air traffic hub by the Federal Aviation Administration (the "FAA"). According to the Airport Council International, in calendar year 2009, the Airport was ranked 18th in passenger traffic among U.S. airports and served a total of approximately 30.7 million passengers. Origin-destination traffic for Fiscal Year 2009 accounted for approximately 57% of annual passengers, with the remaining 43% being passengers who connected between flights. For information on airline market share, passenger enplanements, airline landed weight and historical and projected airline traffic activity at the Airport, see APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED OCTOBER 19, 2010 – Airline Traffic Analysis."

Management of the Airport System

The Chief Executive Officer, Mark Gale, is responsible for the operation of the Division of Aviation. As of June 30, 2010, there were approximately 1,000 persons employed by the City at the Airport.

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

Mark Gale, Chief Executive Officer. On December 18, 2009, Mr. Gale was appointed by Mayor Nutter as Chief Executive Officer (CEO) of Philadelphia International Airport (PHL). As CEO, Mr. Gale serves as the City's chief representative in local, state, national and international affairs, in marketing the Airport and improving air service. In this capacity, he is responsible for directing the development, planning and administration of all the activities of the City's Division of Aviation, including Philadelphia International Airport, Northeast Philadelphia Airport. Mr. Gale served as Acting Director of Aviation from January 2009 to his appointment as CEO. Prior to being named Acting Director of Aviation, Mr. Gale was Deputy Director of Aviation for Operations and Facilities since 2000. As Deputy Director, Mr. Gale led a group of managers directing the day-to-day critical airport functions, including all airport operations, safety/security, information technology, engineering design and construction, emergency plans, snow removal, and rules and regulations development. From 1996 to 2000, he served as the Airports Operations Manager before being appointed Deputy Director.

Mr. Gale originally began his career at the Airport in 1985 as an intern. After graduation, he returned to the Airport in 1989 and has held a variety of positions during his tenure. Mr. Gale holds a

Bachelors degree in Aeronautical Studies from Embry-Riddle Aeronautical University. He is an accredited member in the American Association of Airport Executives (AAAE) and also serves on AAAEs Board of Directors. Additionally, Mr. Gale currently serves as an Officer on the Board of Directors for the Aviation Council of Pennsylvania as well as the Philadelphia Convention and Visitors Bureaus Board of Directors Executive Committee and its International Committee.

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

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

James Tyrrell, Deputy Director of Aviation – Property Management and Business Development. Mr. Tyrrell is responsible for the Property Management and overall Business Development functions for the Airport System. He joined the Division of Aviation in 1987 and served as the Airport Properties Manager from 1993 to 2001. He obtained his undergraduate degree (B.S. Marketing/Management, 1982) from Saint Joseph's University. Prior to joining the Airport he worked in commercial real estate as a site selector for a franchise company.

Calvin M. Davenger, Jr., Deputy Director of Aviation – Planning and Environmental Stewardship. Mr. Davenger started his aviation career at Philadelphia International Airport in 1991. He is responsible for directing the development of a comprehensive Airport Master Plan and an accelerated environmental review resulting in two Environmental Impact Statements. He is also responsible for ensuring that the Airport adheres to environmental regulatory measures and heads the Airport's Sustainability Initiative. Mr. Davenger received a Bachelor of Science degree in Mechanical Engineering from the Pennsylvania State University (1971). He was licensed in 1976 as a Registered Professional Engineer in Pennsylvania and a Certified Member of the American Association of Airport Executives.

Thomas J. Becker, Assistant Director of Aviation – Budget and Central Services. Mr. Becker is responsible for the Airport's operating budget, rates and charges, accounting and financial reporting activities. In addition, Mr. Becker manages airport human resources functions, including payroll, labor relations, safety, and training. As part of the operating budget process, Mr. Becker coordinates budget issues with other city departments that utilize Aviation funds. He also serves as the Airport liaison with the Philadelphia Parking Authority (PPA) and Southeastern Pennsylvania Transportation Authority (SEPTA). Mr. Becker started to work for the City in 1984 and joined the Airport's accounting division in 1989. In 2001, he was appointed to his current position as Assistant

Director and was selected as the Airport's Integrity Officer in 2007. Prior to joining the Airport, Mr. Becker served in various accounting and budget positions with the City's Accounting Bureau, Police Department and Office of Fleet Management. Mr. Becker earned a B.S. in Accounting from St. Joseph's University.

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

Description of the Airport

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

Land. The Airport contains approximately 2,328 acres, which the City owns in fee simple subject only to certain liens or encumbrances which do not interfere with the orderly operation of the Airport.

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

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

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

Ticketing and baggage claim operations occupy the ground level and are served by ground level roadways. Airline operational facilities and baggage make-up areas are located on the ground level of the

Terminal Building and in the concourses. While airline office space is provided adjacent to ticket counter locations or in concourses, there are also offices in the connectors, the Terminal B Tower and the Baggage Claim Buildings. Concessions are located throughout the public areas on two levels of the Terminal Building.

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

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

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

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

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

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

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

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

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

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

Northeast Philadelphia Airport

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

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

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

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

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

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

Recently Completed and In Progress Capital Improvement Projects

Following are the major capital projects, in addition to the 2010 Project, in the Airport System that have been or are expected to be completed in Fiscal Year 2008 through approximately Fiscal Year 2013:

Expansion and Modernization of Terminals D and E. This project consists of a new 210,000 square foot multi-level connector building between Terminals D and E, a 50,000 square foot addition to the Terminal E concourse which provided three additional passenger gates, a 11,000 square foot connector building between Bag Claims D and E, and various renovations to areas within the two terminals and the adjacent Thermal Plant. The first level of the new connector building will house a new baggage make-up area that will contain Explosive Detection Devices which would be operated by the Transportation Security Administration as part of an in-line baggage screening system. The second level includes a fourteen-lane passenger security screening area serving both terminals, and the third level houses Division of Aviation offices and space for an airline club. The combined security checkpoint was opened to the public in December 2008. The baggage claim renovations and the Hammerhead Expansion were completed in early 2010. The in-line Explosive Detection System checked baggage is scheduled for completion in 2011. The total estimated cost of the D-E project is currently $341 million.

Terminal A East Improvements. This project consists of various improvements to the terminal building and concourse of Terminal A-East to make it fully compatible with the newer adjacent international terminal (A-West). The first phase of the work, which included conversion of space formerly occupied by FIS agencies to new uses, creation of a new seven-lane security checkpoint, and upgrading the fire alarm and fire protection systems, has been completed. Under the other phases, work will also take place in the ticketing area, concourse and other related spaces, and will include new doors, flooring, ceilings, and lighting and upgrading of mechanical and electrical systems. Also, the outbound baggage handling system will be modified to provide an in-line Explosive Detection System ("EDS") for checked baggage. Completion of building renovations is 96% as of July 31, 2010 with the in-line EDS scheduled for 2013. The total estimated cost of the Terminal A East project is $78 million.

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

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

Other Airfield Area Improvements. Various projects have been in progress to renovate and upgrade existing airfield facilities. The resurfacing of runway 17-35 was completed in 2004 with an approximate cost of $6.5 million. A Surface Movement Guidance and Control System ("SMGCS") which enhances safety on the Airfield was completed in 2006 at a total cost of $8.5 million. The aircraft parking aprons in the vicinity of Terminals D and E and in the Cargo City area are being replaced through multi-year construction programs. The work in those two areas is estimated to have a total cost of $60 million. With approximately 40% of the work completed to date, total completion is scheduled for 2011. Also work is underway to reconstruct several taxiways, and final design is underway for the reconstruction of the Airport's longest runway (9R-27L). The estimated cost for these runway/taxiway projects is $50 million with completion scheduled for 2011.

Employee Parking Lot Expansion. Approximately 16 acres of land adjacent to the existing employee parking lot were acquired in order to provide an additional 1,400 parking spaces. The work included grading, paving, drainage, lighting and fencing and was completed in June 2008. The total cost for the parking lot was approximately $14 million.

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

Northeast Philadelphia Airport. The taxiways are currently being rehabilitated in two contracts. Taxiways A & L are currently in construction with an estimated completion date in October 2010 at a cost of $2.6 million. The design of Taxiways F, G, H & J has been completed and the construction is expected to be completed in 2011 at an estimated total cost of $1.2 million.

Future Airport System Capital Improvement Projects

Over the next several years, the City expects to undertake additional Airport capital improvements and to finance such improvements in part with proceeds of additional bonds. Specifically, the City expects to undertake the projects set forth below:

(a) Terminal B-C In-Line Baggage Handling System

(b) International Gate Expansion

(c) Property Acquisitions

(d) Security System Improvements

(e) Terminal B-C Expanded Security Checkpoint

The longer-term capital program for the Airport is being refined and updated as part of the Master Plan and National Environmental Policy Act processes. In August 2010, the FAA published a Final Environmental Impact Statement that selected a preferred alternative for the Capacity Enhancement Program (CEP), which will include a third-parallel east-west runway, extension of two existing runways, enlarging the existing terminal complex, relocating several off-airport facilities, developing a centralized ground transportation center, and constructing an automated people mover for transport of passengers between terminals and parking facilities that would also interface with the existing SEPTA rail line. The costs of the CEP is estimated to be \$5.35 billion and the total period for the phased construction would be approximately 13 calendar years, or between 2013 and 2025. The FAA expects to issue a Record of Decision by the end of 2010. The funding of this longer-term capital program will require the issuance of Additional Bonds.

For a description of these projects, see APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED OCTOBER 19, 2010. The implementation of these projects and the issuance of additional bonds for their financing are subject to, among other requirements, obtaining MII approval from the Signatory Airlines and meeting the additional bonds test requirements of the General Ordinance.

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

Funding Sources for Airport System Capital Improvement Projects

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

Airport Revenue Bonds and General Obligation Bonds of the City. The financing of a portion of the capital improvements to the Airport System has been accomplished through the sale of Airport Revenue Bonds and the City's general obligation bonds. The City has previously issued several series of general obligation bonds and fifteen series of Airport Revenue Bonds, ten of which are currently outstanding (the 1997A Bonds, the 1998A Bonds, the 1998B Bond, the 2001A Bonds, the 2001B Bonds, the 2005A Bonds, the 2005C Bonds, the 2007A Bonds, the 2007B Bonds and the 2009A Bonds). As of June 30, 2010, there were \$1,232,700,000 of Airport Revenue Bonds outstanding for the Airport System. No general obligations bonds of the City issued to finance capital improvements to the Airport System are currently outstanding or contemplated.

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

Since 1982, the Division of Aviation has received grants from the Federal government under the AIP. In Fiscal Year 2004 through Fiscal Year 2010, the Division of Aviation received entitlement (passenger and cargo) grants averaging $6.0 million per year and discretionary grants averaging $16.8 million per year. The Airport funded the extension of runway 17-35 and the Residential Sound Insulation Program with a portion of the AIP grants during this period. In addition, during Fiscal Year 2009, the Airport received $5.7 million in stimulus funding from the FAA and $26.6 million in stimulus funding from the TSA.

In FY 2009 through the AIP program, the City received $4.7 million in passenger entitlement grants, $2.1 million in cargo entitlement grants, and $23.2 million in discretionary grants, for a total of $30.0 million. The City also received funding through the American Recovery and Reinvestment Act, as administered by FAA and TSA, in FY 2009 totaling $32.3 million. A total of $13.5 million in AIP funding has been obtained or requested in FY 2010.

For the estimated AIP grants for the 2010 Project, it was assumed that AIP entitlement amounts will continue to be determined using the current calculation methodology and that additional AIP discretionary funding will be received. As shown, the City estimates that it will receive a total of $58.5 million in AIP grant funding for certain elements of the 2010 Project, specifically taxiway and Runway 9L-27R resurfacing projects.

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

Commonwealth Grants-In-Aid. The Pennsylvania Department of Transportation (PennDOT) provides grants for airport improvements. The Division of Aviation has received approximately $800,000 per year for improvements at the Airport and $100,000 to $1,000,000 for improvements at the Northeast Philadelphia Airport. The grants have been used for airfield improvements. In addition, four grants totaling $5.4 million were issued through the State Capital Budget from 2006 to 2009 for Philadelphia International Airport. No PennDOT grants are expected to be available to pay costs of the 2010 Project.

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

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

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

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

Table 1

HISTORY OF APPLICATIONS TO USE PFC REVENUES
Philadelphia International Airport

As of June 30, 2010

PFC Application No.	Approval Date	Initial Approved Amount	Amended Approved Amount
93-02-U-00-PHL	05/15/1993	$ 14,250,000	$ 12,805,496
95-03-C-00-PHL	02/27/1995	101,500,000	94,683,961
95-04-U-00-PHL	10/13/1995	950,000	1,270,605
95-05-C-00-PHL	11/21/1995	14,000,000	14,000,000
98-06-C-00-PHL	02/11/1998	26,150,000	19,534,950
99-08-U-00-PHL	10/12/1999	672,000,000	999,267,790
01-09-C-00-PHL	02/22/2000	22,250,000	24,400,000
06-10-C-00-PHL	02/16/2006	83,250,000	238,950,000
Totals		$934,350,000	$1,404,912,802

Source: City of Philadelphia, Division of Aviation.

The City is authorized to use PFC Revenues to pay a portion of the Debt Service Requirements of the 1998B Bond and the 2001A Bond and has pledged PFC Revenues equal to 100% of the annual amount of PFC-eligible debt service on the 1998B Bond, the 2001A Bond and the 2010D Bonds, subject to the limitation that in no year shall the amount pledged exceed the lesser of (1) 70% of PFC Revenues received by the City in such year, or (2) 75% of total debt service on the 1998B Bond and the 2001A Bond in such year.

Through June 30, 2010, PFC Revenues received by the City, including investment earnings, totaled approximately $803.4 million, of which approximately $747.5 million had been expended on approved project costs, as shown in Table 2 on the following page.

Table 2

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

FISCAL YEAR	COLLECTIONS	INTEREST	TOTAL REVENUES
1993	$14,484,101	$ 142,790	$14,626,891
1994	22,605,318	1,111,511	23,716,829
1995	21,828,173	2,285,485	24,113,658
1996	22,817,704	2,277,935	25,095,639
1997	27,229,901	1,837,334	29,067,235
1998	30,931,674	1,654,752	32,586,426
1999	29,408,652	2,018,264	31,426,916
2000	32,278,858	2,828,083	35,106,941
2001	31,880,729	3,362,695	35,243,424
2002	53,688,877	2,112,347	55,801,224
2003	43,961,971	1,537,729	45,499,700
2004	51,766,443	808,417	52,574,860
2005	61,378,549	1,284,025	62,662,574
2006	62,165,176	3,252,682	65,417,858
2007	65,328,768	5,047,044	70,375,812
2008	70,120,974	5,098,760	75,219,734
2009	60,898,941	1,886,741	62,785,682
2010	61,696,738	353,391	62,050,129
Total – Program Inception through June 30, 2010	$764,471,547	$38,899,985	$803,371,532
	Expenditures through June 30, 2010................		$747,592,311
	Balance..		$55,779,221

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

Source: City of Philadelphia, Division of Aviation

Aviation Activity at the Airport

As of July 2010, a total of 625 average daily departures to 121 cities, including 87 domestic and 35 international destinations were provided from the Airport. In 2004, Southwest began service at the Airport with 14 daily departures and has since increased scheduled service to 60 daily departures as of July 2010. Fare competition at the Airport among Southwest, US Airways, and other airlines between FY 2005 and FY 2007 resulted in reduced average airfares and increased air travel, both by passengers who otherwise would have used competing airports and by those who would not have traveled by air. In FY 2001, average airfares at the Airport were 51% higher than those at Baltimore-Washington International; in FY 2005, the first full year of Southwest Airlines service, they were 11% higher. Between FY 2004 and FY 2005, average airfares at Philadelphia decreased an average of 19.0% largely as a result of competition provided by Southwest Airlines. Overall, between FY 2004 and FY 2009, airfares increased at most the airports, but fell at the Airport.

US Airways remains the principal air carrier operating at the Airport, and the Airport serves as a primary hub in US Airway's route system. US Airways currently leases 68 of the existing 124 gates at the Airport under the US Airways Airline Agreement. US Airways, together with its regional airline affiliates operating as US Airways Express, accounted for approximately 64% of the 15.4 million passengers enplaned at the Airport in FY 2009, as well as approximately 44.0% of total Aviation Fund operating revenues in Fiscal Year 2009.

The scheduled passenger airlines serving the Airport and their respective market shares are listed in Table 3 below and Table 4 on the following page. For a more detailed description of airline market share, passenger enplanements, airline landed weight and historical and projected airline traffic activity at the Airport, see APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED OCTOBER 19, 2010 – Airline Traffic Analysis" herein.

Table 3
HISTORICAL ENPLANED PASSENGERS
Philadelphia International Airport
(Fiscal Years Ending June 30)

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

	Average Annual Percent Increase		
1990-2001	3.8%	13.5%	4.5%
1996-2001	5.5	18.0	6.6
2001-2010	1.8	3.5	2.0

Source: City of Philadelphia, Division of Aviation.

Table 4

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

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

	Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010	
	Number	Percent	Number	Percent	Number	Percent
International Service Scheduled						
US Airways	1,564,857	9.7%	1,558,766	10.1%	1,621,853	10.7%
US Airways	140,444	0.9	104,297	0.7	137,464	0.9
British Airways	114,278	0.7	103,473	0.7	103,258	0.7
Lufthansa	74,508	0.5	69,804	0.5	69,030	0.5
Air France	56,920	0.4	50,549	0.3	41,124	0.3
Air Jamaica	42,445	0.3	42,537	0.3	36,217	0.2
USA 3000	35,079	0.2	26,144	0.2	24,452	0.2
Air Canada (c)	51,557	0.3	47,871	0.3	47,045	0.3
Piedmont	173	0.0	--	--	--	
Subtotal	2,080,261	13.0%	2,003,441	13.0%	2,080,443	13.7%
Nonscheduled	1,656	0.0	1,856	0.0	59	0.0
Total International Service	2,081,917	13.0%	2,005,297	13.1%	2,080,502	13.7%
Total Service	16,052,973	100.0%	15,362,743	100.0%	15,193,741	100.00%

(a) On September 27, 2010, Southwest announced an agreement to purchase AirTran, subject to shareholder and regulatory approval. See "Effect of Bankruptcies and Mergers on Various Airline Agreements – General; Bankruptcies and Mergers".

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

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

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

Source: City of Philadelphia, Division of Aviation.

Information Concerning the Signatory Airlines

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

US Airways

According to the records of the Division of Aviation, US Airways, Inc. ("US Airways") and its regional affiliates accounted for 64% of the total enplaned domestic and international passengers at the Airport in the Fiscal Year ended June 30, 2009.

Based on its current activities at the Airport, US Airways is an "obligated person" as such term is defined by Rule 15c2-12 promulgated by the Commission ("Rule 15c2-12") and as used in the Continuing Disclosure Agreement to be executed by the City and acknowledged by US Airways in connection with the delivery of the 2010 Bonds. See "CONTINUING DISCLOSURE AGREEMENT" and APPENDIX VII – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

THE AIRPORT SERVICE REGION

For a discussion of the service region and the region served by the Airport, see APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED OCTOBER 19, 2010 – Airline Traffic Analysis – Airport Service Region." See also APPENDIX V – "CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA."

FINANCIAL FACTORS

The City Controller has not participated in the preparation of the budget estimates and projections set forth in various tables contained in this Official Statement or otherwise set forth herein. The financial statements, tables, statistics and other information contained in this Official Statement have been provided by the Division of Aviation and can be reconciled to the financial statements in the City's Comprehensive Annual Financial Report ("CAFR") for the Fiscal Years 2005 through 2009.

Historical Project Revenues and Operating Expenses

For information regarding the historical Project Revenues and Operating Expenses of the Airport System, see the Report of the Airport Consultant included as APPENDIX II of this Official Statement. The Report of the Airport Consultant should be read in its entirety.

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

Table 5

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

Line		2005	2006	2007	2008	2009
	AMOUNTS AVAILABLE FOR DEBT SERVICE					
1.	Revenue deferred from prior year	$18,688	$22,876	$9,621	($12,485)	$3,304
1a.	Deferred revenue adjustment		(3,714)	0	6,667	0
2.	Space rentals	44,883	47,947	55,929	75,420	83,608
3.	Landing Fees	36,314	29,622	25,845	44,597	49,082
4.	Ramp Area rentals	1,482	1,128	285	800	670
5.	Terminal Payments-in-Aid	13,884	9,719	0	0	0
6.	Outside Terminal Area Payments-in-Aid	982	0	0	0	0
7.	International Terminal revenues	19,553	16,919	15,370	17,722	19,673
8.	Revenue (deferred)/accrued to subsequent year	(22,876)	(9,621)	12,485	(3,304)	(7,203)
9.	Subtotal, Airline Rentals, Fees and Charges	112,901	114,876	119,535	129,418	149,134
10.	Nonairline Revenue	71,599	84,187	90,105	119,533	104,698
11.	Interest Income	618	1,724	1,619	1,594	1,420
12.	Total Project Revenues	185,127	200,787	211,259	250,544	255,252
13.	Passenger Facility Charges (PFCs) Available for Debt Service	32,908	32,592	32,921	32,926	32,926
14.	Portion of Fund Balance Attributable to Amounts Available for Debt Service	0	0	10,241	42,583	61,413
15.	Total Amounts Available for Debt Service	218,035	233,379	254,421	326,053	349,590
	EXPENSES					
16.	Net Operating Expenses	71,348	77,152	87,073	99,820	99,520
17.	Required Renewal Fund Deposit	0	0	0	0	0
18.	Revenue Bond Debt Service	88,081	88,126	85,565	84,388	95,645
19.	General Obligation Bond Debt Service	1,051	0	0	0	0
20.	Interdepartmental Charges	57,555	57,860	70,670	89,136	89,002
21.	Total Expenses	218,035	223,138	243,308	273,344	284,168
22.	NET REVENUE	$0	$10,241	$11,113	$52,709	$65,422
	RATE COVENANT TEST OF THE ORIGINAL GENERAL ORDINANCE					
23.	Test A (Line 15-Line 16-Line 17)/(Line 18)	1.67	1.77	1.96	2.68	2.61
24.	Test B (Line 15-Line 16-Line 20)/(Line 18+Line 19)	1.00	1.12	1.13	1.62	1.68

* Information reconciles to the Basic Financial Statements contained in the City's Comprehensive Annual Financial Report, which are audited by the City Controller.

Management Discussion of Historical Results

Table 5 presents the annual revenues and expenses of the Airport System for Fiscal Year 2005 – Fiscal Year 2009. As shown in the table, Fiscal Year 2008 and Fiscal Year 2009 revenues and expenses are markedly higher than they were in Fiscal Year 2005 through Fiscal Year 2007. This is primarily due to enactment of the seventh supplemental amendment to the General Ordinance in June, 2007, which provides for inclusion of Outside Terminal Area (OTA) revenues and expenses in the calculation of debt service coverage. Since the OTA typically generates net revenue, coverage for Fiscal Year 2008 and Fiscal Year 2009 is significantly higher than Fiscal Year 2005 - Fiscal Year 2007. This enhancement of debt service coverage was a primary consideration in amending the General Ordinance.

The information contained in Table 5 is presented on the accrual basis of accounting adjusted to meet the particular requirements of the General Ordinance, the Prior Airline Agreement and, for Fiscal Year 2008-2009, the Airline Agreement. See APPENDIX I – "FINANCIAL STATEMENTS OF THE DIVISION OF AVIATION."

__**Fiscal Year 2005 to Fiscal Year 2007 Discussion.**__

Nonairline Revenues rose at an average annual rate of 12.2% from Fiscal Year 2005 to Fiscal Year 2007. This significant increase enabled Airport management to hold Airline Rentals, Fees and Charges to an average annual increase of 2.9% from Fiscal Year 2005 to Fiscal Year 2007. This demonstrates a fundamental goal of management to minimize increases in airline payments for the use and lease of Airport facilities. Sources of the additional Nonairline Revenues include:

- A \$2.8 million increase in terminal concession program rentals, associated profit sharing payments and terminal advertising program commissions.
- A \$1.2 million increase in car rental concession revenues, excluding car rental revenues of the OTA.
- A \$11.1 million increase in terminal rentals and landing fees from airlines not signatory to the Prior Airline Agreement, due to the commencement of air service by Southwest Airlines, Frontier Airlines and USA 3000, and leasehold expansion by Southwest Airlines.
- A \$3.4 million increase in other Nonairline Revenue sources, including utility sales and the lease of Airport-owned jet bridges and other equipment to passenger airlines.

Operating Expenses, the combined total of Net Operating Expenses (expenses of the Division of Aviation) and Interdepartmental Charges, increased at an average annual rate of 10.6% between Fiscal Year 2005 and Fiscal Year 2007. The specific components of this cost increase include:

- A \$3.3 million increase in payroll costs (4.7%), attributable to wage provisions of civilian collective bargaining agreements and the filling of Division of Aviation vacant positions.
- A \$8.9 million increase in contractual services, materials and supplies and equipment (8.4%), attributable to facility maintenance, public information services and infrastructure improvements funded through the operating budget.
- A \$5.8 million increase in police and fire costs (11.1%), due primarily to enhanced federal security mandates and the required funding of police and fire binding arbitration contracts with the City.
- A \$3.3 million increase in fringe benefits (9.5%), reflecting increased annual costs to fund the City's defined benefit pension plans and City-administered health and medical plans.

- A \$7.5 million increase in other Division of Aviation expenses and Interdepartmental Charges, primarily attributable to vehicle purchases, utilities and the cost of central City services incurred on behalf of the Airport.

Fiscal Year 2008 and Fiscal Year 2009 Discussion.

As referenced previously, Fiscal Year 2008 is the first year in which revenues and expenses of the OTA are included in the calculation of debt service coverage. This inclusion, and the establishment of new operating reserves, account for the significant increase in the "Portion of Fund Balance Attributable to Amounts Available for Debt Service" (from \$10.2 million in Fiscal Year 2007 to \$61.4 million in Fiscal Year 2008).

The principal sources of OTA revenues, along with their Fiscal Year 2009 amounts, include net income from the public parking operation (\$31.2 million), rental car concession fees and ground rentals (\$5.0 million), the Airport hotel concession (\$1.8 million), commercial ground transportation egress fees (\$1.6 million) and utility sales (\$0.3 million). The principal components of OTA operating expenses, along with their Fiscal Year 2009 amounts, include payroll (\$1.1 million), contractual services, including ground transportation and shuttle bus service costs (\$10.4 million) and police costs (\$8.1 million).

Between Fiscal Year 2008 and Fiscal Year 2009, Airline Revenues grew from \$129.4 million to \$149.1 million, primarily resulting from an \$11.2 million increase in revenue bond debt service and a \$14.8 million reduction in Nonairline Revenues, which reduced the amounts available to offset airline rate requirements. The increase in debt service is primarily attributable to a portion of the Series 2007 Airport Revenue Bonds, the interest expense on which had been capitalized prior to Fiscal Year 2009. The reduction in Nonairline Revenues is due primarily to a one-time \$9.9 million reimbursement from the Aviation Capital Fund in Fiscal Year 2008 for the purchase of loading bridges from airlines and a \$4.3 million reduction in parking and rental car revenues associated with an overall 4.3% reduction in enplanements, concentrated mainly in the originating passenger category.

Cost-saving strategies implemented by Airport management in Fiscal Year 2009 produced reductions in the personal services (payroll) and contractual services. These cost reductions fully offset increases in fringe benefit rates for civilian and uniformed employees for Fiscal Year 2009. As a result, total Fiscal Year 2009 Operating Expenses held constant with Fiscal Year 2008 levels.

Net Revenue.

Net Revenue has increased substantially, from \$10.2 million in Fiscal Year 2006 to \$65.4 million in Fiscal Year 2009 (there was no Net Revenue in Fiscal Year 2005). This rapid growth in the Airport System's financial results is due to the inclusion of the OTA in debt service coverage; the establishment of an Operating and Maintenance reserve in Fiscal Year 2008, pursuant to the Airline Agreement; and the establishment of a Bond Redemption and Improvement account in Fiscal Year 2008 pursuant to the Airline Agreement.

Rate Covenants.

As illustrated in Table 5, the rate covenants prescribed in the General Ordinance were satisfied in each fiscal year. The significant increase in achieved rate coverage from Fiscal Year 2005 to Fiscal Year 2009 is directly attributable to the above-referenced growth in Net Revenue.

Management Discussion of Fiscal Year 2010 Estimated Results and Fiscal Year 2011 Budget

The Airport System's Fiscal Year 2010 estimated revenues, operating expenses and debt service are expected to approximate Fiscal Year 2010 budgeted levels. Specifically, the aggregate of Airline Rentals, Fees and Charges and Nonairline Revenues are estimated at \$254.1 million, or 1.6% lower than budgeted. Operating Expenses and Debt Service are estimated at \$293.0 million, or 0.7% lower than budgeted. Fiscal Year 2010 estimated Operating Expenses are 1.4% less than the budget and Fiscal Year 2010 estimated Debt Service is 0.8% higher than the budget.

Based on Fiscal Year 2011 budgeted Operating Expenses, Debt Service and Nonairline Revenues, required Airline Rentals, Fee and Charges in the Fiscal year 2011 budget are $169 million, a $12.1 million (7.7%) increase over the Fiscal Year 2010 budget. Debt Service accounts for $7.7 million of this increase, attributable to increased payments for both Series 2007 and Series 2009 Airport Revenue Bonds. Nonairline Revenues are budgeted to be constant with the Fiscal Year 2010 budget. The balance of the $12.1 million increase in Airline Rentals, Fees and Charges is due primarily to a $4.1 million (2.1%) increase in Operating Expenses, including:

- Utility cost increases ($3.8 million) resulting from the expiration of certain statewide electric generation rate caps effective January 1, 2011; and a new Philadelphia Water Department rate structure effective July 1, 2010, which imposes higher fees on properties with a high concentration of impervious surfaces.
- Increases in contractual services, including maintenance of new mechanical and high technology systems put in place under the Terminal D-E expansion project, partially offset by reductions in payroll and fringe benefit costs ($0.3 million).

The Airport System's revenues and expenses for Fiscal Year 2011 are expected to approximate budgeted revenues and expenses.

Airport Insurance

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

Cash Management and Investment Policies

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

Hedges and Swaps

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

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

The City has entered into one swaption agreement pursuant to the General Ordinance, which is an Exchange Agreement (the "Swap Agreement"), as such term is defined in the General Ordinance. The City's obligations under the Swap Agreement are payable solely from and secured solely by Project Revenues in the order of priority listed in Section 4.06 of the General Ordinance, that is, subject and subordinate to the City's obligations to pay Net Operating Expenses, Debt Service Requirements (including debt service on the 2010 Bonds, payments on Qualified Swaps and Credit Facility charges secured on a parity to Bonds) and obligations to replenish the Sinking Fund Reserve. However, the City's obligation to pay termination payments with respect to the Swap Agreement and the security interest in Project Revenues therefor are subject and subordinate to its obligation to make periodic payments under the Swap Agreement.

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Schedule of Debt Service

The following schedule of debt service shows the debt service requirements on the 2010 Bonds together with estimated debt service on other outstanding Airport Revenue Bonds.

Fiscal Year Ending June 30	2010 Bonds Debt Service 2010A Bonds	2010B, 2010C and 2010D Bonds	Existing Airport Revenue Bonds Debt Service*	Total Airport Revenue Bonds Debt Service
2011	$ 7,938,165	$ 15,113,021	$ 85,650,723	$108,701,909
2012	13,604,612	41,421,850	65,808,085	120,834,547
2013	13,604,512	41,412,850	66,249,510	121,266,872
2014	18,669,412	41,406,600	66,535,335	126,611,347
2015	18,668,112	41,409,450	66,874,397	126,951,959
2016	18,666,562	35,828,200	67,180,673	121,675,435
2017	18,668,962	35,852,450	67,536,768	122,058,180
2018	18,665,712	35,836,950	66,774,143	121,276,805
2019	18,668,212	26,390,700	66,912,918	111,971,830
2020	18,666,463	26,387,200	67,043,639	112,097,302
2021	18,667,963	26,391,000	67,032,351	112,091,314
2022	18,670,463	26,392,250	66,869,991	111,932,704
2023	18,669,713	26,388,625	66,675,669	111,734,007
2024	18,668,963	26,388,825	66,343,756	111,401,544
2025	18,668,963	26,382,025	65,891,769	110,942,757
2026	18,668,713	1,300,950	75,555,200	95,524,863
2027	18,666,263	1,300,950	75,561,456	95,528,669
2028	18,669,863	26,080,950	43,495,794	88,246,607
2029	18,667,475		26,591,294	45,258,769
2030	18,666,250		22,855,650	41,521,900
2031	18,669,525		22,852,175	41,521,700
2032	18,666,275		20,092,862	38,759,137
2033	18,669,525		20,095,375	38,764,900
2034	18,667,525		20,095,212	38,762,737
2035	18,669,025		20,090,662	38,759,687
2036	18,665,250		11,780,000	30,445,250
2037	18,664,000		11,775,750	30,439,750
2038	18,661,250			18,661,250
2039	18,665,250			18,665,250
2040	18,663,750			18,663,750
Total	**$539,166,728**	**$501,684,846**	**$1,390,221,157**	**$2,431,072,731**

* Does not include debt service on the portions of the 1997A Bonds, the 1998A Bonds and the 1998B Bond that are being refunded with proceeds of the 2010 Bonds. Interest calculated at the current fixed swap rate of 5.65% per annum for the Series 2005C Bonds; actual results may vary. Note: Some annual totals are rounded or truncated to whole dollars.

REPORT OF THE AIRPORT CONSULTANT

LeighFisher prepared the Report of the Airport Consultant (included as APPENDIX II to this Official Statement) in connection with the issuance of the 2010 Bonds. References made herein to the Report of the Airport Consultant are made to the entire Report of the Airport Consultant, which contains material information, forecasts, findings, assumptions and conclusions concerning the Airport System.

The Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of LeighFisher as airport consultants.

The Report of the Airport Consultant presents certain airline traffic and financial estimates and forecasts for Fiscal Year 2012 through Fiscal Year 2015 and sets forth the assumptions upon which the forecasts are based. The financial forecasts are based on certain assumptions that were provided by, or reviewed and agreed to by, Division of Aviation management. In the opinion of LeighFisher, these assumptions provide a reasonable basis for the forecasts.

The Report of the Airport Consultant should be read in its entirety for an understanding of the forecasts and the underlying assumptions contained therein.

Debt Service Coverage

The following Table 6 presents debt service coverage taken from the Report of the Airport Consultant included herein as APPENDIX II, Exhibit G-1, and the City's financial records.

Table 6
HISTORICAL DEBT SERVICE COVERAGE ON THE AIRPORT REVENUE BONDS

(Fiscal Years Ending June 30)

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

Airline payments for landing fees, terminal rentals and other use charges are often expressed on a per enplaned passenger basis for the purpose of comparing airline payments at different airports and assessing the reasonableness of major capital programs from an airline payments standpoint. The following Table 7 presents the airline payments (which include landing fees, terminal rentals and other use charges) per enplaned passenger for Fiscal Year 2009 taken from the Report of the Airport Consultant included herein as APPENDIX II, Exhibit G-1 and for Fiscal Year 2010 taken from the City's financial records.

Table 7

AIRLINE PAYMENTS PER ENPLANED PASSENGER
Philadelphia International Airport
(Fiscal Years Ending June 30)

Fiscal Year	Airline Payments Per Enplaned Passenger
2007	$6.15
2008	$8.31
2009	$9.60
2010	$9.93

The Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of LeighFisher as airport consultants.

As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated

events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary from those forecast, and the variations may be material. See "CERTAIN INVESTMENT CONSIDERATIONS" herein. The Report of the Airport Consultant was completed and is dated October 19, 2010, and has not been updated to reflect events or changes in circumstances since such date. The Airport Consultant has consented to the use of the report in the Official Statement.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the 2010 Bonds entails certain investment risks. Prospective purchasers of the 2010 Bonds are urged to read this Official Statement in its entirety. The factors set forth below, among others, may affect repayment of and the security for the 2010 Bonds. See APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED OCTOBER 19, 2010 – Airline Traffic Analysis – Key Factors Affecting Future Airline Traffic" for additional information regarding investment risks.

General Factors Affecting the Airline Industry

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

For a discussion of other factors affecting the airline industry and airline passenger traffic at the Airport, see APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED OCTOBER 19, 2010."

Economic Conditions

The financial performance of the air transportation industry correlates with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the U.S. to sustain growth in economic output and income. Since 2006, the rate of economic growth in the U.S. has slowed considerably, due in part to losses in real estate values and the tightening of credit in the financial markets. Since December 2007, according to National Bureau of Economic Research, the United States economy has been in recession. During 2008, the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Association ("Freddie Mac") were taken over by the federal government to prevent their collapse. Several commercial and investment banks declared bankruptcy, were acquired by or combined with other financial institutions, or sought huge infusions of capital from public and private sources. The dislocation in the capital markets led the United States and other national governments to intervene in the financial markets and to take stakes in privately owned financial institutions. Significant additional steps are under active consideration. The American Recovery and Reinvestment Act of 2009 is intended to alleviate some of these adverse conditions. The short, intermediate and long term effects of these developments on the economy are not known at this time.

Although on September 20, 2010, the National Bureau of Economic Research (NBER), a private, nonprofit research group widely considered to be the official arbiter of economic contractions and expansions, announced that the recession had ended in June 2009, unemployment remains high, job creation low, and the housing market and other economic indicators anemic. There can be no assurances and no representations are made about the state of the national economy.

THE 2010 BONDS ARE LIMITED OBLIGATIONS OF THE CITY AND DO NOT PLEDGE THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY, OR CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE ANY LIEN AGAINST ANY PROPERTY OF THE CITY, OTHER THAN THE PLEDGED AMOUNTS THEREFOR.

Aviation Fuel Costs

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

Airline Economics, Competition and Airfares; Structural Changes in the Travel Market

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

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

Capacity of National Air Traffic Control and Airport Systems

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

Aviation Security Concerns

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

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

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

The Report of the Airport Consultant states that historically airline travel demand has recovered from temporary decreases stemming from terrorist attacks, hijackings, aircraft crashes and international hostilities and, provided that intensified security precautions serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, of which there can be no assurance, it can be expected that future demand for airline travel at the Airport will depend primarily on economic rather than security factors. See APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED OCTOBER 19, 2010 – Airline Traffic Analysis – Key Factors Affecting Future Airline Traffic – Aviation Security Concerns."

US Airways' Presence at the Airport

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

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

Prior to the merger, America West largely served the western United States; America West also had a small hub at Columbus, Ohio, but reduced service there beginning in 2003. The post-merger combined company now operates domestic and international connecting hubs at Phoenix, Arizona; Las Vegas, Nevada; Charlotte, North Carolina and Philadelphia, Pennsylvania. Philadelphia serves as US Airways' primary northeast connecting hub and the airline's international gateway. SEE APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED OCTOBER 19, 2010."

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

Information Concerning the Airlines

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

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

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

Assumptions in the Report of the Airport Consultant; Forward Looking Statements

The Report of the Airport Consultant discloses numerous assumptions regarding the factors that will affect future airline traffic at the Airport and the future financial results of the Airport System and states that any forecast is subject to uncertainties. Significant assumptions disclosed in the Report of the Airport Consultant include, among others, that: (i) sustained national economic growth will occur during the forecast period (beginning in mid-Fiscal Year 2011); and (ii) the Airport will remain a major national and international system hub for US Airways. The Report of the Airport Consultant should be read in its entirety regarding the assumptions used to prepare the forecasts presented therein. No assurances can be given that the assumptions contained in the Report of the Airport Consultant will occur. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary from the forecast results, and the variations may be material. See APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED OCTOBER 19, 2010 – Airline Traffic Analysis– Forecast Airline Traffic."

This Official Statement, including particularly the Report of the Airport Consultant, contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect," "assume" and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. The Report of the Airport Consultant is dated October 19, 2010, and has not been updated to reflect events and changes in circumstance since such date.

Passenger Facility Charge Revenues

Possibility and Consequences of Insufficiency of PFC Revenues. The ability of the City to collect annually sufficient PFC Revenues depends upon a number of factors including the operation of the Airport by the City, the number of enplanements at the Airport, the use of the Airport by Collecting Carriers, and the efficiency and ability of the Collecting Carriers to collect and remit PFCs to the City. The City relies upon the Collecting Carriers' collection and remittance of PFCs and both the City and the FAA rely upon the air carriers' reports of enplanements and collections. Of the 2010 Bonds, only the 2010D Bonds are secured by a pledge of PFC Revenues; the 2010A Bonds, 2010B Bonds and 2010C Bonds are not so secured.

Amendment to the PFC Act. There is no assurance that the PFC Act will not be repealed or amended or that the PFC Regulations or the City's approvals from the FAA will not be amended in a manner that would adversely affect the City's ability to collect and use PFC Revenues in amounts sufficient to make timely payments of a portion of the principal and interest on those Airport Revenue Bonds secured by PFC Revenues, including the 1998B Bond, the 2001A Bond and the 2010D Bonds. In such event, the City may have less PFC Revenues available than projected and may have to use other Pledged Amounts to pay debt service on the 1998B Bond, the 2001A Bond and the 2010D Bonds.

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

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

Effect of Bankruptcies and Mergers on Various Airline Agreements

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

The airlines serving the Airport have all been impacted by the events described above and have experienced an increase in costs and a resulting decline in financial condition to varying degrees. Since 2001, several airlines with operations at the Airport have filed for bankruptcy protection, including United Airlines ("United"), US Airways (twice), Air Canada, Frontier Air Lines, American Trans Air (ATA), Delta Air Lines ("Delta") and Northwest Airlines ("Northwest"). Of these airlines, US Airways emerged from both of its bankruptcy proceedings and was part of the merger of the parent companies of US Airways and America West that occurred in September 2005; Air Canada emerged from bankruptcy in September 2004; United emerged from bankruptcy in February 2006. Delta emerged from bankruptcy in April 2007; Northwest emerged from bankruptcy in May 2007. ATA discontinued all operations in April 2008. Frontier Airlines filed for bankruptcy protection in April 2008, but has since assumed its Airline Agreement and is continuing operations at the Airport.

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

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

On September 27, 2010, Southwest announced that it had agreed to purchase AirTran. Southwest said the transaction had been approved by the boards of both companies. Shareholder and regulatory approval are required before the acquisition can be completed.

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

Assumption or Rejection of Agreements. In the event of bankruptcy proceedings involving one or more of the Signatory Airlines or other air carriers, the debtor or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Airline Agreement or Other Airline Agreement. In the event of assumption, the debtor would be required to cure any prior defaults and to provide adequate assurance of future performance under the relevant agreements. Rejection of a lease or executory contract by any of the Signatory Airlines would give rise to an unsecured claim of the City for damages, the amount of which in the case of a lease is limited by the Bankruptcy Code. However, the costs of Terminal Building Area vacated as a result of a rejection of an Airline Agreement by a Signatory Airline in bankruptcy would be passed on to the remaining Signatory Airlines under their Airline Agreements. If the bankruptcy of one or more Signatory Airlines were to occur, there can be no assurance that the remaining Signatory Airlines would be able, individually or collectively, to meet their obligations under the Airline Agreements. See "THE AIRPORT SYSTEM – Information Concerning the Signatory Airlines." See also APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED OCTOBER 19, 2010."

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

Limitations on Bondholders' Remedies

The rights and remedies of the Fiscal Agent and the Bondholders with respect to the 2010 Bonds are subject to various provisions of Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"), which permits, under certain circumstances, a political subdivision or public agency or instrumentality of a state to file a voluntary petition in bankruptcy in the nature of a plan for adjustment in the repayment of debts if, generally, the entity is insolvent or unable to meet its debts as they mature. Such a petition may be filed by a political subdivision (such as the City) only if the state legislature has specifically authorized (by description or by name) the entity to be a debtor under Chapter 9 of the Bankruptcy Code or a governmental officer or organization empowered by state law to give such authorization has done so. The Financially Distressed Municipalities Act, Act No. 1987-47 of the Commonwealth of Pennsylvania, approved July 10, 1987, amended in 1992 and now known as the Municipalities Financial Recovery Act, Act No. 1992-69 of the Commonwealth, approved June 30, 1992 ("Financial Recovery Act"), provides, among other things, for the restructuring of debt of a financially distressed municipality and the method by which such entities are permitted to apply for relief under the Bankruptcy Code. In addition, the Financial Recovery Act empowered the Department of Community Affairs of the Commonwealth (now the Department of Community and Economic Development) to declare certain municipalities financially distressed upon the occurrence of certain events and the making of certain determinations by such Department.

With respect to the City, certain provisions of the Financial Recovery Act have been preempted by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6 of the Commonwealth, approved June 5, 1991 (the "PICA Act"). The provisions of the Financial Recovery Act relating to the City that were not preempted have been suspended with respect to the City by the PICA Act. The PICA Act prevents the City from filing a petition for relief under Chapter 9 of the Bankruptcy Code as long as PICA has outstanding any bonds issued pursuant to the PICA Act. As of June 30, 2010, PICA had bonds outstanding in the aggregate principal amount of $517,435,000 and the maturity of those bonds extends until 2023 in the absence of early redemption. If no such bonds were outstanding, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City. If the provisions of the PICA Act relating to the authorization by the Governor for the City to file a petition under Chapter 9 of the Bankruptcy Code were invoked, such provisions could limit the enforcement of rights and remedies by holders of the 2010 Bonds and other Airport Revenue Bonds. Because the term of the 2010 Bonds extends beyond the latest maturity date of the bonds issued by PICA, there is a possibility that the City could file for bankruptcy protection under the Bankruptcy Code. Should the City ever file under Chapter 9 of the Bankruptcy Code, the rights and remedies of the holders of the 2010 Bonds and other Airport Revenue Bonds may be adversely affected.

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

TAX MATTERS

Tax Exemption-Opinion of Co-Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2010 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2010 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the City subsequent to the issuance and delivery of the 2010 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The City has covenanted to comply with such requirements.

In the opinion of Co-Bond Counsel, interest on the 2010 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, except as to interest on any 2010 Bond during any period such 2010 Bond is held by a person who is a "substantial user" of the facilities financed or refinanced with the Bond proceeds or a "related person," as those terms are used in Section 147(a) of the Code. The opinion of Co-Bond Counsel is subject to the condition that the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2010 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2010 Bonds to be so includable in gross income retroactive to the date of issuance of the 2010 Bonds. The City has covenanted to comply with all such requirements.

Interest on the 2010A Bonds is not subject to the alternative minimum tax imposed on individuals and corporations. Interest on the 2010B Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, such interest on the 2010B Bonds may be subject to certain other taxes affecting corporate holders of the 2010B Bonds. Interest on the 2010C Bonds and 2010D Bonds is treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. Co-Bond Counsel expresses no opinion regarding other federal tax consequences relating to the 2010 Bonds or the receipt of interest thereon. See discussion of "Alternative Minimum Tax," "Branch Profits Tax," "S Corporations with Passive Investment Income," "Social Security and Railroad Retirement Benefits," "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations," and "Property or Casualty Insurance Company" and "Accounting Treatment of Original Issue Discount and Amortizable Bond Premium" below.

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, the 2010 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2010 Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange, or other disposition of the 2010 Bonds are subject to state and local taxation within the Commonwealth of Pennsylvania. Specifically, the 2010 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2010 Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Alternative Minimum Tax

Interest on the 2010A Bonds is not treated as an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations under Section 57 of the Code and the interest on the 2010A Bonds is not included in "adjusted current earnings" for purposes of computing the alternative minimum tax applicable to corporations.

Interest on the 2010B Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax imposed on individuals and corporations under Section 57 of the Code but the interest on the 2010B Bonds may be included in "adjusted current earnings" for purposes of computing the alternative minimum tax applicable to corporations.

Interest on the 2010C Bonds and 2010D Bonds is treated as an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations under Section 57 of the Code and the interest on the 2010C and 2010D Bonds may be included in "adjusted current earnings" for purposes of computing the alternative minimum tax applicable to corporations.

Branch Profits Tax

Under the Code, foreign corporations engaged in a trade or business in the United States will be subject to a "branch profits tax" equal to thirty percent (30%) of the corporation's "dividend equivalent amount" for the taxable year. The term "dividend equivalent amount" includes interest on tax-exempt obligations.

S Corporations with Passive Investment Income

Section 1375 of the Code imposes a tax on the income of certain small business corporations for which an S Corporation election is in effect, and that have "passive investment income." For purposes of Section 1375 of the Code, the term "passive investment income" includes interest on the 2010 Bonds. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are "passive investment income." Thus, interest on the 2010 Bonds may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the "benefits") may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the 2010 Bonds) is included in the calculation of "modified adjusted gross income" in determining whether a portion of the benefits received are to be includable in gross income of individuals.

Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations

The Code, subject to limited exceptions not applicable to the 2010 Bonds, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the 2010 Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the 2010 Bonds and any other tax-exempt obligations acquired after August 7, 1986.

Property or Casualty Insurance Company

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

Reportable Payments and Backup Withholding

Under 2006 amendments to the Internal Revenue Code, payments of interest on the 2010 Bonds will be reported to the Internal Revenue Service by the payor on the Form 1099 unless the Bondholder is an "exempt person" under Section 6049 of the Code. A Bondholder who is not an exempt person may be subject to "backup withholding" at a specified rate prescribed in the Code if the Bondholder does not file Form W-9 with the payor advising the payor of the Bondholder's taxpayer identification number. Bondholders should consult their brokers regarding this matter.

The Fiscal Agent will report to the Bondholders and the Internal Revenue Service for each calendar year the amount of "reportable payments" during such year and the amount of tax withheld, if any, with respect to payments on the 2010 Bonds.

Accounting Treatment of Original Issue Discount and Amortizable Bond Premium

The Insured 2010A Bonds maturing on June 15, 2026, June 15, 2029, and June 15, 2035 (serial maturity), and the Insured 2010D Bonds maturing on June 15, 2020, and June 15, 2024, are herein referred to as the "Discount Bonds." In the opinion of Co-Bond Counsel, the difference between the initial public offering price of the Discount Bonds set forth on the inside cover page and the stated redemption price at maturity of each such Bond constitutes "original issue discount," all or a portion of which will, on the disposition or payment of such Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a "constant interest method," which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

Purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. Prospective purchasers of the Discount Bonds should consult their tax advisors regarding the Pennsylvania tax treatment of original issue discount.

The following are hereinafter referred to as the "Premium Bonds": (i) the Uninsured 2010A Bonds maturing on June 15, 2011, through and including June 15, 2030, June 15, 2035, and June 15, 2040; the Insured 2010A Bonds maturing June 15, 2014, June 15, 2015, June 15, 2017, June 15, 2018, June 15, 2019, June 15, 2021, June 15, 2035, and June 15, 2040, (ii) the 2010B Bonds maturing on June 15, 2011, through and including June 15, 2015, (iii) the 2010C Bonds maturing on June 15, 2011 through and including June 15, 2018, and (iv) the Uninsured 2010D Bonds maturing on June 15, 2011 through and including June 15, 2025, and June 15, 2028 and the Insured 2010D Bonds maturing on June 15, 2015. An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the inside cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Bonds.

LEGAL PROCEEDINGS

General

The City is involved in several claims and lawsuits arising in the ordinary course of operations of the Airport System. The City estimates that any liability assessed against the City, as a result of claims that are not covered by insurance or otherwise, would not materially and adversely affect the 2010 Bonds, the security for the 2010 Bonds or the financial condition or operations of the Airport System. There has been no litigation seeking to enjoin the issuance, sale or delivery of the 2010 Bonds.

No Litigation Opinion

Upon delivery of the 2010 Bonds, the City Solicitor will furnish an opinion, in form satisfactory to Co-Bond Counsel and to the Underwriters, to the effect that, among other things, except for litigation which in the opinion of the City Solicitor is without merit and except as disclosed in this Official Statement, there is no litigation or other legal proceeding pending in any court, or, to the knowledge of the Law Department after investigation, threatened in writing against the City, to restrain or enjoin the issuance, sale or delivery of the 2010 Bonds or in any way contesting the validity or enforceability of the 2010 Bonds.

UNDERWRITING

The 2010 Bonds are being purchased by the underwriters listed on the cover page of this Official Statement (the "Underwriters"), for which Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as Representative, at a purchase price of $655,974,208.84, which represents the principal amount of the 2010 Bonds, plus net original issue premium of $34,207,715.20, and less an underwriters' discount of $2,898,506.36. The Underwriters will purchase all of the 2010 Bonds if any 2010 Bonds are purchased. The obligation of the Underwriters to purchase the 2010 Bonds is subject to certain terms and conditions set forth in the purchase contract related to the 2010 Bonds.

The initial public offering prices of the 2010 Bonds set forth on the inside cover page of this Official Statement may be changed without notice by the Underwriters. The Underwriters may offer and sell Bonds to certain dealers (including dealers deposition Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower that the offering prices set forth on the inside cover page.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2010 Bonds has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase the 2010 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to the 2010 Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an Underwriter of the 2010 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2010 City of Philadelphia, Pennsylvania Airport Revenue Bonds.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, N.A., one of the underwriters of the 2010 Bonds ("WFBNA"). WFBNA has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the 2010 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the 2010 Bonds with WFA, WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Rating Services, a Division of The McGraw–Hill Companies, Inc. ("Standard & Poor's"), and Fitch Ratings ("Fitch") have assigned ratings to the Uninsured Bonds of "A2", "A+", and "A", respectively.

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Services, a Division of The McGraw–Hill Companies, Inc. ("Standard & Poor's") are expected to assign ratings to the Insured Bonds of "Aa3" (negative outlook) and "AA+" (stable outlook), respectively, with the understanding that concurrently with the delivery of the Insured Bonds an insurance policy guaranteeing the scheduled payment of principal of and interest on such Insured Bonds will be issued by AGM.

A rating, including any related outlook with respect to potential changes in such ratings, reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the 2010 Bonds. An explanation of the significance of any such rating may be obtained only from the rating agency furnishing the same. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by any of such rating agencies if, in the judgment of any of them, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price or marketability of the 2010 Bonds.

CONSULTING ENGINEER

The report on the physical condition of the Airport System, dated May 5, 2010 ("Engineer's Report"), was prepared by Urban Engineers, Inc., Philadelphia, Pennsylvania. A copy of the Engineer's Report is available from the Administrative Office of the Division of Aviation, Philadelphia International Airport, Philadelphia, Pennsylvania 19153. APPENDIX III to this Official Statement contains the transmittal letter that accompanied the Engineer's Report and a letter from Urban Engineers, Inc. consenting to the references to the Engineer's Report in this Official Statement. Such references are made in reliance upon the knowledge and experience of Urban Engineers, Inc. in the field of physical properties consulting.

CO-FINANCIAL ADVISORS

First Southwest Company, Houston, Texas, and Frasca & Associates, L.L.C., New York, New York, have been retained by the City as Co-Financial Advisors in connection with the remarketing of the 2010 Bonds and, in such capacity, have assisted the City in the preparation of 2010 Bonds-related documents.

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

APPROVAL OF LEGALITY

Certain legal matters incident to the authorization, issuance and sale of the 2010 Bonds will be passed upon by Saul Ewing LLP, Philadelphia, Pennsylvania, and Gonzalez Saggio & Harlan LLP, New York, New York, Co-Bond Counsel. The proposed form of such approving opinion is included herein as Appendix VI. Certain legal matters will be passed upon for the City of Philadelphia by the City Solicitor.

Certain legal matters will be passed upon for the Underwriters by Kutak Rock LLP, Philadelphia, Pennsylvania, and Stephanie Saint-Cyr, Esquire, Moorestown, New Jersey, Co-Counsel to the Underwriters.

RELATIONSHIPS OF CERTAIN PARTIES

Saul Ewing LLP, Gonzalez Saggio & Harlan LLP, Kutak Rock LLP and Stephanie Saint-Cyr, Esquire, all have in the past provided legal services to the City and periodically represent the City on matters unrelated to the issuance and sale of the 2010 Bonds.

ADDITIONAL INFORMATION

It is the practice of the City in connection with the issuance and sale of each issue of the City's bonds or notes, to require in its contract with its underwriters that the underwriters deposit the Official Statement of the City relating to such issue of bonds or notes with a nationally recognized municipal securities information repository (a "Repository") as soon as practicable after delivery of such Official Statement. It is also the City's practice to file its Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, with a Repository as soon as practicable after delivery of such report. Since July 1, 2009, pursuant to Securities and Exchange Commission Rule 15c2-12, all such filings must be made with the Municipal Securities Rulemaking Board (MSRB) through the MSRB's Electronic Municipal Market Access (EMMA) system. The CAFR for the City's Fiscal Year ended June 30, 2009 was filed with EMMA on February 25, 2010. The CAFR is prepared by the Office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants audit guide, Audits of State and Local Government Units. Upon written request to the Office of the Director of Finance and payment of the costs of duplication and mailing, the City will make available copies of the CAFR for the Fiscal Year ended June 30, 2009. Such a request should be addressed to: Office of the Director of Finance, Municipal Services Building, 1401 John F. Kennedy Boulevard, Philadelphia, PA 19102. A copy of the financial statements of the City for the Fiscal Year ended June 30, 2009 may be downloaded at http://www.phila.gov/investor. The CAFR contains pertinent information with respect to the Division of Aviation. The City also expects to provide financial and other information as to the City from time to time to Moody's, S&P and Fitch in connection with securities ratings issued by those rating agencies for bonds or notes of the City.

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

CONTINUING DISCLOSURE AGREEMENT

In order to assist the Underwriters in complying with the requirements of Section (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the City will enter into a continuing disclosure undertaking (the "Continuing Disclosure Agreement") for the benefit of the owners of the 2010 Bonds. See APPENDIX VII – "FORM OF CONTINUING DISCLOSURE AGREEMENT" for the detailed provisions of the proposed form of Continuing Disclosure Agreement.

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

CERTAIN REFERENCES

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

All quotations from and summaries and explanations of the Constitution and laws of the Commonwealth and Ordinances of the City contained herein do not purport to be complete and are qualified by reference to the official compilations thereof in their entireties and all references to the 2010 Bonds are qualified by reference to the complete, definitive forms of the 2010 Bonds. All capitalized terms used herein which are not defined herein or in APPENDIX IV shall have the meanings ascribed to them in the Act and the General Ordinance. See APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2010 BONDS."

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

The Appendices are integral parts of this Official Statement and must be read together with all parts of this Official Statement.

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

CITY OF PHILADELPHIA

By: ______________________________
Michael A. Nutter, Mayor

____
Alan L. Butkovitz, City Controller

____
Shelley R. Smith, City Solicitor

Approved:

____
Rob Dubow, Director of Finance

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

CITY OF PHILADELPHIA

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

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

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

Approved:

/s/ Rob Dubow
Rob Dubow, Director of Finance

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APPENDIX I

FINANCIAL STATEMENTS OF THE DIVISION OF AVIATION

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FINANCIAL STATEMENTS OF THE DIVISION OF AVIATION

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

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

The accounting policies of the City of Philadelphia, as reflected in the accompanying Aviation Fund financial statements, conform to accounting principles generally accepted in the United States of America for local government units as prescribed by the Governmental Accounting Standards Board. Accounting principles generally accepted in the United States of America for proprietary funds, such as the Aviation Fund, require that both earnings and expenses be recorded as they accrue, and that depreciation of fixed assets be recorded as an expense. The financial statements for fiscal year 2009 are presented in accordance with accounting principles generally accepted in the United States of America.

The financial statements contained in Appendix I are reconcilable with the Basic Financial Statements contained in the City's Comprehensive Annual Financial Report for fiscal year 2009, which are audited by the Office of the Controller of the City of Philadelphia.

INTRODUCTION

The following discussion and analysis of the financial performance and activity of the City of Philadelphia Airport System (the Airport System) is to provide an introduction and understanding of the basic financial statements of the Philadelphia Aviation Fund (Aviation Fund) for the fiscal year ended June 30, 2009 (Fiscal 2009) with selected comparative information for the fiscal year ended June 30, 2008 (Fiscal 2008). Philadelphia International Airport (PHL, or the Airport) and Northeast Philadelphia Airport (PNE) comprise the Airport System, which is owned by the City of Philadelphia (the City) and operated by the Division of Aviation (the Division).

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

AIRPORT ACTIVITIES AND HIGHLIGHTS

- **Financial Position:** The Airport continued to strengthen its financial position in Fiscal 2009, as revenues exceeded expenses by $38.5 million, and assets exceeded liabilities by $798 million, a 5.1% increase from last year. This amount includes Aviation Fund unrestricted net assets of $77.7 million to supplement continuing operations.

- **Passenger Traffic:** In Fiscal 2009, PHL saw its first reduction in passenger traffic since the events of September 11, 2001. The 4.3% reduction in enplanements resulted primarily from the decline in the global economy, causing airlines to reduce flights and cut seat capacity to enhance economies and efficiencies. PHL's passenger reduction was less severe than the national average of 7.9% for the period, as reported by the Bureau of Transportation Statistics. Aircraft operations and landed weight incurred similar reductions with decreases of 4.1% and 4.6% respectively.

Enplanements and Operations Activity at PHL

	Fiscal 2009	Fiscal 2008	% Increase (Decrease) from 2008
Enplanements (Outbound passengers):	15,362,743	16,052,973	-4.3%
Operations (Takeoffs & landings):	478,573	499,281	-4.1%
Landed Weight (1,000-pound units):	22,734,844	23,823,664	-4.6%

- **Airport Revenue Bonds:** In December 2008, the City remarketed its Series 2005C variable rate bonds ($178.6 million), with enhancement provided by an irrevocable direct pay letter of credit from TD Bank. This remarketing was undertaken to improve the weekly pricing of the 2005C bonds, which had been unfavorably affected by financial market turmoil and bond insurer downgrades. Since remarketing the bonds, pricing has returned to satisfactory levels, with interest costs running an average $400,000 per month lower than those incurred prior to the remarketing.

  In April 2009, the City issued its fixed rate Series 2009A Airport Revenue Bonds totaling $45.7 million to refund the Series 2005B variable rate bonds. The 2009A bonds were marketed to take full advantage of the two-year Alternative Minimum Tax (AMT) exemption for airport bonds, instituted under the American Recovery and Reinvestment Act (ARRA). By refunding the 2005B AMT bonds with 2009A non-AMT bonds, the Airport achieved a present value savings of $5.7 million.

- **International Air Service:** During 2009, US Airways instituted PHL nonstop service to Birmingham, England, Oslo, Norway and Tel-Aviv, Israel. In October 2009, US Airways announced a system-wide operational realignment that included suspension of service to four low-performing routes: Birmingham, England, Milan, Italy, Shannon, Ireland and Stockholm, Sweden. These four destinations constituted less than 4% of PHL's total international passenger traffic. US Airways presently operates 22 daily flights to 17 cities in 13 countries throughout Europe, serves one Middle East destination and 15 Caribbean and Latin American destinations.

- **Grant Funding:** In April 2009, the U.S. Department of Transportation awarded PHL $5 million in ARRA funds. These funds along with FAA Airport Improvement Program (AIP) grants totaling $8.8 million, will be used to rehabilitate Runway 9R/27L, PHL's longest and widest runway. In June 2009, the Department of Homeland Security (DHS) awarded PHL $26.6 million in ARRA funds for the construction of Terminal A East in-line baggage systems and related improvements. In October 2009, DHS awarded PHL approximately $4.9 million in funds for the acquisition and installation of new closed circuit television cameras (CCTV), recording equipment and upgrades to existing componentry. The above DHS grants are designed to expand baggage screening capabilities, enhance baggage throughput and enhance airport security.

- **Terminal D-E Renovation and Expansion Project:** The first major phase of this $300 million project, the Terminal D/E Connector, opened in December 2008 featuring a new 14-lane security checkpoint equipped with advanced screening technology and ten new food and retail shops. In February 2010, the Airport completed the second major phase of the project with the expansion of Concourse E, which added seven gates, a 500-seat holdroom area, restrooms, a food court, and permanent artwork from an internationally renowned artist. The next phase to be completed in the spring of 2010 will include a new 9,000 square foot D/E baggage claim connector with two new baggage carousels. The final phase, scheduled for completion by the end of 2010, includes the construction of an expanded ticketing lobby with twenty additional ticket counter positions and an additional 50,000 square foot baggage makeup area with eight inline explosive detection machines.

- **Parking**
  - **Economy Parking:** To expand its public parking facilities, the Airport's former overseas terminal was demolished, and the site was transformed into an 800-parking space addition to PHL's economy lot, which included the addition of a five-lane toll plaza as a new entrance to the lot. The Philadelphia Parking Authority (PPA) operates five garages, a short-term parking area and, a remote economy lot for the Airport. These facilities total 18,100 parking spaces.

  - **Technology Upgrade:** In the fall of 2009, the PPA completed a $5.5 million technology project in its garages, which provided License Plate Recognition capability, credit card in/out access and a parking guidance system.

  - **New Cell Phone Lot:** In December 2009, the Airport opened a 150-vehicle on-airport cell phone lot. The lot is free of charge, located within the former footprint of State Route 291 and is easily accessible to drivers arriving at the Airport from all directions. Project costs totaled approximately $500,000.

- **Extension of Runway 17-35:** The extension of Runway 17-35 was completed in December 2008 and commissioned by Federal Aviation Administration (FAA) on February 12, 2009. The extension added 1,040-feet to the north/south runway, increasing it from 5,460 feet to 6,500 feet and enabling it to handle narrow-body and regional jets, which account for 75% of aircraft operations at PHL. This project has increased airfield capacity, reduced flight delays by approximately 8%, is projected to save the airlines $20 million a year in aircraft direct operating costs and generate a net savings in passenger time, valued at $29 million annually. The project includes new airfield lighting, extension of adjacent taxiways and substantial modifications to nearby roadways and parking facilities. Project costs totaled $70 million.

- **Capacity Enhancement Program:** In September 2008, the FAA issued a Draft Environmental Impact Statement (DEIS) for the Airport's Capacity Enhancement Program. The DEIS assessed the potential environmental impacts associated with various concept designs to ease congestion, minimize delays and increase airfield capacity to accommodate demand beyond the year 2020. After issuing the DEIS, the FAA conducted a series of public hearings within the Airport region. FAA expects to issue the final EIS in the summer of 2010 and a Record of Decision by the end of calendar year 2010.

- **Environmental Stewardship:** PHL has been a grant recipient of FAA's Voluntary Airport Low Emissions (VALE) program since 2005. To date, VALE funding has subsidized 75% of the differential cost of three hybrid vehicles and 75% of the total cost for 20 electrical re-chargers for airline ground service equipment. PHL received approximately $4 million VALE funding during Fiscal 2008 and an additional $10.4 million in Fiscal 2009. The 2009 grants will fund the purchase and installation of 25 electric re-charger stations and 24 Pre-Conditioned Air Units and is expected to be completed in the fall of 2010.

- **Awards and Recognition**
  - **Philadelphia Marketplace:** Continuing Philadelphia Marketplace's long tradition of excellence in Airport concessions, several of Marketplace's Airport merchants garnered special recognition in the "Best Airport & Concessions Awards" at the 2009 Airport Revenue Conference and Exhibition.

  - **American Red Cross:** The Southeastern Pennsylvania Chapter of the American Red Cross named the Airport a recipient of the Authorized Provider Award at the organization's recent "Help Can't Wait Awards" ceremony. The Red Cross recognized the Airport for its ongoing efforts in certifying employees as CPR/AED trainers (cardio pulmonary resuscitation and automated external defibrillation), and its ongoing commitment to these programs.

DESCRIPTION OF PHILADELPHIA AIRPORT SYSTEM

PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked as the eighteenth busiest airport in the United States, serving 32.3 million passengers in 2008, and is presently the eleventh busiest in the world, and ninth in the nation, based on aircraft operations.

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

Philadelphia International Airport

- *Land.* Approximately 2,328 acres located partly in the southwestern section of the City and partly in the northeastern section of Delaware County, about 7.2 miles from center city Philadelphia.
- *Runways.* The Airport's runway system consists of parallel runways 9L-27R and 9R-27L, crosswind runway 17-35, commuter runway 8-26, and interconnecting taxiways.
- *Terminal Building.* Approximately 2.9 million square feet, consisting of seven terminal units (A West, A East, B, C, D, E and F). Terminal facilities principally include: ticketing areas, passenger holdrooms, baggage claim and approximately 160 food, retail and service establishments.
- *Cargo Facilities.* Located in seven major structures in and around Cargo City at the western end of the Airport.
- *Outside Terminal Area.* Consisting of a 14-story, 400-room hotel, six rental car facilities and five parking garages and surface lots operated by the Philadelphia Parking Authority.

Northeast Philadelphia Airport

PNE is located on 1,150 acres situated within the City limits, 10 miles northeast of center city Philadelphia. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. The airport currently has no scheduled commercial service.

There are presently eighty-five (85) T-hangars, nine (9) corporate hangars and six open hangars for general aviation activities. There are approximately 210 general aviation based aircraft at PNE.

BACKGROUND INFORMATION ON THE AVIATION FUND

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

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

FINANCIAL STATEMENTS OVERVIEW

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

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

Aviation Fund financial activity is presented in three financial statements:

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

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

Notes to Financial Statements. The Notes provide additional information that is essential to a full understanding of the data provided in the Aviation Fund financial statements. The Notes to Financial Statements can be found on pages 18 through 42 of this report.

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

FINANCIAL POSITION

The following table summarizes the Airport System's assets, liabilities and net assets at June 30, 2009 and June 30, 2008:

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

	2009	2008	Increase (Decrease) from 2008	% Increase (Decrease) from 2008
Current and other assets	$ 558,569	$ 655,063	$ (96,495)	-14.7%
Capital assets	1,596,402	1,474,348	122,054	8.3%
Total assets	2,154,971	2,129,411	25,560	1.2%
Long-term liabilities	1,225,705	1,255,346	$ (29,640)	-2.4%
Other liabilities	131,454	114,727	16,727	14.6%
Total liabilities	1,357,160	1,370,073	(12,913)	-0.9%
Net assets:				
Invested in capital assets, net of related debt	560,028	479,583	80,445	16.8%
Restricted for Capital Projects	52,445	81,674	(29,229)	-35.8%
Restricted for Debt Service	107,607	112,613	(5,006)	-4.4%
Unrestricted	77,731	85,468	(7,737)	-9.1%
Total net assets	$ 797,811	$ 759,338	$ 38,473	5.1%

Net Assets serves as a useful indicator of the Airport's financial position and is a measurement of the financial condition of the Airport at a specific point in time. At June 30, 2009, the Airport System's assets exceeded liabilities by $798 million. Between Fiscal 2008 and Fiscal 2009, total net assets increased by $38 million. Changes in total net assets are summarized below:

- **Total Assets** increased $25.6 million. Capital assets increased by $122.1 million due to capital asset additions, resulting from ongoing Airport expansion projects, exceeding depreciation. This overall increase was offset by a decrease of $96.5 million in current and other assets due primarily to construction payments exceeding receipts for PFC's, grants and investment earnings.

- **Total Liabilities** decreased $12.9 million as a result of long-term liability decreases caused by the repayment of debt. These decreases were offset by the increases in current liabilities, mainly for construction accounts payable.

- **Invested in capital assets, net of related debt** increased by $80 million due to an increase in capital construction of $194 million, which was offset by $72 million in accumulated depreciation. This net increase in capital assets of $122 million was offset by an increase in related debt of $42 million. Although these capital assets assist the Airport in providing services to the traveling public, they are generally not available to fund operations of future periods.

- **Restricted for capital projects** represents funds available and restricted for construction of capital assets, reduced by debt payable on those funds. This balance decreased by $29 million in Fiscal 2009 because PFC expenditures exceeded PFC revenues by $29 million.

- **Restricted for debt service** decreased $5 million due to changes in Sinking Fund and Sinking Fund Reserve requirements as a result of the restructuring and refunding of certain bond issues.

- **Unrestricted net assets** decreased by $8 million. Unrestricted net assets may be used to supplement the Airport System's ongoing operations.

The following table compares the changes in revenues, expenses and fund net assets between Fiscal 2009 and Fiscal 2008:

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

	2009	2008	Increase (Decrease) from 2008	% Increase (Decrease) from 2008
Revenues:				
Operating income	$ 251,703	$ 238,357	$ 13,346	5.6%
Operating grants and contributions	2,052	1,917	135	7.1%
Capital grants and contributions	44,744	33,603	11,142	33.2%
Passenger facility charges	61,255	64,855	(3,600)	-5.6%
Interest income	1,568	20,687	(19,119)	-92.4%
Total revenues	361,323	359,419	1,904	0.5%
Expenses:				
Operating expenses	270,407	260,006	10,401	4.0%
Debt service interest	52,086	57,669	(5,583)	-9.7%
Other expenses	357	5,441	(5,084)	-93.4%
Total expenses	322,850	323,116	(266)	-0.1%
Increase in Net Assets	38,473	36,303	2,170	6.0%
Net assets beginning of year	759,338	722,572	36,767	5.1%
Prior Period Adjustment	-	464	(464)	-100.0%
Net assets adjusted beginning of year	759,338	723,035	$ 36,303	5.0%
Net assets end of year	$ 797,811	$ 759,338	$ 38,473	5.1%

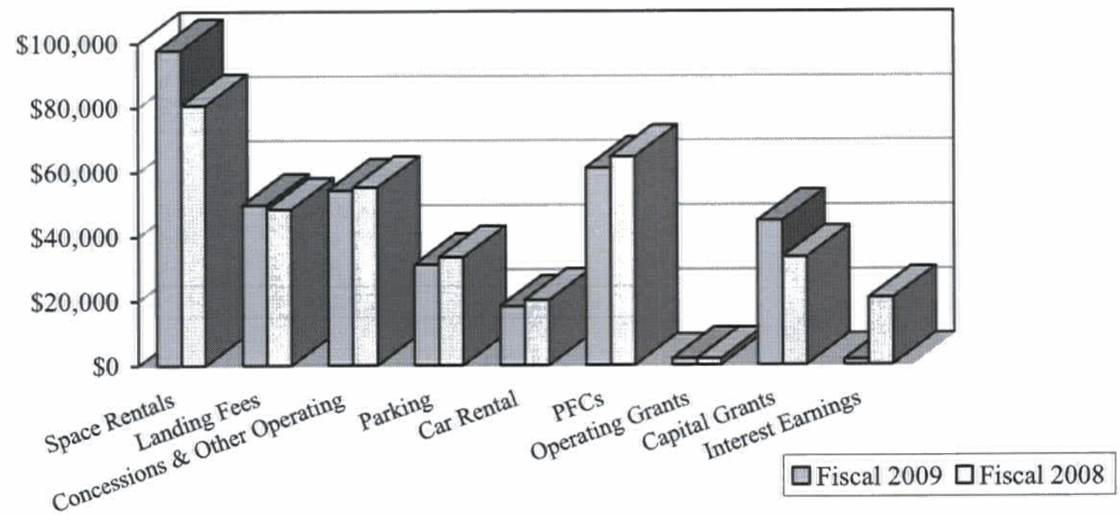
Changes in net assets represent the results of operations and are useful indicators of whether the overall financial condition of the Airport has improved or declined during the year. In Fiscal 2009, net assets increased $38 million, or 5.1%, from the prior year. This increase reflects Airport net income and capital contributions. Airport income before capital contributions is composed of operating and non-operating revenues, net of expense. Capital contributions represent federal and state grants for approved capital projects.

Revenues

Approximately 71% of all revenue came from operating sources, which include space rentals, landing fees and revenues from parking, concessions and car rentals. PFCs account for another 17%, with the remainder coming from Federal and State grants, and interest earnings.

The graph below presents the major components of revenue for Fiscal 2009 and 2008, followed by explanations of significant changes in these categories between years.

Revenues by Source (Thousands)



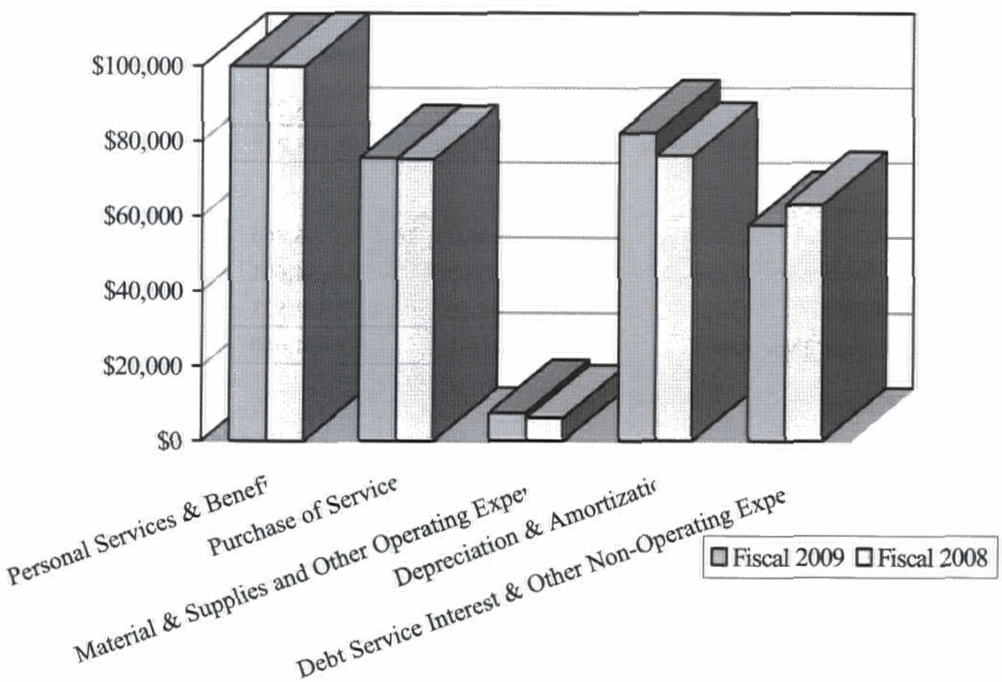
- Operating revenues, which include the first five categories in the bar graph above, increased approximately 6% in Fiscal 2009. Terminal rental and signatory landing fee revenues increased 12% and 20%, respectively, in fiscal 2009, but were offset by decreases in concessions, parking and car rental revenues as a result of the decrease in passenger traffic.
- PFC revenue decreased approximately 6% due primarily to a reduction in enplaned passengers in Fiscal 2009.
- Capital grants increased in Fiscal 2009 as a result of a new grant agreement for the TSA Explosives Detection System (EDS) project. The TSA EDS agreement applies retroactively to selected expenditures from Fiscal 2007 forward. The amount of revenue earned for the TSA EDS grant for 2009 was $12 million. Other Fiscal 2009 grant revenue remained stable relative to Fiscal 2008. It should be noted that capital grant revenue in any given year is dependent upon construction timelines for grant eligible Airport capital projects.
- Interest earnings decreased because of reduced market interest rates. Also, $8.6 million of interest income was used to offset interest expense capitalized to construction in progress during 2009.

Expenses

Airport expenses result from a wide range of services; wages, benefits and contractual services account for approximately 55% of total expenses. Depreciation and amortization comprise roughly 25% of the total, and the remainder consists of debt service interest and other operating and non-operating expenses.

The graph below presents the major components of expense for Fiscal 2009, followed by explanations of significant changes in these components from Fiscal 2008.

Expenses by Source ($000)



- Personal services and benefits increased slightly in Fiscal 2009 primarily due to increased amounts in workers compensation liability and compensated absences, which were offset by cost containment measures that were instituted through hiring and wage freezes, and additional overtime controls.
- Purchase of services did not change significantly from Fiscal 2008 to Fiscal 2009 due to self-imposed budget reductions by the Division.
- Material and supplies and other operating expenses increased slightly due to additional purchases made during Fiscal 2009.
- Depreciation and amortization increased almost 8% in Fiscal 2009 due to construction of new capital assets. The straight-line method is used to record depreciation.
- Debt service interest and other non-operating expenses decreased approximately 17% in Fiscal 2009 due to capitalization of interest on the significant construction in progress during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Airport's investment in capital assets, net of accumulated depreciation, amounted to $1.6 billion at the end of the current fiscal year. The following table presents the changes in capital assets for Fiscal 2009.

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

	July 1, 2008	Additions	Deletions	June 30, 2009
Non-Depreciable Business Type Assets				
Land	$ 88,433	$ -	$ -	$ 88,433
Construction in Progress	76,246	198,258	(126,287)	148,217
Total Non-Depreciable Business Type Assets	164,679	198,258	(126,287)	236,650
Depreciable Business Type Assets				
Buildings	1,719,021	96,866	(10,094)	1,805,793
Infrastructure	523,056	34,601	-	557,657
Equipment	44,597	2,573	(2,412)	44,758
Total Depreciable Business Type Assets	2,286,674	134,040	(12,506)	2,408,208
Accumulated Depreciation				
Capital Additions	(703,509)	(57,490)	8,708	(752,291)
Infrastructure	(248,198)	(21,149)	-	(269,348)
Equipment	(25,298)	(3,518)	1,998	(26,817)
Total Accumulated Depreciation	(977,005)	(82,157)	10,706	(1,048,456)
Net Depreciable Business Type Assets	1,309,669	51,883	(1,800)	1,359,752
Total Business Type Assets	$ 1,474,348	$ 250,141	$ (128,087)	$ 1,596,402

Capital Assets

Major capital asset events for which capital expenditures were incurred during Fiscal 2009 include the following:

- *Construction in Progress.* Additions to construction in progress totaled $198.3 million during Fiscal 2009. Major projects that were under construction during the fiscal year included: expansion and modernization of Terminals D and E; resurfacing of runway 9R/27L; extension of Runway 17-35; improvements to Terminal A East; noise compatibility program; expansion of employee lot; and Terminal A West bag recheck system. Substantially completed projects, identified below, were transferred from construction in progress to capital assets.

✈ *Buildings, Infrastructure & Equipment.* Fixed asset additions totaled $134.0 million during Fiscal 2009. Significant design and construction projects substantially completed during Fiscal 2009 include the following:

- Terminal D&E Expansion & Modernization – completed phases ($60.1 million)
- Runway 17–35 Extension – completed phases ($30.4 million)
- Terminal A West – Bag Recheck System – completed phases ($5.1 million)
- Concessions Terminal Expansion ($3.1 million)
- Facility Management System ($4.7 million)
- Airport Master Plan/Environmental Impact Statement – completed phases ($4.2 million)
- Terminal F Renovations & Expansion – completed phases ($2.5 million)
- Noise Programs ($2.8 million)

Long-Term Debt

Principal paid on debt instruments totaled $77 million for Fiscal 2009, which included refunding the Series 2005B bonds in the amount of $41 million. Interest payments on debt instruments totaled $72.2 million for Fiscal 2009. The following table summarizes the changes in long-term debt, including the current portion, for Fiscal 2009:

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

	July 1, 2008	Additions	Retirements/ Repayments	June 30, 2009
Revenue bonds	$ 1,302,800	$ 45,715	$ 77,305	$ 1,271,210

As of June 30, 2009, total revenue bonds payable, less current maturities of $38.5 million, equated to $80.35 per enplaned passenger, compared to $78.90 as of June 30, 2008.

Due to financial instability within the bond insurance and credit markets that began in 2008, the City has taken certain steps to minimize market-related cost increases and to ensure compliance with the Amended and Restated General Airport Revenue Bond Ordinance of 1995 (the Bond Ordinance):

- In April 2009, the City issued Airport Revenue Refunding Bonds Series 2009A sub series (1) through (3) in the amount of $45.7 million. Serial bonds were issued in the amount of $25.7 million with interest rates ranging from 1.5% to 5.0% maturing in 2023.

Term bonds were issued in the amounts of $3.9 million and $16.1 million with interest rates ranging from 5.0% to 5.375% maturing in 2024 and 2029 respectively. The gain/loss on the bonds cannot be calculated in the usual way because the refunded bonds (series 2005B) were variable rate bonds, while the 2009A refunding bonds are fixed rate bonds. The 2005B bonds were subject to the Alternative Minimum Tax ("AMT"). However, the 2009A refunding bonds were issued on a fixed rate, non-AMT basis. The proceeds of the bonds, together with other monies of the City, were used to (1) current refund the City's outstanding Airport Revenue Bonds Series 2005B, (2) fund a deposit to the Parity Sinking Fund Reserve Account in respect of the bonds, and (3) pay the costs of issuance of the bonds.

- In December 2008, the outstanding balance of $178.6 million of City of Philadelphia Airport Revenue Refunding Bonds Series 2005C was remarketed under an irrevocable direct pay letter of credit (LOC) from TD Bank. The TD Bank LOC replaces a bond insurance policy from MBIA Insurance Corporation and the liquidity facility provided by JP Morgan Chase Bank, N.A. pursuant to standby bond purchase agreement, issued simultaneously with the issuance of the 2005C bonds in June 2005, and the surety policy for the sinking fund reserve account for the 2005C bonds. The LOC constitutes both a Credit Facility and Liquidity Facility under the Airport's General Bond Ordinance and the Variable Rate Securities Agreement, and TD Bank N.A. will be the Credit Provider and Liquidity Provider under the Ordinance and the Variable Rate Securities Agreement for the 2005C bonds. The bonds will have a weekly interest rate and maturing in 2025.

BUDGETARY HIGHLIGHTS FROM FISCAL 2009

Actual expenditures for Fiscal 2009 were 1.8% lower than budgeted expenditures. As economic conditions worsened during the year, the Airport instituted cost containment measures and deferrals to mitigate the impact to the airlines. The results of these initiatives are highlighted below:

- A 9.4% reduction ($9.3 million) in direct expenses related to Division of Aviation personal services, contractual services, materials and supplies, equipment, and other direct expenses.

- As a partial offset to the above spending reductions, net interdepartmental charges were 3.8% ($3.4 million) higher than projected due to the following: higher than budgeted fringe benefit rates attributable to increasing costs for health care and pension; increased police costs due to enhanced security measures mandated by the Transportation Security Administration; and increased costs resulting from the purchase of vehicles previously deferred.

- Net debt service was 2.1% ($1.3 million) greater than budgeted as a result of less than anticipated excess interest income in sinking fund reserves accounts, which is used to pay debt service.

KEY FACTORS AFFECTING THE FISCAL 2010 OPERATING BUDGET

The Airport System's Fiscal 2010 operating budget increased by 2.4% from Fiscal 2009 due to the following factors:

- A 7.0% increase ($6.0 million) in net interdepartmental charges due to anticipated increases in the citywide health care and pension costs, and projected wage increases for uniformed employees.

- A $2.6 million increase (4.3%) in net debt service attributable to the anticipated completion of various capital projects funded by the 2005A and 2007A Bonds. Debt service on these capital projects was previously capitalized.

- The above increases to the Fiscal 2010 budget were offset by the Division instituting budgetary restrictions in response to global economic conditions, which have resulted in lost profits and capacity reductions in the airline industry. These cost containment measures resulted in a decrease to the Division's Fiscal 2010 budget in the following areas: personal services ($343,000); professional services ($1.9 million); materials and supplies ($630,000); legal services ($136,000); and services to others ($1.8 million).

The FY 2010 snow removal budget was based on an assumption of average snowfall totals for the winter of 2009/10. In actuality, snow totals and major snow events for the Philadelphia region have reached their highest levels in recorded history. As a result, the Airport expects that its FY 2010 snow removal costs will exceed original projections by approximately $7 million, equivalent to 2.7% of the Airport's annual budget. To fund the additional snow costs, the Airport has imposed mid-year spending limits and is considering other funding measures, including landing fee rate revisions, a limited use of operating reserves, a potential for federal funding assistance, or a combination thereof.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Philadelphia Airport System finances and to demonstrate the City's accountability for the funds it receives and disburses. For additional information concerning this report, please contact: Edward C. Anastasi, Deputy Director of Aviation - Finance and Administration, Philadelphia International Airport, Executive offices, Terminal D, 3rd Floor, Philadelphia, PA 19153.

CITY OF PHILADELPHIA
AVIATION FUND
Statement of Net Assets
June 30, 2009

ASSETS	
Current assets:	
Cash and cash equivalents	$ 102,127,351
Accounts receivable:	12,173,175
Allowance for doubtful accounts	(1,084,457)
Inventories	2,962,601
Due from other governmental units	964,732
Total current assets	117,143,402
Restricted assets:	
Cash and cash equivalents	333,790,762
Cash held by fiscal agent	30,317,551
Sinking funds and reserves held by fiscal agents	47,154,404
Grants from other governments for capital purposes	13,529,809
Receivables	8,533,811
Total restricted assets	433,326,337
Net pension assets	8,099,111
Property, plant and equipment:	
Land	88,432,784
Infrastructure	557,656,992
Construction in progress	148,217,022
Buildings and equipment	1,850,551,020
Less: accumulated depreciation and amortization	(1,048,455,811)
Property, plant and equipment, net	1,596,402,007
Total assets	2,154,970,857
LIABILITIES	
Current liabilities:	
Vouchers payable	2,685,345
Accounts payable	11,061,318
Salaries and wages payable	3,059,917
Construction contracts payable	44,398,183
Accrued expenses	16,349,246
Deferred revenue	15,390,422
Current maturities of long-term bonded debt	38,510,000
Total current liabilities	131,454,431
Long-term liabilities:	
Revenue bonds - principal amount	1,232,700,000
Unamortized discount and loss	(20,822,136)
Other long-term liabilities	13,827,595
Total long-term liabilities	1,225,705,459
Total liabilities	1,357,159,890
NET ASSETS	
Invested in capital assets, net of related debt:	560,027,919
Restricted:	
Capital projects	52,445,053
Debt service	107,607,368
Unrestricted	77,730,627
Total net assets	$ 797,810,967

See notes to the financial statements.

CITY OF PHILADELPHIA
AVIATION FUND
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2009

Operating revenues:		
Charges for goods and services	$	73,950,707
Rentals and concessions		173,574,129
Miscellaneous operating revenues		4,178,104
Total operating revenues		251,702,940
Operating expenses:		
Personal services		63,732,083
Purchase of services		75,493,151
Materials and supplies		6,586,423
Employee benefits		41,501,356
Indemnities and taxes		937,733
Depreciation and amortization		82,156,722
Total operating expenses		270,407,468
Operating loss		(18,704,528)
Nonoperating revenues (expenses):		
Operating grants		2,052,401
Passenger facility charges		61,255,198
Interest income		1,567,964
Net pension obligation		(3,736,964)
Debt service, interest		(52,085,548)
Other revenue (expenses)		3,380,024
Total nonoperating revenues (expenses)		12,433,075
Income before capital contributions		(6,271,453)
Capital contributions		44,744,177
Change in net assets		38,472,724
Net assets beginning of period		759,338,243
Net assets end of period	$	797,810,967

See notes to the financial statements.

CITY OF PHILADELPHIA
AVIATION FUND
Statement of Cash Flows
For the Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$	255,425,183
Receipts from interfund services		887,631
Payments to suppliers		(78,762,738)
Payments to employees		(100,105,584)
Internal activity-payments to other funds		(5,380,432)
Other receipts (payments)		312,517
Net cash provided by operating activities		72,376,577
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES :		
Grant proceed not specifically restricted for capital purposes		1,933,517
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital debt		44,289,740
Capital contributions		40,040,026
Purchase of capital assets		(178,441,236)
Principal paid on capital debt		(77,305,000)
Interest paid on capital debt		(71,963,664)
Passenger facility charges		60,898,941
Net cash provided by capital and related financing activities		(182,481,193)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturities of investments		119,523
Interest and dividends		16,848,022
		16,967,545
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		(91,203,554)
Balance beginning of year		557,439,217
Balance end of year	$	466,235,663
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss)	$	(18,704,528)
Adjustment to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization		82,156,722
Changes in assets and liabilities:		
Receivables, net		969,170
Inventories		(28,455)
Accounts and other payables		3,168,928
Deferred revenue		4,814,740
Net cash provided by operating activities	$	72,376,577

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

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

Basis of Accounting

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

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

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

Deposits and Investments

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

Statutes authorize the City to invest in obligations of the Treasury, agencies, and instruments of the United States, repurchase agreements, collateralized certificates of deposit, bank acceptance or mortgage obligations, certain corporate bonds, and money market funds. Management is not aware of any violations of statutory authority or contractual provisions for investments for the year ended June 30, 2009.

Accounts Receivable

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2009. Credit balance receivables have been included in deferred revenue in the statement of net assets. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable, which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's law department if deemed uncollectible. Accounts are written off when recommended by the law department.

Inventories

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

Restricted Assets

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

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

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

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

Capital Assets

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

Construction in progress includes all direct contract costs plus overhead costs. Overhead costs include direct and indirect engineering and architectural costs and interest incurred during the construction period, for projects financed with bond proceeds. Interest is capitalized on proprietary fund assets acquired with tax exempt debt by offsetting interest expense from the date of borrowing through the project completion with the amount of interest income on the invested proceeds over the same period. After construction is completed, interest income and expense on these funds are recorded as non-operating revenue and expense. Construction in progress is transferred to capital assets when 80% of the estimated project costs have been expended. Depreciation commences in the year following the transfer.

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

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

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

Deferred Revenue

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

Revenues

Operating revenues consist primarily of the following:

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

Non-operating revenues consist primarily of the following:

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

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

Operating Expenses

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

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

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

Compensated Absences

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

Management's Use of Estimates

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

2. DEPOSITS AND INVESTMENTS

For the year ended June 30, 2009, deposits and investments are included in the financial statements in current and restricted cash and cash equivalents, in sinking funds and reserves held by fiscal agents, and in cash held by fiscal agent.

Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, both the carrying amount (book balance) and bank balance of deposits for the Aviation Fund were $31.8 million. All of the collateralized securities were held in the City's name.

Investments

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

As of June 30, 2009 the fair value of the Aviation Fund's investments consisted of the following:

	Fair Value	% of Total
U.S. Government Securities	$ 43,341,371	8.79%
U.S. Government Agency Securities	299,896,855	60.81%
Corporate Bonds	3,721,907	0.75%
Short-Term Investment Pools	90,908,506	18.43%
Repurchase Agreements	10,658,601	2.16%
Commercial Paper	44,676,636	9.06%
	$ 493,203,876	100.0%

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

	Less Than 1 Year	1 - 3 Years	More Than 3 Years
U.S. Government Securities	$ 37,698,459	$ 5,642,912	$ -
U.S. Government Agency Securities	234,790,470	64,144,385	962,000
Corporate Bonds	502,765	3,219,142	-
Short-Term Investment Pools	90,908,506	-	-
Repurchase Agreements	-	-	10,658,601
Commercial Paper	44,676,636	-	-
	$ 408,576,835	$ 73,006,439	$ 11,620,601

Credit Risk: For the City as a whole, credit risk is limited by investing in US Government securities (7.8%) or US Government Agency obligations (15.29%). The US Government Agency obligations must be rated AAA by Standard & Poor's (S&P) or Aaa by Moody's Investor Services (Moody's). All US Government Securities meet the criteria. The City's investment in commercial paper (3.43%) must be rated A1 by S&P and/or M1G1 by Moody's and the senior long-term debt of the issuer must not be rated lower than A by S&P and/or Moody's. Commercial paper is also limited to 25% of the portfolio. All commercial paper investments meet the criteria. Of the corporate bonds held by the City, 88.0% had an S&P rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short-term investment pools). Short-term investment pools are rated AAAm by S&P and Aaa by Moody's. The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in US dollars providing that the banking institution has assets of not less than $100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year the City did not have any investments of that nature.

3. CASH HELD BY FISCAL AGENT

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

4. CAPITAL ASSET ACTIVITY

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

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Non-depreciable Assets				
Land	$ 88,432,784	$ -	$ -	$ 88,432,784
Construction-in-progress	76,245,784	198,257,853	(126,286,615)	148,217,022
Total non-depreciable business type assets	164,678,568	198,257,853	(126,286,615)	236,649,806
Depreciable business type assets				
Buildings	1,483,424,284	84,517,619	(10,093,892)	1,557,848,011
Infrastructure	523,055,902	34,601,090	-	557,656,992
Equipment	44,596,989	2,573,025	(2,411,912)	44,758,102
Other improvements	235,597,001	12,347,906	-	247,944,907
Total depreciable business-type assets	2,286,674,176	134,039,640	(12,505,804)	2,408,208,012
Accumulated depreciation				
Infrastructure	(248,198,127)	(21,149,471)	-	(269,347,598)
Building & Improvement	(586,845,376)	(48,440,525)	8,707,532	(626,578,369)
Equipment	(25,297,644)	(3,517,672)	1,998,296	(26,817,020)
Other improvements	(116,663,770)	(9,049,054)	-	(125,712,824)
Total accumulated depreciation	(977,004,917)	(82,156,722)	10,705,828	(1,048,455,811)
Net depreciable business type assets	1,309,669,259	51,882,918	(1,799,976)	1,359,752,201
Total business type assets	$ 1,474,347,827	$ 250,140,771	$ (128,086,591)	$ 1,596,402,007

A portion of bond interest expense net of related interest income on unexpended funds is capitalized during the construction phase of the projects funded by the bonds. Net interest capitalized to construction in progress was $11,428,200 for the fiscal year, which represents $20,092,626 in interest expense net of $8,664,626 of related interest income. Depreciation and amortization expense for the year was $82,156,722.

5. DEFERRED REVENUE

Deferred revenue of $15,390,422 includes revenues received in advance, excess billing to the scheduled airlines, and credit balance receivables at June 30, 2009.

6. ARBITRAGE REBATE

The Aviation Fund has several series of revenue bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on these issues over interest expense paid on the bonds be paid to the federal government at the end of a five year period. The arbitrage rebate liability as of June 30, 2009 was $1,332,148 and is included in other long-term liabilities.

7. INTEREST RATE SWAP

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

Terms: JP Morgan exercised its option to enter into a swap on June 15, 2005, and the swap commenced on that date. Under the swap, the Airport pays multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%). The payments are based on an amortizing notional schedule (with an initial notional amount of $189.5 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into. The swap's variable payments are based on the SIFMA Municipal Swap Index. If the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan Chase has the option to terminate the swap.

As of June 30, 2009, the swap had a notional amount of $173.9 million and the associated variable-rate bonds had a $173.9 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

Fair Value: As of June 30, 2009, the swap had a negative fair value of ($28.5 million). This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase.

Risk: As of June 30, 2009, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as MBIA is rated at least A- or A3. MBIA is currently below this rating level.

As of June 30, 2009, the rates were:

Interest Rate Swap	Terms	Rates
Fixed payment to JPMorgan Chase	Fixed	5.87072%
Variable rate from JPMorgan Chase	SIFMA	-0.35000%
Net interest rate swap payments		5.52072%
Variable rate bond coupon payments	Weekly resets	0.40000%
Synthetic interest rate on bonds		5.92072%

Swap payments and associated debt: As of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Interest	Interest Rate Swaps Net	Total Interest
2010	$ 5,300,000	$ 695,600	$ 9,600,532	$ 10,296,132
2011	6,000,000	674,400	9,307,934	9,982,334
2012	6,700,000	650,400	8,976,691	9,627,091
2013	7,500,000	623,600	8,606,802	9,230,402
2014	8,200,000	593,600	8,192,748	8,786,348
2015 - 2019	53,100,000	2,411,200	33,278,900	35,690,100
2020 - 2024	71,300,000	1,195,000	16,501,432	17,696,432
2025	15,800,000	63,200	872,274	935,474
	$ 173,900,000	$ 6,907,000	$ 95,337,313	$ 102,244,313

8. BONDS PAYABLE

General obligation (G.O.) bonds, payable out of Aviation Fund revenues, consist of bonds declared by statute to be self-sustaining from airport revenues. There are no G.O. bonds outstanding as of June 30, 2009.

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

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

In July 1998, Airport Revenue Bonds, Series 1998B in the amount of $443,700,000 were issued. The proceeds of Series 1998B were used to prepay the City's fixed rental obligation under a lease with PAID ("the PAID Lease"). Under this lease, the City acquired a leasehold interest and will occupy, operate and manage certain new terminals and related improvements ("the US Airways Project Facility") constructed with funds provided by the Series 1998A PAID Airport Revenue Bonds.

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

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

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

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

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

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

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

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

Years Ending June 30	Principal	Interest	Total Debt Service
2010	$ 38,510,000	$ 65,744,897	$ 104,254,897
2011	45,855,000	63,277,697	109,132,697
2012	48,555,000	60,502,416	109,057,416
2013	51,510,000	57,553,279	109,063,279
2014	54,490,000	54,579,582	109,069,582
2015-2019	284,960,000	224,274,876	509,234,876
2020-2024	311,770,000	148,056,159	459,826,159
2025-2029	311,775,000	71,648,528	383,423,528
2030-2034	83,775,000	22,216,275	105,991,275
2035-2039	40,010,000	3,636,413	43,646,413
Total	$ 1,271,210,000	$ 771,490,122	$ 2,042,700,122

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

Total interest cost for the fiscal year was $72,178,174 of which $20,092,626 was capitalized and $52,085,548 was recorded as non-operating expense.

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

8. BONDS PAYABLE

Type of Debt	Description	Authorized and Issued	Included in Current Liabilities	Portion Due After June 30, 2010	Total Outstanding Bonded Debt	Final Maturity	Interest Percentage Rate
Airport Revenue Bonds - Series 1997A	Loan # 705	$ 123,565,000	$ 4,440,000	$ 26,130,000	$ 30,570,000	2015	5.00 - 6.00%
Airport Revenue Bonds - Series 1998A	Loan # 705	$ 123,405,000	6,425,000	65,540,000	71,965,000	2016	5.25 - 6.00%
Airport Revenue Bonds - Series 1998B	Loan # 706	$ 443,700,000	11,210,000	366,610,000	377,820,000	2028	4.25 - 5.38%
Airport Revenue Bonds - Series 2001A	Loan # 707	$ 187,680,000	4,670,000	159,555,000	164,225,000	2028	4.00 - 5.50%
Airport Revenue Bonds - Series 2001B	Loan # 708	$ 40,120,000	895,000	34,560,000	35,455,000	2031	4.00 - 5.25%
Airport Revenue Bonds - Series 2005C	Loan # 710	$ 189,500,000	5,300,000	168,600,000	173,900,000	2025	Variable Rate
Airport Revenue Bonds - Series 2005A	Loan # 711	$ 124,985,000	2,460,000	120,185,000	122,645,000	2035	4.50 - 5.00%
Airport Revenue Bonds - Series 2007A	Loan # 712	$ 172,470,000		172,470,000	172,470,000	2037	5.00 - 5.00%
Airport Revenue Bonds - Series 2007B	Loan # 713	$ 82,915,000	3,105,000	73,345,000	76,450,000	2027	4.50 - 5.00%
Airport Revenue Bonds - Series 2009A	Loan # 714	$ 45,715,000	5,000	45,705,000	45,710,000	2029	1.50 - 5.00%
			$ 38,510,000	$ 1,232,700,000	$ 1,271,210,000		

Airport General Obligation Bonds authorized and unissued at June 30, 2009 $ 62,500,000

CHANGES IN LONG-TERM DEBT:	Beginning Balance	Additions	Retirements/ Repayments	Ending Balance	Due Within One Year
Revenue bonds	$ 1,302,800,000	$ 45,715,000	$ (77,305,000)	$ 1,271,210,000	$ 38,510,000
Less unamortized premium/ discount and loss on refunding	(20,415,795)			(20,415,795)	
Total bonds	1,282,384,205	45,715,000	(77,305,000)	1,250,794,205	38,510,000
Workers compensation claims	3,783,860	2,702,783	(1,141,043)	5,345,600	
Termination compensation payable	6,049,096	1,125,406	(633,176)	6,541,326	684,700
Legal liability	50,000	1,673,958	(430,737)	1,293,221	-
Arbitrage	267,767	1,064,381		1,332,148	-
	$ 1,292,534,928	$ 52,281,528	$ (79,509,956)	$ 1,265,306,500	$ 39,194,700

9. FUND BALANCES

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

- *Invested in Capital Assets, Net of Related Debt* reflects the investment in fixed assets net of accumulated depreciation and offset by debt service related to expended bond proceeds.

- *Restricted for Capital Projects* reflects the unexpended funds from bond proceeds and PFCs, which are reserved for construction of capital projects.

- *Restricted for Debt Service* reflects the unexpended funds from bond proceeds and PFCs, which are reserved for repayment of debt.

- *Unrestricted* reflects net assets available for current and future operations.

10. PENSION PLAN

The Aviation Fund contributes to the Municipal Pension Plan (City Plan) of the City of Philadelphia. Information for the City Plan as a whole is available in the Comprehensive Annual Financial Report (CAFR) of the City of Philadelphia for the year ended June 30, 2009. Required Supplementary Information is presented in the audited financial statement of the City Plan, which may be obtained from the Director of Finance of the City of Philadelphia.

<u>Plan Description</u>

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

Retirement Benefits

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

Death Benefits

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

Disability Benefits

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

Membership

Membership in the plan for the City as a whole as of July 1, 2008 was as follows:

Retirees and beneficiaries currently receiving benefits	35,405
Terminated members entitled to benefits but not yet receiving benefits	1,263
Active members	29,215
Total Members	65,883

Funding Policy

Employee contributions are required by City Ordinance. For 1967 Plan members, employees contribute 3¾ % of their total compensation that is subject to FICA and 6% of compensation not subject to FICA. 1987 Plan contribution rates are defined for the membership as a whole by Council Ordinance. Rates for individuals are then determined annually by the actuary so that total individual contributions satisfy the overall rate set by Council.

The City is required to contribute the remaining amounts necessary to fund the Plan, using an acceptable actuarial basis as specified by the Home Rule Charter, City Ordinance and State Statute. Court decisions require that the City's annual employer contributions are sufficient to fund:

- The accrued actuarially determined normal costs.
- Amortization of the unfunded actuarial accrued liability determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries (the Dombrowski suit) is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.
- Amortization in level dollar payments of the changes to the July 1, 1985 liability due to the following causes over the stated period:
  - non-active members' benefit modifications (10 years)
  - experience gains and losses (15 years)
  - changes in actuarial assumptions (20 years)
  - active members' benefit modifications (20 years)

Under the City's current funding policy, the total required employer contribution for the current year amounted to $524.1 million or 35.4% of covered payroll of $1,462.5 million for the City as a whole. The City's actual contribution was $440.0 million, which met the Minimum Municipal Obligation as required by the Commonwealth of Pennsylvania's Acts 205 and 189. The annual pension cost and related percentage contributed for the three most recent fiscal years for the Aviation Fund are as follows:

Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2007	$17,097,141	83.9%	$(16,607,899)
2008	$19,400,959	79.6%	$(11,836,075)
2009	$20,889,105	84.0%	$ (8,099,111)

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2008. Methods and assumptions used for that valuation include:

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

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

Funding Status

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

(in millions) Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2008	$ 4,623.6	$ 8,402.2	$ 3,778.6	55.03%	$ 1,456.5	259.43%

Net Pension Obligation

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

	(in thousands)
Annual Required Contribution (ARC)	$ 539,464
Interest on Net Pension Obligation (NPO)	(48,957)
Adjustment to ARC	68,399
Annual Pension Cost	558,906
Contributions Made	(455,389)
Increase in NPO	103,517
NPO at Beginning of Year	(559,505)
NPO at End of Year	$ (455,988)
Interest Rate	8.75%
15 Year Amortization Factor (EOY)	8.18%

The required employer contribution for the Aviation Fund was 34.4% of covered payroll of $60.8 million.

Summary of Significant Accounting Policies

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

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

11. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

Funding Policy: The City funds its' retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts or pays the health care providers directly for non-unionized employees. For fiscal year 2009, the City paid $76.6 million for retiree healthcare.

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

	(in thousands)
Annual required contribution	$ 98,697
Interest on net OPEB obligation	183
Adjustment to ARC	(147)
Annual OPEB cost	98,733
Payments made	(81,251)
Increase in net OPEB obligation	17,482
Net OPEB obligation – beginning of year	3,668
Net OPEB obligation – end of year	$ 21,150

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

Amounts in thousands

Year Ended June 30	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
2008	$ 83,373	96.0%	$ 3,668
2009	$ 98,733	82.0%	$ 21,150

Funded Status and Funding Progress: As of July 1, 2008, the most recent actuarial valuation date, the City is funding OPEB on a pay as you go basis and accordingly, the unfunded actuarial accrued liability (UAAL) for benefits was $1.2 billion. The covered annual payroll was $1.5 billion and the ratio of the UAAL to the covered payroll was 79.0 percent.

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

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

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

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. Unfunded liabilities are funded over a 30 year period as a level percentage of payroll, which is assumed to increase at a compound annual rate of 4% per year. The actuarial assumption included a 3.5% compound annual interest rate on the City's general investments.

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan in accordance with the Internal Revenue Service Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2009, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB #32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* the Aviation Fund does not include the assets or activity of the plan in its financial statements.

13. ACCUMULATED UNPAID SICK LEAVE

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

14. OPERATING LEASES

The Aviation Fund as a Lessor

The City and the participating airlines executed a new 4 year Airport-Airline Use and Lease Agreement effective July 1, 2007. The Airline Agreement employs a residual cost center approach, wherein airline rates and charges are calculated to fund the annual net expense of PHL's airfield and terminal facilities after taking into account non-airline revenues generated by the Airport. The rate-making provisions of the new agreement also provide for the creation and funding of Airport budgetary reserves to enhance PHL's financial capacity and flexibility.

The Aviation Fund's other operating leases consist primarily of leases of airport facilities for retail or other aviation related matters. Most assets constructed by lessees under terms of the lease revert to the City at the end of the lease term. Those assets are recorded at fair value, as determined by an appraisal on the property. During fiscal 2009, the Aviation Fund acquired capital improvements, with a fair value of $5.2 million at the end of the lease term, from the car rental companies.

The Aviation Fund's most significant non-airline lease is with MarketPlace Philadelphia, LP for the development and management of the food and retail program throughout Philadelphia International Airport. The award-winning food and retail program consists of 157 shops, restaurants, retail carts and passenger services throughout Terminals A-West through F. The lease agreement provides for MarketPlace Philadelphia, LP to pay rentals to the City in the form of minimum annual guarantees and profit sharing.

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

Minimum rentals	$ 27,254,113
Additional rentals	148,747,500
Total rental income	$ 176,001,613

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

Years Ending June 30	Future Payments
2010	$ 18,608,040
2011	14,582,548
2012	13,576,983
2013	13,176,974
2014	7,045,137
2015-2019	31,292,856
2020-2024	18,962,530
2025-2029	12,366,375
2030-2034	10,320,051
Total	$ 139,931,494

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

The Aviation Fund as a Lessee

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

Minimum rentals	$	1,906,385
Additional rentals		10,559,050
Total rental income	$	12,465,435

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

Years Ending June 30	
2010	$ 1,677,684
2011	1,063,716
2012	771,578
2013	491,844
2014	90,530
2015-2019	45,265
Total	$ 4,140,617

15. RISK MANAGEMENT

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

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

At June 30, the amount of these liabilities for the City as a whole was $309.3 million. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2007 resulted from the following:

(in millions)	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
Fiscal 2008	$275.9	$74.2	$(89.0)	$261.1
Fiscal 2009	$261.1	$144.4	$(96.2)	$309.3

The City's unemployment and workers' compensation coverages are provided through its general fund and are funded by a pro-rata charge to the various funds. The City's payments for the year were $4.2 million for unemployment compensation claims and $55.5 million for workers' compensation claims.

The City's estimated outstanding workers' compensation liabilities are $267.3 million discounted at 3.5% and $339.1 million on an undiscounted basis. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers compensation total $244.7 million discounted and $311.6 million undiscounted. The Aviation Fund's accrued liability for worker's compensation was $5,345,600 at June 30, 2009. Further discrete information is not available for the Aviation Fund.

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

16. CONCENTRATION OF CREDIT RISK

US Airways is the principal airline serving Philadelphia International Airport. For Fiscal 2009, the airline, together with its US Airways Express affiliates accounted for approximately 64.3% of passengers enplaned at the airport. Operating revenues from US Airways and its affiliates totaled approximately $110.0 million in Fiscal Year 2009, which represented approximately 44.0 % of total Aviation Fund operating revenues.

17. CONTINGENCIES AND COMMITMENTS

As of June 30, 2009, the Aviation Fund had commitments of approximately $31.9 million for operating expenses and $229.7 million for capital assets and improvements. The Aviation Fund expects to fund these commitments through operations and through capital grants, bond proceeds, and passenger facility charges.

Litigation

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

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

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

CITY OF PHILADELPHIA
AVIATION FUND
Reconciliation of Fund Balance (Legally Enacted Basis) to
Net Assets (GAAP Basis)
For the Year Ended June 30, 2009

Fund balance, legal basis June 30, 2009	$	55,127,876
Add assets not included in legal basis:		
Current assets		14,408,114
Fixed assets, net of depreciation		1,596,402,007
Restricted assets		433,326,337
Net pension asset		8,099,111
		2,052,235,569
Deduct liabilities not included in legal basis:		
Construction accounts payable		(44,398,183)
Current liabilities		(24,031,818)
Bonds payable		(1,250,387,864)
Other long-term liabilities		(13,827,595)
		(1,332,645,460)
Add (deduct) fund balance accounts included in legal basis:		
Reserve for encumbrance, current		81,706
Reserve for encumbrance, prior		23,011,276
Reserve for collectible accounts		
		23,092,982
Net assets - GAAP basis, June 30, 2009	$	797,810,967

CITY OF PHILADELPHIA
AVIATION FUND
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2009
(Amounts in thousands)

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	$342,166	$325,139	$291,282	($33,857)
Revenue from Other Governments	2,500	2,500	1,934	(566)
Revenue from Other Funds	1,500	2,000	887	(1,113)
Total Revenues	346,166	329,639	294,103	(35,536)
Expenditures and Encumbrances				
Personal Services	67,653	67,619	60,892	6,727
Pension Contributions	19,270	20,852	20,852	-
Other Employee Benefits	18,637	19,056	18,656	400
Sub-Total Employee Compensation	105,560	107,527	100,400	7,127
Purchase of Services	99,475	99,498	78,973	20,525
Materials and Supplies	7,524	7,538	7,360	178
Equipment	5,786	5,785	2,352	3,433
Contributions, Indemnities and Taxes	4,512	2,510	938	1,572
Debt Service	114,021	114,021	99,676	14,345
Payments to Other Funds	25,423	25,423	12,780	12,643
Total Expenditures and Encumbrances	362,301	362,302	302,479	59,823
Operating Surplus (Deficit) for the Year	(16,135)	(32,663)	(8,376)	24,287
Fund Balance Available for Appropriation, July 1, 2008	59,124	61,410	61,412	2
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net (Budget Book)	15,000	12,000	2,092	(9,908)
Adjusted Fund Balance, July 1, 2008	74,124	73,410	63,504	(9,906)
Fund Balance Available for Appropriation, June 30, 2009	$57,989	$40,747	$55,128	$14,381

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APPENDIX II

REPORT OF THE AIRPORT CONSULTANT DATED OCTOBER 19, 2010

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Appendix II

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE BONDS
Series 2010A

AIRPORT REVENUE REFUNDING BONDS
Series 2010B, Series 2010C, and Series 2010D

Prepared for

City of Philadelphia
Philadelphia, Pennsylvania

Prepared by

LeighFisher
Burlingame, California

October 19, 2010

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Leigh|Fisher
Management Consultants

October 19, 2010

Mr. Rob Dubow
Director of Finance
1401 John F. Kennedy Boulevard
Suite 1330, Municipal Services Building
Philadelphia, Pennsylvania 19102

and

Mr. Mark Gale
Chief Executive Officer
Philadelphia International Airport
8800 Essington Avenue, Terminals D/E
Philadelphia, Pennsylvania 19153

Re: **Report of the Airport Consultant, City of Philadelphia, Pennsylvania, Airport Revenue Bonds, Series 2010A, and Airport Revenue Refunding Bonds, Series 2010B, Series 2010C, and Series 2010D**

Dear Mr. Dubow and Mr. Gale:

We are pleased to submit this Report of the Airport Consultant on certain aspects of the proposed issuance of Airport Revenue Bonds, Series 2010A (the 2010A Bonds); Airport Revenue Refunding Bonds, Series 2010B (the 2010B Refunding Bonds); Airport Revenue Refunding Bonds, Series 2010C (the 2010C Refunding Bonds); and Airport Revenue Refunding Bonds, Series 2010D (the 2010D Refunding Bonds) by the City of Philadelphia, Pennsylvania (the City). The 2010B Refunding Bonds, 2010C Refunding Bonds, and 2010D Refunding Bonds are collectively referred to as the 2010 Refunding Bonds. The 2010A Bonds and 2010 Refunding Bonds are collectively referred to as the 2010 Bonds. This letter and the accompanying attachment and exhibits constitute our report.

The City owns Philadelphia International Airport (the Airport), the principal airline airport serving the Philadelphia metropolitan area, and Northeast Philadelphia Airport, a general aviation reliever airport. The two airports (collectively, the Airport System) are operated by the City's Division of Aviation.

formerly Jacobs Consultancy

555 Airport Boulevard, Suite 300 | Burlingame, California 94010 U.S.A. | 1.650.579.7722 | **www.leighfisher.com**

The 2010A Bonds are being issued in the approximate amount of $272.3 million to finance part of the costs of the following Airport capital improvements, referred to collectively as the 2010 Project and are described more fully in the attachment:

- Terminal F expansion and renovation
- Loading bridge replacement and refurbishment
- Terminal concessions improvements
- Terminal signage upgrades
- Terminals B-C expansion design
- Westside taxiway improvements
- Eastside taxiway improvements design
- Runway 9L-27R resurfacing and navaids
- Airport maintenance facility design and first phase of construction
- Central utility plant upgrades
- Infrastructure improvement program

The City may issue the 2010B Refunding Bonds, 2010C Refunding Bonds, and 2010D Refunding Bonds to effect a current refunding of all or portion of the outstanding Airport Revenue Refunding Bonds, Series 1997A (the 1997A Bonds); Airport Revenue Refunding Bonds, Series 1998A (the 1998A Bonds); and Airport Revenue Bond, Series 1998B (the 1998B Bond), respectively. Issuance of the 2010 Refunding Bonds is dependent upon achieving net present value savings of 3.0% or more on the Bonds being refunded, in accordance with the City's debt policy.

General Ordinance

The 2010 Bonds are being issued under the terms of the City's 1995 Amended and Restated General Airport Revenue Bond Ordinance providing for the issuance of Airport Revenue Bonds (Bonds), as subsequently amended and supplemented by supplemental ordinances (collectively, the General Ordinance). Except as otherwise defined herein, capitalized terms in this report are used as defined in the General Ordinance and the Airport-Airline Use and Lease Agreement (discussed later).

Security for the Bonds

Under the provisions of Section 4.02 of the General Ordinance, the 2010 Bonds are to be limited obligations of the City payable from Amounts Available for Debt Service. Amounts Available for Debt Service include (1) Project Revenues, (2) passenger facility charge (PFC) revenues pledged to the payment of Bond debt service, and (3) grants-in-aid for capital projects deposited in the Sinking Fund and committed to the payment of Bond debt service.

Project Revenues comprise all revenues derived from the operation of the Airport System except PFC revenues, grants-in-aid for capital projects, Special Purpose Facility rentals, and certain other amounts. As provided for by Section 4.02 of the General Ordinance, the City elected in 2007 to include revenues generated by the Outside Terminal Area (OTA) at the Airport in Project Revenues. Accordingly, effective July 1, 2007, all revenues, expenses, and debt service requirements generated by or allocable to the OTA are included in the calculation of Amounts Available for Debt Service and Bond debt service coverage.

The City has received authority from the Federal Aviation Administration (FAA) to impose a PFC of $4.50 per eligible enplaned passenger at the Airport and to use PFC revenues to pay eligible debt service. The City has pledged certain PFC revenues to pay a portion of the debt service requirements of the 1998B Bond and the 2001A Bond. The City plans to refund a portion of the 1998B Bond with the proceeds of the 2010D Refunding Bonds and to maintain the pledge of PFC revenues to the payment of debt service on the 2010D Refunding Bonds. The pledge of PFC revenues for the 2010D Refunding Bonds is subordinate to the pledge for the 2001A Bond, which in turn is subordinate to the pledge for the 1998B Bonds.

Under the provisions of the Ninth and Tenth Supplemental Ordinances authorizing the issuance of the 2010D Refunding Bonds, the City will pledge PFC revenues to the payment of a portion of the debt service on the 2010D Refunding Bonds. The City will pledge PFC revenues collectively equal to 100% of the PFC-eligible debt service on the 1998B Bond, 2001A Bond, and 2010D Refunding Bonds, subject to the limitation that in no year will the amount pledged exceed the lesser of (1) 70% of PFC revenues received by the City in such year, or (2) 75% of total debt service on the 1998B Bond, 2001A Bond, and 2010D Refunding Bonds in such year.

As of June 30, 2010, the City had outstanding $706.5 million of Bonds payable solely from Project Revenues and $526.2 million of Bonds payable from Project Revenues and pledged PFC revenues.

Rate Covenant

In Section 5.01 of the General Ordinance, the City covenants that it will, at a minimum, impose, charge, and recognize as revenues in each Fiscal Year such rentals, charges, and fees as shall, together with that portion of the Aviation Operating Fund balance attributable to Amounts Available for Debt Service and carried forward at the beginning of such Fiscal Year, and together with all other Amounts Available for Debt Service to be received in such Fiscal Year, equal to not less than the greater of all the following amounts payable during such Fiscal Year:

Either (1) the sum of:

(i) Net Operating Expenses (Operating Expenses exclusive of Interdepartmental Charges);

(ii) 150% of the amount required to pay the Debt Service Requirements of outstanding Bonds;

(iii) the amount, if any, required to be paid into the Sinking Fund Reserve Account; and

(iv) the amount, if any, required to be paid into the Renewal Fund.

or (2) the sum of:

(i) Operating Expenses;

(ii) the Debt Service Requirements of outstanding Bonds;

(iii) the debt service requirements of any outstanding General Obligation Bonds (including General Obligation Bonds that have not been adjudged to be self-sustaining) issued for improvements to the Airport System;

(iv) the debt service requirements of any outstanding Subordinate Obligations and any other subordinate indebtedness secured by Amounts Available for Debt Service;

(v) amounts required to repay any loans among the Aviation Capital Fund, the Renewal Fund, and the Aviation Operating Fund made pursuant to Section 4.05(c) of the General Ordinance;

(vi) the amount, if any, required to be paid into the Sinking Fund Reserve Account or Renewal Fund; and

(vii) any amounts required to be paid under Exchange Agreements.

These provisions of the General Ordinance are referred to as the Rate Covenant. The requirements of the preceding items (1)(i) through (1)(iv) are referred to in this report as Rate Covenant Test #1 and the requirements of items (2)(i) through (2)(vii) are referred to as Rate Covenant Test #2. The City's Fiscal Year (FY) ends June 30.

Additional Bonds Test

Section 5.04 of the General Ordinance requires, as a condition for the City's issuance of an additional series of Bonds, that a report be prepared by nationally recognized independent consultants having broad experience in the operation of major airport systems. The report is required to address, for each series of Bonds, the ability of the Airport System to yield Amounts Available for Debt Service sufficient to comply with the Rate Covenant. The report is required to demonstrate that the Rate Covenant (1) was met for the Fiscal Year immediately preceding the date of the report (or for any period of 12 full consecutive months during the 18 months preceding the date of the report) and (2) is estimated to be met for each of the five Fiscal Years ended immediately following the issuance of the additional Bonds. The report is also required to document that, as of the date of the report, no deficiency exists in the Sinking Fund Reserve Account. The requirements of Section 5.04 of the General Ordinance are referred to as the Additional Bonds Test. The applicable Fiscal Years for the 2010 Bonds are FY 2010 and FY 2011 through FY 2015. This report constitutes the consultant's report required by the Additional Bonds Test.

Airline Agreement

Effective July 1, 2007, the City and the principal airlines serving the Airport entered into a new Airport-Airline Use and Lease Agreement (the Airline Agreement). The Airline Agreement establishes procedures for the annual review and adjustment of airline rentals, fees, and charges so that the Airport System yields Amounts Available for Debt Service at least sufficient to comply with the Rate Covenant.

The Airline Agreement extends through FY 2011. For the forecasts in this report, it was assumed that the provisions of the Airline Agreement regarding the setting of airline rentals, fees, and charges will remain in effect through the forecast period ending FY 2015.

Under the Airline Agreement, Capital Expenditures are deemed approved by the Signatory Airlines unless they are specifically disapproved by a Majority-in-Interest (MII). For projects affecting Terminal Area rentals, fees, and charges, MII is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of the passengers enplaned at the Airport during the preceding calendar year. For projects affecting Airfield Area fees and charges, MII is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of landed weight at the Airport during the preceding calendar year. MII approval obligates the Signatory Airlines to pay rentals, fees, and charges as required to enable the City to comply with the Rate Covenant.

The issuance of the 2010A Bonds is subject to MII approval of the Signatory Airlines, and the City has obtained such approval from the Signatory Airlines for elements of the 2010 Project to be financed from the proceeds of the 2010A Bonds. Under the provisions of the Airline Agreement, no MII approvals are required for the issuance of the 2010 Refunding Bonds.

Planned Future Bonds

During the forecast period covered by this report, the City expects to (1) construct the eastside taxiways project, designed as part of the 2010 Project, (2) construct the second phase of the Airport maintenance facility project (designed and first phase of construction as part of the 2010 Project), and (3) acquire certain parcels of land. The land acquisitions are expected to occur in mid-2011.

The City expects to finance such improvements, referred to collectively as the 2011 Project, with the proceeds of Additional Bonds. The issuance of Additional Bonds to finance these projects (the 2011 Bonds) would be subject to, among other requirements, obtaining MII approval from the Signatory Airlines and meeting the Additional Bonds Test requirements of the General Ordinance. The City has not made any commitment to issue the 2011 Bonds.

Scope of the Report

This report was prepared to address the ability of the Airport System to yield Amounts Available for Debt Service sufficient to comply with the Rate Covenant of Section 5.01 of the General Ordinance and to demonstrate compliance with the requirements of the Additional Bonds Test of Section 5.04 of the General Ordinance. The report presents historical financial results for FY 2007 through FY 2009, estimated results for FY 2010, budgeted results for FY 2011, and forecast results for FY 2012 through FY 2015.

In preparing the report, we analyzed:

- Future airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the region served, historical trends in airline traffic, airline service provided by US Airways and other airlines, and key factors that may affect future airline traffic.

- Estimated sources and uses of funds for the 2010 Project and associated estimated annual debt service requirements for the 2010A Bonds.

- Estimated sources and uses of funds for the 2010 Refunding Bonds and associated estimated annual debt service requirements for the 2010 Refunding Bonds.

- Estimated sources and uses of funds for the planned 2011 Project and associated estimated annual debt service requirements for the planned 2011 Bonds.

- Historical relationships among revenues, expenses, and airline traffic at the Airport and other factors that may affect future revenues and expenses.

- Historical relationships between PFC revenues and passenger numbers.

- The City's historical results for the Airport System, estimated results for FY 2010, budgeted results for FY 2011, projected staffing requirements, and other operational considerations.

- The City's policies and contractual arrangements relating to the use and occupancy of Airport System facilities, including the calculation of airline rentals, fees, and charges under the Airline Agreement; the operation of concession privileges; and the leasing of buildings and grounds.

We also identified key factors upon which the future financial results of the Airport System may depend and formulated assumptions about those factors. On the basis of these assumptions, we assembled the financial forecasts presented in the exhibits at the end of this report.

Estimates of project costs, project financing, and annual debt service requirements were provided by the sources noted.

Debt Service Coverage

As shown in Exhibit G-1, Rate Covenant Tests #1 and #2 were or are forecast to be met or exceeded in each of FY 2007 through FY 2015. Estimates of debt service coverage under Rate Covenant Test #1 are summarized on the following page.

The estimates shown in Exhibit G-1 demonstrate that pledged Amounts Available for Debt Service were and are forecast to be sufficient to meet the Additional Bonds Test requirements of Section 5.04 of the General Ordinance for the applicable Fiscal Years.

Project Revenues and other pledged Amounts Available for Debt Service were and are forecast to be sufficient to cover Operating Expenses, debt service on all outstanding series of Airport Revenue Bonds, debt service on the proposed 2010 Bonds, debt service on the planned 2011 Bonds, and all other requirements of the General Ordinance in each of the Fiscal Years required by Section 5.04 of the General Ordinance.

Sinking Fund Reserve Account

According to financial records provided by the City, no deficiency exists in the Sinking Fund Reserve Account as of the date of this report and, assuming that the proceeds of the 2010 Bonds are used in accordance with Exhibit B, no such deficiency will exist on the date such Bonds are issued.

Assumptions Underlying the Financial Forecasts

The financial forecasts are based on information and assumptions that were provided by or reviewed with and agreed to by Division of Aviation management. Accordingly, the forecasts reflect management's expected course of action during the forecast period and, in management's judgment, present fairly the expected financial results of the Airport System.

Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

Fiscal Year	Net amounts available for debt service *(a)* [A]	Bond Debt Service Requirements [B]	Bond debt service coverage [A/B]	Bond debt service coverage requirement
Historical				
2007	$167,347,713	$ 85,564,659	1.96	1.50
2008	226,232,866	84,338,275	2.68	1.50
2009	250,069,825	95,645,239	2.61	1.50
Estimated				
2010	236,002,000	97,759,000	2.41	1.50
Budgeted				
2011	258,551,000	104,653,000	2.47	1.50
Forecast				
2012	283,254,000	121,020,000	2.34	1.50
2013	298,261,000	122,453,000	2.44	1.50
2014	332,693,000	139,228,000	2.39	1.50
2015	338,907,000	141,451,000	2.40	1.50

Note: See Exhibit G-1 for sources and calculations.

(a) Amounts Available for Debt Service less Net Operating Expenses.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, express or implied, with respect to the information, forecasts, opinions, or conclusions disclosed in this report. We have no responsibility to update the report for events and circumstances occurring after the date of the report.

Stress Test Projections

The Airport is a major connecting hub for US Airways, which, together with its regional airline affiliates operating as US Airways Express, accounted for approximately 67% of the 15.2 million passengers enplaned at the Airport in FY 2010. Of the 10.2 million US Airways' passengers, an estimated 3.7 million (36%) originated their journeys at the Airport and the other 6.5 million (64%) connected between flights.

An alternative passenger forecast was developed to provide the basis for a "stress test" of the Airport's forecast financial results under a scenario that could hypothetically arise either (1) if, following a merger between US Airways and another airline, the Airport's role in the combined airlines' route network were to be drastically reduced, or (2) perhaps following an unsuccessful merger attempt, US Airways were to be forced into bankruptcy and liquidation.

For the purposes of this hypothetical stress test scenario, US Airways was assumed to reduce service at the Airport effective July 2011 (the beginning of FY 2012). Replacement service by other airlines was then assumed to be introduced over the two years FY 2012 and FY 2013. For the stress test, the number of originating enplaned passengers was assumed to be similar to the number under the base case, but the number of connecting passengers was assumed to be drastically reduced.

Under the stress test projections, airline rentals, fees, and charges per enplaned passenger are projected to increase relative to those required under the base forecasts. However, debt service coverage is projected to be similar and to meet or exceed the coverage requirements of the Rate Covenant Tests #1 and #2. (See Exhibit G-2.)

* * * * *

We appreciate the opportunity to assist the City on the proposed financing.

Respectfully submitted,

LeighFisher

LEIGHFISHER

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Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE BONDS
Series 2010A

AIRPORT REVENUE REFUNDING BONDS
Series 2010B, Series 2010C, and Series 2010D

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AIRLINE TRAFFIC ANALYSIS *(continued)*

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FINANCIAL ANALYSIS *(continued)*

TABLES

TABLES *(continued)*

FIGURES

EXHIBITS

AIRLINE TRAFFIC ANALYSIS

AIRPORT FACILITIES

Philadelphia International Airport occupies a 2,328-acre site in Philadelphia and Delaware Counties about 8 miles by road southwest of Center City Philadelphia. Access to the Airport is provided by, among other roads, Interstate 95, which bounds the Airport site to the north. The Delaware River bounds the site to the south. Direct rail service is provided by the Southeastern Pennsylvania Transportation Authority (SEPTA) between Center City and stations serving the passenger terminal complex.

Airfield

The Airport has four runways and an associated system of taxiways. The main runways are east-west Runway 9R-27L, 10,500 feet long, and parallel Runway 9L-27R, 9,500 feet long. The main runways are separated by 1,400 feet. Runway 8-26 is 5,000 feet long and is used only for regional airline aircraft arrivals from the east and departures to the east. Crosswind Runway 17-35 was extended from a length of 5,460 feet to 6,500 feet in 2009.

Passenger Terminals

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

Terminals A West and A East provide facilities for international airline operations and passengers. Terminal A West, opened in May 2003, provides 13 gates, 12 of which are capable of accommodating widebody aircraft. Terminal A East, opened in March 1991, provides 11 gates, 5 of which are capable of accommodating widebody aircraft. Terminals B through F provide facilities mainly for domestic airline operations and passengers. Terminals B through E date variously from the 1950s to the 1970s. Terminals B and C, which are leased by US Airways, each provide 15 gates. Terminals B and C were renovated, expanded, and consolidated in 1998, at which time a connector between Terminals B and C, housing extensive food, beverage, and retail concessions, was constructed. Terminal D, expanded in August 2003, provides 16 gates. Terminal E, expanded in February 2010, provides 16 gates. A connector between Terminals D and E was completed in December 2008 and provides concessions similar to those in the Terminals B and C connector. Southwest Airlines leases 10 gates in Terminal E. Terminal F, opened in June 2001, provides 38 gates designed for use by regional airline aircraft.

Airline Gate Use

Table 1 summarizes the availability of gates at the Airport and the average number of flight departures per gate as was scheduled for April 2010.

Table 1
GATE USE BY AIRLINE
Philadelphia International Airport
April 2010

Leasing airline	Terminal	Preferential use gates	Common use gates	Total gates	Average daily scheduled departures *(a)*	Average daily scheduled departures per gate
Air Canada (international)	D	1	--	1	5	5.0
AirTran	E	2	--	2	9	4.5
American	A-East	4	--	4	22 *(b)*	5.5
Continental	D	2	--	2	12	6.0
Delta	D	5	--	5	30	6.0
Southwest	E	10	--	10	49	4.9
United	D	4	--	4	17	4.3
US Airways (mainline domestic)	B, C	30	--	30	125 *(c)*	4.2
US Airways (regional affiliates)	F	38 *(d)*	--	38	261	6.9
City (not in use)	D, E	--	8	8	--	--
Subtotal domestic		96	8	104	530	5.1
International						
US Airways (international)	A-West	3	10	13	39	3.0
Other airlines	A-East	--	7	7	5	0.7
Subtotal international		3	17	20	44	2.2
Total/average		99	25	124	574	4.6

Note: Columns may not add due to rounding. Gate count is for aircraft loading positions equipped with loading bridges, except for Terminal F as noted.

(a) Source: Official Airline Guides, Inc., retrieved form BACK Aviation databases, March 2010.
(b) Includes 5 average daily scheduled departures by Midwest and Frontier.
(c) Includes service to Canada.
(d) 24 gates equipped with loading bridges for use by regional jet aircraft and 14 gates without loading bridges for use by regional turboprop aircraft.

The Airport provides 86 gates capable of accommodating large jet airline aircraft at Terminals A-West through E and 38 gates designed for use by regional airline aircraft at Terminal F. Under the Airline Agreement, all gates are being leased on a preferential-use basis or assigned on a common-use basis. A gate leased to an airline on a preferential-use basis may be made available to other airlines at the direction of the City when the gate is not being used by the leasing airline. A common-use gate may be assigned by the City for use by any airline.

Parking and Outside Terminal Area

Public parking facilities, which are operated by the Philadelphia Parking Authority, provide approximately 18,800 spaces and consist of five multi-story garages and surface lots immediately north of the terminals (approximately 11,800 spaces) and a surface lot remote from the terminal complex and served by shuttle buses (approximately 7,000 spaces). A 50-acre site north of the terminal complex, designated the Outside Terminal Area (OTA), accommodates the parking garages as well as a hotel, rental car storage and maintenance sites, commercial ground transportation, and other facilities. The parking garages and hotel are connected directly to the terminals by enclosed walkways.

Cargo and Other Facilities

Air cargo buildings, airline maintenance hangars, and associated aircraft parking aprons are located on a 106-acre site at the northwest side of the Airport. The site also accommodates Airport support facilities. UPS Air Cargo occupies a 210-acre site adjacent to the south side of the Airport where the airline operates its East Coast package handling and sorting hub from a 680,000-square-foot building.

General and business aviation facilities are located on 30 acres on the east side of the Airport. Commercial fixed base operator services are provided by Atlantic Aviation. Approximately 30 general aviation aircraft are based at the Airport and approximately 20,000 general aviation operations (landings and takeoffs) occur annually.

Northeast Philadelphia Airport

The City owns and operates Northeast Philadelphia Airport (PNE), which accommodates most general and business aviation activities. PNE is located on a 1,150-acre site about 10 miles by road northeast of Center City. Approximately 210 aircraft are based at PNE, which has two runways, 7,000 feet and 5,000 feet long. PNE handles approximately 75,000 general aviation operations annually.

AIRPORT SERVICE REGION

Philadelphia International Airport (the Airport) serves the City of Philadelphia and surrounding areas in Pennsylvania, New Jersey, Maryland, and Delaware. The region served by the Airport (Airport Service Region or Region) is defined as the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area,* which includes Bucks, Chester, Delaware, Montgomery, and Philadelphia counties in Pennsylvania; Burlington, Camden, Gloucester, and Salem counties in New Jersey; Cecil County in Maryland; and New Castle County in Delaware. The Region covers a broad geographic area, as shown on Figure 1.

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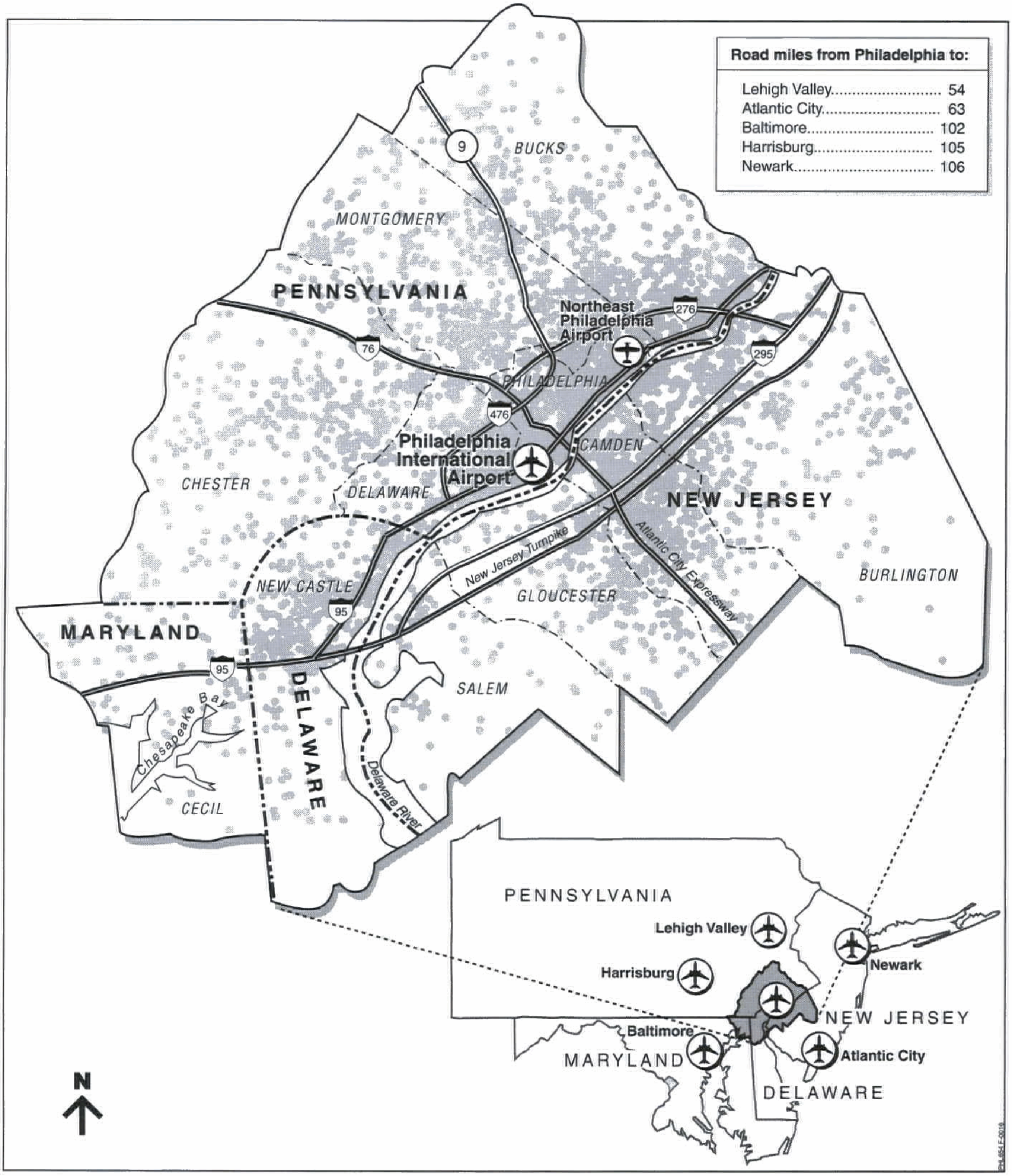
*Metropolitan Statistical Area as defined by the U.S. Department of Commerce, Bureau of the Census, 2008.



LEGEND

- Passenger air carrier airport
- General aviation airport
- State boundary
- County boundary
- Population density

Figure 1
AIRPORT SERVICE REGION
Philadelphia International Airport
April 2010

The Airport serves as an international passenger gateway, a connecting hub for US Airways, and a hub for regional airlines, particularly those operating as US Airways Express. The Airport also serves as an international air cargo hub for UPS Air Cargo. The Airport is the primary source of passenger airline service for the Region, and also serves a secondary region defined by the availability of airline service at the following nearby airports:

- Lehigh Valley International Airport, 54 miles to the north
- Atlantic City International Airport, 63 miles to the southeast
- Baltimore/Washington International Thurgood Marshall Airport, 102 miles to the southwest
- Harrisburg International Airport, 105 miles to the northwest
- Newark Liberty International Airport, 106 miles to the northeast

This section focuses on the economy of the primary Airport Service Region to provide a context for aviation-related demand at the Airport. The extent to which these surrounding airports compete with the Airport for passengers is discussed in the later section, "Competing Airports."

Population, Income, and Employment

As shown in Table 2, the population of the Region was 5.9 million in 2008, 67% located in Pennsylvania, 22% in New Jersey, 9% in Delaware, and 2% in Maryland.

As shown in Table 3, the population for the Region increased an annual average of 0.5% from 1990 to 2000, which is slower than the growth rate in the United States as a whole. This slower growth rate relative to the national trend is typical of older, more established regions that generally have more mature economies and less developable land. The population of the Region is projected to continue to increase through 2020, but at a slightly slower average annual rate than in previous years and at about half the rate of nationwide population growth.

Table 2
POPULATION DISTRIBUTION IN THE AIRPORT SERVICE REGION BY COUNTY, 2008

State and county	Population	Percent of total
Pennsylvania		
Philadelphia	1,540,351	26.0%
Montgomery	778,048	13.1
Bucks	621,643	10.5
Delaware	553,619	9.3
Chester	491,489	8.3
Subtotal	3,892,194	67.2%
New Jersey		
Camden	517,234	8.7%
Burlington	445,475	7.5
Gloucester	287,860	4.9
Salem	66,141	1.1
Subtotal	1,316,710	22.2
Delaware		
New Castle	529,641	8.9
Maryland		
Cecil	99,926	1.7
Total	5,931,427	100.0%

Source: U.S. Department of Commerce, Bureau of the Census. *American Community Survey*, 2010.

Table 3
POPULATION OF THE AIRPORT SERVICE REGION, 1990-2020

Year	Region	Average annual increase	
		Region	United States
Historical *(a)*			
1990	5,435,468	--	--
2000	5,687,147	0.5%	1.2%
Projected *(b)*			
2010	5,973,745	0.5%	1.0%
2020	6,231,788	0.4	1.0

Sources: Historical, U.S. Department of Commerce, Bureau of the Census, 2010. Projected, U.S. Department of Commerce, Bureau of the Census, *Projections of the Population and Components of Change for the United States, 2010-2050*, 2008; Wilmington Area Planning Council, *Planning District Population Changes*, 2010; Delaware Valley Regional Planning Commission, *County Profiles*, accessed from http://www.dvrpc.org on March 15, 2010; Southern Jersey Planning Commission, *2030 Population and Employment Projections*, 2006.

In 1990, the Airport Service Region's per capita personal income was $37,100, 15% higher than that of the nation as a whole ($32,300),* as shown in Table 4. From 1990 and 2008, inflation adjusted per capita income grew at the same rate in the Region and the nation as a whole. The Region's 2008 per capita personal income of $46,500 was 14% higher than that of the nation ($40,700).

The average annual rate of growth in per capita personal income in the Region is projected by Woods & Poole Economics to increase to 3.0% from 2008 through 2010 (as the Region recovers from the economic recession), and return to historical growth rates averaging 1.5% annually in the mid-term (2010 to 2015) and long term (2015 to 2020).

Table 4
INFLATION-ADJUSTED PER CAPITA PERSONAL INCOME, 1990-2020

	Per capita income *(a)*		Average annual increase	
Year	Airport Service Region	United States	Airport Service Region	United States
Historical *(a)*				
1990	$37,100	$32,300	--	–
2000	42,900	37,600	1.5%	1.5%
2008	46,500	40,700	1.0	1.0
Projected *(b)*				
2010	$49,300	--	1.2%	--
2015	53,200	--	1.5	--
2020	57,400	--	1.5	--

Note: Incomes adjusted for inflation by inflating/deflating to 2010 dollars, using the U.S. Department of Labor, Bureau of Labor Statistics, Current Price Index Inflation calculator.

(a) Source: U.S. Department of Commerce, Bureau of Economic Analysis, 2010; http://www.bea.gov/regional/index.htm .

(b) Source: *2010 Regional Projections and Database*, Woods & Poole Economics, 2010.

Nonagricultural employment in the Region, from 1990 through 2000, grew an average of 0.9% annually, resulting in close to 250,000 additional jobs. As shown in Table 5, this rate was half the national average of 1.9% average annual nonagricultural employment growth. Employment growth in the Region and the nation was little changed between 2000 and 2009, declining 0.1%. This period of low employment growth partly reflects the period used to calculate the growth rate, during which cyclical patterns in employment growth and decline were linked to the expansion and contraction of the U.S. economy.

*Incomes have been inflation-adjusted to 2010 dollars.

Table 5
NONAGRICULTURAL EMPLOYMENT, 1990-2020

	Total nonfarm employment		Average annual increase (decrease)	
Year	Airport Service Region	United States	Airport Service Region	United States
Historical *(a)*				
1990	2,498,800	109,487,000	--	--
2000	2,744,400	131,785,000	0.9%	1.9%
2009	2,713,600	130,920,000	(0.1)	(0.1)
Projected *(b)*				
2015	2,928,800	--	1.3%	--
2020	3,078,100	--	1.0	--

(a) Source: U.S. Department of Labor, Bureau of Labor Statistics, *Current Employment Statistics Survey*, 2010.
(b) Source: Growth projections from *2010 Regional Projections and Database*, Woods & Poole Economics, 2010;, applied to current data from U.S. Department of Labor, Bureau of Labor Statistics, *Current Employment Statistics Survey*, 2010.

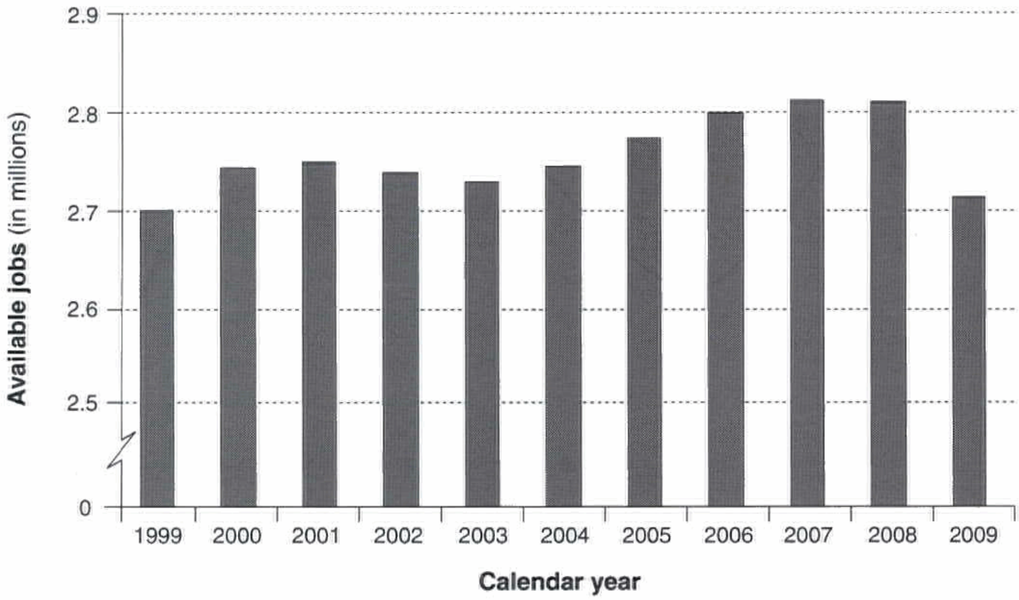
Figure 2, depicting annual employment in the Region over the past 10 years, demonstrates this pattern and shows the decline in the Region's job base since 2008 in connection with the 2007-2009 recession. Current employment projections for the Region suggest a rebound between now and 2015, with average annual growth of 1.3% projected from 2009 through 2015.

According to the National Bureau of Economic Research, the economy of the United States entered into a recession in December 2007. The recession has resulted in job loss throughout the country, and the Airport Service Region has experienced its share of job losses and unemployment. As shown on Figure 3, the unemployment rate for the Region changed in a pattern similar to that of the United States as a whole through 2009. The unemployment rate for the United States has decreased throughout 2010 to converge with the Region's rate in June 2010. The unemployment rate in the Region was lower than that for the nation as a whole as of August 2010.

Establishment-based reporting of job creation and job loss is derived from thousands of monthly surveys of businesses and government agencies. Depicted on Figure 4, these data provide further evidence that the Region has lost fewer jobs in the 2007-2009 recession compared with the nation as a whole. Figure 4 illustrates the year-by-year percentage change in employment throughout the Region and the nation since 2000. During years of employment growth nationwide, the Region experienced growth rates that were not as high as those of the nation. Conversely, during periods of contraction, the Region experienced a lower rate of job loss relative to the nation.

Figure 2

EMPLOYMENT LEVELS IN THE AIRPORT SERVICE REGION

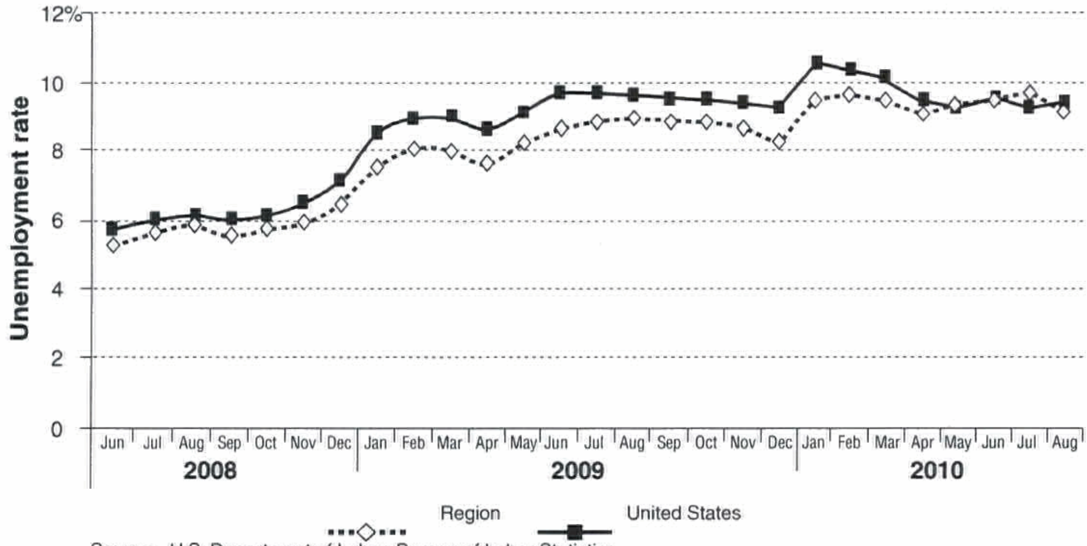


Source: U.S. Department of Labor, Bureau of Labor Statistics, *Current Employment Statistics Survey,* 2010.

Figure 3

MONTHLY UNEMPLOYMENT RATE

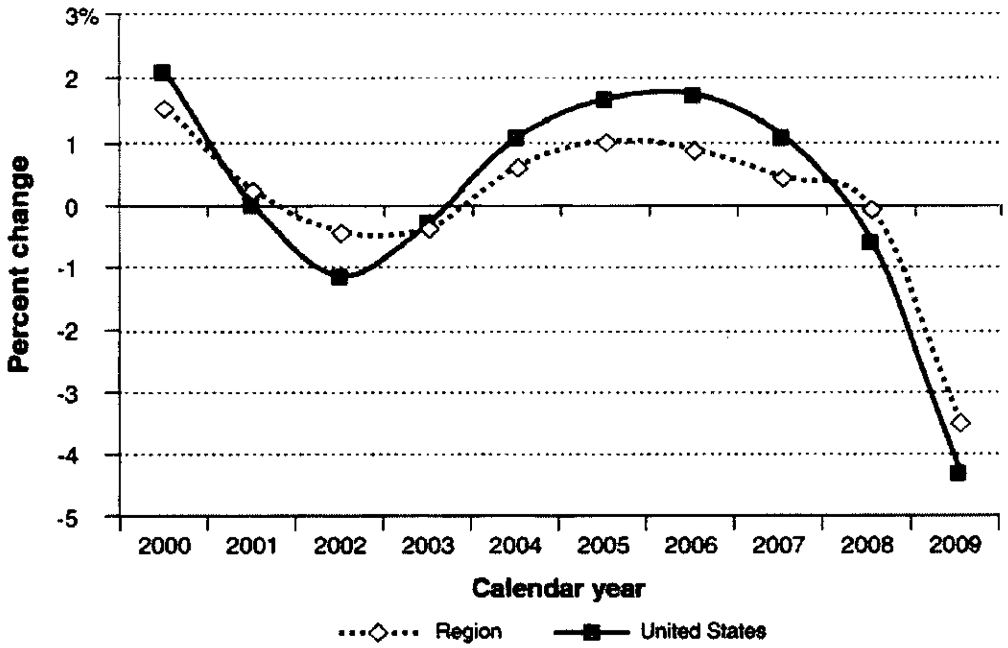
June 2008 to August 2010



Source: U.S. Department of Labor, Bureau of Labor Statistics, *Current Employment Statistics Survey,* 2010.

Figure 4

ANNUAL CHANGE IN TOTAL EMPLOYMENT



Source: U.S. Department of Labor, Bureau of Labor Statistics, *Current Employment Statistics Survey,* 2010; BAE, 2010.

The Region's rate of job loss is also lower than many other large metropolitan regions. Figure 5 shows the rates of job loss for the 12 largest metropolitan regions and the United States from April 2009 through April 2010. The Region is ranked in the top half of the group, outperforming 7 of the 11 other largest metropolitan areas. The rate of job loss for the United States as a whole (all metropolitan and non-metropolitan areas) is slightly lower than for the Region.

Industry Sectors

The Airport Service Region's economy is diverse, and driven primarily by industry sectors that tend to provide more stable employment levels, such as Education and Health Services. Table 6 shows the distribution of supersector employment in the Region compared to the United States.* Table 7 lists the private sector employers with the largest numbers of employees in the Airport Service Region. The Education and Health Services supersector became increasingly important over the decade, growing from 16.7% of the Regional economy in 2000 to 20.3% in 2009.

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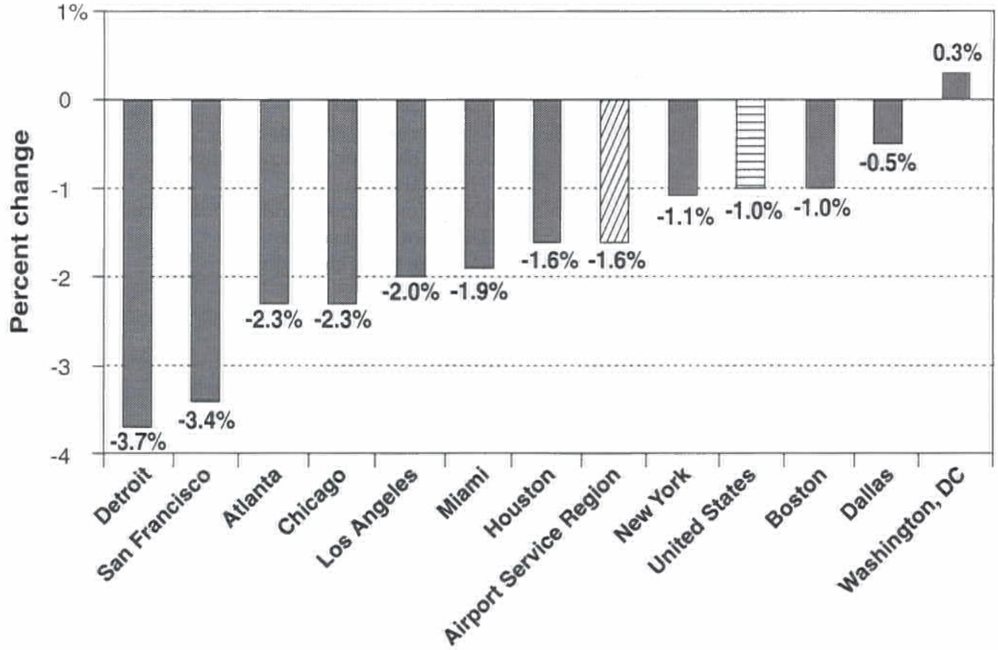
*A "supersector" is defined by the U.S. Department of Labor, Bureau of Labor Statistics as larger groupings of North American Industry Classification System sectors, for purposes of analysis.

Figure 5

RATE OF JOB LOSS IN MAJOR METROPOLITIAN REGIONS

December 2008 to December 2009



Source: U.S. Department of Labor, Bureau of Labor Statistics, *Current Employment Statistics Survey*, 2010.

Table 6

DISTRIBUTION OF NONAGRICULTURAL EMPLOYMENT, 2000-2009

	Airport Service Region			United States
Industry supersector	2000	2004	2009	2009
Education and Health Services	16.7%	17.9%	20.3%	14.7%
Trade, Transportation, and Utilities	19.5	19.2	18.5	19.1
Professional and Business Services	14.4	14.7	15.0	12.7
Government	12.6	12.9	13.1	17.2
Leisure and Hospitality	7.1	7.7	8.1	10.0
Financial Activities	8.0	8.0	7.6	5.9
Manufacturing	10.6	8.6	7.2	9.1
Construction and Mining	4.4	4.5	3.8	5.1
Other Services	4.1	4.5	4.4	4.1
Information	2.6	2.0	2.0	2.1
Total	100.0%	100.0%	100.0%	100.0%

Sources: U.S. Department of Labor, Bureau of Labor Statistics, *Current Employment Statistics Survey*, 2010; BAE, 2010.

Table 7
TOP PRIVATE SECTOR EMPLOYERS IN THE AIRPORT SERVICE REGION, 2009

Employer	Business type/brand	Number of employees
University of Pennsylvania and Penn Health System	Hospitals, university	31,000
Jefferson Health System and Thomas Jefferson University	Hospitals, university	24,600
Lockheed Martin Corp.	Military radar systems	13,300
Comcast Corp.	Cable television, Internet, telephone	13,000
Temple University and Health System	Hospitals, university	12,900
Merck & Co., Inc.	Drug development and manufacturing	12,000
Wal-Mart Stores Inc.	Discount retail stores	11,700
United Parcel Service Inc.	Package shipping, delivery	11,500
Catholic Health East	Hospitals	11,400
Christiana Care Health System	Hospitals	10,300
Supervalu Inc.	Grocery stores	10,100
Archdiocese of Philadelphia	Religious organization, schools	10,100
Wakefern Corp.	Grocery stores	10,000
DuPont Co.	Chemical products	9,800
Aramark Corp.	Food service	9,800
Children's Hospital of Philadelphia	Hospital	9,700
Vanguard Group Inc.	Mutual funds, asset management	9,400
Wawa Inc.	Convenience stores	8,200
Drexel University	University	8,200
Verizon Communications Inc.	Telephone, Internet, video	8,100
Bank of America Corp.	Banking, Merrill Lynch	8,000
Virtua Health	Hospitals	7,900
Koninklijke Ahold NV	Grocery stores	7,800
Albert Einstein Health Network	Hospitals	7,200
Wells Fargo & Co.	Banking, Wachovia	7,200
Rite Aid Corp.	Retail drugstores	7,100
Sears Holding Corp.	Department stores	7,000
CVS Caremark Corp.	Pharmacy, drug solicitation	6,900
Crozer-Keystone Health System	Hospitals	6,800
JP Morgan Chase & Co.	*Credit cards, investments, banking*	*6,500*
Genesis Healthcare Corp..	Nursing homes	6,500
Toronto Dominion Bank	Banking	6,400
Great Atlantic & Pacific Tea Co.	Grocery stores	6,400
Target Corp.	Discount retail stores	6,400
Abingdon Memorial Hospital	Hospital	6,300
Independence Blue Cross and Affiliates	Health insurance	6,000
US Airways Inc.	Airline	6,000
GlaxoSmithKline P.L.C.	Drug development and manufacturing	5,900
PNC Financial Services Group Inc.	Banking, investments	5,900
Siemens AG	Medical equipment and systems	5,800
Cooper Health System	Hospitals	5,400
Boeing Corp.	Military rotorcraft	5,200
Johnson & Johnson	Drug development and manufacturing	5,100
Tenet Healthcare Corp.	Hospitals	5,000
Safeway Inc.	Grocery stores	4,700
Wyeth	Drug development and manufacturing	4,700
Allied Security Holdings	Security services	4,600
Sunoco Inc.	Oil refining and marketing, retailing	4,600
Sodexo Inc.	Food service	4,500

Table 7 *(page 2 of 2)*
TOP PRIVATE SECTOR EMPLOYERS IN THE AIRPORT SERVICE REGION, 2009

Employer	Business type/brand	Number of employees
AstraZeneca P.L.C.	Drug development and manufacturing	4,500
Home Depot USA Inc.	Retail construction materials	4,300
Aetna Inc.	Health insurance	4,200
Macy's Inc.	Department stores	4,100
Bayada Nurses Inc.	Health care nursing services	4,000
Holy Redeemer Health System	Hospitals	4,000
University of Delaware	University	4,000
Cardone Industries	Automobile parts	4,000
American International Group	Life insurance	4,000
Aria Health	Hospital	4,000
Kennedy Health System	Hospitals	3,900
FedEx Corp.	Package shipping, delivery	3,800
Archdiocese of Camden	Religious organization, schools	3,700
IBM Corp.	Computers, software, related services	3,600
Community Health Systems Inc.	Hospitals	3,600
Walgreen's	Retail drugstores	3,400
Nemours Foundation	Hospital	3,300
Northwestern Human Services Inc.	Coalition of healthcare service providers	3,200
Universal Health Services Inc.	Hospitals	3,100
TJX Companies Inc.	Discount retail clothing stores	3,000
Dow Chemical Co.	Chemical Manufacturing	3,000
Quest Diagnostics Inc.	Medical testing, diagnostic services	2,900
Liberty Media Corp.	QVC shopping channel	2,800
Resources for Human Development Inc.	Health care, workforce, community services	2,700
Villanova University	University	2,600
Fox Chase Cancer Center	Hospital	2,600
Public Service Enterprise Group Inc.	Electrical power generation	2,500
ACTS Retirement-Life Communities Inc.	Retirement communities	2,500
Village Improvement Association	Hospitals	2,500
Pepco Holdings Inc.	Electrical power generation	2,500
Exelon Corp.	Electric and natural gas provider	2,300
Philadelphia Media Holdings L.L.C.	Newspapers and news websites	2,200
Royal Bank of Scotland Group P.L.C.	Banking	2,200
Ace Ltd.	Property Insurance	2,200
Prudential Financial Inc.	Life insurance, investments	2,200
Day & Zimmermann	Construction, logistics, plant operation	2,200
General Electric Corp.	Manufacturing, finance	2,100
Wilmington Trust Corp.	Banking	2,100
Woods Services Inc.	Special needs services	2,100
Marriott International Inc.	Hotels	2,100
PHH Corp.	Home loans	2,100
Community College of Philadelphia	College	2,100
Cigna Corp.	Health insurance	2,000
Grand View Hospital	Hospital	2,000
SunGard Data Systems, Inc.	Financial software, data recovery	2,000
SEI Investments Co.	Mutual funds	2,000
SAP AG	Computer software	1,900
Campbell Soup Co.	Packaged foods	1,900
Citigroup Inc.	Banking	1,800
Underwood Memorial Hospital	Hospital	1,800

Note: Does not include Cecil County, Maryland.

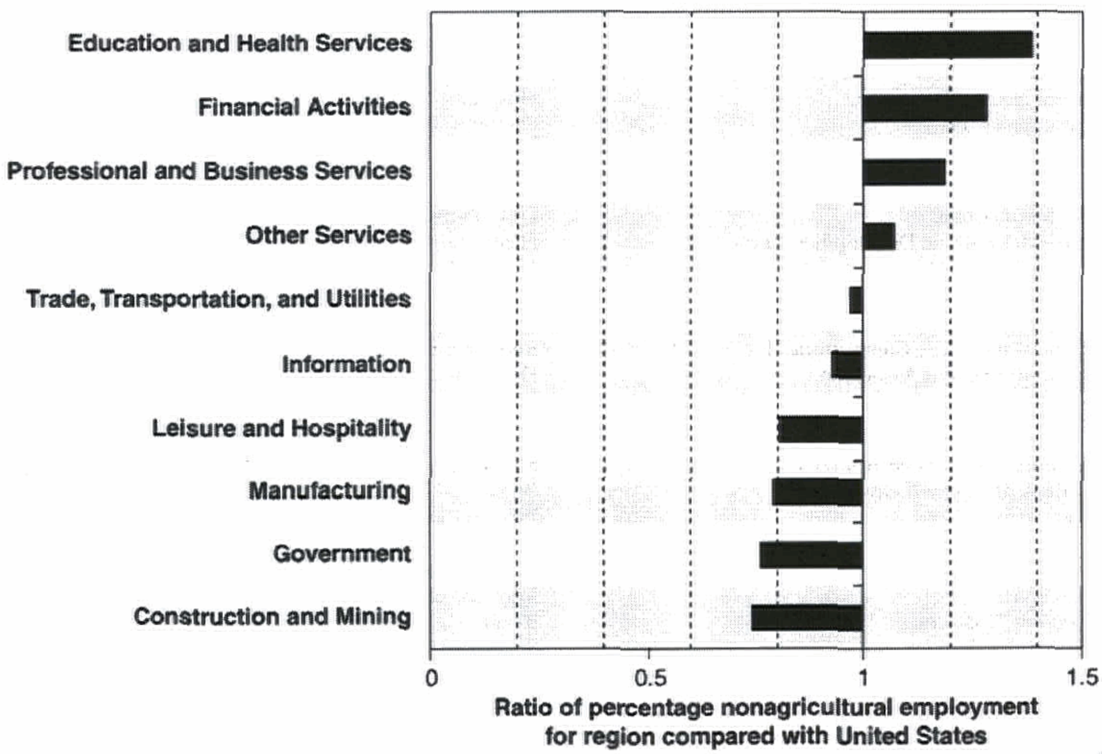
Source: www.philly.com, accessed February 2010.

Figure 6 shows the ratio of the 2009 distribution of nonagricultural employment in the Airport Service Region compared to the nation as a whole. The ratio compares the presence or share of industry sector employment between the Regional economy and the national economy. Figure 6 shows how the mix of industries in the Regional economy differs from that of the national economy, and how the Regional economy has a uniquely specialized economic base. In the Region, employment is more concentrated in Education and Health Services, Financial Activities, and Professional and Business Services and less concentrated in Construction, Government, Manufacturing, and Leisure and Hospitality.

Figure 6

AIRPORT SERVICE REGION EMPLOYMENT CONCENTRATION BY INDUSTRY SUPERSECTOR

2009



Source: U.S. Department of Labor, Bureau of Labor Statistics, *Current Employment Statistics Survey*, 2010; BAE 2010.

Similar to Philadelphia, other large metropolitan regions typically have employment concentrations in knowledge-based industries that rely upon large numbers of workers with highly specialized skills. The Region's specific mix of industries and their performance contribute strongly to its economic performance relative to other regions and the nation in general. Trends by industry supersectors are described on the following pages, highlighting the Region's strengths and advantages in certain industries. The industry supersectors are discussed below in order of the ratios shown on Figure 6. Employment data are from the U.S. Department of Labor, Bureau of Labor Statistics, *Current Employment Statistics Survey*, unless otherwise noted. Projections were provided by Woods and Poole Economics.

Education and Health Services

The Education and Health Services supersector has emerged as a driving force in the Regional economy over the past decade, resulting in 95,000 new jobs between 2000 and 2009. While employment levels in the Region and the nation were reducing between 2000 and 2009 (-0.1%), employment in the Education and Health Services supersector grew an average of 2.0% annually in the Region. Accounting for 20.3% of Regional employment compared with 14.7% of national employment in 2009, the Education and Health Services supersector represents a major concentration of employment. While almost all other supersectors experienced losses in employment since 2007, Education and Health Services added almost 26,000 jobs since 2007, and 10,800 jobs between 2008 and 2009 in the Region.

Health services and education account for two very different types of services and jobs. However, the two sectors tend to have strong connections in the Region, as evidenced by the fact that three of the top five employers in the region are a combination of educational institutions and health systems (the University of Pennsylvania and Penn Health System, Jefferson Health System and Thomas Jefferson University, and Temple University and Health System). This interconnectivity of public and private entities forms the foundation of a broader life sciences industry in the Region, branching into other subsectors involving high technology startups, pharmaceuticals, and chemical manufacturing. The life sciences industry then, in turn, supports other industries, such as Leisure and Hospitality (through health and science oriented conventions) and Construction (such as University City's Science Center). In this way the Education and Health Services supersector plays a vital role in the Region.

Education. The Region has 92 colleges and universities, many of which are ranked among the best in the nation.* The City of Philadelphia has the second largest concentration of students on the East Coast, with over 300,000 students. Within the Education and Health Services supersector, education represents 23% of employment, with 127,000 jobs as of year end 2009. From 1999 to 2009, the sector grew by over 25,000 jobs, averaging 2.3% annual growth. While almost all other sectors experienced job losses during the current recession, employment in the education sector increased 1.0% in 2009 compared with 2008, totaling 1,800 jobs. Between 2009 and 2015, education sector employment is projected to increase further, averaging 1.9% annually, resulting in an additional 14,900 jobs total.

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*Select Greater Philadelphia, "Greater Philadelphia. A Great Place to Do Business." Available from http://www.selectgreaterphiladelphia.com accessed March 18, 2010. The Philadelphia region in this case includes the entire Airport Service Region with the exception of Cecil County, Maryland. It also includes Mercer County, New Jersey.

As of 2005, the University of Pennsylvania, including its health system, had an economic impact of $9.8 billion on a surrounding 11-county region, and yielded 95,800 direct, indirect, and induced jobs.* Besides the University of Pennsylvania, an additional 91 institutions contribute to the economy of the Region. The University of Pennsylvania facilitated the creation of 56 new business ventures between 2000 and 2005. The University of Pennsylvania and Drexel University are also key stakeholders in a business incubator program at University City's Science Center, which, according to the *Philadelphia Business Journal*, contributes a $9 billion annual economic impact in the Region through innovation and small business creation.

The 2007-2009 economic recession may have had some positive effects on local educational institutions. For the 2010-2011 academic year, the University of Pennsylvania experienced a 17% increase in applications. In late 2009, the University of Pennsylvania had received $163 million in American Reinvestment and Recovery Act (ARRA) funds from the United States government.

Health Services. Within the Education and Health Services supersector, the health services sector represents 77% of the overall employment in the supersector, with well over 400,000 jobs in the Region as of year end 2009. From 1999 to 2009, the health services sector grew by over 75,000 jobs, and employment in the sector has experienced 2.0% annual growth since 2000 in the Region. Numerous hospitals in the Region support a significant portion of the Region's health care employment, providing services not only to the Region's residents, but to patients that travel from outside the Region for treatment. According to the Milken Institute's *Greater Philadelphia Life Sciences Cluster 2009* report,** general medical and surgical hospital employment accounted for 4.6% of the Region's total employment.*** Furthermore, the nation's largest concentration of health services is located within a 100-mile radius of the core of Philadelphia.

The health services sector is also a key component supporting a growing life sciences industry in the Region. According to the 2009 Milken Institute report, the broad range of health services, together with a well-established concentration of top educational institutions and pharmaceutical firms, have helped create a life sciences industry that, in 2007, had an economic contribution of 380,000 jobs, $20 billion in earnings, and almost $40 billion in output in the Greater Philadelphia area. The report ranks Greater Philadelphia second in the nation among the most elite life

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*Econsult Corporation, *The University of Pennsylvania Economic & Fiscal Impact Report*, 2006.

***The Greater Philadelphia Life Sciences Cluster 2009: An Economic and Comparative Assessment*, The Milken Institute, 2009.

****The Greater Philadelphia Life Sciences Cluster 2009* report defines Greater Philadelphia differently from the Airport Service Region. In addition to the Airport Service Region's 11 counties, it includes Mercer County, New Jersey.

science clusters, second only to Boston, and ahead of East Coast competitors such as New York (fourth), Raleigh-Durham (fifth), and Washington, DC (tenth).

The growth in life sciences is being felt in numerous industries besides health services, including pharmaceuticals, biotechnology, life sciences research and development, medical devices, and various supporting industries. Employment in these industries is classified under the Manufacturing and Professional and Business Services supersectors.

Financial Activities

Although the Financial Activities industries in the Region have experienced substantial job losses during the 2007-2009 recession, the Region's diverse mix of banking, insurance, and investment firms has provided slightly more stability the nation as a whole. From 2006 to 2009, the Region lost 6.4% of Financial Activities jobs versus 6.8% in the nation. Although these are substantial losses (10,300 jobs in 2009 in the Region), the Region's Financial Activities industries outperformed the national trend.

The Financial Activities supersector includes the following sectors:

- Finance and insurance (82% of 2009 supersector employment in the Region)
- Real estate and rental and leasing (18% of supersector employment in the Region)

While only 7.6% of the Region's employment was in the Financial Activities industries in 2009 (compared with 5.9% in the nation), after Education and Health Services, this supersector accounts for the Region's strongest industry concentration. Major national banks, including Wells Fargo (now owner of Wachovia Bank) and TD Bank Financial Group (owner of Commerce Bank) have large presences in the Region. ING Direct, a major national bank, is headquartered in Wilmington, Delaware. Other banks on the list of top employers in the Region (see Table 6) include Bank of America (8,000 local employees), JP Morgan Chase (6,500 local employees), and PNC Financial Services (5,900 local employees).

In addition to traditional lending institutions, investment firms and insurance companies maintain a large presence in the Region. Independence BlueCross (as well as its affiliates) and Aetna Inc. are insurance companies that collectively employ over 10,000 workers in the Region. Vanguard, which is one of the largest mutual fund families in the country with $1.3 trillion in assets in 2009, maintains its headquarters in Valley Forge, employing approximately 9,000 workers.

Professional and Business Services

The Professional and Business Services supersector accounted for the third largest share of the Region's employment at 15.0% in 2009. This supersector includes a broad range of service-providing sectors and subsectors, including the following:

- Professional, scientific, and technical services
- Management of companies and enterprises
- Administrative support, waste management, and remediation services

Over the past 10 years, employment in the Professional and Business Services supersector in the Region has increased by 17,900 jobs at 0.4% average annual growth. However, employment growth was dramatically different within each of the three sectors, as shown in Table 8.

Table 8
PROFESSIONAL AND BUSINESS SERVICES SECTOR EMPLOYMENT TRENDS, 1999 - 2009

Sector	2009 employment in the Region	Regional share of supersector	U.S. share of supersector	Regional 10-year increase (decrease)	Regional average annual increase (decrease)	U.S. average annual increase (decrease)
Professional, Scientific, and Technical Services	206,100	51%	45%	19,600	1.0%	1.7%
Management of Companies and Enterprises	54,400	13%	11%	16,200	4.5%	0.5%
Administrative Support and Waste Management	147,400	36%	44%	(17,900)	(1.1%)	(0.8%)
Total/Average	407,900	100%	100%	17,900	0.4%	0.4%

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Current Employment Statistics Survey*, 2010.

While 17,900 jobs were added in the supersector, this growth was driven by overall gains in professional, scientific, and technical services and management of companies and enterprises, mitigating a net loss of 1.1% in the administrative support, waste management, and remediation services sector. The Region's ability to generate and attract workers for highly skilled positions corresponds to its strong base in these two sectors. However, it is important to note the slower growth of this sector compared with the U.S. average (1.0% to 1.7%, respectively) over the past decade. On the other hand, employment in management of companies and enterprises, despite its smaller share of supersector employment, experienced 4.5% growth during the same period. The Region's growth in this sector (4.5%) far outpaced growth in the sector in the United States (0.5%) over the same period.

Other Services

The Other Services supersector accounted for 4.4% of the Airport Service Region's employment in 2009, slightly higher than the supersector's national share of 4.1%. This supersector includes a diverse mix of service industries, consisting of the following subsectors:

- Repair and maintenance
- Personal and laundry services
- Religious, grant-making, civic, professional, and similar organizations
- Private households

Providing various services primarily catering to individuals and households, these industries do not contribute to the base of Regional activity that drives economic growth, but rather are affected by the growth (or decline) of economic activity led by other supersectors, such as Education and Health Services. As the Region's economy has experienced overall growth in the past decade, so has this collection of service industries. In the 10-year period between 1999 and 2009, the total number of individuals employed in this supersector increased to a peak of 124,900 in 2005, followed by a gradual decrease to 119,000 jobs in 2009.

Trade, Transportation, and Utilities

The Trade, Transportation, and Utilities supersector accounted for 18.5% of the Airport Service Region's employment in 2009, the second largest percentage after Education and Health Services. It encompasses a broad range of industry sectors and subsectors, including wholesale trade, retail trade, and transportation and utilities.

As shown in Table 9, in 2009, retail trade accounted for 57.4% of total employment in the supersector. Wholesale trade accounted for 24.8%, and transportation and utilities accounted for 17.8%. Employment in the supersector declined by 37,300 jobs in the Region, with the majority of losses occurring in the retail trade subsector.

Wholesale and Retail Trade. Wholesalers have historically been attracted to the Airport Service Region because of its strategic location, where 27 million people are located within a 100-mile radius, along with its multi-modal transportation network. Large wholesale operations headquartered in the Region include health care wholesaler AmerisourceBergen and Airgas, the largest U.S. distributor of industrial, medical, and specialty gases and hardgoods.

Table 9
TRADE, TRANSPORTATION, AND UTILITIES EMPLOYMENT BY SUBSECTOR, 1999-2009

Sector	2009 employment in the Region	Region's share of supersector	U.S. share of supersector	Region's 10-year increase (decrease)	Region's average annual increase (decrease)	U.S. average annual increase (decrease)
Transportation and utilities	89,100	17.8%	19.2%	(4,600)	(0.5%)	(0.2%)
Retail trade	287,400	57.4	58.3	(29,100)	(0.8)	(0.3)
Wholesale trade	124,200	24.8	22.5	(3,600)	(0.0)	(0.5)
Total/Average	500,700	100.0%	100.0%	(37,300)	(0.6%)	(0.3%)

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Current Employment Statistics Survey*, 2010.

Over the past decade, wholesale trade has lost 3,600 jobs. Industrial leasing activity in 2009, shown in Table 10, reflects the impact of job and business loss on wholesaler and manufacturer space needs in the Region. An additional 5.1 million square feet of industrial space in the Region (not including Cecil County, Maryland or Salem County, New Jersey) became vacant during 2009, resulting in an overall vacancy rate of 12.9% in the Region, an increase from the 2008 overall vacancy rate of 10.3%.

Table 10
2009 INDUSTRIAL MARKET STATISTICS

County, state	Inventory (square feet)	Vacancy rate	2009 Net vacant square footage
Montgomery, Pennsylvania	32,669,168	9.5%	(927,857)
Philadelphia, Pennsylvania	29,887,798	8.7	(268,836)
Bucks, Pennsylvania	27,003,861	14.9	(1,806,248)
Burlington, New Jersey	20,847,454	16.2	(978,560)
Gloucester, New Jersey	15,945,037	13.3	490,534
Camden, New Jersey	15,539,378	22.2	(988,275)
New Castle, Delaware	12,579,853	17.3	(607,223)
Chester, Pennsylvania	12,375,101	7.9	(203,781)
Delaware, Pennsylvania	11,722,762	10.8	153,339
Total/Weighted average	178,570,412	12.9%	(5,136,907)

Source: *CB Richard Ellis Greater Philadelphia Industrial Market View*, Fourth Quarter 2009; accessed via www.cbre.com/research in March 2010.

The Region has numerous retail centers larger than one million square feet, including the 2.8-million-square-foot King of Prussia Mall, the second largest mall in the country. According to Marcus and Millichap, a national provider of real estate research and brokerage services, the Region has added an average of 2.1 million square feet of space annually over the past 5 years. Larger additions have included the 400,000-square-foot Shoppes at Valley Square in Bucks County; the 745,000-square-foot Worthington Uptown Center in Chester County; and the 549,000-square-foot Philadelphia Premium Outlets in Montgomery County. Market trends suggest that the suburban Philadelphia retail real estate market may be overbuilt, as nearly one million square feet are under construction, even as retail tenants continue to reduce leaseholds as a result of decreased consumer expenditures.

Transportation and Utilities. Transportation hubs located within the Region include the Airport, Amtrak's 30th Street station, and the Delaware River Port Complex. According to Amtrak, the 30th Street station was the third busiest station in its entire system in 2009, with 3.68 million boardings. The station is a busy station along the Northeast Corridor, which runs from Boston to Washington, D.C.

In addition to the national railroad transit options available in the Region, the Southeastern Pennsylvania Transportation Authority (SEPTA) operates regional rail, as well as high-speed rail, light rail, and trolley lines throughout the Philadelphia metropolitan region. SEPTA reports that it employed 9,200 individuals in 2009, and over 329 million passenger trips were generated.

According to the Philadelphia Industrial Development Corporation, the Delaware River Port Complex is the largest freshwater port in the world, and the only port in the United States to be served by three major railroad carriers: Norfolk Southern, CSX, and Canadian Pacific. The complex is a source of employment in itself, and also provides the basis for employment growth in other businesses that rely on the rail system. Employment in the sector grew an average of 2% annually from 2001 through 2008. In addition to planned capital improvements, the Delaware River Port Authority is examining additional transit opportunities along the Philadelphia waterfront. Construction recently began on the Port of Paulsboro in Gloucester County, New Jersey. This $247 million, 190-acre marine terminal is estimated to create 3,000 jobs, and is expected to begin operations within the next 3 years.

Similarly, the Airport supports direct employment in this sector, as well as private sector employment near the Airport that relies on Airport facilities. For example, UPS, one of the largest employers in the Region (11,500 employees), maintains a large distribution center adjacent to the Airport.

Information

The Information supersector includes the following industries:

- Publishing (e.g., newspapers, periodicals, books, and software)
- Motion picture and sound recording
- Broadcasting (e.g., radio, television, cable, and other subscription services)
- Telecommunications (e.g., wired, wireless, and satellite telecommunications)
- Data processing and hosting
- Other information services (e.g. news syndicates, libraries, archives, and web search engines)

This supersector accounted for 2.0% of employment in the Airport Service Region versus 2.1% in the United States. Since the mid-1990s, employment growth in this sector has been highly volatile both Regionally and nationally, with the highest annual growth rates occurring in 2000 (5.6% for the Region and 6.2% for the United States) and the largest losses peaking at 9.5% in the Region in 2004. Since a peak of 71,500 jobs in the Region in 2000, Regional employment has declined 24%, to 54,000 jobs in 2009. The U.S. economy has experienced a similar decline (23%) since 2000.

Despite such employment volatility, larger, more well-established businesses in the Region are performing well. Two of the largest employers in the Region include Verizon Communications (8,100 employees) and Comcast (13,000 employees), which is headquartered in Philadelphia and is the fourth largest employer in the Region. In early 2010, Comcast entered into an agreement to purchase NBC Universal. While the NBC Universal merger is not expected to directly add jobs in the Philadelphia Region, Comcast needs to fill over 100 positions in the Region. Other larger Information sector firms include software providers SunGard Data Systems (2,000 employees) and SAP AG (1,900 employees).

Leisure and Hospitality

The Leisure and Hospitality supersector is a small but growing component of the Region's economy. In 2009, 218,500 individuals were employed in the supersector, accounting for 8.1% of the Region's total employment, and representing a net increase of almost 23,000 jobs since 2000. The supersector accounted for a slightly smaller share of the Region's employment than nationwide employment (10.0%).

It is important to note that this supersector seems sensitive to current economic conditions, given that employment peaked in 2008, and declined rapidly in 2009 to a level not experienced since 2005. In 2009, this supersector lost 3.2% of its employment, or 7,200 jobs, which was slightly higher than the overall Regional average of 3.0% of jobs lost.

The supersector includes the following subsectors:

- Arts, entertainment, and recreation (41,100 jobs in 2009)
- Accommodations and food services (177,400 jobs in 2009)

Tourism in the Region drives a large portion of both subsectors, but a portion is also attributable to the local population. In 2008, 30 million people visited Philadelphia and its inner suburbs, with 10.4 million of those people staying overnight. Large attractions to the Region include those related to Philadelphia's role in the American Revolution and the founding of the United States, as well as the convention and conference services that have become more successful in recent years. Table 11 lists the most popular tourist attractions in the Region in 2008, many of which are focused on the history of the Region.* In addition to existing attractions, several new historical attractions are planned in the Region. A new Museum of the American Revolution is planned for Philadelphia and has secured a site. In November 2010, the residence where both Presidents Washington and Adams lived during their terms in office will be opened to the public.

In addition to history, other attractions, such as athletics, arts and culture, and gaming are gaining importance in drawing visitors to the area. A Major League Soccer stadium in Chester opened in June 2010. Along with Major League Soccer, Philadelphia is one of just a few cities with all four major professional sports (baseball, football, basketball, and hockey). Recent success of the Phillies (World Series Champions in 2008 and runners up in 2009), Eagles (playoff appearances in eight of the past ten years including a Super Bowl appearance in 2004), and Flyers (Stanley Cup finals in 2010) has made the teams a popular tourism attraction.

Philadelphia's convention and conference facilities continue to serve as a major attraction for visitors. According to the Philadelphia Convention and Visitors Bureau, in 2008, almost 400,000 individuals attended conferences in Philadelphia, bringing $739.8 million to the local economy. A $700 million expansion to the Philadelphia Convention Center is expected to be completed in 2011, and some large groups are booking conferences as much as 5 years in advance. As mentioned previously, the importance of conferences and conventions is partially due to the large influence of the life sciences industry in the Region. Approximately 50% of all conventions in Philadelphia since 2000 have been life-sciences related.

*This listing, by the *Philadelphia Business Journal*, does not include attractions in Cecil County, Maryland.

Table 11
TOP TOURIST ATTRACTIONS IN THE AIRPORT SERVICE REGION, 2008

Rank	Name	Number of visitors
1	Independence National Historic Park	4,076,636
2	Peddler's Village	2,200,000
3	Valley Forge National Historic Park	1,275,871
4	Delaware River Waterfront Corporation	1,260,000
5	Philadelphia Zoo	1,100,000
6	National Constitution Center	1,000,000
7	The Franklin Institute	944,181
8	Longwood Gardens	853,000
9	Philadelphia Museum of Art	800,316
10	Franklin Square	732,000
11	Once upon a Nation/Histo ric Philadelphia	343,000
12	Please Touch Museum	282,512
13	Betsy Ross House	279,000
14	Christ Church and Burial Ground	272,233
15	Eastern State Penitentiary Historic Site	209,380
16	The Academy of Natural Sciences	177,156
17	Battleship New Jersey Museum and Memorial	172,000
18	University of Pennsylvania Museum of Archaeology and Anthropology	150,000
19	Constitutional Walking Tour of Philadelphia	130,000
20	Pennsylvania Academy of the Fine Arts	125,000
21	James A. Michener Art Museum	120,000
22	Morris Arboretum of the University of Pennsylvania	96,300
23	Brandywine River Museum	94,025
24	Independence Seaport Museum	89,000
25	National Liberty Museum	62,000

Source: *Philadelphia Business Journal*, 2010.

While the Leisure and Hospitality supersector continues to expand in the overall Region's economy, it has not been immune to the current economic downturn. In the first half of 2009, revenue per available room in the Philadelphia Region decreased 16%. However, marketing professionals continue efforts to increase overnight stays and developers continue to see new opportunities for hotels in the Region. During 2010, two new hotels opened in Downtown Philadelphia, and many new hotels have opened in suburban Philadelphia.

The number of international visitors to Philadelphia increased 29% from 2007 to 2008, suggesting that the City is evolving as an international destination. In 2009, many New York City hotels began decreasing their room rates to be competitive with those charged at Philadelphia hotels, also suggesting that managers of these hotels see Philadelphia as direct competition for visitors from beyond the Region.

Manufacturing

Manufacturing employment has been in decline in the Region, and in the nation as a whole, over the past few decades, and is not expected to be a future source of employment growth in the Region. Since 1999, Regional Manufacturing employment has declined an average of 4.0% annually, resulting in over 98,000 fewer jobs as of 2009. This pace is close to that of the nationwide rate of 3.7% employment decline over the same period.

However, despite consistently declining employment and a smaller share of the Region's employment (7.2%) relative to its share of employment nationally (9.1%) manufacturing remains an important component of the Regional economy. Certain industries within the supersector are remaining strong because of their connections with the life sciences.

The Region is home to some of the largest pharmaceutical and chemical manufacturers in the world, including DuPont, Johnson & Johnson, Merck, AstraZeneca, Wyeth (recently acquired by Pfizer), and Rohm & Haas. Industries in the therapeutics and devices category have a significant effect on the Regional economy (a multiplier effect) through the chain of goods and services required by these industries. For example, the manufacturing of a new drug requires research and development, clinical trials, and support from a broad range of industries, such as legal services and marketing. Therapeutics and devices industries, consisting of pharmaceuticals and medical device manufacturing, as well as biotechnology and life sciences research and development, accounted for over 56,000 jobs in the Region in 2007, nearly half (24,745) in Montgomery County, according to the 2009 Milken Institute report referenced earlier. Every job in the pharmaceutical industry is linked to six jobs elsewhere in the Region.

Along with life sciences-oriented activity, the Region also includes manufacturing operations for numerous stable, well established manufacturers, such as Boeing, Lockheed Martin, and General Electric. Despite overall employment loss, recent activity suggests that the sector is evolving and adapting to economic events. For example, in October 2009, Wilmington's now vacant General Motors plant was acquired by Fisker Automotive, an electric car manufacturer. The plant, which will begin production in late 2012, is anticipated to create 2,000 jobs on site.

Government

The Region's 13.1% share of employment in the Government supersector in 2009 is smaller than the U.S. share of 17.2%, but Government remains a large, stable supersector in the Region's employment. The majority of employment in the Government supersector is at the local level (67.2% of total government employment in 2009).

Despite the effects of the 2007-2009 recession, the number of individuals employed by local governments in the Region increased from 228,700 in 2000 to 239,500 in 2009, offsetting a decrease in federal employment.

Construction and Mining

As of 2009, the Construction and Mining supersector* accounted for 3.8% of the Regional economy, which is lower than the nationwide average of 5.1%. This supersector is highly sensitive to cyclical changes in the real estate market and overall economy. As such, construction's smaller role in the Regional economy in comparison with the national economy has helped contribute to the Region's slightly less severe job fluctuations resulting from economic expansion and contraction.

Regional construction employment peaked at 131,000 jobs in 2006 before experiencing slight declines in 2007 (-2.4%) and 2008 (-3.3%), and a large decline in 2009 (-16.0%). Since the 2006 peak, the Region has lost 20.8% of total construction employment, or 27,300 jobs. However, these declines are not as great as those experienced nationally. National construction job growth also peaked in 2006, followed by gradual declines in 2007 and 2008, with a large decline (-15.7%) in 2009. Since the 2006 peak, construction employment is down 21.5% nationwide. Beyond economic cyclicality, losses in construction employment have been exacerbated by the lack of financing available to real estate developers.

According to the Philadelphia Federal Reserve's September *Beige Book*, surveys of nonresidential real estate contracts suggest that construction activity remained weak through the third quarter of 2010. However, on the residential side, home sales increased in March and April 2010 before declining in May with the expiration of the Federal income tax credit for home purchases. From May to September 2010, residential sales and home prices remained stable. In the longer term, construction of numerous planned and ongoing large-scale projects should help support the sector.

In addition to construction activity that will be generated by new projects such as the two casinos approved for Philadelphia, many hospitals and universities in the Philadelphia Region are currently completing multi-year, multi-phase developments. Two of the largest employers in the Region, Children's Hospital of Philadelphia and the University of Pennsylvania, are completing or undergoing major expansions. Children's Hospital of Philadelphia dedicated a new 700,000 square foot research facility in June 2010 and the University of Pennsylvania is currently undergoing a $6.7 billion expansion. Phase I of the University of Pennsylvania's expansion is expected to be completed in 2010. Also, the Fox Chase Cancer Center is undergoing a 20-year expansion that will cost an estimated $1 billion when completed. Thomas Jefferson University also announced in

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*Mining employment represents an insignificant share of the supersector.

February 2010 that it will begin a $60 million construction project that will add and improve several clinical and administrative facilities.

Economic Outlook

Economic and demographic trends suggest that the Airport Service Region will experience growth going forward because of its diverse economy driven by the Education and Health Services supersector.

Although the Region has experienced the effects of the national recession across almost all industry sectors, it has outperformed the nation as well as many of the largest metropolitan areas in terms of employment growth. The Region's diverse economy and the strong presence of less cyclical sectors have created a less volatile, more stable pattern of economic expansion and contraction relative to other areas.

Short-term indicators suggest that the local economy emerged from the depths of the recession in the first quarter of 2010 but continues to struggle. The Federal Reserve Bank of Philadelphia's *Business Outlook Survey* for September* suggests that economic growth occurred through May 2010, but then slowed. In December 2009 through May 2010, the number of local businesses reporting an increase in employment was higher than those reporting a decrease in employment. In June 2010, the opposite occurred. In July 2010 through September 2010, trends again reversed and more local business reported an increase in employment. While firms expect to increase employment over the next six months, the degree of confidence in the Regional economy slipped in the third quarter of 2010.

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*Federal Reserve Bank of Philadelphia, *Business Outlook Survey*, September 2010, from http://www.phil.frb.org/research-and-data/regional-economy/business-outlook-survey/ ; accessed September 28, 2010.

As shown in Table 12, population and employment in the Region are forecast to increase by Woods & Poole Economics. Approximately 200,000 jobs will be added in the Region between 2009 and 2015, and that another 150,000 jobs will be added in the following 5 years (to 2020). The Region's population is also projected to increase by over 260,000 between 2010 and 2020.

Table 12
FORECAST GROWTH IN EMPLOYMENT BY SECTOR

Industry Supersector	2009 Employment *(a)*	2015 Employment forecast *(b)*	Forecast increase (decrease)	Sector share of growth
Education and Health Services	552,000	611,600	59,600	30%
Trade, Transportation, and Utilities	500,700	527,200	26,500	13
Professional and Business Services	407,900	442,500	34,600	17
Government	356,300	371,300	15,000	7
Leisure and Hospitality	218,500	237,800	19,300	10
Financial Activities	206,600	230,200	23,600	12
Manufacturing	194,800	191,800	(3,000)	(1)
Construction and Mining	103,700	117,900	14,200	7
Other Services	119,100	127,700	8,600	4
Information	54,000	57,500	3,500	2
Total	2,713,600	2,915,500	201,900	100%

(a) Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics Survey, 2010.

(b) Growth rates from Woods & Poole Economics forecasts applied to U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics Survey, 2010.

AIRPORT ROLE

The seven largest U.S. passenger airlines all serve Philadelphia International Airport, providing service to destinations throughout the United States. Scheduled international service is provided by U.S. and foreign flag airlines to Canada, Europe, the Caribbean, and Latin America. All of the large U.S. all-cargo airlines provide regular service to and from the Airport.

Table 13 presents data on the numbers of passengers at the busiest U.S. airports ranked by total (enplaned plus deplaned) passengers.

In common with nearly all major U.S. airports, passenger numbers at the Airport decreased between 2000 and 2002 as a result of the 2001 economic recession and the decrease in travel following the September 2001 terrorist attacks. However, the decrease at the Airport was much smaller than at most other airports as US Airways increased service at the Airport and, by 2003, passenger numbers at the Airport had surpassed 2000 numbers.

Between 2004 and 2007, most airports recorded strong increases in passenger numbers. Growth at the Airport was larger than at most other airports during that period as Southwest Airlines initiated service at the Airport in 2004. Between 2007 and 2009, passenger numbers at all but four of the top 30 airports decreased as the economic recession depressed travel demand and airlines reduced service. During that same period, the Airport experienced the eighth highest average annual change in passengers among the top 30 airports, demonstrating its resilience during the national recession.

Table 14 presents data on the number of international passengers at the busiest U.S. international gateway airports. The increased importance of the Airport Service Region as a center for education, health, financial, and professional services and increased service by US Airways have led to strong growth in numbers of international passengers at the Airport. In 2009, the Airport was the eleventh largest international gateway to the United States up from fifteenth in 2000. In 2009, US Airways and its affiliates accounted for 83% of international passengers enplaned at the Airport.

Table 15 presents data for the busiest U.S. airports on the numbers of originating passengers, i.e., passengers who began their air journeys at each airport rather than connected between flights. According to Airports Council International data, in calendar year 2009, the Airport ranked 18th in the nation in passengers, 9th in aircraft movements, and 14th in cargo tonnage.

Table 13

PASSENGERS AT BUSIEST U.S. AIRPORTS

Rank 2009	City (Airport)	Total passengers (millions) (a) 2000	2004	2007	2008	2009	Average annual percent increase (decrease) 2000-2004	2004-2007	2007-2009
1	Atlanta	80.2	83.6	89.4	90.0	88.0	1.0%	2.3%	(0.8%)
2	Chicago (O'Hare)	72.1	75.5	76.2	69.4	64.2	1.2	0.3	(8.2)
3	Los Angeles	66.4	60.7	61.9	59.5	56.5	(2.2)	0.7	(4.4)
4	Dallas/Fort Worth	60.7	59.4	59.8	57.1	56.0	(0.5)	0.2	(3.2)
5	Denver	38.8	42.4	49.9	51.2	50.2	2.2	5.6	0.3
6	New York (Kennedy)	32.9	37.5	47.7	47.8	45.9	3.3	8.4	(1.9)
7	Las Vegas	36.9	41.4	47.0	43.2	40.5	2.9	4.3	(7.2)
8	Houston (Bush)	35.3	36.5	43.0	41.7	40.0	0.8	5.6	(3.5)
9	Phoenix	36.0	39.5	42.2	39.9	37.8	2.3	2.2	(5.3)
10	San Francisco	31.5	32.2	35.8	37.2	37.3	0.6	3.6	2.1
11	Charlotte	23.6	25.5	33.2	34.7	34.5	2.0	9.2	2.0
12	Miami	30.1	28.5	33.7	34.1	33.9	(1.4)	5.7	0.3
13	Orlando (International)	26.7	31.1	36.5	35.7	33.7	3.9	5.5	(3.9)
14	Newark	29.2	31.9	36.4	35.4	33.4	2.2	4.5	(4.2)
15	Minneapolis-Saint Paul	32.6	36.7	35.2	34.1	32.4	3.0	(1.4)	(4.1)
16	Detroit	32.5	35.2	36.0	35.1	31.4	2.0	0.8	(6.7)
17	Seattle-Tacoma	28.4	28.8	31.3	32.2	31.2	0.4	2.8	(0.1)
18	**Philadelphia**	**24.9**	**28.5**	**32.2**	**31.8**	**30.7**	**3.4**	**4.2**	**(2.4)**
19	Boston	27.4	26.1	28.1	26.1	25.5	(1.2)	2.5	(4.7)
20	Washington (Dulles)	20.0	22.6	24.5	23.7	23.1	3.1	2.7	(3.0)
21	New York (LaGuardia)	25.4	24.4	25.0	23.1	22.1	(1.0)	0.8	(5.9)
22	Fort Lauderdale	15.9	20.8	22.7	22.6	21.1	6.9	3.0	(3.7)
23	Baltimore	19.6	20.8	21.5	20.9	21.0	1.5	1.1	(1.3)
24	Salt Lake City	19.9	18.4	22.0	20.8	20.4	(1.9)	6.1	(3.6)
25	Honolulu	23.0	22.0	21.5	18.8	18.2	(1.1)	(0.8)	(8.1)
26	Washington (Regan)	20.0	15.9	18.7	18.0	17.6	(5.6)	5.6	(3.1)
27	Chicago (Midway)	15.7	19.4	19.4	17.3	17.0	5.4	0.0	(6.3)
28	San Diego	15.8	16.4	18.3	18.1	17.0	0.9	3.7	(3.7)
29	Tampa	16.0	17.4	19.2	18.3	17.0	2.1	3.3	(6.0)
30	Portland	13.8	13.0	14.7	14.3	12.9	(1.5)	4.2	(6.2)
	Average for airports listed						1.1%	3.0%	(3.4%)

(a) Enplaned and deplaned passengers (passengers in transit counted once).

Source: Airports Council International, Worldwide Airport Traffic Report, for years noted.

Table 14
INTERNATIONAL PASSENGERS AT U.S. GATEWAY AIRPORTS

2009 Rank	City (airport)	Enplaned passengers (thousands) 2000	2004	2007	2008	2009	Average annual percent increase (decrease) 2000-2004	2004-2007	2007-2009
1	New York (Kennedy)	9,016	8,588	10,708	11,027	10,722	(1.2%)	7.6%	0.1%
3	Miami	7,926	7,026	7,763	8,055	7,922	(3.0)	3.4	1.0
2	Los Angeles	8,120	7,604	8,330	8,067	7,295	(1.6)	3.1	(6.4)
5	Newark	4,403	4,322	5,279	5,462	5,299	(0.5)	6.9	0.2
4	Chicago (O'Hare)	4,962	5,034	5,671	5,501	5,077	0.4	4.1	(5.4)
6	Atlanta	3,112	3,375	4,456	4,592	4,329	2.0	9.7	(1.4)
7	San Francisco	3,919	3,617	4,253	4,171	3,947	(2.0)	5.5	(3.7)
8	Houston (Bush)	2,666	3,114	3,793	3,878	3,833	4.0	6.8	0.5
9	Washington (Dulles)	1,948	2,242	2,829	2,933	2,938	3.6	8.1	1.9
10	Dallas/Fort Worth	2,416	2,306	2,510	2,455	2,323	(1.2)	2.9	(3.8)
11	**Philadelphia**	**1,419**	**2,039**	**2,031**	**2,028**	**2,087**	**9.5**	**(0.1)**	**1.4**
13	Boston	2,072	1,924	1,921	1,783	1,761	(1.8)	(0.1)	(4.3)
14	Honolulu	2,490	1,971	1,787	1,718	1,641	(5.7)	(3.2)	(4.2)
18	Orlando (International)	1,209	997	1,101	1,305	1,471	(4.7)	3.4	15.6
15	Fort Lauderdale	590	783	1,438	1,534	1,443	7.3	22.5	0.1
12	Detroit	1,919	1,798	1,890	1,903	1,377	(1.6)	1.7	(14.7)
16	Seattle-Tacoma	1,085	1,114	1,273	1,416	1,277	0.7	4.6	0.1
19	Charlotte	469	876	1,044	1,144	1,152	16.9	6.0	5.1
17	Minneapolis-Saint Paul	1,444	1,275	1,258	1,282	1,108	(3.0)	(0.5)	(6.1)
20	Las Vegas	519	646	1,116	1,133	1,089	5.6	20.0	(1.2)
21	Denver	632	771	1,100	1,100	940	5.1	12.6	(7.5)
22	Phoenix	477	759	874	911	922	12.3	4.8	2.7
23	New York (LaGuardia)	681	678	628	584	528	(0.1)	(2.5)	(8.3)
26	Portland	224	219	307	338	241	(0.6)	12.0	(11.4)
25	Cincinnati	515	497	345	319	224	(0.8)	(11.4)	(19.4)
27	Salt Lake City	21	106	267	259	222	49.8	35.9	(8.8)
24	Orlando (Sanford)	400	534	571	403	215	7.5	2.2	(38.6)
30	Tampa	190	171	183	187	204	(2.7)	2.5	5.4
29	Memphis	132	178	205	218	183	7.8	4.7	(5.6)
28	Baltimore	275	340	258	187	166	5.4	(8.8)	(19.8)
Average for airports listed							(0.1%)	5.0%	(2.2%)

Notes: Airports shown are top 30 U.S. airports, as ranked by numbers of international enplaned passengers in 2009. Calculated percentages may not match those shown because of rounding.

Source: U.S. Department of Transportation, T-100 database, retrieved from BACK Aviation, except City of Philadelphia, Division of Aviation for Philadelphia.

Table 15

BUSIEST U.S. AIRPORTS IN TERMS OF ORIGINATING PASSENGERS

Fiscal Years ended June 30

2009 Rank	City (airport)	Originating passengers (thousands) 2005	2006	2007	2008	2009
1	Los Angeles	22,040	22,750	22,810	23,420	22,640
2	New York (Kennedy)	15,980	16,270	17,590	18,420	18,410
3	Las Vegas	17,070	18,190	18,530	18,420	17,470
4	Chicago (O'Hare)	16,990	17,790	18,190	17,990	16,730
5	Orlando	14,910	15,470	15,760	16,600	16,480
6	Atlanta	14,690	14,980	14,790	14,920	14,320
7	San Francisco	11,290	11,870	12,170	12,690	13,740
8	Newark	12,130	13,290	13,910	14,160	12,850
9	Denver	10,600	11,600	12,740	12,580	12,660
10	Boston	12,110	12,490	12,750	13,080	12,180
11	Seattle-Tacoma	10,780	11,290	11,400	11,510	11,750
12	Phoenix	12,140	12,890	13,100	12,410	11,220
13	Dallas/Fort Worth	11,520	12,080	12,310	12,000	10,790
14	New York (LaGuardia)	12,230	12,300	11,500	11,500	10,590
15	Fort Lauderdale	9,990	9,910	10,070	10,280	10,300
16	Miami	8,820	9,110	8,890	8,850	9,040
17	**Philadelphia**	**9,770**	**9,890**	**10,020**	**9,570**	**8,850**
18	Detroit	8,080	8,180	8,690	9,200	8,670
19	San Diego	8,150	8,620	8,720	8,780	8,610
20	Houston (Bush)	8,450	8,260	8,230	10,010	8,450
21	Tampa	8,450	8,680	8,750	8,710	8,350
22	Baltimore	8,030	8,460	8,540	8,430	8,270
23	Minneapolis-St. Paul	8,100	8,420	8,490	8,760	8,150
24	Honolulu	8,380	7,320	7,730	8,440	7,420
25	Washington (Reagan)	7,150	7,550	7,410	7,290	6,900
26	Washington (Dulles)	7,330	7,020	6,900	7,110	6,550
27	Portland	5,630	5,990	6,100	6,170	6,110
28	Chicago (Midway)	6,160	6,570	6,600	6,490	5,620
29	Salt Lake City	4,660	5,350	5,540	5,870	5,420
30	Oakland	6,590	6,850	6,860	6,770	5,300

Source: LeighFisher estimates based on U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic and International*, and T-100 database, retrieved from BACK Aviation.

Airport's Role as a Connecting Hub

Table 16 presents data on airline service (measured by numbers of seats on scheduled airline aircraft departures) as scheduled for April 2010 at the Airport and selected other U.S. airports. Figure 7 presents the airline service data graphically for selected major connecting hub airports. Since the mid-1990s, US Airways and its regional airline affiliates operating as US Airways Express have concentrated service at Philadelphia International Airport, which, together with Charlotte Douglas International Airport, is one of the two primary connecting hubs in the US Airways system in the eastern United States.

As discussed further in the section "Originating and Connecting Passengers," approximately 43% of passengers enplaned at the Airport in FY 2009 connected from other flights; of these connecting passengers, approximately 95% were enplaned on the flights of US Airways or US Airways Express.

Competing connecting hub airports located near Philadelphia include Newark Liberty (Continental Airlines) and Washington Dulles (United Airlines). Air service at these and other airports is discussed further in the section "Competing Airports."

Airport's Role in US Airways System

Table 17 presents data on airline service provided by US Airways and its US Airways Express affiliates at the Airport and other important airports in the US Airways system. Figure 8 presents the data on scheduled seats graphically for selected airports. As shown in the table, between 2001 and 2010, US Airways decreased mainline service at Philadelphia and its other principal airports while increasing US Airways Express service at most of these airports. Historically, Pittsburgh International Airport was also a major connecting point in the US Airways system, but the airline has drastically reduced service since 2001.

In September 2005, as part of its reorganization under Chapter 11 bankruptcy protection, US Airways merged with America West Airlines, and the two airlines have since consolidated their operations under the US Airways name. America West largely served the western United States and the post-merger US Airways now operates a connecting hub at Phoenix. America West operated a hub at Las Vegas, but reduced service at beginning in 2004. Philadelphia serves as US Airways' primary northeast connecting hub and the airline's international gateway.

Figure 9 presents data on scheduled airline seats at the US Airways hub airports and highlights the relatively high proportion of seats provided by airlines other than US Airways at Philadelphia (31.5% in April 2010) compared with Charlotte (11.0%). At Phoenix, airlines other than US Airways (largely Southwest Airlines) provided 54.1% of seats.

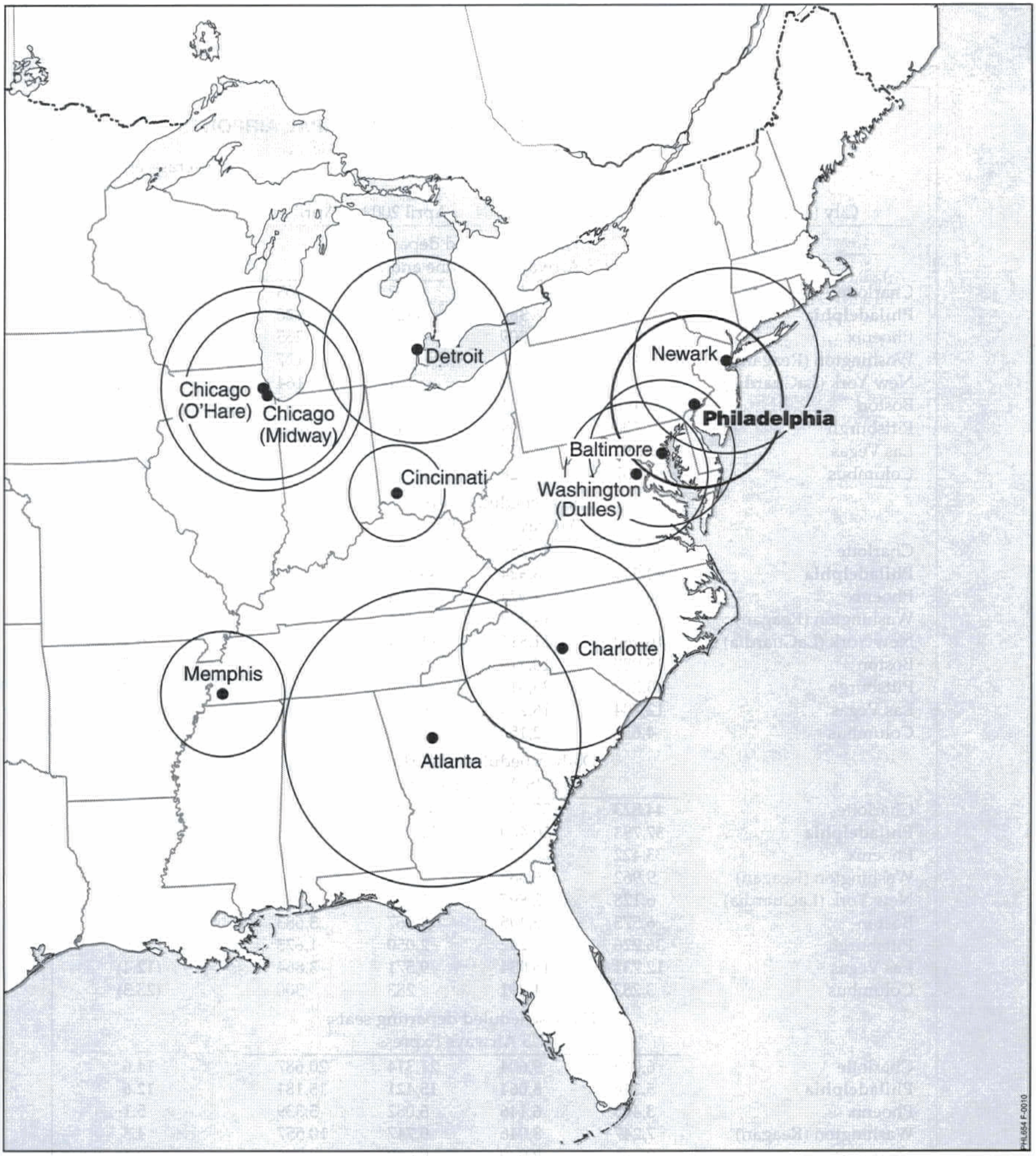
Table 16
AIRLINE SERVICE AT SELECTED AIRPORTS
April 2010

City (Airport)	Average daily scheduled seats: International	Domestic	Total	Largest airline: Airline	Daily seats *(a)*	Share
Atlanta	15,642	132,678	148,320	Delta	114,459	77.2%
Chicago (O'Hare)	19,110	95,538	114,648	United	53,796	36.4
Los Angeles	26,983	72,505	99,488	United	17,417	17.5
Dallas/Fort Worth	9,315	87,227	96,541	American	84,028	87.0
Denver	3,711	81,265	84,976	United	36,593	43.1
New York (Kennedy)	38,769	40,819	79,587	JetBlue	20,800	26.1
Phoenix	4,387	65,579	69,966	US Airways	32,145	45.9
Las Vegas	3,672	62,484	66,155	Southwest	29,385	44.4
Houston (Bush)	14,596	50,053	64,649	Continental	54,614	84.5
San Francisco	14,148	49,806	63,954	United	26,695	41.7
Charlotte	5,029	58,468	63,497	US Airways	56,543	89.0
Newark	20,454	41,445	61,900	Continental	44,253	71.5
Orlando	5,951	54,703	60,653	Southwest	14,597	24.1
Miami	30,054	30,150	60,204	American	41,559	69.0
Detroit	5,069	50,899	55,968	Delta	44,942	80.3
Philadelphia	**7,356**	**48,540**	**55,896**	**US Airways**	**38,296**	**68.5**
Minneapolis/St. Paul	4,227	49,577	53,804	Delta	42,838	79.6
Boston	7,190	43,115	50,305	JetBlue	9,587	19.1
Seattle-Tacoma	4,787	44,103	48,890	Alaska	25,528	52.2
New York (LaGuardia)	2,449	44,792	47,241	Delta	15,049	31.9
Washington (Dulles)	11,208	30,226	41,434	United	26,672	64.4
Baltimore	818	38,780	39,598	Southwest	22,337	56.4
Fort Lauderdale	6,541	33,043	39,584	Spirit	7,306	18.5
Washington (Reagan)	611	34,581	35,191	US Airways	15,470	44.0
Chicago (Midway)	360	33,069	33,430	Southwest	28,463	85.1
Salt Lake City	622	32,074	32,696	Delta	23,318	71.3
Tampa	869	30,593	31,461	Southwest	11,257	35.8
San Diego	487	28,596	29,083	Southwest	12,533	43.1
Honolulu	6,719	21,698	28,416	Hawaiian	12,321	43.4
Portland	784	21,414	22,198	Alaska	7,991	36.0
St. Louis	246	21,555	21,801	Southwest	9,424	43.2
Oakland	523	18,132	18,655	Southwest	14,316	76.7
Kansas City	102	18,386	18,488	Southwest	8,033	43.5
Memphis	414	17,702	18,116	Delta	15,459	85.3
San Jose	186	15,627	15,813	Southwest	9,352	59.1
Cincinnati	484	13,648	14,132	Delta	11,841	83.8
Pittsburgh	173	13,736	13,909	US Airways	3,641	26.2

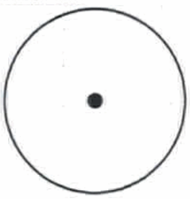
Note: Rows may not add to totals shown because of rounding.

(a) Includes regional airline affiliates.

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, March 2010.



LEGEND



= Approximately 20,000 average daily departing seats scheduled for April 2010

Note: The area of each circle is proportional to the number of scheduled seats on departing flights of the principal hubbing airline and its regional airline affiliates at that airport.

Source: Official Airline Guides, Inc., online database, retrieved March 2010.

Figure 7

SCHEDULED HUBBING AIRLINE SEAT CAPACITY AT SELECTED AIRPORTS

Table 17
US AIRWAYS SCHEDULED SERVICE AT ITS PRINCIPAL AIRPORTS

City (airport)	April 2001	April 2004	April 2009	April 2010	Average annual change 2001-2010
	Daily scheduled departures: US Airways (mainline and Express)				
Charlotte	505	469	572	563	1.2%
Philadelphia	**410**	**381**	**423**	**426**	**0.4**
Phoenix	329	309	270	265	(2.4)
Washington (Reagan)	179	171	176	177	(0.1)
New York (LaGuardia)	197	183	171	164	(2.0)
Boston	166	101	89	84	(7.3)
Pittsburgh	500	359	47	42	(24.0)
Las Vegas	91	119	70	37	(9.6)
Columbus	37	28	23	22	(5.5)
	Daily scheduled departing seats: US Airways (mainline and Express)				
Charlotte	50,885	46,756	55,840	56,543	1.2
Philadelphia	**42,541**	**38,524**	**36,426**	**38,296**	**(1.2)**
Phoenix	36,557	34,924	31,984	32,145	(1.4)
Washington (Reagan)	17,210	14,432	15,151	15,470	(1.2)
New York (LaGuardia)	16,960	11,816	11,084	10,309	(5.4)
Boston	15,080	10,416	9,032	8,070	(6.7)
Pittsburgh	43,263	25,612	4,050	3,641	(24.0)
Las Vegas	12,704	16,279	9,701	4,819	(10.2)
Columbus	4,658	2,159	1,740	1,697	(10.6)
	Daily scheduled departing seats: US Airways mainline				
Charlotte	44,823	37,152	34,525	35,856	(2.4)
Philadelphia	**37,793**	**30,460**	**21,004**	**23,115**	**(5.3)**
Phoenix	33,422	28,779	25,902	26,806	(2.4)
Washington (Reagan)	9,962	6,385	5,404	4,912	(7.6)
New York (LaGuardia)	6,128	2,897	1,454	1,331	(15.6)
Boston	6,575	5,495	3,967	3,683	(6.2)
Pittsburgh	36,226	16,242	2,050	1,673	(28.9)
Las Vegas	12,731	15,034	9,571	3,864	(12.4)
Columbus	3,283	1,291	283	300	(23.3)
	Daily scheduled departing seats: US Airways Express				
Charlotte	6,062	9,604	21,314	20,687	14.6
Philadelphia	**5,216**	**8,064**	**15,421**	**15,181**	**12.6**
Phoenix	3,403	6,146	6,082	5,339	5.1
Washington (Reagan)	7,247	8,046	9,747	10,557	4.3
New York (LaGuardia)	10,831	8,920	9,630	8,978	(2.1)
Boston	8,505	4,921	5,065	4,387	(7.1)
Pittsburgh	7,038	9,369	2,000	1,968	(13.2)
Las Vegas	123	1,246	129	955	25.6
Columbus	1,375	869	1,457	1,397	0.2

Note: In September 2005, America West and US Airways merged. Historical data are for America West and US Airways combined.

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, March 2010.

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= Approximately 20,000 average daily departing seats scheduled for April 2010

Note: The area of each circle is proportional to the number of scheduled seats on departing flights of the principal hubbing airline and its regional airline affiliates at that airport.

Source: Official Airline Guides, Inc., online database, retrieved March 2010.

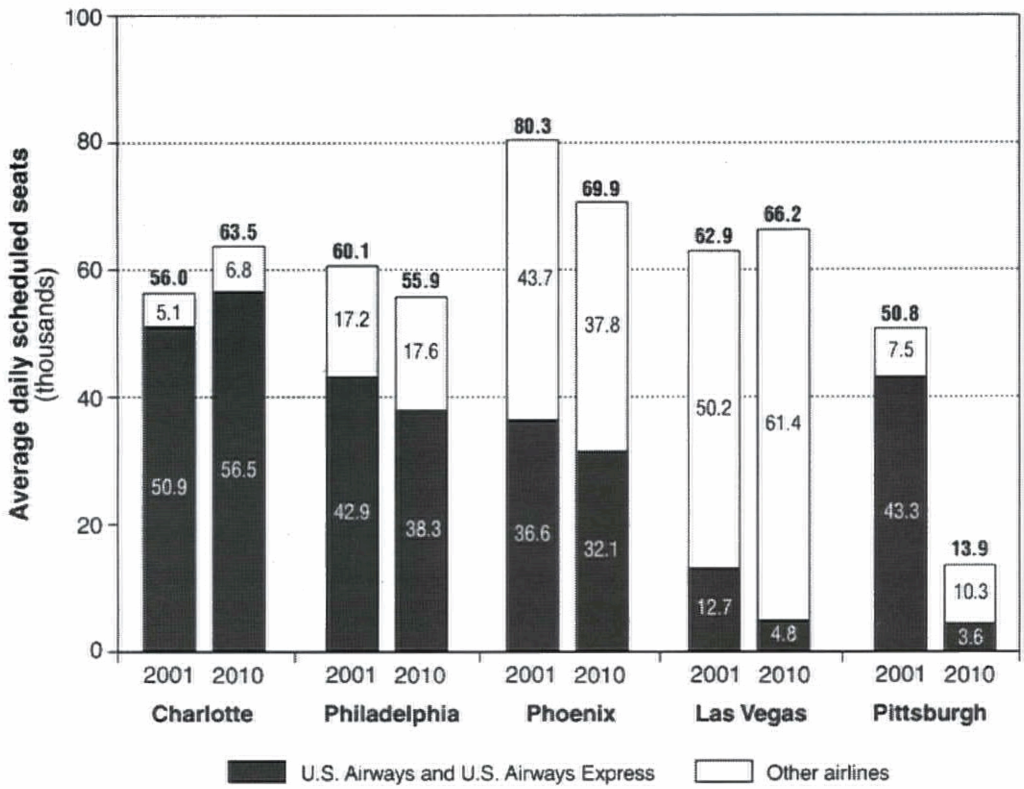
Figure 8

SCHEDULED US AIRWAYS SEAT CAPACITY AT PRINCIPAL US AIRWAYS SYSTEM AIRPORTS

Figure 9

CHANGES IN AIRLINE SEATS AT US AIRWAYS HUBS

April 2001 and April 2010



Note: In September 2005, America West and U.S. Airways merged. Historical data are for America West and U.S. Airways combined. Numbers may not add to totals due to rounding.

Source: Official Airlines Guides, Inc., database retrieved from BACK Aviation, March 2010.

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In FY 2009, approximately 57% of enplaned passengers at Philadelphia originated their air journeys at the Airport, compared with 25% at Charlotte and 60% at Phoenix.

Star Alliance

In May 2004, US Airways joined United Airlines in the Star Alliance network. Foreign flag airline members of the alliance include Air Canada, Air China, Air New Zealand, ANA, Asiana Airlines, Austrian Airlines, BMI, Egypt Air, LOT Polish Airlines, Lufthansa, SAS, Scandinavian Airlines, Shanghai Airways, Singapore Airlines, South African Airways, Spanair, Swiss, TAP Portugal, Thai Airlines International, and Turkish Airlines. Continental Airlines joined the Star Alliance in October 2009. The alliance provides for code-sharing, coordinated schedules, reciprocal frequent flyer programs, and other benefits.

Table 18 presents data on scheduled international departures for US Airways and its Star Alliance partners at their U.S. gateway airports. As shown, an average of 45 daily scheduled international departures was scheduled at the Airport in April 2010, compared with 71 departures at Chicago O'Hare and 45 departures at Washington Dulles, both of which are hubs for United, and 115 departures at Newark and 111 departures at Houston Bush Intercontinental, both of which are hubs for Continental.

Proposed US Airways-Delta Slot Swap

In August 2009, US Airways and Delta announced an agreement under which US Airways would have acquired 42 pairs of landing-takeoff slots at Washington National, allowing the airline to solidify its position at that airport, as well as rights to fly to Tokyo and Sao Paulo. In return, Delta would have acquired 125 pairs of landing-takeoff slots and 11 gates at New York LaGuardia. The agreement as proposed would have increased US Airway's share of slot interests at National from 44% to 55% and Delta's share of slot interests at LaGuardia from 24% to 49%. In February 2010, the U.S. Department of Transportation ruled that, as a condition of its approval of the agreement, the two airlines must divest 14 slot pairs at National and 20 slot pairs at LaGuardia to rival airlines with little or no service at the airports. Following the ruling, US Airways and Delta proposed slot divestitures short of those specified in the Department's ruling. In May 2010, the Department reiterated its original ruling. In response, US Airways and Delta announced that they would not pursue the slot swap under the Department's terms and in August 2010 appealed the ruling to the U.S. Court of Appeals on the grounds that the Department had exceeded its statutory authority in imposing the slot divestiture conditions. The appeal process is expected to take a year or more.

COMPETING AIRPORTS

The effective boundary of the region served by the Airport is defined by the availability of airline service at surrounding airports. The extent to which the Airport is successful in competing with these other airports for passengers depends, among other factors, on airline fares and air service frequency at the airports and surface travel times to and from the airports.

Baltimore/Washington International Thurgood Marshall (BWI) and Newark Liberty International airports offer levels of domestic airline service comparable to those at the Airport and are its primary competing airports. Figure 10 illustrates the natural "catchment" areas of the three airports as defined by approximate one-hour driving times from each.

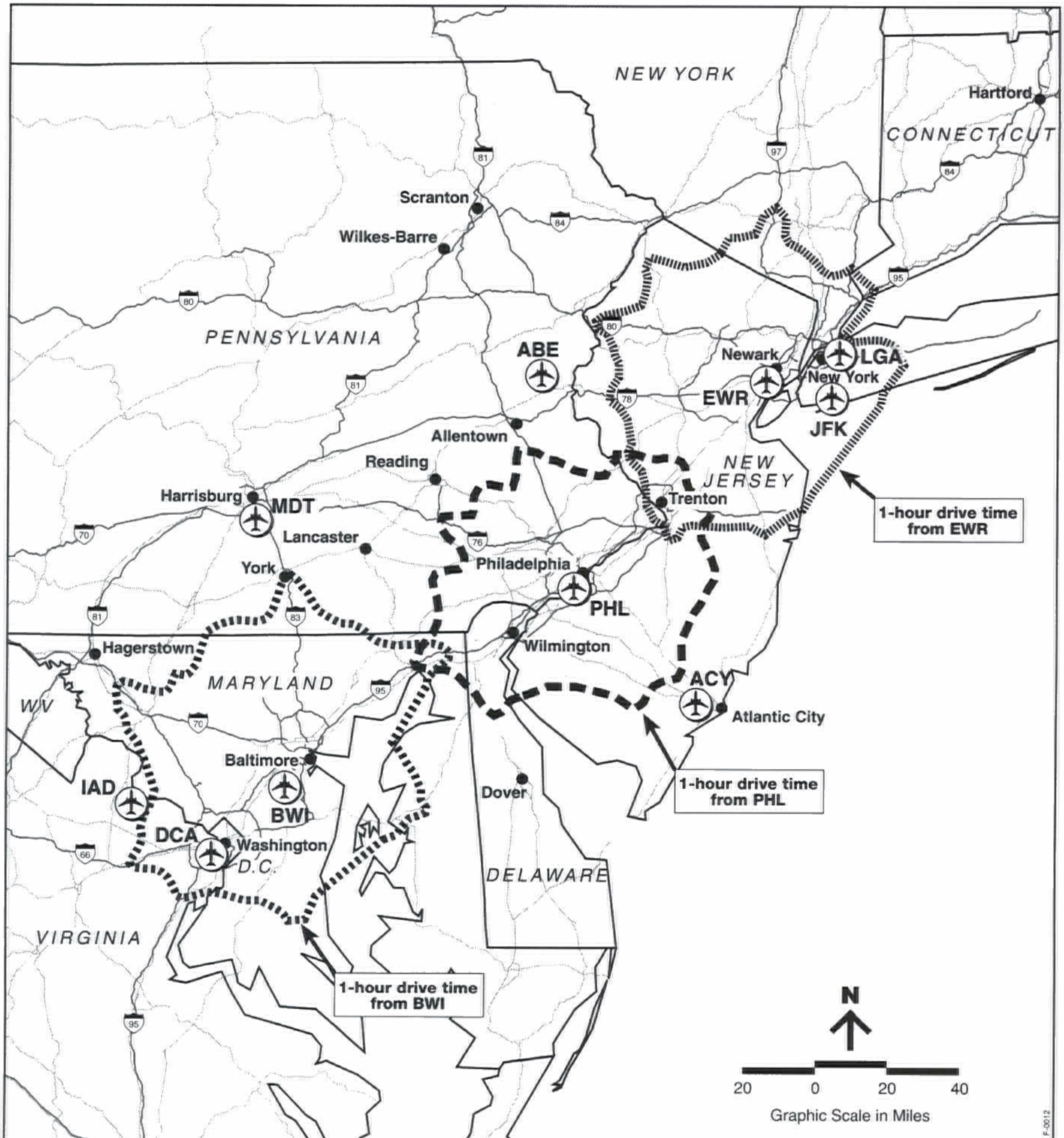
Table 18
SCHEDULED INTERNATIONAL SERVICE AT STAR ALLIANCE GATEWAYS

City (Airport)	Average daily scheduled international departures April 2001	April 2004	April 2009	April 2010	Number of Star Alliance partners with scheduled international service 2009	2010
	All Star Alliance partners					
Newark	75	77	116	115	8	8
Houston (Bush)	68	85	115	111	4	4
Chicago (O'Hare)	56	52	68	71	9	9
Philadelphia	**34**	**46**	**45**	**45**	**3**	**3**
Washington (Dulles)	27	35	45	45	7	7
San Francisco	33	29	40	40	7	8
Los Angeles	38	27	32	33	9	10
Charlotte	15	26	33	33	3	3
Denver	14	14	26	29	3	3
	US Airways					
Newark	--	--	--	--		
Houston (Bush)	--	--	--	--		
Chicago (O'Hare)	--	--	--	--		
Philadelphia	**27**	**39**	**39**	**39**		
Washington (Dulles)	--	--	--	--		
San Francisco	--	--	--	--		
Los Angeles	--	--	--	--		
Charlotte	12	23	30	30		
Denver	--	--	--	--		
	Other Star Alliance partners					
Newark	75	77	116	115		
Houston (Bush)	68	85	115	111		
Chicago (O'Hare)	56	52	68	71		
Philadelphia	**7**	**7**	**5**	**6**		
Washington (Dulles)	27	35	45	45		
San Francisco	33	29	10	40		
Los Angeles	38	27	32	33		
Charlotte	3	3	3	3		
Denver	14	14	26	29		

Note: Data for Los Angeles include departures for America West.

Continental Airlines joined the Star Alliance in 2009. All Star Alliance data includes Continental Airlines.

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, March 2010.



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Airline airports

Interstate highway

Other major highway

Figure 10

AREAS WITHIN ONE-HOUR DRIVE TIMES OF PHILADELPHIA, NEWARK, AND BALTIMORE/WASHINGTON INTERNATIONAL AIRPORTS

April 2010

Table 19 presents data on airline service at the Airport, BWI, Newark, and selected other airports in the northeast (as well as Charlotte and Pittsburgh). In April 2010, in terms of total scheduled seats, the Airport was the fourth busiest of the airports listed, after New York Kennedy, Charlotte, and Newark. Kennedy, Newark, and Washington Dulles compete with the Airport as connecting hubs and international gateways.

The airports serving Allentown, Atlantic City, and Harrisburg are not significant competitors for most airline travel because relatively few scheduled airline seats are offered.

Table 20 shows trends in average one-way domestic airfares for the same selected northeast airports. Year-to-year changes in airfares primarily reflect competition between specific airlines at the airports. For example, between FY 2004 and FY 2005, average airfares at Philadelphia decreased an average of 19.0% largely as a result of competition provided by Southwest Airlines; average airfares at Washington Dulles reflected competition provided by defunct Independence Air. Overall, between FY 2004 and FY 2009, airfares increased at most the airports shown but fell at the Airport.

In 1994, Southwest began service at BWI and has since increased service to become the busiest airline at BWI in terms of destinations served and numbers of enplaned passengers (displacing US Airways).

In 2004, Southwest began service at Philadelphia with 14 daily departures, increased scheduled service to 65 daily departures as of April 2009, and reduced service to 49 daily departures as of April 2010. Fare competition at the Airport among Southwest, US Airways, and other airlines between FY 2005 and FY 2007 resulted in reduced average airfares and increased air travel, both by passengers who otherwise would have used competing airports and by those who would not have traveled by air. In FY 2001, average airfares at the Airport were 51% higher than those at BWI; in FY 2005, the first full year of Southwest Airlines service, they were 11% higher. In FY 2008, average fares increased at the Airport and at most other airports nationwide, as airlines reacted to increased fuel prices and cut capacity. Average airfares decreased slightly at the Airport in FY 2009 as demand decreased due to the nationwide economic recession.

Table 19
AIRLINE SERVICE AT SELECTED NORTHEAST AIRPORTS
April 2009 and April 2010

City (airport)	Daily departures	Daily seats	Airline	Daily seats *(a)*	Share
			April 2010		
New York (Kennedy)	514	79,587	JetBlue	20,800	26.1%
Charlotte	643	63,497	US Airways	56,543	89.0
Newark	545	61,900	Continental	44,253	71.5
Philadelphia	**574**	**55,896**	**US Airways**	**38,296**	**68.5**
New York (LaGuardia)	518	47,241	Delta	15,049	31.9
Washington (Dulles)	401	41,434	United	26,672	64.4
Baltimore	327	39,598	Southwest	22,337	56.4
Washington (Reagan)	372	35,191	US Airways	15,470	44.0
Pittsburgh	153	13,909	US Airways	3,641	26.2
Harrisburg	45	2,320	US Airways	655	28.2
Atlantic City	16	2,222	Spirit	1,885	84.8
Allentown	24	1,345	US Airways	384	28.6
			April 2009		
New York (Kennedy)	570	83,594	JetBlue	21,890	26.2%
Charlotte	652	62,861	US Airways	55,840	88.8
Newark	574	64,300	Continental	45,457	70.7
Philadelphia	**601**	**57,493**	**US Airways**	**36,426**	**63.4**
New York (LaGuardia)	499	45,929	US Airways	11,084	24.1
Washington (Dulles)	405	40,977	United	26,083	63.7
Baltimore	317	38,099	Southwest	21,389	56.1
Washington (Reagan)	376	35,222	US Airways	15,151	43.0
Pittsburgh	158	14,255	US Airways	4,050	28.4
Harrisburg	44	2,369	US Airways	769	32.4
Atlantic City	12	1,716	Spirit	1,716	100.0
Allentown	24	1,143	US Airways	448	39.2

Note: In September 2005, America West and US Airways merged. Historical data are for America West and US Airways combined.

(a) Includes regional airline affiliates.

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, March 2010.

Table 20
AVERAGE ONE-WAY DOMESTIC AIRFARES AT SELECTED NORTHEAST AIRPORTS
Fiscal Years ended June 30

City (Airport)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Average annual percent change FY 2004-FY 2009
New York (Kennedy)	$151.25	$145.69	$164.10	$176.58	$189.22	$180.51	5.8%
Newark	183.92	175.82	180.94	177.92	191.22	192.93	1.0
New York (LaGuardia)	152.54	141.81	155.30	155.78	166.12	163.07	2.2
Philadelphia	**168.85**	**136.76**	**151.85**	**152.22**	**163.19**	**162.03**	**(0.8)**
Baltimore	126.62	122.75	129.59	131.28	139.00	141.26	2.4
Washington (Reagan)	171.61	152.20	166.12	173.89	193.50	193.74	3.0
Washington (Dulles)	200.16	154.03	172.27	182.79	200.07	202.41	(0.0)
Charlotte	198.81	177.06	179.28	170.07	183.66	176.32	(2.0)
Pittsburgh	164.82	154.97	156.20	143.93	151.94	149.64	(2.0)
Harrisburg	182.24	183.46	219.34	215.76	216.04	199.94	4.3
Atlantic City	103.39	110.25	124.91	114.19	105.01	84.84	0.4
Allentown	192.91	178.80	203.39	182.16	178.55	171.51	(1.9)

Note: Airfares are listed by their numbers of FY 2009 originating passengers. See Table 21.

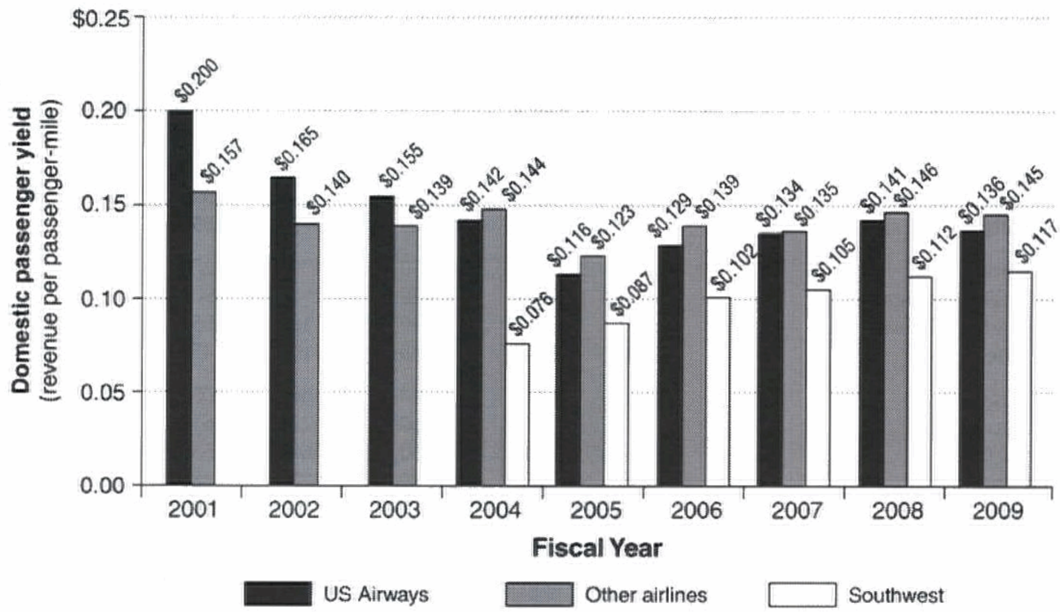
Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passengers Traffic, Domestic* for years noted, retrieved from BACK Aviation.

Figure 11 shows trends in airline passenger yields (revenues per passenger-mile) at the Airport for US Airways and other airlines. The figure illustrates how the "yield premium" historically enjoyed by US Airways at the Airport has been reduced. In FY 2001, the average US Airways yield at the Airport was 27% higher than the average for the other airlines. In FY 2009, the average US Airways yield was slightly lower than the average for airlines (other than Southwest). In FY 2004, the first year of Southwest service, the average US Airways yield was 87% higher than Southwest's; in FY 2009, it was 16% higher.

Figure 11

TRENDS IN DOMESTIC PASSENGER YIELD AT THE AIRPORT

Fiscal Years ended June 30



Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic.*

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Table 21 shows trends in numbers of originating passengers at the Airport and other airports and illustrates the effects of reductions in airfares on passenger numbers, e.g., at Kennedy and Philadelphia, JetBlue and Southwest, respectively, provided increased service and fare competition. At the Airport in FY 2005, the first full year of Southwest service, originating passenger numbers increased 24% as average domestic airfares decreased 19%. Due to the 2007-2009 economic recession and reductions in Southwest service, originating passenger levels declined at the Airport in FY 2008 and FY 2009.

Table 21
ORIGINATING PASSENGERS AT SELECTED NORTHEAST AIRPORTS
Fiscal Years ended June 30

City (Airport)	FY 2001	FY 2003	FY 2005	FY 2007	FY 2008	FY 2009	Average annual percent change FY 2001-FY 2009
New York (Kennedy)	12,640	11,950	15,430	16,500	18,420	18,410	4.8%
Newark	13,140	11,270	11,880	13,470	14,160	12,850	(0.3)
New York (LaGuardia)	11,000	9,640	11,420	11,960	11,500	10,590	(0.5)
Philadelphia	**8,270**	**7,280**	**9,770**	**10,020**	**9,570**	**8,850**	**0.9**
Baltimore	7,570	7,730	8,510	8,430	8,430	8,270	1.1
Washington (Reagan)	6,070	5,120	6,500	7,420	7,290	6,900	1.6
Washington (Dulles)	4,780	4,380	6,130	6,390	7,110	6,550	4.0
Charlotte	1,660	2,220	2,370	3,280	3,410	3,450	9.6
Pittsburgh	2,250	3,450	4,500	4,140	4,450	4,050	7.6
Harrisburg	460	510	670	560	620	610	3.6
Atlantic City	280	350	510	460	560	530	8.3
Allentown	400	290	490	390	420	380	(0.6)

Source: LeighFisher estimates based on U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic and International*, and T100 database, retrieved from BACK Aviation.

AIRLINE SERVICE

As of April 2010, the airlines serving the Airport provided nonstop scheduled flights from the Airport to 87 domestic cities and 35 international cities. Table 22 shows scheduled daily airline service at the Airport in terms of average daily aircraft departures and seats. As of April 2010, 525 departures and 48,540 seats were scheduled daily from the Airport to domestic destinations, with 66% of the seats provided on the flights of US Airways and US Airways Express. To international destinations, an average of 49 departures and 7,356 seats were scheduled daily from the Airport, with 83% of the seats provided on the flights of US Airways and US Airways Express.

Between April 2004 and April 2009, the number of daily scheduled seats to domestic destinations increased an annual average of 1.3% as US Airways and Southwest Airlines built up service. Aircraft departures increased at an average annual rate of 2.7% as some flying was transferred from mainline to regional affiliate flights. The share of seats at the Airport flown domestically by regional affiliates increased from 17% in April 2004 to 29% in April 2009. Between April 2009 and April 2010, US Airways slightly increased its mainline and international service; all other types of service at the Airport have been reduced.

Table 22
SCHEDULED DOMESTIC AND INTERNATIONAL AIRLINE SERVICE
Philadelphia International Airport

	April 2004		April 2009		April 2010		Average annual percent change	
	Number	Percent	Number	Percent	Number	Percent	2004-2009	2009-2010
	Average daily departures							
Domestic Service								
Major airlines								
US Airways	171	32.1%	112	18.7%	125	21.8%	(8.1%)	11.6%
Other	105	19.7	127	21.1	104	18.1	3.9	(18.2)
	276	51.8%	239	39.8%	229	39.9%	(2.8%)	(4.2%)
Regional affiliates								
US Airways Express	172	32.3%	271	45.2%	261	45.4%	9.6%	(3.9%)
Other	35	6.6	41	6.9	35	6.1	3.3	(15.6)
	207	38.8%	313	52.0%	296	51.5%	8.6%	(5.4%)
Subtotal domestic	483	90.6%	552	91.9%	525	91.4%	2.7%	(4.9%)
International service								
US Airways	38	7.1%	39	6.5%	39	6.9%	0.7%	0.3%
Others	12	2.3	10	1.6	10	1.7	(4.4)	1.7
Subtotal international	50	9.4%	49	8.1%	49	8.6%	(0.5%)	0.6%
Total	533	100.0%	601	100.0%	574	100.0%	2.4%	(4.5%)
	Average daily seats							
Domestic Service								
Major airlines								
US Airways	25,065	46.2%	15,986	27.8%	17,890	32.0%	(8.6%)	11.9%
Other	13,233	24.4	17,543	30.5	14,392	25.7	5.8	(18.0)
	38,298	70.5%	33,528	58.3%	32,282	57.8%	(2.6%)	(3.7%)
Regional affiliates								
US Airways Express	7,436	13.7%	14,706	25.6%	14,303	25.6%	14.6%	(2.7%)
Other	1,500	2.8	2,208	3.8	1,954	3.5	8.0	(11.5)
	8,936	16.5%	16,914	29.4%	16,257	29.1%	13.6%	(3.9%)
Subtotal domestic	47,234	87.0%	50,442	87.7%	48,540	86.8%	1.3%	(3.8%)
International service								
US Airways	5,363	9.9%	5,734	10.0%	6,103	10.9%	1.3%	6.4%
Others	1,700	3.1	1,317	2.3	1,253	2.2	(5.0)	(4.8)
Subtotal international	7,063	13.0%	7,051	12.3%	7,356	13.2%	(0.0%)	4.3%
Total	54,297	100.0%	57,493	100.0%	55,896	100.0%	1.2%	(2.8%)

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

In September 2005, America West and US Airways merged, Historical data are for America West and US Airways combined, except for 1996 data which are for US Airways only.

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, March 2010.

Domestic Airline Service

Table 23 shows scheduled daily domestic airline service at the Airport by airline, in terms of aircraft departures and seats. Between April 2004 and April 2010, mainline service by US Airways (including America West) was reduced by 7,175 daily seats, offset by an increase of 6,868 daily seats by US Airways Express and an increase of 6,712 daily seats by Southwest. The other airlines together reduced service by 7,712 daily seats.

Table 24 presents the top domestic passenger origin and destination markets (i.e., all markets accounting for 1% or more of Philadelphia originating passengers). The origin and destination pattern is illustrated on Figure 12.

Table 24 also shows the number of average daily scheduled nonstop departures from the Airport by domestic destination. As scheduled for April 2010, all of the top origin-destination markets were provided with nonstop airline service. Of the 29 cities listed, all have nonstop service by US Airways or US Airways Express and 17 have nonstop service by Southwest. All but 5 of the 29 cities listed have nonstop service by 2 or more airlines.

International Airline Service

Table 25 lists scheduled international passenger service at the Airport. As of April 2010, 344 weekly departures and 51,493 weekly seats were scheduled in international service. International seating capacity was on flights to Europe (54%, 14 destinations), followed by the Caribbean and Latin America (30%, 18 destinations), and Canada (16%, 3 destinations).

International passenger service at the Airport, particularly transatlantic, increases during the summer months. The number of seats scheduled in international service for July 2010 are approximately 12% greater than the number in April 2010.

Table 23
SCHEDULED DOMESTIC AIRLINE SERVICE BY AIRLINE
Philadelphia International Airport

Airlines	April 2004 Average daily departures	April 2004 Average daily seats	April 2004 Cities served nonstop	April 2009 Average daily departures	April 2009 Average daily seats	April 2009 Cities served nonstop	April 2010 Average daily departures	April 2010 Average daily seats	April 2010 Cities served nonstop
US Airways	165	24,269	46	112	15,986	35	125	17,890	35
America West *(a)*	6	796	2	--	--	--	--	--	--
US Airways Express	172	7,435	56	271	14,706	65	261	14,303	66
Subtotal	343	32,500	79	384	30,692	81	386	32,193	81
Southwest	--	--	--	65	8,848	20	49	6,712	17
Delta *(b)*	17	2,445	3	10	1,647	2	18	2,536	4
Delta affiliates *(b)*	9	284	3	14	813	4	12	741	5
Northwest *(b)*	14	1,587	3	8	958	2	--	--	--
Northwest affiliates *(b)*	2	138	1	7	393	3	--	--	--
Subtotal	42	4,454	7	39	3,811	8	30	3,277	7
American	22	2,877	4	14	2,039	4	13	1,824	4
American affiliates	15	609	3	5	260	2	4	305	1
Subtotal	37	3,486	7	19	2,299	5	17	2,129	4
United	23	2,640	4	13	1,843	4	10	1,431	4
United affiliates	4	191	1	4	200	1	7	369	2
Subtotal	27	2,831	5	17	2,043	5	17	1,801	5
AirTran	18	2,129	7	10	1,274	2	9	1,087	2
Continental	5	538	1	5	692	1	4	640	1
Continental affiliates	6	274	2	8	361	2	8	365	2
Subtotal	11	812	3	13	1,053	3	12	1,005	3
Midwest	2	153	1	--	--	--	0	10	1
Midwest affiliates	0	4	1	4	180	1	3	173	1
Subtotal	2	157	1	4	180	1	4	183	1
Frontier	--	--	--	1	136	1	1	136	1
USA 3000	1	146	3	1	106	3	0	17	2
ATA	4	718	1	--	--	-	--	--	--
Total	485	47,233	85	552	50,442	89	525	48,540	87

Notes: Columns may not add to totals shown because of rounding.
Number of cities served nonstop are not additive because some cities are served by more than one airline.

(a) In September 2005, America West and US Airways merged.
(b) In October 2008 Delta and Northwest merged and in December 2009 the airlines began operating under a single operating certificate.

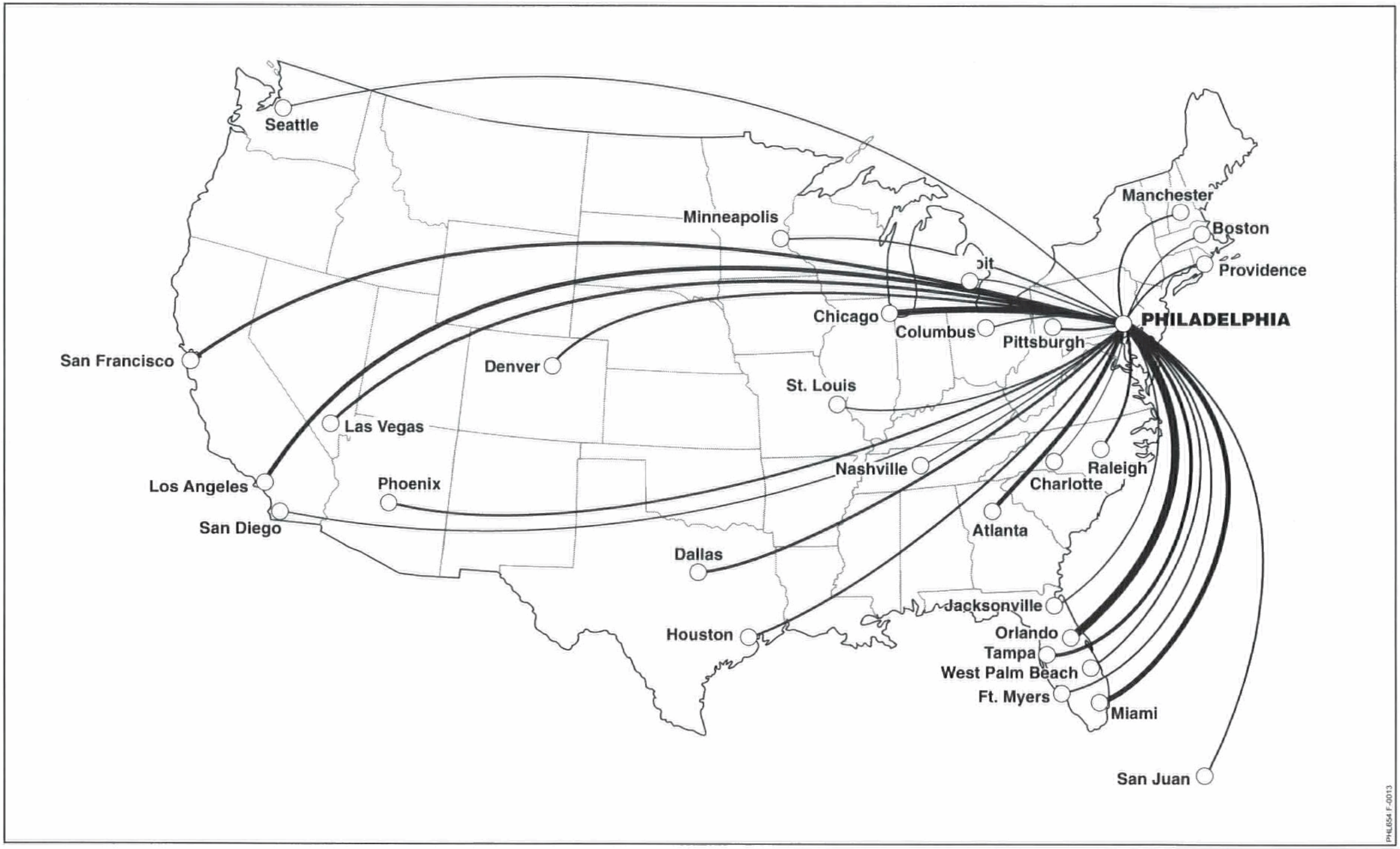
Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, March 2010.

Table 24
DOMESTIC ORIGIN-DESTINATION PATTERNS
Philadelphia International Airport
Fiscal Year ended June 30, 2009

Origin-destination market	Air miles from Philadelphia	Percent of originating passengers	Average daily scheduled nonstop departures (April 2010) *(a)*			
			US Airways	Southwest	Other airlines	All airlines
Orlando	749	8.0%	8	6	4	18
Chicago *(b)*	587	6.1	7	6	14	27
Miami *(c)*	882	5.2	9	3	3	15
Los Angeles *(d)*	2,081	4.4	5	0	2	7
Atlanta	579	4.4	6	0	14	20
Tampa	801	3.5	5	4	0	9
San Francisco *(e)*	2,185	3.4	4	0	2	6
Las Vegas	1,887	3.1	5	2	0	7
Dallas *(f)*	1,122	2.8	5	0	7	11
Denver	1,349	2.5	2	3	3	8
Raleigh-Durham	295	2.5	7	4	0	11
Pittsburgh	220	2.4	8	4	0	11
Houston *(g)*	1,150	2.4	2	2	4	8
Phoenix	1,800	2.3	6	1	0	7
West Palm Beach	828	1.9	3	2	0	5
Manchester	288	1.9	7	4	0	10
Providence	236	1.8	8	4	0	11
Fort Myers	864	1.8	3	1	0	4
San Juan	1,372	1.8	3	0	1	4
Minneapolis/St. Paul	850	1.6	4	0	5	8
San Diego	2,053	1.5	2	0	0	2
St. Louis	698	1.5	4	2	0	5
Columbus	405	1.5	6	0	0	6
Jacksonville	648	1.5	3	1	0	4
Boston	242	1.4	15	0	0	15
Nashville	674	1.4	4	2	0	5
Detroit	393	1.4	7	0	7	13
Seattle	2,059	1.3	2	0	0	2
Charlotte	389	1.0	10	0	0	10
Cities listed		76.4%	158	49	65	272
Other cities		23.6	228	0	25	253
All cities		100.0%	386	49	89	525

(a) Figures may not sum to totals shown because of rounding.
(b) O'Hare and Midway airports.
(c) Miami and Fort Lauderdale airports.
(d) Los Angeles International, Burbank, Orange County, Long Beach, and Ontario airports.
(e) San Francisco, Oakland and San Jose airports.
(f) Dallas-Fort Worth airport and Love Field.
(g) Bush Intercontinental and Hobby airports.

Sources: Originating percentage: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, for FY 2009.
Departures: Official Airline Guides, Inc., database retrieved from BACK Aviation, March 2010.



Note: Data are for cities with 1% or more of total inbound and outbound passengers on the scheduled flights of the major and national airlines at Philadelphia International Airport. The width of the line corresponds to the relative share of origin-destination passengers for each community.

Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic,* 12 months ended June 30, 2009 (see Table 24).

Figure 12

DOMESTIC ORIGIN-DESTINATION PATTERNS

Philadelphia International Airport

April 2010

Table 25
SCHEDULED INTERNATIONAL AIRLINE SERVICE BY DESTINATION
Philadelphia International Airport

		April 2004		April 2009		April 2010	
International destination	Airline	Weekly departures	Weekly seats	Weekly departures	Weekly seats	Weekly departures	Weekly seats
Europe	US Airways						
Amsterdam	US Airways	7	1,428	6	1,235	7	1,351
Barcelona	US Airways	--	--	4	714	6	1,137
Brussels	US Airways	--	--	5	901	7	1,261
Dublin	US Airways	--	--	7	1,261	7	1,351
Frankfurt	US Airways	7	2,051	7	2,051	11	3,195
	Lufthansa	7	1,549	7	1,547	7	1,547
London (Gatwick)	US Airways	7	2,051	7	1,351	--	--
London (Heathrow)	US Airways	--	--	7	1,428	7	1,806
	British Airways	14	3,661	14	2,891	14	2,891
Manchester	US Airways	7	2,051	7	2,051	7	2,051
Madrid	US Airways	7	1,428	7	2,051	7	2,051
Milan	US Airways	--	--	5	1,000	--	--
Munich	US Airways	7	1,428	7	1,740	7	1,806
Paris	US Airways	7	2,051	7	2,051	7	1,806
	Air France/Delta	7	1,533	5	1,234	5	897
Rome	US Airways	7	2,051	7	2,051	7	2,051
TelAviv	US Airways	--	--	--	--	7	1,806
Zurich	US Airways	--	--	3	666	5	1,095
		84	21,282	111	26,222	118	28,102
Caribbean and Mexico							
Antigua	US Airways	2	231	--	--	--	--
Aruba	US Airways	7	1,351	8	1,467	8	1,435
Barbados	US Airways	7	1,050	1	140	1	116
Bermuda	US Airways	7	1,050	7	868	7	868
Cancun	US Airways	22	3,796	23	3,942	23	4,203
	USA 3000	2	392	3	510	4	588
Cozumel	US Airways	1	116	--	--	--	--
Freeport	US Airways	1	116	1	92	--	--
Grand Cayman	US Airways	2	231	4	434	3	371
Grenada	US Airways	1	116	--	--	--	--
Montego Bay	US Airways	14	1,949	9	1,636	9	1,358
	Air Jamaica	7	1,050	7	1,015	7	980
Nassau	US Airways	14	2,562	14	1,918	14	2,065
Providenciales	US Airways	1	116	2	231	1	116
Punta Cana	US Airways	8	984	10	1,419	9	1,257
	USA 3000	4	588	2	274	2	353
Santo Domingo	US Airways	7	1,050	2	231	4	463
San Jose	US Airways	4	595	1	87	0	58
St. Kitts	US Airways	1	140	--	--	--	--
St. Lucia	US Airways	2	274	--	29	--	58
St. Maarten	US Airways	8	1,531	8	1,486	7	1,441
		121	19,288	100	15,780	98	15,729
Canada							
Montreal	US Airways	42	2,509	41	2,257	39	2,552
	Air Canada	12	607	--	--		
Ottawa	US Airways	28	1,398	21	1,050	20	1,429
Toronto	US Airways	34	2,403	39	2,300	38	2,165
	Air Canada	32	2,035	30	1,746	30	1,517
		149	8,952	131	7,352	128	7,663
		354	49,521	342	49,354	344	51,493

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

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, March 2010.

HISTORICAL AIRLINE TRAFFIC

Enplaned Passengers

Table 26 presents data on historical enplaned passengers at the Airport. From FY 1990 through FY 2001, the number of enplaned passengers increased at an average rate of 4.5% per year. In FY 2002, air service reductions following the September 2001 attacks and passenger anxieties about the possibility of further attacks reduced air travel demand. Travel demand was also depressed by the national economic recession in 2000-2001. Between FY 2002 and FY 2004, passenger traffic at the Airport recovered, largely as a result of increased numbers of passengers connecting between US Airways flights. The increase in passenger numbers in FY 2005 was the result of intense airfare competition and the buildup of service by Southwest and US Airways. The lower growth rates of increase since FY 2005 reflect cutbacks in capacity, particularly by US Airways, and increased airfares.

Between FY 1996, when US Airways first began its buildup of the Airport as a major connecting hub, and FY 2008, domestic passenger numbers at the Airport increased an average of 4.2% per year and international passenger numbers increased an average of 10.0% per year. Domestic passenger numbers further increased between FY 2004 and FY 2008 with the expansion of Southwest Airlines service at the Airport and corresponding reductions in air fares. In FY 2009 and FY 2010, enplaned passenger numbers have decreased as a result of the economic recession and reduced seat capacity.

As shown on Figure 13, between FY 1996 and FY 2008, the Airport's rate of increase in enplaned passengers outpaced the national average. Between FY 1996 and FY 2008, enplaned passengers at the Airport increased an average of 4.7% per year, compared with 2.1% for the nation as a whole. Between FY 2008 and FY 2009, enplaned passenger numbers at the Airport decreased by 4.3% compared with a 7.9% decrease in enplaned passengers for the nation as a whole. Table 27 shows the increase in international passengers at the Airport by US Airways and other airlines. In FY 2009, US Airways accounted for 83% of international passengers at the Airport.

Table 26
HISTORICAL ENPLANED PASSENGERS
Philadelphia International Airport
Fiscal Years ended June 30

Fiscal Year	Domestic	International	Total	Total increase (decrease)
1990	7,400,854	379,667	7,780,521	
1991	7,322,959	388,954	7,711,913	(0.9%)
1992	7,041,274	534,334	7,575,608	(1.8)
1993	7,645,396	582,621	8,228,017	8.6
1994	7,777,184	607,718	8,384,902	1.9
1995	8,419,133	634,955	9,054,088	8.0
1996	8,538,732	665,334	9,204,066	1.7
1997	9,502,168	890,094	10,392,262	12.9
1998	10,601,187	1,104,443	11,705,630	12.6
1999	10,737,979	1,329,813	12,067,792	3.1
2000	10,652,391	1,326,524	11,978,915	(0.7)
2001	11,149,732	1,521,721	12,671,453	5.8
2002	10,501,846	1,499,659	12,001,505	(5.3)
2003	10,519,234	1,617,391	12,136,625	1.1
2004	11,149,952	1,938,821	13,088,773	7.8
2005	13,427,191	2,063,378	15,490,569	18.4
2006	13,563,540	2,011,457	15,574,997	0.5
2007	13,864,721	1,986,970	15,851,691	1.8
2008	13,971,056	2,081,917	16,052,973	1.3
2009	13,357,446	2,005,297	15,362,743	(4.3)
2010	13,113,239	2,080,502	15,193,741	(1.1)
	Average annual percent increase			
1990-2001	3.8%	13.5%	4.5%	
1996-2001	5.5	18.0	6.6	
2001-2010	1.8	3.5	2.1	

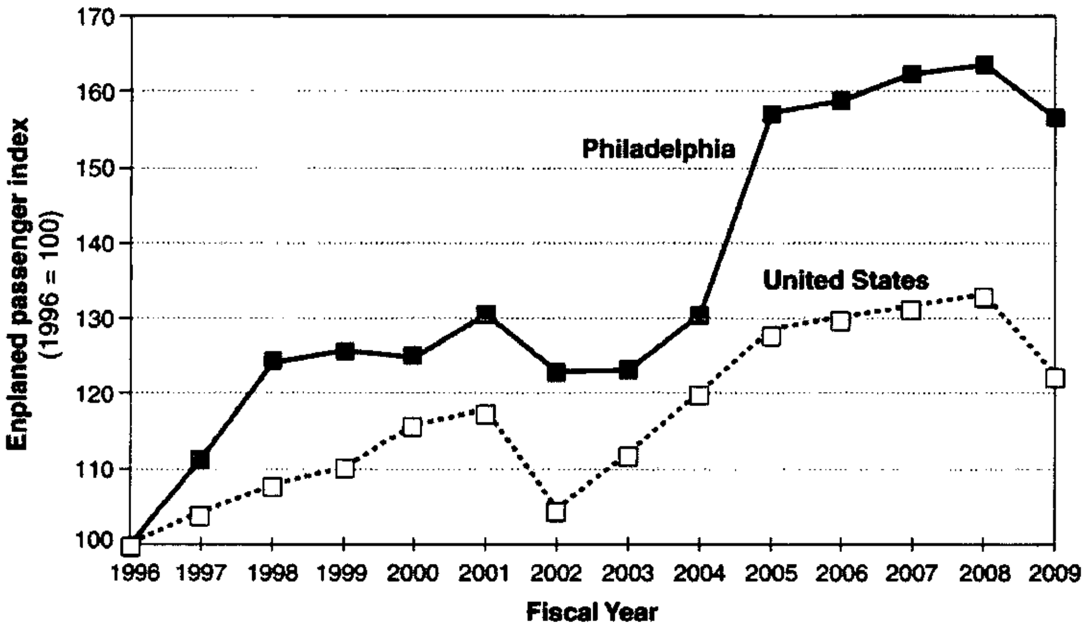
Source: City of Philadelphia, Division of Aviation.

Figure 13

DOMESTIC ENPLANED PASSENGER TRENDS

Philadelphia International Airport

Fiscal Years ended June 30



Sources: Philadelphia: City of Philadelphia, Division of Aviation.
United States: U.S. Department of Transportation, T-100 database, retrieved from BACK Aviation.

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Table 27

INTERNATIONAL ENPLANED PASSENGERS

Philadelphia International Airport

Fiscal Year ended June 30

	FY 2003	FY 2005	FY 2007	FY 2008	FY 2009	FY 2010	Average annual percent change FY 2003-FY 2010
Scheduled service							
US Airways *(a)*	1,214,237	1,643,060	1,425,597	1,705,301	1,663,063	1,759,317	5.4%
Other	376,556	414,568	558,653	374,960	340,378	321,126	(2.2)
Subtotal	1,590,793	2,057,628	1,984,250	2,080,261	2,003,441	2,080,443	3.9%
Nonscheduled service	26,598	5,750	2,720	1,656	1,856	59	(58.2)
Total	1,617,391	2,063,378	1,986,970	2,081,917	2,005,297	2,080,502	3.7%

(a) Includes US Airways Express. America West merged with US Airways in September 2005. Historical data are for America West and US Airways combined.

Source: City of Philadelphia, Division of Aviation.

Originating and Connecting Passengers

Table 28 shows the estimated distribution of enplaned passengers between those originating their air journeys at the Airport and those connecting between flights. Between FY 2003 and FY 2005, the number of connecting passengers increased 34.2% as Southwest Airlines introduced service and stimulated air travel demand. During that same period, the number of connecting passengers increased 17.8% as US Airways increased service at the Airport and downsized its Pittsburgh hub. Since FY 2007, the number of connecting passengers has again increased even as the number of originating passengers has decreased. Between FY 2007 and FY 2009, the overall 3.1% decrease in the number of enplaned passengers was accounted for by an 11.7% increase in the number of connecting passengers offset by an 11.7% decrease in originating passengers. In FY 2009, an estimated 57.4% of all enplaned passengers were originating.

Table 28
ORIGINATING AND CONNECTING PASSENGERS
Philadelphia International Airport
Fiscal Years ended June 30

Passengers	FY 2003	FY 2005	FY 2007	FY 2008	FY 2009	Average annual percent change FY 2003-FY 2009
Originating	7,280,000	9,770,000	10,000,000	9,530,000	8,820,000	2.8%
Percent of total	60.0%	63.1%	63.1%	59.4%	57.4%	
Connecting	4,856,625	5,720,569	5,851,691	6,522,973	6,542,743	4.3%
Percent of total	40.0%	36.9%	36.9%	40.6%	42.6%	
Enplaned	12,136,625	15,490,569	15,851,691	16,052,973	15,362,743	3.4%

Sources: Enplaned passengers - City of Philadelphia, Division of Aviation.
Originating and connecting passenger distribution – LeighFisher, estimated from U.S. Department of Transportation data.

Airline Shares of Passengers

Table 29 presents historical airline shares of enplaned passengers at the Airport. US Airways and US Airways Express together enplaned approximately 9.8 million passengers (64% share) in FY 2009, compared with 8.7 million (68%) in FY 2001. In FY 2009, Southwest accounted for approximately 12% of enplaned passengers.

Figures 14 and 15 show airline shares of enplaned and originating passengers, respectively. As shown, US Airways and US Airways Express in FY 2010 accounted for 67% of enplaned passengers. In FY 2009, they accounted for 41% of originating passengers. In FY 2009, Southwest accounted for 20% of originating passengers.

Table 29
AIRLINE SHARES OF ENPLANED PASSENGERS
Philadelphia International Airport
Fiscal Year ended June 30

	FY 2003		FY 2007		FY 2008		FY 2009		FY 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Domestic enplaned passengers										
Scheduled major										
US Airways *(a)*	5,955,196	49.1%	5,068,667	32.0%	4,823,618	30.0%	4,586,744	29.9%	4,780,968	31.5%
Southwest	--	--	1,653,904	10.4	1,859,184	11.6	1,895,701	12.3	1,710,602	11.2
Delta *(b)*	635,139	5.2	562,536	3.5	571,173	3.6	571,723	3.7	646,865	4.3
American	747,764	6.2	750,476	4.7	700,757	4.4	606,551	3.9	573,226	3.8
United	637,684	5.3	675,407	4.3	614,669	3.8	538,269	3.5	455,193	3.0
AirTran	314,135	2.6	529,692	3.3	504,389	3.1	370,833	2.4	298,280	2.0
Continental	158,787	1.3	254,052	1.6	253,738	1.6	234,198	1.5	233,656	1.5
Northwest *(b)*	388,297	3.2	442,522	2.8	452,213	2.8	337,432	2.2	174,015	1.1
Midwest Express	28,746	0.2	75,747	0.5	68,903	0.4	50,384	0.3	50,962	0.3
Frontier	--	--	76,153	0.5	83,216	0.5	52,366	0.3	45,514	0.3
USA 3000	--	--	58,655	0.4	72,270	0.5	34,745	0.2	13,435	0.1
Other	149,068	1.2	--	--	--	--	--	--	--	--
Subtotal	9,014,816	74.3%	10,147,811	64.0%	10,004,130	62.3%	9,278,946	60.4%	8,982,716	59.1%
Scheduled affiliates										
US Airways Express	1,306,026	10.8%	3,371,752	21.3%	3,589,475	22.4%	3,631,844	23.6%	3,678,578	24.2%
Other	176,871	1.5	342,437	2.2	375,815	2.3	445,371	2.9	450,367	3.0
Subtotal	1,482,897	12.2%	3,714,189	23.4%	3,965,290	24.7%	4,077,215	26.5%	4,149,031	27.2%
Nonscheduled	21,521	0.2	2,721	0.0	1,636	0.0	1,285	0.0	1,578	0.0
Total domestic service	10,519,234	86.7%	13,864,721	87.5%	13,971,056	87.0%	13,357,446	86.9%	13,113,239	86.3%
International enplaned passengers										
Scheduled										
US Airways	1,197,980	9.9%	1,425,597	9.0%	1,564,857	9.7%	1,558,766	10.1%	1,621,853	10.7
US Airways Express	16,970	0.1	172,542	1.1	140,444	0.9	104,297	0.7	137,464	0.9
British Airways	135,306	1.1	115,772	0.7	114,278	0.7	103,473	0.7	103,258	0.7
Lufthansa	58,868	0.5	76,832	0.5	74,508	0.5	69,804	0.5	69,030	0.5
Air Canada *(c)*	68,782	0.6	51,693	0.3	51,557	0.3	47,871	0.3	47,045	0.3
Delta/Air France	47,573	0.4	61,498	0.4	56,920	0.4	50,549	0.3	41,124	0.3
Air Jamaica	47,158	0.4	39,660	0.3	42,445	0.3	42,537	0.3	36,217	0.2
USA 3000	19,570	0.2	40,656	0.3	35,079	0.2	26,144	0.2	24,452	0.2
Piedmont	--	--	--	--	173	0.0	--	--	--	--
Other	--	--	--	--	--	--	--	--	--	--
Subtotal	1,592,207	13.1%	1,984,250	12.5%	2,080,261	13.0%	2,003,441	13.0%	2,080,443	13.7%
Nonscheduled	25,184	0.2	2,720	0.0	1,656	0.0	1,856	0.0	59	0.0
Total international	1,617,391	13.3%	1,986,970	12.5%	2,081,917	13.0%	2,005,297	13.1%	2,080,502	13.7%
Total enplaned passengers	12,136,625	100.0%	15,851,691	100.0%	16,052,973	100.0%	15,362,743	100.0%	15,193,741	100.0%

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

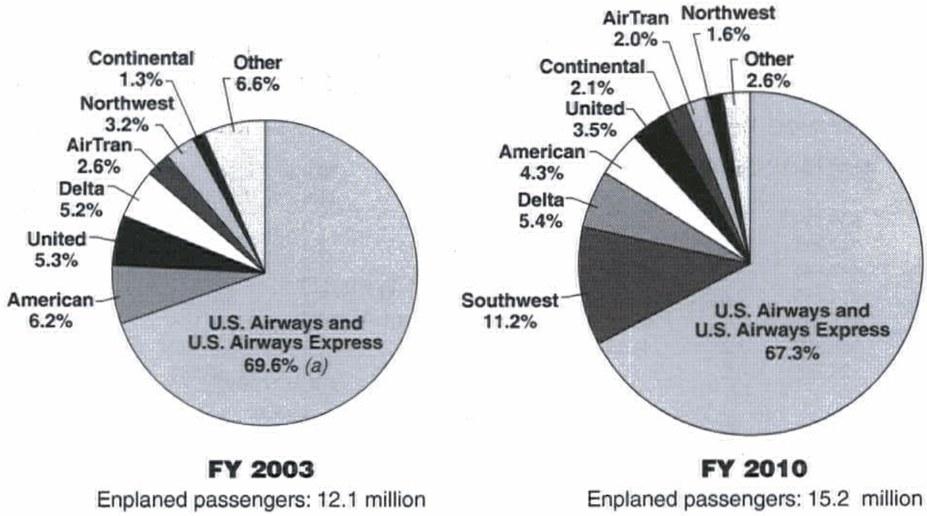
(a) America West merged with US Airways in September 2005. Data shown are for America West and US Airways combined.
(b) In October 2008 Delta and Northwest merged and in December 2009 the airlines began operating under a single operating certificate.
(c) Includes passengers enplaned on both Air Canada and Air Canada Jazz for all time periods.

Source: City of Philadelphia, Division of Aviation.

Figure 14

ENPLANED PASSENGER MARKET SHARES

Fiscal Years ended June 30



(a) America West merged with U.S. Airways in September 2005. FY 2003 data are for America West and U.S. Airways combined.

Note: Areas of circles are proportional to numbers of enplaned passengers.

Source: City of Philadelphia Division of Aviation.

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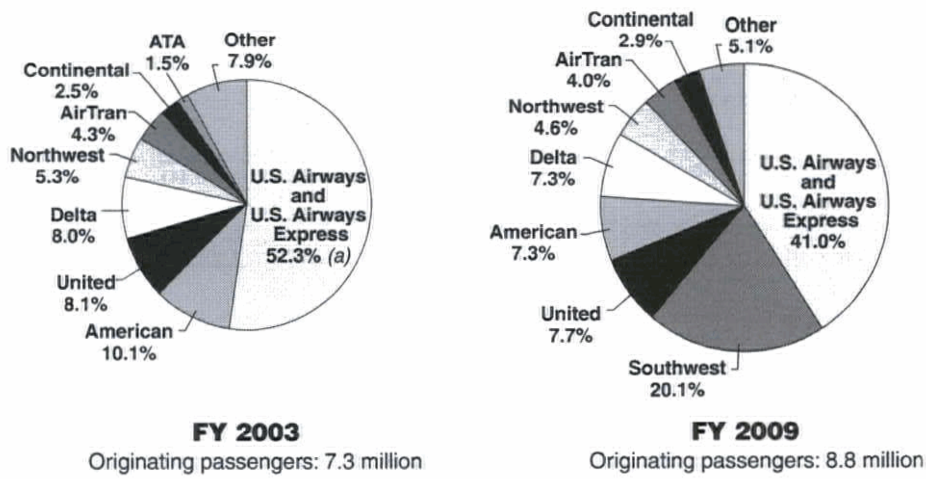
Figure 15

ORIGINATING PASSENGER MARKET SHARES

Fiscal Years ended June 30



(a) America West merged with U.S. Airways in September 2005. Fiscal Year 2003 data are for America West and U.S. Airways combined.

Source: LeighFisher estimates based on U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic and International,* for years noted, as reported by Back Aviation Products, Inc.

PHL654 F-0009

Landed Weight

Table 30 presents historical data on aircraft landed weight at the Airport. Between FY 1996 and FY 2010, landed weight increased an average of 1.9% per year. Table 31 presents data on airline shares of landed weight.

As was shown on Table 22, since FY 2005, US Airways Express service has increased while US Airways mainline service has decreased. While the total number of seats has actually increased between FY 2005 and FY 2010, the landed weight has steadily declined due to changes in aircraft fleet mix.

Table 30
HISTORICAL LANDED WEIGHT
Philadelphia International Airport

Fiscal Year	Landed weight (1,000-pound units)	Annual increase (decrease)
1990	15,653,000	
1991	15,796,000	0.9%
1992	15,727,000	(0.4)
1993	16,434,779	4.5
1994	16,243,757	(1.2)
1995	17,312,456	6.6
1996	16,731,664	(3.4)
1997	18,921,408	13.1
1998	20,378,678	7.7
1999	21,282,188	4.4
2000	21,830,907	2.6
2001	23,404,963	7.2
2002	22,652,408	(3.2)
2003	22,024,492	(2.8)
2004	22,288,280	1.2
2005	25,878,313	16.1
2006	24,832,815	(4.0)
2007	24,644,464	(0.8)
2008	23,823,664	(3.3)
2009	22,711,321	(4.7)
2010	21,654,771	(4.6)

Source: City of Philadelphia, Division of Aviation.

Table 31
AIRLINE SHARES OF LANDED WEIGHT
Philadelphia International Airport
Fiscal Year ended June 30
1,000-pound units

	FY 2003		FY 2007		FY 2008		FY 2009		FY 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Domestic service										
Scheduled major										
US Airways *(a)*	9,573,895	43.7%	6,994,525	28.4%	5,872,724	24.7%	5,522,430	24.3%	5,721,566	26.4%
Southwest	–	–	2,789,734	11.3	2,746,246	11.5	2,825,044	12.4	2,277,154	10.5
Delta *(b)*	849,239	3.9	675,917	2.7	703,140	3.0	662,037	2.9	974,740	4.5
American	1,203,630	5.5	849,936	3.4	778,053	3.3	696,871	3.1	641,022	3.0
United	949,625	4.3	868,006	3.5	790,431	3.3	728,405	3.2	606,595	2.8
AirTran	385,512	1.8	724,080	2.9	614,560	2.6	420,984	1.9	356,872	1.6
Continental	219,234	1.0	292,754	1.2	284,767	1.2	259,085	1.1	239,403	1.1
Midwest Express	63,772	0.3	119,032	0.5	106,316	0.4	71,723	0.3	57,713	0.3
Frontier	--	--	97,417	0.4	97,894	0.4	57,622	0.3	49,220	0.2
USA 3000	23,197	0.1	74,796	0.3	81,622	0.3	49,485	0.2	28,866	0.1
Subtotal	14,114,983	64.5%	14,056,579	57.0%	12,613,049	52.9%	11,714,934	51.6%	10,953,151	50.6%
Scheduled affiliates										
US Airways Express	1,644,785	7.5%	4,408,290	17.9%	4,685,941	19.7%	4,752,315	20.9%	4,724,137	21.8%
Other	683,024	3.1	424,829	1.7	471,357	2.0	545,474	2.4	538,679	2.5
Subtotal	2,327,808	10.6%	4,833,119	19.6%	5,157,298	21.6%	5,297,789	23.3%	5,262,816	24.3%
Nonscheduled domestic	17,283	0.1	7,349	0.0	4,554	0.0	3,365	0.0	3,543	0.0
Total domestic service	16,460,074	75.2%	18,897,047	76.7%	17,774,901	74.6%	17,016,088	74.9%	16,219,508	74.9%

Table 31 *(page 2 of 2)*
AIRLINE SHARES OF LANDED WEIGHT
Philadelphia International Airport
Fiscal Year ended June 30
1,000-pound units

	FY 2003		FY 2007		FY 2008		FY 2009		FY 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
International service										
Scheduled										
US Airways	1,831,763	8.4%	2,286,744	9.3%	2,609,614	11.0%	2,478,569	10.9%	2,574,713	11.9%
Other	819,400	3.7	721,204	2.9	726,628	3.1	823,442	3.6	799,255	3.7
Subtotal	2,651,163	12.1%	3,007,948	12.2%	3,336,242	14.0%	3,302,011	14.5%	3,373,968	15.6%
Nonscheduled international	37,718	0.2	11,137	0.0	7,272	0.0	5,413	0.0	1,685	0.0
Total international service	2,688,881	12.3%	3,019,085	12.3%	3,343,514	14.0%	3,307,424	14.6%	3,375,653	15.6%
Air cargo	2,746,782	12.5%	2,728,332	11.1%	2,705,249	11.4%	2,387,809	10.5%	2,059,609	9.5%
Total	21,895,738	100.0%	24,644,464	100.0%	23,823,664	100.0%	22,711,321	100.0%	21,654,771	100.0%

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

(a) America West merged with US Airways in September 2005. Data shown are for America West and US Airways combined.
(b) In October 2008, Delta and Northwest merged and, in December 2009 the airlines began operating under a single operating certificate. Data shown for FY 2010 are for Delta and Northwest combined.

Source: City of Philadelphia, Division of Aviation.

Air Cargo

As shown in Table 31, the all-cargo airlines serving the Airport accounted for 9.5% of Airport landed weight in FY 2010. Most cargo activity is accounted for by UPS Air Cargo, which operates its primary East Coast international gateway and a regional hub at the Airport. In FY 2009, a total of 933,351 tons of cargo (freight and mail) was enplaned and deplaned at the Airport. In 2009, the Airport was ranked the 14th busiest cargo airport in the nation, by tons of cargo enplaned and deplaned.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

Besides the economy and demographics of the Philadelphia Airport Service Region, discussed in the earlier section "Airport Service Region," key factors that will affect airline traffic at Philadelphia International Airport include:

- Economic and political conditions
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Capacity of the national air traffic control system
- Capacity of the Airport

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and stagnant economic conditions in 2002 contributed to reduced passenger numbers during those years. The recession that began in late 2007, combined with reduced discretionary income and increased airfares, contributed to reduced airline travel demand in 2008 and 2009.

With the globalization of business and the increased importance of international trade and tourism, growth in the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities are important influences on passenger traffic at major U.S. airports. Sustained future increases both in domestic and international passenger traffic will depend on stable and peaceful international conditions and global economic growth.

Financial Health of the Airline Industry

The number of passengers using the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly US Airways, to make the necessary investments to continue providing service.

The 1990-1991 recession, coupled with increased operating costs and security concerns during the Gulf War, generated then-record financial losses in the airline industry. Those losses put particular pressures on financially weak or highly indebted airlines, forcing many to seek bankruptcy protection, sell productive assets, lay off workers, reduce service, or discontinue operations in the early 1990s.

Between 1995 and 2000, the airline industry as a whole was profitable, but as a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry again experienced huge financial losses. In 2001 through 2005, the major U.S. passenger airlines collectively recorded net losses of approximately $40 billion.

To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. As discussed later in this section, US Airways twice filed for bankruptcy protection, in August 2002 and September 2004. In December 2002, United filed for bankruptcy protection (emerged in February 2006). In 2003, American avoided filing for bankruptcy protection only after obtaining labor cost concessions from its employees and drastically reducing service at its St. Louis hub. In September 2005, Northwest filed for bankruptcy protection (emerged in May 2007). In 2005, Delta eliminated its Dallas/Fort Worth hub and began to downsize its Cincinnati hub. In September 2005, Delta filed for bankruptcy protection (emerged in April 2007). Among smaller airlines, between 2003 and 2005, Hawaiian Airlines, ATA Airlines, Aloha Airlines, and Independence Air filed for bankruptcy protection. (Of these airlines, only Hawaiian was still operating as of August 2010.)

In 2006 and 2007, the U.S. passenger airline industry as a whole was profitable, but in 2008, as oil and aviation fuel prices increased to unprecedented levels, the industry experienced a profitability crisis. The industry responded by grounding older, less fuel-efficient aircraft, adopting fuel-saving operating practices, hedging fuel requirements, reducing scheduled seat capacity, eliminating unprofitable routes, laying off employees, reducing employee compensation, reducing other non-fuel expenses, increasing airfares, and imposing other fees and charges. The U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10% in 2008 and a further 7% in 2009.

In the first half of 2010, the U.S. airline industry regained profitability on the strength of reduced capacity, increased airfares, record high load factors, and increased ancillary revenues. Sustained industry profitability will depend on both economic growth to support travel demand and continued capacity discipline. Any resumption of losses could cause U.S. airlines to seek bankruptcy protection or liquidate. During March and April 2008, Aloha, ATA, and Skybus Airlines declared bankruptcy and ceased operations. In April 2008, Frontier Airlines filed for Chapter 11 bankruptcy protection, but continues to operate. Frontier emerged from bankruptcy in October 2009 following its acquisition by Republic Airlines Holdings. In October 2009, American announced that it was closing its St. Louis hub. The liquidation of one or more of the large network airlines could drastically affect airline service at many connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns throughout the U.S. aviation system.

US Airways filed for Chapter 11 bankruptcy protection in August 2002 and emerged in March 2003. In early 2004, US Airways announced plans to lower and simplify fares, cut labor and other costs, and restructure its route network and flight operations to increase productivity but, after failure to achieve the sought cost savings, again filed for Chapter 11 protection in September 2004.

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

Airline Service and Routes

The Airport serves both as a gateway to the Airport Service Region and as a connecting hub. The number of origin and destination passengers depends on the intrinsic attractiveness of the Region as a business and leisure destination and the propensity of its residents to travel. The number of connecting passengers, on the other hand, depends on the airline service provided at the Airport and at other airports.

Most mainline airlines have developed hub-and-spoke systems of hubs that allow them to offer high-frequency service in many city-pair markets. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules of the airlines serving the airport and competing hub airports.

As discussed in the section, "Airport's Role in US Airways System," the Airport is an important connecting hub for US Airways. As a result, much of the passenger traffic at the Airport results from the route network and flight schedules of

US Airways rather than the economy of the Airport Service Region. If US Airways were to reduce connecting service at the Airport, such flights would not necessarily be replaced by other airlines, although reductions in service by any airline would create business opportunities for others. The potential effects on passenger traffic of a drastic reduction in connecting airline service at the Airport are discussed in the section "Stress Test Forecast."

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips for which the automobile and other travel modes are potential alternatives, and for price-sensitive "discretionary" travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend in part on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S. airlines was reduced from 14.9 cents to 12.7 cents per passenger-mile. In 2006 through 2008, as airlines reduced capacity and were able to sustain fare increases, the average domestic yield increased to 14.7 cents. In 2009, yields decreased to 13.5 cents, but in the first half of 2010, as travel demand increased while seat capacity was reduced, the average domestic yield was 14.8 cents, approximately the same as in the first half of 2008.

Airline Consolidation and Alliances

In response to competitive pressures, the U.S. airline industry has consolidated. In April 2001, American completed an acquisition of failing Trans World Airlines. In August 2001, merger plans for United and US Airways were proposed but rejected by the U.S. Department of Transportation because of concerns about reduced airline competition. As previously discussed, in September 2005, US Airways and America West merged. In December 2009, Delta and Northwest completed their merger. In April 2010, United was in merger discussions with US Airways that have since been discontinued.

In May 2010, United and Continental announced their intention to merge, thereby creating the largest U.S. airline. In August 2010, the Department of Justice completed its antitrust review and approved the merger. The stockholders of both companies approved the merger in September 2010. The merger was finalized on October 1, 2010, although integration of the two airlines' operations is expected to continue through 2011.

In September 2010, Southwest Airlines announced its intention to acquire AirTran. Completion of the proposed acquisition is subject to approvals by the Department of Justice, AirTran stockholders, and other regulatory agencies. Various other airline merger combinations have been rumored. Any such further airline consolidation could change airline service patterns, particularly at the connecting hub airports of the merging airlines.

Alliances, joint ventures, and other marketing arrangements provide airlines with many of the advantages of mergers and all of the large U.S. network airlines are members of such alliances with foreign-flag airlines. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines. Joint ventures involve even closer cooperation and sharing of costs and revenues on certain routes. As discussed in the earlier section "Star Alliance," in May 2004, US Airways joined the United-led Star Alliance. In October 2009, Continental left the Delta-led SkyTeam Alliance and joined the Star Alliance.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in Nigeria and other oil-producing countries; the rapidly growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest item of airline operating expense, accounting for between 30% and 40% for most airlines. Increased prices have been an important contributor to recent airline industry losses. In the second half of 2008, fuel prices fell sharply as demand declined worldwide, but again increased in 2009 and 2010, partly as a result of a weakened U.S. dollar.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term. However, there is widespread agreement that fuel prices are likely to remain high relative to historical levels and to increase over the long term as global energy demand increases in the face of finite and increasingly expensive oil supplies.

Aviation fuel prices will continue to affect the ability of airlines to provide service, airfares, and passenger numbers. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to global climate change.

Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies.

Public health and safety concerns have also affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, concerns about the spread of influenza caused by the H1N1 virus reduced certain international travel, particularly to and from Mexico and Asia. In April 2010, airspace and airports in much of Europe were closed for six days because of the threat to flight safety of the ash cloud from the eruption of Iceland's Eyjafjallajokull volcano.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, public health and safety concerns, and international hostilities. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not safety or security, factors.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transport System (NextGen) air traffic management programs to modernize and automate the guidance, and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. After 2001, and again in 2008 and 2009, air traffic delays decreased as a result of reduced numbers of aircraft operations but, as air travel demand increases in the future, flight delays and restrictions will recur.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and airport systems, future growth in airline traffic at Philadelphia International Airport will depend on the provision of increased capacity at the Airport itself.

Recent and planned terminal projects, including the completion of Terminal F (38 regional airline aircraft gates in 2001), the completion of Terminal A-West (13 aircraft gates in 2003), the expansion of Terminal D (3 aircraft gates in 2003), and the expansion of Terminal E (net gain of 4 aircraft gates in 2010) provide the terminal capacity to allow near-term increases in airline service and passengers.

In a report on the capacity needs of the national airspace system released by the FAA in May 2007, the Airport was identified as one of six U.S. airports that will need additional airfield capacity. Improvements being implemented to enhance airfield capacity in the near term include the construction of high-speed exit taxiways, the installation and use of upgraded navigational aids to allow the simultaneous use of Runways 8-26 and 9R-27L for aircraft arrivals in poor visibility, and the extension of Runway 17-35 (completed in 2009). To meet longer-term airfield capacity needs, a preferred alternative for the capital program was selected in April 2010 as part of an FAA process to prepare an Environmental Impact Statement (EIS) that calls for extending two runways, adding a third parallel east-west runway, and enlarging the existing terminal complex.

FORECAST AIRLINE TRAFFIC

Forecasts of airline traffic at the Airport through FY 2015 were developed taking into account analyses of the economic basis for airline traffic, trends in historical traffic, and key factors likely to affect future traffic, all as discussed in earlier sections. Forecasts recently prepared for the Airport Master Plan update and forecasts prepared by the FAA for the Airport were also taken into account.

In developing the forecasts, it was assumed that, over the long term, airline traffic at the Airport will increase as a function of growth in the economy of the Airport Service Region and continued airline competition. It was assumed that airline service at the Airport will not be constrained by the availability of aviation fuel, limitations in the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that restrict growth.

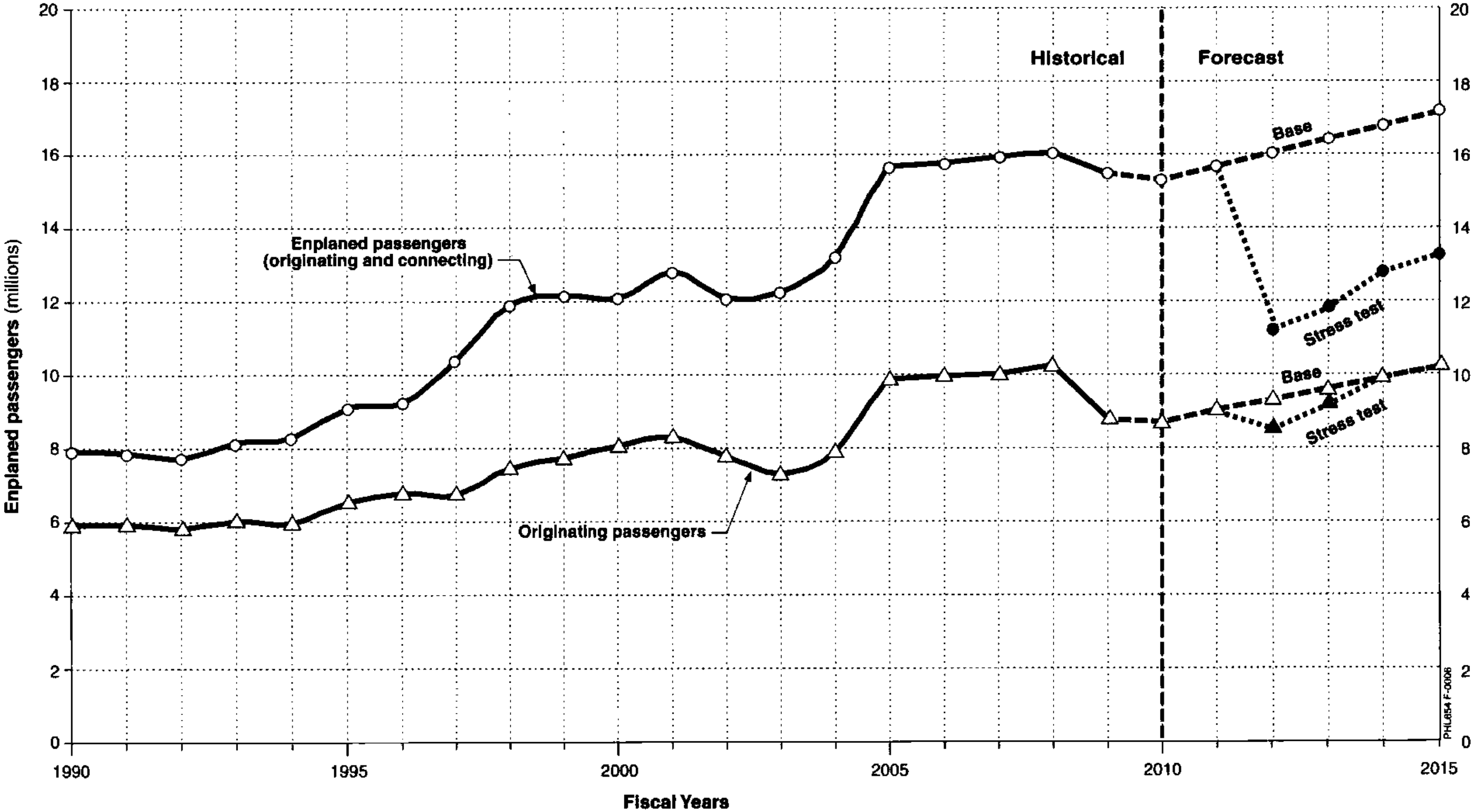
Two passenger forecasts were developed, a "base" forecast and a "stress test" forecast, as presented in Table 32 and Figure 16.

Table 32
AIRLINE TRAFFIC FORECASTS
Philadelphia International Airport
For Fiscal Years ending June 30

The forecasts presented in this table were prepared using the information and assumptions given in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Historical						Forecast					Average annual increase
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2010-2015
Base Forecast												
Enplaned passengers												
Domestic	13,427,191	13,563,540	13,864,842	13,971,056	13,357,446	13,113,239	13,500,000	13,800,000	14,100,000	14,400,000	14,700,000	2.3%
International	2,063,378	2,011,457	1,986,849	2,081,917	2,005,297	2,080,502	2,100,000	2,200,000	2,300,000	2,400,000	2,500,000	3.7
Total	15,490,569	15,574,997	15,851,691	16,052,973	15,362,743	15,193,741	15,600,000	16,000,000	16,400,000	16,800,000	17,200,000	2.5%
Annual increase (decrease)	18.4%	0.5%	1.8%	1.3%	(4.3%)	(1.1%)	2.6%	2.6%	2.5%	2.4%	2.4%	
Originating	9,770,000	9,890,000	10,000,000	9,530,000	8,820,000	8,700,000	9,000,000	9,300,000	9,600,000	9,900,000	10,200,000	3.2%
Connecting	5,720,569	5,684,997	5,851,691	6,522,973	6,542,743	6,493,741	6,600,000	6,700,000	6,800,000	6,900,000	7,000,000	1.5
Total	15,490,569	15,574,997	15,851,691	16,052,973	15,362,743	15,193,741	15,600,000	16,000,000	16,400,000	16,800,000	17,200,000	2.5%
Percent originating	63.1%	63.5%	63.1%	59.4%	57.4%	57.3%	57.7%	58.1%	58.5%	58.9%	59.3%	
Landed weight (1,000-pound units)	25,878,313	24,832,815	24,644,464	23,823,664	22,711,321	21,654,771	22,800,000	23,500,000	24,300,000	25,000,000	25,800,000	3.1%
Stress Test												
Enplaned passengers												
Domestic								10,220,000	10,980,000	11,840,000	12,200,000	
International								880,000	920,000	960,000	1,000,000	
Total								11,100,000	11,900,000	12,800,000	13,200,000	
Originating								8,400,000	9,100,000	9,900,000	10,200,000	
Connecting								2,700,000	2,800,000	2,900,000	3,000,000	
Total								11,100,000	11,900,000	12,800,000	13,200,000	
Percent originating								75.7%	76.5%	77.3%	77.3%	
Stress test forecast as percent of base forecast								69.4%	72.6%	76.2%	76.7%	
Landed weight (1,000-pound units)								16,300,000	17,600,000	19,100,000	19,800,000	

Sources: Historical: City of Philadelphia, Division of Aviation.
Forecast: LeighFisher, August 2010.



The forecasts presented in this figure were prepared using the information and assumptions given in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

Sources: Historical—City of Philadelphia, Division of Aviation.
Forecast—LeighFisher, August 2010.

Figure 16

HISTORICAL AND FORECAST ENPLANED PASSENGERS

Philadelphia International Airport

August 2010

As noted in the section "Financial Health of the Airline Industry," beginning in mid-2008, as the severity of the national economic recession became clear, most U.S. airlines, among them US Airways, announced reductions in capacity in response to lower passenger demand. US Airways reduced its system-wide seat-mile capacity 1.0% in 2008 and 4.5% in 2009. In guidance to investors provided in October 2010, US Airways stated that, for 2010, it expects system-wide capacity to be up slightly (mainline capacity up approximately 1% and US Airways Express capacity down approximately 1%).

In preparing the passenger forecast, it was assumed that the growth in the national economy seen in early 2010 will be sustained and that passenger numbers will increase gradually through the forecast period to FY 2015 on the basis of the following assumptions:

1. The U.S. economy will experience sustained growth in gross domestic product averaging between 2.0% and 2.5% per year.

2. The economy of the Airport Service Region will increase at a rate somewhat lower than that of the United States as a whole.

3. The airlines serving the Airport will be financially viable and able to add the seat capacity required to accommodate additional demand.

4. Competition among airlines serving the Airport will ensure the continued availability of competitive airfares.

5. A generally stable international political environment and enhanced passenger and baggage screening procedures will maintain airline traveler confidence in aviation security without imposing unreasonable inconveniences.

6. There will be no major disruption of airline service or travel behavior as a result of international hostilities or terrorist acts or threats.

7. No significant competitive airline service will be provided at airports serving the Airport Service Region, such as those in Allentown, Atlantic City, and Harrisburg.

8. The Airport will continue to be a major gateway and distribution center for UPS Air Cargo and landed weight by the all-cargo aircraft will increase in line with growth in the economy of the Airport Service Region.

9. Improvements being implemented to enhance airspace and airfield capacity will be effective in allowing delays to be kept to acceptable levels.

Base Forecast

For the base forecast, it was assumed that US Airways will continue to develop the Airport as a primary Northeast connecting hub and international gateway and gradually increase the number of destinations served and the frequency of flights from the Airport. Other mainline airlines were assumed to continue to provide competitive nonstop service in large travel markets.

The number of enplaned passengers is forecast to increase from 15.2 million in FY 2010 to 17.2 million in FY 2015, an average increase of 2.5% per year. The percentage of enplaned passengers originating their journeys at the Airport is forecast to be 59.3% in FY 2015.

The number of passengers forecast for FY 2015 is similar to the number forecast by the FAA in its December 2009 *Terminal Area Forecast* and near the middle of the range forecast for the Airport Master Plan (both approximately 18 million).

Stress Test Forecast

The stress test passenger forecast was developed to provide the basis to test the Airport's projected financial results under a scenario that could hypothetically arise either (1) if, following a merger between US Airways and another airline, the Airport's role in the combined airlines' route network were to be drastically reduced, or (2) following an unsuccessful merger attempt, US Airways were to be forced into bankruptcy and liquidation. For the purposes of this hypothetical stress test scenario, US Airways was assumed to dramatically reduce service at the Airport effective the beginning of FY 2012. Replacement service by other airlines was then assumed to be introduced over the two years FY 2012 and FY 2013.

Specifically, it was assumed that:

- Other network airlines would gradually increase service to meet originating passenger demand, largely through their connecting hub airports, but no mainline airline would operate a Philadelphia connecting hub comparable to the US Airways operation.

- The Airport would continue to be a connecting point for regional flights, much as it was before the US Airways buildup in the mid-1990s, but the Airport's importance as a national connecting point would be much reduced. Long-haul service at the Airport would be reduced to a level commensurate with originating passenger demand.

- Low-fare airlines such as AirTran and Southwest would provide additional service in selected travel markets at competitive airfares, stimulating air travel demand.

- Some international routes to Europe and the Caribbean would be served by other U.S. flag airlines, but most international passenger traffic would be carried by foreign-flag airlines.

In FY 2015, the number of originating passengers is forecast to be the same as in the base forecast, but the number of connecting passengers is forecast to be only 42.9% of the base forecast number. Overall, the number of enplaned passengers is forecast to be 76.7% of the base forecast number. The percentage of enplaned passengers originating their air journeys at the Airport in FY 2015 is forecast to be approximately 77.3% compared with 59.3% for the base forecast.

Landed Weight

For the base forecast, aircraft landed weight is forecast to increase from 21.7 million 1,000-pound units in FY 2010 to 25.8 million 1,000-pound units in FY 2015. The forecast growth in landed weight is slightly higher than that for enplaned passengers, reflecting an assumed increase in the average size of aircraft in use at the Airport. Corresponding assumptions were made for the stress test forecast, producing a forecast of 19.8 million 1,000-pound units in FY 2015.

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FINANCIAL ANALYSIS

FRAMEWORK FOR FINANCIAL OPERATIONS

Philadelphia International Airport is owned by the City of Philadelphia and operated by the Division of Aviation as a self-supporting enterprise fund of the City under the direction of the Chief Executive Officer. The Airport, together with Northeast Philadelphia Airport, comprise the Airport System. The Airport is operated with a staff of approximately 1,100 City employees (including police and fire protection employees). Certain accounting, budgeting, bond financing, treasury, and other financial functions are accomplished through the City's Office of the Director of Finance. Airport funds are held in separate Division of Aviation accounts.

General Ordinance

The financial operations of the Airport System are governed by the provisions of the 1995 Amended and Restated General Airport Revenue Bond Ordinance, as amended and supplemented (the General Ordinance). In Section 5.01 (the Rate Covenant) of the General Ordinance, the City covenants that it will impose rentals, charges, and fees as required to ensure that all operating and maintenance expenses and debt service requirements of the Airport System are met. The letter at the beginning of this report describes the provisions of the Rate Covenant.

Through FY 2007, parking revenues and other revenues generated by or allocable to the Outside Terminal Area (OTA) cost center were excluded from Project Revenues. Effective July 1, 2007, all such OTA revenues are pledged as Project Revenues. Accordingly, beginning in FY 2008, all revenues generated by the OTA cost center are included in Project Revenues and all operating expenses and debt service requirements allocable to the OTA cost center are deducted in the calculation of net Amounts Available for Debt Service.

Airline Agreement

A long-term agreement between the City and the airlines serving the Airport expired at the end of FY 2006. During FY 2007, all airlines serving the Airport operated under the terms of a successor use and lease agreement (the Airline Agreement) with regard to the setting of rentals, fees, and charges. The new Airline Agreement became fully effective as of the beginning of FY 2008. Airlines accounting for substantially all the landed weight at the Airport (the Signatory Airlines) have executed the Airline Agreement.

The Airline Agreement establishes a cost center approach for calculating and adjusting Signatory Airline rentals, fees, and charges for the occupancy and use of Airport facilities, as described in the later section "Airline Revenues." The procedures for the annual adjustment of rentals, fees, and charges established by the Airline Agreement are such as to ensure continued compliance with the Rate Covenant.

The Airline Agreement extends through FY 2011. For the forecasts in this report, it was assumed that the provisions of the Airline Agreement regarding the setting of airline rentals, fees, and charges will remain in effect through the forecast period ending FY 2015.

PLANNED 2010 PROJECT

Exhibit A summarizes the elements of the 2010 Project and their estimated costs and funding sources. As shown, the City plans to finance the 2010 Project with the proceeds of the 2010A Bonds as well as federal grants and other City funds.

The elements of the 2010 Project are described in the following sections.

Terminal F Expansion and Renovation

Terminal F, which accommodates the operations of US Airways Express, will be expanded and renovated to provide additional facilities for the processing of passengers and baggage and airline operations. The project will entail the reconfiguration of the terminal and the addition of approximately 68,000 square feet of space to the existing 205,000 square feet. The elements of the project, which continue to be evaluated, are:

- A new baggage claim building at the arrivals roadway providing two claim devices to replace the two existing facilities in the terminal at the departures roadway.
- Enlarged passenger holdrooms and concession areas in the airside area of the terminal.
- Corridor linking the airside areas of Terminals F and E to allow passengers to move between all Airport terminals without having to leave the secure areas and be rescreened.
- Redesigned security checkpoint that has additional screening capacity and current technology.
- Infrastructure to meet associated increased needs for heating, air conditioning, electrical power, and other utilities.

The design of these improvements was financed with the proceeds of the City's Airport Revenue Bonds, Series 2007 (the 2007 Bonds).

Planned completion: 2013

Terminal Improvements

Various projects will be undertaken to renovate and update terminal space and facilities including replacement and refurbishment of loading bridges, improvements to the terminal concessions program, and upgrades to the terminal signage.

Planned completion: 2012-2013

Terminals B-C Expansion Design

Terminals B and C, which accommodate US Airways domestic mainline operations, will be renovated and expanded to provide additional facilities for the processing of passengers and baggage and airline operations. Additional terminal facilities would be developed over the Airport's entrance roadway system in a configuration similar to Terminal A-West. The 2010 Project includes only the design of these improvements.

Planned completion: 2013

Eastside and Westside Taxiways

New taxiways and taxiway connectors will be designed and constructed and existing taxiways will be extended. The taxiways will expedite aircraft movement between the terminal complex and the runways in east and west flow operations, as well as improving access to the cargo aprons and deicing facility. The 2010 Project includes only design of the eastside taxiways and both design and construction of the westside taxiways. Construction of the eastside taxiways is planned to be part of the 2011 Project, as described later in this report.

Planned westside taxiways completion: 2013
Plannned eastside taxiways design completion: 2012

Runway 9L-27R Resurfacing and Navaids

Runway 9L-27R and adjacent taxiways will be resurfaced and associated lighting systems will be upgraded. Approach and touchdown lighting systems and other air navigation aids (navaids) serving Runway 9L-27R will be upgraded to allow Category II/III operations. These upgrades will make Runway 9L-27R the second runway at the Airport with Category II/III capability and provide increased landing capacity during adverse weather conditions.

Planned completion: 2013

Airport Maintenance Facility

An Airport maintenance facility will be designed and constructed to consolidate vehicle and equipment maintenance buildings, fueling stations, and vehicle storage facilities now located at several sites. The 2010 Project includes only the design and first phase of construction of the Airport maintenance facility. The second phase is planned to be part of the 2011 Project, as described later in this Report

Planned completion: 2012

Central Utility Plan Upgrades

Boilers and chillers in the Airport's central utility plant will also be replaced or upgraded with more efficient equipment, resulting in lower energy costs.

Planned completion: 2013

Infrastructure Improvement Program

Various construction and planning projects will be undertaken to renew and replace Airport infrastructure and facilities.

Planned completion: 2011-2013

PLANNED 2011 PROJECT

As described earlier, the City expects to construct both the eastside taxiways project and the second phase of construction of the Airport maintenance facility project as part of the 2011 Project. As shown on Exhibit A, the City plans to finance these projects with the proceeds of the 2011A Bonds.

In addition, two parcels of land immediately west of and adjacent to the Airport are planned to be acquired to provide land for the development or relocation of aviation support facilities and accommodate future Airport traffic. As shown on Exhibit A, the City plans to finance the land acquisitions with the proceeds of the 2011B Bonds.

FUTURE PROJECTS

The longer-term capital program for the Airport is being refined and updated as part of the Master Plan and National Environmental Policy Act processes. In August 2010, the FAA published a Final Environmental Impact Statement that selected a preferred alternative for the longer-term capital program that calls for extending two runways, adding a third parallel east-west runway, and enlarging the existing terminal complex.

The funding of this longer-term capital program will require the issuance of additional Bonds. The City expects that most of the debt service requirements of such future Bonds will not be payable from Airport revenues until after the forecast period covered by this report. Accordingly, no debt service requirements are included in the forecasts beyond those estimated for the proposed 2010 Bonds and planned 2011 Bonds.

NON-BOND SOURCES OF FUNDS

Passenger Facility Charge Revenues

The City has, since September 1992, been authorized by the Federal Aviation Administration (FAA) to impose a PFC on eligible passengers enplaned at the Airport and to use PFC revenues to pay the costs of various FAA-approved projects. The PFC was initially $3.00 per passenger and, effective April 2001, was increased to $4.50 per passenger. The City has authority from the FAA to impose the PFC through April 2018, and to collect PFC revenues, inclusive of investment earnings, of approximately $1.4 billion.

As described in the letter at the beginning of this report, the City is authorized to use PFC revenues to pay a portion of the debt service requirements of certain Bonds and has pledged or may pledge PFC revenues equal to 100% of the annual amount of PFC-eligible debt service on such Bonds, subject to the limitation that in no year may the amount pledged exceed the lesser of (1) 70% of PFC revenues received by the City in such year, or (2) 75% of total debt service on the 1998B Bond, 2001A Bond, and Refunding 2010D Bonds in such year.

Through June 30, 2010, PFC revenues received by the City, including investment earnings, totaled $803.4 million, of which $747.6 million had been expended on project and financing costs for approved projects. No PFC revenues are expected to be used for the payment of 2010 Project costs.

Grants-in-Aid

The City receives federal grants-in-aid for Airport and PNE capital projects under the FAA's Airport Improvement Program (AIP). The amounts of AIP entitlement grants are calculated as a function of the number of passengers and amount of cargo enplaned at the Airport. AIP discretionary grants are awarded for specific projects at the discretion of the FAA.

In FY 2009 through the AIP program, the City received $4.7 million in passenger entitlement grants, $2.1 million in cargo entitlement grants, and $23.2 million in discretionary grants, for a total of $30.0 million. The City also received funding through the American Recovery and Reinvestment Act, as administered by FAA, in FY 2009 totaling $32.3 million. A total of $13.5 million in AIP funding has been obtained or requested in FY 2010.

For the estimated AIP grants shown in Exhibit A for the 2010 Project, it was assumed that AIP entitlement amounts will continue to be determined using the current calculation methodology and that additional AIP discretionary funding will be received. As shown, the City estimates that it will receive a total of $58.5 million in AIP grant funding for certain elements of the 2010 Project, specifically taxiway and Runway 9L-27R resurfacing projects.

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

In recent years, the City has also received airport improvement grants from the Pennsylvania Department of Transportation (PennDOT). No PennDOT grants are expected to be available for payment of 2010 Project costs.

REVENUE BOND FINANCING

Exhibit B presents a summary of the estimated sources and uses of funds for the proposed 2010A Bonds and planned 2011 Bonds as provided by Bank of America Merrill Lynch, the City's underwriter.

Proposed 2010A New Money Bonds

The 2010A Bonds are assumed to be issued as fixed-rate, tax-exempt Bonds, with the proceeds used to pay 2010 Project costs as shown in Exhibit A. The estimated sources of funds are the proceeds from the sale of the 2010A Bonds. For the purposes of this report, no investment earnings during construction on amounts in the Construction Fund was assumed. Interest was assumed to be earned at a rate of 0.25% on the Sinking Fund.

The estimated uses of funds are (1) payment or reimbursement of 2010 Project costs, (2) a deposit to the Sinking Fund Reserve Account, (3) a deposit to the Sinking Fund to pay interest on the 2010A Bonds during construction (capitalized interest), and (4) payment of underwriters' discount, financing, legal, and other issuance expenses. Interest was assumed to be capitalized for the elements of the 2010 Project through the construction dates noted in the earlier section "2010 Project."

Proposed 2010 Refunding Bonds

The 2010B Refunding Bonds, 2010C Refunding Bonds, and 2010D Refunding Bonds may be issued to effect a current refunding of some or all maturities of the 1997A Bonds, the 1998A Bonds, and the 1998B Bond, respectively. The 2010 Refunding Bonds would be issued only if annual debt service payments are reduced in accordance with the City's debt policy.

The estimated sources of funds for the planned 2010 refunding program are (1) the proceeds from the sale of the 2010 Refunding Bonds inclusive of any reoffering premiums and (2) the release of Sinking Fund Reserve amounts. The estimated uses of funds are (1) refunding escrow fund deposits, (2) Sinking Fund Reserve deposits, and (3) payment of underwriters' discount, financing, legal, and other issuance expenses.

Planned 2011 Bonds

The planned 2011A Bonds are assumed to be issued as fixed-rate, tax-exempt Bonds and the planned 2011B Bonds are assumed to be issued as fixed-rate, taxable Bonds, with the proceeds used to pay 2011 Project costs as shown in Exhibit A. The estimated sources of funds are the proceeds from the sale of the 2011 Bonds. For the purposes of this report, no investment earnings during construction on amounts in the Construction Fund were assumed. Interest was assumed to be earned at a rate of 0.25% on the Sinking Fund.

The estimated uses of funds are (1) payment of planned 2011 Project costs, (2) a deposit to the Sinking Fund Reserve Account, (3) a deposit to the Sinking Fund to pay interest on the 2011A Bonds during construction (capitalized interest), and (4) payment of underwriters' discount, financing, legal, and other issuance expenses. Interest was assumed to be capitalized for the elements of the planned 2011 Project through the construction period.

DEBT SERVICE REQUIREMENTS

Exhibit C presents historical and forecast debt service requirements of Airport Revenue Bonds. Financing assumptions for the proposed 2010A Bonds and 2010 Refunding Bonds, as provided by Bank of America Merrill Lynch, the City's underwriter, are summarized as follows:

	2010A Bonds	2010B Refunding Bonds	2010C Refunding Bonds	2010D Refunding Bonds
Interest rate:	5.07%	2.56%	3.89%	4.90%
Term:	30 years	5 years	8 years	18 years

The 2010A Bonds and 2010 Refunding Bonds were assumed to be issued at fixed interest rates.

HISTORICAL FINANCIAL STATEMENTS

Table 33 presents a summary of historical revenues and expenses for the Airport System. The Division of Aviation's accounts are maintained, in accordance with the requirements of the General Ordinance and the Airline Agreement, on an accrual basis and recognize as expenses (1) principal and sinking fund payments on Airport Revenue Bonds and (2) equipment purchases and other capital outlays funded from operating funds. The statements reconcile to the basic financial statements contained in the City's Comprehensive Annual Financial Report, which are prepared on the basis of generally accepted accounting principles and are audited by the Office of the City Controller.

Table 33
STATEMENT OF HISTORICAL REVENUES AND EXPENSES
Philadelphia International Airport
For Fiscal Years ended June 30

	2008	2009
Prior year's credit to Signatory Airlines	$(12,484,691)	$ 1,178,510
Airline Revenue Allocation	6,667,238	2,125,867
Airline rentals, fees, and charges		
Landing Fees	$ 44,596,722	$ 49,082,212
Terminal space rentals	75,420,248	83,607,637
Ramp Area rentals	799,971	670,011
International and charter airline charges	17,722,494	19,672,570
	$138,539,435	$153,032,430
Nonairline revenues		
Terminal Building	$57,746,341	$ 50,223,645
Outside Terminal Area	42,649,053	40,529,296
Airfield Area	8,934,078	3,665,358
Other Buildings and Areas	8,970,853	9,193,202
Northeast Philadelphia Airport	2,453,744	2,314,583
Ramp Area	63,800	(2,743)
Administration	308,983	194,548
	$121,126,852	$106,117,889
Less: Airline Revenue Allocation	$ (2,125,868)	$ (951,922)
Less: Signatory Airlines revenues deferred to subsequent year	(1,178,510)	(6,250,791)
Total Project Revenues	$250,544,456	$255,251,983
Airport System expenses		
Division of Aviation operating expenses	$99,820,432	$ 99,520,353
Interdepartmental charges	89,135,556	89,002,478
	$188,955,988	$188,522,831
Debt service		
Airport Revenue Bonds	$ 84,528,544	$95,698,338
Less: PFC revenues	(32,925,675)	(32,925,558)
Less: interest income credit	(140,269)	(53,099)
General Obligation Bonds	--	--
Total Airport System expenses	$240,418,588	$251,242,512
Excess of revenues over expenses	$ 10,125,868	$ 4,009,471
Disposition of excess revenues (deficit)		
Deposit to O&M Account	1,000,000	--
Transfer to Discretionary Amount (OTA net revenues)	9,125,868	4,009,471
	$ 10,125,868	$ 4,009,471

Source: City of Philadelphia, Division of Aviation.

OPERATING EXPENSES

Exhibit D presents historical and forecast operating expenses (Division of Aviation operating expenses and interdepartmental charges). Division of Aviation operating expenses allocable to Project cost centers are defined in the General Ordinance as Net Operating Expenses. Division of Aviation operating expenses and interdepartmental charges allocable to Project cost centers are together defined in the General Ordinance as Operating Expenses. Exhibit D presents the allocation of operating expenses to Project cost centers and City cost centers for FY 2007. Beginning in FY 2008, with the redefinition of the OTA cost center as a Project cost center, Operating Expenses comprise all operating expenses of the Airport.

Individual components of Airport Operating Expenses were forecast taking into account actual FY 2009 and estimated FY 2010 expenses; assumed increases in unit costs as a result of inflation; forecast aircraft and passenger activity; planned facility development; and other assumptions about Airport operations. The unit costs of most salaries, wages, fringe benefits, materials, supplies, and services were assumed to increase an average of 2.5% per year.

PROJECT REVENUES

Exhibit E presents historical and forecast Project Revenues and other Airport System revenues. Under the provisions of the General Ordinance, all Project Revenues remaining after the payment of Net Operating Expenses are to be available to pay debt service on outstanding Airport Revenue Bonds.

Project Revenues comprise (1) rentals, fees, and charges paid by the Signatory Airlines and international and charter airlines (referred to as airline revenues) and (2) terminal building concession fees, space rentals, and other payments from Airport tenants and users other than the Signatory Airlines (referred to as nonairline revenues). In FY 2009, airline revenues (excluding amounts credited to account for an excess of actual over required payments) totaled $153.0 million, 59% of Project Revenues. Nonairline revenues totaled $106.1 million, 41% of Project Revenues.

Individual components of Project Revenues shown in Exhibit E were forecast taking into account historical, estimated, and budgeted FY 2011 revenues; the provisions of the Airline Agreement; and the provisions of various leases and agreements between the City and other Airport tenants and users. Revenues from sources related to passengers, such as concession revenues, were forecast to increase as a function of forecast increases in enplaned passengers and allowances for price inflation, assumed at 2.5% per year. Interest income was forecast assuming an interest rate of 2.0%.

AIRLINE REVENUES

The Airline Agreement establishes a cost center approach for calculating and adjusting airline rentals, fees, and charges for the use of Airport facilities. Cost centers directly supported by airline rentals, fees, and charges are as follows:

Project cost center	Airline rentals, fees, and charges
Terminal Building	Terminal Building Rentals and International Common Use Area Fees
Ramp Area	Ramp Area rentals
Airfield Area	Landing fees
Other Buildings and Areas	Landing fees
Northeast Philadelphia Airport	Landing fees

Terminal Building Space Rentals and International Common Use Area Fees

Exhibit E-1 presents the calculation of required Signatory Airline revenue in the Terminal Building cost center. Terminal Building Rentals and International Common Use Area Fees are calculated to ensure that all debt service requirements, operating expenses, and fund requirements allocable to the Terminal Building are recovered according to a cost-center residual rate calculation methodology. Fund requirements, as specified in the Airline Agreement, include those amounts required to maintain balances in the Bond Redemption and Improvement Account and O&M (operating and maintenance) Account.

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

Ramp Area Rentals

Exhibit E-3 presents the calculation of rentals for the Ramp Area, the aircraft parking apron area adjacent to the Terminal Building. Two percent of the operating costs of the Airfield Area are allocated to the Ramp Area and included in the calculation of Ramp Area Rentals. Ramp Area Rentals are calculated to ensure that all debt service requirements, operating expenses, and fund requirements allocable to the Ramp Area are recovered according to a modified cost-center residual rate calculation methodology.

Landing Fees

Exhibit E-3 presents the calculation of Signatory Airline Landing Fees required to recover the net costs of the Airfield Area, Other Buildings and Areas, and Northeast Philadelphia Airport cost centers. Landing Fees are calculated according to a multiple cost-center residual methodology whereby the requirement is calculated by summing all estimated debt service requirements, operating expenses, and fund requirements allocable to the three cost centers and deducting (1) all estimated revenues for the three cost centers from sources other than Landing Fees, (2) any Airline Revenue Allocation, equal to 50% of any net revenues of the OTA cost center in excess of $7.0 million from the prior Fiscal Year, and (3) 2% of the operating costs of the Airfield Area included in Ramp Area Rentals. The residual amount is divided by the landed weight of the Signatory Airlines to derive the required airline Landing Fee rate per 1,000 pounds of landed weight.

Airline Payments per Enplaned Passenger

Exhibits G-1 and G-2 show historical and forecast passenger airline payments expressed per enplaned passenger. The forecasts were prepared on the assumption that the terms of the new Airline Agreement relating to the calculation of airline rentals, fees, and charges will extend through the forecast period and that the Signatory Airlines collectively will make all payments required by such terms.

NONAIRLINE REVENUES

The principal sources of nonairline revenues are Terminal Building concession revenues, rental car revenues, ground transportation revenues, Terminal Building space rentals, and landing fees paid by nonsignatory airlines; Other Buildings and Areas rentals and fees; and revenues from Northeast Philadelphia Airport.

Master Concession Agreement

In December 1994, the City executed a management agreement with MarketPlace Redwood that was amended and restated in January 2001 and extends through FY 2013. The agreement covers the development and management of approximately 115,000 square feet of public food, beverage, and retail concession space in the passenger terminals. Additional concession space at the Airport opened in 2009 with the creation of the combined Terminals D-E concessions area and in 2010 with additional gates on Terminal E.

Revenues received by the City from MarketPlace Redwood consist of a minimum annual guarantee plus a graduated profit sharing amount. The minimum annual guarantee is calculated on the basis of the number of enplaned passengers in Terminals A East through E, ranging up to $0.71 per enplaned passenger over 11 million. The profit sharing amount is calculated for food, beverage, duty free, and retail gross sales as a percentage according to a graduated scale. In FY 2009, the City received $6,051,755 as the minimum annual guarantee and $10,050,489 in profit sharing, for a total of $16,102,244.

Food and Beverage. Food and beverage outlets in the terminals, accounting for approximately 55,000 square feet, are managed by MarketPlace Redwood and operated by a variety of concessionaires. In FY 2009, food and beverage gross sales were $83,290,876, or $5.42 per enplaned passenger. Food and beverage sales per enplaned passenger increased by nearly 10% in FY 2009 (from $4.93 in FY 2008), largely attributable to the new concessions area in Terminals D-E.

Retail Merchandise. News, gift, and specialty retail merchandise outlets, accounting for approximately 51,000 square feet, are managed by MarketPlace Redwood and operated by a variety of concessionaires. In FY 2009, retail gross sales were $54,824,501, or $3.57 per enplaned passenger.

Duty Free. The duty free concession is managed by MarketPlace Redwood and operated by ISATA under a separate agreement that extends through FY 2010. Four duty free locations in Terminal A West, Terminal A East, and Terminal C occupy approximately 5,000 square feet and, in FY 2009, generated gross sales of $10,017,128, or $5.00 per enplaned international passenger.

Other Concessions and Services

Under agreements that expire in May 2011, with an additional one year option until May 2012, Clear Channel Airports manages the advertising program in all terminals. For Terminal A West and Terminal F, the City receives the greater of 75% of gross advertising revenues or an annual guarantee of $250,000. For the other terminals, the City receives 60% of gross advertising revenues or an annual guarantee of $2,150,000. In FY 2009, advertising revenues received by the City totaled $2,737,948.

The City receives revenues from public telephones under an agreement with Global TelLink that can be renewed annually through March 2012. Under the agreement, the City received 42% of gross revenues or a minimum annual guarantee of $200,000. Such revenues totaled $203,042 in FY 2009.

AAT Communications has an agreement with the City that expires in August 2011 to license wireless internet access in all terminals. AT&T provides the wireless internet service through a sublicense agreement. Under the license agreement the City receives 50% of gross wireless internet revenues.

Other concessions and passenger services from which the City derives revenues include check cashing, ATMs, phone cards, shoe shines, currency exchange, post offices, baggage carts, and vending machines. In FY 2009, the City received $425,728 in revenues from wireless internet and other concessions and services. Several initiatives, intended to increase concessions revenues in FY 2010 and beyond, include new ATM agreements and website advertising. These initiatives are forecast to partially offset reductions in concession revenues from near-term decreases in the number of enplaned passengers at the Airport.

Rental Cars

The on-Airport rental car companies and their shares of rental car gross revenues reported for calendar years 2008 and 2009 are as follows.

Rental car	Share of gross revenues	
company	2008	2009
Hertz	29.9%	29.8%
Avis	24.6	22.8
National	13.3	14.0
Enterprise	10.3	11.5
Budget	10.4	9.8
Alamo	6.6	7.0
Dollar	5.1	5.1

These seven rental car companies operate under the terms of a City commercial ground transportation regulation that provides that the companies pay a concession fee of 10% of gross revenues plus ground rent for their facilities. Concession fees from the five rental car companies (Avis, Budget, Dollar, Hertz, and National) that formerly operated from rental car counters in the terminals are allocated to the Terminal Building cost center. Concession fees from Alamo and Enterprise are allocated to the OTA cost center.

The ground rent from all seven rental car companies is allocated to the OTA cost center. The leases with the rental companies providing for the payment of ground rent expired in 2009. The City is currently negotiating the provisions of new leases with the rental car companies.

In August 2007, Enterprise purchased Vanguard, which owns Alamo and National. Alamo, Enterprise, and National continue to report gross revenues and make payments to the City as separate entities. In April 2010, Hertz announced plans to acquire Dollar, prompting Avis, in May 2010, to make an offer to acquire Dollar. Through September 2010, Hertz and Avis traded numerous bids. In September 2010, Dollar affirmed its support of Hertz's bid, and Hertz has announced it intention to complete the acquisition by the end of 2010. Any such acquisition is subject to approvals by the stockholders of both companies and other regulatory agencies.

In FY 2009, rental car revenues allocated to the Terminal Building cost center totaled $15,079,894, or $1.70 per originating passenger and rental car revenues allocated to the OTA cost center totaled $3,230,335, or $0.37 per originating passenger. While rental car revenues per originating passenger increased slightly between FY 2009 ($2.07) and FY 2008 ($1.97), total rental car revenues at the Airport decreased by 10% as a result of the decrease in originating passengers discussed in the section "Originating and Connecting Passengers." Rental car revenues are forecast to increase in proportion to forecast increases in originating passengers and with inflation, assuming that the terms of the commercial ground transportation regulation remain in effect through the forecast period. It was assumed that consolidation in the rental car industry will have no material effect on the revenues forecast to be paid collectively by the rental car companies to the City or on the allocation of those revenues between the Terminal Building and OTA cost centers.

Ground Transportation and Other

Ground transportation revenues include monitor and egress fees assessed on shuttle van and limousine operators. In FY 2009, such ground transportation revenues, together with ground handling fees and other miscellaneous Terminal Building revenues, totaled $107,799. Certain other limousine and taxicab fees (accounting for $1,553,823 in FY 2009) are allocated to the OTA cost center.

Outside Terminal Area

Through FY 2007, parking revenues and other revenues generated by or allocable to the Outside Terminal Area (OTA) cost center were excluded from Project Revenues. Beginning in FY 2008, all such revenues are included in Project Revenues. OTA revenues comprise net parking revenues, certain rental car revenues, certain ground transportation revenues, and revenues from a 420-room Marriott hotel.

Parking Revenues. Public automobile parking garages and lots at the Airport are operated by the Philadelphia Parking Authority, which has responsibility for Airport parking under the provisions of a contract and lease agreement that extends to 2030. Each year on June 30, the Authority pays the City rent in the amount of the net revenues derived from Airport parking in the preceding year ended March 31. Net revenues are gross parking revenues (after a 15% City tax) less direct operating expenses, allocated Authority administrative expenses, and debt service on bonds issued by the Authority for Airport parking facilities. Approximately 18,800 on-Airport parking spaces are provided in garages and surface lots. In addition, approximately 17,000 parking spaces are provided off Airport property by private operators. In FY 2009, the Division of Aviation and the Philadelphia Parking Authority converted Airport property for parking, providing approximately 800 additional public spaces.

The City received $33,570,037 in net parking revenues for FY 2008 and $31,239,909 for FY 2009. The decrease in net parking revenues between FY 2008 and FY 2009 resulted mainly from a decrease in the numbers of originating passengers. The City's estimates for FY 2010 parking revenues reflect further reductions in originating passenger numbers.

Net parking revenues were forecast assuming that parking demand will change from budgeted FY 2011 levels in proportion to forecast decreases and increases in originating passengers. Parking rates were most recently adjusted effective August 1, 2008. Short-term rates are $3 for the first half-hour and $2 per half-hour thereafter to a maximum of $38 per day; garage rates are $3 for the first half-hour and $2 per half-hour thereafter to a maximum of $20 per day; economy rates are $11 per day.

The City expects to increase parking rates again on November 1, 2010. Rates will increase to $4 for the first half-hour in both the short-term lots and garage, and to a maximum of $40 per day in the short-term lots. Other rates are expected to remain unchanged. The budget for FY 2011 reflects the mid-year increase. No further rate increases were assumed during the forecast period.

The City is working with the Parking Authority to reduce operating expenses and offset expenses with available Parking Authority cash balances in FY 2011 through FY 2013. Net parking revenues were forecast assuming that parking demand will change from FY 2011 levels in proportion to forecast decreases and increases in originating passengers.

Rental Car Revenues. As noted earlier, concession fees from Alamo and Enterprise are allocated to the OTA cost center and totaled $3,230,335 in FY 2009.

Other OTA Revenues. Outside Terminal Area revenues from operations other than public parking and rental cars (ground rent, ground transportation, and hotel revenues) totaled $6,059,052 in FY 2009.

Nonsignatory Airline

Common use fees by nonsignatory airlines, surcharges paid by airline tenants for proprietary equipment financed by the City, and reimbursements of security costs together totaled $10,984,256 in FY 2008.

In FY 2007, the amount shown for nonsignatory airline landing fees included those for certain regional affiliate airlines. Such landing fees totaled $19,834,491 in FY 2007. Beginning in FY 2008, under the new Airline Agreement, only landing fees paid by non-scheduled (charter) airlines are included. Such landing fees totaled $766,955 in FY 2009.

Other Airfield Area

Other Airfield Area nonairline revenues include fuel flowage fees, in-flight catering fees, and the sale of utilities. Such revenues totaled $2,898,403 in FY 2009.

Other Buildings and Areas

Revenues generated from the Other Buildings and Areas cost center include space rentals, land rentals, utility sales, and reimbursed real estate taxes. Tenants include American Airlines, FedEx, United Airlines, US Airways, and the U.S. Postal Service. Most building and ground rental agreements between the City and the Other Buildings and Areas tenants extend beyond the forecast period. Other Buildings and Areas revenues totaled $9,193,202 in FY 2009.

Certain property acquisitions in the planned 2011 Project have buildings and industrial properties with existing tenants. Those properties are assumed to generate additional space and land rentals totaling $1.0 million in FY 2011, increasing to $2.5 million in FY 2012. The property acquisitions are assumed to occur mid-2011.

Northeast Philadelphia Airport

Revenues at Northeast Philadelphia Airport include landing fees, fuel flowage fees, concession fees, and various rentals. Such revenues totaled $2,314,583 in FY 2009.

APPLICATION OF PROJECT REVENUES

Exhibit F presents the forecast application of Project Revenues as required under the General Ordinance. The priorities for applying Project Revenues and other amounts on deposit in the Aviation Operating Fund are as follows:

1. Payment of Net Operating Expenses

2. Deposit to the Sinking Fund to pay the Debt Service Requirements of Airport Revenue Bonds

3. Restoration of any deficiency in the Sinking Fund Reserve Account (no such amounts are forecast to be required)

4. Restoration of any deficiency in the Renewal Fund and payment of any amounts due under Exchange Agreements. Replenishment of the Renewal Fund is forecast through FY 2015.

5. Payment of any termination amounts payable to a Qualified Swap Provider as a result of the termination of a Qualified Swap and certain other termination amounts (no such amounts are forecast to be required)

6. Payment of debt service on any Subordinate Obligations (no such amounts are forecast to be required)

7. Payment of debt service on general obligation bonds adjudged to be self-sustaining on the basis of Project Revenues from the Airport System (no such amounts are forecast to be required)

8. Payment of Interdepartmental Charges

9. Payment of debt service on any other general obligation bonds incurred for the Airport System (no such amounts are forecast to be required)

Under the General Ordinance, any remaining balance may be used by the City for any Airport System purpose. Under the Airline Agreement, any remaining balance is to be applied as follows:

10. Amount required to maintain a balance in the Bond Redemption and Improvement Account equals the lesser of (1) the amount of Debt Service Reserve Surety Bonds fulfilling the City's Sinking Fund Reserve requirements or (2) at least 20% of Debt Service Requirements, net of Pledged PFC Revenues, in FY 2010 and 25% thereafter. The Bond Redemption and Improvement Account balance, as of July 1, 2010, was $18.2 million.

11. The lesser of $1.0 million or the amount required to maintain a balance in the O&M Account equal to 10% of Operating Expenses. The O&M Account balance, as of July 1, 2010, was $17.2 million.

12. 50% of net revenues from the OTA cost center in excess of $7.0 million, to be credited in the annual calculation of Signatory Airline landing fees (Airline Revenue Allocation) (no such amounts are forecast to be required).

Any remaining funds are to be deposited to the Airport Discretionary Account and may be used by the City for any Airport System purpose.

Exhibit F presents the forecast application of Project Revenues as required under the General Ordinance and the Airline Agreement.

Pledged PFC revenues are not included in Project Revenues but do constitute Amounts Available for Debt Service. Such pledged PFC revenues are to be deposited directly into the Sinking Fund for the payment of PFC-eligible debt service on any non-refunded maturities of the 1998B Bond, the 2001A Bond, and the proposed 2010D Refunding Bonds.

Exhibit F-1 presents the forecast application of PFC revenues. As shown, forecast PFC collections exceed PFC revenues pledged to pay debt service on any non-refunded maturities of the 1998B Bond, the 2001A Bond, and the proposed 2010D Refunding Bonds.

DEBT SERVICE COVERAGE

Exhibit G-1 presents the calculation of Airport Revenue Bond debt service coverage (Rate Covenant Test #1) and total debt service coverage (Rate Covenant Test #2) in accordance with the Rate Covenant of Section 5.01 of the General Ordinance in each year FY 2007 through FY 2015. Pledged Amounts Available for Debt Service after the payment of Net Operating Expenses are forecast to be sufficient to exceed the debt service coverage of 1.50 times required by Rate Covenant Test #1 in each year.

Under the Rate Covenant, Amounts Available for Debt Service include that portion of the Aviation Operating Fund that is attributable to Amounts Available for Debt Service and carried forward at the beginning of each Fiscal Year. For the purposes of calculating debt service coverage in Exhibit G-1, that portion of the Aviation Operating Fund balance attributable to Amounts Available for Debt Service includes the balances in the Bond Redemption and Improvement Account, the O&M Account, and the Airport Discretionary Account. As shown on Exhibit F, deposits are forecast to be made into the Airport Discretionary Account. For the purposes of calculating debt service coverage in Exhibit G-1, certain of those deposits are assumed to be spent annually on capital projects. According to the City, capital project expenditures from the Airport Discretionary Account are to be limited to the amounts shown on Exhibit A.

Exhibit G-1 also shows that pledged Amounts Available for Debt Service after the payment of all Operating Expenses are forecast to be sufficient to cover debt service on outstanding Bonds, the proposed 2010A Bonds and 2010 Refunding Bonds, and all other requirements, as required by Rate Covenant Test #2 in each year.

Exhibit G-2 presents a summary of historical and projected debt service coverage assuming the stress test passenger forecast summarized in Table 32 and discussed in the section "Stress Test Forecast." Concessions and other revenues associated with passengers were assumed to be reduced, as were certain operating and maintenance expenses. All other assumptions are the same as for the base passenger forecast.

Exhibit A

SOURCES AND USES OF FUNDS FOR 2010 AND PLANNED 2011 PROJECT

Philadelphia International Airport
(in thousands of dollars)

		Sources of funds					
				General Airport Revenue Bonds			
	Project costs	AIP grants	City funds	2007 Bonds	Proposed 2010A Bonds	Planned 2011A Bonds	Planned 2011B Bonds
Terminal projects							
Terminal F expansion							
Design	$ 10,000,000	$ -	$ -	$ 10,000,000	$ -	$ -	$ -
Construction	117,000,000	-	-	-	117,000,000	-	-
Subtotal	$ 127,000,000	$ -	$ -	$ 10,000,000	$ 117,000,000	$ -	$ -
Terminal improvements							
Loading bridge replacement and refurbishment	$ 20,000,000	$ -	$ -	$ -	$ 20,000,000	$ -	$ -
Concessions improvements	10,000,000	-	-	-	10,000,000	-	-
Terminal signage upgrades	5,000,000	-	-	-	5,000,000	-	-
Subtotal	$ 35,000,000	$ -	$ -	$ -	$ 35,000,000	$ -	$ -
Terminals B-C expansion design	20,000,000	-	-	-	20,000,000	-	-
Airfield projects							
Property acquisition	$ 150,000,000	$ -	$ -	$ -	$ -	$ -	$ 150,000,000
Runway 9L-27R resurfacing and navaids	40,000,000	26,250,000	1,000,000	-	12,750,000	-	-
Westside taxiways	17,000,000	12,750,000	-	-	4,250,000	-	-
Eastside taxiways							
Design	$ 4,000,000	$ 3,000,000	$ -	$ -	$ 1,000,000	$ -	$ -
Construction	39,000,000	29,250,000	-	-	-	9,750,000	-
Subtotal	$ 43,000,000	$ 32,250,000	$ -	$ -	$ 1,000,000	$ 9,750,000	$ -
Other projects							
Airport maintenance facility							
Design and Phase 1 Construction	$ 2,000,000	$ -	$ -	$ -	$ 2,000,000	$ -	$ -
Phase 2 Construction	8,000,000	-	-	-	-	8,000,000	-
Subtotal	$ 10,000,000	$ -	$ -	$ -	$ 2,000,000	$ 8,000,000	$ -
Central utilitiy plant	8,000,000	-	-	-	8,000,000	-	-
Infrastructure improvement program and other projects	35,200,000	-	2,500,000	-	32,700,000	-	-
TOTAL	$ 485,200,000	$ 71,250,000	$ 3,500,000	$ 10,000,000	$ 232,700,000	$ 17,750,000	$ 150,000,000

Source: Division of Aviation, City of Philadelphia.

Exhibit B

SOURCES AND USES OF PROPOSED
2010A BONDS AND PLANNED 2011 BONDS
Philadelphia International Airport

	Proposed 2010A Bonds (a)	Planned 2011A Bonds (b)	Planned 2011B Bonds (b)
Sources of Funds			
Airport Revenue Bonds	$ 272,325,000	$ 19,377,000	$ 165,010,000
Premium	17,800,000	-	-
Total sources	$ 290,125,000	$ 19,377,000	$ 165,010,000
Uses of Funds			
Project costs from Bond proceeds (c)	$ 232,700,000	$ 17,750,000	$ 150,000,000
Deposit to Sinking Fund Reserve Account	15,750,000	1,505,000	14,019,000
Cost of issuance	1,694,000	122,000	991,000
Capitalized interest	39,981,000	-	-
Total uses	$ 290,125,000	$ 19,377,000	$ 165,010,000

(a) Source: Bank of America Merrill Lynch, October 6, 2010.
(b) Source: Bank of America Merrill Lynch, October 12, 2010.
(c) See Exhibit A.

Exhibit C

DEBT SERVICE REQUIREMENTS
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

	Historical (unaudited) (a) (b)			Estimate (a)	Budget (a)	Forecast (c)			
Airport Revenue Bonds	2007	2008	2009	2010	2011	2012	2013	2014	2015
Series 1997A	$ 6,075,000	$ 6,074,000	$ 6,074,000	$ 6,078,000	$ 6,078,000	$ -	$ -	$ -	$ -
Series 1997B	7,133,000	7,131,000	-	-	-	-	-	-	-
Series 1998A	10,319,000	10,318,000	10,323,000	10,317,000	10,317,000	-	-	-	-
Series 1998B (c)	29,756,000	27,209,000	26,407,000	28,650,000	29,610,000	3,336,000	3,336,000	3,336,000	3,336,000
Series 2001A	13,428,000	13,437,000	13,439,000	13,523,000	13,458,000	13,467,000	13,484,000	13,494,000	13,495,000
Series 2001B	2,761,000	2,762,000	2,762,000	2,759,000	2,759,000	2,757,000	2,758,000	2,761,000	2,761,000
Series 2005A	104,000	701,000	8,320,000	8,323,000	8,320,000	8,316,000	8,315,000	8,318,000	8,314,000
Series 2005B	-	777,000	1,280,000	-	-	-	-	-	-
Series 2005C (d)	16,118,000	16,120,000	15,487,000	13,995,000	14,430,000	15,526,000	15,887,000	16,308,000	16,585,000
Series 2007A	-	-	4,312,000	7,124,000	11,779,000	11,781,000	11,780,000	11,776,000	11,779,000
Series 2007B	-	-	6,936,000	6,928,000	6,927,000	6,929,000	6,928,000	6,928,000	6,930,000
Series 2009A	-	-	360,000	2,099,000	3,749,000	3,745,000	3,749,000	3,746,000	3,747,000
Proposed Series 2010A (e)	-	-	-	-	-	5,000	1,429,000	17,778,000	19,729,000
Proposed Refunding Series 2010B (e)	-	-	-	-	-	5,806,000	5,663,000	5,659,000	5,660,000
Proposed Refunding Series 2010C (e)	-	-	-	-	-	9,725,000	9,727,000	9,724,000	9,724,000
Proposed Refunding Series 2010D (e)	-	-	-	-	-	26,840,000	26,839,000	26,840,000	26,831,000
Planned Series 2011A (f)	-	-	-	-	-	1,501,000	1,504,000	1,505,000	1,503,000
Planned Series 2011B (f)	-	-	-	-	-	13,861,000	13,857,000	13,858,000	13,859,000
	$ 85,694,410	$ 84,528,544	$ 95,698,338	$ 99,795,000	$ 107,426,000	$ 123,594,000	$ 125,256,000	$ 142,031,000	$ 144,254,000
Less: Interest income (g)	(129,751)	(140,269)	(53,099)	(2,036,000)	(2,773,000)	(2,574,000)	(2,803,000)	(2,803,000)	(2,803,000)
Bond Debt Service Requirements	$ 85,564,659	$ 84,388,275	$ 95,645,239	$ 97,759,000	$ 104,653,000	$ 121,020,000	$ 122,453,000	$ 139,228,000	$ 141,451,000
Less: Pledged PFC revenues (Series 1998B)	$ (22,781,335)	$ (22,779,638)	$ (22,846,565)	$ (22,848,000)	$ (22,288,000)	$ (2,502,000)	$ (2,502,000)	$ (2,502,000)	$ (2,502,000)
Pledged PFC revenues (Series 2001A)	(10,139,556)	(10,146,037)	(10,078,994)	(10,143,000)	(10,094,000)	(10,100,000)	(10,113,000)	(10,120,000)	(10,121,000)
Pledged PFC revenues (Refunding Series 2010D)	-	-	-	-	-	(20,130,000)	(20,129,000)	(20,130,000)	(20,123,000)
	$ (32,920,891)	$ (32,925,675)	$ (32,925,558)	$ (32,991,000)	$ (32,382,000)	$ (32,732,000)	$ (32,744,000)	$ (32,752,000)	$ (32,746,000)
Net Bond debt service requirements	$ 52,643,768	$ 51,462,600	$ 62,719,681	$ 64,768,000	$ 72,271,000	$ 88,288,000	$ 89,709,000	$ 106,476,000	$ 108,705,000
Allocation to Project cost centers									
Terminal Building	$ 35,867,023	$ 34,839,845	$ 43,992,350	$ 46,806,000	$ 51,485,000	$ 52,842,000	$ 54,027,000	$ 67,754,000	$ 69,471,000
Ramp Area	274,641	589,272	640,938	601,000	583,000	724,000	722,000	726,000	728,000
Airfield Area	15,021,413	14,572,519	16,446,760	15,751,000	18,173,000	32,554,000	32,770,000	35,782,000	36,275,000
Other Buildings and Areas (h)	-	1,272,647	1,391,579	1,289,000	1,267,000	1,309,000	1,327,000	1,347,000	1,360,000
Cargo City	819,627	-	-	-	-	-	-	-	-
Other Areas	472,134	-	-	-	-	-	-	-	-
Northeast Philadelphia Airport	188,930	188,317	214,320	191,000	189,000	183,000	187,000	192,000	195,000
Outside Terminal Area	-	-	33,734	130,000	574,000	676,000	676,000	675,000	676,000
	$ 52,643,768	$ 51,462,600	$ 62,719,681	$ 64,768,000	$ 72,271,000	$ 88,288,000	$ 89,709,000	$ 106,476,000	$ 108,705,000

(a) Source: City of Philadelphia, Division of Aviation.
(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.
(c) Amounts shown for forecast years after 2010D Refunding Bonds issued.
(d) Interest for Series 2005C Bonds assumed to accrue at a rate of 5.65% persuant to the City's swaption agreement with JP Morgan.
(e) Source for forecast years: Bank of America Merrill Lynch, October 6, 2010.
(f) Source for forecast years: Bank of America Merrill Lynch, October 12, 2010.
(g) Interest income generated in the Sinking Fund Reserve Accounts is deducted from debt service for historical years and shown in aggregate for forecast years.
Interest income generated in the Renewal Fund is shown in aggregate for all years.
(h) Effective FY 2008, Other Buildings and Areas represents consolidation of Cargo City, Other Areas, and Overseas Terminal cost centers.

Exhibit D

OPERATING EXPENSES
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

	Historical (unaudited) (a) (b)			Estimate (a)	Budget (a)	Forecast			
By object category	2007	2008	2009	2010	2011	2012	2013	2014	2015
Division of Aviation operating expenses									
Personal services	$ 37,775,143	$ 39,423,643	$ 40,279,021	$ 36,167,000	$ 39,000,000	$ 39,780,000	$ 40,576,000	$ 41,387,000	$ 42,216,000
Contractual services	51,823,477	54,390,074	53,464,032	63,100,000	59,738,000	62,398,000	64,713,000	67,299,000	70,289,000
Materials and supplies	4,982,627	4,728,531	4,363,287	4,888,000	5,035,000	5,252,000	5,457,000	5,689,000	5,967,000
Equipment	2,083,764	1,192,135	1,070,572	1,298,000	1,818,000	1,882,000	1,946,000	2,015,000	2,091,000
Taxes	718,399	256,162	504,645	770,000	1,938,000	1,994,000	2,057,000	2,119,000	2,198,000
Other	(286,160)	(170,113)	(161,204)	-	-	-	-	-	-
Total Division of Aviation operating expenses	$ 97,097,250	$ 99,820,432	$ 99,520,353	$ 106,223,000	$ 107,529,000	$ 111,306,000	$ 114,749,000	$ 118,509,000	$ 122,761,000
Interdepartmental charges									
Police	$ 21,913,738	$ 24,524,788	$ 22,880,194	$ 25,040,000	$ 25,034,000	$ 28,050,000	$ 30,785,000	$ 31,691,000	$ 31,453,000
Fire	8,557,579	9,464,718	9,420,652	11,015,000	11,654,000	12,702,000	13,826,000	14,267,000	14,353,000
Utilities	17,158,676	18,180,935	17,079,687	19,579,000	22,717,000	23,893,000	25,089,000	26,388,000	27,809,000
Insurance	2,721,530	3,304,293	2,850,893	3,630,000	3,600,000	3,711,000	3,823,000	3,942,000	4,080,000
Services of others	3,590,648	2,619,877	2,277,663	2,114,000	2,217,000	2,284,000	2,353,000	2,424,000	2,496,000
Legal services	1,872,091	2,218,357	2,291,858	2,441,000	2,418,000	2,287,000	2,401,000	2,464,000	2,497,000
Fringe benefits	19,878,490	22,938,811	25,057,587	19,892,000	21,450,000	21,037,000	23,743,000	23,780,000	22,085,000
Fleet management	5,664,169	4,570,190	6,282,454	4,317,000	4,296,000	4,567,000	4,820,000	4,938,000	5,000,000
Vehicle purchases	-	-	-	200,000	500,000	425,000	449,000	460,000	465,000
Indemnities	708,695	1,313,587	343,088	775,000	399,000	410,000	422,000	434,000	446,000
Other	-	-	518,402	-	-	-	-	-	-
Total interdepartmental charges	$ 82,065,616	$ 89,135,556	$ 89,002,478	$ 89,003,000	$ 94,285,000	$ 99,366,000	$ 107,711,000	$ 110,788,000	$ 110,684,000
Total Airport System operating expenses	$ 179,162,866	$ 188,955,988	$ 188,522,831	$ 195,226,000	$ 201,814,000	$ 210,672,000	$ 222,460,000	$ 229,297,000	$ 233,445,000
Percent annual change	11.8%	5.5%	-0.2%	3.6%	3.4%	4.4%	5.6%	3.1%	1.8%
By cost center									
Project cost centers									
Terminal Building	$ 103,698,007	$ 103,781,617	$ 105,033,408	$ 102,140,000	$ 118,524,000	$ 124,031,000	$ 130,722,000	$ 135,238,000	$ 138,415,000
Airfield Area	37,023,767	33,245,782	35,695,164	43,253,000	38,882,000	40,621,000	43,059,000	44,130,000	44,617,000
Other Buildings and Areas (c)	-	16,559,774	14,366,473	14,214,000	14,576,000	15,048,000	15,832,000	16,248,000	16,407,000
Cargo City (c)	6,925,743	-	-	-	-	-	-	-	-
Other Areas (c)	6,028,487	-	-	-	-	-	-	-	-
Northeast Philadelphia Airport	4,040,391	3,803,886	3,699,069	3,687,000	4,125,000	3,596,000	3,758,000	3,854,000	3,906,000
Airport Services	26,777	308,983	194,548	-	-	(3,000)	(1,000)	(2,000)	-
Outside Terminal Area (d)	-	31,255,946	29,534,169	31,932,000	25,707,000	27,379,000	29,089,000	29,828,000	30,099,000
	$ 157,743,172	$ 188,955,988	$ 188,522,831	$ 195,226,000	$ 201,814,000	$ 210,672,000	$ 222,460,000	$ 229,297,000	$ 233,445,000
City cost centers									
Outside Terminal Area (d)	$ 21,248,563	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Overseas Terminal (c)	171,131	-	-	-	-	-	-	-	-
Total Airport System operating expenses	$ 179,162,866	$ 188,955,988	$ 188,522,831	$ 195,226,000	$ 201,814,000	$ 210,672,000	$ 222,460,000	$ 229,297,000	$ 233,445,000

(a) Source: City of Philadelphia, Division of Aviation.
(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.
(c) Effective FY 2007, Other Buildings and Areas represents consolidation of Cargo City, Other Areas, and Overseas Terminal cost centers.
(d) Effective FY 2008, the Outside Terminal Area cost center was redefined from a City cost center to a Project cost center.

Exhibit E

REVENUES
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

Project Revenues	Historical (unaudited) (a) (b)			Estimate (a)	Budget (a)	Forecast			
Application of prior year's:	2007	2008	2009	2010	2011	2012	2013	2014	2015
Credit for excess payments	$ 9,621,309	$ (12,484,691)	$ 1,178,510	$ 7,203,000	$ 11,603,000	$ -	$ -	$ -	$ -
Airline Revenue Allocation (c)	-	6,667,238	2,125,867	4,000,000	-	-	-	-	-
Airline revenues									
Terminal Building space rentals (d)	$ 55,929,401	$ 75,420,248	$ 83,607,637	$ 86,868,000	$ 86,840,000	$ 105,406,000	$ 108,499,000	$ 123,484,000	$ 123,945,000
Ramp Area rentals (e)	284,582	799,971	670,011	1,359,000	1,165,000	1,564,000	1,583,000	1,631,000	1,620,000
International, charter, and common use airline charges (d)	15,369,736	17,722,494	19,672,570	19,317,000	18,817,000	22,375,000	23,032,000	26,213,000	26,310,000
Landing fees (f)	25,845,374	44,596,722	49,082,212	48,835,000	62,654,000	76,819,000	78,822,000	84,262,000	84,061,000
Total airline revenues	$ 97,429,093	$ 138,539,435	$ 153,032,430	$ 156,379,000	$ 169,476,000	$ 206,164,000	$ 211,936,000	$ 235,590,000	$ 235,936,000
Nonairline revenues									
Terminal Building									
Concessions									
Master concession agreement	$ 13,696,826	$ 15,221,691	$ 16,102,245	$ 17,634,000	$ 18,189,000	$ 19,510,000	$ 20,498,000	$ 21,522,000	$ 22,586,000
Rental cars (g)	16,388,242	16,845,171	15,079,894	13,757,000	14,170,000	15,008,000	15,880,000	16,785,000	17,726,000
Advertising	3,333,711	2,958,399	2,737,948	2,086,000	2,148,000	2,220,000	2,291,000	2,363,000	2,434,000
Public telephones	408,762	293,757	203,042	151,000	156,000	156,000	156,000	156,000	156,000
Other	522,009	568,729	533,527	542,000	547,000	558,000	569,000	580,000	592,000
Terminal Building concession revenues	$ 34,349,550	$ 35,887,747	$ 34,656,656	$ 34,170,000	$ 35,210,000	$ 37,452,000	$ 39,394,000	$ 41,406,000	$ 43,494,000
Space rentals (h)	$ 9,553,534	$ 7,192,574	$ 584,788	$ 722,000	$ 785,000	$ 785,000	$ 785,000	$ 785,000	$ 785,000
Tenant surcharge for proprietary equipment (i)	4,755,109	-	6,510,759	6,231,000	6,492,000	6,231,000	6,231,000	6,231,000	6,231,000
Reimbursement of security costs	3,160,248	3,747,779	4,473,497	3,834,000	3,922,000	4,020,000	4,121,000	4,224,000	4,330,000
Other	3,352,676	10,084,262	3,260,922	2,835,000	2,622,000	2,673,000	2,725,000	2,779,000	2,834,000
Interest income	1,028,668	833,979	737,023	725,000	800,000	800,000	800,000	800,000	800,000
Other Terminal Building nonairline revenues	$ 21,850,235	$ 21,858,594	$ 15,566,989	$ 14,347,000	$ 14,621,000	$ 14,509,000	$ 14,662,000	$ 14,819,000	$ 14,980,000
Total Terminal Building nonairline revenues	$ 56,199,785	$ 57,746,341	$ 50,223,645	$ 48,517,000	$ 49,831,000	$ 51,961,000	$ 54,056,000	$ 56,225,000	$ 58,474,000
Outside Terminal Area (j)									
Public parking	-	33,570,037	31,239,909	23,633,000	24,517,000	25,034,000	25,842,000	25,650,000	26,427,000
Rental cars (g)	-	3,428,503	3,230,335	3,197,000	3,293,000	3,403,000	3,513,000	3,622,000	3,732,000
Other OTA revenues	-	5,650,512	6,059,052	5,344,000	5,484,000	5,593,000	5,704,000	5,816,000	5,930,000
Total Outside Terminal Area revenues	$ -	$ 42,649,052	$ 40,529,296	$ 32,174,000	$ 33,294,000	$ 34,030,000	$ 35,059,000	$ 35,088,000	$ 36,089,000

Exhibit E (page 2 of 2)
REVENUES
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

	Historical (unaudited) (a) (b)			Estimate (a)	Budget (a)	Forecast			
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Airfield Area									
Nonsignatory airline landing fees (k)	$ 19,834,491	$ 1,663,003	$ 766,955	$ 683,000	$ 722,000	$ 892,000	$ 916,000	$ 979,000	$ 976,000
Fuel flowage fees	845,723	896,463	533,854	558,000	581,000	598,000	616,000	635,000	654,000
Inflight catering	1,714,958	1,837,001	1,873,348	1,854,000	1,910,000	1,974,000	2,037,000	2,101,000	2,165,000
Other (l)	141,327	4,326,220	324,044	3,045,000	2,016,000	1,567,000	1,607,000	1,648,000	1,690,000
Interest income	392,404	211,391	167,157	165,000	165,000	165,000	165,000	165,000	165,000
Airfield Area nonairline revenues	$ 22,928,903	$ 8,934,078	$ 3,665,358	$ 6,305,000	$ 5,394,000	$ 5,196,000	$ 5,341,000	$ 5,528,000	$ 5,650,000
Cargo City (m)	$ 6,619,282	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Areas (m)	3,011,539	-	-	-	-	-	-	-	-
Other Buildings and Areas	-	8,970,853	9,193,202	8,642,000	8,046,000	9,620,000	9,711,000	9,805,000	9,901,000
Northeast Philadelphia Airport	2,931,513	2,453,744	2,314,583	2,489,000	4,656,000	2,703,000	2,730,000	2,757,000	2,784,000
Ramp Area	6,085	63,800	(2,743)	-	-	-	-	-	-
Airport Services	26,777	308,983	194,548	-	-	-	-	-	-
	$ 12,595,196	$ 11,797,380	$ 11,699,590	$ 11,131,000	$ 12,702,000	$ 12,323,000	$ 12,441,000	$ 12,562,000	$ 12,685,000
Total nonairline revenues	$ 91,723,884	$ 121,126,851	$ 106,117,889	$ 98,127,000	$ 101,221,000	$ 103,510,000	$ 106,897,000	$ 109,403,000	$ 112,898,000
Less: Airline Revenue Allocation	-	(2,125,867)	-	-	-	-	-	-	-
Less: Credit to Signatory Airlines for excess payments	12,484,691	(1,178,510)	(7,202,713)	(11,603,000)	-	-	-	-	-
Total Project Revenues	$ 211,258,977	$ 250,544,456	$ 255,251,983	$ 254,106,000	$ 282,300,000	$ 309,674,000	$ 318,833,000	$ 344,993,000	$ 348,834,000
Revenues from City cost centers (j)									
Revenues (costs) deferred from prior year	$ (226,924)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Outside Terminal Area									
Public parking	33,184,918	-	-	-	-	-	-	-	-
Rental cars (g)	2,968,230	-	-	-	-	-			
Other OTA revenues	5,557,855	-	-	-	-	-	-	-	-
Overseas Terminal	398,055	-	-	-	-	-	-	-	-
Total revenues from City cost centers	$ 41,882,134	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Airport System revenues	$ 253,141,111	$ 250,544,456	$ 255,251,983	$ 254,106,000	$ 282,300,000	$ 309,674,000	$ 318,833,000	$ 344,993,000	$ 348,834,000
Percent annual change	5.8%	-1.0%	1.9%	-0.4%	11.1%	9.7%	3.0%	8.2%	1.1%

(a) Source: City of Philadelphia, Division of Aviation.
(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.
(c) Established under the Airline Agreement. Amounts shown for FY 2010 are higher than amounts required under the Airline Agreement because of an additional contribution by the City.
(d) See Exhibit E-1. Amount shown on Exhibit E-1 is the sum of Terminal Building space rentals and international, charter, and common use airline charges.
(e) See Exhibit E-2.
(f) See Exhibit E-3. Amounts prior to FY 2008 exclude cargo airline landing fees (shown under nonairline revenues). Amounts for FY 2008 and beyond include landing fees for certain regional affiliates.
(g) Rental car revenues are allocated between the Terminal Building and Outside Terminal Area cost centers per the Airline Agreement.
(h) Amounts for FY 2007 and FY 2008 include certain nonsignatory airline space rentals.
(i) Included in Other Terminal Building Revenues for FY 2008.
(j) Effective FY 2008, the Outside Terminal Area cost center was redefined from a City cost center to a Project cost center.
(k) Amount for FY 2007 included landing fees for certain regional affiliates.
(l) Amount for FY 2011 includes $2,500,000 withdrawal from in Airport Renewal Fund.
(m) Included in Other Buildings and Areas beginning in FY 2008.

Exhibit E-1

CALCULATION OF TERMINAL BUILDING RENTALS
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Invariably, assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

	Budget (a)	Forecast			
	2011	2012	2013	2014	2015
Terminal Building space rentals					
Operating Expenses	$ 118,524,000	$ 124,031,000	$ 130,722,000	$ 135,238,000	$ 138,415,000
Debt Service Requirements	51,465,000	52,842,000	54,027,000	67,754,000	69,471,000
Renewal Fund Requirement	125,000	250,000	250,000	250,000	250,000
Bond Redemption and Improvement Requirement (b)	57,000	2,030,000	-	2,090,000	-
O&M Requirement (b)	588,000	589,000	588,000	590,000	593,000
Less: Terminal Building nonairline revenue	(49,831,000)	(51,961,000)	(54,056,000)	(56,225,000)	(58,474,000)
Airline Revenue Allocation	-	-	-	-	-
Prior year carry-forwards	(15,673,000)	-	-	-	-
Total Terminal Building requirement	$ 105,275,000	$ 127,781,000	$ 131,531,000	$ 149,697,000	$ 150,255,000
Airline leased space (square feet)	1,123,638	1,123,638	1,123,638	1,123,638	1,123,638
Requirement per square foot	$ 93.69	$ 113.72	$ 117.06	$ 133.23	$ 133.72
Rental rate structure					
Airline rental revenue required	$ 105,275,000	$ 127,781,000	$ 131,531,000	$ 149,697,000	$ 150,255,000
Equivalent ticket counter area (square feet)	643,437	643,437	643,437	643,437	643,437
Rental rates (per square foot per year)					
Ticket counter and offices	$ 163.61	$ 198.59	$ 204.42	$ 232.65	$ 233.52
Concourse upper level, bag claim, offices, VIP rooms	122.71	148.94	153.31	174.49	175.14
Concourse lower level, bag makeup, operations	81.81	99.30	102.21	116.33	116.76
Dolly concourse, bag claim E, volatile storage, other	40.90	49.65	51.10	58.16	58.38

(a) Source: City of Philadelphia, Division of Aviation.
(b) Requirements established under the Airline Agreement.

Exhibit E-2

CALCULATION OF RAMP AREA RENTALS
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Invariably, assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

	Budget (a)	Forecast			
	2011	2012	2013	2014	2015
Ramp Area rentals					
Operating Expenses (b)	$ 780,000	$ 812,000	$ 861,000	$ 883,000	$ 892,000
Debt Service Requirements	583,000	724,000	722,000	726,000	728,000
Bond Redemption and Improvement Requirement (c)	1,000	28,000	-	22,000	-
	$ 1,364,000	$ 1,564,000	$ 1,583,000	$ 1,631,000	$ 1,620,000
Less: Prior year carry-forward	183,000	-	-	-	-
Ramp Area rentals	$ 1,547,000	$ 1,564,000	$ 1,583,000	$ 1,631,000	$ 1,620,000
Ramp Area linear feet	17,789	17,789	17,789	17,789	17,789
Ramp Area rental rate per linear foot	$ 86.96	$ 87.92	$ 88.99	$ 91.69	$ 91.07

(a) Source: City of Philadelphia, Division of Aviation.
(b) Per the Airline Agreement, 2% of the Operating Expenses allocated to the Airfield Area are recovered through Ramp Area rentals.
(c) Requirements established under the Airline Agreement.

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Exhibit E-3

CALCULATION OF LANDING FEES
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Invariably, assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

	Budget (a)	Forecast			
	2011	2012	2013	2014	2015
Airfield Area requirement					
Operating Expenses	$ 38,102,000	$ 39,809,000	$ 42,198,000	$ 43,247,000	$ 43,725,000
Debt Service Requirements	18,173,000	32,554,000	32,770,000	35,782,000	36,275,000
Renewal Fund Requirement	125,000	250,000	250,000	250,000	250,000
Bond Redemption and Improvement Requirement (b)	20,000	1,251,000	-	1,104,000	-
O&M Requirement (b)	193,000	193,000	194,000	192,000	191,000
Less: Nonairline revenues	(5,394,000)	(5,196,000)	(5,341,000)	(5,528,000)	(5,650,000)
	$ 51,219,000	$ 68,861,000	$ 70,071,000	$ 75,047,000	$ 74,791,000
Other Buildings and Areas					
Operating Expenses	$ 14,576,000	$ 15,048,000	$ 15,832,000	$ 16,248,000	$ 16,407,000
Debt Service Requirements	1,267,000	1,309,000	1,327,000	1,347,000	1,360,000
Bond Redemption and Improvement Requirement (b)	1,000	50,000	-	42,000	-
O&M Requirement (b)	72,000	71,000	71,000	71,000	70,000
Less: Airline Revenue Allocation (b)	-	-	-	-	-
Less: Nonairline revenues	(8,046,000)	(9,620,000)	(9,711,000)	(9,805,000)	(9,901,000)
	$ 7,870,000	$ 6,858,000	$ 7,519,000	$ 7,903,000	$ 7,936,000
Northeast Philadelphia Airport					
Operating Expenses	$ 4,125,000	$ 3,596,000	$ 3,758,000	$ 3,854,000	$ 3,906,000
Debt Service Requirements	189,000	183,000	187,000	192,000	195,000
Bond Redemption and Improvement Requirement (b)	-	7,000	-	6,000	-
O&M Requirement (b)	20,000	17,000	17,000	17,000	17,000
Less: Nonairline revenues	(4,656,000)	(2,703,000)	(2,730,000)	(2,757,000)	(2,784,000)
	$ (322,000)	$ 1,100,000	$ 1,232,000	$ 1,312,000	$ 1,334,000
	$ 58,767,000	$ 76,819,000	$ 78,822,000	$ 84,262,000	$ 84,061,000
Less: Prior year carry-forwards	3,887,000	-	-	-	-
Signatory Airline Landing Fees required	$ 62,654,000	$ 76,819,000	$ 78,822,000	$ 84,262,000	$ 84,061,000
Signatory Airline landed weight (1,000-pound units)	22,676,000	23,265,000	24,057,000	24,750,000	25,542,000
Signatory Airline Landing Fee rate per 1,000 pounds	$ 2.76	$ 3.30	$ 3.28	$ 3.40	$ 3.29

(a) Source: City of Philadelphia, Division of Aviation.
(b) Requirements established under the Airline Agreement.

Exhibit F

APPLICATION OF REVENUES
City of Philadelphia, Division of Aviation
For Fiscal Years Ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

Priority under Section 4.06 of the General Ordinance and the Airline Agreement	Historical (unaudited) (a)			Estimate (a)	Budget (a)	Forecast			
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Project Revenues (c)									
Airline Revenues	$ 97,429,093	$ 138,539,435	$ 153,032,430	$ 156,379,000	$ 169,476,000	$ 206,164,000	$ 211,936,000	$ 235,590,000	$ 235,936,000
Nonairline Revenues	91,723,884	121,126,851	106,117,889	98,127,000	101,221,000	103,510,000	106,897,000	109,403,000	112,898,000
Prior year's:									
Airline Revenue Allocation	-	6,667,238	2,125,867	4,000,000	-	-	-	-	-
Credit for excess payments	9,621,309	(12,484,691)	1,178,510	7,203,000	11,603,000	-	-	-	-
Credit for excess payments	12,484,691	(1,178,510)	(7,202,713)	(11,603,000)	-	-	-	-	-
	$ 211,258,977	$ 252,670,323	$ 255,251,983	$ 254,106,000	$ 282,300,000	$ 309,674,000	$ 318,833,000	$ 344,993,000	$ 348,834,000
Application of Project Revenues									
Net Operating Expenses (d)	$ 87,073,009	$ 99,820,432	$ 99,520,353	$ 106,223,000	$ 107,529,000	$ 111,306,000	$ 114,749,000	$ 118,509,000	$ 122,761,000
Sinking Fund (net Debt Service Requirements) (e) (f)	52,643,768	51,462,600	62,719,681	64,768,000	72,271,000	88,288,000	89,709,000	106,476,000	108,705,000
Renewal Fund Requirement	-	-	-	-	250,000	500,000	500,000	500,000	500,000
Interdepartmental charges (d)	70,670,163	89,135,556	89,002,478	89,003,000	94,285,000	99,366,000	107,711,000	110,788,000	110,684,000
Bond Redemption & Improvement Requirement (g) (h)	-	-	-	-	80,000	3,392,000	-	3,284,000	-
O&M Reserve Requirement (g) (h) (i)	1,000,000	1,000,000	-	(6,000,000)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Airline Revenue Allocation (h)	-	2,125,867	4,000,000	-	-	-	-	-	-
Available for Airport System use (i)	(128,000)	9,125,868	9,471	112,000	6,885,000	5,822,000	5,164,000	4,436,000	5,184,000
	$ 211,258,940	$ 252,670,323	$ 255,251,983	$ 254,106,000	$ 282,300,000	$ 309,674,000	$ 318,833,000	$ 344,993,000	$ 348,834,000

(a) Source: City of Philadelphia, Division of Aviation.
(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.
(c) See Exhibit E.
(d) See Exhibit D.
(e) See Exhibit C.
(f) Net of PFC Revenues pledged as Amounts Available for Debt Service.
(g) Deposit to meet required balance after consideration of estimated interest income.
(h) Requirements established under the Airline Agreement.
(i) Amount shown for FY 2010 reflect additional contribution by the City from the Discretionary Account.

Exhibit F-1

APPLICATION OF PASSENGER FACILITY CHARGE REVENUES

City of Philadelphia, Division of Aviation
For Fiscal Years Ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

	Historical (unaudited) (a)				Budget (a)	Forecast			
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Calculation of PFC revenues									
Enplaned passengers	15,851,691	16,052,973	15,362,743	15,193,741	15,600,000	16,000,000	16,400,000	16,800,000	17,200,000
Percent PFC-eligible	93.9%	99.5%	90.3%	92.5%	94.8%	94.8%	94.8%	94.8%	94.8%
PFC-eligible enplaned passengers	14,881,000	15,972,887	13,872,196	14,053,927	14,783,508	15,162,572	15,541,637	15,920,701	16,299,765
PFC collection per passenger (c)	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39
PFC collections	$ 65,328,768	$ 70,120,974	$ 60,898,941	$ 61,696,738	$ 64,900,000	$ 66,564,000	$ 68,228,000	$ 69,892,000	$ 71,556,000
Interest earnings	5,047,045	5,098,760	1,886,741	353,391	1,150,000	1,212,000	1,247,000	1,316,000	1,420,000
Total PFC revenues	$ 70,375,813	$ 75,219,734	$ 62,785,682	$ 62,050,129	$ 66,050,000	$ 67,776,000	$ 69,475,000	$ 71,208,000	$ 72,976,000
Application of PFC revenues									
Approved pay-as-you-go expenditures	$ 39,532,022	$ 13,429,984	$ 58,950,580	$ 47,686,302	$ 31,941,000	$ 31,941,000	$ -	$ -	$ -
Future pay-as-you-go expenditures	-	-	-	-	-	-	35,000,000	35,000,000	35,000,000
	$ 39,532,022	$ 13,429,984	$ 58,950,580	$ 47,686,302	$ 31,941,000	$ 31,941,000	$ 35,000,000	$ 35,000,000	$ 35,000,000
Bond debt service									
Series 1998B	$ 22,781,335	$ 22,779,638	$ 22,846,565	$ 22,848,000	$ 22,288,000	$ 2,502,000	$ 2,502,000	$ 2,502,000	$ 2,502,000
Series 2001A	10,139,556	10,146,037	10,078,994	10,143,000	10,094,000	10,100,000	10,113,000	10,120,000	10,121,000
Proposed Refunding Series 2010D	-	-	-	-	-	20,130,000	20,129,000	20,130,000	20,123,000
PFC revenues used to pay Bond debt service	$ 32,920,891	$ 32,925,675	$ 32,925,559	$ 32,991,000	$ 32,382,000	$ 32,732,000	$ 32,744,000	$ 32,752,000	$ 32,746,000
Percentage of annual PFC revenues used to pay Bond debt service	46.8%	43.8%	52.4%	53.2%	49.0%	48.3%	47.1%	46.0%	44.9%
Total application of PFC revenues	$ 72,452,913	$ 46,355,659	$ 91,876,139	$ 80,677,302	$ 64,323,000	$ 64,673,000	$ 67,744,000	$ 67,752,000	$ 67,746,000
Year-end PFC revenue fund balance	$ 74,632,775	$ 103,496,850	$ 74,406,393	$ 55,779,220	$ 57,506,000	$ 60,609,000	$ 62,340,000	$ 65,796,000	$ 71,026,000

(a) Source: City of Philadelphia, Division of Aviation.
(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.
(c) Net of airline processing charge of $0.11 per PFC.

Exhibit G-1

DEBT SERVICE COVERAGE - BASE PASSENGER FORECAST

City of Philadelphia, Division of Aviation

For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence *of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.*

		Historical (a) (b)			Estimate (a)	Budget (a)	Forecast			
		2007	2008	2009	2010	2011	2012	2013	2014	2015
Airport Revenue Bond debt service coverage (Test #1)										
Project Revenues		$ 211,258,977	$ 250,544,456	$ 255,251,983	$ 254,106,000	$ 282,300,000	$ 309,674,000	$ 318,833,000	$ 344,993,000	$ 348,834,000
Pledged PFC revenues		32,920,891	32,925,675	32,925,558	32,991,000	32,382,000	32,732,000	32,744,000	32,752,000	32,746,000
Other Amounts Available for Debt Service (c)		10,240,854	42,583,167	61,412,637	55,128,000	51,398,000	52,154,000	61,433,000	73,457,000	80,088,000
Total Amounts Available for Debt Service		$ 254,420,722	$ 326,053,298	$ 349,590,178	$ 342,225,000	$ 366,080,000	$ 394,560,000	$ 413,010,000	$ 451,202,000	$ 461,668,000
Less: Net Operating Expenses		87,073,009	99,820,432	99,520,353	106,223,000	107,529,000	111,306,000	114,749,000	118,509,000	122,761,000
Net amounts available	[A]	$ 167,347,713	$ 226,232,866	$ 250,069,825	$ 236,002,000	$ 258,551,000	$ 283,254,000	$ 298,261,000	$ 332,693,000	$ 338,907,000
Bond Debt Service Requirements	[B]	$ 85,564,659	$ 84,388,275	$ 95,645,239	$ 97,759,000	$ 104,653,000	$ 121,020,000	$ 122,453,000	$ 139,228,000	$ 141,451,000
Bond debt service coverage	[A/B]	1.96	2.68	2.61	2.41	2.47	2.34	2.44	2.39	2.40
Coverage requirement		1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Total debt service coverage (Test #2)										
Project Revenues		$ 211,258,977	$ 250,544,456	$ 255,251,983	$ 254,106,000	$ 282,300,000	$ 309,674,000	$ 318,833,000	$ 344,993,000	$ 348,834,000
Pledged PFC revenues		32,920,891	32,925,675	32,925,558	32,991,000	32,382,000	32,732,000	32,744,000	32,752,000	32,746,000
Other Amounts Available for Debt Service (c)		10,240,854	42,583,167	61,412,637	55,128,000	51,398,000	52,154,000	61,433,000	73,457,000	80,088,000
Total Amounts Available for Debt Service		$ 254,420,722	$ 326,053,298	$ 349,590,178	$ 342,225,000	$ 366,080,000	$ 394,560,000	$ 413,010,000	$ 451,202,000	$ 461,668,000
Less: Operating Expenses	[C]	157,743,172	188,955,988	188,522,831	195,226,000	201,814,000	210,672,000	222,460,000	229,297,000	233,445,000
Net amounts available	[D]	$ 96,677,550	$ 137,097,310	$ 161,067,347	$ 146,999,000	$ 164,266,000	$ 183,888,000	$ 190,550,000	$ 221,905,000	$ 228,223,000
Airport Revenue Bond Debt Service Requirements and General Obligation Bond debt service requirements	[E]	$ 85,564,659	$ 84,388,275	$ 95,645,239	$ 97,759,000	$ 104,653,000	$ 121,020,000	$ 122,453,000	$ 139,228,000	$ 141,451,000
Total debt service coverage	[D/E]	1.13	1.62	1.68	1.50	1.57	1.52	1.56	1.59	1.61
Coverage requirement		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Airline payments per enplaned passenger										
Total passenger airline revenues (d)		$ 97,429,093	$ 133,475,343	$ 147,458,997	$ 150,834,000	$ 162,361,000	$ 197,441,000	$ 202,986,000	$ 226,021,795	$ 226,390,620
Enplaned passengers		15,851,691	16,052,973	15,362,743	15,193,741	15,600,000	16,000,000	16,400,000	16,800,000	17,200,000
Passenger airline payments per enplaned passenger		$6.15	$8.31	$9.60	$9.93	$10.41	$12.34	$12.38	$13.45	$13.16

(a) Source: *City of Philadelphia, Division of Aviation.*

(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.

(c) Per Section 5.01(a) of the General Ordinance, that portion of the Aviation Operating Fund balance attributable to Amounts Available for Debt Service.
Includes Bond Redemption and Improvement Account, O&M Account, and Discretionary Account balances as of the beginning of the Fiscal Year.

(d) Airline revenues include passenger airline terminal rentals; international, charter, and common use airline charges; ramp rentals; and passenger airline landing fees.

Exhibit G-2

DEBT SERVICE COVERAGE - STRESS TEST FORECAST
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

		Historical (a) (b)			Estimate (a)	Budget (a)	Forecast			
		2007	2008	2009	2010	2011	2012	2013	2014	2015
Airport Revenue Bond debt service coverage (Test #1)										
Project Revenues		$ 211,258,977	$ 250,544,456	$ 255,251,983	$ 254,106,000	$ 282,300,000	$ 290,901,000	$ 301,638,000	$ 330,435,000	$ 334,350,000
Pledged PFC revenues		32,920,891	32,925,675	32,925,558	32,991,000	32,382,000	32,732,000	32,744,000	32,752,000	32,746,000
Other Amounts Available for Debt Service (c)		10,240,854	42,583,167	61,412,637	55,128,000	51,398,000	52,154,000	58,699,000	69,004,000	75,162,000
Total Amounts Available for Debt Service		$ 254,420,722	$ 326,053,298	$ 349,590,178	$ 342,225,000	$ 366,080,000	$ 375,787,000	$ 393,081,000	$ 432,191,000	$ 442,258,000
Less: Net Operating Expenses		87,073,009	99,820,432	99,520,353	106,223,000	107,529,000	101,341,000	105,245,000	109,594,000	113,658,000
Net amounts available	[A]	$ 167,347,713	$ 226,232,866	$ 250,069,825	$ 236,002,000	$ 258,551,000	$ 274,446,000	$ 287,836,000	$ 322,597,000	$ 328,600,000
Bond Debt Service Requirements	[B]	$ 85,564,659	$ 84,388,275	$ 95,645,239	$ 97,759,000	$ 104,653,000	$ 121,020,000	$ 122,453,000	$ 139,228,000	$ 141,451,000
Bond debt service coverage	[A/B]	1.96	2.68	2.61	2.41	2.47	2.27	2.35	2.32	2.32
Coverage requirement		1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Total debt service coverage (Test #2)										
Project Revenues		$ 211,258,977	$ 250,544,456	$ 255,251,983	$ 254,106,000	$ 282,300,000	$ 290,901,000	$ 301,638,000	$ 330,435,000	$ 334,350,000
Pledged PFC revenues		32,920,891	32,925,675	32,925,558	32,991,000	32,382,000	32,732,000	32,744,000	32,752,000	32,746,000
Other Amounts Available for Debt Service (c)		10,240,854	42,583,167	61,412,637	55,128,000	51,398,000	52,154,000	58,699,000	69,004,000	75,162,000
Total Amounts Available for Debt Service		$ 254,420,722	$ 326,053,298	$ 349,590,178	$ 342,225,000	$ 366,080,000	$ 375,787,000	$ 393,081,000	$ 432,191,000	$ 442,258,000
Less: Operating Expenses	[C]	157,743,172	188,955,988	188,522,831	195,226,000	201,814,000	194,633,000	206,984,000	215,212,000	219,432,000
Net amounts available	[D]	$ 96,677,550	$ 137,097,310	$ 161,067,347	$ 146,999,000	$ 164,266,000	$ 181,154,000	$ 186,097,000	$ 216,979,000	$ 222,826,000
Airport Revenue Bond Debt Service Requirments and General Obligation Bond debt service requirements	[E]	$ 85,564,659	$ 84,388,275	$ 95,645,239	$ 97,759,000	$ 104,653,000	$ 121,020,000	$ 122,453,000	$ 139,228,000	$ 141,451,000
Total debt service coverage	[D/E]	1.13	1.62	1.68	1.50	1.57	1.50	1.52	1.56	1.58
Coverage requirement		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Airline payments per enplaned passenger										
Total passenger airline revenues (d)		$ 97,429,093	$ 133,475,343	$ 147,458,997	$ 150,834,000	$ 162,361,000	$ 189,419,000	$ 194,149,000	$ 216,642,879	$ 217,215,139
Enplaned passengers		15,851,691	16,052,973	15,362,743	15,193,741	15,600,000	11,100,000	11,900,000	12,800,000	13,200,000
Passenger airline payments per enplaned passenger		$6.15	$8.31	$9.60	$9.93	$10.41	$17.06	$16.32	$16.93	$16.46

(a) Source: City of Philadelphia, Division of Aviation.
(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.
(c) Per Section 5.01(a) of the General Ordinance, that portion of the Aviation Operating Fund balance attributable to Amounts Available for Debt Service.
Includes Bond Redemption and Improvement Account, O&M Account, and Discretionary Account balances as of the beginning of the Fiscal Year.
(d) Airline revenues include passenger airline terminal rentals; international, charter, and common use airline charges; ramp rentals; and passenger airline landing fees.

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APPENDIX III

ENGINEER'S LETTER

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URBAN ENGINEERS, INC.
ISO 9001 Registered
Corporate Headquarters
530 Walnut Street, 14th Floor
Philadelphia, PA 19106-3685
(215) 922-8080 Fax (215) 922-8082
www.urbanengineers.com

[__________]

Merrill Lynch
1818 Market Street
18th Floor
Philadelphia, PA 19103

Attn: Mr. Ralph Saggiomo

Re: City of Philadelphia, Pennsylvania
$273,065,000 Airport Revenue Bonds, Series 2010A (Non-AMT)
$24,395,000 Airport Revenue Refunding Bonds, Series 2010B (Non-AMT)
$54,730,000 Airport Revenue Refunding Bonds, Series 2010C (AMT)
$272,475,000 Airport Revenue Refunding Bonds, Series 2010D (AMT)

Dear Mr. Saggiomo:

We hereby consent to the inclusion of our report transmittal letter to Rob Dubow, Director of Finance of the City of Philadelphia, dated May 5, 2010 in Appendix III to the Preliminary Official Statement dated October 19, 2010 (the "Preliminary Official Statement") and to the Official Statement dated October 27, 2010 (the "Official Statement," together with the Preliminary Official Statement, the "Offering Documents") for the above referenced bonds and to the references to our reports entitled "Engineering Certification of the Philadelphia International Airport" and "Engineering Certification of the Northeast Philadelphia Airport" both dated May 5, 2010 (the "Reports") in such Offering Documents. As stated in our Reports, we have no responsibility to update our Reports because of events and transactions occurring after the date of the Reports. Notwithstanding the immediately preceding sentence, we advise you that without having undertaken any subsequent inquiry, we are not aware of any reason why the reports referred to in our report transmittal letter should not be referred to in the Offering Documents.

Very truly yours,

URBAN ENGINEERS, INC.

Edward M. D'Alba, PE
President

URBAN ENGINEERS, INC.
ISO 9001 Registered
Corporate Headquarters
530 Walnut Street, 14th Floor
Philadelphia, PA 19106-3685
(215) 922-8080 Fax (215) 922-8082
www.urbanengineers.com

May 5, 2010

City of Philadelphia
1330 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, P A 19102

Attn: Rob Dubow
Director of Finance

Re: Engineering Certification of the Airport System
Philadelphia International Airport and Northeast Philadelphia Airport

Dear Mr. Dubow:

Urban Engineers, Inc. (Urban) is pleased to submit the attached engineering reports on the physical condition of the City of Philadelphia's Philadelphia International and Northeast Philadelphia Airports, dated May 5, 2010. Based on our visual inspection of these facilities and our examination of those documents we deemed relevant to our inspection effort, it is our professional opinion that the physical elements of the above mentioned airports, supported by a suitable ongoing maintenance plan, are in good operating condition. Our examinations and interviews were conducted in the spring of 2010. The attached reports summarize our observations.

This examination of the above mentioned airports was conducted at the request of the Division of Aviation, Philadelphia International Airport. Urban is a professional consulting engineering firm, employing personnel encompassing a broad range of engineering disciplines that contribute considerable experience in the design and analysis of the physical operation of airports of the magnitude and scope of the City of Philadelphia's two airports.

Very truly yours,

URBAN ENGINEERS, INC.

Joseph P. McAtee, PE
Executive Vice President

enclosures

APPENDIX IV

SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE 2010 BONDS

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APPENDIX IV
SUMMARY OF CERTAIN AUTHORIZATIONS
FOR THE 2010 BONDS

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

THE FIRST CLASS CITY REVENUE BOND ACT

The 2010 Bonds are being issued under the terms of The First Class City Revenue Bond Act and the General Ordinance and pursuant to the Ninth Supplemental Ordinance and the Tenth Supplemental Ordinance. The following summarizes the terms of The First Class City Revenue Bond Act. All capitalized terms used in the following summary of The First Class City Revenue Bond Act are defined as in The First Class City Revenue Bond Act and may be differently referenced in other portions of this Official Statement.

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

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

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

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

Estimates of Future Revenues

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

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

Details of Bonds and City Covenants

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

Sinking Fund

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

Refunding

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

Validity of Proceedings; Suits and Limitations Thereon

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

Negotiable Instrument

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

Exemption from State Taxation

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

Defaults and Remedies

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

Refunding with General Obligation Bonds

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

THE AMENDED AND RESTATED GENERAL AIRPORT REVENUE BOND ORDINANCE

The 2010 Bonds are being issued under the terms of the General Ordinance and pursuant to the Ninth Supplemental Ordinance and the Tenth Supplemental Ordinance. The Ninth Supplemental Ordinance and the Tenth

Supplemental Ordinance sets forth the specific terms of the 2010 Bonds. The following summarizes the terms of the General Ordinance. All capitalized terms used in the following summary of the General Ordinance are defined as in the General Ordinance and may be differently referenced in other portions of this Official Statement.

Certain Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"City" means the City of Philadelphia, Pennsylvania.

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

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

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

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

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

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

"Credit Facility" means any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement (other than a Qualified Swap or an Exchange Agreement) that is provided by a commercial bank, insurance company or other institution, with a current long term rating (or whose obligations thereunder are guaranteed by a financial institution with a long term rating) from

Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is, at the time in question, rating Bonds Outstanding under the General Ordinance) not lower than the credit rating of any Series of Bonds which has no Credit Facility, to provide support for a Series of Bonds, and shall include any Substitute Credit Facility.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Government Obligations;

(b) Qualified Rebate Fund Securities;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Qualified Rebate Fund Securities" means either:

(a) Government Obligations; or

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

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

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

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

"Rate Covenant" means the rate covenant applicable pursuant to Section 5.01 of the General Ordinance.

"Rating Agency" means Moody's, S&P or Fitch, to the extent that any of such rating services have issued a credit rating on the Bonds which is in effect at the time in question or, upon discontinuance of any of such rating services, such other nationally recognized rating service or services if any such rating service has issued a credit rating on the Bonds at the request of the City and such credit rating is in effect at the time in question.

"Rebate Bond Year," for purposes of Section 4.14 of the General Ordinance and in order to facilitate compliance with the arbitrage rebate requirements of the Code, shall mean the period or periods specified in a Supplemental Ordinance or Determination for a Series of Bonds.

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

"Record Date" means (i) with respect to any Variable Rate Bond, the Business Day immediately preceding an interest payment date or a redemption date or the maturity date, or such other date as set forth in the related Supplemental Ordinance, and (ii) with respect to Bonds bearing interest in a fixed rate mode or Bonds bearing interest at a prescribed fixed rate, the fifteenth (15th) day (regardless of whether it is a Business Day) of the calendar month next preceding an interest payment date, a redemption date or maturity date, or such other date as set forth in the related Supplemental Ordinance.

"Remarketing Agent" means a Remarketing Agent appointed in the manner provided in the applicable Supplemental Ordinance or Determination authorizing the issuance of Variable Rate Bonds.

"Remarketing Agreement" means an agreement providing for the remarketing of tendered Variable Rate Bonds by a Remarketing Agent, as more fully set forth and defined in the Supplemental Ordinance authorizing any Series of Variable Rate Bonds.

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

"Renewal Fund Requirement" means $2,500,000 or such other amount as determined by the Consultant from time to time to be appropriate taking into account the size and operations of the Airport System.

"Required Rebate Fund Balance" shall have the meaning set forth in Section 4.14 of the General Ordinance.

"Scheduled Airlines" means the airlines that are signatories to the Airline Agreements.

"Second Supplemental Ordinance" means the Second Supplemental Ordinance to the General Ordinance.

"Series" when applied to Bonds means, collectively, all of the Bonds of a given issue authorized by Supplemental Ordinance, as provided in the General Ordinance, and may also mean, if appropriate, a subseries of any Series if, for any reason, the City should determine to divide any Series into one or more subseries of Bonds, or multiple series of Bonds, as the case may be.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill and any successor thereto.

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

"Sinking Fund Depositary" means the bank named as such in Section 7.01 of the General Ordinance.

"Sinking Fund Installment" means an amount so designated which is established pursuant to Section 3.01 of the General Ordinance.

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

"Sinking Fund Reserve Requirement" means (i) with respect to all Bonds (whether interest thereon is includable in, or excludable from, gross income for Federal income tax purposes) which the City determines will be secured by the Parity Sinking Fund Reserve Account, an amount equal to the lesser of (A) the greatest amount of Debt Service Requirements on Bonds payable in any one Fiscal Year, determined as of any particular date, or (B) the maximum amount permitted by the Code to be maintained without yield restriction for bonds, the interest on which is not includable in gross income for federal income tax purposes, and (ii) with respect to all Bonds which the City determines to secure with a Non-Parity Sinking Fund Reserve Account (whether interest thereon is includable in, or excludable from, gross income for Federal income tax purposes), the amount, if any, required to be deposited or maintained in the subaccount of the Sinking Fund Reserve Account as specified in a Supplemental Ordinance. For purposes of determining the Sinking Fund Reserve Requirement, Debt Service Requirements will be computed without regard to any Qualified Swap, Credit Facility or Standby Agreement, and the Debt Service Requirements attributable to any (i) Balloon Bonds, or Variable Rate Bonds shall be calculated in the manner set forth in Section 5.01(b) of the General Ordinance, or based upon the assumed fixed rate of interest as set forth in the Supplemental Ordinance or Determination for such Bonds, and (ii) Option Bonds shall be calculated in the manner set forth in the last paragraph under the definition of Debt Service Requirements.

"Special Facility Agreement" means an agreement entered into by the City and one or more other parties, relating to the design, construction, and/or financing of any facility, improvement, structure, equipment, or assets acquired or constructed on any land or in or on any structure or buildings that is or are part of the Airport System, all or a portion of the payments to the City under which (a) are intended to be excluded from Amounts Available for Debt Service, and (b) may be pledged to the payment of Special Facility Revenue Bonds.

"Special Facility Revenue Bonds" means any City revenue bonds or notes authorized and issued for the purpose of acquiring, constructing, or improving a Special Purpose Facility leased to, or contracted for operation by, any person or persons, under a specific lease or contract requiring the user or users thereof to provide for the payment of rentals or sums adequate to pay all principal, interest, redemption price, reserve requirements, if any, as required in the legislation authorizing the Special Facility Revenue Bonds (the "debt service charges") on the Special Facility Revenue Bonds.

"Special Purpose Facility" means any facility acquired or constructed for the benefit or use of any person or persons and the costs of construction and acquisition of which are paid for (a) by the obligor under a Special Facility Agreement, (b) from the proceeds of Special Facility Revenue Bonds, or (c) both.

"Standby Agreement" with respect to a Series of Bonds, means an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of all or a portion of the Bonds of such Series, as amended, supplemented or extended from time to time.

"Standby Purchaser," with respect to a Series of Bonds, means the provider of the Standby Agreement for such Series of Bonds.

"Subordinate Obligation" means any obligation referred to in, and complying with the provisions of, Section 5.04(h) of the General Ordinance.

"Subordinate Obligation Fund" means the Subordinate Obligation Fund established in Section 4.04 of the General Ordinance.

"Subordinate Obligation Ordinance" means the ordinance, and any supplements or amendments thereto authorizing the issuance of a series of Subordinate Obligations.

"Substitute Credit Facility" means any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement (other than a Qualified Swap or an Exchange Agreement) that replaces a Credit Facility and is provided by a commercial bank, insurance company or other financial institution with a then current long term credit rating (or whose obligations thereunder are guaranteed by a financial institution with a long term rating) from Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is, at the time in question, then rating Bonds Outstanding under the General Ordinance) not lower than the credit rating of any Series of Bonds which has no Credit Facility; provided that in no event shall such substitution take place unless Moody's and S&P acknowledge in writing that such substitution, in and of itself, will not result in a lowering, suspension or withdrawal of the rating on the Bonds secured by such Credit Facility.

"Supplemental Ordinance" means an ordinance supplemental to the General Ordinance enacted pursuant to the Act and the General Ordinance by the Council of the City.

"Tender Agent," with respect to a Series of Bonds, means any commercial bank or trust company organized under the laws of any state of the United States or any national banking association designated as a tender agent for such Series of Bonds, and its successor or successors hereafter appointed in the manner provided in the applicable Supplemental Ordinance or Determination.

"Uncertificated Bond" means any Bond which is fully registered as to principal and interest and which is not represented by an instrument.

"UPS" means United Parcel Service and its successors.

"UPS Agreement" means that certain agreement between the City and United Parcel Service dated as of December 18, 1985, as amended from time to time.[1]

[1] The UPS Agreement expired on June 30, 2006 and is superseded by the Use and Lease Agreements defined herein.

"Use and Lease Agreements" mean the Airline - Airport Use and Lease Agreements (the "Airline Agreements) currently in effect, if any and, as amended from time to time, between the City and the Scheduled Airlines providing for the construction of capital improvements to the Airport System, the financing of such improvements, the use and occupancy of portions of the Airport System by the Scheduled Airlines and the rates, rents and charges to be paid by the Scheduled Airlines for such use and occupancy as therein provided.

"Variable Rate Bond" means any Bond, the rate of interest on which is subject to change prior to maturity and cannot be determined in advance of such change.

SUMMARY OF OPERATIVE PROVISIONS OF THE GENERAL ORDINANCE

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

Authorization, Scope and Purpose; Effective Date

The General Ordinance was enacted pursuant to the provisions of The First Class City Revenue Bond Act for the purpose of amending and restating in full, the General Airport Revenue Bond Ordinance of 1978, approved on March 16, 1978, as supplemented and amended. The General Ordinance became effective immediately and without any further action by City Council upon the consent of the Holders of at least 67 percent of the Outstanding Bonds (the "Effective Date"). On the Effective Date, the General Airport Revenue Bond Ordinance of 1978 and all supplements thereto were no longer in force or with any effect; provided that supplements to the General Airport Revenue Bond Ordinance of 1978 relating to Existing Bonds were deemed to be supplements to the General Ordinance on and after the Effective Date, to the extent such supplements were not inconsistent with the General Ordinance.

Concerning the Bonds

Form and Terms of Bonds. The aggregate principal amount of Bonds which may be issued or assumed, authenticated and delivered under the General Ordinance is unlimited, but prior to the issuance or assumption of such Series of Bonds, the City shall enact a Supplemental Ordinance authorizing such Series and the maximum aggregate principal amount of such Series and comply with all conditions in Section 5.04 of the General Ordinance (described under "Conditions and Provisions Relating to Issuing Bonds" hereinafter) and all conditions in the Act pertaining to the issuance or assumption of Airport revenue bonds.

A Series of Bonds may be secured by a Credit Facility or Standby Agreement meeting the requirements of the General Ordinance and the applicable Supplemental Ordinance. In connection with the issuance of its Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the City also may enter into Qualified Swaps or Exchange Agreements if the Bond Committee determines that any such Qualified Swap or Exchange Agreement will assist the City in more effectively managing its interest costs. The City's payment obligation under any Qualified Swap (other than termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap) shall be made from the Sinking Fund and its payment obligation under any such Exchange Agreement shall be made in accordance with Section 4.06(e) of the General Ordinance. Unless otherwise acknowledged in writing by S&P, that execution and delivery of such Qualified Swap Agreement or Exchange Agreement will not, in and of itself, result in a downgrade, suspension or withdrawal of the credit ratings on any Bonds Outstanding under the General Ordinance, the City will not enter into any Qualified Swap or Exchange Agreement.

Notwithstanding anything to the contrary in the General Ordinance, any Qualified Swap or Exchange Agreement entered into after June 15, 2005, may only be executed if authorized by Resolution of the City Council.

Issuance of Bonds

Purpose of Bonds; Combination of Projects for Financing Purposes. The Bonds issued or assumed under the General Ordinance shall be issued or assumed for the purpose (i) of paying the costs of Projects relating to the Airport System of the City, (ii) of reimbursing any fund of the City from which such costs shall have been paid or advanced together with interest thereon, (iii) of funding any of such costs for which the City shall have outstanding bond anticipation notes or other obligations, (iv) of refunding any Bonds or bonds of the City issued for the foregoing purposes, or (v) of refunding any General Obligation Bonds or NSS General Obligation Bonds.

Pledge of Revenues; Grant of Security Interest; Limitation on Recourse

The City pursuant to the General Ordinance pledges for the security and payment of all Bonds and thereby grants to Bondholders a lien on and security interest in: (i) all Project Revenues, (ii) amounts payable to the City under a Qualified Swap, (iii) except as provided in Section 4.09 of the General Ordinance (with respect to a non-parity reserve fund), all amounts on deposit in or credited to the Aviation Funds and (iv) proceeds of the foregoing ((i)-(iv) collectively are referred to herein as, the "Pledged Amounts"). The City may pledge Passenger Facility Charges pursuant to a Supplemental Ordinance and such Passenger Facility Charges, and proceeds thereof, shall constitute Pledged Amounts; provided, however, that if as a result of applicable law, rules and regulations, such Passenger Facility Charges may only be pledged to secure one or more specified Series of Bonds, such pledged Passenger Facility Charges, and proceeds thereof, shall constitute Pledged Amounts solely with respect to such Series of Bonds; provided, further, that Passenger Facility Charges shall not constitute Pledged Amounts or Amounts Available for Debt Service under the General Ordinance unless the City first receives written confirmation from all Rating Agencies then rating any Bonds Outstanding under the General Ordinance, that the pledge of Passenger Facility Charges in and of itself will not result in a downgrade, suspension or withdrawal of rating on any Bonds Outstanding under the General Ordinance, without taking into account Bonds the rating on which is based upon one or more Credit Facilities for such Bonds, provided that if all Bonds Outstanding under the General Ordinance are rated based upon a Credit Facility, then Passenger Facility Charges may be pledged only upon receipt by the City of written consent by the providers of all such Credit Facilities. To the extent that the Fiscal Agent maintains such Pledged Amounts, the Fiscal Agent shall hold and apply the security interest granted by the General Ordinance in the Pledged Amounts, in trust, for the equal and ratable benefit and security of all present and future Holders of Bonds issued pursuant to the provisions of the General Ordinance and each Supplemental Ordinance, without preference, priority or distinction of any one Bond over any other Bond; provided however, that the pledge of the General Ordinance may also be for the benefit of the provider of a Credit Facility, Standby Agreement or Qualified Swap (other than with respect to termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap), or any other person who undertakes to provide moneys for the account of the City for the payment of principal or redemption price of and interest on any Series of Bonds, on an equal and ratable basis with Bonds, to the extent provided by any Supplemental Ordinance or Determination.

Amounts constituting revenues, rents, rates, tolls or other charges generated or allocable to the Outside Terminal Area may be pledged under the General Ordinance as Project Revenues, only if there shall be delivered to the Fiscal Agent: (i) a written statement supported by appropriate schedules and summaries, that on the basis of historical, and estimated future annual financial operations of the Airport System, from which Amounts Available for Debt Service are to be derived, the Airport System will, in the opinion of the Consultant, yield Amounts Available for Debt Service for each of the five Fiscal Years (or three Fiscal Years in the event that the Consultant is professionally unable to provide an opinion for a period in excess of three Fiscal Years) ended immediately following the pledge of amounts described above, sufficient to comply with the Rate Covenant, and (ii) for so long as any of the Airline Agreements are in effect, with the prior written consent of the Scheduled Airlines to amend the Airline Agreements so that they reflect the foregoing modifications. For purposes of the statement in clause (i) above, the definition of "Operating Expenses" shall be deemed to include projected operating expenses of the Outside Terminal Area and Debt Service Requirements shall be deemed to include the debt service on any Bonds assumed or to be assumed under the General Ordinance, and any Qualified Swap, Credit Facility or Standby Agreement related thereto which is secured by a parity pledge of Project Revenues.

Neither the Bonds nor the City's reimbursement or other contractual obligations under any Credit Facility, Standby Agreement, Qualified Swap or Exchange Agreement shall constitute a general indebtedness or a pledge of the full faith and credit of the City within the meaning of any Constitutional or statutory provision or limitation of indebtedness. No Bondholder or beneficiary of any of the foregoing agreements shall ever have the right, directly or indirectly, to require or compel the exercise of the ad valorem taxing power of the City for the payment of the principal and redemption price of or interest on the Bonds or the making of any payments under the General Ordinance. The Bonds and the obligations evidenced thereby and by the foregoing agreements, shall not constitute a lien on any property of or in the City, except as set forth in this section.

Bonds to be Parity Bonds

All Bonds issued under the General Ordinance shall be parity Bonds equally and ratably secured by the pledge of and grant of the security interest described in the preceding section, except as provided for in the preceding section and the section below entitled "Sinking Fund Reserve Account" without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond or as between principal and interest.

Subordinate Obligations issued pursuant to a Subordinate Obligation Ordinance shall be secured (i) by a pledge of and grant of the security interest in Project Revenues to the extent required to be deposited in the Subordinate Obligations Fund and (ii) the amounts on deposit in or credited to the Subordinate Obligations Fund subject and subordinate to the payment of the amounts described in clauses (a) through (d) of the section below entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts" from Amounts Available for Debt Service and subject to the elimination of any deficiency in any fund or account established under the General Ordinance or under any Supplemental Ordinance.

Pursuant to the General Ordinance, the City reserves the right, and nothing in the General Ordinance shall be construed to impair such right, to finance improvements to the Airport System by the issuance of its General Obligation Bonds, NSS General Obligation Bonds, Special Facility Revenue Bonds or Subordinate Obligations under ordinances other than Supplemental Ordinances; provided that in the case of any Airport System revenue bonds or notes for the payment of which Project Revenues shall be used or pledged, payment of such Airport System revenue bonds shall be subject and subordinate to the payment from such Project Revenues of the payments described in the section below entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts" and subject to the elimination of any deficiency in any fund or account established under the General Ordinance or under any Supplemental Ordinance.

Establishment of Funds and Accounts

The following funds and accounts are established pursuant to the General Ordinance and shall be held by the City: (a) Aviation Operating Fund; (b) Aviation Capital Fund; and (c) Rebate Fund.

The following funds and accounts are established pursuant to the General Ordinance or, have heretofore been established and shall be maintained by the Fiscal Agent: (a) Sinking Fund and within such Sinking Fund, a Sinking Fund Reserve Account, a Debt Service Account and a Charges Account; (b) Subordinate Obligation Fund; and (c) Renewal Fund.

On the Effective Date of the General Ordinance, the City transferred or caused to be transferred or credited on its books and records all amounts maintained in or credited to the funds and accounts created under the General Airport Revenue Bond Ordinance of 1978 as set forth in the General Ordinance.

Nothing in the General Ordinance shall be construed to prevent the City from establishing, in connection with the issuance of one or more Series of Bonds, additional funds or accounts to be held for the benefit of one or more Series of Bonds issued under the General Ordinance, as set forth in Supplemental Ordinances; provided that, no such additional funds or accounts shall be established unless, in the opinion of Bond Counsel, establishment of additional funds or accounts would not (i) adversely affect the exclusion of interest on Bonds, if any, from gross income for federal income tax purposes, or (ii) materially adversely affect the security or interests of Bondholders. If required by law, rules or regulations, the City shall establish and maintain a separate account within the Sinking Fund for pledged Passenger Facility Charges.

Segregation of Aviation Funds; Deposit of Project Revenues into Aviation Operating Fund.

(a) The Aviation Funds shall be held separate and apart from all other funds and accounts of the City and the Fiscal Agent and the funds and accounts therein shall not be commingled with, loaned or transferred among themselves or to any other City funds or accounts except as expressly permitted in the General Ordinance.

(b) The City shall, upon receipt of any Project Revenues, deposit such Project Revenues into the Aviation Operating Fund. Any Passenger Facility Charges that constitute Amounts Available for Debt Service under the General Ordinance, shall be deposited directly into the appropriate account or subaccount of the Sinking Fund to the extent required to pay debt service on Bonds. The City and Fiscal Agent also shall cause to be deposited into the Aviation Operating Fund, Sinking Fund Reserve Account, Sinking Fund, and Renewal Fund proceeds of Bonds as designated by Supplemental Ordinance or Determination and any other funds directed to be deposited into the Aviation Operating Fund, Sinking Fund Reserve Account, Sinking Fund, or Renewal Fund by the City. The Fiscal Agent shall, at the written direction of the City, disburse from the Aviation Operating Fund the amounts and at the times specified below in the section entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts."

(c) (i) If at any time sufficient moneys are not available in the Aviation Operating Fund to pay Operating Expenses and to make the transfers required by the section below entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts", or if a deficiency exists in the Aviation Capital Fund, then, subject to the requirements of (ii) and (iii) below, amounts on deposit in the Aviation Capital Fund and Renewal Fund may be loaned, at the written direction of the City, to the Aviation Operating Fund for the payment of such Operating Expenses and to make transfers required by the section below entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts", to the extent of the deficiency, and amounts on deposit in the Aviation Operating Fund and Renewal Fund may be loaned, at the written direction of the City, to the Aviation Capital Fund, to the extent of the deficiency. Notwithstanding anything to the contrary in this subparagraph (c), during any Fiscal Year, loans from the Aviation Capital Fund and loans from the Aviation Operating Fund pursuant to this section at any time shall not exceed in the aggregate 5% of the Division of Aviation's budgeted Operating Expenses net of Debt Service Requirements for such Fiscal Year.

(ii) Loans from the Aviation Capital Fund to the Aviation Operating Fund shall be made only to the extent of unencumbered capital amounts in the Aviation Capital Fund, and may be spent only for purposes authorized under applicable federal, state and local law. Any amounts borrowed from the Aviation Capital Fund shall be repaid on the earlier to occur of: (1) the date the funds are required by the Division of Aviation for purposes of the Aviation Capital Fund, (2) the date proceeds of Bonds, bonds or notes become available to the City for reimbursement of the expenditures made with the money borrowed, or (3) the last day of the twelve-month period beginning on the date the loan was made, in which case repayment may be made from the Renewal Fund;

(iii) Loans from the Aviation Operating Fund to the Aviation Capital Fund shall be made only to the extent of any surplus in the Aviation Operating Fund; provided that a Consultant delivers a written certification to the Fiscal Agent that the Division of Aviation will have, after making the loan, sufficient funds in the Aviation Operating Fund to pay all Operating Expenses when payable and the Debt Service Requirements up to and including the later of: the last day of the Fiscal Year in which the loan takes place or, the next interest payment date. Amounts loaned to the Aviation Capital Fund shall be used for the following purposes: (1) capital projects previously approved by the Scheduled Airlines in accordance with the Airline Agreements, or (2) capital projects for which an appropriation has been made. Any amounts borrowed shall be repaid no later than the date the funds are required by the Division of Aviation for purposes of the Aviation Operating Fund.

Transfer from Aviation Operating Fund to Other Funds and Accounts. Amounts on deposit in the Aviation Operating Fund Operating Fund shall be applied by the City or the Fiscal Agent, as the case may be, in the following manner and in the following order of priority:

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

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

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

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

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

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

(g) to pay to the City the amount necessary to provide for the timely payment of the principal or redemption price of and interest on General Obligation Bonds;[2]

(h) to pay any Interdepartmental Charges;

(i) to pay to the City the amount necessary to provide for the timely payment of the principal or redemption price of and interest of NSS (non-self-sustaining) General Obligation Bonds;[1] and

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

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

(j) Bond Redemption and Improvement Account. The Bond Redemption and Improvement Account is available for use by City for the payment of deficiencies with respect to the Debt Service Requirements or deficiencies with respect to the Sinking Fund Reserve Requirement as provided under the General Ordinance. If no such deficiencies exist, City is not in default under the General Ordinance and a Majority-in Interest of the Eligible Signatory Airlines, determined pursuant to the Airfield Area MII Formula, mutually agree (whose agreement will not be unreasonably withheld), the Division of Aviation can use such amounts for repair, renewals, replacements or

[2] No general obligation debt of the City described in paragraphs g and I above are currently outstanding.

alterations to the Airport System; redemption of Bonds; costs of Capital Projects or equipment; purchase of Bonds; arbitrage rebate pursuant to Section 148(f) of the Code or for any lawful Airport System purposes. In addition to the initial deposit of sixteen million eight hundred thousand dollars ($16,800,000) into the Bond Redemption and Improvement Account, the City will make periodic deposits therein. For the sole purpose of establishing a dollar amount for the Bond Redemption and Improvement Requirement, and expressly not for the purpose to establish a debt service reserve fund as set forth in the General Ordinance, the Bond Redemption and Improvement Requirement shall mean an amount not to exceed the lesser of (i) the amount of Debt Service Reserve Surety Bonds fulfilling the City's Sinking Fund Reserve Requirements, or (ii) such dollar amount required to maintain a dollar balance in the Bond Redemption and Improvement Account equal twenty percent (20%) of the Debt Service Requirement in Fiscal Year 2010, and twenty five percent (25%) of the Debt Service Requirement thereafter. The Bond Redemption and Improvement Account may be funded with amounts remaining, if any, following any and all transfers required by subparagraphs (a)-(i) above.

(1) Notwithstanding the foregoing, for each and every Fiscal Year during the term of Airline Agreement, the interest earned on the balance of the Bond Redemption and Improvement Account shall first be used to reduce the Bond Redemption and Improvement Requirement for the following Fiscal Year and the remaining interest and any excess balance in the Bond Redemption and Improvement Account due to a reduction in the Debt Service Requirement, if any, shall be transferred to the Aviation Operating Fund and then allocated to the Airport Cost Centers in proportion to the Debt Service Requirement for each such Airport Cost Center as a Non-Airline Revenue.

(2) The net Bond Redemption and Improvement Requirement shall be allocated on the basis of Debt Service Requirements to the Airport Cost Centers.

(k) O&M Account. The O&M Account is available for use by City for the payment of Operating Expenses in City's sole discretion in the event the then current Airport Revenues allocated to Operating Expenses in the Annual Budget are deemed to be insufficient. If a Majority-in Interest of the Eligible Signatory Airlines, determined pursuant to the Airfield Area MII Formula, and City mutually agree (whose agreement will not be unreasonably withheld), any balance then can be used for repairs, renewals, replacements, alterations, the redemption of Bonds or bonds or for any Airport System purposes. Notwithstanding the foregoing, City has no reasonable expectation that funds in the O&M Account will be used to pay Debt Service since the account is being created to pay Operating Expenses. The City will make an initial deposit in the O&M Account in the amount of fifteen million dollars ($15,000,000). The O&M Account may be funded with amounts remaining, if any, following any and all transfers required by subparagraphs (a)-(j) above. Thereafter, the O&M Requirement shall mean an amount not to exceed one million dollars ($1,000,000) per Fiscal Year to be deposited in the O&M Account to maintain a balance equal to ten percent (10%) of Operating Expenses.

(1) Notwithstanding the foregoing, for each and every Fiscal Year during the term of the Agreement, the interest earned on the balance of the O&M Account shall first be used to reduce the O&M Requirement for the following Fiscal Year and the remaining interest and any excess balance in the O&M Account due to a reduction in Operating Expenses, if any, shall be transferred to the Aviation Operating Fund, then allocated to the Airport Cost Centers in proportion to the Operating Expenses for each such Airport Cost Center as a Non-Airline Revenue.

(2) The net O&M Requirement shall be allocated on the basis of Operating Expenses to the Airport Cost Centers.

(l) Airline Revenue Allocation. The Airline Revenue Allocation shall be calculated from any amounts remaining in the Aviation Operating Fund if any, following any and all transfers required by subparagraphs (a)-(k) above. Commencing in Fiscal Year 2008 and for each Fiscal Year thereafter during the term of the Airline Agreement, the Airline Revenue Allocation shall be equal to fifty percent (50%) of the prior Fiscal Year's total net revenue from the Outside Terminal Areas Cost Center reduced by an amount of up to seven million dollars ($7,000,000), to the extent net revenue from the Outside Terminal Areas Cost Center equals or exceeds seven million dollars ($7,000,000). The Airline Revenue Allocation for Fiscal Year 2008 and each Fiscal Year thereafter, if any, shall first be credited to the Other Buildings and Areas Cost Center to determine the Airfield Area Requirement for such Fiscal Year and then, if the Airline Revenue Allocation exceeds the deficit of the Other

Buildings and Areas Cost Center, the excess shall be allocated pro rata to the Airfield Area Cost Center and Terminal Area Cost Center based on airline revenue allocable to such cost center.

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

Sinking Fund. Except as set forth in Sections 4.02, 4.04 and 4.09 of the General Ordinance, the Sinking Fund shall be a consolidated fund for the equal and proportionate benefit of the Holders of all Bonds from time to time Outstanding, Credit Facilities, Standby Agreements, and Qualified Swap Agreements secured by a parity pledge of Project Revenues and payable pursuant to subparagraph (c) of the section above entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts", and each account therein may be invested and reinvested on a consolidated basis in accordance with Section 9 of the Act.

The Fiscal Agent, as directed by the City by Supplemental Ordinance, Determination or other written direction, shall pay out of the Debt Service Account of the Sinking Fund to the designated paying agent or agents (i) on or before each interest payment date for any of the Bonds the amount required for the interest payable on such date; and (ii) on or before each principal, redemption or prepayment date for any Bonds, the amount required for the principal, redemption or prepayment payable on such date, and (iii) on or before the respective due dates the amounts, if any, due under any Swap Agreements (other than termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap). Such amounts shall be applied by the designated paying agent or agents on the due dates thereof. The Fiscal Agent shall also pay out of the Debt Service Account of the Sinking Fund the accrued interest included in the purchase price of Bonds purchased for retirement and on or before the due dates any amounts owing by the City under any Credit Facility or Standby Agreement, payable from the Debt Service Account, on account of advances to pay principal of or interest or redemption premium on Bonds.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) if so directed by the City, shall be applied by the Fiscal Agent, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, to the purchase of Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established. All purchases of Bonds pursuant to this paragraph shall be made at prices not exceeding the applicable sinking fund redemption price of such Bonds plus accrued interest, and such purchases shall be made by the Fiscal Agent as directed by the City. As soon as practicable after the 42nd day preceding the due date of any such Sinking Fund Installment, the Fiscal Agent shall proceed to call for redemption, by giving notice as provided in Section 6.03 of the General Ordinance, on such due date Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment after making allowance for any Bonds purchased pursuant to Section 4.10 of the General Ordinance which the City has directed the Fiscal Agent to apply as a credit against such Sinking Fund Installment as provided in Section 4.08 thereof. The Fiscal Agent shall pay out of the Sinking Fund to the appropriate paying agent or agents, on or before such redemption date (or maturity date) the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing) and such amount shall be applied by such paying agent or agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds shall be paid by the City from Amounts Available for Debt Service, or other amounts available therefor.

In the event of the refunding of any Bonds, the Fiscal Agent shall, if the City so directs in writing, withdraw from the Sinking Fund all, or any portion of, the amounts accumulated therein with respect to principal or interest on the Bonds being refunded and deposit such amounts with itself or another financial institution serving as escrow agent to be held for the payment of the principal or redemption price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 11.01 of the General Ordinance. In the event of a refunding, the City may also direct the Fiscal Agent to withdraw from the Sinking Fund all, or a portion of, the amounts accumulated therein with respect to principal and interest on the Bonds being refunded and deposit such amounts in any fund or account established under the General Ordinance.

If any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise or at the date fixed for redemption thereof, if moneys sufficient to pay such Bond shall have been deposited with the Fiscal Agent, it shall be the duty of the Fiscal Agent to hold such moneys, without liability to the City, any Bondholder or any other person for interest thereon, for the benefit of the owner of such Bond. Notwithstanding the foregoing, any moneys in the Sinking Fund for the payment of the interest, principal or redemption premium of Bonds unclaimed for two (2) years after the due date shall be repaid to the Aviation Operating Fund but such repayment shall not discharge the obligation, if any, for which such moneys were previously held in the Sinking Fund; provided, however, that such repayment shall not be made unless, at the time of such repayment, there shall exist no deficiency in any fund or account established under the General Ordinance or any Supplemental Ordinance.

The Fiscal Agent shall pay, solely out of the Charges Account to the appropriate payees any fees, expenses and other amounts due and payable from the Charges Account, under any Credit Facility or Standby Agreement, with respect to Bonds, to the extent such amounts are not paid from the Debt Service Account.

Credits Against Sinking Fund Installments. If at any time Bonds of any Series or maturity for which Sinking Fund Installments shall have been established are purchased or redeemed other than pursuant to the third paragraph of the section above entitled "Sinking Fund" or are deemed to have been paid pursuant to Section 11.01 of the General Ordinance and, with respect to such Bonds which have been deemed paid, irrevocable instructions have been given to the Fiscal Agent to redeem or purchase the same on or prior to the due date of the Sinking Fund Installment to be credited under this section, the City may from time to time and at any time by written notice to the Fiscal Agent specify the portion, if any, of such Bonds so purchased, redeemed or deemed to have been paid and not previously applied as a credit against any Sinking Fund Installment which are to be credited against future Sinking Fund Installments. Such notice shall specify the amounts of such Bonds to be applied as a credit against such Sinking Fund Installment or Sinking Fund Installments and the particular Sinking Fund Installment or Installments against which such Bonds are to be applied as a credit; provided, however that none of such Bonds may be applied as a credit against a Sinking Fund Installment to become due less than forty-two (42) days after such notice is delivered to the Fiscal Agent. All such Bonds to be applied as a credit shall be surrendered to the Fiscal Agent for cancellation on or prior to the due date of the Sinking Fund Installment against which they are being applied as a credit. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

Sinking Fund Reserve Account. There is created under the General Ordinance a parity Sinking Fund Reserve Account within the Sinking Fund to be known as the "Parity Sinking Fund Reserve Account." Unless the applicable Supplemental Ordinance designates a Non-Parity Sinking Fund Reserve Requirement, the City shall deposit, or cause to be deposited in the Parity Sinking Fund Reserve Account from the proceeds of the sale of each Series of Bonds, or from other amounts available therefor, an amount which, when added to the existing balance in the Parity Sinking Fund Reserve Account, will be equal to the Parity Sinking Fund Reserve Requirement immediately after the issuance of such Series of Bonds. All amounts in the Parity Sinking Fund Reserve Account shall be available to pay the principal, redemption price or interest on any other Series of Bonds secured by the Parity Sinking Fund Reserve Account.

If a Supplemental Ordinance for a Series of Bonds designates a Non-Parity Sinking Reserve Requirement for such Series of Bonds, the Supplemental Ordinance pursuant to which such Bonds were issued shall either create a separate Non-Parity Sinking Fund Reserve Subaccount, or create or designate a previously created subaccount within the Sinking Fund Reserve Account. Notwithstanding anything to the contrary in this section, the City shall not create a Non-Parity Sinking Fund Reserve Account or designate a Non-Parity Sinking Fund Reserve Requirement unless the City first obtains written confirmation from S&P (such confirmation shall only be required if S&P is then rating Bonds Outstanding under the General Ordinance) that such action, in and of itself, will not result in a downgrade, suspension or withdrawal of the credit rating on any Bonds Outstanding under the General Ordinance. The City shall, under direction of the Director of Finance, deposit in the specified Non-Parity Sinking Fund Reserve Subaccount created pursuant to any Supplemental Ordinance, the amount required to be deposited pursuant to the Supplemental Ordinance for such Series of Bonds. The money and investments in each Non-Parity Sinking Fund Reserve Subaccount shall be held and maintained in an amount equal at all times to the applicable

Non-Parity Sinking Fund Reserve Requirement for such Series secured thereby, as provided in the Supplemental Ordinance authorizing such Series of Bonds. All amounts in each Non-Parity Sinking Fund Reserve Subaccount shall be available solely to secure the Bonds specified in the Supplemental Ordinance pursuant to which such subaccount was created.

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

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

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Sinking Fund Reserve Account or any subaccount thereof, the City may cause to be deposited into any account or subaccount of the Sinking Fund Reserve Account an unconditional and irrevocable surety bond or an insurance policy payable to the Fiscal Agent for the account of the Holders of the Series of Bonds in question or an irrevocable letter of credit in an amount equal to the difference between the Sinking Fund Reserve Requirement for the related Series of Bonds and the remaining sums, if any, then on deposit in the applicable account or subaccount of the Sinking Fund Reserve Account. The surety bond, insurance policy or letter of credit (each, a "Sinking Fund Reserve Facility") shall be payable (upon the giving of notice as required thereunder) on any payment date on which moneys will be required to be withdrawn from the applicable account or subaccount of the Sinking Fund Reserve Account and applied to the payment of debt service on the related Series of Bonds and such withdrawal cannot be met by amounts on deposit in the applicable account or subaccount of the Sinking Fund Reserve Account or provided from amounts held in any other Fund under the General Ordinance that are available to pay debt service on such Series of Bonds.

The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in not lower then the second highest rating category (without regard to gradations) by Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is, at the time in question, rating Bonds Outstanding under the General Ordinance). The letter of credit issuer shall be a bank or trust company which is rated not lower than the second highest rating category (without regard to gradations) by Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is, at the time in question, rating Bonds Outstanding under the General Ordinance), and the letter of credit itself shall be rated in at least the second highest category of such Rating Agencies. If a disbursement is made pursuant to a Sinking Fund Reserve Facility provided pursuant to this subsection, the City shall be obligated either (i) to reinstate the maximum limits of such Sinking Fund Reserve Facility or (ii) to deposit into the applicable account or subaccount of the Sinking Fund Reserve Account, funds in the amount of the disbursement made under such Sinking Fund Reserve Facility, or a combination of such alternatives, as shall provide that the amount in the applicable account or subaccount of the Sinking Fund Reserve Account equals the Sinking Fund Reserve Requirement for the related Series of Bonds within a time period not longer than would be required to restore the applicable account or subaccount of the Sinking Fund Reserve Account by operation of this section and from the same source of funds as provided herein. Upon the occurrence of any reduction or suspension of any credit rating with respect to such Sinking Fund Reserve Facility (or the provider thereof) required by this section, the City shall replace the Sinking Fund Reserve Facility with a new one that meets the aforesaid rating requirements; provided however that with respect to any letter of credit that is a Sinking Fund Reserve Facility, the City may in lieu of replacing such Sinking Fund Reserve Facility, cause the Sinking Fund

Reserve Facility to be drawn upon to the full extent possible and deposit such monies in the subaccount of the Sinking Fund Reserve Account in which the Sinking Fund Reserve Facility was held. In addition, 30 days prior to the expiration date of any Sinking Fund Reserve Facility, that is a letter of credit the City shall either extend the term of such Sinking Fund Reserve Facility by at least one year or deposit cash in the face amount of the Sinking Fund Reserve Facility in question in the appropriate account or subaccount of the Sinking Fund Reserve Account in replacement of such Sinking Fund Reserve Facility, and if the City fails to take either of such actions by such date, the Fiscal Agent shall within five Business Days thereafter draw down upon the Sinking Fund Reserve Facility that is a letter of credit to the full extent possible and deposit the proceeds of such draw in the appropriate subaccount of the Sinking Fund Reserve Account.

Subordinate Obligation Fund. Subject to the third paragraph of this section, the Fiscal Agent upon direction of the Director of Finance, shall apply amounts in the Subordinate Obligation Fund to the payment of the principal of, redemption premium, if any, and interest on Subordinate Obligations and to payments due under any credit facility, qualified swap or standby agreement in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided, in the Subordinate Obligation Ordinance or Supplemental Ordinance or Determination.

At any time and from time to time the City may deposit in the Subordinate Obligation Fund for the payment of Subordinate Obligations amounts received from any source other than Project Revenues which is not inconsistent with the General Ordinance, any Supplemental Ordinance or any Subordinate Obligation Ordinance or Determination.

If at any time the amounts in the Sinking Fund shall be less than the current requirement of such fund pursuant to subparagraphs (b) and (c) of Section 4.06 of the General Ordinance and there shall not be on deposit in the Sinking Fund Reserve Account, the Aviation Operating Fund or the Renewal Fund available moneys sufficient to cure such deficiency, then the Fiscal Agent shall withdraw from the Subordinate Obligation Fund and deposit in the Sinking Fund the amount necessary (or all the moneys in said fund, if less than the amount necessary) to eliminate such deficiency.

Any moneys in the Subordinate Obligation Fund for the payment of Subordinate Obligations, unclaimed for two (2) years after the due date shall be repaid to the City but such repayment shall not discharge the obligation, if any, for which such moneys were previously held in the Subordinate Obligation Fund; provided, however, that such repayment shall not be made unless, at the time of such repayment, there shall exist no deficiency in any fund or account established under the General Ordinance, any Supplemental Ordinance or any Subordinate Obligation Ordinance.

Aviation Capital Fund. Proceeds of Bonds issued for capital purposes shall be deposited into the Aviation Capital Fund and disbursed according to established procedures of the City for purposes permitted by the Act, other applicable law and the Bonds and such other purposes as are permitted under the General Ordinance.

Renewal Fund. All amounts credited to the Renewal Fund on or after the Effective Date shall be maintained in accordance with this section. Payments from the Renewal Fund shall be made only for the following purposes: (a) to pay the cost of major repairs, renewals and replacements of Airport System facilities for purposes of meeting unforeseen contingencies and emergencies arising from the operation of the Airport System, or (b) to pay expenses chargeable as Operating Expenses if Project Revenues are insufficient, for whatever reason to cover such Operating Expenses in any Fiscal Year, (c) to pay debt service on the Bonds, or (d) to repay any loan in accordance with Section 4.05(c)(ii)(3) of the General Ordinance.

The City shall withdraw from the Renewal Fund the sum or sums necessary to make such payments and shall apply the same to such purpose. If by reason of such withdrawal or any other reason, funds on deposit in the Renewal Fund are less than the Renewal Fund Requirement, the City shall deposit in the Renewal Fund the amount of such deficiency, but only from Project Revenues as the same shall become available, by regular quarterly deposits which shall not be required to exceed the total of $500,000 in any Fiscal Year, and the availability of which shall be determined in accordance with the priorities specified in the section herein entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts."

If at any time the moneys and investments in the Renewal Fund are in excess of the Renewal Fund Requirement, the amount of such excess on order of the Director of Finance, shall be paid over by the City to the Debt Service Account of the Sinking Fund, to be used and applied as are all other moneys deposited in or on deposit therein.

Rebate Fund. The Rebate Fund shall be maintained by the City for so long as any Series of Bonds is Outstanding, and for sixty (60) days thereafter (or such other period as may be specified by the Code and applicable regulations), for the purpose of paying to the United States Treasury the amount required to be rebated pursuant to Section 148(f) of the Code. All amounts in the Rebate Fund, including income earned from investment of amounts in the Rebate Fund, shall be held by the City free and clear of the lien created by the General Ordinance.

Management of Funds and Accounts. The moneys on deposit in the funds and accounts established under the General Ordinance, to the extent not currently required, shall be invested and secured as required by Section 9 of the Act, all at the direction and under the management of the Director of Finance or such other chief fiscal officer of the City as may hereinafter be established.

Investment of Funds and Accounts. All moneys deposited in any fund or account established under the General Ordinance or under any Supplemental Ordinance may be invested by the City or by the Fiscal Agent, at the oral (confirmed in writing promptly thereafter) or written direction of the City, in any Permitted Investments (except as otherwise provided in the General Ordinance with respect to the Sinking Fund, Sinking Fund Reserve Account and Rebate Fund); provided that any investments with respect to amounts on deposit in the Sinking Fund (other than the Sinking Fund Reserve Account) shall mature or shall be subject to redemption by the holder thereof upon demand at par no later than the date when such amounts are needed for the purposes of such funds or accounts.

Interest earnings on amounts on deposit (i) in the Aviation Operating Fund shall be credited to the Aviation Operating Fund; (ii) in the Sinking Fund shall be credited to the Sinking Fund to the extent needed to meet Debt Service Requirements and additional interest earnings may be credited to the Aviation Operating Fund so long as such credit will not adversely impact the tax-exempt status of tax-exempt Bonds Outstanding under the General Ordinance; (iii) in the Sinking Fund Reserve Account shall be credited to the Sinking Fund Reserve Account to the extent needed to satisfy the Sinking Fund Reserve Requirements and additional interest earnings shall be credited to the Debt Service Account of the Sinking Fund; (iv) in the Subordinate Obligation Fund shall be credited to the Subordinate Obligation Fund to the extent needed to satisfy payment provisions for the Subordinate Obligations and additional interest earnings may be credited to the Aviation Operating Fund; (v) in the Renewal Fund, shall be credited to the Renewal Fund to the extent needed to meet the Renewal Fund Requirements and any additional interest earnings shall be credited to the Debt Service Account of the Sinking Fund; (vi) in the Aviation Capital Fund shall be credited to the appropriate account of the Aviation Capital Fund; and (vii) in the Rebate Fund shall be credited to the Rebate Fund.

Valuation of Funds and Accounts. In computing the assets of any fund or account established under the General Ordinance, investments and accrued interest thereon shall be deemed a part thereof. Such investments shall be valued on June 30 of each Fiscal Year at the lower of the cost or current market value thereof if the applicable maturity is more than one (1) year and at par if the applicable maturity is equal to or less than one (1) year plus accrued interest, or at the redemption price thereof, if then redeemable at the option of the holder; provided that investments in any reserve fund or reserve account of the Sinking Fund established pursuant to a Supplemental Ordinance may be valued as provided in the Supplemental Ordinance establishing it. The annual valuation shall apply for all purposes of the General Ordinance except if Bonds are issued or a fund deficit occurs based on the annual valuation, in which cases a valuation shall be made on the date Bonds are issued or the deficit is eliminated, as the case may be.

Covenants of City

Rate Covenant.

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

(1) The sum of:

(i) all Net Operating Expenses payable during such Fiscal Year;

(ii) 150% of the amount required to pay the Debt Service Requirements during such Fiscal Year;

(iii) the amount, if any, required to be paid into the Sinking Fund Reserve Account during such Fiscal Year; and

(iv) the amount, if any, required to be paid into the Renewal Fund during such Fiscal Year; or

(2) The sum of:

(i) all Operating Expenses payable during such Fiscal Year; and

(ii) (A) all Debt Service Requirements during such Fiscal Year (B) all debt service requirements during such Fiscal Year in respect of all outstanding General Obligation Bonds issued for improvements to the Airport System and all outstanding NSS General Obligation Bonds issued for improvements to the Airport System; (C) all debt service requirements during such Fiscal Year on Subordinate Obligations and any other subordinate indebtedness secured by any Amounts Available for Debt Service, (D) all amounts required to repay loans among funds made pursuant to Section 4.05(c) of the General Ordinance, (E) the amount, if any, required to be paid into the Sinking Fund Reserve Account or Renewal Fund during such Fiscal Year and (F) all amounts required to be paid under Exchange Agreements.

Provided, however, if (i) the written election of the City is obtained and filed with the Fiscal Agent, and (ii) so long as any Airline Agreements or the UPS Agreement is in effect, the prior written consent of the Scheduled Airlines and UPS (provided that the written consent of UPS shall be obtained only to the extent required, as determined in the sole discretion of the City) to amend the Airline Agreements is obtained, then the foregoing rate covenant shall no longer be effective, and the rate covenant in the section below entitled "Alternative Rate Covenant" shall be substituted in lieu of the foregoing for all purposes.

(b) (1) In the event that any Bonds Outstanding are, or any proposed series of Bonds, are to be

Balloon Bonds, then Debt Service Requirements on such Balloon Bonds shall be calculated for purposes of projecting compliance with this section or the section below entitled "Conditions of and Provisions Relating to Issuing Bonds", or for purposes of determining the Sinking Fund Reserve Requirement for a particular series of Balloon Bonds, whether for any period prior to or after the date of calculation, as follows:

(i) If such Balloon Bonds are not Capital Appreciation Bonds, by assuming that such Bonds will be amortized on the basis of level debt service over the Assumed Amortization Period beginning on the date on which principal on Balloon Bonds is payable and that such Bonds bear interest at the Assumed Interest Rate; and

(ii) If such Balloon Bonds are Capital Appreciation Bonds, by assuming that the Accreted Value of such Bonds at maturity is to be amortized on the basis of level principal payments over the Assumed Amortization Period.

(2) The City shall be entitled to assume, in calculating Debt Service Requirements on any Variable Rate Bonds for purposes of projecting compliance with this section or funding the Sinking Fund Reserve Account, that such Variable Rate Bonds will bear interest at a rate equal to (i) the average interest rate on the Variable Rate Bonds during the period of twenty-four (24) consecutive calendar months preceding the date of calculation or (ii) if the Variable Rate Bonds were not Outstanding during the entire twenty-four (24) month period, the average interest rate on the Variable Rate Bonds since their date of issue or (iii) such other rate as may be specified in a Supplemental Ordinance or Determination.

(3) If a series of Bonds to be issued will be Variable Rate Bonds, then for purposes of calculating the Debt Service Requirements on the proposed series of Bonds under this section or the section below entitled "Conditions of and Provisions Relating to Issuing Bonds", the rate of interest to be borne by such Variable Rate Bonds shall be deemed to be the Bond Buyer's 25 Bond Revenue Index, or any successor standard index for long-term, tax exempt, investment grade revenue bonds for a date within 90 days of the issuance of such Variable Rate Bonds.

The City represents that it has, by its Code of Ordinances, as amended, authorized the imposition of rents, rates, fees and charges by the Department of Commerce by contract, lease or otherwise sufficient from time to time to comply with the Rate Covenant and covenants with the Holders of Bonds that it will not repeal or materially adversely dilute or impair such authorization.

Operation of System

The City covenants with the Holders of all Bonds Outstanding under the General Ordinance that so long as such Bonds shall remain Outstanding it will continuously maintain the Airport System or cause the Airport System to be maintained in good condition and will continuously operate the Airport System or cause the Airport System to be operated; provided that the City may dispose of such portions of the Airport System which are no longer necessary or required for Airport purposes; and provided further that this covenant shall not apply to any portion of the Airport System assigned or conveyed pursuant to Article IX of the General Ordinance.

Conditions and Provisions Relating to Issuing Bonds

The City covenants with the Holders of all Bonds Outstanding under the General Ordinance that so long as any such Bonds shall remain Outstanding it will not issue or assume any Series of Bonds thereunder without first complying with the conditions set forth in subparagraphs (a) through (d) below and further covenants to comply with the provisions of subparagraphs (e) through (h) below:

(a) *Enactment of Supplemental Ordinance*. Prior to the issuance or assumption of any Series of Bonds (but only following the filing of the report and opinion required by Section 8 of the Act) the City shall enact a Supplemental Ordinance meeting the requirements of Section 5.04(a) of the General Ordinance.

(b) *Filing of Transcript*. Prior to the issuance or assumption of any Series of Bonds, the Director of Finance shall, in addition to the filing requirements of Section 12 of the Act, file with the Fiscal Agent a transcript of the proceedings authorizing the issuance of such Series of Bonds meeting the requirements of Section 5.04(b) of the General Ordinance.

(c) *Delivery of Consultant's Report*. Prior to the issuance or assumption of any Series of Bonds pursuant to a Supplemental Ordinance (except that no Consultant's report shall be required in the case of issuance of any Series of Bonds for the purpose of refunding another Series of Bonds so long as the City certifies in writing that the Debt Service Requirements in any year on the proposed refunding Bonds do not exceed the Debt Service Requirements in any such year on the Bonds to be refunded), the City shall cause to be filed with the Fiscal Agent a report of Consultants setting forth the qualifications of the Consultants and containing, among other things, a statement, supported by appropriate schedules and summaries, that, on the basis of historical and estimated future annual financial operations of the Aviation System from which pledged Amounts Available for Debt Service are to be derived, (1) for either the immediately preceding Fiscal Year of the City, or any period of 12 full consecutive months during the 18-month period preceding the delivery of the Consultant's report, the Aviation System yielded pledged Amounts Available for Debt Service sufficient to satisfy the Rate Covenant, (2) no deficiency exists in the Sinking Fund Reserve Account and (3) the Airport System will, in the opinion of the Consultants, yield pledged Amounts Available for Debt Service for each of the five Fiscal Years (or three Fiscal Years in the event that the Consultant is professionally unable to provide an opinion for a period in excess of three Fiscal Years) ended immediately following the issuance or assumption of the Bonds, sufficient to comply with the Rate Covenant.

(d) *Opinions of Counsel*. Upon the issuance of any Series of Bonds, the City shall cause to be filed with the Fiscal Agent (i) an opinion of Bond Counsel to the effect that (1) the Bonds have been duly issued or assumed for a permitted purpose under the Act and the General Ordinance and (2) all conditions precedent to the issuance or assumption of the Bonds pursuant to the Act and the General Ordinance have been satisfied, and (ii) an opinion of the City Solicitor to the effect that (1) all documents delivered by the City in connection with the issuance of the Bonds have been duly and validly authorized, executed and delivered, (2) such execution and delivery and all other actions taken by the City in connection with the issuance of the Bonds have been duly authorized by all necessary actions of City Council, and (3) nothing has come to their attention that would lead them to believe that an event of default under the General Ordinance has occurred, and is continuing. The Fiscal Agent may conclusively rely upon such opinions.

(e) *Execution of Documents*. The Mayor, the City Solicitor, the City Controller, the Director of Finance and such other officers of the City as may be appropriate are authorized in connection with the issuance or assumption of any Series of Bonds under the General Ordinance to prepare, execute and file on behalf of the City such statements, documents, certificates or other material as may accurately and properly reflect the financial condition of the City or other matters relevant to the issuance or payment of such Bonds and as may be required or appropriate to comply with applicable State or Federal laws or regulation.

(f) *Disposition of Proceeds*. Unless otherwise provided in the applicable Supplemental Ordinance or Determination, accrued interest on Bonds shall be deposited in the Sinking Fund, an amount sufficient to satisfy the requirements of Section 4.09 of the General Ordinance shall be deposited in the Sinking Fund Reserve Account and the balance of the proceeds of the Bonds shall be deposited in the Bond Proceeds Account of the Aviation Capital Fund and shall be disbursed therefrom, in accordance with established procedures of the City, as provided in Section 4.11 of the General Ordinance, provided, however, that if such Bonds shall be issued for the purpose of funding or refunding Bonds previously issued by the City such proceeds shall, unless otherwise directed by the Supplemental Ordinance, be deposited in a special fund or account to be established with and held by the Fiscal Agent or another entity acting as an escrow agent and invested (if appropriate) and disbursed under the direction of the Director of Finance for the purpose of retiring the Bonds being funded or refunded.

(g) *Refunding Bonds*. If the City shall, by Supplemental Ordinance, authorize the issuance of refunding Bonds pursuant to Section 10 of the Act, in the absence of specific direction or inconsistent authorization in the Supplemental Ordinance, the Director of Finance is authorized by the General Ordinance in the name and on behalf of the City to take all such action, including the irrevocable pledge of proceeds and the income and profit from the investment thereof for the payment and redemption of the refunded Bonds, bonds or notes including the publication of all required redemption notices or the giving of irrevocable instructions therefor, as may be necessary or appropriate to accomplish the funding or refunding and to comply with the requirements of Section 10 of the Act.

(h) *Subordinate Obligations*. The City may, at any time, or from time to time, issue Subordinate Obligations for any purpose permitted under the Act pursuant to a Subordinate Obligation Ordinance. Subordinate Obligations shall be payable out of, and may be secured by a security interest in and a pledge and assignment of Project Revenues; provided, however, that any such security interest in and pledge and assignment of Project Revenues and amounts on deposit in the Subordinate Obligation Fund shall be, and shall be expressed to be, subordinate in all respects to the security interest in, and pledge and assignment of the Pledged Amounts for the security of Bonds.

Delivery of Reports

The City covenants with the Holders of all Bonds Outstanding under the General Ordinance that so long as such Bonds shall remain Outstanding it will, within one hundred twenty (120) days following the close of each Fiscal Year of the City or as soon thereafter as is practicable (not exceeding one hundred fifty (150) days following the close of each Fiscal Year), file with the Fiscal Agent a report of the operation of the Airport System for such Fiscal Year, including a statement of revenue, expenses, and net revenue (in each case not inconsistent with the statement of income, expenses, and other accounts of the City audited by the City Controller) prepared by the City or its Division of Aviation in accordance with the accrual basis of accounting adjusted to meet the particular requirements of the Airline Agreements and the General Ordinance consistently applied, showing compliance with the Rate Covenant and containing any required information as to the Cost Centers prepared in accordance with the Cost Accounting System, accompanied by a certificate of the Director of Commerce that the Airport System is in good operating condition and by a certificate of the Director of Finance that as of the date of such report the City has complied with all of the covenants in the General Ordinance and in all Supplemental Ordinances on its part to be performed. Such report shall be furnished to the Fiscal Agent in such reasonable number of copies as shall be required to meet the written requests of Bondholders therefor on a first come first served basis.

Disposition of Insurance Proceeds and Proceeds from the Sale of Assets

In the event that any assets of the Airport System are destroyed or the City shall sell any assets of the Airport System (except in the event of the sale or transfer of all or substantially all of the assets of the Airport System under Section 9.01 of the General Ordinance), the City shall apply such amounts, at the direction of the Director of Finance or such other chief fiscal officer of the City as may hereinafter be established (i) to the retirement of the principal amount of debt incurred in respect to the Airport System; (ii) to the reconstruction, repair or replacement of assets of the Airport System; (iii) to the making of capital additions or improvements to the Airport System or (iv) to the deposit in one of the Aviation Funds for any other Airport System purpose; provided that, if the insurance proceeds or the proceeds from the sale of assets are less than or equal to one and five-tenths percent (1.5%) of the depreciated value of property, plant and equipment of the Airport System, as shown on the financial statements of the City for the preceding Fiscal Year, such amounts may be used for any Airport System purpose.

Bonds Not to Become Arbitrage Bonds

The City covenants for the benefit of the Bondholders that, notwithstanding any other provision of the General Ordinance or any other instrument, it will neither make nor instruct the Fiscal Agent to make any investment or other use of amounts on deposit in the funds and accounts established under the General Ordinance or other proceeds of the Bonds which would cause any Series of Bonds issued under the General Ordinance as tax-exempt to be arbitrage bonds under Section 148 of the Code and the regulations thereunder to the extent that the same are applicable at the time of such investment; it will file any reports required to be filed pursuant to the Code; and it will not take or fail to take any action so as to render any Series of Bonds issued under the General Ordinance as tax-exempt to be arbitrage bonds under Section 148 of the Code.

Prohibition Against Certain Uses of Funds; Enforcement

(a) The City covenants that while any Bonds are Outstanding under the General Ordinance, it will not direct the Fiscal Agent to transfer, loan or advance proceeds of the Bonds or Amounts Available for Debt Service from the Aviation Funds to any City account for application other than for Airport System purposes.

(b) If, on any date when a deposit is required to be made of the Project Revenues, the City fails to comply with any provision of the General Ordinance, the Fiscal Agent is authorized to and shall seek, by mandamus or other suit, action or proceeding at law or in equity, the specific enforcement or performance of the obligation of the City to cause the Project Revenues to be transferred to the Aviation Operating Fund, and still have any and all other rights and remedies of a fiscal agent under the General Ordinance, any Supplemental Ordinance, the Act or otherwise at law or in equity.

Credit Facilities, Standby Agreements and Qualified Swaps

All or any of the foregoing covenants of the City for the benefit of the Bondholders may also be for the benefit of the providers of any Credit Facility, Standby Agreement and any Qualified Swap to the extent provided in a Supplemental Ordinance or Determination.

Fiscal Agent

Fiscal Agent. The Fiscal Agent under the General Airport Revenue Bond Ordinance of 1978 or its successor, shall be Fiscal Agent as of the Effective Date for the General Ordinance. The City may appoint a successor Fiscal Agent by Supplemental Ordinance to act as Fiscal Agent under the General Ordinance, and in connection with the Bonds issued thereunder. The Fiscal Agent shall also act as depository of the Sinking Fund and the Subordinate Obligation Fund, and may act as paying agent and Bonds Registrar.

Nothing in the General Ordinance shall be construed to prevent the City, in accordance with law, from engaging other Fiscal Agents from time to time or to engage other paying agents of the Bonds or any Series thereof in addition to, or as a successor to the Fiscal Agent. Any entity appointed by the City as Fiscal Agent under the General Ordinance shall be a trust company or national or state bank having trust powers and combined capital and surplus of at least fifty million ($50,000,000) dollars and be qualified to serve pursuant to the Act. Any entity appointed by the City as Fiscal Agent under the General Ordinance as a successor to the Fiscal Agent shall assume all rights and obligations of the Fiscal Agent thereunder.

Subject to the foregoing, the proper officers of the City are authorized to enter into contracts or to confirm existing agreements governing the maintenance of funds and accounts and records, the disposal of canceled Bonds, the rights, duties, privileges and immunities of the Fiscal Agent, and such other matters as are authorized by the Act and as are customary and appropriate and to confirm the agreement of the Fiscal Agent, in its several capacities, to comply with the provisions of the Act and of the General Ordinance.

The Fiscal Agent shall keep on file a copy of each report and its accompanying certificates delivered to it pursuant to the General Ordinance for a period of ten (10) years and shall exhibit the same to, and permit the copying thereof by, any Bondholder, or his authorized representative at all reasonable times.

Resignation of Fiscal Agent. The Fiscal Agent may resign and be discharged of the duties created by the General Ordinance by written resignation filed with the Director of Finance not less than sixty (60) days before the date when such resignation is to take effect. Such resignation shall take effect on the day specified in such notice provided that a successor Fiscal Agent has been appointed and has accepted its role as Fiscal Agent. If a successor Fiscal Agent is appointed prior to the date specified in the notice, the resignation shall take effect immediately on the appointment and acceptance of such successor, and the City shall give the notices required in the following section.

Appointment of Successor Fiscal Agent. If the Fiscal Agent or any successor Fiscal Agent resigns, is replaced, or is dissolved or if its property or business is taken under the control of any state or Federal court or administrative body, a vacancy shall exist in the office of the Fiscal Agent, and the City shall appoint a successor within thirty (30) days of such vacancy and shall mail notice of such appointment to the Bondholders and to the registered depositories at their registered addresses by first class mail, postage prepaid, within thirty (30) days of such appointment. If no successor is appointed within such thirty (30) day period, the Fiscal Agent and any Bondholder may petition any court of competent jurisdiction to appoint a successor.

Defaults and Remedies

Defaults and Statutory Remedies: Notice to Bondholders. If the City shall fail or neglect to pay or to cause to be paid the principal of, redemption premium, if any, or interest on any Bond or any Series of Bonds issued under the General Ordinance, whether at stated maturity or upon call for prior redemption or if the City, after written notice to it, shall fail or neglect to make any payment owed by it as a result of a Credit Facility or Standby Agreement and secured by a parity pledge of Project Revenues entered into with respect to Bonds and the provider of the Credit Facility or Standby Agreement provides written notification to the Fiscal Agent of such failure or neglect, or if the City shall fail to comply with any provision of any Bonds or with any covenant of the City contained in the General Ordinance, then, under and subject to the terms and conditions stated in the Act, the Holder or Holders of any Bond or Bonds shall be entitled to all of the rights and remedies, including the appointment of a trustee, provided in the Act; provided, however, that the remedy provided in Section 20(b)(4) of the Act may be exercised only upon the failure of the City to pay, when due, principal and redemption price (including principal due as a result of a scheduled mandatory redemption) and interest on a Series of Bonds.

Upon the occurrence of an event of default specified in this section, or if an event occurs which could lead to a default with the passage of time and of which the Fiscal Agent has actual notice, the Fiscal Agent shall, within thirty (30) days, given written notice thereof by first-class mail to all Bondholders.

Remedies Not Exclusive; Effect of Delay in Exercise of Remedies. No remedy in the General Ordinance or in the Act conferred upon or reserved to the trustee, if any, or to the Holder of any Bond is intended to be exclusive (except as specifically provided in the Act) of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the General Ordinance or now or hereafter existing at law or in equity or by statute.

No delay or omission of a trustee, if one be appointed pursuant to Section 20 of the Act, or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Article VIII of the General Ordinance, by the Act or otherwise may be exercised from time to time, and as often as may be deemed expedient.

Remedies to be Enforced Only Against Pledged Amounts. Any decree or judgment for the payment of money against the City by reason of default under the General Ordinance shall be enforceable only against the Pledged Amounts, and no decree or judgment against the City upon an action brought under the General Ordinance shall order or be construed to permit the occupation, attachment, seizure, or sale upon execution of any other property of the City.

Conveyance of System and Assignment, Assumption and Release of Obligations

Conveyance and Assignment, Assumption and Release. Nothing in the General Ordinance shall prevent the City from conveying and assigning to a municipal authority created pursuant to the Municipality Authorities Act, 53 Pa. C. S. ch. 56, or an authority created pursuant to any other applicable statute or to another entity (the "Authority") all or substantially all (or less than substantially all, as provided below) of its right, title and interest in the Airport System and thereupon becoming released from all of its obligations under the General Ordinance, under any Supplemental Ordinance and under the Bonds and related obligations, including, but not limited to Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements, (i) if the Authority assumes in writing the City's obligations (1) to operate or cause the Airport System to be operated and to maintain or cause the Airport System to be maintained in good condition; and (2) to pay the principal, redemption premium, if any, and interest on all Outstanding Bonds and Subordinate Obligations, and all payments due under Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements entered into pursuant to the General Ordinance and then outstanding according to the terms thereof; and (ii) if the instrument of assumption provides the Bondholders or the trustee or entity serving in a similar capacity and acting on behalf of the Bondholders with the substantial equivalent of all of the rights and remedies provided in the General Ordinance and the Act; provided, however, that before the City may consummate such a conveyance and assignment and obtain a release of its obligations under the General Ordinance, under any Supplemental Ordinance and under the Bonds and related obligations, including but not limited to Credit Facilities, Standby Agreements, Qualified Swaps, and Exchange Agreements, the following conditions shall have been satisfied:

(a) the City and the Fiscal Agent shall have received an opinion of the City Solicitor substantially to the effect that the conveyance to the Authority of all or substantially all of the City's right, title and interest in the Airport System, the assignment to the Authority of the obligations of the City under the General Ordinance, any Supplemental Ordinance, the Bonds and any Subordinate Obligations to make payments of principal, redemption premium, if any, and interest on the Bonds, and the release of the City from all of its obligations under the General Ordinance, under any Supplemental Ordinance, under the Bonds or any Subordinate Obligations, and under related obligations, including, but not limited to, Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements, have been duly authorized by the City and do not violate any applicable law, ordinance, resolution or regulation of the City or any applicable court decision;

(b) the City and the Fiscal Agent shall have received an opinion of the solicitor of the Authority substantially to the effect that (i) the acquisition by the Authority of all or substantially all of the City's right, title and interest in the Airport System and the assumption by the Authority of the City's obligations under the General Ordinance, under any Supplemental Ordinance, under the Bonds, and any Subordinate Obligations to make payments of principal, redemption premium, if any, and interest on the Bonds and any Subordinate Obligations and related obligations, including, but not limited to, Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements, have been duly authorized by the Authority and do not violate any law, ordinance, resolution or regulation applicable to the Authority or any applicable court decision; (ii) the instrument under which the Authority assumes the obligations of the City under the General Ordinance, under any Supplemental Ordinance and under the Bonds, and any Subordinate Obligations to make payments of principal, redemption premium, if any, and interest on the Bonds and any Subordinate Obligations constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights; (iii) the security interest granted by the Authority pursuant to subparagraph (d) creates a valid and effective lien in favor of Holders of Bonds and security interest in the Pledged Amounts to be generated by the Airport System; and (iv) the rates and charges established by the Authority and referred to below in subparagraph (e) have been duly authorized and enacted in accordance with applicable law;

(c) the City and the Fiscal Agent shall have received an opinion of Bond Counsel substantially to the effect that (i) the conveyance of all or substantially all of the City's right, title and interest in the Airport System to the Authority; the release of the City from its obligations under the General Ordinance, under any Supplemental Ordinance and under the Bonds and any Subordinate Obligations; and the assumption by the Authority of the City's obligations under the General Ordinance, under any Supplemental Ordinance, under the Bonds and Subordinate Obligations to make payments of principal, redemption premium, if any, and interest on the Bonds and Subordinate Obligations, and under related obligations, including, but not limited to, Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements, will not have an adverse effect on the exemption of interest on any series of Bonds issued as tax-exempt Bonds; (ii) the instrument under which the Authority assumes the obligations of the City under the General Ordinance, under any Supplemental Ordinance and under the Bonds to make payments of principal, redemption premium, if any, and interest on the Bonds constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights, and (iii) the security interest granted by the Authority pursuant to subparagraph (d) creates a valid and effective lien in favor of the Holders of Bonds and security interest in the Pledged Amounts;

(d) the Authority shall, concurrently with the conveyance, assignment, assumption and release described above, grant to the trustee or entity serving in a similar capacity and acting on behalf of Bondholders a security interest in Pledged Amounts following the conveyance, assignment, assumption and release;

(e) the City and the Fiscal Agent shall have received a report of a Consultant, concluding that for each of the three (3) twelve (12) month periods following the conveyance, assignment, assumption and release described above, or for each of the three (3) fiscal years of the Authority commencing with the first full fiscal year of the Authority following the conveyance, assignment, assumption and release described above, the Airport System is projected to generate Amounts Available for Debt Service in an amount which is sufficient to enable the Authority to comply with the Rate Covenant determined in accordance with consistently applied accounting principles for each of the three twelve (12) month periods or three (3) fiscal years, as the case may be;

(f) the Authority shall have the authority, so long as Bonds remain Outstanding, to establish, and shall have established and shall have agreed to maintain rates and charges in connection with the operation of the Airport System at a level sufficient, in the opinion of a Consultant, as contained in a report filed with the Fiscal Agent, to generate Amounts Available for Debt Service in an amount which is sufficient to enable the Authority to comply with the Rate Covenant determined in accordance with consistently applied accounting principles;

(g) the Authority shall have agreed, so long as Bonds remain Outstanding, to incur or assume no parity debt payable from Amounts Available for Debt Service following the conveyance, assignment, assumption and release unless (1) in the case of debt incurred or assumed for the purpose of financing capital improvements, extensions, or expansions to the Airport System, or acquisition or assumption of such other assets for use in the operation, maintenance, and administration of the Airport System, or (2) in the case of debt incurred or assumed for the purpose of refinancing existing debt, the Authority first shall have obtained a report of a Consultant, concluding that on the basis of historical and estimated future annual financial operations of the Airport System from which Amounts Available for Debt Service are to be derived, (A) for either the immediately preceding Fiscal Year of the City, or any period of 12 full consecutive months during the 18-month period preceding the delivery of the Consultant's report, the Airport System yielded Amounts Available for Debt Service sufficient to satisfy the Rate Covenant, (B) no deficiency exists in the Sinking Fund Reserve Account and (C) the Airport System will, in the opinion of the Consultants, yield Amounts Available for Debt Service for each of the five Fiscal Years (or, if interest on all or a portion of the proposed debt is to be capitalized, following the Fiscal Year up to which interest has been capitalized on the debt or a portion thereof; provided that in the event that the Consultant is professionally unable to provide an opinion for a period in excess of three Fiscal Years, then such opinion may be for such three year period) ended immediately following the issuance or assumption of the Bonds, sufficient to comply with the Rate Covenant; provided, however, no Consultant's report is required to be delivered in the case of debt incurred or assumed for the purpose of refinancing existing debt, so long as the Authority certifies in writing that the Debt Service Requirements in any year on the proposed refinancing obligations do not exceed the Debt Service Requirements in any such year on the obligations to be refinanced. For purposes of the foregoing sentence and subparagraphs (e) and (f), the phrases "Amounts Available for Debt Service" and "Debt Service Requirements" shall have the meaning assigned in Section 2.01 of the General Ordinance with the exception that references therein to Bonds shall be deemed to include reference to Subordinate Obligations, General Obligation Bonds or NSS General Obligation Bonds which continue to be Outstanding after such transfer, additional debt of the Authority payable from revenues of the Airport System and the debt, if any, which the Authority proposes to incur or assume; and

(h) the Authority shall have agreed to incur or assume no obligation secured, or to be secured, by a pledge of Pledged Amounts senior to the pledge securing the Bonds.

In consideration of such conveyance and transfer, the Authority may finance and pay to the City compensation in an amount agreed upon between the City and Authority. Any such financing and payment of compensation to the City shall be disregarded in determining whether the Authority's instrument of assumption provides the Bondholders or the trustee or entity serving in a similar capacity on behalf of the Bondholders with the substantial equivalent of all of the rights and remedies provided in the General Ordinance and the Act.

Notwithstanding the foregoing, the City may convey to the Authority less than substantially all of its right, title and interest in the Airport System if a Consultant shall first have certified that the assets of and/or rights and interest in the Airport System which the City proposes to exclude from the conveyance to the Authority are not material to the ability of the Airport System to generate revenues following the conveyance. If less than substantially all of the assets of and/or rights and interest in the Airport System are conveyed to the Authority pursuant to this paragraph, references in the preceding paragraphs of this section to "all or substantially all of the City's right, title and interest in the Airport System" shall be deemed modified to reflect a conveyance of less than substantially all of the City's right, title and interest in the Airport System.

In connection with the conveyance to the Authority of all or substantially all of the City's right, title and interest in the Airport System, the City shall convey and assign to the Authority all amounts on deposit in the funds and accounts established under the General Ordinance, provided that any reserve funds shall be transferred as trust funds established for the benefit of the Series of Bonds for which such reserve funds were initially established. The Fiscal Agent shall take such actions as are necessary to terminate its security interest in the Project Revenues and funds and accounts established under the General Ordinance. If the City transfers less than substantially all of its right, title and interest in the Airport System then the City shall convey and assign to the Authority an amount of the balances on deposit in funds and accounts established under the General Ordinance proportionate to the amount of Bonds assumed or defeased. The City Controller shall certify the balances on deposit in the funds and accounts established under the General Ordinance as of the date of the conveyance. To the extent permitted by law, the City Controller will have the right to audit the books of any public Authority created by the City of Philadelphia pursuant to the laws of the Commonwealth of Pennsylvania, and the City Controller will be compensated by such public Authority for reasonable costs incurred in connection with the audit of such books.

Anything in the General Ordinance to the contrary notwithstanding, upon conveyance of all or substantially all of the assets of the Airport System to the Authority pursuant to Article IX of the General Ordinance, the provisions of the General Ordinance shall no longer be enforceable against the City.

Nothing contained in Article IX of the General Ordinance shall be construed to prohibit the City from conveying and assigning all or substantially all (or less than substantially all, as provided in Article IX) of its right, title and interest in the Airport System to an entity owned by private persons provided that the requirements of Article IX of the General Ordinance are otherwise satisfied.

Alternative Rate Covenant.

(a) The Authority may elect, upon conveyance of all or substantially all of the City's right, title and interest in the Airport System, to include in the resolution of the Authority the following rate covenant in lieu of the Rate Covenant contained in Article V of the General Ordinance, and such election shall state whether such election shall become effective as of the date of conveyance, or as of the first day of the immediately succeeding Fiscal Year. If such election states that it shall become effective beginning on the first day of the immediately succeeding Fiscal Year, then the Rate Covenant in Section 5.01 of the General Ordinance shall remain in effect from the date of conveyance until the last day of the Fiscal Year in which the conveyance took place.

The Authority covenants with the Bondholders that it will, at a minimum, impose, charge and collect in each Fiscal Year such rents, rates, fees and charges, together with any Amounts Available for Debt Service carried forward at the beginning of such Fiscal Year, as shall yield Amounts Available for Debt Service which shall be equal to the greater of the following amounts:

(A) the lesser of (1) The sum of: (i) all Net Operating Expenses incurred during such Fiscal Year; (ii) 150% of Debt Service Requirements payable during the Fiscal Year; (iii) the amount, if any, required to be paid into the Sinking Fund Reserve Account during such Fiscal Year; and (iv) the amount, if any, required to be paid into the Renewal Fund during the Fiscal Year, or (2) The sum of: (i) all Operating Expenses incurred during such Fiscal Year; (ii) 125% of Debt Service Requirements payable during the Fiscal Year; (iii) the amount, if any, required to be paid into the Sinking Fund Reserve Account during such Fiscal Year; and (iv) the amount, if any, required to be paid into the Renewal Fund during the Fiscal Year; or

(B) (1) The sum of: (i) all Operating Expenses incurred during such Fiscal Year, (ii) all Debt Service Requirements during such Fiscal Year, (iii) all debt service requirements during such Fiscal Year in respect of all outstanding General Obligation Bonds or NSS General Obligation Bonds issued for improvements to the Airport System; (iv) all debt service requirements during such Fiscal Year on Subordinate Obligations and any other subordinate indebtedness secured by any Amounts Available for Debt Service, (v) all amounts required to repay loans among funds made pursuant to Section 4.05(c) of the General Ordinance, (vi) the amount, if any, required to be paid into the Sinking Fund Reserve Account or Renewal Fund during such Fiscal Year and (vii) all amounts required to be paid under Exchange Agreements.

(b) Promptly upon any material change in the circumstances which were contemplated at the time such rents, rates, fees and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the Authority shall review the rents, rates, fees and charges as necessary to enable the Authority to comply with the foregoing requirements; provided that such rents, rates, fees and charges shall in any event produce moneys sufficient to enable the Authority to comply with its covenants in the resolution.

Amendments and Modifications

Amendments and Modifications. In addition to the enactment of Supplemental Ordinances supplementing or amending the General Ordinance in connection with the issuance of successive Series of Bonds, the General

Ordinance and any Supplemental Ordinance may be further supplemented, modified or amended: (a) to cure any ambiguity, formal defect or omission therein or to make such provisions in regard to matters or questions arising thereunder which shall not be inconsistent with the provisions thereof and which shall not adversely affect the interests of Bondholders; (b) to grant to or confer upon Bondholders, or a trustee, if any, for the benefit of Bondholders any additional rights, remedies, powers, authority, or security that may be lawfully granted or conferred; (c) to incorporate modifications requested by any Rating Agency or Credit Facility provider to obtain or maintain a credit rating on any Series of Bonds; (d) to comply with any mandatory provision of state or Federal law or with any permissive provision of such law or regulation which does not substantially impair the security or right to payment of the Bonds but no amendment or modification shall be made with respect to any Outstanding Bonds to alter the amount, rate or time of payment, respectively, of the principal thereof or the interest thereon or to alter the redemption provisions thereof without the written consent of the Holders of all affected Outstanding Bonds; and (e) except as aforesaid, in such other respect as may be authorized in writing by the Holders of sixty-seven percent (67%) in principal amount or Original Value in the case of Capital Appreciation Bonds of the Bonds Outstanding and affected. In the case of a Credit Facility, Standby Agreement or Qualified Swap, if and to the extent provided in the Supplemental Ordinance and Determination of Bonds related thereto, the provider thereof may be the representative of the Bondholders of such Series or portion of such Series for purposes of Bondholder consent, approval or authorization. The written authorization of Bondholders of any supplement to or modification or amendment of the General Ordinance or any Supplemental Ordinance need not approve the particular form of any proposed supplement, modification or amendment but only the substance thereof. Bonds, the payment for which has been provided for in accordance with Section 6.04 of the General Ordinance, shall be deemed to be not Outstanding.

Miscellaneous

Deposit of Funds for Payment of Bonds. When interest on, and principal or redemption price (as the case may be) of, all Bonds issued under the General Ordinance, and all amounts owed under any Credit Facility and Standby Agreement entered into under the General Ordinance, have been paid, or there shall have been deposited with the Fiscal Agent or an entity which would qualify as a Fiscal Agent under Section 7.01 thereof an amount, evidenced by moneys or Qualified Escrow Securities the principal of and interest on which, when due, will provide sufficient moneys to fully pay the Bonds at the maturity date or date fixed for redemption thereof, and all amounts owed under any Credit Facility and Standby Agreement entered into under the General Ordinance, the pledge and grant of a security interest in the Pledged Amounts under the General Ordinance shall cease and terminate, and the Fiscal Agent and any other depository of funds and accounts established thereunder shall turn over to the City or to such person, body or authority as may be entitled to receive the same all balances remaining in any funds and accounts established under the General Ordinance.

If the City deposits with the Fiscal Agent or such other qualified entity moneys or Qualified Escrow Securities sufficient to pay, together with interest thereon, the principal or redemption price of any particular Bond or Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on the Bond or Bonds shall cease to accrue on the due date and all liability of the City with respect to such Bond or Bonds shall likewise cease, except as provided in the following paragraph. Thereafter such Bond or Bonds shall be deemed not to be outstanding under the General Ordinance and shall have recourse solely and exclusively to the funds so deposited for any claims of whatsoever nature with respect to such Bond or Bonds, and the Fiscal Agent or such other qualified entity shall hold such funds in trust for such Holder or Holders.

Moneys deposited with the Fiscal Agent or such other qualified entity pursuant to the preceding paragraphs which remain unclaimed two (2) years after the date payment thereof becomes due shall, upon written request of the City, if the City is not at the time to the knowledge of the Fiscal Agent or such other qualified entity (the Fiscal Agent having no responsibility to independently investigate), in default with respect to any covenant in the General Ordinance or the Bonds contained, be paid to the City; and the Holders of the Bond for which the deposit was made shall thereafter be limited to a claim against the City; provided, however, that before making any such payment to the City, the Fiscal Agent or such other qualified entity shall, at the expense of the City, publish in a newspaper of general circulation published in Philadelphia, Pennsylvania, a notice of said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of publication of such notice, the balance of such moneys then unclaimed will be paid to the City.

This section shall not be construed to limit the procedure set forth in Section 10 of the Act for calculating the principal or redemption price of and interest on any Bonds for the purpose of ascertaining the sufficiency of revenues for the purpose of Sections 7(a)(5) and 8(a)(iii) of the Act for the purpose of determining the outstanding net debt of the City if General Obligation Bonds of the City are refunded pursuant to the Act.

No deposit of funds shall be made pursuant to Section 11.01 of the General Ordinance if, in the opinion of Bond Counsel, such action shall cause the interest on any Series of Bonds initially issued as tax exempt Bonds, to become subject to Federal income tax.

Ordinances are Contracts With Bondholders. The General Ordinance and Supplemental Ordinances adopted pursuant thereto are contracts with the Holders of all Bonds from time to time Outstanding under the General Ordinance and thereunder and shall be enforceable in accordance with the provisions thereof and the laws of Pennsylvania.

THE NINTH SUPPLEMENTAL ORDINANCE

Certain of the 2010 Bonds will be issued under and are subject to the Ninth Supplemental Ordinance which supplements the provisions of the General Ordinance. Reference is made to the Ninth Supplemental Ordinance and the General Ordinance for complete details of the terms of the 2010 Bonds. All capitalized and defined terms used in the following summary of the Ninth Supplemental Ordinance which are not otherwise defined in this Official Statement are defined as in the General Ordinance.

The Ninth Supplemental Ordinance authorizes the Mayor, the City Controller and the City Solicitor, or a majority of them (the "Bond Committee"), on behalf of the City of Philadelphia (the "City"), to borrow, by the issuance and sale of one or more series of Airport Revenue Bonds of the City (the "Bonds"). The Bonds are to be issued under and pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act"), and are to be secured by the General Ordinance. The aggregate principal amount of the Bonds shall not exceed three hundred twenty million dollars ($320,000,000) exclusive of costs of issuance (including underwriters' discount), original issue discount, capitalized interest, funding of deposits to the Sinking Fund Reserve Account and similar items, and in the event the Bonds are issued with such items, the Bond Committee is authorized to increase the aggregate principal amount of the Bonds so issued, by the amount of such items (the "Additions").

As indicated in the Ninth Supplemental Ordinance, the Bonds shall bear interest from the dated date thereof to maturity or prior redemption, if any, at prescribed fixed or variable rates (not exceeding any limitation prescribed by law) as specified or provided in the Determination. The Bonds shall contain series or subseries designations, terms and provisions (including without limitation, interest payment dates, record dates, redemption provisions, denominations, provisions for payments by wire transfer and provision for issuance of the Bonds in book entry form) as the Bond Committee shall determine to be in the best interest of the City and which are not inconsistent with the provisions of the Ninth Supplemental Ordinance, of the Act or of the General Ordinance. In connection with the issuance of the Bonds, the Bond Committee is authorized by the Ninth Supplemental Ordinance to enter into such Qualified Swaps, Exchange Agreements or similar instruments as it may determine and as are permitted by the General Ordinance.

The Ninth Supplemental Ordinance provides that the Bonds shall not pledge the credit or taxing power of the City, or create any debt, charge or lien against the tax, general revenues or property of the City other than the revenues pledged by the General Ordinance. The Bond Committee is authorized on behalf of the City to enter into agreements (the "Enhancement Agreements") with any bank, insurance company or other appropriate entity providing credit enhancement or payment or liquidity sources for the account of the City for the Bonds, including, without limitation, letters of credit, lines of credit and insurance. Such Enhancement Agreements may provide for payment or acquisition of the Bonds if the City does not pay the Bonds when due and may provide for repayment with interest to the bank or other institution from the date of such payment or acquisition. The Bond Committee is authorized, by the Ninth Supplemental Ordinance, to make all such covenants and to take any and all necessary or appropriate or other actions in connection with the consummation of the transactions contemplated by the Ninth Supplemental Ordinance.

The Ninth Supplemental Ordinance provides that the Bonds shall be issued to refund and redeem all or any portion of the outstanding City of Philadelphia, Pennsylvania, Airport Revenue Bonds, of one or more of the following series: Series 1997A, Series 1998A, Series 1998B and 2005B, (the "Refunding Project") upon such terms and in such amounts as shall be determined by the Director of Finance (the "Refunded Bonds").

The City authorizes the redemption of the Refunded Bonds in accordance with the General Ordinance. The Bond Committee or the Director of Finance and the Fiscal Agent are authorized to take all actions necessary and appropriate to effect the redemption of the Refunded Bonds, including the issuance of required notices. Furthermore, the Bond Committee or the Director of Finance is authorized to enter into an Escrow Agreement (the "Escrow Agreement") providing for the deposit and investment of all or a portion of the Bond proceeds and other available funds of the City in amounts sufficient, together with interest thereon, if any, to defease the lien of such Refunded Bonds and providing for payment of the Refunded Bonds at maturity or redemption, as applicable, including all interest payable on such Refunded Bonds to such maturity or redemption dates, as applicable.

The Bonds may have a delivery date which occurs in a fiscal year which succeeds the fiscal year in which the sale date of such Bonds occurred.

The proceeds of the Bonds required for the defeasance of obligations to be refunded or otherwise defeased, as specified in the Ninth Supplemental Ordinance, may be deposited in an escrow fund or account to be established pursuant to the Escrow Agreement.

The Ninth Supplemental Ordinance provides that the City is authorized to grant a lien and security interest in Passenger Facility Charges ("PFCs"), to the extent available, for the security and payment of the Bonds issued to refund and defease all or a portion of the 1998B Bond.

The proceeds of the sale of the Bonds shall be used to pay all "Project Costs" as such term is defined in the Act, including, but without limitation, the establishment of the sinking fund reserve required by, and other funds permitted by, the General Ordinance, and the payment of the costs of the issuance of the Bonds.

Pursuant to the Act, it is determined in the Ninth Supplemental Ordinance, based on the report of the Director of Finance filed pursuant to the Act, that the pledged Amounts Available for Debt Service will be sufficient to comply with the rate covenant contained in the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom, in the order and priority stated in the General Ordinance.

The City covenants in the Ninth Supplemental Ordinance that, so long as any Bond shall remain unpaid, it will make payments or cause payments to be made out of the Sinking Fund established pursuant to the General Ordinance or any of the other Aviation Funds available therefor, at such times and in such amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due. Prior to approval of the Ninth Supplemental Ordinance by City Council, the City delivered to the Chief Clerk of City Council an opinion of the City Solicitor to the effect, *inter alia,* that the holders of the Bonds have no claim upon the taxing power or general revenues of the City nor any lien upon any of the property of the City other than the Pledged Amounts pledged for the Bonds.

The City covenants in the Ninth Supplemental Ordinance that it will make no investment or other use of the proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended, and Treasury Regulations promulgated thereunder (the "Code"), and that the City will comply with the requirements of Section 148 of the Code throughout the term of the Bonds as more fully described in the determination of the Bond Committee. The Director of Finance is authorized to execute on behalf of the City a report of the issuance of the Bonds as required by Section 149(e) of the Code.

The Ninth Supplemental Ordinance provides, in the text of the Form of Bond included therein, that the Bonds shall be special obligations of the City payable solely from the pledged rentals, revenues and moneys and neither the credit nor the taxing power of the City is pledged for the payment of the principal of or interest on the Bonds, nor shall the Bonds be or be deemed to be a general obligation of the City. The Bonds together with all parity bonds of the City issued under the General Ordinance and all subsequent supplemental ordinances, shall be equally and ratably secured under the General Ordinance, to the extent set forth in the General Ordinance, by a pledge of

Pledged Amounts which shall include Project Revenues defined to include revenues, rents, rates, tolls or other charges imposed and moneys received by or on behalf of the City from or in connection with the ownership and operation of the Airport System (exclusive of certain revenues as described in the General Ordinance), as more fully defined in the General Ordinance, provided however, that certain passenger facility charges described in the Ninth Supplemental Ordinance which comprise a portion of Pledged Amounts are pledged to the Refunding 1998B Bond and are to be deposited directly into the Sinking Fund to pay debt service on the Refunding 1998B Bond. The City covenants, so long as the Bonds shall remain outstanding, it will pay or cause to be paid from the pledged Amounts Available for Debt Service deposited in the Sinking Fund, and other amounts available therefor, the principal of, redemption premium, if any, and interest on the Bonds as the same shall become due and payable.

The Ninth Supplemental Ordinance authorizes the Director of Finance to execute and deliver a continuing disclosure agreement relating to the Bonds, meeting the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5). The City covenants and agrees that it will comply with and carry out all of the provisions of such continuing disclosure agreement.

THE TENTH SUPPLEMENTAL ORDINANCE

Certain of the 2010 Bonds will be issued under and are subject to the Tenth Supplemental Ordinance which supplements the provisions of the General Ordinance. Reference is made to the Tenth Supplemental Ordinance and the General Ordinance for complete details of the terms of the 2010 Bonds. All capitalized and defined terms used in the following summary of the Tenth Supplemental Ordinance which are not otherwise defined in this Official Statement are defined as in the General Ordinance.

The Tenth Supplemental Ordinance authorizes the Mayor, the City Controller and the City Solicitor, or a majority of them (the "Bond Committee"), on behalf of the City of Philadelphia (the "City"), to borrow, by the issuance and sale of one or more series of Airport Revenue Bonds of the City (the "Bonds"). The Bonds are to be issued under and pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act"), and are to be secured by the General Ordinance. The aggregate principal amount of the Bonds shall not exceed Six Hundred Five Million Dollars ($605,000,000) exclusive of costs of issuance (including underwriters' discount), original issue discount, capitalized interest, funding of deposits to the Sinking Fund Reserve Account and similar items, and in the event the Bonds are issued with such items, the Bond Committee is authorized to increase the aggregate principal amount of the Bonds so issued, by the amount of such items (the "Additions").

As indicated in the Tenth Supplemental Ordinance, the Bonds shall bear interest from the dated date thereof to maturity or prior redemption, if any, at prescribed fixed or variable rates (not exceeding any limitation prescribed by law) as specified or provided in the Determination. The Bonds shall contain series or subseries designations, terms and provisions (including without limitation, interest payment dates, record dates, redemption provisions, denominations, provisions for payments by wire transfer and provision for issuance of the Bonds in book entry form) as the Bond Committee shall determine to be in the best interest of the City and which are not inconsistent with the provisions of the Tenth Supplemental Ordinance, of the Act or of the General Ordinance.

The Tenth Supplemental Ordinance provides that the Bonds shall not pledge the credit or taxing power of the City, or create any debt, charge or lien against the tax, general revenues or property of the City other than the revenues pledged by the General Ordinance. The Bond Committee is authorized on behalf of the City to enter into agreements (the "Enhancement Agreements") with any bank, insurance company or other appropriate entity providing credit enhancement or payment or liquidity sources for the account of the City for the Bonds, including, without limitation, letters of credit, lines of credit and insurance. Such Enhancement Agreements may provide for payment or acquisition of the Bonds if the City does not pay the Bonds when due and may provide for repayment with interest to the bank or other institution from the date of such payment or acquisition. The Bond Committee is authorized, by the Tenth Supplemental Ordinance, to make all such covenants and to take any and all necessary or appropriate or other actions in connection with the consummation of the transactions contemplated by the Tenth Supplemental Ordinance.

The Tenth Supplemental Ordinance provides that not more than an aggregate principal amount of Five Hundred Thirty Five Million Dollars ($535,000,000) shall be used for capital projects which consist of such capital improvements to the Airport System as may, from time to time, be included in the capital budget of the City; the construction of such other improvements to, and facilities in, the Airport System, and the acquisition, demolition or replacement of such other real property or property of a capital nature for use in the operation, maintenance and administration of the Airport System as the Director of Commerce may, from time to time, deem necessary or desirable for the prudent management of the Airport System and secure, to the extent required by the Home Rule Charter, the approval of this Council therefor; and the permanent funding of the cost, if any, of any of the foregoing projects that have been, or hereafter may be, temporarily funded by advances from other funds of the City, or by the Airlines, or by notes (including commercial paper) issued in anticipation of the issuance of the Bonds, together with interest thereon; and that not more than a principal amount of Seventy Million Dollars ($70,000,000) shall be used for refunding, defeasing or redeeming all or a portion of the Series 1998B Bonds upon such terms and in such amounts as shall be determined by the Director of Finance (the "Refunded Bonds").

The City authorizes the redemption of the Refunded Bonds in accordance with the General Ordinance. The Bond Committee or the Director of Finance and the Fiscal Agent are authorized to take all actions necessary and appropriate to effect the redemption of the Refunded Bonds, including the issuance of required notices. Furthermore, the Bond Committee or the Director of Finance is authorized to enter into an Escrow Agreement (the "Escrow Agreement") providing for the deposit and investment of all or a portion of the Bond proceeds and other available funds of the City in amounts sufficient, together with interest thereon, if any, to defease the lien of such Refunded Bonds and providing for payment of the Refunded Bonds at maturity or redemption, as applicable, including all interest payable on such Refunded Bonds to such maturity or redemption dates, as applicable.

The Bonds may have a delivery date which occurs in a fiscal year which succeeds the fiscal year in which the sale date of such Bonds occurred.

The proceeds of the Bonds required for the defeasance of obligations to be refunded or otherwise defeased, as specified in the Tenth Supplemental Ordinance, may be deposited in an escrow fund or account to be established pursuant to the Escrow Agreement.

The Tenth Supplemental Ordinance provides that the City is authorized to grant a lien and security interest in Passenger Facility Charges ("PFCs"), to the extent available, for the security and payment of the Bonds issued to refund and defease all or a portion of the 1998B Bond.

The proceeds of the sale of the Bonds shall be used to pay all "Project Costs" as such term is defined in the Act, including, but without limitation, the establishment of the sinking fund reserve required by, and other funds permitted by, the General Ordinance, and the payment of the costs of the issuance of the Bonds.

Pursuant to the Act, it is determined in the Tenth Supplemental Ordinance, based on the report of the Director of Finance filed pursuant to the Act, that the pledged Amounts Available for Debt Service will be sufficient to comply with the rate covenant contained in the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom, in the order and priority stated in the General Ordinance.

The City covenants in the Tenth Supplemental Ordinance that, so long as any Bond shall remain unpaid, it will make payments or cause payments to be made out of the Sinking Fund established pursuant to the General Ordinance or any of the other Aviation Funds available therefor, at such times and in such amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due. Prior to approval of the Tenth Supplemental Ordinance by City Council, the City delivered to the Chief Clerk of City Council an opinion of the City Solicitor to the effect, *inter alia,* that the holders of the Bonds have no claim upon the taxing power or general revenues of the City nor any lien upon any of the property of the City other than the Pledged Amounts pledged for the Bonds.

The City covenants in the Tenth Supplemental Ordinance that it will make no investment or other use of the proceeds of the tax-exempt Bonds which would cause the tax-exempt Bonds to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended, and Treasury Regulations promulgated thereunder (the "Code"), and that the City will comply with the requirements of Section 148 of the Code throughout the term of the tax-exempt Bonds as more fully described in the determination of the Bond Committee. The Director of Finance is authorized to execute on behalf of the City a report of the issuance of the Bonds as required by Section 149(e) of the Code.

The Tenth Supplemental Ordinance provides, in the text of the Form of Bond included therein, that the Bonds shall be special obligations of the City payable solely from the pledged rentals, revenues and moneys and neither the credit nor the taxing power of the City is pledged for the payment of the principal of or interest on the Bonds, nor shall the Bonds be or be deemed to be a general obligation of the City. The Bonds together with all parity bonds of the City issued under the General Ordinance and all subsequent supplemental ordinances, shall be equally and ratably secured under the General Ordinance, to the extent set forth in the General Ordinance, by a pledge of Pledged Amounts which shall include Project Revenues defined to include revenues, rents, rates, tolls or other charges imposed and moneys received by or on behalf of the City from or in connection with the ownership and operation of the Airport System (exclusive of certain revenues as described in the General Ordinance), as more fully defined in the General Ordinance, together with certain other amounts as set forth in the General Ordinance, provided, however, that certain passenger facility charges described in the Tenth Supplemental Ordinance which comprise a portion of Pledged Amounts are pledged to the Refunding 1998B Bond and are to be deposited directly into the Sinking Fund to pay debt service on the Refunding 1998B Bond. The City covenants, so long as the Bonds shall remain outstanding, it will pay or cause to be paid from the pledged Amounts Available for Debt Service deposited in the Sinking Fund, and other amounts available therefor, the principal of, redemption premium, if any, and interest on the Bonds as the same shall become due and payable.

The Tenth Supplemental Ordinance authorizes the Director of Finance to execute and deliver a continuing disclosure agreement relating to the Bonds, meeting the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5). The City covenants and agrees that it will comply with and carry out all of the provisions of such continuing disclosure agreement.

INSURANCE AND REIMBURSEMENT AGREEMENT

Below is a summary of the Insurance and Reimbursement Agreement, by and among the City, U.S. Bank National Association and Assured Guaranty Municipal Corp. All capitalized terms used in the following summary of the Insurance and Reimbursement Agreement are defined as in the Insurance and Reimbursement Agreement and may be differently referenced in other portions of this Official Statement. Capitalized terms not otherwise defined in the Insurance and Reimbursement Agreement have the meanings ascribed to such terms in the General Ordinance. This summary is in all respects subject to and qualified in its entirety by reference to the Insurance and Reimbursement Agreement in its complete form.

Certain Definitions

"*AGM Commitment*" means the Bond Insurer's Commitment to Issue a Municipal Bond Insurance Policy to insure scheduled payments of principal and interest due on the Insured Bonds.

"*Agreement*" means the Insurance and Reimbursement Agreement dated as of November 15, 2010, including any amendments or any supplements hereto as herein permitted.

"*Bond Insurer*" means Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) a financial guaranty insurance company, or any successor thereto or assignee thereof.

"*Counsel*" means nationally recognized municipal bond counsel acceptable to the Bond Insurer.

"*Insurance Policy*" means the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Bonds when due.

"*Insured Bonds*" means the $89,505,000 City of Philadelphia Airport Revenue Bonds, Series 2010A and $1,940,000 City of Philadelphia Airport Revenue Refunding Bonds, Series 2010D as more fully described in the Official Statement.

"*Issuance Date*" means the date upon which the Insurance Policy is issued.

"AGM Commitment" means the Bond Insurer's Commitment to Issue a Municipal Bond Insurance Policy to insure scheduled payments of principal and interest due on the Insured Bonds.

"Related Documents" means the Bonds, the Ordinance, Bond Committee Determination, the Bond Purchase Agreement and any other transaction document or agreement contemplated by the Bonds or this Agreement.

Covenants

In the Agreement, the City represents and warrants to, and covenants with, the Bond Insurer that:

(a) The City is organized and is duly established and existing under the laws of the Commonwealth and has approved the issuance of the Bonds.

(b) The City has the full power and authority (corporate and other) to execute and deliver the Agreement and to enter into the transactions contemplated by the Agreement and the Related Documents. The execution and delivery of the Agreement and each of the Related Documents has been duly authorized by the City, and all necessary approvals for the execution, delivery and performance by the City of the Agreement and the Related Documents have been obtained.

(c) The execution and delivery of the Agreement and each of the Related Documents, the consummation of the transactions contemplated thereby and the fulfillment of or compliance with the terms and conditions of the Agreement and each Related Document by the City do not conflict with or result in any material breach or violation of any of the terms, conditions or provisions of any applicable laws, including regulations, or any material agreement or instrument to which the City is now a party or by which it is bound, or constitute a default under any of the foregoing which default would materially and adversely affect the consummation of the transactions contemplated and by the terms of the Related Documents.

(d) The Agreement and each Related Document to which the City is a party, when executed and delivered by the City, assuming the due authorization, execution and delivery by the other parties thereto, will constitute the legal, valid and binding obligations of the City, enforceable against the City in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equitable principles.

(e) The City covenants and agrees to take such action or cause such action to be taken (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Pledged Amounts (excluding PFCs which are pledged under Section 4.02 of the Ordinance) under applicable law.

(f) The City shall provide or cause to be provided to the Bond Insurer at or prior to the disbursement of the proceeds of the Bonds by the City (i) conformed copies of the Agreement and (ii) such opinions of legal counsel evidencing necessary or appropriate corporate action by the City, and other documents as may reasonably be requested by the Bond Insurer, including documents evidencing any required approvals of the transactions contemplated to be undertaken by the City under the Agreement.

The Fiscal Agent represents and warrants to, and covenants with, the Bond Insurer that:

(a) The Fiscal Agent is organized and is duly established and existing under the laws of the United States of America and is authorized under the laws of the Commonwealth to act as fiscal agent under the Ordinance.

(b) The Fiscal Agent has the full power and authority (corporate and other) to execute and deliver the Agreement and to enter into the transactions contemplated by the Agreement and the Related Documents to which it is a party. The execution and delivery of the Agreement and each of the Related Documents to which it is a party has been duly authorized by the Fiscal Agent, and all necessary approvals for the execution, delivery and performance by the Fiscal Agent of the Agreement and the Related Documents have been obtained.

(c) The Agreement and each Related Document to which the Fiscal Agent is a party, when executed and delivered by the Fiscal Agent, assuming the due authorization, execution and delivery by the other parties thereto, will constitute the legal, valid and binding obligations of the Fiscal Agent, enforceable against the Fiscal Agent in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equitable principles.

(d) The Fiscal Agent covenants and agrees to take such action or cause such action to be taken (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Pledged Amounts (excluding PFCs which are pledged under Section 4.02 of the Ordinance) under applicable law.

Provisions Relating to Bond Insurance

The prior written consent of the Bond Insurer is a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Parity Sinking Fund Reserve Account for the Insured Bonds. Notwithstanding anything to the contrary set forth in the Ordinance, amounts on deposit in the Parity Sinking Fund Reserve Account shall be applied solely to the payment of debt service due on the Bonds and other bonds payable from the Parity Sinking Fund Reserve Account.

The Bond Insurer is deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Bonds are entitled to take pursuant to the Ordinance with respect to (i) defaults and remedies and (ii) the duties and obligations of the Fiscal Agent. Remedies granted to the Bondholders shall expressly include mandamus.

The maturity of Insured Bonds shall not be accelerated without the consent of the Bond Insurer and in the event the maturity of the Insured Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the City) and the Fiscal Agent shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Insurance Policy with respect to such Insured Bonds shall be fully discharged.

No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Bond Insurer. The Bond Insurer shall be included as a third party beneficiary to the Ordinance.

The exercise of any provision of the Ordinance which permits the purchase of Insured Bonds in lieu of redemption shall require the prior written approval of the Bond Insurer if any Insured Bond so purchased is not cancelled upon purchase. Any amendment, supplement, modification to, or waiver of, the Ordinance or any other Related Document, that requires the consent of Bondowners or adversely affects the rights and interests of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer. Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Aviation Capital Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Insured Bonds.

To accomplish defeasance, the City shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Ordinance and (iv) a certificate of discharge of the Fiscal Agent with respect to the Insured Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City, Fiscal Agent and Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow. Insured Bonds shall be deemed "Outstanding" under the Ordinance unless and until they are in fact paid and retired or the above criteria are met. Amounts paid by the Bond Insurer under the Insurance Policy shall not be deemed paid for purposes of the Ordinance and the Insured Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the City in accordance with the Ordinance. The Ordinance shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

Upon payment of a claim under the Insurance Policy, the Fiscal Agent shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Fiscal Agent shall have exclusive control and sole right of withdrawal. The Fiscal Agent shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Fiscal Agent to Bondholders in the same manner as principal and interest payments are to be made with respect to the Insured Bonds under the sections in the Ordinance regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the City agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Bond Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The City agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Pledged Amounts (excluding PFCs which are pledged under Section 4.02 of the Ordinance) and payable from such Pledged Amounts on a parity with debt service due on the Insured Bonds.

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

The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the City to the Bond Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

The City shall pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses that the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Documents; (ii) the pursuit of any remedies under the Ordinance or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Ordinance or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Ordinance or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Bond Insurer to honor its obligations under the Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Ordinance or any other Related Document. After payment of reasonable expenses of the Fiscal Agent, the application of funds realized upon default shall be applied to the payment of expenses of the City or rebate only after the payment of past due and current debt service on the Insured Bonds and amounts required to restore the Parity Sinking Fund Reserve Account to the Sinking Fund Reserve Requirement.

AIRLINE AGREEMENTS

Below is a summary of the Airline Agreements which the City has entered into with each of the Signatory Airlines accounting for substantially all of the landed weight at the Airport. This summary is in all respects subject to and qualified in its entirety by reference to the summarized agreement in its complete form.

Term

The Agreement commenced on July 1, 2007 and shall terminate on June 30, 2011.

Use of Airport

All of the gates are being leased on a preferential-use basis or a common use basis. The Agreement grants to the Signatory Airlines the use, in common with others, of the Airport and appurtenances, including the Terminal Buildings, the Ramp Area and the Airfield for the purpose of operating an Air Transportation Business and related facilities, equipment and improvements for the carriage of persons, property, baggage cargo and mail.

Each airline was provided with and agreed to Exhibits to the Agreement (Exhibits B and C) setting for the overall leased premises and the specific leased premises of each signatory airline.

The Signatory Airlines have the right to provide ground handling services.

Airline Requirements

The Signatory Airlines are required to meet certain insurance, environmental and security standards that are consistent with the provisions contained in large hub airport use and lease agreements across the country.

Accommodation of New Entrant Airlines

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

If the requesting airline's operations cannot be accommodated at a Signatory Airline's preferential-use premises, the Airline Agreement also provides for the reallocation of leased gates and other terminal areas to provide facilities for lease to a requesting airline or for additional common-use gates. The City may reallocate a portion of any Signatory Airline's leased premises according to specified procedures if such Signatory Airline does not maintain certain minimum use requirements. The minimum use requirement ranges between 4.25 departures per gate per day for a Signatory Airline leasing only one gate to 5.75 departures per gate per day for Signatory Airlines leasing four or more gates.

Cost Centers

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

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

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

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

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

Outside Terminal Area. Parking revenues and other revenues generated by or allocable to the Outside Terminal Area (OTA) cost center historically were excluded from Project Revenues. Effective July 1, 2007, all such revenues are pledged as Project Revenues. OTA revenues comprise net parking revenues, certain rental car revenues, certain ground transportation revenues, and revenues from a hotel.

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

Adjustment of Rentals, Fees, and Charges

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

Landing Fee Rates. Signatory Airline Landing Fees are calculated according to a multiple cost-center residual methodology to recover the net costs of the Airfield Area, Other Buildings and Areas, and Northeast Philadelphia Airport cost centers. The Airfield Area Requirement is calculated by summing all estimated debt service requirements, operating expenses, and fund requirements allocable to the three cost centers and deducting (1) all estimated revenues for the three cost centers from sources other than Landing Fees, (2) any Airline Revenue Allocation, equal to 50% of any net revenues of the OTA cost center in excess of $7.0 million from the prior Fiscal Year, and (3) 2% of the operating costs of the Airfield Area included in Ramp Area Rentals. The residual amount is divided by the landed weight of the Signatory Airlines to derive the required airline Landing Fee rate per 1,000 pounds of landed weight.

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

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

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

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

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

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

Majority-in-Interest Approval of Capital Expenditures

Under the Airline Agreement, Capital Expenditures are deemed approved by the Signatory Airlines unless they are specifically disapproved by a Majority-in-Interest. For projects affecting Terminal Area rentals, fees, and charges, Majority-in-Interest is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of the passengers enplaned at the Airport during the preceding calendar year. For projects affecting Airfield Area fees and charges, Majority-in-Interest is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of landed weight at the Airport during the preceding calendar year. Majority-in-Interest approval obligates the Signatory Airlines to pay rentals, fees, and charges as required to enable the City to comply with the Rate Covenant.

Default Provisions

The Agreement provides for an event of default if a Signatory Airline abandons its space for a period of fifteen days.

The Agreement provides for a ten day notice and cure period for monetary defaults and a thirty day notice period for non-monetary defaults.

APPENDIX V

CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA

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APPENDIX V

THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

The City was incorporated in 1789 by an Act of the General Assembly of the Commonwealth of Pennsylvania (the "Commonwealth") (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1684). In 1854, the General Assembly, 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 currently in effect, there are 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.

Government Services

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

Local Government Agencies

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

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

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

The Philadelphia Municipal Authority (formerly The Equipment Leasing Authority of Philadelphia) ("PMA") was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA's powers have been expanded to include, without limitation, the construction and leasing of municipal solid waste disposal facilities, correctional facilities, and other municipal buildings.

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

The Hospitals and Higher Education Facilities Authority of Philadelphia (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. The Pennsylvania Convention Center is owned by the Commonwealth and leased to the Convention Center Authority. The Commonwealth, the City and the Convention Center Authority have entered into an operating agreement with respect to the operation and financing of the Pennsylvania Convention Center. The Convention Center Authority is currently undertaking an expansion of the Pennsylvania Convention Center.

School District

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

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

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. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place; and PICA is required to certify non-compliance with an approved five-year plan if the City has failed to file mandatory revisions to an approved five-year plan. Under the PICA Act, any such certification of non-compliance would require the Secretary of the Budget of the Commonwealth to withhold payments due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payment of the portion of the PICA Tax, hereinafter described, otherwise payable to the City). See "Source of Payment of PICA Bonds" below.

PICA has previously issued eleven series of bonds. Two series of bonds remain outstanding: (i) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009 issued in the original aggregate principal amount of $354,925,000 and (ii) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010 in the original principal amount of $206,960,000.

The proceeds of the previous series of bonds issued by PICA were used (a) to make grants to the City to fund General Fund deficits of the City, to fund the costs of certain capital projects undertaken by the City, to provide other financial assistance to the City to enhance productivity in the operation of City government, and to defease certain general obligation bonds of the City, (b) to refund other bonds of PICA and (c) to pay costs of issuance.

As of the close of business on June 30, 2010, the principal amount of PICA bonds outstanding was $533,945,000.

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 PICA Tax of 1.5% tax on wages, earnings and net profits of City residents (the "PICA Tax"). Proceeds of the PICA Tax are solely the property of PICA. The PICA Tax, collected by the City's Department of Revenue, is deposited in the "Pennsylvania Intergovernmental Cooperation Authority Tax Fund" (the "PICA Tax Fund") of which the State Treasurer is custodian. The PICA Tax Fund is not subject to appropriation by City Council or the General Assembly of the Commonwealth.

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

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

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

The total amount of PICA Tax remitted to PICA by the State Treasurer (which is net of the costs of the State Treasurer in collecting the PICA Tax) for each of the Fiscal Years 2001 through 2009, the current estimate for Fiscal Year 2010, and current estimate for Fiscal Year 2011, are set forth below:

Year	Amount
2001	$ 273.6 million
2002	278.0 million
2003	281.5 million
2004	285.0 million
2005	300.2 million
2006	309.9 million
2007	327.9 million
2008	341.8 million
2009	348.5 million
2010 (Current Estimate)	354.3 million
2011 (Current Estimate)	361.9 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, 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 Mayor presented the Seventeenth Five-Year Plan (the "Seventeenth Five-Year Plan") to City Council on February 14, 2008. City Council approved the Fiscal Year 2009 Budget and the revised Fiscal Years 2009-2013 Five-Year Plan on May 22, 2008. The Mayor signed the budget into law on May 22, 2008. The Seventeenth Five-Year Plan was approved by PICA on June 17, 2008.

The Mayor presented the Eighteenth Five-Year Plan (the "Eighteenth Five-Year Plan") to City Council on March 19, 2009. City Council reviewed the Fiscal Year 2010 Operating Budget and Eighteenth Five-Year Plan on March 25, 2009. City Council approved the Fiscal Year 2010 Budget on May 21, 2009, and the Mayor signed it on May 27, 2009. The City submitted the revised Eighteenth Five-Year Plan to PICA in June 2009 for PICA's approval. The Eighteenth Five-Year Plan included a one percent City Sales Tax increase through Fiscal Year 2014. Additionally, the Eighteenth Five-Year Plan assumed a partial deferral of the City's pension payment in Fiscal Year 2010 ($150 million) and Fiscal Year 2011 ($80 million) to be paid back by Fiscal Year 2014. In addition to the deferral, the City changed the amortization period from 20 years to 30 years and lowered the interest rate assumption from 8.75 percent to 8.25 percent.

PICA's Board approved the City's Eighteenth Five-Year Plan on July 21, 2009 with several conditions, including that the Eighteenth Five-Year Plan would be deemed disapproved if (i) the General Assembly of the Commonwealth failed to enact legislation authorizing the City to increase the City's sales tax and change the City's pension fund payments by August 15, 2009 or such earlier date that the General Assembly recessed for the summer, or (ii) the City failed to provide PICA by August 20, 2009 with a list of items that could generate at least $25 million in additional savings or recurring revenues in each year of the Eighteenth Five-Year Plan. If either of the conditions referred to above were not met, the City would be required to submit a revised Eighteenth Five-Year Plan within 15 days of the deemed disapproval. The City prepared the information required in clause (ii) and submitted it to PICA on August 20, 2009. In addition, on September 1, 2009, the City formally submitted a revised Five-Year Plan for Fiscal Years 2010 through 2014. PICA approved the revised Eighteenth Five-Year Plan on September 16, 2009, subject to the enactment of the legislation authorizing the increase in the City's sales tax and change in the City's pension fund payments. The Commonwealth enacted such legislation on September 18, 2009.

The Mayor presented the Nineteenth Five-Year Plan (the "Nineteenth Five-Year Plan") to City Council on March 4, 2010. City Council reviewed the Fiscal Year 2011 Operating Budget and Nineteenth Five-Year Plan on March 10, 2010. City Council approved the Fiscal Year 2011 Budget on May 20, 2010, and the Mayor signed it on June 1, 2010. The Nineteenth Five-Year Plan was approved by PICA on August 10, 2010. The Nineteenth Five-Year Plan includes a 9.9 percent Real Estate Tax increase through Fiscal Year 2012, which is estimated to generate $94.4 million in Fiscal Year 2011, and a new tax on smokeless tobacco products, which is estimated to generate $4 million in Fiscal Year 2011.

CITY FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the City's Comprehensive Annual Financial Report and Notes therein.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City of Philadelphia contained in the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2009 (the "Fiscal Year 2009 Comprehensive Annual Financial Report").

The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the Fiscal Year 2009 Comprehensive Annual Financial Report.

Principal Operations

The major operations of the City are conducted through the General Fund. In addition to the General Fund, operations of the City are conducted through two other major governmental funds and 12 minor governmental funds. The two major governmental funds and three of the minor governmental funds are financed solely through grants from the Commonwealth and Federal government. The City's Debt Service Fund and Capital Projects Fund are also included with the minor governmental funds.

Fund Accounting

Funds are groupings of activities that enable the City to maintain control over resources that have been segregated for particular purposes or objectives. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

<u>Governmental Funds</u>. The governmental funds are used to account for the financial activity of the City's basic services, such as: general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; and streets, highways and sanitation. The funds' financial activities focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. The financial information presented for the governmental funds is useful in evaluating the City's short term financing requirements.

The City maintains twenty-three individual governmental funds. The City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2009), presents data separately for the General Fund, Grants Revenue Fund and Health Choices Behavioral Health Fund, which are considered to be major funds. Data for the remaining twenty funds are combined into a single aggregated presentation.

<u>Proprietary Funds</u>. The proprietary funds are used to account for the financial activity of the City's operations for which customers are charged a user fee; they provide both a long and short-term view of financial information. The City maintains three enterprise funds that are a type of proprietary funds - airport, water and wastewater operations, and industrial land bank.

<u>Fiduciary Funds</u>. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported

in the City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2009), as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

Basis of Accounting and Measurement Focus

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

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

Revenue that is considered to be program revenue includes: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program specific revenues; therefore, all taxes are considered general revenues.

The City's financial statements reflect the following three funds as major Governmental Funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

- The Health Choices Behavioral Health Fund accounts for resources received from the Commonwealth. These resources are restricted to providing managed behavioral health care to residents of the City.

- The Grants Revenue Fund accounts for the resources received from various federal, state and private grantor agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

The City also reports on Permanent Funds, which are used to account for resources legally held in trust for use by the park and library systems of the City. There are legal restrictions on the resources of the funds that require the principal to remain intact, while only the earnings may be used for the programs.

The City reports on the following Fiduciary Funds:

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.

- The Philadelphia Gas Works Retirement Reserve Fund accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its noncontributory pension plan.

The City reports on the following major Proprietary Funds:

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

- The Aviation Fund accounts for the activities of the City's airports.

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

Legal Compliance

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

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

The City's capital budget is adopted annually by City Council. The capital budget is appropriated by project for each department. Requests to transfer appropriations between projects must be approved by City Council. Any appropriations that are not obligated at year-end are either lapsed or carried forward to the next fiscal year.

Schedules prepared on the legally enacted basis differ from the GAAP basis in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures.

Budget Procedure

At least ninety days before the end of the Fiscal Year the operating budget for the next Fiscal Year is prepared by the Mayor and must be submitted to City Council for adoption. The budget, as adopted, must be balanced and provide for discharging any estimated deficit from the current Fiscal Year and make appropriations for all items to be funded with City revenues. The Mayor's budgetary estimates of revenues for the ensuing Fiscal Year and projection of surplus or deficit for the current Fiscal Year may not be altered by City Council. Not later than the passage of the operating budget ordinance, City Council must enact such revenue measures as will, in the opinion of the Mayor, yield sufficient revenues to balance the budget.

At least thirty days before the end of each Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing years. If the Mayor disapproves the bill, he must return it to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives it. If the Mayor does not return the ordinance within the time required, it becomes law without his approval. If City Council passes the bill by a vote of two-thirds of all of its members within seven days after the bill has been returned with the Mayor's disapproval, it becomes law without his approval. The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, Federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. See Table 11 for a summary of the City's capital improvement program for the Fiscal Years 2011 through 2016.

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

Awards

For the twenty-ninth consecutive year, the Government Finance Officers Association of the United States and Canada 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, 2008. 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.

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CITY CASH MANAGEMENT AND INVESTMENT POLICIES

Consolidated Cash

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

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

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

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

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

Investment Practices

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and make investments that preserve principal while striving to obtain the maximum rate of return. In accordance with the Home Rule Charter, the City Treasurer is the City Official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional money managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to Revenue Bonds for Water and Sewer and the Airport are directly deposited and held separately in trust. A Fiscal Agent manages these cash balances per the related bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy. In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with Federal or State reporting.

Investment guidelines for the City are embodied in legislation approved by City Council appearing in the Philadelphia City Code, Chapter 19. In furtherance of the City, State, and Federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that first went into effect in August 1994 and most recently was revised in April 2001. The Policy supplements other legal requirements and establishes a comprehensive investment policy for the overall administration and effective management of all monetary funds (except the Municipal Pension Fund and PGW Retirement Reserve Fund). Revisions to the Policy are currently being considered.

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, Collateralized 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 the City or money managers in accordance with the Policy.

The Policy provides for an ad hoc Investment Committee consisting of the Director of Finance, the City Treasurer and the Deputy City Treasurer with ex-officio membership of a representative of each of the principal operating and capital funds, i.e., Water Fund, Aviation Fund, 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. The Investment Committee approves all modifications to the Policy.

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. The City currently makes no investments in derivatives.

General Fund Cash Flow

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

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

The City issued $285 million of Tax and Revenue Anticipation Notes in July 2010 . These notes will be repaid on June 30, 2011.

DISCUSSION OF FINANCIAL OPERATIONS

Fiscal Year 2010 Adopted Budget

The City's Fiscal Year 2010 budget was presented to City Council on March 19, 2009, was approved by City Council on May 21, 2009, and signed by the Mayor on May 27, 2009. The budget projected estimated revenues of $3.815 billion, obligations of $3.694 billion and an ending fund balance of $85.3 million after discharging the Fiscal Year 2009 fund balance deficit on the legally enacted basis. The budget included a 1 percent City Sales Tax increase which was estimated to yield $97 million in Fiscal

Year 2010 increasing to an estimated $121 million in Fiscal Year 2014. The Sales Tax increase became effective on October 8, 2009.

Fiscal Year 2010 Current Estimate

With the delay in Commonwealth approval of the temporary Sales Tax increase, reduced child welfare funding, revisions to the pension amortization schedule and other reductions and delays in implementation of revenue initiatives, the City revised the Fiscal Year 2010 budget and Eighteenth Five-Year Plan and submitted the revision to PICA on September 1, 2009. PICA approved the revised Eighteenth Five-Year Plan on September 16, 2009. The revised Fiscal Year 2010 estimate projects revenues of $3.789 billion, obligations of $3.727 billion and an ending fund balance on the legally enacted basis of negative $51.7 million.

Fiscal Year 2011 Adopted Budget

The City's Fiscal Year 2011 budget was presented to City Council on March 4, 2010, was approved by City Council on May 20, 2010, and signed by the Mayor on June 1, 2010. The budget projects estimated revenues of $3.909 billion, obligations of $3.853 billion, an operating surplus of $80.5 million and an ending fund balance of $42.6 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis. The budget includes a 9.9 percent Real Estate Tax increase which is estimated to yield $86 million and a new tax on smokeless tobacco products which is estimated to generate $4.0 million in Fiscal Year 2011. The Nineteenth Five-Year Plan was approved by PICA on August 10, 2010.

Fiscal Year 2011 Current Estimate

Revenues continue to be variable since the Fiscal Year 2011 budget was adopted. Fiscal Year 2011 revenues have been adjusted for lower than anticipated collections for Real Estate Taxes, Real Property Transfer Taxes, and Business Privilege Taxes. These lower collections are partially off-set by higher than projected tax collections for Sales Taxes and Wage Taxes. The Administration will be reducing Fiscal Year 2011 departmental spending by $47.0 million to ensure healthy cash and fund balances. The revised estimate projects revenues of $3.849 billion, obligations of $3.789 billion, an operating surplus of $85.6 million, and an ending fund balance of $34.0 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis.

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

	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Current Estimate 2010	Current Estimate 2011
REVENUES								
Real Property Taxes[a]	377.7	392.7	395.8	397.5	402.8	400.1	398.9	491.4
Wage and Earnings Tax	1,049.6	1,073.6	1,111.2	1,167.4	1,184.8	1,117.0	1,122.6	1,131.6
Net Profits Tax	13.0	13.7	14.6	15.3	12.5	12.2	13.7	11.9
Business Privilege Tax	309.2	379.5	415.5	436.4	398.8	386.0	358.2	350.7
Sales Tax[b]	108.0	119.9	127.8	132.6	137.3	128.2	205.3	241.8
Other Taxes[c]	202.2	250.9	304.1	286.7	260.3	209.3	236.4	218.9
Total Taxes	2,059.7	2,230.3	2,369.0	2,435.9	2,396.5	2,252.8	2,335.1	2,446.3
Locally Generated Non-Tax Revenue	207.4	200.9	235.9	247.9	265.8	256.3	247.3	269.3
Revenue from Other Governments	801.1	1,054.6	924.5	1,032.9	1,033.4	993.4	1,169.7	1,080.3
Receipts from Other City Funds	24.7	26.3	24.9	27.4	27.2	135.4	36.5	53.3
Total Revenue	3,092.9	3,512.1	3,554.3	3,744.1	3,722.8	3,637.9	3,788.6	3,849.2
OBLIGATIONS/ APPROPRIATIONS								
Personnel Services	1,278.3	1,243.5	1,250.2	1,327.6	1,390.7	1,406.3	1,381.3	1,344.4
Purchase of Services	1,050.3	1,090.1	1,065.7	1,151.6	1,188.7	1,174.2	1,133.2	1,140.2
Materials, Supplies and Equipment	70.6	71.5	82.1	89.1	92.1	82.7	75.4	76.0
Employee Benefits	598.9	704.7	760.2	890.3	983.0	973.2	848.2	964.9
Indemnities, Contributions and Grants	95.1	113.5	110.9	119.0	120.9	130.0	128.1	113.2
City Debt Service	93.7	89.7	82.9	89.1	87.2	100.9	107.9	121.4
Other	32.0	36.7	38.6	31.2	32.3	22.7	25.0	0.0
Payments to Other City Funds	29.1	36.6	35.4	38.7	24.8	25.3	28.5	27.9
Total Obligations/Appropriations	3,248.0	3,386.3	3,426.0	3,736.6	3,919.8	3,915.3	3,727.6	3,788.1
Operating Surplus (Deficit) for the Year	(155.4)	125.8	128.2	7.5	(197.0)	(277.4)	61.0	61.1
Net Adjustments – Prior Year	17.3	17.2	30.1	35.9	18.6	20.7	24.5	24.5
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	91.3	(46.8)	96.2	254.5	297.9	119.5	(137.2)	(51.7)
Cumulative Adjusted Year End Fund Balance (Deficit)	(46.8)	96.2	254.5	297.9	119.5	(137.2)	(51.7)	34.0

(a) Adopted Budget 2011 reflects a 9.9 percent increase.
(b) Reflects one percent increase effective October 8, 2009.
(c) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.

FIGURES MAY NOT ADD UP DUE TO ROUNDING.

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

	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Current Estimate 2010	Current Estimate 2011
REVENUES								
General Fund	3,092.8	3,512.1	3,554.3	3,744.1	3,722.8	3,637.9	3,788.6	3,849.2
Water Fund[a]	438.3	451.4	490.3	519.7	589.7	543.5	574.7	610.9
Aviation Fund[b]	241.4	249.0	271.5	268.6	287.9	294.1	296.7	370.2
Other Operating Funds[c]	39.0	38.6	41.9	44.9	113.2	49.5	49.6	51.9
Total Revenue	3,811.5	4,251.1	4,358.0	4,577.3	4,713.6	4,525.0	4,709.7	4,882.1
OBLIGATIONS/APPROPRIATIONS								
Personnel Services	1,444.7	1,409.0	1,412.9	1,498.2	1,568.9	1,579.0	1,556.9	1,527.7
Purchase of Services	1,197.0	1,250.0	1,233.5	1,328.5	1,441.4	1,369.2	1,359.2	1,395.4
Materials, Supplies and Equipment	119.2	121.9	136.2	145.9	151.1	140.7	145.6	154.8
Employee Benefits	662.1	784.9	845.3	990.1	1,095.8	1,091.4	941.0	1,086.8
Indemnities, Contributions and Taxes	99.7	117.3	116.5	122.6	127.1	135.9	153.2	125.9
Debt Service[d]	344.6	336.8	337.6	348.8	346.7	384.8	401.4	437.7
Other	32.0	36.7	38.6	31.2	32.3	22.7	25.0	0.0
Payments to Other City Funds	95.5	97.0	119.4	144.9	154.7	88.1	122.1	124.9
Total Obligations/Appropriations	3,994.8	4,153.6	4,240.0	4,610.2	4,917.9	4,811.8	4,704.4	4,853.2
Operating Surplus (Deficit) for the Year	(183.4)	97.5	118.0	(32.8)	(204.3)	(286.8)	5.3	28.9
Net Adjustments Prior Year	41.0	45.8	60.6	69.6	51.0	41.8	56.7	53.7
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance (Deficit) Prior Year End	132.0	(10.4)	132.9	311.5	348.3	236.8	(50.0)	12.0
Cumulative Adjusted Year End Fund Balance (Deficit)	(10.4)	132.9	311.5	348.3	195.0	(50.0)	12.0	94.6

(a) Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of $4,994,000 per year, provided certain further conditions are satisfied. From Fiscal Year 1991 to Fiscal Year 2003, the maximum transfer, per administrative agreement, was $4,138,000. For Fiscal Year 2004, the budgeted transfer was not made. For Fiscal Year 2005, the transferred amount was $4,401,000. For Fiscal Year 2006, 2007 and 2008, the transferred amount was $4,994,000. For Fiscal Year 2009, the transferred amount was $4,185,463. The current estimate for Fiscal Year 2010 is $2,025,000. The adopted Budget amount for Fiscal Year 2011 is $3,004,000.

(b) Airport revenues are not available for other City purposes.

(c) Includes County Liquid Fuels Tax Fund, Special Gasoline Tax Fund and Water Residual Fund.

(d) Excludes PICA bonds.

FIGURES MAY NOT ADD UP 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) provides a written explanation of the variance that PICA deems reasonable; (ii) proposes remedial action that PICA believes will restore overall compliance with the then-current Five-Year Plan; (iii) provides information in the immediately succeeding quarterly financial report demonstrating to the reasonable satisfaction of PICA that the City is taking remedial action and otherwise complying with the then-current Five-Year Plan; and (iv) submits monthly supplemental reports as required by the PICA Act.

On February 20, 2009, based on results as reported in the December 31, 2008 Quarterly City Managers Report for December 31, 2008, PICA informed the City that a variance had been declared as defined in Section 4.10(a) of the Intergovernmental Cooperation Agreement. The City provided monthly information to PICA as requested. PICA agreed to accept the submission of the Eighteenth Five-Year Plan as the City's proposed remedial action to address the variance. The City revised the Eighteenth Five-Year Plan and submitted it to PICA on September 1, 2009. On September 16, 2009, PICA approved the plan. The variance has been removed.

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

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 2001-2011 and Table 4 for General Fund tax revenues for Fiscal Years 2004-2011. The following description does not take into account revenues in the Non-Debt Related Funds. The tax rates for Fiscal Years 2000 through 2009 are contained in the Fiscal Year 2009 Comprehensive Annual Financial Report.

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

In Fiscal Year 1992, the City reduced the City wage, earnings, and net profits tax on City residents by 1.5% and imposed the PICA Tax on wages, earnings and net profits at the rate of 1.5% on City residents. The table below sets forth the resident and non-resident wage and earnings tax rates for Fiscal Years 2001-2011, and the annual wage and earnings tax receipts in Fiscal Years 2001-2009 and the estimated receipts in Fiscal Year 2010 and current estimate for Fiscal Year 2011.

Fiscal Year	Resident Wage and Earnings Tax Rates*	Non-Resident Wage and Earnings Tax Rates	Annual Wage and Earnings Tax Receipts (including PICA Tax) (Amounts in Millions)
2001	4.5635%	3.9672%	$1,332.6
2002	4.5385	3.9462	1,297.3
2003	4.5000	3.9127	1,306.6
2004	4.4625	3.8801	1,347.6
2005	4.3310	3.8197	1,387.5
2006	4.3010	3.7716	1,435.6
2007	4.2600	3.7557	1,510.6
2008	4.2190	3.7242	1,527.5
2009**	3.9800 (July 1)	3.5392 (July 1)	1,477.8
	3.9300 (January 1)	3.5000 (January 1)	
2010	3.9296	3.4997	1,490.5 (Current Estimate)
2011	3.9280	3.4985	1,505.4 (Current Estimate)

* Includes PICA Tax.
** There were two rate decreases during Fiscal Year 2009.

In the Seventeenth Five-Year Plan, the Mayor approved further reductions in this tax rate for each of the Fiscal Years 2009-2013. The Seventeenth Five-Year Plan approved reducing the wage tax from its current level of 4.2190% for residents and 3.7242% for non-residents to 3.60% for residents and 3.25% for non-residents by Fiscal Year 2013. These reduced rates include rate reductions funded through tax reduction funding provided by the Commonwealth of Pennsylvania from gaming proceeds. In Fiscal Year 2009 there were two rate reductions: one that took effect July 1, 2008 and the other that took effect January 1, 2009. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2015; however, the Nineteenth Five-Year Plan suspends City-funded rate reductions until Fiscal Year 2014.

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

The Business Privilege Tax is a composite tax. Tax rates vary according to business classification (regulated, non-regulated, persons registered under the Pennsylvania Securities Act of 1972, manufacturing, wholesale, or retail) and method of tax computation employed. The various methods of tax computation are as follows: effective Fiscal Year 1989, all regulated industries, banks, trust companies, insurance companies, and public utilities, among others, were taxed at an annual rate of 3.25 mills on annual receipts not to exceed 6.5% of their net income. The tax on annual receipts and net income of all businesses, other than regulated industries, was levied at 3.25 mills and 6.5%, respectively, provided that persons registered under the Pennsylvania Securities Act of 1972 shall in no event pay a tax of less than 5.711 mills on all taxable receipts plus the lesser of 4.302% of net income or 4.302 mills on gross taxable receipts.

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

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

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. The tax rates for tax years 2001-2011 are set forth below.

Tax Year	Business Privilege Tax Rates
2001	2.525 mills
2002	2.400 mills
2003	2.300 mills
2004	2.100 mills
2005	1.900 mills
2006	1.665 mills
2007	1.540 mills
2008	1.415 mills
2009	1.415 mills
2010	1.415 mills
2011	1.415 mills

In the Seventeenth Five-Year Plan, the Mayor approved further reductions in the gross receipts portion of the Business Privilege Tax for each of the Fiscal Years 2009-2013. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2015; however, the Nineteenth Five-Year Plan suspends future City rate reductions until Fiscal Year 2014.

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

Real Property Taxes. A real estate tax on all taxable real property is levied on the assessed value of residential and commercial property located within the City's boundaries. From Fiscal Year 2003 through Fiscal Year 2007 the City's portion of the rate was 34.74 mills and the School District's portion was 47.90 mills. In Fiscal Year 2008, City Council shifted 1.69 mills of City tax to the School District. In Fiscal Year 2008, the City's portion of the rate became 33.05 mills and the School District's portion became 49.59 mills. In Fiscal Year 2011, the Real Estate Tax rate was increased 9.9 percent with the City's portion of the rate increasing to 41.23 mills and the School District's portion remaining the same at 49.59 mills.

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

The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. The City Sales Tax became effective September 28, 1991 and is collected for the City by the Commonwealth Department of Revenue. The Fiscal Year 2010 budget assumed an increase to 2 percent from the then-current 1 percent rate. The Pennsylvania General Assembly enacted legislation authorizing this increase effective October 8, 2009. The Eighteenth Five-Year Plan and the Nineteenth Five-Year Plan assume this temporary increase will sunset on June 30, 2014. The table below sets forth the City Sales Tax collected in Fiscal Years 2001 through 2009, the estimated collections for Fiscal Year 2010 and the current estimate for Fiscal Year 2011.

Fiscal Year	**City Sales Tax Collections**
2001	$ 111.3 million
2002	108.1 million
2003	108.0 million
2004	108.0 million
2005	119.9 million
2006	127.8 million
2007	132.6 million
2008	137.3 million
2009	128.0 million
2010 (Current Estimate)	205.3 million
2011 (Current Estimate)	241.8 million

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

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

Revenue from Other Governments. The City's Fiscal Year 2010 General Fund current estimate projects that approximately 30.8% of General Fund revenues will be received from other governmental jurisdictions, including: (1) $610.1 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $192.2 million from the Federal government; and (3) $74.5 million from other governments, in which revenues are primarily rental and payments from the Philadelphia

Gas Works and parking fines and fees from the Philadelphia Parking Authority. In addition, the projected net collections of the PICA Tax of $288.9 million are included in "Revenue from Other Governments."

The City's Fiscal Year 2011 General Fund current estimate projects that approximately 28.1% of General Fund revenues will be received from other governmental jurisdictions, including: (1) $575.2 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $155.2 million from the Federal government; and (3) $50.2 million from other governments, in which revenues are primarily rentals and payments from the Philadelphia Gas Works and parking fines and fees from the Philadelphia Parking Authority. In addition, the projected net collections of the PICA Tax of $295.6 million are included in "Revenue from Other Governments."

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

Revenues from City-Owned Systems

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

Effective June 1991, the revenues of the Water Department were required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (a) all Net Reserve Earnings, as defined below, or (b) $4,994,000. Net Reserve Earnings means the amount of interest earnings during the fiscal year on amounts in the Debt Reserve Account and Subordinated Bond Fund, as defined in the Water Ordinance. Commencing in Fiscal Year 1991, the $4,994,000 amount was reduced to $4,138,000 by administrative agreement that remained in effect through Fiscal Year 2003. No such transfer was made in Fiscal Year 1992; however, the transfer was made in each subsequent year through Fiscal Year 2003. For Fiscal Year 2004, the transfer was to have increased to $4,994,000 but no payment was made. For Fiscal Year 2005, the transferred amount was $4,401,000; for Fiscal Years 2006 through 2008, the transferred amount was $4,994,000. In Fiscal Year 2009, the transferred amount was $4,185,463. In Fiscal Year 2010, the budgeted amount was $4,994,000 and the current estimate is $2,553,000. In Fiscal Year 2011, the budgeted amount is $3,004,000.

The revenues of PGW are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by PGW. In previous years, PGW has also made an annual payment of $18,000,000 to the City's General Fund. For Fiscal Year 2005 the City agreed to forgo the $18,000,000 payment, and for Fiscal Years 2006, 2007, 2008 and 2009, the City budgeted the receipt of the $18,000,000 payment and the grant back of such amount to PGW. The City's Eighteenth Five-Year Plan assumed that the $18,000,000 payment would be made in each of Fiscal Years 2010 through 2014 and that the City would grant back such payment to PGW in each such Fiscal Year, and the City's Nineteenth Five-Year Plan contemplates the same for each of the Fiscal Years 2011 through 2015. The Fiscal Year 2011 grant back may be set off by the $16.3 million payment from PGW to the City. See also "EXPENDITURES OF THE CITY -- Fiscal Year 2011 PGW Payment to City."

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.

PPA owns and operates five parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease expiring in 2030 (the "Lease Agreement"). The Lease Agreement provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA's bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The City received transfers of rental payments in Fiscal Years 2003 through 2009 that totaled \$11,629,311, \$14,539,053, \$27,239,000, \$30,186,642, \$33,184,918, \$33,570,037, and \$31,239,909 respectively. The Fiscal Year 2010 current estimate is projected to be \$26,000,000 and the Fiscal Year 2011 budgeted transfer amount is \$28,000,000.

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

Assessment and Collection of Real and Personal Property Taxes

In December 2009, the Board of the Revision of Taxes (the "BRT") ratified a Memorandum of Understanding (the "MOU") separating the assessment and appeals functions for property valuation and transferring day-to-day authority for oversight of assessments to the Finance Department. The BRT did not extend the MOU which expired in April 2010. On December 17, 2009, City Council passed legislation that would disband the BRT and replace it with separate offices for assessments and appeals, subject to the approval of City voters. In the May 10, 2010, primary election voters approved the separation of the assessment and appeals functions. On June 16, 2010 a new Chief Assessment Officer, Rich McKeithen, was appointed by the Mayor and approved by City Council on June 17, 2010.

According to the ordinance, the BRT would cease to exist at the end of September 2010 and the changes described in this paragraph would take effect. Beginning on October 1, 2010, the newly created Office of Property Assessment would take over the annual assessment of all real estate located within the City. The new Board of Appeals would be comprised of seven members appointed by the Mayor after recommendations by an independent panel. City Council would have the right to approve or disprove the Mayor's selections. As with the existing appeals mechanism, the Board of Appeals would have been able to increase or decrease the property valuations contained in the returns of the assessors in order that such valuations conform with law. After all changes in property assessments, and after all assessment appeals, assessments would be certified and the results provided to the Department of Revenue. However, the Pennsylvania Supreme Court ruled on September 20, 2010 that the city could not abolish the existing appeals board because only the General Assembly of the Commonwealth of Pennsylvania has the authority to do so. The state law must be amended to give the city the power to dissolve the BRT. The current appeals board will remain in the BRT while the real property assessment function has been transferred to the Office of Property Assessment effective October 1, 2010.Real estate taxes, if paid by February 28, are discounted by 1%. If the tax is paid during the month of March, the gross amount of tax is due. If the tax is not paid by the last day of March, tax additions of 1.5% per month are added to the tax for each month that the tax remains unpaid through the end of the calendar year. Beginning in January of the succeeding year, the 15% tax additions that accumulated during the last ten months of the preceding years are capitalized and the tax is registered delinquent. Interest is then computed on the new tax base at a rate of 0.5% per month until the real estate tax is fully paid. Commencing in February of the second year, an additional 1% per month penalty is assessed for a maximum of seven months. See the Fiscal Year 2009 Comprehensive Annual Financial Report for assessed and market values of taxable realty in the City and for levies and rates of collections.

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

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Table 3
City of Philadelphia
Summary of Principal Operating Funds (Debt Related)
Revenues by Major Source
Fiscal Years 2001-2011 (Legal Basis)
(Amounts in Millions of USD)

Fiscal Year	Real Property Taxes[a]	Wage Earnings & Net Profits Taxes[a]	Business Privilege Tax[a]	Sales and Use Tax[a]	Other Taxes[b]	Total Taxes	Water & Wastewater Charges	Airport Charges	Other Locally Generated Charges	Total Local Revenue	Revenue from Other Govts	Revenue from Other City Funds	Total Revenues
2001	363.4	1,059.0[c]	314.0[c]	111.3	130.0[c]	1,977.7	285.8	175.7	251.3	2,690.5	781.7	90.5	3,562.7
2002	376.8	1,019.3	295.8	108.1	148.6	1,945.4	302.8	181.7	257.9	2,687.8	722.5	80.8	3,491.1
2003	361.1	1,025.1	286.1	108.0	156.3	1,936.6	329.6	219.4	327.4	2,813.0	909.7	62.8	3,785.5
2004	377.7	1,062.6	309.2	108.0	202.2	2,059.7	383.1	235.0	207.4	2,885.2	834.2	92.1	3,811.5
2005	392.7	1,087.3	379.5	119.9	250.9	2,230.3	419.7	246.3	200.8	3,097.1	1,082.4	71.6	4,251.1
2006	395.8	1,125.8	415.5	127.8	304.1	2,369.0	460.4	269.4	236.2	3,335.0	953.1	69.9	4,358.0
2007	397.5	1,182.7	436.4	132.6	286.7	2,435.9	486.9	266.0	248.3	3,437.1	1,063.3	77.0	4,577.4
2008	402.8	1,197.3	398.8	137.3	260.3	2,396.5	555.0	275.3	267.5	3,494.3	1,066.2	153.1 [d]	4,713.6
2009	400.1	1,129.2	386.0	128.2	209.3	2,252.8	484.5	291.3	258.3	3,286.9	1,025.4	212.7 [e]	4,525.0
2010 (Current Estimate)	398.9	1,136.3	358.2	205.3[f]	236.4	2,335.1	513.0	293.7	249.3	3,391.1	1,203.2	115.3 [g]	4,709.6
2011 (Current Estimate)	491.4[h]	1,143.5	350.7	241.8	218.9	2,446.3	542.9	363.2	269.8	3,622.2	1,117.0	143.0	4,882.2

(a) See Table 7 in the Fiscal Year 2009 Comprehensive Annual Financial Report for Tax Rates.
(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 Fiscal Year 2001. (Wage Tax, $50.4 million; Business Privilege, $5.2 million; Other Taxes, $4.3 million).
(d) In Fiscal Year 2008, there was an increase of $73 million in payment from Water Fund to Water Residual Fund.
(e) In Fiscal Year 2009, there was an $86 million payment from the Wage Tax Reduction Fund.
(f) Reflects one percent increase effective October 8, 2009.
(g) In Fiscal Year 2010, the Wage Tax Reduction payment is shown in the Revenue from Other Governments column.
(h) Reflects a Real Estate Property Tax increase of 9.9%.

FIGURES MAY NOT ADD UP DUE TO ROUNDING.

Table 4
City of Philadelphia General Fund
Tax Revenues (a)
Fiscal Years 2004-2011
(Amounts in Millions of USD)

	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Current Estimate 2010	Current Estimate 2011
ROPERTY TAXES								
Current	332.6	353.2	354.1	367.2	366.5	365.6	356.9	451.4[d]
Prior	45.1	39.5	41.7	30.3	36.3	34.4	42.0	40.0
Total	377.7	392.7	395.8	397.5	402.8	400.0	398.9	491.4
ND EARNINGS TAX[b]								
Current	1,034.5	1,066.0	1,104.0	1,162.4	1,176.5	1,105.9	1,098.6	1,119.6
Delinquent	15.1	7.6	7.2	5.1	8.3	11.1	24.0	12.0
Total	1,049.6	1,073.6	1,111.2	1,167.5	1,184.8	1,117.0	1,122.6	1,131.6
SS TAXES								
Privilege								
Current	269.9	326.7	390.5	401.9	376.1	367.1	331.2	331.7
Delinquent	39.2	52.8	25.0	34.5	22.7	18.9	27.0	19.0
Sub-Total Business	309.1	379.5	415.5	436.4	398.8	386.0	358.2	350.7
ts Tax								
Current	11.3	12.0	11.8	10.9	9.1	9.5	7.7	7.9
Delinquent	1.7	1.7	2.8	4.3	3.4	2.7	6.0	4.0
Sub-Total Net Profits	13.0	13.7	14.6	15.3	12.5	12.2	13.7	11.9
Total Business Taxes	322.1	393.2	430.1	451.6	411.3	398.2	371.9	362.6
TAXES								
Sales and Use Tax	108.0	119.9	127.8	132.6	137.3	128.3	205.3[c]	241.8
Amusement Tax	18.3	13.5	17.0	16.4	18.0	21.4	20.9	21.1
Real Property Transfer	141.3	192.3	236.4	217.3	184.0	115.1	114.7	121.2
Parking Taxes	42.5	45.0	48.4	50.3	55.5	70.4	70.7	72.5
Other Taxes	0.1	0.1	2.3	2.6	2.8	2.4	30.1[e]	4.1
Sub-Total Other Taxes	310.2	370.8	431.9	419.2	397.6	337.6	441.7	460.7
TAXES	2,059.6	2,230.3	2,369.0	2,435.9	2,396.5	2,252.8	2,335.1	2,446.3

See Table 7 in the Fiscal Year 2009 Comprehensive Annual Financial Report for Tax Rates.

Beginning in Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Tax from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and the PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments.

Effective October 8, 2009, there was a one percent increase to the City Sales tax.

Reflects a Real Estate Property Tax increase of 9.9%.

This amount includes revenues from the Tax Amnesty Program.

ES MAY NOT ADD UP DUE TO ROUNDING

Table 5
Ten Largest Certified Market and Assessment Values
of Tax-Abated Properties
Certified Values for 2010

Location	2010 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment
1701 John F Kennedy Blvd.	$181,500,000	$58,080,000	$2,897,184	$ 55,182,816
2929L Arch Street	117,000,000	37,440,000	0	37,440,000
1500 Spring Garden Street	50,000,000	16,000,000	2,944,000	13,056,000
2201 Park Towne Place	48,000,000	15,360,000	13,452,400	1,907,600
819 Chestnut Street	45,200,000	14,464,000	5,440,000	9,024,000
4300 S 26th Street	41,486,500	13,275,680	0	13,275,680
3711 Market Street	40,994,900	13,118,368	0	13,118,368
2760 Red Lion Rd.	39,820,000	12,742,400	480,006	12,262,394
3401 Chestnut Street	35,261,800	11,283,776	718,000	10,565,776
1327-29 Chestnut Street	35,000,000	11,200,000	10,880,000	320,000

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, 2009, the City employed 26,930 full-time employees with the salaries of 22,427 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 6
City of Philadelphia
Filled, Full Time Positions — All Operating Funds
at June 30 (Actual)

	2004	2005	2006	2007	2008	2009	2010*	2011*
General Fund								
Police	7,668	7,368	7,287	7,424	7,367	7,443	7,418	7,480
Streets	1,946	1,788	1,858	1,814	1,839	1,724	1,695	1,826
Fire	2,337	2,248	2,270	2,399	2,326	2,252	2,188	2,327
Health	745	667	662	664	665	662	650	742
Courts	2,046	2,004	1,936	1,928	1,970	1,889	1,756	1,776
Prisons	2,033	2,152	2,225	2,176	2,131	2,294	2,244	2,360
Human Services	1,815	1,743	1,703	1,721	1,784	1,743	1,718	1,828
All Other	5,170	4,995	4,878	4,941	5,029	4,905	4,758	5,010
Total General Fund	23,760	22,965	22,819	23,067	23,111	22,912	22,427	23,339
Other Funds	4,659	4,649	4,616	4,598	4,642	4,570	4,503	5,359
TOTAL	28,419	27,614	27,435	27,665	27,753	27,482	26,930	28,698

* Adopted Budget includes vacant positions.

Labor Agreements

Four major bargaining units represent City employees for collective bargaining purposes. District Councils 33 and 47 of the American Federation of State, County and Municipal Employees, AFL-CIO represents approximately 15,000 non-uniformed employees. The bargaining units for uniformed employees are the Fraternal Order of Police, Lodge 5 (the "FOP") and the Philadelphia Fire Fighters Association, Local 22, International Association of Fire Fighters AFL-CIO ("IAFF Local 22"), which together represent approximately 9,400 employees. The non-uniformed employees bargain under Act 195 of 1972, which allows for the limited right to strike over collective bargaining impasses. The uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses. All contract expiration dates are June 30 unless otherwise noted.

In September 2004, a collective bargaining agreement was reached with District Council 47. This four-year contract includes a $750 payment to each member with no general wage increase in Fiscal Year 2005 and wage increases of 2, 3 and 4 percent effective July 1 of each succeeding year, respectively. In December 2004, a collective bargaining agreement was reached with District Council 33, which mirrored the agreement previously reached with District Council 47. Each of the collective bargaining agreements included a health benefit reopener provision for the final two years of the agreement. The City concluded negotiations with District Councils 33 and 47 and agreed to increase the per member per month contributions to the unions by fourteen percent in Fiscal Year 2007 and an additional fourteen percent in Fiscal Year 2008.

On June 28, 2006, an arbitration panel issued a 3-year award to the IAFF Local 22. The award granted wage increases of 3.0% effective July 1, 2005, 3.0% effective July 1, 2006, and 4.0% effective July 1, 2007. In addition, the panel granted Local 22 health medical increases of 11.3% effective July 1, 2005, 14.1% effective July 1, 2006, and 14.0% effective July 1, 2007. The arbitration panel also addressed management issues believed by the City to be outside its jurisdiction. On August 24, 2007, the Commonwealth Court issued an opinion affirming in part and revising in part. The Court upheld the medical increases granted by the arbitrators and revised the decision that limited the City's management rights.

The FOP contract contained a 3% increase in wages effective July 1, 2004, 3% effective July 1, 2005, 3% effective July 1, 2006 and a 4% increase effective July 1, 2007. The award also called for a re-opener for health medical coverage for Fiscal Year 2006 and Fiscal Year 2007.

At the re-opener in August of Fiscal Year 2006, the arbitrators ordered the City to increase FOP healthcare contributions by 15.7 percent and 10 percent in Fiscal Year 2006 and Fiscal Year 2007, respectively. After a City appeal, the Court of Common Pleas remanded the ruling back to arbitration, but the panel reissued its original ruling with no change. The City appealed the ruling to Common Pleas Court on February 13, 2006, and lost. The City appealed that ruling in Commonwealth Court which ruled in favor of the City. The FOP petitioned the Pennsylvania Supreme Court asking the Court to review the matter, which the Court declined to do. The Mayor and the FOP reached a settlement in which the City agreed to pay the amounts awarded by the arbitrator. Accordingly, the matter was withdrawn as moot.

On July 10, 2008 the arbitration panel awarded a one-year contract to the FOP effective July 1, 2008. The award called for a 2 percent wage increase effective July 1, 2008, a 2 percent wage increase effective January 1, 2009 and a 1 percent increase in longevity pay effective January 1, 2009. In addition, the panel reduced the per member per month health medical payment from the current monthly rate of $1,303 per member to $1,165 per member.

On October 17, 2008, an arbitration panel awarded a one-year contract to the IAFF Local 22 effective July 1, 2008. The award called for a 2 percent wage increase effective July 1, 2008, a 2 percent wage increase effective January 1, 2009, and a 1 percent increase in longevity pay effective January 1, 2009. In addition, the panel reduced the per member per month health medical payment from the current monthly rate of $1,444 per member to $1,270 per member.

The City also reached a one year agreement with District Council 33 and District Council 47, which was effective July 1, 2008. The agreement called for a lump sum bonus of $1,100 per member. The agreement also called for no increase in the current per member per month health benefit payment. The union memberships have ratified the agreements.

Contracts for the four major bargaining units representing City employees expired on June 30, 2009.

On December 18, 2009, an arbitration panel awarded a five-year contract to the FOP effective July 1, 2009 which calls for no raise the first year, a 3% wage increase and one percent stress differential increase effective July 1, 2010, a 3% wage increase effective July 1, 2011, and reopeners on wages in Fiscal Year 2013 and 2014 . The award also includes higher employee co-pays in the police medical plan, reduced City contributions to the union's healthcare fund in Fiscal Year 2010, self insurance for employee health benefits and a requirement that new employees choose between a 20% increase in pension contributions over the amount current employees pay or entering a 401(k) type retirement plan for the first time.

On October 15, 2010, an arbitration panel awarded a four year contract to the I.A.F.F. Local 22 effective July 1, 2009 which calls for no raise the first year, a 3% wage increase effective July 1, 2010, a 3% wage increase effective July 1, 2011, and a 3% wage increase effective July 1, 2012. The award also includes a change from purchase of health insurance to self-insurance as of January 1, 2011, higher employee co-pays in the Fire medical plan, the union's healthcare fund will be responsible for the first $5 million in self-insurance costs, and a requirement that new employees choose between a 20% increase in pension contributions over the amount current employees pay or entering a 401(k) type retirement plan for the first time. The City is appealing the award.

Negotiations are currently underway with District Councils 33 and 47.

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

Table 7
City of Philadelphia
Employee Wage Increases
Fiscal Years 1998-2011

FiscalYear	District Council No. 33	District Council No. 47	Fraternal Order of Police	International Association of Fire Fighters
1998	3.0% (a)	3.0% (a)	4.0% (b)	4.0% (c)
1999	3.0% (a)	3.0% (a)	3.0% (b)	3.0% (c)
2000	4.0% (d)	4.0% (d)	4.0% (e)	4.0% (f)
2001	No increase (g)	No increase (g)	3.0%	3.0%
2002	3.0% (h)	3.0% (h)	4.0%	4.0%
2003	3.0% (i)	3.0% (i)	3.0%	3.0%
2004	3.0%	3.0%	3.5%	3.5%
2005	No increase (j)	No increase (j)	3.0%	3.0%
2006	2.0%	2.0%	3.0%	3.0%
2007	3.0% (k)	3.0% (k)	3.0%	3.0%
2008	4.0% (l)	4.0% (l)	4.0%	4.0%
2009	No increase (m)	No increase (m)	4.0% (n)	4.0% (n)
2010	(o)	(o)	0.0% (p)	0.0%(q)
2011	(o)	(o)	3.0% (p)	3.0%(q)

(a) Third year of a four year contract: 3% effective December 15, 1998.
(b) First year of a two year contract: 3% effective September 15, 1998.
(c) Third year of a four year contract: 3% effective September 15, 1998.
(d) Fourth year of a four year contract: 4% effective March 15, 2000.
(e) Second year of a two year contract: 4% effective September 15, 1999.
(f) Fourth year of a four year contract: 4% effective September 15, 1999.
(g) First year of a four year contract: cash bonus of $1,500 paid in August 2000.
(h) Second year of a four year contract: 3% effective December 15, 2001.
(i) Third year of a four year contract: 3% effective December 15, 2002.
(j) First year of a four year contract: cash bonus of $750 paid in October 2004 to District Council 47 members and in December 2004 to District Council 33 members.
(k) Third year of a four year contract: 3% effective July 1, 2006.
(l) Fourth year of a four year contract: 4% effective July 1, 2007.
(m) Cash bonus of $1,100 paid 15 days after ratification.
(n) One year contract: 2% effective July 1, 2008 and 2% effective January 1, 2009.
(o) Contract expired on June 30, 2009, negotiations are currently underway.
(p) Five year contract: 0% effective July 1, 2009, 3% effective July 1, 2010, 3% effective July 1, 2011, and re-openers on wages in Fiscal Years 2013 and 2014.
(q) Four year contract: 0% effective July 1, 2009, 3% effective July 1, 2010, 3% effective July 1, 2011, 3% effective July 1, 2012.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 2005 through 2011 are shown in the following table.

Table 8
City of Philadelphia
General Fund Employee Benefit Expenditures
Fiscal Years 2005-2011
(Amounts in Millions of USD)

	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Current Estimate 2010	Current Estimate 2011
Pension Contribution*	315.5	346.5	436.8	430.8	459.0	350.1	480.0
Health/Medical/Dental	285.9	291.8	331.5	421.0	377.0	381.8	370.0
Social Security	59.9	60.8	64.1	69.7	68.8	69.2	70.2
Other	43.4	61.1	57.9	61.5	68.4	47.1	47.1
Total	704.7	760.2	890.3	983.0	973.2	848.2	964.9

* The Pension Contribution amount includes debt service on the Pension Obligation Bonds, Series 1999.

Municipal Pension Fund (Related to All Funds)

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

A. Accrued actuarially determined normal costs.

B. Amortization of the unfunded actuarial accrued liability ("UAAL") prior to July 1, 2009 was determined as of July 1, 1985. Any increases or decrease in unfunded liabilities were amortized according to Act 205 of the Pennsylvania Municipal Retirement Code, However effective for the July 1, 2009 valuations which defines the City's contribution obligation for fiscal year ending June 30, 2011 and going forward the unfunded liability is amortized over a fixed 30 year period as a level dollar amount.

C. Based on the City's most recent actuarial report dated as of July 1, 2009, the unfunded accrued liability was $4.933 billion which equals a funding ratio of 45%.

Non-uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, non-uniformed employees may receive up to 80% of their average final compensation depending upon their years of credited service. Uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, uniformed employees may receive up to 100% of their average final compensation depending upon their years of credited service. City employees participate in one of two Municipal Pensions Plans, Plan 67 or Plan 87, depending, primarily, on such employee's date of hire. The retirement age differs for Plan 67 (age 55) and Plan 87 (age 60) for non-uniformed employees and also for Plan 67 (age 45) and Plan 87 (age 50) for uniformed employees.

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 of the increase in pension payments. Police and Fire personnel became eligible for Plan 87 on July 1, 1988. Because of Court challenges, members of District Council 33 and Locals 2186 and 2187 of District Council 47 were not eligible for Plan 87 until October 2, 1992.

The Eighteenth Five-Year Plan assumed several changes to the pension system. As part of Act 44 which provided for a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline the City adopted the fresh start amortization alternative to 30 years and lowered the assumed rate of interest from 8.75 percent to 8.25 percent. Additionally, the Eighteenth Five-Year Plan assumed a partial deferral of the pension payment in Fiscal Year 2010 ($150 million) and Fiscal Year 2011 ($90 million) to be paid back by Fiscal Year 2014. The change in amortization period and the partial deferral were approved by the Pennsylvania General Assembly.

A comprehensive statement of operations of the City Municipal Pension Fund for Fiscal Years 2000 through 2009 is contained in the Fiscal Year 2009 Comprehensive Annual Financial Report.

Purchase of Services

The City accounts for a number of expenditures as purchase of services. The following table presents major purchases of services in the General Fund in Fiscal Years 2004 through 2011.

Table 9
City of Philadelphia
Purchase of Service in the General Fund
Fiscal Years 2004-2011
(Amounts in Millions of USD)

	Actual						Current Estimate	Current Estimate
	2004	2005	2006	2007	2008	2009	2010	2011
Human Services (a)	493.7	511.8	467.9	495.3	515.3	499.0	465.5	466.4
Public Health	69.1	60.7	61.1	65.5	65.1	67.9	68.6	69.3
Public Property (b)	132.4	133.3	137.6	156.3	139.5	142.6	136.5	138.6
Streets (c)	53.9	54.6	54.8	58.3	58.4	51.0	50.4	44.4
Sinking Fund – Lease Debt (d)	70.8	70.7	77.0	84.3	85.1	86.1	93.7	89.6
Legal Services (e)	33.4	33.5	33.6	35.4	37.3	37.3	35.9	35.9
First Judicial District	23.0	28.3	24.4	24.8	25.6	23.6	23.0	20.9
Licenses & Inspections (f)	6.0	3.1	11.5	11.4	11.9	9.6	8.4	7.1
Emergency (g)	12.0	22.1	28.6	31.3	33.9	32.3	31.7	30.2
Prisons	80.8	84.9	82.8	87.5	93.6	110.7	110.2	108.0
All Other (h)	75.2	87.1	86.4	101.5	123.0	114.1	109.3	129.8
Total	1,050.3	1,090.1	1,065.7	1,151.6	1,188.7	1,174.2	1,133.2	1,140.2

(a) Includes payments for care of dependent and delinquent children.
(b) Includes payments for SEPTA, space rentals, utilities, and telecommunications. In Fiscal Year 2008, the telecommunications division was transferred to the Managing Director – Division of Technology ("DOT"). Services purchased for DOT appear in the table under the category "All Other."
(c) Includes solid waste disposal costs.
(d) Includes, among other things, Justice Center, Neighborhood Transformation Initiative and Stadium lease debt.
(e) Includes payments to the Defender Association to provide legal representation for indigents.
(f) Includes payments for demolition in Fiscal Year 2006 through Fiscal Year 2010.
(g) Includes homeless shelter and boarding home payments.
(h) Includes payment for Convention Center Subsidy and Vehicle leasing.

FIGURES MAY NOT ADD UP DUE TO ROUNDING

City Payments to School District

In each fiscal year since Fiscal Year 1996, the City has made an annual grant of $15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional annual $20 million beginning in Fiscal Year 2002. In Fiscal Year 2008, the Mayor and City Council agreed to provide an additional $2 million, bringing the total contribution to $37 million. In Fiscal Year 2010, the City made a $38.5 million contribution, and the Fiscal Year 2011 budget includes a $38.6 million contribution.

City Loan to PGW

The City made a loan of $45 million to PGW during Fiscal Year 2001 to assist PGW in meeting its cash flow requirements. This loan was scheduled to mature in Fiscal Year 2007; however, PGW did not make the $45 million payment. PGW repaid $2 million to the City on August 31, 2007. PGW remitted a payment for $20.5 million before December 28, 2007; and PGW remitted a payment for the balance of $22.5 million on August 29, 2008. In addition, in order to assist PGW, (i) the City agreed to forgo the $18 million annual payment in Fiscal Year 2004, (ii) for Fiscal Years 2005, 2006, 2007, 2008, 2009 and 2010 the City made a grant to PGW equal to the annual payment received from PGW in such fiscal years, and (iii) the City's Nineteenth Five-Year Plan contemplates that in each of the Fiscal Years 2011 through 2015, the City will make a grant to PGW equal to the annual payment received from PGW in such Fiscal Years. The Fiscal Year 2011 grant back may be setoff by the $16.3 million payment from PGW to the City. See also "Fiscal Year 2011 PGW Payment to City."

Fiscal Year 2011 PGW Payment to City

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

City Payments to SEPTA

The City's Fiscal Year 2008 operating subsidy payment to SEPTA was $61.3 million. The City's Fiscal Year 2009 operating subsidy payment to SEPTA was $62.9 million. The Fiscal Year 2010 budget projects operating subsidy payments to SEPTA of $64.2 million. The Fiscal Year 2011 budget projects operating subsidy payments to SEPTA of $64.9 million. The Eighteenth Five-Year Plan provided that the City's contribution to SEPTA would increase to $70.9 million by Fiscal Year 2014. The Nineteenth Five-Year Plan provides that the City's contribution to SEPTA would increase to $72.9 million by Fiscal Year 2015.

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 August 1, 2010, the Constitutional debt limitation for tax-supported general obligation debt was approximately $1,523,394 (based upon a formula of 13.5% of the assessed value of taxable real estate within the City on a 10 year rolling average). As of August 1,2010, the City's total amount of authorized general obligation debt was $1,752,436,000 which includes approximately $356,775,000 of self-supporting debt, which does not count against the Constitutional debt limit. As of August 1, 2010, $1,395,661,000 of general obligation debt subject to the constitutional debt limit was authorized, and of this authorized amount, $1,256,511,000 was issued and outstanding. As of August 1, 2010 , a balance of $139,150,000 remained authorized and unissued, and after legally authorized deductions for appropriations of approximately $24,883,000 for Fiscal Year 2011 maturing serial bonds, there remained a balance of $152,616,000 available for future authorization and issuance.

The City is also authorized to issue revenue bonds pursuant to The First Class City Revenue Bond Act of 1972. Currently, the City issues revenue bonds to support the Division of Aviation, the Water Department and PGW. Bonds so issued are excluded for purposes of the calculation of the Constitutional debt limit.

Short-Term Debt

The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each note issue was repaid when due prior to the end of the fiscal year of issuance. The City issued $285 million of Tax and Revenue Anticipation Notes on July 28, 2010. These notes will be repaid on June 30, 2011.

Long-Term Debt

Table 10 presents a synopsis of the bonded debt of the City and its component units at the close of Fiscal Year 2009. In addition, for tables setting forth a ten-year historical summary of tax-supported debt of the City and School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2009, see the Fiscal Year 2009 Comprehensive Annual Financial Report.

Of the total balance of City tax-supported general obligation bonds issued and outstanding at June 30, 2009, approximately 16% is scheduled to mature within 5 years and approximately 37% is scheduled to mature within 10 years.

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Table 10
City of Philadelphia
City-related Bond Indebtedness
June 30, 2009
(Amounts in Millions of USD)

	Governmental Fund Types				Enterprise Funds			
	General Fund	Municipal Authority Fund	PICA	Total	Water Fund	Aviation Fund	Total	All Funds Total
Bonded Debt Outstanding, July 1, 2008	1,147.0	185.9	572.1	1,905.0	1,669.8	1,302.8	2,972.6	4,877.6
Increases:								
Par Value of Bonds Issued:								
General Obligation	165.0	97.9	354.9	617.8	-	-	-	617.8
Revenue	-	-	-	-	140.0	45.7	185.7	185.7
Total Bonds Sold	165.0	97.9	354.9	617.8	140.0	45.7	185.7	803.5
Decreases:								
Matured Bonds:								
General Obligation	31.0	14.2	42.4	87.6	1.2	-	1.2	88.8
General Obligation Refunded	-		326.9	326.9	-	-	-	326.9
Revenue	-	-	-	-	90.0	36.3	126.3	126.3
Revenue Refunded	-	-	-	-	-	41.0	41.0	41.0
Total Decrease	31.0	14.2	369.3	414.5	91.2	77.3	168.5	583.0
Bonded Debt Outstanding, June 30, 2009	1,281.0	269.6	557.7	2,108.3	1,718.6	1,271.2	2,989.8	5,098.1

Source: Office of Director of Finance.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations. As of June 30, 2009, the principal amounts of the outstanding bonds of each of these authorities relating to the City's contract and lease obligations were as follows:

PMA	$269.3 million
PAID*	$1,973.1 million
Parking Authority	$16.4 million
Redevelopment Authority	$259.3 million
Convention Center Authority**	$201.8 million

Source: Office of the Director of Finance

* This includes 100% of Pension Bonds, only 86% applicable to the General Fund.

** These bonds were defeased in Fiscal Year 2010 by the Pennsylvania Economic Development Financing Authority

The bonds of the Parking Authority included in the previous table are payable from project revenues, and by the City only if and to the extent that net revenues are inadequate for this purpose. The City paid $2.3 million in Fiscal Year 2006, $1.2 million in Fiscal Year 2007, $2.0 million in Fiscal Year 2008 and $1.2 million in Fiscal Year 2009 toward the repayment of these bonds. The budgeted amount in Fiscal Year 2010 was $1,335,650 and in Fiscal Year 2011 is $1,336,900. See "REVENUES OF THE CITY – Philadelphia Parking Authority."

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia ("CCP"). Under the Community College Act, each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of the college, which includes debt service. The remaining 50% is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP's operating costs (less tuition and less the Commonwealth's payment). The total payment to CCP in Fiscal Year 2008 was $24,467,924. The amount paid in Fiscal Year 2009 and Fiscal Year 2010 was $26,467,924. The budgeted amount in Fiscal Year 2011 is $26,467,924. This amount represents the portion of operating costs (less student tuition and the Commonwealth payment) and up to half of the annual capital expenses for the year.

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Swap Information

The City has entered into various swaps related to its outstanding General Fund supported bonds as detailed in the following chart:

City Entity	City GO	City Lease - PAID	City Lease - PAID	City Lease - PAID
Related Bond Series	2009B[1]	2001 (Stadium)	2007B (Stadium)	2007B (Stadium)
Initial Notional Amount	$313,505,000	$298,485,000	$217,275,000	$72,400,000
Current Notional Amount	$100,000,000	$193,520,000	$217,275,000	$72,400,000
Termination Date	8/1/2031	10/1/2030	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap[2]	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	67% 1-month LIBOR + 0.20%, plus fixed annuity	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	SIFMA	3.9713%	3.9713%
Dealer	Royal Bank of Canada	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Fair Value[3]	($ 15,443,363)	($ 8,193,612)	($ 39,139,053)	($ 13,041,971)

Notes:

(1) *On July 23, 2009, the City terminated a portion of the swap in the amount of $213,505,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2009A fixed rate bonds and the Series 2009B variable rate bonds. The City made a termination payment of $15,450,000.*

(2) *PAID receives annual fixed payments of $1,216,500 from July 1, 2004 through July 1, 2013. As the result of an amendment on July 14, 2006, $104,965,000 of the total notional was restructured as a constant maturity swap (the rate received by PAID on that portion was converted from a percentage of 1-month LIBOR to a percentage of the 5-year LIBOR swap rate from October 1, 2006 to October 1, 2020). The constant maturity swap was terminated in December 2009. The City received a payment of $3,049,000.*

(3) *Fair values are as of September 30, 2010 and are shown from the City's perspective and include accrued interest.*

While the City is party to several interest rate swap agreements, for which there is General Fund exposure and on which the swaps currently have a negative mark against the City, the City has no obligation to post collateral on these swaps while the City's underlying ratings are investment grade.

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, Water and the Airport, see the City's 2009 Comprehensive Annual Financial Report. In addition, PICA has entered into swaps which are detailed in the City's 2009 Comprehensive Annual Financial Report.

Recent and Upcoming Financings

The following is a list of financings that the City has entered into since the close of Fiscal Year 2009.

The City and the Water Department restructured $83.6 million of its outstanding Water and Wastewater Revenue Refunding Bonds, Series 2005B on July 1, 2009. The City replaced the Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") insurance policy with a letter of credit from Bank of America, N.A.

The City executed a $31 million, four-year tax-exempt lease to finance an upgrade to its municipal radio communications system for emergency and normal public safety purposes. This financing closed on July 7, 2009.

The City also had outstanding variable rate debt consisting of $313.5 million of General Obligation Bonds, Series 2007B insured by AGM with Dexia as the liquidity provider. AGM's financial difficulties negatively impacted these bonds and the City refunded the 2007B Bonds with the proceeds of the 2009A Bonds and the 2009B Bonds and terminated a portion of the swap related to the 2007B Bonds. The City closed this transaction on August 13, 2009.

The PGW 6th Series Revenue Bonds were insured by AGM and had liquidity provided by J.P. Morgan, Wachovia Bank N.A., and Scotia Bank. The liquidity expired in January 2009. All of the 6th Series Revenue Bonds were owned by the banks. The City, together with PGW, refunded the 6th Series Revenue Bonds with the Eighth Series Bonds. The variable rate bonds (Eighth Series B, C, D & E) in the amount of $255 million are secured by letters of credit from Bank of America, N.A., Wachovia Bank, N.A., Scotia Bank and J.P. Morgan. The remaining bonds were refunded as fixed rate bonds (Series A) and a portion of the swap related to the 6th Series Revenue Bonds was terminated. The City and PGW closed this transaction on August 20, 2009.

In September 2009, the City issued the Series A, Tax and Revenue Anticipation Note ("TRAN") in the maximum principal amount of $275 million to J.P. Morgan Securities, Inc ("JP Morgan"). The City drew $270 million under the JP Morgan private placement. The City issued a publicly offered TRAN, Series B and repaid the principal of and accrued interest on the Series A TRAN with a portion of the proceeds of the TRAN, Series B, together with other available funds of the City. This transaction closed on November 5, 2009. These notes were repaid on June 30, 2010.

In December 2009, PAID in conjunction with the City terminated the portion of the swap related to the $104,965,000 million constant maturity swap on PAID's 2001 Stadium financing. The swap counterparty paid a termination payment of $3,049,000 to the City/PAID.

The City's 2003 Variable Rate Series, Water and Wastewater Revenue Refunding Bonds were insured by AGM with Dexia as the liquidity provider. The City refunded the variable rate bonds to fixed rate bonds and terminated the swap related to those bonds. The refunding and related swap termination closed April 15, 2010.

In July 2010, the City issued the Tax and Revenue Anticipation Notes, Series A of 2010-2011 in the principal amount of $285 million.

The City, together with the Water Department, issued $185 million of new money water and wastewater bonds for capital projects. This transaction closed August 5, 2010.

The City, along with PGW, issued $150 million of Ninth Series PGW Revenue Bonds. This transaction closed August 26, 2010.

Pursuant to this Official Statement, the City, in conjunction with the Philadelphia International Airport, plans to issue new money Airport Revenue Bonds as well as refunding bonds (depending on market conditions). This transaction is expected to close October/November 2010.

The City plans to issue General Obligation new money bonds for certain capital projects as well as refunding bonds (depending on market conditions) in late 2010 or early 2011.

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2011-2016 contemplates a total budget of $7,960,188,000 of which $2,133,504,000 is to be provided from Federal, Commonwealth, and other *sources and the remainder through City funding.* The following table shows the amounts budgeted each year from various sources of funds for capital projects. City Council adopted the Capital Improvement Program for Fiscal Years 2011-2016 on May 20, 2010.

Table 11
City of Philadelphia
Fiscal Years 2011-2016
Capital Improvement Program
(Amounts in Thousands of USD)

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

LITIGATION

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

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

The aggregate loss resulting from general and special litigation claims was $30.2 million for Fiscal Year 2001, $30.0 million for Fiscal Year 2002, $24.1 million for Fiscal Year 2003, $24.5 million for Fiscal Year 2004, $27.5 million for Fiscal Year 2005, $23.0 million for Fiscal Year 2006, $26.6 million for Fiscal Year 2007, $29.8 million for Fiscal Year 2008, $34.5 million for Fiscal Year 2009 and $32.7 million for Fiscal Year 2010. Estimates of settlements and judgments from the General Fund are $42 million, $34.5 million, $34.5 million, $34.5 million and $34.5 million for Fiscal Years 2011 through 2015, respectively (based on the Nineteenth Five-Year Plan). In budgeting for settlements and judgments in the annual Operating Budget and projecting settlements and judgments for each Five-Year Plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses. For Fiscal Year 2010, payments for claims arising from labor settlements in the General Fund were $1.4 million of which $1.38 million were paid from the Indemnities account, and $13,000 from the Operating budgets of the affected departments. For Fiscal Year 2009, payments for claims arising from labor settlements in the General Fund were $1.74 million of which $1.7 million was paid from the Indemnities account, and $40,000 from the operating budgets of the affected departments. Actual claims paid out from the General Fund for settlements and judgments averaged $29.3 million per year over the five years from Fiscal Year 2006 through Fiscal Year 2010.

In addition to routine litigation incidental to performance of the City's governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the City's General Fund. These proceedings involve: environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; a class action suit alleging that the City failed to properly oversee management of funds in the deferred compensation plan of City employees; civil rights claims; and a pay dispute with former and current paramedics. The ultimate outcome and fiscal impact, if any, on the City's General Fund of the claims and proceedings described in this paragraph are not currently predictable.

Various claims in addition to the lawsuits described in the preceding paragraph have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The aggregate loss for Fiscal Year 2003 which resulted from these claims and lawsuits was $3.9 million, $2.9 million for Fiscal Year 2004, $2.4 million for Fiscal Year 2005 $4.2 million for Fiscal Year 2006, $2.5 million in Fiscal Year 2007, $4.6 million in Fiscal Year 2008, $5.0 million in Fiscal Year 2009 and $ 4.8 million in Fiscal Year 2010. The Water Fund's budgets for Fiscal Year 2011 contain an appropriation for Water Department claims in the amount of $6.5 million, although the current estimate, based on the prior three fiscal years' expenditures, is for only $4.0 million in Fiscal Year 2011. The Water Fund is the first source of payment for any of the claims against the Water Department.

In addition, various claims have been asserted against the Aviation Division and in some cases lawsuits have been instituted. Many of these Aviation Division claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Aviation Division. The aggregate loss for Fiscal Year 2008 which resulted from these claims and lawsuits was $1.3 million and $430,000 for Fiscal Year 2009. The aggregate loss for Fiscal Year 2010 was $881,600. The Indemnities budgets for Aviation Fund claims for Fiscal Year 2010 and Fiscal Year 2011 contain an appropriation in the amount of $2.5 million, although the current estimate, based on the prior three fiscal years' expenditures, is only $870,533 in Fiscal Year 2011. The Aviation Division is the first source of payment for any of the claims against the Aviation Division.

ELECTED AND APPOINTED OFFICIALS

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

The City Controller's responsibilities derive from the Home Rule Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards ("GAGAS") established by the federal Government Accountability Office (formerly known as the General Accounting Office), and GAAS, Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public Accountants. As of June 1, 2010, the Office of the City Controller had 124 employees, including 77 auditors, 27 of whom were certified public accountants.

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

Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to 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"), the City Solicitor (the "City Solicitor"), the Deputy Mayor for Planning and Economic Development and Director of Commerce (the "Director of Commerce") and the City Representative (the "City Representative"). These officials, together with the Mayor and the other members of the Mayor's cabinet, constitute the major policy-making group in the City's government.

The Managing Director is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The Director of Commerce is charged with the responsibility of promoting and developing commerce and industry. The City Representative is the Ceremonial Representative of the City and especially of the Mayor. The City Representative is charged with the responsibility of giving wide publicity to any items of interest reflecting the activities of the City, its inhabitants and for the marketing and promotion of the image of the City.

The City Solicitor is head of the Law Department and acts as legal advisor to the Mayor, the City Council, and all of the agencies of the City government. The City Solicitor is also responsible for all of the City's contracts and bonds, for assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council, and for the conduct of litigation involving the City.

The Director of Finance is the chief financial and budget officer of the City and is selected from three names submitted to the Mayor by a Finance Panel. The Director of Finance is responsible for the financial functions of the City including development of the annual operating budget, the capital budget, and capital program; the City's program for temporary and long-term borrowing; supervision of the operating budget's execution; the collection of revenues through the Department of Revenue; and the oversight of pension administration as Chairperson of the Board of Pensions and Retirement. The Director of Finance is also responsible for the appointment and supervision of the City Treasurer, whose office manages the City's debt program and serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury and the management of cash resources.

The following are brief biographies of Mayor Nutter, his chief of staff, his cabinet, as defined in the City Charter, the City Controller and the City Treasurer:

Michael A. Nutter, Mayor, was sworn in as Philadelphia's 98th Mayor on January 7, 2008. He won the Democratic nomination in a five-way primary election. Elected to Philadelphia City Council in 1992, the Mayor represented the City's Fourth Councilmanic District for nearly fifteen years. During his time in Council, he engineered groundbreaking ethics reform legislation, led successful efforts to pass a citywide smoking ban, worked to lower taxes for Philadelphians and to reform the City's tax structure, and labored to increase the number of Philadelphia police officers patrolling the streets and to create a Police Advisory Board to provide a forum for discussion between citizens and the Police Department. Mayor Nutter received his B.A. from the Wharton School of Business at the University of Pennsylvania in 1979.

Clarence D. Armbrister, Chief of Staff, was appointed on January 7, 2008. Prior to his appointment, Mr. Armbrister was Executive Vice President and Chief Operating Officer of Temple University. Mr. Armbrister began his career at Temple in April 2003 when he was named Senior Vice

President. He was elevated to the position of Executive Vice President and Chief Operating Officer in January 2007. Prior to joining Temple, Mr. Armbrister was a Director in the UBS Financial Services Municipal Securities Group in Philadelphia and had served as Managing Director of the School District of Philadelphia, Treasurer of the City of Philadelphia, and was a partner in the law firm of Saul Ewing LLP. Mr. Armbrister holds a J.D. from the University of Michigan Law School and a B.A. degree in political science and economics from the University of Pennsylvania.

Richard Negrin, Deputy Mayor for Administration and Coordination and Managing Director, was appointed in July 2010. This Cabinet position has direct management responsibility over the City's key infrastructure departments and coordinates across all City government to provide oversight and support to ensure optimal performance. In December 2009, Mr. Negrin was appointed by Mayor Nutter to serve as Executive Director of the Board of Revision of Taxes to provide strong leadership and to revitalize, restructure and reform the embattled agency. From November 2006 through December 2009, Mr. Negrin served as Vice-Chair of the independent Philadelphia Board of Ethics which helped to change the culture of government by providing guidance, education and training on ethics rules to the entire City workforce as well as to promote greater transparency in government by overseeing financial disclosures by City officials and having oversight related to campaign finance limits and disclosures. Prior to joining the City, Mr. Negrin was Vice President, Associate General Counsel, and a member of the Executive Leadership Council of ARAMARK Corporation. Prior to joining ARAMARK, Mr. Negrin was a litigator with the law firm of Morgan, Lewis & Bockius LLP and was a prosecutor in the Major Trials Unit of the Philadelphia District Attorney's Office. Mr. Negrin is a graduate of Rutgers University School of Law, where he was the recipient of the Richard L. Barbour, Jr. Memorial Award. He received his Bachelor's degree in political science from Wagner College where he received the Pre-Law Prize for academic excellence. During college, Mr. Negrin was a consensus football all-American and served as captain of the football team, helping to lead them to the small college National Championship in 1987. After college, Mr. Negrin played briefly in the National Football League, signing contracts with the Cleveland Browns in 1988 and the New York Jets in 1989.

Rob Dubow, Director of Finance, was appointed on January 7, 2008. The Director of Finance is the Chief Financial Officer of the City. Prior to his appointment, Mr. Dubow was the Executive Director of the Pennsylvania Intergovernmental Cooperation Authority (PICA), which is a financial oversight board established by the Commonwealth in 1991. He served as Chief Financial Officer of the Commonwealth of Pennsylvania from 2004 to 2005. From 2000 to 2004, he served as Budget Director for the City of Philadelphia, where he had also been a Deputy Budget Director and Assistant Budget Director. Before working for the City, Mr. Dubow was a Senior Financial Analyst for PICA. He also served as a Research Associate at the Pennsylvania Economy League and was a reporter for the Associated Press. Mr. Dubow earned a Masters in Business Administration degree from the Wharton School of Business and a Bachelor of Arts degree from the University of Pennsylvania.

Shelley R. Smith, City Solicitor, was appointed on January 7, 2008. The City Solicitor of the City of Philadelphia is the City's chief legal officer, the head of the City's Law Department, and a member of the Mayor's Cabinet. Prior to her appointment, Ms. Smith was the Associate General Counsel for Regulatory Affairs - East at Exelon Corporation. Prior to joining Exelon, Ms. Smith was with Ballard Spahr as Of Counsel in the Labor, Employment & Immigration Group. Ms. Smith also spent more than a decade with the City of Philadelphia's Law Department where she was trial attorney and supervisor in the Civil Rights Unit, Chief of the Affirmative Litigation and Labor and Employment Units, and, finally, Chair of the Corporate and Tax Group.

Alan Greenberger, Acting Deputy Mayor for Planning and Economic Development and Director of Commerce, was appointed on June 30, 2009. Mr. Greenberger is also the Executive Director of the City Planning Commission where he chairs the Philadelphia Zoning Code Commission. A native of New York City, he moved to Philadelphia in 1974 to join Mitchell/Giurgola Architects. He became an associate of Mitchell/Giurgola in 1980, moved to Australia to join Mitchell/Giurgola & Thorpe, architects for the Australian Parliament House, and rejoined Mitchell/Giurgola in Philadelphia as a partner in 1986. In 1990, he and several partners at M/G changed the name of the firm to MGA Partners, where he practiced through 2008. He has been the lead designer on numerous MGA projects including the Department of State National Foreign Affairs Training Center, the West Chester University School of Music and Performing Arts Center, America on Wheels Museum, Lehigh University Linderman Library Renovation, Mann Center for the Performing Arts Master Plan and Pavilions, and the Centennial District Master Plan.

Melanie Johnson, City Representative, was appointed on January 7, 2008. The City Representative will promote and give wide publicity to items of interest reflecting the accomplishments of the City and its inhabitants and the growth and development of its commerce and industry. Ms. Johnson had served as the Director of Communications for the Nutter for Mayor Campaign since August of 2006. Prior experience includes her time as Press Secretary to Former Mayor Ed Rendell, Director of Communication for Multicultural Affairs Congress at Philadelphia Convention and Visitors Bureau, and Senior Account Executive at Beach Advertising.

Alan L. Butkovitz is serving his second term as Philadelphia's elected City Controller, an office independent of the Mayor. Prior to his election as City Controller, Mr. Butkovitz served 15 years in the Pennsylvania House of Representatives, representing the 174th Legislative District in Northeast Philadelphia where he served on the Veterans Affairs and Urban Affairs Committees as well as committees on Aging and Older Adults, Children and Youth and Insurance. Mr. Butkovitz was widely praised for leading the bi-partisan investigation into violence in Philadelphia public schools. He authored legislation creating the Office of the Safe Schools Advocate, the first of its kind in the nation. Mr. Butkovitz was born and raised in Philadelphia. He is an attorney and received his Juris Doctor degree from Temple University Law School in 1976 and a bachelor's degree from Temple University in 1973.

Rebecca Rhynhart was appointed Budget Director of the City of Philadelphia effective November 1, 2010. Ms. Rhynhart was appointed City Treasurer in July 2008. Her responsibilities include oversight of all activities related to the issuance of debt by the City, managing the investment of approximately $2.0 billion of operating and bond funds as well as managing the City's depository banking. Ms. Rhynhart previously served as the Deputy Finance Director for Debt Management from February 2008 to July 2008. Prior to joining the City, Ms. Rhynhart headed up the Tax-Exempt Group in Bear Stearns' Global Credit Department, assessing the creditworthiness of municipalities and not-for-profit organizations for derivative trading. From 2001 to 2005, she worked as a credit analyst for Fitch Ratings. Ms. Rhynhart received her Masters of Public Administration from Columbia University and her Bachelor of Arts from Middlebury College.

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ADDITIONAL INFORMATION

Current City Practices

It is the City's practice to file its Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, with the Municipal Securities Rulemaking Board ("MSRB") as soon as practicable after delivery of such report. The CAFR for the City's fiscal year ended June 30, 2009 was deposited with the MSRB on February 25, 2010, through the MRSB's Electronic Municipal Market Access (EMMA) system. The CAFR is prepared by the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units. Upon written request to the Office of the Director of Finance and payment of the costs of duplication and mailing, the City will make available copies of the CAFR for the Fiscal Year ended June 30, 2009. Such a request should be addressed to: Office of the Director of Finance, Municipal Services Building, Suite 1300, 1401 John F. Kennedy Boulevard, Philadelphia, PA 19102. The CAFR is also available online at www.phila.gov/investor, the City's website ("City Website" or "Website"). The City also expects to provide financial and other information from time to time to Moody's Investors Service, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and Fitch Ratings, in connection with the securities ratings assigned by those rating agencies to bonds or notes of the City.

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

The City Website contains information in addition to that set forth in the CAFR. The "Terms of Use" statement of the City Website, incorporated herein by this reference, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors.

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CITY SOCIOECONOMIC INFORMATION

Introduction

The City includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.54 million according to the U.S. Census Bureau, 2008 Population Estimates. The City is in the heart of a nine-county metropolitan area with approximately 5.5 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 the retail market with over 2,400 retail stores.

Quality of Life

The City is rich in history, art, architecture, and entertainment. World-class cultural and historic attractions include the Philadelphia Museum of Art (which houses the third largest art collection in the United States), the Philadelphia Orchestra, Academy of Music, Pennsylvania Ballet, the Constitution Center, the Kimmel Center (which had over 1 million people in attendance in 2007), Pennsylvania Academy of Fine Arts, Franklin Institute, Mann Music Center, Opera Company of Philadelphia, and the Rodin Museum. The South Philadelphia sports complex, currently consisting of Lincoln Financial Field, Citizens Bank Park, the Wachovia Spectrum and the Wachovia Center, is home to the Philadelphia 76ers, Flyers, Phillies and Eagles. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell, as well as Fairmount Park, which spans 8,000 acres and includes Pennypack Park and the country's first zoo.

The City is a center for health, education, and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. There are presently more than 30 hospitals, seven medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry and veterinary medicine, and the Philadelphia Center for Health Care Sciences in West Philadelphia. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area.

The City has the second largest concentration of students on the East Coast with eighty degree granting institutions of higher education and a total enrollment of over 300,000 students. Included among these institutions are the University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force to the Philadelphia community.

Hospitals and Medical Centers

The City also has major research facilities, including those located at its universities, the medical schools, the Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. The Children's Hospital of Philadelphia (ranked number one in U.S. children's hospitals) 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 Comprehensive Cancer Center is also located at the University of Pennsylvania.

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

Table 12
City of Philadelphia
Hospitals and Medical Centers
(As of July 2009)

Institution	Beds
Albert Einstein Medical Center	511
Aria Health System [1]	477
Belmont Center for Comprehensive Treatment	147
Chestnut Hill Hospital	119
Department of Veterans Affairs Medical Center - Philadelphia	145
Fairmount Behavioral Health System	185
Fox Chase Cancer Center	100
Friends Hospital	192
Girard Medical Center/Continuing Care Hospital of Philadelphia	106
Hahnemann University Hospital	497
Hospital of the University of Pennsylvania	760
Jeanes Hospital	160
Kensington Hospital	35
Kindred Healthcare-Philadelphia	52
Magee Rehabilitation Hospital	96
Mercy Hospital of Philadelphia	180
Methodist Hospital Division - TJUH	199
Nazareth Hospital	195
Penn Presbyterian Medical Center	223
Pennsylvania Hospital	410
Roxborough Memorial Hospital	137
Shriners Hospitals for Children - Philadelphia	39
St. Agnes Continuing Care Center	58
St. Christopher's Hospital for Children	175
St. Joseph's Hospital	146
Temple University Hospital [2]	746
The Children's Hospital of Philadelphia	456
Thomas Jefferson University Hospital	666

Source: Delaware Valley Healthcare Council of HAP, Monthly Utilization Report, July 2009

(1) Aria (formerly Frankford Health Care Systems) includes data for all three divisions — Frankford, Torresdale and Bucks County.

(2) Temple includes data for Episcopal Hospital.

Children's Hospital Expansion. The Children's Hospital of Philadelphia is expanding its research facilities in West Philadelphia. The $400 million first phase of the new complex was completed in the Fall of 2009; the $500 million second phase has been put on hold for the time being due to market conditions. CHOP recently purchased the JFK Building on the banks of the Schuylkill River just south of South Street. Administrative offices and research laboratories will be housed in this new space. The construction schedule is not yet known.

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

The Fox Chase Cancer Center. The Center is a non-profit institution, which is expanding its campus in the northeast section of the City. The area of expansion is called Burholme Park and it is adjacent to the main campus. The Center's 25-year Master Plan is over $1 billion, providing over 2.7 million sq. ft. of space dedicated to research and patient care. The Burholme Park portion of the expansion has been delayed for some time due to litigation. With a recent Commonwealth Court ruling, Fox Chase will be unable to expand into Burholme Park as planned. Throughout the litigation process, however, they have been actively pursuing other development sites within the City to expand, and have completed construction on and opened a $100 million Cancer Research Pavilion on their main campus in July 2009. Also slated for construction on the main campus is a 25,000 sq. ft. comparative research facility to enhance and expand the capabilities of the Center's current research efforts.

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 Pennsylvania increased by 3.4%, less than one-third the national rate of increase.

Table 13
Population
City, Pennsylvania & Nation

	1990	2000	2009 (est.)	% Change 1990-2000	% Change 2000-2009
Philadelphia	1,585,577	1,517,550	1,540,351*	-4.3%	1.5%**
Pennsylvania	11,881,643	12,281,054	12,604,767	3.4%	2.5%
United States	248,709,873	281,421,906	307,006,550	13.2%	8.3%

Source: U.S. Census Bureau, 2009 Population Estimates, Census 2000, 1990 Census.

* 2008 Population Estimates (revised population estimate from challenge).
** Reflects % change from 2000-2008.

Table 14
Population Age Distribution

Philadelphia County

Age	1990	% of Total	2000	% of Total	2006-2008* (est)	% of Total
0-24	563,816	35.6	551,308	36.3	522,829	36.1
25-44	490,224	30.9	444,774	29.3	394,939	27.3
45-64	290,803	18.3	307,746	20.2	344,260	23.8
65-84	217,913	13.7	186,383	12.3	158,546	10.9
85 & up	22,801	1.4	27,339	1.8	28,337	2.0
Total	1,585,577	100	1,517,550	100	1,448,911	100

Pennsylvania

Age	1990	% of Total	2000	Total	2006-2008* (est)	% of Total
0-24	4,021,585	33.8	4,016,670	32.6	3,978,821	32
25-44	3,657,323	30.8	3,508,562	28.6	3,178,976	25.6
45-64	2,373,629	20	2,836,657	23.1	3,367,265	27.1
65-84	1,657,270	13.9	1,681,598	13.7	1,611,816	13
85 & up	171,836	1.4	237,567	1.9	281,878	2.3
Total	11,881,643	100	12,281,054	100	12,418,756	100

United States

Age	1990	% of Total	2000	% of Total	2006-2008* (est)	% of Total
0-24	90,342,198	36.3	99,437,266	35.3	103,443,127	34.3
25-44	80,754,835	32.5	85,040,251	30.2	83,266,651	27.6
45-64	46,371,009	18.6	61,952,636	22	76,547,789	25.4
65-84	28,161,666	11.3	30,752,166	11	32,801,763	10.9
85 & up	3,080,165	1.2	4,239,587	1.5	5,178,373	1.7
Total	248,709,873	100	281,421,906	100	301,237,703	100

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

*2006-2008 American Community Survey 3 year estimates

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 15
Office Rental Rates in Cities
Throughout the United States

(In $ Per Square Foot)

	May 2006	November 2006	May 2007	May 2008	November 2008	May 2009	November 2009	May 2010
Atlanta	20.08	20.56	20.16	21.76	21.23	21.29	21.03	23.25
Chicago	23.77	22.97	22.44	24.75	24.78	24.56	24.82	23.95
Dallas	17.43	16.47	17.20	22.96	23.72	23.71	23.12	22.72
Denver	19.03	20.37	22.17	27.15	27.55	26.53	25.96	25.07
Houston	19.15	19.52	21.53	28.92	26.83	24.91	26.35	27.00
Los Angeles	23.12	22.59	23.74	30.52	30.51	29.92	28.72	28.74
New York	55.15	62.07	69.44	103.43	98.08	68.63	68.93	64.51
Philadelphia	22.42	22.96	22.60	24.35	25.26	25.24	24.09	25.36
Phoenix	24.29	26.19	27.32	29.14	29.17	28.23	26.72	26.89
Portland	21.58	22.41	23.00	25.85	27.62	26.99	26.65	26.33
San Francisco	30.62	31.11	35.81	49.71	48.57	39.40	33.94	33.17
St. Louis	21.12	21.75	21.21	22.82	22.42	22.78	22.51	22.58
Tampa	20.54	21.13	22.46	25.30	26.22	26.36	26.39	25.63
Washington, D.C.	42.74	43.58	44.00	51.05	51.26	51.77	51.74	51.75

Source: CB Richard Ellis, Global Market Rents Report; Global MarketView: Office Occupancy Costs Report.

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Employment

The employment and unemployment rates and the total number of jobs within the City are reflected in Tables 16 and 17, respectively.

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

In March 2000, the Philadelphia Authority for Industrial Development ("PAID") took ownership of more than 1,000 acres at the site of the former Philadelphia Navy Shipyard, Naval Station, Naval Hospital and Defense Supply Center and has begun to implement aggressive redevelopment activities. To date, at least 47 companies have leased or purchased in excess of 2 million square feet of facilities at the complex, now known as the Philadelphia Naval Business Center ("PNBC"). In addition to this employment, the Navy has retained more than 2 million square feet of facilities. Together, the private and Navy facilities employ more than 7,000 people. Long term plans call for more than 10 million square feet of industrial and commercial space at PNBC, with employment targeted between 15,000-20,000.

Table 16
Labor Force Data Annual Average
Based on Residency (not seasonally adjusted)

	2003	2004	2005	2006	2007	2008	2009	2010
Philadelphia (000)*								
Labor Force	622.6	618.3	616.8	614.5	615.9	627.2	629.5	633.1
Employment	575.7	573.1	575.4	576.7	578.8	582.3	566.6	560.4
Unemployment	46.9	45.2	41.4	37.8	37.1	44.9	62.8	72.7
Unemployment Rate (%)	7.5	7.3	6.7	6.2	6.0	7.2	10.0	11.5
Philadelphia PMSA (000)**								
Labor Force	2,879.2	2,888.6	2,9196	2,949.2.	2,948.3	2,986.2	2,997.6	2,982.1
Employment	2,722.4	2,741.7	2,781.9	2,817.4	2,822.3	2,826.3	2,749.7	2,712.3
Unemployment	156.8	146.9	137.7	131.8	126.1	159.9	248.0	269.7
Unemployment Rate (%)	5.4	5.1	4.7	4.5	4.3	5.4	8.3	9.0
Pennsylvania (000)								
Labor Force	6,145.0	6,197.0	6,270.0	6,309.0	6,330.0	6,441.0	6,414.0	6,463
Employment	5,796.0	5,860.0	5,958.0	6,022.0	6,055.0	6,099.0	5,895.0	5,879
Unemployment	349.0	337.0	312.0	286.0	275.0	342.0	519.0	591
Unemployment Rate (%)	5.7	5.4	5.0	4.5	4.3	5.3	8.1	9.1
United States (000,000)								
Labor Force	146.5	147.4	149.3	151.4	153.1	154.3	154.1	154.4
Employment	137.7	139.3	141.7	144.4	146.0	145.4	139.9	139.4
Unemployment	8.8	8.1	7.6	7.0	7.1	8.9	14.3	14.9
Unemployment Rate (%)	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.7

Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, 2010.

* Philadelphia County

** The Philadelphia PMSA includes Philadelphia-Camden-Wilmington, PA, NJ, DE, MD Metro Stat Area.

Table 17
Philadelphia County
Total Monthly Employment and Monthly Unemployment Rates
Based on Residency
2004 – 2010

	Total Employment in 000's							Unemployment Rate %						
Month	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
January	573.7	574.8	574.9	578.9	583.4	577.8	563.8	7.5	6.9	6.1	6.0	6.4	8.5	11.4
February	573.4	573.5	576.3	579.8	582.0	576.5	561.6	7.3	7.2	6.4	5.8	6.4	9.0	11.5
March	572.0	572.2	576.4	579.2	582.7	571.6	560.1	7.7	6.9	6.2	5.7	6.6	9.2	11.3
April	572.4	574.4	576.4	576.2	586.0	571.1	560.4	7.4	6.8	6.4	6.0	6.5	9.3	11.0
May	569.7	576.2	576.5	575.4	584.4	569.0	N/A	7.5	6.7	6.2	6.0	6.8	9.5	N/A
June	570.7	574.7	577.7	578.3	583.3	567.4	N/A	7.6	6.6	6.2	6.0	6.9	9.8	N/A
July	573.6	577.2	575.6	579.4	582.4	566.0	N/A	7.4	6.4	6.3	6.1	7.1	10.0	N/A
August	572.8	575.8	577.0	578.9	582.6	563.1	N/A	7.3	6.5	6.2	6.0	7.5	10.5	N/A
September	573.4	576.6	576.8	579.2	582.0	560.4	N/A	7.2	6.7	6.1	6.1	7.5	10.8	N/A
October	574.0	576.0	577.8	578.6	582.2	557.5	N/A	7.1	6.5	5.9	6.2	7.8	11.1	N/A
November	575.3	575.7	577.2	581.8	579.1	560.0	N/A	7.0	6.8	6.1	6.1	8.0	10.9	N/A
December	576.5	578.8	578.5	580.4	578.3	559.3	N/A	6.9	6.4	5.9	6.3	8.4	10.9	N/A

Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, June 2010 (monthly) Seasonally Adjusted Labor Force), Philadelphia County.

Table 18
Philadelphia City
Non-Farm Payroll Employment*

(Amounts in Thousands)

	2002	2003	2004	2005	2006	2007	2008	2009
Total Non-Farm	683.5	671.3	657.9	660.3	662.5	662.7	663.3	651.0
Natural Resources, Construction & Mining	12.9	12.3	11.4	12.0	12.4	11.9	12.1	10.0
Manufacturing	37.7	34.0	32.6	31.2	29.9	28.5	27.8	25.9
Trade, Transportation & Utilities	98.5	95.8	90.9	90.0	88.5	87.8	87.6	85.2
Information	17.0	15.9	13.6	13.2	12.8	12.6	12.5	12.6
Financial Activities	52.3	50.7	49.0	48.2	47.7	47.1	46.5	45.3
Professional & Business Services	82.9	80.9	80.3	82.4	84.2	85.8	85.3	78.5
Education & Health	181.0	185.3	184.1	186.8	192.2	197.1	201.6	205.2
Leisure & Hospitality	54.2	52.9	54.6	56.6	58.0	58.0	57.9	56.6
Other Services	29.9	29.0	28.5	28.5	28.2	28.0	27.8	26.6
Government	117.1	114.7	113.0	111.4	108.6	105.9	104.3	105.0

Source: Bureau of Labor Statistics, March 2010.
* Includes persons employed within the City, without regard to residency.

Table 19
City of Philadelphia
Principal Employers in Philadelphia
June 30, 2009
(Listed Alphabetically)

Albert Einstein Medical

Children's Hospital of Philadelphia

City of Philadelphia

School District of Philadelphia

Southeastern Pennsylvania Transportation Authority

Temple University

Thomas Jefferson University Hospitals

United States Postal Service

University of Pennsylvania

University of Pennsylvania Hospital

Source: Philadelphia Department of Revenue

Table 20
Fortune 500
Largest Corporations
With Headquarters in Philadelphia, 2010

Corporation	Type of Industry	Ranking	Revenues
Comcast	Telecommunications	59	$35,756.0
Sunoco	Petroleum Refining	78	$29,630.0
Cigna	Health Care/Insurance	129	$18,414.0
ARAMARK	Diversified Outsourcing Services	189	$12,297.9
Crown Holdings	Metal Products	289	$7,938.0

Source: Fortune Magazine website, May 2010.

Income

The following table presents data relating to per-capita income for the City, the PMSA, and the United States.

Table 21
Consumer Price Indices and Median Household Effective Buying Income

	2000	2002	2003	2004	2005	2006	2007	2008	2009
CPLLl United States [(a)]	172.2	179.9	184.0	188.9	195.3	201.6	207.3	215.3	214.5
CPL U Philadelphia PMSA[(a)]	176.5	184.9	188.8	196.5	204.2	212.1	216.7	224.1	225.1
Buying Income[(b)]									
Philadelphia	$31,621	$29,995	$28,015	$28,150	$29,269	$30,748	$31,292	$30,746	$31,110
Philadelphia Metro Area*	$47,152	$43,800	$41,820	$42,852	$44,060	$45,395	$46,413	$46,900	$47,580
United States	$37,233	$38,365	$38,035	$38,201	$39,324	$39,324	$40,710	$41,792	$42,303

*Statistic is a measure of the Philadelphia, Camden & Wilmington Metropolitan Area.

Source: (a) Consumer Price Index - All Urban Consumers. U.S. Bureau of Labor Statistics.
(b) Sales & Marketing Management's 2009 Survey of Buying Power.

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Table 22

Number of Households by Income Range in Philadelphia County

Income	Number of Households*			Percentage of Households*		
	1990	2000	2006-2008** (est)	1990	2000	2006-2008** (est)
Under $ 9,999	136,335	109,237	84,213	22.6	18.5	14.9
$10,000-14,999	59,331	49,035	48,221	9.9	8.3	8.6
$15,000-24,999	108,405	89,059	73,984	18.1	15.0	13.1
$25,000-49,999	190,237	171,215	147,661	31.7	29.0	26.2
$50,000 and over	106,432	171,737	209,758	17.6	29.1	37.2
Total	600,740	590,283	563,837	100.0	100.0	100.0

* A household includes all the persons who occupy a housing unit.
** 2006-2008 American Community Survey 3 year estimates

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

Number of Households by Income Range in United States

Income	Number of Households (000's)			Percentage of Households		
	1990	2000	2006-2008* (est)	1990	2000	2006-2008* (est)
Under $ 9,999	14,214	10,067	8,046	15.5	9.5	7.2
$10,000-14,999	8,133	6,657	6,140	8.8	6.3	5.5
$15,000-24,999	16,124	13,536	11,921	17.5	12.8	10.6
$25,000-49,999	31,003	30,965	27,850	33.7	29.3	24.8
$50,000 and over	22,519	44,312	58,429	24.5	42.1	52.0
Total	91,994	105,537	112,386	100.0%	100.0%	100.0%

* 2006-2008 American Community Survey 3 year estimates

Source: U.S. Department of Commerce, Economics and Statistics Administration, 2000 Census of Population. Figures may not add up due to rounding.

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Retail Sales

The following table reflects taxable sales for Philadelphia from Fiscal Years 1997 to 2009.

Table 23
Philadelphia
Taxable Retail Sales 1997-2009
($000's)

Fiscal Year	Taxable Sales
1997	9,637,833
1998	8,276,083
1999	9,604,970
2000	10,432,800
2001	11,107,100
2002	10,980,914
2003	10,933,524
2004	11,172,231
2005	12,001,439
2006	12,839,137
2007	13,643,582
2008	13,704,958
2009	13,211,446

Source: Figures determined by dividing the Philadelphia local sales tax reported by the Pennsylvania Department of Revenue by the local sales tax rate of 0.01.

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 Philadelphia International Airport (PHL) and Northeast Philadelphia Airport (PNE) comprise the Philadelphia Airport System (the "Airport System"). The Airport System is owned by the City of Philadelphia and is operated by its Division of Aviation. PHL is located 7.2 miles southwest of Center City; and PNE, a smaller reliever airport, is located 10 miles northeast of Center City. PHL is accessible from major highways within the City and from surrounding communities and SEPTA's Airport rail line. PHL provides its passengers with service on 10 domestic carriers, four of which also provide international service, along with four foreign flag carriers. In addition, PHL currently has 18 regional carriers and three all-cargo carriers. PHL serves as a key connecting hub for US Airways.

Water and Wastewater Systems

The water and wastewater systems of Philadelphia are owned by the City and operated by the City's Water Department. The water system provides water to the City (130 square mile service area), to Aqua Pennsylvania, Inc., formerly Philadelphia Suburban Water Company, and to the Bucks County Water and Sewer Authority. The City obtains approximately 58 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 480,000 retail customer accounts through 3,137 miles of mains, three water treatment plants, 15 pumping stations and provides fire protection through more than 25,000 fire hydrants.

The wastewater system services a total of 360 square miles of which 130 square miles are within the City and 230 square miles are in suburban areas. The total number of retail customer accounts is approximately 479,000. The wastewater and stormwater systems contain three water pollution control plants, a biosolids processing facility, 21 pumping stations, and approximately 3,657 miles of sewers. Based on its current NPDES discharge permit, the City is required to achieve effluent limitations that are considered more stringent than those required to achieve secondary treatment levels as defined in the Federal Water Pollution Control Act, as amended.

Municipal Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2,800 tons of solid waste per day is collected by the City. Municipal solid waste is disposed of through a combination of recycling processing facilities, private and City transfer stations within the City limits, and at various landfills operated outside the City limits. The City significantly reduced its waste disposal costs over the last decade. The current disposal contract, which began July 1, 2005, continues this trend. With three one-year City options, the contract can be extended through Fiscal Year 2012. Disposal rates escalate at a relatively low rate of approximately three percent per year over the contract term, and multiple vendors maximize operational flexibility and efficiencies.

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Housing

The table below shows details related to Philadelphia County and Pennsylvania's housing markets:

Table 24
Characteristics of Housing Units

	1990	2000	2006-2008* (est)
Total Housing Units			
Philadelphia County	674,899	661,958	660,562
Pennsylvania	4,938,140	5,249,750	5,476,136
Percent Owner-Occupied			
Philadelphia County	62.0%	59.3%	57.1%
Pennsylvania	70.6%	71.3%	71.4%
Median Value of Owner-Occupied Housing			
Philadelphia County	$49,400	$59,700	$ 130,400
Pennsylvania	$69,700	$97,000	$ 155,400
Number/Average Persons per Housing Unit			
Philadelphia County	2.56	2.65	2.63
Pennsylvania	2.72	2.62	2.59

Source: U.S. Department of Commerce, Bureau of the Census.
*2006-2008 American Community Survey 3 year estimates.

Promoting Economic Development

Mission

The goal of the City's economic development strategy is to create, maintain, and develop: (1) jobs by fostering an improved business environment; (2) increases in population; and (3) enhanced quality of life within the City of Philadelphia—all in order to grow the City's tax base.

Background

In 2009, despite a slowing national economy, the City of Philadelphia aggressively launched several programs aimed at improving economic development. By reorienting its economic development priorities toward promoting transparency and accountability in government services to businesses and individuals, Philadelphia will strive to become the business location of choice. This new business climate, combined with recent cultural additions, neighborhood reinvestment and a renewed sense of civic pride, will further Philadelphia's position as a world-class city. As part of its economic recovery strategy, the City continues to pursue funds appropriated by the American Recovery and Reinvestment Act, which will be used to leverage major economic development projects, and thereby enhance the City's competitive position among major U.S. urban markets.

Philadelphia's Competitive Advantages

Philadelphia's competitive advantages as a business location are based on size, strategic location, relative affordability, cultural and recreational amenities, and its growing strength in key knowledge industries. The City of Philadelphia is the fifth-largest city in the nation (2000 U.S. Census Data) with the third largest downtown population and is at the center of the sixth largest metropolitan region. The Philadelphia region includes the fourth largest retail sales market in the nation, as well as a diverse network of business suppliers and complementary industries.

Accessibility

Philadelphia is in a key position to access regional and international markets, due to the transportation infrastructure centered here, including Philadelphia International Airport, AMTRAK's Northeast Corridor service, major interstate highway access, regional SEPTA service and the port. The capacity of Philadelphia's transportation infrastructure is demonstrated by its median commuting time, which is 19 percent lower than the national metropolitan average. Recent analysis has shown that employees also benefit: Commuters to suburban firms, nearly all of whom drive to work, spend over $6,200 per year in vehicle expenses. By contrast, 70 percent of downtown office workers use public transit to get to work, and the annual cost of a SEPTA regional rail pass is just $2,172. In addition, 37% of downtown residents walk to work, the highest percentage of any major American city. Another 1.6% of Philadelphia commuters use bicycles to get to work. This is the highest percentage of biking commuters in the U.S., which is nearly three times the national average (2008 American Community Survey, http://blog.bicyclecoalition.org/2009/).

Culture

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

Affordability

Philadelphia remains affordable when compared to its peers, as reflected in the chart below. The City's cost of living provides a competitive advantage over neighboring cities. In 2008, Forbes Magazine listed Philadelphia among the twenty best cities for young professionals to live, noting that college graduates are increasingly choosing Philadelphia over traditionally higher priced northeastern markets like Boston and New York.

Cost of Living 2010 (First Quarter)*

Index	Philadelphia, PA	Washington-Arlington – Arlington, DC-VA	Boston, MA	New York (Manhattan), NY	National Average
Composite (100%)	126.5	137.9	131.1	218.0	100.0

Source: Council for Community and Economic Research ACCRA Cost of Living Index
*The Council for Community and Economic Research determines "Cost of Living" by weighing various living expenses including: cost of groceries, housing, utilities, transportation and health. The national average cost for each index area is set at "100", and the indices for each place are then calculated based upon their relation to that average.

Educational Attainment

Philadelphia captures a significant portion of the region's educational employment and enrollment because of its major colleges and universities. The City houses 40 percent of all students during their studies, and the Philadelphia region retains a strong share of its graduates (55 percent) and an even greater share of graduates who are originally from the region (82 percent). The region retains 26 percent of non-native graduates, based on a survey of the class of 2005. On average, the region's workforce over age 25 is better educated (with four-year college degrees) than those in other metropolitan areas across the U.S. (32 percent, compared to 27 percent). Meanwhile, the City consistently ranks among the lowest educational attainment rates in the nation, with only 20.7 percent of its population having obtained a four-year college degree (American Community Survey data, 2006). To reverse this trend, the Nutter administration has made it a priority to leverage the City's relationships with local universities and industry partners aimed at encouraging recent college graduates to maintain permanent residence and employment within the city.

Real Estate Market

Despite challenges in the national economy, Philadelphia's central business district ("CBD"), which encompasses 42.1 million rentable square feet, shows stable office market conditions when compared with other major metropolitan markets. The strength of the market is driven by the continued expansion of the city's major healthcare and educational institutions, which are less likely to be impacted by the slowdown, and the growth of Comcast Corporation. Recent developments in the financial services market offer both retention risks and attraction opportunities for Philadelphia. Significant downsizing among law firms and other professional services businesses pose the greatest challenge to the office market.

The Center City office market has seen positive results in most recent years, with 1 million square feet of net absorption in 2006, 992,000 square feet in 2007 and approximately 876,000 square feet of positive net absorption in 2008. Unfortunately, the economic slowdown has begun to have an effect, dropping the Class A net absorption rate for 2009 to approximately -190,160. Likewise, while Philadelphia's CBD boasted a direct vacancy rate of under 9% for six quarters in a row as of the first quarter of 2009, this rate has risen to 10.5% by the end of 2009 - still well below the national average, which climbed to 15.8% as of December 2009. Despite these downturns, Philadelphia's CBD shows signs of economic recovery and confidence is returning to the market.

In its Winter 2009 market forecast, Cushman and Wakefield named Philadelphia, among four major metropolitan markets (also including Boston, MA, Washington, DC, and Seattle, WA) that "will be in a recovery-ready mode in 2010." A positive sign of recovery is reflected in accelerating rental activity in the CBD, which in the first quarter of 2010 showed a 67% increase over the first quarter of 2009 activity. As a result of building owners making substantial capital investments and a high demand for 'trophy' locations, , Class A asking rental rates in the CBD have risen from $25.85 in 2006 to $27.08 per square foot through the first quarter of 2010. A concerted attraction and retention campaign involving the combined efforts of the City, PIDC, the Center City District, the Greater Philadelphia Chamber of Commerce, and the Commonwealth has helped to sustain these positive trends.

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

Major Industry Sectors

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

Philadelphia Industry Concentrations Compared to Pennsylvania

Industry	Pennsylvania	Philadelphia County
Education and Health Services	0.52	2.23
Financial Activities	0.80	1.24
Other Services	0.93	1.07
Professional and Business Services	0.75	1.33
Leisure and Hospitality	0.95	1.05
Information	0.94	1.06
Trade, Transportation, and Utilities	1.54	0.69
Manufacturing	2.54	0.39
Construction	2.35	0.43
Unclassified	0.50	0.02
Natural Resources and Mining	0.55	0.00

Source BLS: 2008 Location Quotient, Quarterly Census of Employment and Wages Data. Ratio of analysis-industry employment in the analysis area to base-industry employment in the analysis area divided by the ratio of analysis-industry employment in the base area to base-industry employment in the base area.

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

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Employment

Despite a continued rise in unemployment over the past year, the overall gap between local and national unemployment has shrunk moderately due to deteriorating market conditions brought on by the nation's financial crisis.

National, State and Local Unemployment Rates: 1997-2010

Year	U.S.	Pennsylvania	Philadelphia	% Difference between U.S. and Philadelphia
1997	4.9%	5.1%	6.8%	1.9%
1998	4.5%	4.6%	6.2%	1.7%
1999	4.2%	4.4%	6.1%	1.9%
2000	4.0%	4.2%	5.6%	1.6%
2001	4.7%	4.8%	6.1%	1.4%
2002	5.8%	5.6%	7.3%	1.5%
2003	6.0%	5.7%	7.5%	1.5%
2004	5.5%	5.4%	7.3%	1.8%
2005	5.1%	5.0%	6.7%	1.6%
2006	4.6%	4.7%	6.3%	1.7%
2007	4.6%	4.4%	6.0%	1.4%
2008	5.8%	5.5%	7.2%	1.4%
2009	9.3%	8.1%	10.2%	0.9%
2010(1)	9.7%	9.4%	11.3%	1.4%

Source: Bureau of Labor Statistics (BLS).2010.

(1) Preliminary estimates based on data reported to BLS, January – April 2010.

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The jobs report is mixed. As reflected in the chart below, total employment has generally trended upwards in particular sectors (i.e. Education / Healthcare, and Leisure / Hospitality) over the entire period shown, while overall growth decreased slightly in 2009 and continues to be sluggish.

Cluster Employment Data: City of Philadelphia 2003-2010 (in thousands)										
Sector	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010***	**% Change from 2003**	**Avg Annual % Change**
Construction & Mining	12.3	11.4	12	12.6	11.8	12.2	10	8.5	-30.9%	-5.1%
Manufacturing	34	32.6	31.2	30	28.3	27.3	25.9	24.9	-26.8%	-4.5%
Trade, Transportation, & Utilities	95.8	90.9	90	88.6	88.0	87.5	85.2	83.7	-12.6%	-2.1%
Information	15.9	13.6	13.2	12.7	12.9	12.3	12.6	12.6	-20.8%	-3.5%
Financial Activities	50.7	49	48.2	47.6	47.1	46.3	45.3	44	-13.2%	-2.2%
Professional & Business Services	80.9	80.3	82.4	84.1	85.3	85.5	78.5	75.4	-6.8%	-1.1%
Education & Health Services	185.3	184.1	186.8	192	196.4	201.1	205.2	207.4	11.9%	2.0%
Leisure & Hospitality	52.9	54.6	56.6	57.6	58.4	57.8	56.6	53.5	1.1%	0.2%
Other Services	29	28.5	28.5	28.2	28.2	28.1	26.6	25.8	-11.0%	-1.8%
Government	114.7	113	111.4	108.4	105.9	104.5	105	105.1	-8.4%	-1.4%
Total	671.5	658	660.3	661.8	662.4	662.5	651	627.3	-6.6%	-1.1%

Source: Bureau of Labor Statistics. 2010.
*Preliminary estimates based on data reported to BLS, January – April, 2010.

Knowledge Industry: Poised for Growth

The sector of Philadelphia's economy which has remained most insulated from the current recession has been Education and Health Services, capturing an 11.9 % growth rate since 2003. The City, in its strategic plan for economic development and job growth, has identified the "Eds and Meds", along with Professional and Business Services, and Leisure and Hospitality, as targeted growth sectors that will drive the City's recovery process and position it for continued long-term growth.

The Education sector not only provides stable support to the local economy, but also generates a steady supply of potential "Knowledge Industry" workers. In the knowledge industry, which relies on the supply of new college graduates, companies apply emerging technologies to deliver high-quality, knowledge-based services. The knowledge industry includes sectors as diverse as financial services, engineering, health care, insurance, law, life sciences, printing, publishing, and academia. In a 2009 report published by the Milken Institute, the Greater Philadelphia region's life sciences industry earned the number one ranking of the study's "current impact" category by directly employing 94,400 workers and generating $7.7 billion in direct revenue in 2008. These advantages equip Philadelphia and the region to continue to build its knowledge industries.

While Philadelphia has a strong core of knowledge-based industries, the City must capitalize on these advantages to ensure future growth and dynamism. Within the knowledge economy is another sector of great importance to Philadelphia and the region, the life sciences, which includes health care, research, biotechnology, and pharmaceuticals. Philadelphia is capitalizing on the region's opportunity to become an incubator for research generated by life sciences and educational institutions. Several sites now foster incubator opportunities, including the Philadelphia Navy Yard, the Science Center in West Philadelphia, and the west bank of the Schuylkill River bordered by the University of Pennsylvania, Children's Hospital of Pennsylvania and Drexel University.

Philadelphia's economy enjoys a large market share of for-profit creative industry companies which are technology-driven, known as businesses representing the "creative economy." A subset of the knowledge industry, the sector includes architecture, communications, design and merchandising, digital media, engineering, fashion design, graphic arts, information technology, interior and industrial design, marketing, music, film and video production, multimedia design, photography, planning product design and software development. Philadelphia supports several initiatives with the goal of increasing employment in this sector and fostering population growth in the City as a result. Philadelphia's population has increased 1.5% since 2000 according to a recently published challenge to the U.S. Census Bureau's 2009 estimate. The City's official population is now recorded as 1,540,351.

Philadelphia International Airport

Philadelphia International Airport served 30.7 million passengers, including 4.1 million international travelers, in calendar year 2009. In 2009, PHL ranked eighteenth in the nation in terms of total passengers and is presently the eleventh busiest in the world for aircraft operations, according to data reported by Airports Council International North America. The regional economic impact of the Airport is $14 billion annually. PHL opened a new commuter terminal in 2001, a new international terminal in May 2003, completed the extension of Runway 17-35 to increase airfield capacity in December 2008, and recently completed two major phases of a $300 million Terminal D-E renovation and expansion project, which included a new 14-lane security checkpoint and ten new food and retail shops that opened in December 2008, and expansion of Concourse E, which added seven gates and a food court in February 2010.

In 2005, the Airport issued three series of Airport Revenue Bonds which included $125 million in fixed-rate Series 2005A bonds, $41 million in variable-rate Series 2005B bonds and $189.5 million in variable-rate Series 2005C bonds. Proceeds of the 2005A and B bonds have enabled the Airport to undertake critical infrastructure projects, such as expansion of Terminals D and E, improvements to Terminal A East, expansion of security checkpoints at Terminals B and C, and resurfacing of Runway 9R-27L. Proceeds of the 2005C bonds were used to refund the Airport's Series 1995A revenue bonds.

In August of 2007, the City issued the 2007A Bonds and the 2007B Bonds. Proceeds from the 2007A Bonds provide funding for several new capital projects including international terminal gate expansion, design work for the expansion of Terminal F, design of a new in-line baggage system for Terminal B/C, and an infrastructure improvement program. The 2007B Bonds refunded the Series 1997B Airport Revenue Bonds.

In April 2009, the City issued the fixed rate 2009A Bonds. Proceeds from the 2009A Bonds were used to refund the Airport's variable-rate Series 2005B, which are described above.

Philadelphia Industrial Development Corporation

Philadelphia Industrial Development Corporation ("PIDC") is a private, not-for-profit Pennsylvania corporation, founded in 1958 by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce to promote economic development throughout the City. 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 financing to eligible borrowers through the Philadelphia Authority for Industrial Development (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.

Financing Programs

PIDC offers a variety of Financing Programs to assist economic development for all segments of the Philadelphia market. Primary categories include:

PIDC Loan Programs: Largely funded by federal, state, and local government sources, PIDC loan programs generally offer subordinated financing and below-market rates which encourage investment in Philadelphia. Specific terms and uses vary and may cover infrastructure costs, land acquisition, building construction, machinery/equipment purchase, or working capital. During 2009, PIDC settled 38 loan transactions and provided approximately $159 million of funding to projects valued at $1.18 billion.

PAID Bond Program: PIDC also manages the Philadelphia Authority for Industrial Development (PAID). PAID issues, as a conduit, tax-exempt bonds for qualified manufacturing and not-for-profit and other projects. PAID is also a conduit for taxable issues. During calendar year 2009, PAID settled 12 bond issues for $153.7 million in financing and total project costs of $157.8 million.

Real Estate Services

On behalf of the City of Philadelphia, PIDC is responsible for acquiring, improving and selling industrial and commercial land in strategic locations throughout the City. Over the years, PIDC has successfully leveraged economic development on more than 2,000 acres of such land.

- Industrial Land: PIDC parcels are competitively priced, zoned for immediate development, environmentally clean, and fully improved with roads and utilities. Many of these sites are located in established Northeast, West, and Southwest Philadelphia industrial park settings with excellent access to transportation and workforce. Others are situated in redeveloping commercial neighborhood corridors.
- Most of PIDC's properties are in designated incentive areas, which include specific entitlements to tax abatements, low interest loans and other benefits. Of particular note are the Keystone Opportunity Zones (KOZs), which abate business taxes for varying terms.
- Public Property Sales: In 2005, PIDC entered into an agreement with the City's Department of Public Property to market the City's surplus real estate throughout Philadelphia. Due to the poor economic climate, PIDC completed 1 transaction in 2010 with a sale price of $165,000. Since this effort began, PIDC has completed the sale of 29 properties resulting in approximately $14.7 million for the City's General Fund. PIDC recently issued an RFP for the existing City-owned Family Court property located at 1801 Vine Street for re-development. As this is still an active facility, settlement on this transaction is not expected for 2 to 3 years.
- Developer Selection: When demand is present, PIDC also manages developer selection and sales of key real estate assets utilizing conventional RFQ/RFP methodology. Currently, PIDC is developing a handful of RFQ/RFP documents for sites that are likely to be in demand when the real estate market rebounds.

- In summary, PIDC closed 2 land sales, totaling 30 acres in the first half of 2010. This level of activity is consistent with 2008 and 2009 levels and represents the impacts of the overall slowdown in the national and regional economy. Since 2009, PIDC worked along with the City of Philadelphia's Commerce Department and the City Planning Commission to conduct a study of Philadelphia's industrial land inventory, characteristics, and projected demand to develop a new industrial land policy to serve as a guide for the nature, location and scale of industrial land acquisition and development for the foreseeable future. The study is anticipated to be completed in summer 2010.

- Due to the weakness in the real estate market, PIDC is seeking opportunities to purchase distressed or underutilized industrially-zoned sites to replenish the City of Philadelphia's inventory of publicly controlled industrial land. PIDC recently settled on the acquisition of a 20-acre cleared industrially-zoned site which it will begin to market for private development. PIDC is negotiating acquisitions of additional industrially-zoned sites, which if successful, would settle in 2010.

The Navy Yard

During the past decade, the United States Department of Defense has downsized significantly in the Philadelphia area, resulting in substantial excess real estate in the City. PIDC is responsible for converting these former military properties to civilian use, and many of the dispositions realized during 2003-2006 included development sites from this portfolio.

Located on the Delaware River at the south end of Broad Street, The Navy Yard is the largest former Defense Department asset, with 1,000 acres and 6.5 million square feet of existing industrial and office space. Since the ownership transfer in March 2000, PIDC has been responsible for planning, operations and development of this massive property.

Initial emphasis was on upgrading roads and utilities systems with over $25 million of infrastructure investment. Development of the Aker Philadelphia Shipyard, a $300 million state-of-the-art facility, was funded by federal, state, and local sources. Successful leasing and development efforts have resulted in more than 90 companies and three Navy operations occupying more than 5.5 million square feet of space and employing more than 8,000 people. In September 2004, PIDC and the City released an updated Navy Yard Master Plan, which focuses on mixed use development on 400 acres east of Broad Street and envisions over $2 billion of private investment in office, research, retail, residential, and recreational projects. To date, major progress was achieved in implementation of the Master Plan:

- Industrial Anchors: The Navy Yard continues to be a vital industrial and manufacturing center, with the Aker Philadelphia Shipyard as a major anchor activity. Aker employs 1,300 in its commercial shipbuilding operation and is in the midst of $2 billion worth of ship orders.

This robust activity also supports a number of supplier and related industrial and manufacturing companies located at The Navy Yard. The US Navy also retains significant industrial facilities to support its foundry and propeller shop with nearly 800 employees. Building on the skilled workforce and range of industrial supplier companies located at The Navy Yard, an affiliate of Boston Ship repair leases a dry-dock, pier and related facilities to support commercial and military ship repair activity. Tasty Baking Company's new 350,000 SF bakery and distribution center at The Navy Yard became fully operational in 2010. This facility, along with an additional 200,000 SF of speculative flex and industrial space, is being developed in the Navy Yard Commerce Center by Liberty Property Trust and Synterra Partners.

- Navy Yard Corporate Center: In 2003, PIDC selected a team led by Liberty Property Trust and Synterra Partners to develop 72 acres with 1.4 million square feet of Class A office space. Liberty/Synterra has developed three buildings, all of which are fully leased: (i) a 77,000-square-foot, multi-tenant speculative building which is now 100 percent leased, (ii) a 47,000 square foot build-to-suit headquarters for Unique Industries and (iii) a 95,000 square foot office building completed in the second quarter of 2009 and is now 90% leased. PIDC and Liberty/Synterra are in the pre-development phase for a 125 room hotel and the next phase of speculative office construction.

- Additional Corporate Office Activity: The Navy Yard's shift from a federal, industrial property to a private sector business park with corporate/research future has defined itself in recent years with a combination of headquarters relocations by Vitetta Architects and Engineers, Unique Industries, and Barthco International. In 2006, Urban Outfitters, a major retailer of clothing, furnishings and accessories completed its $115 million corporate campus, an award-winning historic conversion of approximately 300,000 SF of former industrial facilities. Urban Outfitters has grown their headquarters workforce to more than 1,200 employees since relocating to The Navy Yard and will complete work on a $20 million, 50,000 SF expansion in June 2010. Urban retains options on an additional 200,000 SF of facilities to support continued expansion at the Navy Yard.

- Research and Development: In addition to the development of general corporate office facilities, The Navy Yard has established an important market segment in technology and R&D activity. This activity is anchored by the Naval Ship Systems Engineering Station, an 1,800 person federal research lab that houses the Navy's premier research organization focusing on power, energy, fuel cells, propulsion, IT and systems integration. In order to complement and expand this research base, the Commonwealth designated the Navy Yard as a Keystone Innovation Zone (KIZ), providing access to variety of state incentives for technology development. The KIZ team led by PIDC includes the U.S. Navy, Penn State University, the Delaware Valley Industrial Resource Center (DVIRC), the City of Philadelphia and the Ben Franklin Technology Partners of Southeastern Pennsylvania.

- In 2009, PIDC established the Navy Yard Clean Energy Campus as the identity of Navy Yard R&D activity. Early initiatives of the Clean Energy Campus have resulted in Penn State establishing a Navy Yard location for its graduate level engineering program; the relocation of Ben Franklin Technology Partners' Corporate Office to The Navy Yard; the development of the Building 100 Innovation Center by Ben Franklin, DVIRC and PIDC to house early stage technology companies focused on power and energy related research; and a cadre of 12 related companies with offices at The Navy Yard.

- PIDC and its Navy Yard Clean Energy Campus partners also continue to pursue significant federal funding for research, education and commercialization facilities. The Navy has commenced development on a new, $20 million energy test center that will be the focus of their energy research activity. Penn State was recently awarded $10 million in grants from the Department of Energy ("DOE") to establish regional, Mid Atlantic Centers at The Navy Yard for Solar Training and Resources, Clean Energy Applications and Smart Grid Development. These activities commenced operations in 2010. PIDC, Penn State and nearly 100 partners have submitted an application to the Department of Energy to support a $130 million center for Energy Efficient Buildings at The Navy Yard. DOE's decision on this proposal is expected in fall 2010.

- In 2009, two significant private investments in the Clean Energy Campus were announced. The first was the development of a 7-acre, 1.5 mega watt solar array to be developed by a partnership of Conergy and Exelon Power Generation. This facility is expected to be under construction in the second quarter of 2010. The second project is the development of a 350,000 SF, $400 million thin film, solar panel manufacturing facility by Heliospehra USA. This facility is proposed for a start of construction at the end of 2010 or early 2011.

- The Navy Yard also supports a significant and growing life sciences community. In 2004, AppTec Laboratory Services, a Minneapolis based provider of contract testing and manufacturing services to the pharmaceutical sector, developed a new, 75,000 SF office and lab facility at The Navy Yard. Established with approximately 40 employees initially, AppTec now has more than 260 employees at The Navy Yard. In 2008, WuXi Pharmaceuticals acquired AppTec and now houses its North American contract testing operation and 200 employees at The Navy Yard. This facility was recently acquired by Charles River Laboratories, North America's largest contract manufacturing operation. Phoenix IP Ventures, an intellectual property Merchant Bank focused in the life sciences area, established its corporate headquarters at The Navy Yard, where it also houses operations for its growing base of companies.

Additional Projects under Construction

The following table lists additional projects currently under construction in the City for the City/Public sector.

Table 25
Projects under Construction

Project	Estimated Cost
City Hall Exterior Renovation Project	$90,000,000
Presidents House	$8,400,000
Robin Hood Dell Restoration	$5,500,000
Emergency Standby Generators	$4,600,000
Philadelphia Industrial Correctional Center Security Upgrade Project	$2,100,000
Fire Point Source Capture	$11,000,000
Waterworks Esplanade Bulkhead Reconstruction	$1,100,000
New Youth Study Center	$93,000,000

Source: Office of Budget and Program Evaluation, December 2009

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APPENDIX VI

FORM OF APPROVING OPINION OF CO-BOND COUNSEL

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[FORM OF OPINION OF CO-BOND COUNSEL]

________, 2010

Re: $624,665,000 City of Philadelphia, Pennsylvania
Airport Revenue Bonds Consisting of
$273,065,000 Airport Revenue Bonds, Series 2010A (Non-AMT)
$24,395,000 Airport Revenue Refunding Bonds, Series 20010B (Non-AMT)
$54,730,000 Airport Revenue Refunding Bonds, Series 20010C (AMT)
$272,475,000 Airport Revenue Refunding Bonds, Series 20010D (AMT)

To the Purchasers of the Within-Described 2010 Bonds:

We have acted as Co-Bond Counsel in connection with the authorization, issuance and sale by the City of Philadelphia, Pennsylvania (the "City") of its Airport Revenue Bonds consisting of $273,065,000 Airport Revenue Bonds, Series 2010A (Non-AMT) (the "Series 2010A Bonds"); $24,395,000 Airport Revenue Refunding Bonds, Series 20010B (Non-AMT) (the "2010B Bonds"); $54,730,000 Airport Revenue Refunding Bonds, Series 2010C (AMT) (the "2010C Bonds"); and $272,475,000 Airport Revenue Refunding Bonds, Series 2010D (AMT) (the "2010D Bonds" together with the 2010A Bonds, the 2010B Bonds and the 2010C Bonds, the "2010 Bonds"). The 2010 Bonds are being issued under and pursuant to the First Class City Revenue Bond Act of the Commonwealth of Pennsylvania, Act No. 234 of October 18, 1972, P.L. 955, as amended (the "Act"), and the Amended and Restated General Airport Revenue Bond Ordinance approved June 16, 1995 (the "Original Ordinance"), as supplemented and amended, including, by the Ninth Supplemental Ordinance approved on July 2, 2008 (the "Ninth Supplemental Ordinance") and the Tenth Supplemental Ordinance approved on June 23, 2010 (the "Tenth Supplemental Ordinance" together with the Ninth Supplemental Ordinance and the Original Ordinance, the "General Ordinance"). The proceeds of the 2010A Bonds are being issued to finance certain capital improvements to the Airport System and the proceeds of the 2010B Bonds, the 2010C Bonds and the 2010D Bonds are being issued to refund all or a portion of the City's outstanding 1997A Bonds, 1998A Bonds and 1998B Bond, respectively. Any prepayment of the 1998B Bond shall be in an amount that is sufficient and is used to pay a like amount of the Philadelphia Authority for Industrial Development Airport Revenue Bond, Series 1998A (the "PAID Bonds"). Capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the General Ordinance.

The 2010 Bonds are issued in fully registered form and are dated, are in such denominations, bear interest, mature and are subject to redemption prior to maturity as set forth in the form of the respective series of 2010 Bonds. The 2010 Bonds are payable as to principal or redemption price at the principal Philadelphia corporate trust office of U.S. Bank National Association (successor fiscal agent to Wachovia Bank, National Association) (the "Fiscal Agent").

The 2010 Bonds, together with outstanding issues of Airport Revenue Bonds, Series 2001A, Series 2001B, Series 2005A, Series 2005C, Series 2007A, Series 2007B and Series 2009A and all other airport revenue bonds hereafter issued for the purposes and upon the terms and conditions prescribed in the Ordinance are equally and ratably secured to the extent provided in the Ordinance, as the case may be, and the Act, by a pledge of Pledged Amounts. In accordance with Section 4.02 of the Original Ordinance and pursuant to the Ninth Supplemental Ordinance and the Tenth Supplemental Ordinance, "Pledged Amounts" with respect to the 2010D Bonds also includes Passenger Facility Charges.

As Co-Bond Counsel for the City, we have examined the Act and such Constitutional provisions, statutes and regulations of the Commonwealth of Pennsylvania and such other records and documents of the City as we deemed necessary for the purposes of this opinion. We have also examined the proceedings authorizing the issuance and sale of the 2010 Bonds, including the General Ordinance, the Ninth Supplemental Ordinance and the Tenth Supplemental Ordinance; the transcript of proceedings filed by the City with the Court of Common Pleas of Philadelphia, together with evidence of the filing thereof, and certain statements, certifications, opinions, agreements, reports, affidavits, receipts and other documents which we have considered relevant, including, without limitation, an opinion of the City Solicitor of the City and a certification of officials of the City having responsibility for issuing the 2010 Bonds given pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder. We have also examined a fully executed and authenticated 2010A Bond, 2010B Bond, 2010C Bond and 2010D Bond and have assumed that all other 2010A Bonds, 2010B Bonds, 2010C Bonds and 2010D Bonds have been similarly executed and authenticated.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon.

On the basis of the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the Commonwealth of Pennsylvania, including the Act, the General Ordinance, the Ninth Supplemental Ordinance and the Tenth Supplemental Ordinance, the City is authorized to issue the 2010 Bonds, and the terms thereof comply with the requirements of the Act, the General Ordinance, the Ninth Supplemental Ordinance and the Tenth Supplemental Ordinance.

2. The General Ordinance, the Ninth Supplemental Ordinance and the Tenth Supplemental Ordinance have been duly enacted and the covenants and agreements of the City contained therein, including, specifically but not by way of limitation, the pledge of the Pledged Amounts, as therein described, constitute legal, valid and binding obligations of the City with respect to the 2010 Bonds and are enforceable against the City in accordance with their

respective terms except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws, or by legal or equitable principles affecting creditors' rights generally.

3. The 2010 Bonds have been duly authorized and issued and are valid and binding obligations of the City, are enforceable against the City in accordance with their terms and are limited obligations of the City, payable solely out of Pledged Amounts, as provided in the General Ordinance for the timely payment of the principal thereof, at their respective maturities or redemption dates, and the interest thereon when due.

4. The 2010 Bonds do not pledge the credit or taxing power, nor create any debt or charge against the tax or general revenues of the City, nor do they create any lien against any property of the City other than the revenues, monies and funds pledged in the General Ordinance.

5. The issuance of the 2010 Bonds does not cause the debt of the City to exceed Constitutional debt limitations.

6. Interest (including accrued original issue discount) on the 2010 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, except as to interest on any 2010 Bond during any period such 2010 Bond is held by a person who is a "substantial user" of the facilities financed or refinanced with the 2010 Bond proceeds or a "related person," as those terms are used in Section 147(a) of the Code. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2010 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2010 Bonds to be includable in gross income retroactive to the date of issuance of the 2010 Bonds. The City has covenanted to comply with all such requirements.

Interest on the 2010A Bonds is not subject to the alternative minimum tax imposed on individuals and corporations. Interest on the 2010B Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, such interest on the 2010B Bonds may be subject to certain other taxes affecting corporate holders of the 2010B Bonds. Interest on the 2010C Bonds and 2010D Bonds is treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum tax.

We express no opinion regarding other federal tax consequences relating to the 2010 Bonds or the receipt of interest thereon.

7. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the 2010 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend

to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2010 Bonds or the interest thereon.

We express no opinion with respect to, and assume no responsibility for, the accuracy or completeness of the Preliminary Official Statement or the Official Statement prepared in respect of the offering of the 2010 Bonds, and make no representation that we have independently verified the contents thereof.

Finally, we call to your attention that the rights of the holders of the 2010 Bonds and the enforceability thereof and of the General Ordinance, the Ninth Supplemental Ordinance and the Tenth Supplemental Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws or equitable principles affecting creditors' rights generally.

Very truly yours,

APPENDIX VII

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

$624,665,000
CITY OF PHILADELPHIA, PENNSYLVANIA
Airport Revenue Bonds, Series 2010

Consisting of

$273,065,000 Airport Revenue Bonds Series 2010 A (Non-AMT)	**$54,730,000 Airport Revenue Refunding Bonds Series 2010C (AMT)**
$24,395,000 Airport Revenue Refunding Bonds Series 2010B (Non-AMT)	**$272,475,000 Airport Revenue Refunding Bonds Series 2010D (AMT)**

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered as of this ____ day of November, 2010 by and between the City of Philadelphia, a corporation and body politic existing under the laws of the Commonwealth of Pennsylvania (the "City") and Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent"), in connection with the issuance by the City of $624,665,000 Aggregate Principal Amount, Airport Revenue Bonds, Series 2010 consisting of $273,065,000 Airport Revenue Bonds, Series 2010A (Non-AMT) ("2010A Bonds"), $24,395,000 Airport Revenue Refunding Bonds Series 2010B (Non-AMT) ("2010B Bonds"), $54,730,000 Airport Revenue Refunding Bonds, Series 2010C (AMT) ("2010C Bonds") and $272,475,000 Airport Revenue Refunding Bonds, Series 2010D (AMT) ("2010D Bonds") (collectively the "2010 Bonds").

The 2010 Bonds are being issued and secured under the provisions of The First Class City Revenue Bond Act, P.L. 955, Act No. 234 of the General Assembly of the Commonwealth of Pennsylvania approved October 18, 1972 (the "Act"); the Amended and Restated General Airport Revenue Bond Ordinance, approved June 16, 1995 (Bill No. 950282), as amended and supplemented (the "General Ordinance"), the Ninth Supplemental Ordinance, approved July 2, 2008 (Bill No. 080525) (the "Ninth Supplemental Ordinance"), the Tenth Supplemental Ordinance (Bill No. 100305), approved by the Mayor on June 23, 2010 (the "Tenth Supplemental Ordinance" and together with the Ninth Supplemental Ordinance and the General Ordinance sometimes hereinafter referred to, collectively, as the "Ordinances"). Certain matters concerning the 2010 Bonds have been determined pursuant to the Ordinances by the Bond Committee of the City, consisting of the Mayor, the City Controller and the City Solicitor ("Bond Committee"), in an authorization for the 2010 Bonds dated [_________ __, 2010] ("Bond Authorization").

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1. <u>Definitions.</u>

In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context clearly requires otherwise) terms defined in the recitals hereto shall have such meanings throughout this Disclosure Agreement, and, in addition, the following terms shall have the meanings specified below:

“Airport System” means the Philadelphia International Airport and the Northeast Philadelphia Airport, both of which are currently owned by the City and operated by the Division of Aviation of the City’s Department of Commerce.

“Annual Financial Information” means the financial information and operating data with respect to the Airport System, delivered at least annually pursuant to Section 3 hereof, substantially similar to the type set forth in certain sections of the Official Statement as listed in Section 3(a)(2) hereof and in Appendix I to the Official Statement. The financial statements comprising the Annual Financial Information are prepared according to accounting methods and procedures which conform to generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board.

“Business Day” or “Business Days” means any day other than a Saturday or Sunday or, in the City, a legal holiday or a day on which banking institutions are authorized by law to close or a day on which the Dissemination Agent is closed.

“Disclosure Representative” means the Director of Finance of the City or such other official or employee of the City as the Director of Finance shall designate in writing to the Dissemination Agent.

“EMMA” means the Electronic Municipal Market Access system with a portal at http://emma/msrb.org.

“Fiscal Agent” means U.S. Bank National Association, as fiscal agent under the Fiscal Agent Agreement.

“Material Event” means any of the events listed in Section 4(a) of this Disclosure Agreement, if material within the meaning of the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“National Repository” means any nationally recognized municipal securities information repository now or hereafter designated as such by the Securities and Exchange Commission for purposes of the Rule. Pursuant to an amendment to the Rule, effective July 1, 2009, EMMA is the sole National Repository.

“Obligated Person” means the City and any airline or other entity using the Airport System pursuant to an agreement (for more than one year from the date in question) that includes debt service on the 2010 Bonds as part of the calculation of rates and charges, under which agreement such airline or other entity has paid amounts equal to at least 20% of the Project Revenues (as defined in the Ordinances) of the Airport System for each of the two prior Fiscal Years of the Airport System.

“Official Statement” means the City’s Official Statement dated [October ___, 2010] relating to the 2010 Bonds.

“Participating Underwriters” means any of the original underwriters of the 2010 Bonds required to comply with the Rule in connection with the purchase and reoffering of the 2010 Bonds.

"Registered Owner" or "Registered Owners" means the person or persons in whose name a Bond is registered on the books of the City maintained by the Fiscal Agent in accordance with the General Ordinance. For so long as the 2010 Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owners" shall also mean and include, for the purposes of this Disclosure Agreement, beneficial owners and the owners of book-entry credits evidencing a beneficial ownership interest in the 2010 Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the 2010 Bonds, except those who have filed their names and addresses with the Dissemination Agent for the purpose of receiving notices or giving direction under this Disclosure Agreement.

"Rule" means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time.

"Securities Depository" means The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the Ordinance.

"State Information Depository" means any public or private repository designated by the Commonwealth of Pennsylvania as a state information depository within the meaning of the Rule. As of the date of this Disclosure Agreement, there is no State Information Depository.

All words and terms used in this Disclosure Agreement and defined above or elsewhere herein shall have the same meanings as set forth in the Bond Authorization, the Fiscal Agent Agreement, if defined therein, or in the Ordinances, if defined therein.

Section 2. Authorization and Purpose of Agreement. This Disclosure Agreement is authorized to be executed and delivered by the City pursuant to the Ordinances and the Bond Authorization in order to enable the Participating Underwriters to comply with the requirements of the Rule.

Section 3. Provision and Filing of Annual Financial Information.

(a) Within 240 days of the close of each fiscal year of the City, commencing with the fiscal year ending June 30, 2010, the Disclosure Representative shall file with the Dissemination Agent Annual Financial Information for such fiscal year. The Dissemination Agent shall file promptly upon receipt thereof the Annual Financial Information with EMMA and with the State Information Depository, if any, the Annual Financial Information. Such Annual Financial Information shall include:

(1) commencing with the fiscal year ending June 30, 2010, a copy of the Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, prepared by the office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards board and the American Institute of Certified Public Accountants' Audit Guide, Audits of State and Local Government Units; and

(2) commencing with the fiscal year ending June 30, 2010, to the extent such information is not contained in the CAFR, an update of the information in the Official Statement

contained in "THE AIRPORT SYSTEM - Table 1 History of Applications to Use PFC Revenues," "-Table 2 PFC Revenues Through 6/30/10," "-Table 3 Historical Enplaned Passengers," "-Table 4 Airline Shares of Enplaned Passengers," and "FINANCIAL FACTORS - Table 5 Summary of Historical Project Revenues and Expenses of the Airport System City of Philadelphia" and Appendix I - "Financial Statements of the Division of Aviation."

(b) The Annual Financial Information will contain unaudited financial statements if audited financial statements are not available.

(c) The City agrees to use its reasonable best efforts to cause any Obligated Person (to the extent such entity is not otherwise required under federal law to do so) to make annual financial information available as required by the Rule. The City takes no responsibility for the accuracy or completeness of such filings by any Obligated Person. The City's obligations under this paragraph are limited to and satisfied by the City's transmitting a notice to such Obligated Person that it has become an Obligated Person under this Disclosure Agreement, by enclosing a copy of this Agreement and the Rule, and by requesting that such person transmit back to the City an acknowledgement and acceptance of such person's obligations under the Rule with regard to the 2010 Bonds.

(d) The City may provide the CAFR and the Annual Financial Information with respect to the Airport System by specific cross-reference to other documents which have been submitted to the Repositories or filed with the Securities and Exchange Commission.

(e) The City reserves the right to modify from time to time the specific types of information provided and the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City; provided that the City agrees that any such modification will be done in a manner consistent with the Rule. The City may, at its option, satisfy its obligations by providing an official statement for one or more series of general obligation bonds or lease revenue bonds or by specific reference, in accordance with the Rule, to one or more official statements provided previously and available from the MSRB.

(f) As soon as audited financial statements for the City are available, commencing with the audited financial statements for the fiscal year ending June 30, 2010, the Disclosure Representative shall file the audited financial statements with the Dissemination Agent. The Dissemination Agent shall file promptly upon receipt thereof the audited financial statements with EMMA and the State Information Depository, if any.

Section 4. <u>Material Events.</u>

(a) The City agrees that it shall in a timely manner submit to EMMA through the Dissemination Agent, and to the State Information Depository, if any, notice of the occurrence of any of the following events with respect to the 2010 Bonds if material within the meaning of the Rule (each a "Material Event"):

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements, if any, reflecting financial difficulties;

(5) substitution of credit or liquidity providers, if any, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the 2010 Bonds;

(7) modifications to the rights of the holders of the 2010 Bonds;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the 2010 Bonds; and

(11) rating changes.

The foregoing eleven events are quoted from the Rule. No mandatory redemption shall be deemed a material event.

(b) Whenever the City concludes that a Material Event has occurred, the Disclosure Representative shall promptly notify the Dissemination Agent in writing of such occurrence, specifying the Material Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with EMMA and the State Information Depository, if any. Upon receipt, the Dissemination Agent shall promptly file such notice with EMMA and the State Information Depository, if any. In addition, the Dissemination Agent shall file with EMMA and the State Information Depository, if any, notice of any failure by the City or the Dissemination Agent to timely file the Annual Financial Information as provided in Section 3 hereof, including any failure by the City or the Disclosure Representative to provide the Annual Financial Information on or before the date specified in Section 3(a) hereof, no later than noon of the following Business Day.

(c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in clauses (a)(1), (3), (4), (5), (8) or (9) of this Section 4, notify the Disclosure Representative of the occurrence of such event and shall, within three Business Days after giving notice to the Disclosure Representative, file notice of such occurrence with the EMMA and the State Information Depository, if any, unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice because the event has not occurred or the event is not material within the meaning of the Rule.

(d) The Dissemination Agent shall prepare an affidavit of mailing for each notice delivered pursuant to clauses (b) and (c) of this Section 4 and shall deliver such affidavit to the City no later than three Business Days following the date of delivery of such notice.

(e) The Dissemination Agent shall request the return from EMMA, and the State Information Depository, if any, of acknowledgement or receipt of any notice delivered to EMMA and the State Information Depository, if any. Upon the return of all completed acknowledgements of a notice, the Dissemination Agent shall prepare an affidavit of receipt specifying the date and hour of receipt of such notice by each recipient to the extent such information has been provided to the Dissemination Agent. Such affidavit of receipt shall be delivered to the City no later than three Business Days following the date of receipt by the Dissemination Agent of the last completed acknowledgement.

Section 5. Amendment; Waiver.

(a) Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement or waive any of the provisions hereof by a writing executed by each of the parties hereto, provided that no such amendment or waiver shall be executed by the parties hereto or be effective unless:

(i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in identity, nature or status of the Airport System, the City or the governmental operations conducted by the City;

(ii) this Disclosure Agreement, as amended by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the 2010 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the Registered Owners of the 2010 Bonds.

(b) Evidence of compliance with the conditions set forth in clause (a) of this Section 5 shall be satisfied by the delivery to the Dissemination Agent of an opinion of counsel having recognized experience and skill in the issuance of municipal securities and federal securities law, acceptable to both the City and the Dissemination Agent, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a)(i), (a)(ii), and (a)(iii) of this Section 5.

(c) Notice of any amendment or waiver containing an explanation of the reasons therefor shall be given by the Disclosure Representative to the Dissemination Agent upon execution of the amendment or waiver and the Dissemination Agent shall promptly file such notice with EMMA and the State Information Depository, if any. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner, including owners of book-entry credits who have filed their names and addresses with the Dissemination Agent.

Section 6. Other Information.

(a) Nothing in this Disclosure Agreement shall preclude the City from disseminating any other information with respect to the City or the 2010 Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the Annual Financial Information and the notices of Material Events specifically provided for herein, nor shall the City be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the City to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the City shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

(b) Nothing in this Disclosure Agreement shall relieve the Dissemination Agent of any of its duties and obligations under the Ordinances or the Bond Authorization,

(c) Except as expressly set forth in this Disclosure Agreement, the Dissemination Agent shall have no responsibility for any continuing disclosure to the Registered Owners, EMMA or any State Information Depository.

Section 7. Default.

(a) In the event that the City or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Registered Owner of the 2010 Bonds shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the City or the Dissemination Agent to perform each and every term, provision and covenant contained in this Disclosure Agreement. The Dissemination Agent shall be under no obligation to take any action in respect of any default hereunder unless it has received the direction in writing to do so by the Registered Owners of at least 25% of the outstanding principal amount of the 2010 Bonds and if, in the Dissemination Agent's opinion, such action may tend to involve expense or liability, unless it is also furnished with indemnity and security for expenses satisfactory to it.

(b) A default under the Disclosure Agreement shall not be or be deemed to be an Event of Default under the 2010 Bonds, the Ordinances, the Bond Authorization or the Act and the sole remedy in the event of a failure by the City or the Dissemination Agent to comply with the provisions hereof shall be the action to compel performance described in Section 7(a) above.

Section 8. Concerning the Dissemination Agent.

(a) The Dissemination Agent accepts and agrees to perform the duties imposed on it by this Disclosure Agreement, but only upon the terms and conditions set forth herein. The Dissemination Agent shall have only such duties in its capacity as are specifically set forth in this Disclosure Agreement. The Dissemination Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, and other experts, officers, or employees selected by it, and the written advice of such counsel or other experts shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Dissemination Agent shall not be answerable for the default or misconduct of any attorney, agent, expert or employee selected by it with reasonable care. The Dissemination Agent shall not be answerable for the exercise of any discretion or power under this Disclosure Agreement or liable to the City or any other person for actions taken hereunder, except only its own willful misconduct or negligence.

(b) The City shall pay the Dissemination Agent reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including reasonable fees and expenses of its counsel or other experts, as shall be agreed upon by the Dissemination

Agent and the City. Nothing in this Section 8(b) shall be deemed to constitute a waiver of governmental immunity by the City. The provisions of this Section 8(b) shall survive termination of this Disclosure Agreement.

(c) The Dissemination Agent may act on any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Disclosure Agreement; and the Dissemination Agent shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement in the absence of actual notice to the contrary. The Dissemination Agent shall be under no obligation to institute any suit, or to take any action under this Disclosure Agreement, or to enter any appearance or in any way defend in any suit in which it may be made a defendant, or to take any steps in the execution of the duties hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified by the Registered Owners to its satisfaction against any and all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements, and against all liability; the Dissemination Agent may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Dissemination Agent, without indemnity.

Section 9. <u>Term of Disclosure Agreement.</u>

This Disclosure Agreement shall terminate as to each series of Bonds upon (1) payment or provision for payment in full of such series of Bonds; (2) repeal or rescission of Section (b)(5) of the Rule; or (3) a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

Section 10. <u>Beneficiaries.</u>

This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent and the Registered Owners from time to time of the 2010 Bonds and nothing herein contained shall confer any right upon any other person.

Section 11. <u>Notices and Filings.</u>

(a) Any written notice to or demand may be served, presented or made to the persons named below and shall be sufficiently given or filed for all purposes of this Disclosure Agreement if deposited in the United States mail, first class postage prepaid, or in a recognized form of overnight mail or by telecopy with confirmation of receipt, addressed:

(i) to the Dissemination Agent at:

[Digital Assurance Certification, LLC
390 North Orange Avenue, Suite 1750
Orlando, FL 32801
Attention:
Fax: (407) 515-6513]

(ii) to the City or the Disclosure Representative at:

City of Philadelphia
Office of the Director of Finance
Municipal Services Building
1401 J.F.K. Boulevard
Philadelphia, PA 19102
Attention: Director of Finance
Fax: (215) 568-1947

(iii) to the MSRB at:

Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314
Telecopier No.: (703) 797-6700

or such other addresses as may be designated in writing to all parties hereto.

(b) Any filing under this Disclosure Agreement must be submitted to the EMMA website with a portal at http://emma/msrb.org as a word-searchable portable document.

Section 12. No Personal Recourse.

No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the City (including without limitation, the Disclosure Representative), or of any successor body as such, either directly or through the City or any such successor body, under any constitutional provisions, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

Section 13. Controlling Law.

The laws of the Commonwealth of Pennsylvania shall govern the construction and interpretation of this Disclosure Agreement.

Section 14. Removal and Resignation of the Dissemination Agent.

The City has appointed the Dissemination Agent as exclusive Dissemination Agent under this Disclosure Agreement. The City may, upon 30 days' written notice to the Dissemination Agent and the Fiscal Agent, replace or appoint a successor Dissemination Agent. Upon termination of the Dissemination Agent's services as Dissemination Agent, whether by notice of the City or the Dissemination Agent, the City agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Agreement for the benefit of the holders of the 2010 Bonds. Notwithstanding any replacement or appointment of a successor, the City shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty days' prior written notice to the City.

Section 15. Successors and Assigns.

All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the City or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 16. Headings for Convenience Only.

The descriptive headings of this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 17. Counterparts.

This Disclosure Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 18. Entire Agreement.

This Disclosure Agreement sets forth the entire understanding and agreement of the City and the Dissemination Agent with respect to the matters herein contemplated and no modification or amendment of or supplement to this Disclosure Agreement shall be valid or effective unless the same is in writing and signed by the parties hereto.

Section 19. Severability.

In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision or the Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall be construed and enforced as if such illegal or invalid or inoperable portion were not contained herein.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Disclosure Agreement to be executed by the Director of Finance and [DIGITAL ASSURANCE CERTIFICATION, L.L.C.], as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its duly authorized officers, all as of the day and year first above written.

CITY OF PHILADELPHIA, PENNSYLVANIA

By:______________________________
Director of Finance

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent

By:______________________________
Authorized Officer

ACKNOWLEDGEMENT AND AGREEMENT:

US Airways, Inc. ("US Airways") hereby acknowledges its current status as an Obligated Person hereunder and the City's undertaking to provide information in accordance with the Rule as described herein. So long as it is an Obligated Person, US Airways agrees to make available, within 120 days after the end of its fiscal year (December 31), with respect to the information regarding US Airways set forth in the Official Statement under the caption "THE AIRPORT SYSTEM - Information Concerning the Signatory Airlines" such information regarding itself and its operations as is required by the Rule.

US AIRWAYS, INC.

By:______________________________
Name:
Title:

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APPENDIX VIII

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer 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. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

By ____________________________
Authorized Officer

(212) 826-0100

Form 500NY (5/90)

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